

The geography of EU discontent and the revenge of places that don't matter

Andrés Rodríguez-Pose

Professor of Economic Geography, London School of Economics

ESPON Seminar

New Narratives for Territorial Development

5/6 December 2018 // Vienna, Austria

**Places that matter/
Places that don't**

The dominant narrative



Tim Leunig

16 October 2008, Liverpool Cathedral

- “Liverpool's time is past”
- “Regeneration spending towns” have slipped back relative to Britain's most successful towns.
- If we really want to give people in Liverpool, Sunderland, opportunities, we need to let many of them move to the south-east.
- We should convert half of the industrial land in the South East into housing: gain 200,000 houses,
- We also need to expand London – making it a mile bigger would create 400,000 new houses.
- And add a million houses in Oxford and Cambridge, along the model of America's Silicon Valley.

Places that matter/don't matter



London

Matter



Cambridge



Middlesbrough



Birmingham



Sheffield

~~Don't Matter~~

Cities: the bigger the better

Agglomeration and density

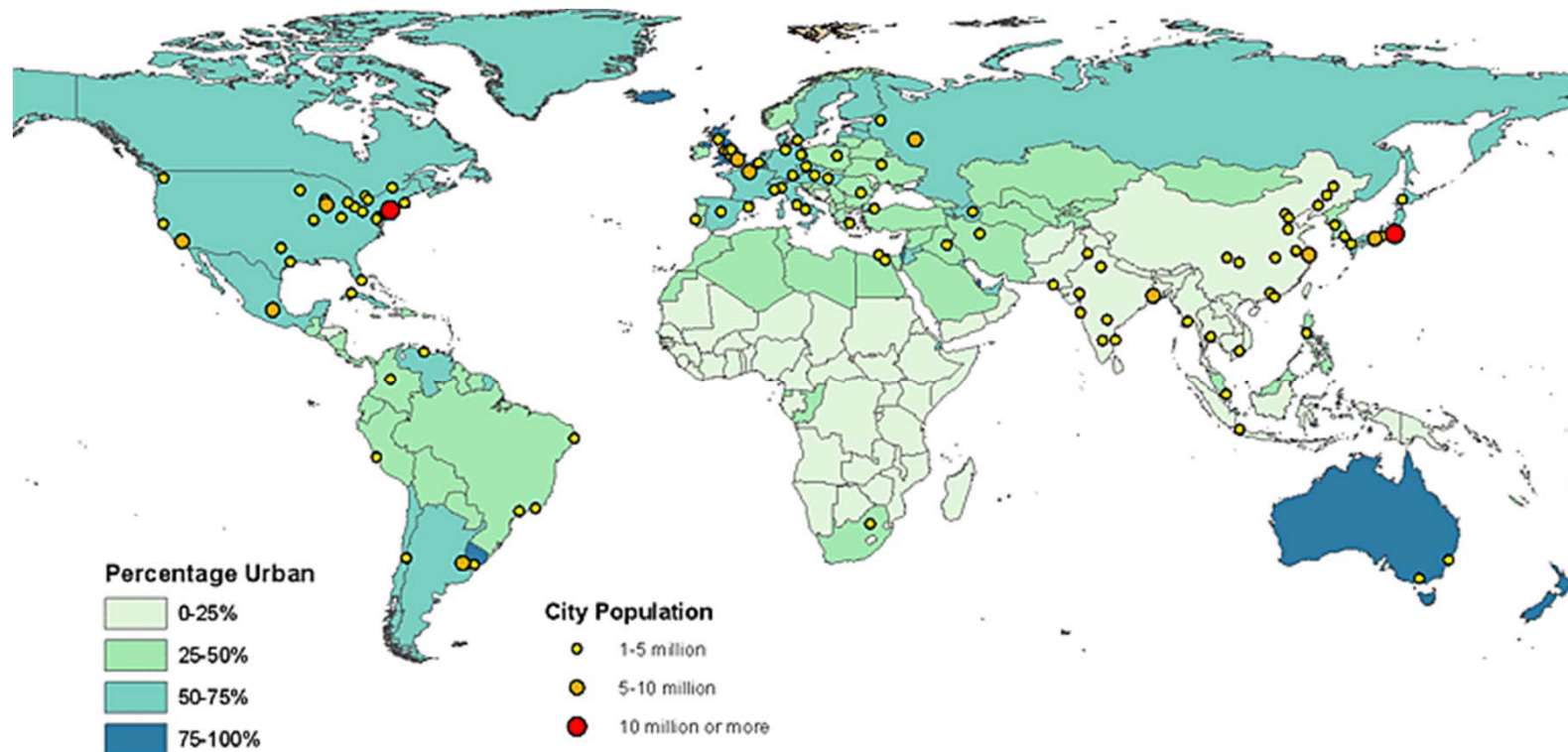
- **Glaeser (2012) Triumph of the City**
 - Subtitle: “How our greatest invention makes us richer, smarter, greener, healthier, and happier”
 - “Urban density provides the clearest path from poverty to prosperity” (page 1)
- **Combes, P.-P., Duranton, G., Gobillon, L., Puga, D. and Roux, S. (2012) The Productivity Advantages of Large Cities: Distinguishing Agglomeration From Firm Selection. Econometrica, 80: 2543–2594. RTD basic for long term growth**
 - “There are substantial productivity benefits for all firms in denser areas that are even stronger for more productive firms” (page 2570)
 - “Firms in denser areas are, on average, about 9.7 percent more productive than in less dense areas” (page 2584)

And transport costs

- Decline in transport costs which fuels agglomeration and density

More urbanization and bigger cities

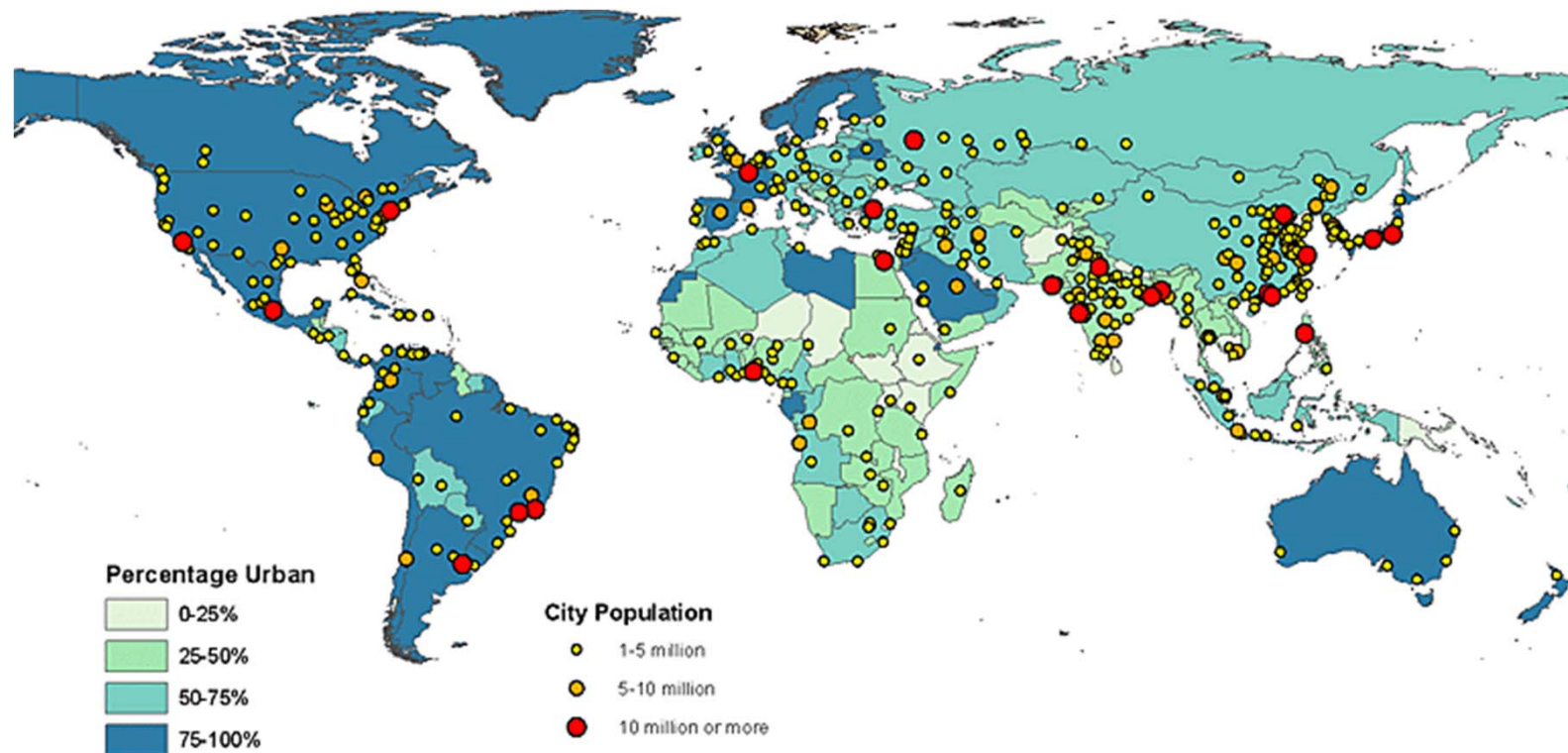
1960



Source: World Urbanization Prospects
2011

More urbanization and bigger cities

2011



Source: World Urbanization Prospects
2011

Big cities, drivers of growth



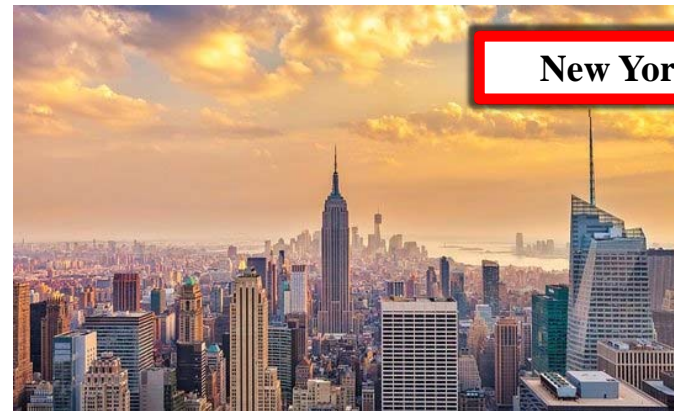
London



Paris



Tokyo



New York

Size matters



London



Paris



Liverpool



Marseille



Newcastle



Lille

Investing in big cities as the future

“No country has grown to high income without vibrant cities. The rush to cities in developing countries seems chaotic, but it is necessary. It seems unprecedented, but it has happened before”

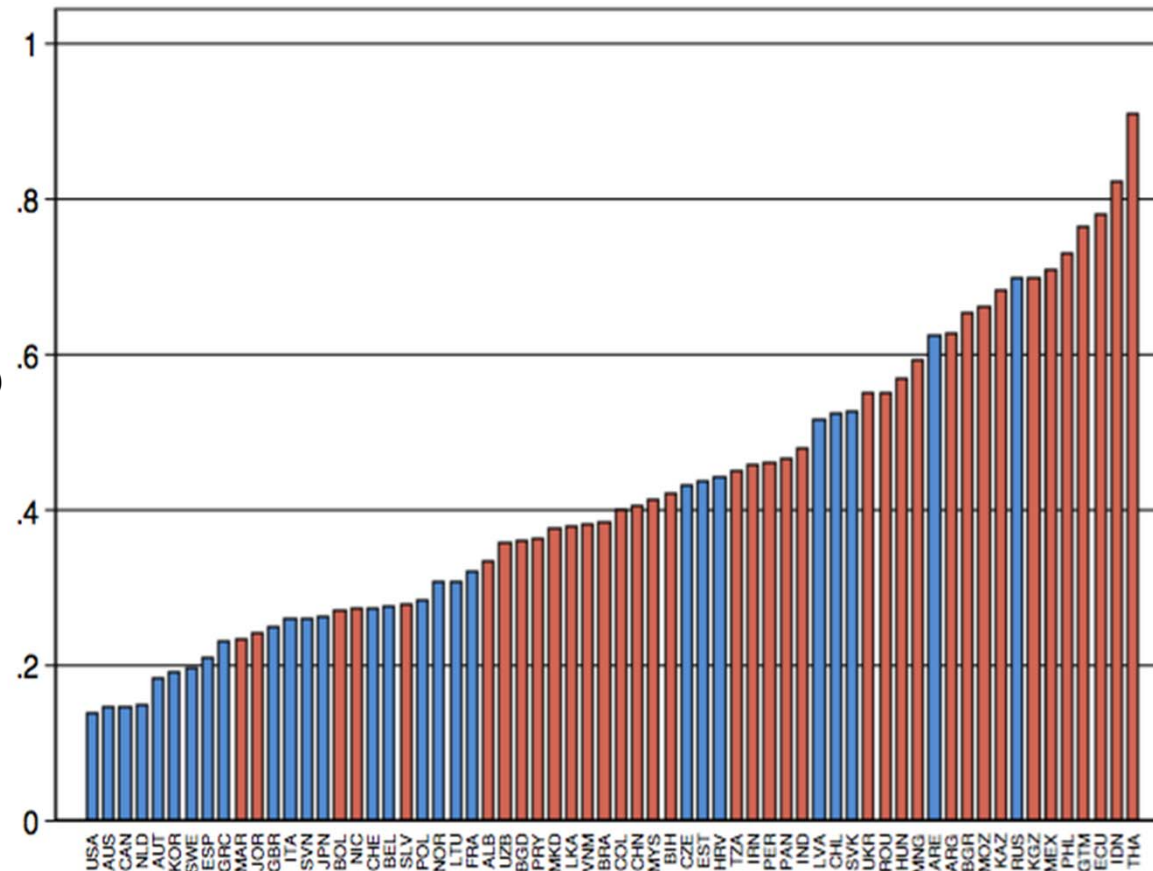
World Development Report 2009



The consequences

Inequality is the norm

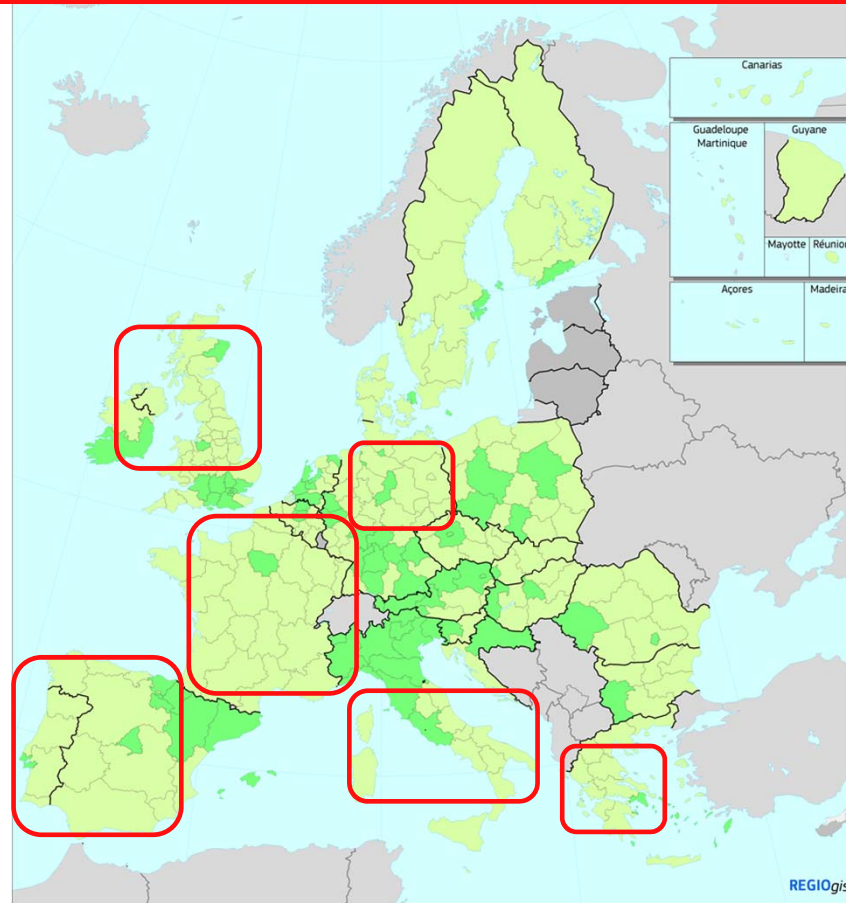
Territorial inequality
in the world
(Second Theil Index)



Growing territorial inequality: Europe

Many regions underperform in the national context

Emergence of a middle income trap



Over-performers and under-performers

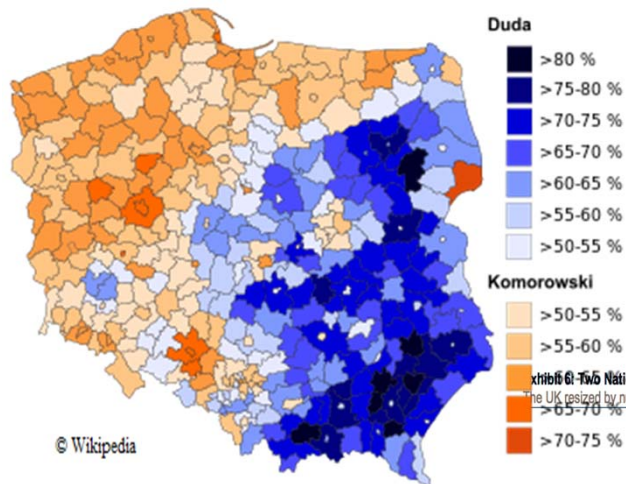
underperformer
overperformer
not applicable

Source: Eurostat, DG REGIO

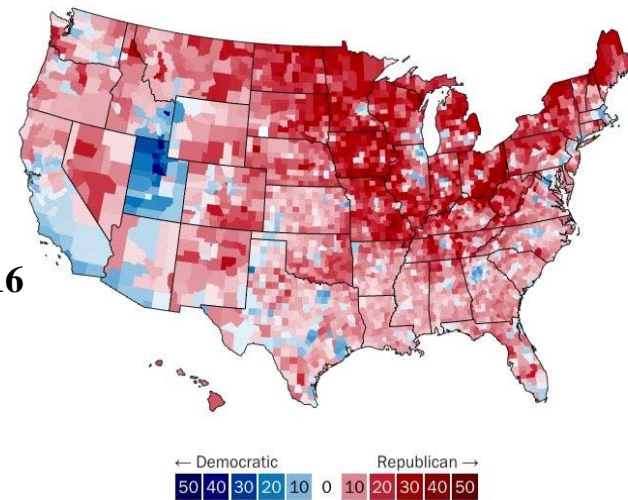
The reaction

The precursors

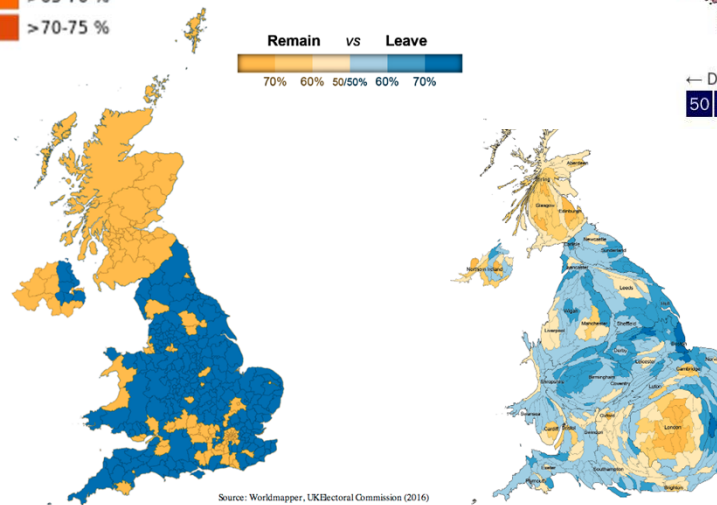
Poland, 24 May 2015



USA Trump swing , 8 November 2016

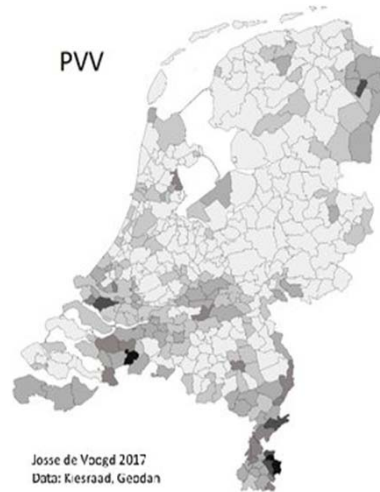


Brexit, 23 June 2016

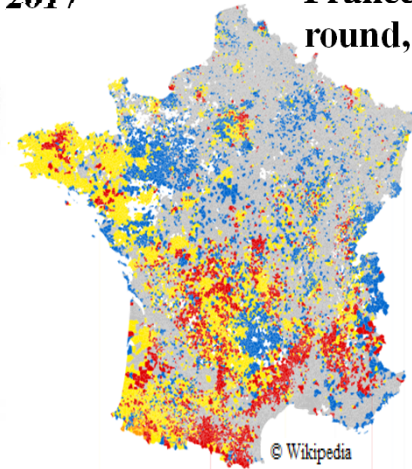


The flood

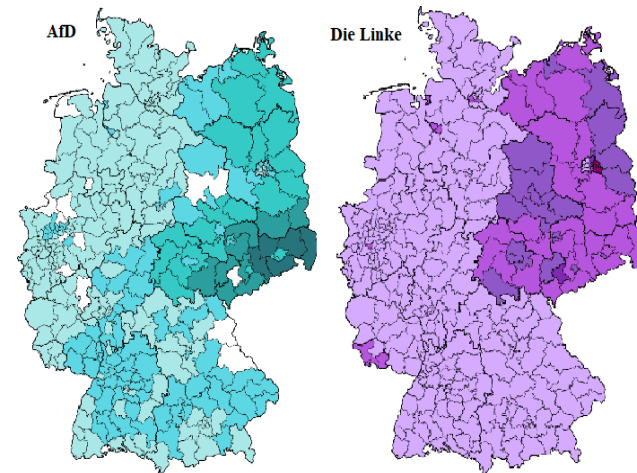
Netherlands, 15 March 2017



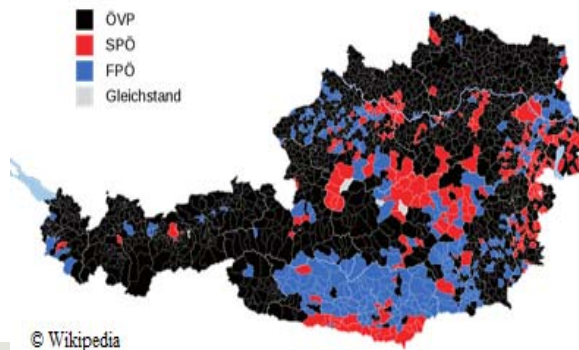
France, presidential first round, 23 April 2017



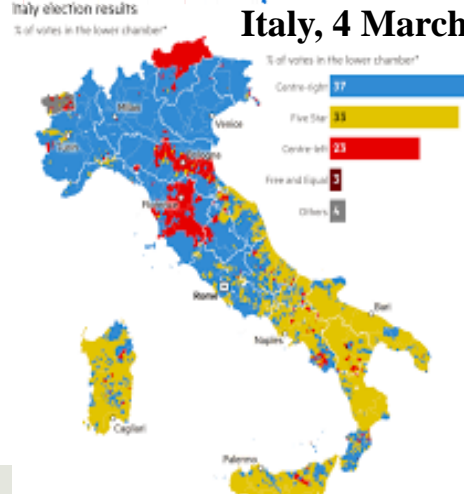
Germany, 24 September 2017



Austria, 15 October 2017



Italy, 4 March 2018

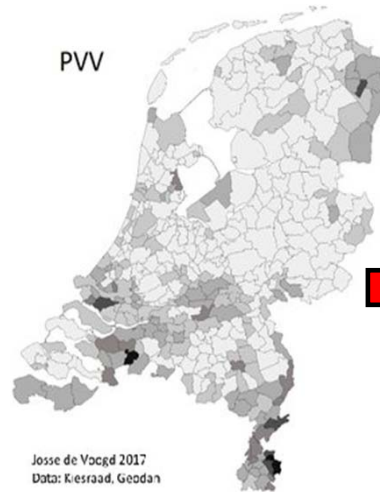


Hungary, 8 April 2018

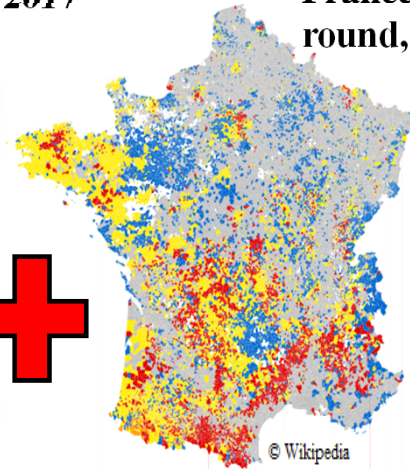


The results of the flood

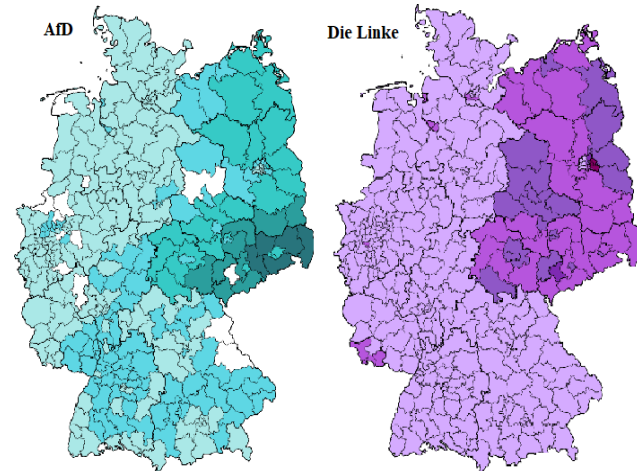
Netherlands, 15 March 2017



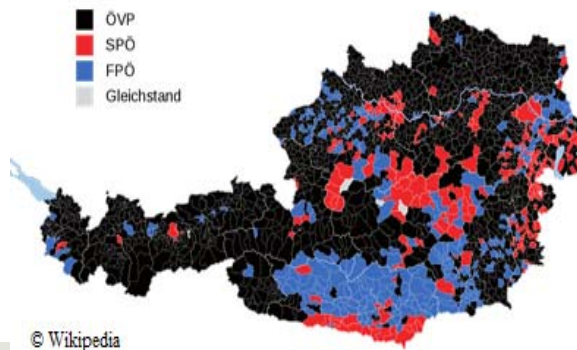
France, presidential first round, 23 April 2017



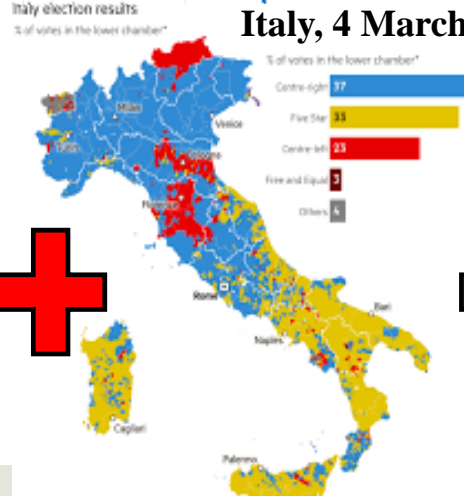
Germany, 24 September 2017



Austria, 15 October 2017



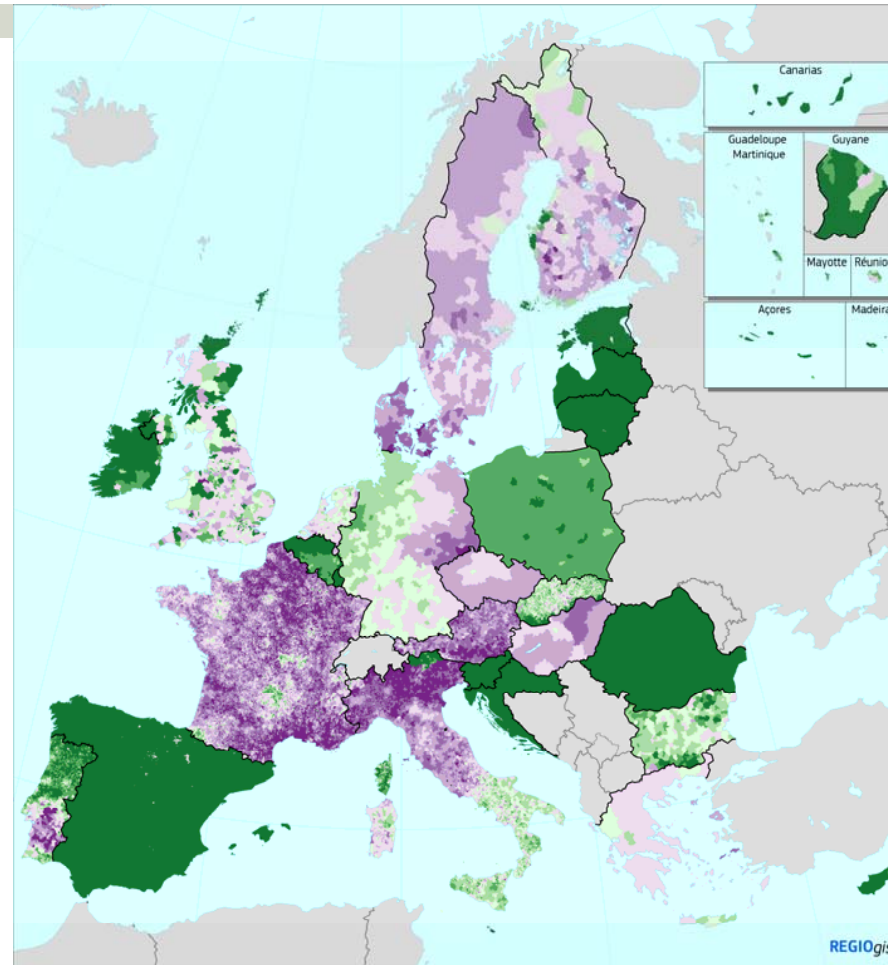
Italy, 4 March 2018



Hungary, 8 April 2018



Strong anti-Europeanism or Euroscepticism



Minimum share of votes for parties (strongly) opposed to European integration, 2013-2018

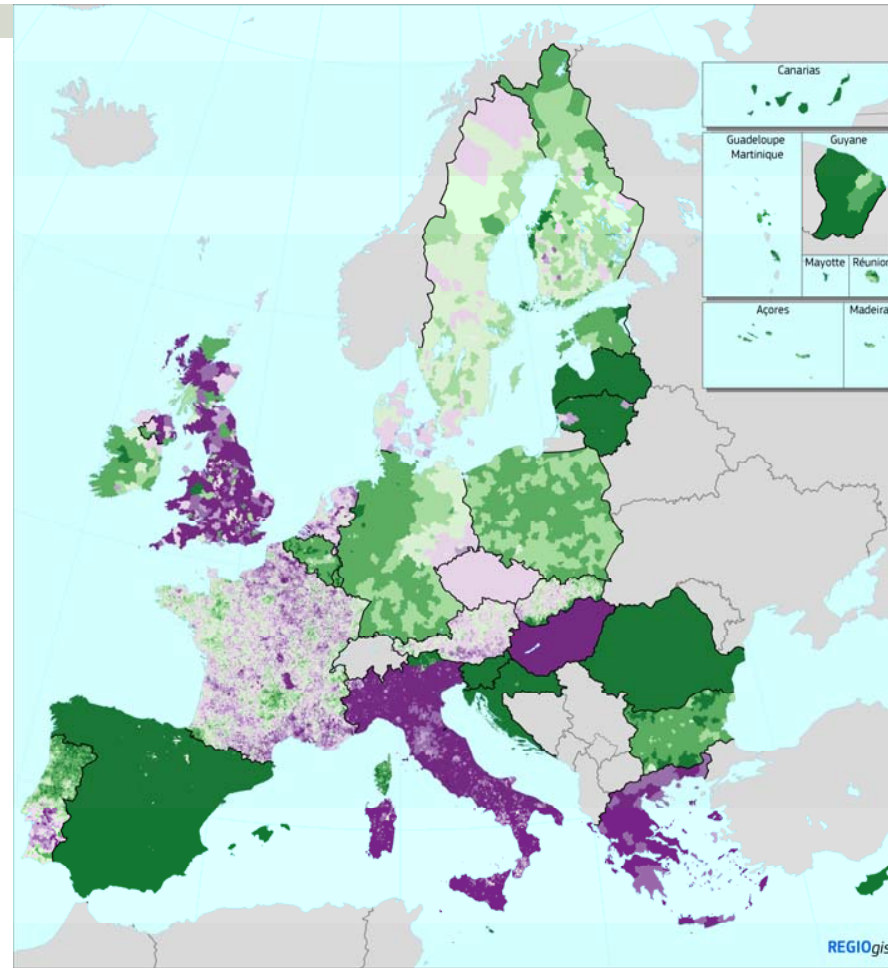


Sources: national authorities, CLEA, Chapel Hill Expert Surveys 2014 and 2017, EuroGeographics, DG REGIO
Election years:
2018: IT
2017: BG, CZ, DE, FR, MT, NL, AT
2016: IE, ES, HR, CY, LT, RO, SK
2015: DK, EE, EL, PL, PT, FI, UK
2014: BE, LV, HU, SI, SE
2013: LU
EU-28 average = 13.4%

0 500 km

© EuroGeographics Association for the administrative boundaries

Anti-Europeanism or Euroscepticism



Minimum share of votes for parties somewhat opposed, opposed or strongly opposed to European integration, 2013-2018

% of valid votes

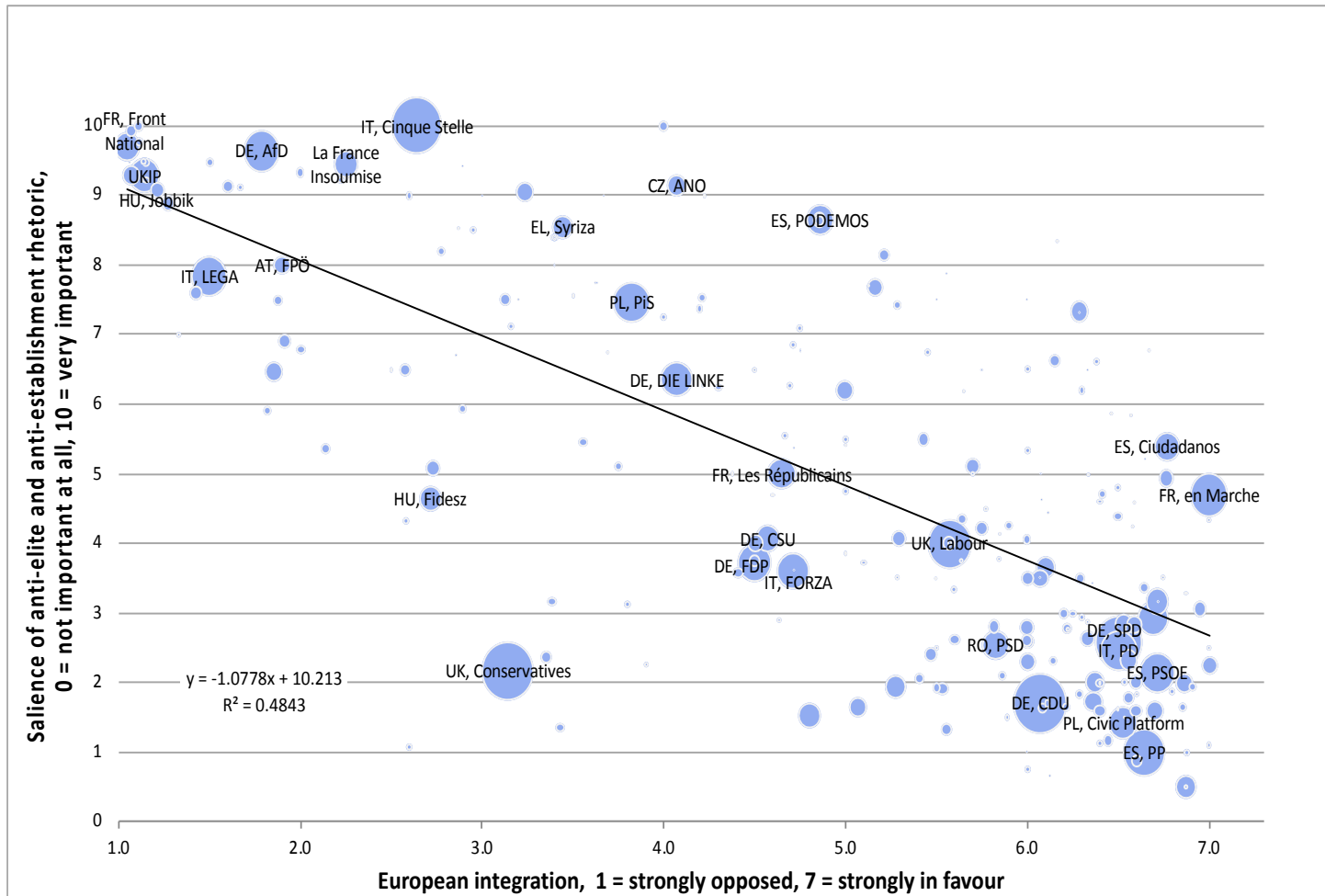


Sources: national authorities, CLEA, Chapel Hill Expert Surveys
2014 and 2017, EuroGeographics, DG REGIO
Election years:
2018: IT
2017: BG, CZ, DE, FR, MT, NL, AT
2016: IE, ES, HR, CY, LT, RO, SK
2015: DK, EE, EL, PL, PT, FI, UK
2014: BE, LV, HU, SI, SE
2013: LU
EU-28 average = 26.7%

0 500 km

© EuroGeographics Association for the administrative boundaries

Anti-Europeanism and populism



What determines the rise of anti-Europeanism?

The left behind

A series of individual characteristics: “Older, working-class, white voters, citizens with few qualifications, who live on low incomes and lack the skills that are required to adapt and prosper amid the modern, post-industrial economy” (Goodwin & Heath, 2016: 325)



Goodwin & Heath (2016); Hobolt (2016); Ford & Goodwin (2017); Essletzbichler et al. (2018); Gordon (2018)



Hobolt (2016); Tyson & Maniam (2016); Antonucci et al. (2017); Becker et al. (2017); Bonikowski, 2017; Essletzbichler et al. (2018); Gordon (2018); Lee et al. (2018); Rodrik (2018)

The left behind (II)



Goodwin & Heath (2016); Hobolt (2016); Antonucci et al. (2017); Becker et al. (2017); Ford & Goodwin (2017); Rodrik (2018)



Becker et al. (2017); Los et al. (2017); Rodrik (2018)



Rodrik (2018)

The left behind (III)



Lee et al. (2018); Gordon (2018)

A geography of discontent

Refers to a series of geographical characteristics: “Local economic conditions were the single most important factor driving the pattern of voting” (Los et al., 2017: 788) (see also Garretsen et al., 2018)

Linked to the so-called “great inversion”: Once prosperous rural areas and small and medium-sized cities have suffered relative economic decline and job loss (Moretti, 2012; Storper, 2013; Martin et al., 2018)



Rodden (2016); Cramer (2017); Bonikowski (2017); Essletzbichler et al. (2018); Martin et al. (2018); Gordon (2018)

A geography of discontent (III)



Johnson (2015); Goodwin & Heath (2016); Shafique, 2016; Tyson & Maniam (2016); Becker et al. (2017); Essletzbichler et al. (2018); Martin et al. (2018); Rodrik (2018)



Lee et al. (2018)



Goodwin and Heath (2016); Hobolt (2016); Becker et al. (2017); Ford and Goodwin (2017); Goodwin and Milazzo (2017); Lee et al. (2018); Rodrik (2018)

The places that don't matter

Geography of discontent mostly linked to the crisis, often overlooking long-term processes of decline

Theory of the revenge of the places that don't matter
(Rodríguez-Pose, 2018): Anti-system vote linked to long-term decline by neglected places (or places that feel neglected).

Different types of long-term decline



**What has driven this
'revenge'?**

Economic decline a driver of anti-Europeanism

DEP. V.: Share of vote for parties opposed to European integration	Strongly opposed (1) OLS	Strongly opposed and opposed (1 & 2) OLS	Strongly to moderate (1, 2 & 3) OLS
Economic change	-0.69266*** (0.000)	-2.10537*** (0.000)	-0.55057*** (0.000)
Population density	-0.00024*** (0.000)	-0.00043*** (0.000)	0.00010*** (0.000)
Distance to the capital	-0.00265*** (0.000)	-0.00103*** (0.000)	-0.00219*** (0.000)
GDP per capita	0.04176*** (0.000)	0.11045*** (0.000)	0.07000*** (0.000)
Employment	-0.16178*** (0.000)	-0.14491*** (0.000)	-0.26329*** (0.000)
Population 65 and over	-0.26127*** (0.000)	0.05510*** (0.000)	-0.02545** (0.000)
Education	-0.18333*** (0.000)	-0.16978*** (0.000)	-0.08907*** (0.000)
Migration	-0.26622*** (0.000)	0.04181*** (0.000)	-0.01563 (0.000)
Share of no CHES vote	-0.09780*** (0.004)	-0.22435*** (0.005)	-0.28251*** (0.006)
Observations	63,307	63,307	63,307
R-squared	0.67014	0.61962	0.74615
Country FE	YES	YES	YES
Adjusted R-squared	0.670	0.619	0.746
F test	5167	9757	20420

Robust standard errors in parentheses.
*** p<0.01, ** p<0.05, * p<0.1

Main results stand

Density and rurality only apply for extreme anti-European options
Once moderate anti-European parties are included, urban dwellers are more likely to vote for parties against European integration

Ageing not an issue

- Regions with older population tend to vote less for extreme anti-European parties
- As is the case with moderate anti-European parties

Migration not an issue

- Connected to a lower share of anti-European vote
- People who interact with migrants less likely to vote anti-European

Four factors consistent and significant across different degrees of anti-Europeanism:
Economic change, GDP per capita, Education
Employment

Does all decline lead to populism?

	GDP per capita change OLS	Industrial change OLS	Employment change OLS	Demographic change OLS
Economic change	-2.10537*** (0.067)			
Change in industrial employment		-0.31374*** (0.012)		
Change in employment			0.50161*** (0.088)	
Population change				0.65785*** (0.021)
Controls	YES	YES	YES	YES
Country FE	YES	YES	YES	YES
Observations	63,307	63,307	63,307	63,307
R-squared	0.61962	0.61709	0.61387	0.61880
Adjusted R-squared	YES	YES	YES	YES
F test	0.619	0.617	0.614	0.619

Robust standard errors in parentheses.
 *** p<0.01, ** p<0.05, * p<0.1

Economic and industrial
decline as the drivers of
anti- European integration
vote

Employment and
population growth,
by contrast, linked
to higher votes for
anti-system options

Left behind vs places that don't matter

The left behind



Education an important factor for support (or lack of it) for European integration



Local wealth an important factor for anti-Europeanism. But, in contrast to expectations, once other factors are controlled for, richer places are more anti-European

Left behind vs places that don't matter

The left behind (II)



Low levels of employment a moderately important factor in the geography of EU discontent



Presence of an elderly population does not result in greater anti-EU vote. Once the economic trajectory, levels of education and the wealth of the place are controlled for, areas with large shares of elderly population tend to vote less for both radical and moderate anti-EU parties

Left behind vs places that don't matter

The places that don't matter



Migration, a marginal player, if at all. Places with higher share of migrants tend to vote less for parties strongly opposed to European integration



Density and rurality has less of a role than predicted by US political scientists. Once moderate anti-European parties are considered, more dense places resort to anti-EU vote

Left behind vs places that don't matter

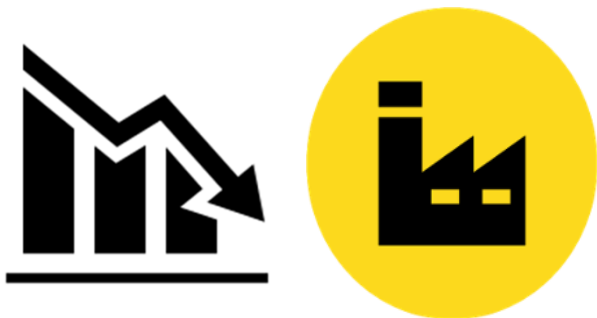
The places that don't matter (II)



Distance to the capital not always significant. If anything, areas farther away from national capitals tend to be more pro-European integration

Left behind vs places that don't matter

The places that don't matter (III)



Long-term economic and industrial decline as the main drivers of anti-EU vote



Population decline and low employment levels do not have the same effect in generating a geography of discontent. The creation of sheltered economies may be a factor behind this difference

Are we surprised?

Economists got it wrong

Challenge has come from an unexpected source

Told to expect *negative externalities*

- Land rents
- Congestion
- Pollution

Told to expect *Inequality: Interpersonal*

- But the poorest of the poor have not rebelled: Trump and Brexit votes

But a fundamental negative externality overlooked

- **Territorial inequality**

- Territories left behind
 - Long-periods of low-, no- or negative-growth
 - Industrial and agricultural decline
 - Brain drain
 - **No hope** ➡ Geographies of discontent

**Territorial policy more needed
than ever
But, what type of policy?**

Has nothing been done?

No, quite a lot has been done for these areas

- **National level**
 - Welfare transfers
 - Public employment
- **Regional level**
 - Big investments in infrastructure
 - White elephants: Big motorways, empty airports, under-used high speed trains

The real economic potential of these areas has not been mobilised

- Policies have often promoted collusion, corruption and poor government
- Perpetuating the impression that there is no future
- Or that the future inevitably passes through big cities
 - This is massively resented

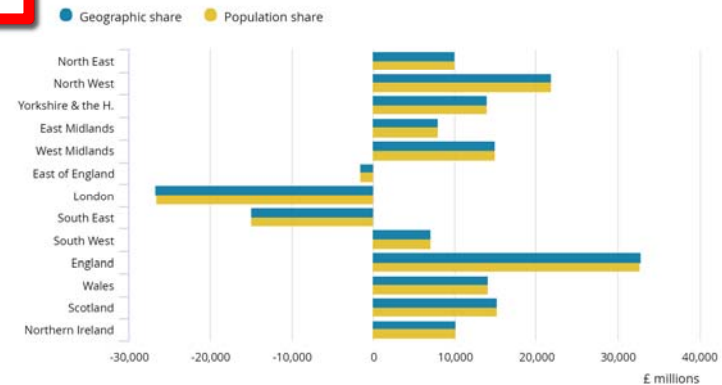
Fiscal transfers

USA



UK

Figure 1: Net Fiscal Balance FYE 2016, by country and region

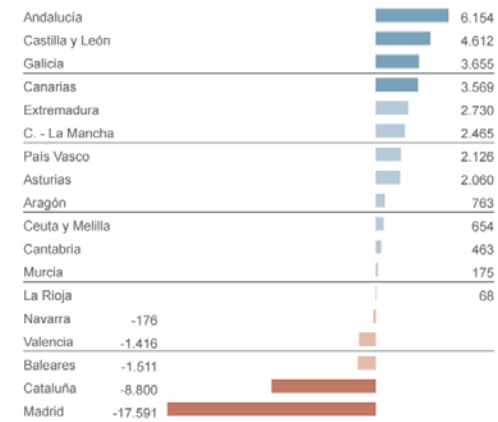


Source: Office for National Statistics

Spain

Las balanzas fiscales en las CCAA

En millones de euros

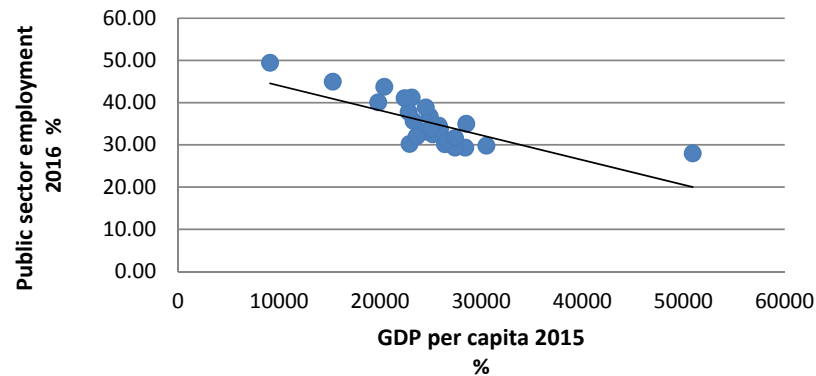


Fuente: M. de Hacienda y AAPP

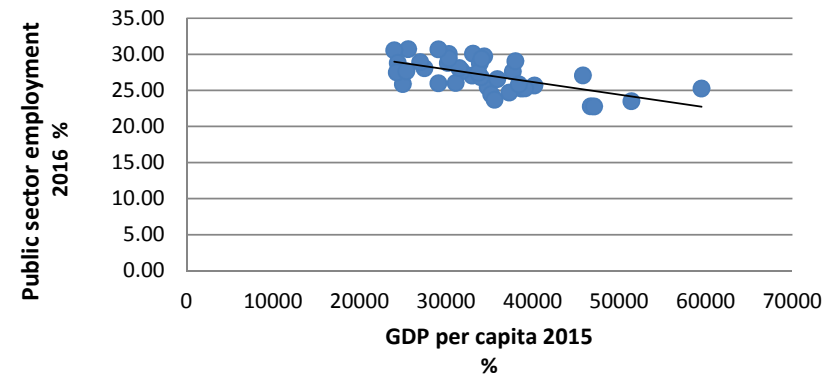
J. Aguirre / EL MUNDO GRÁFICOS

Public employment

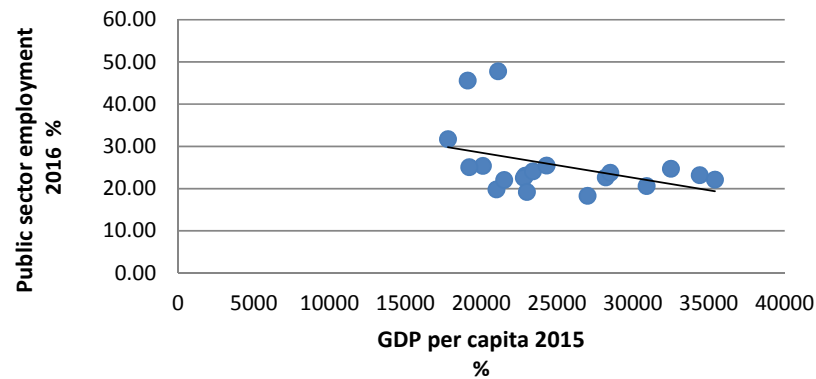
France



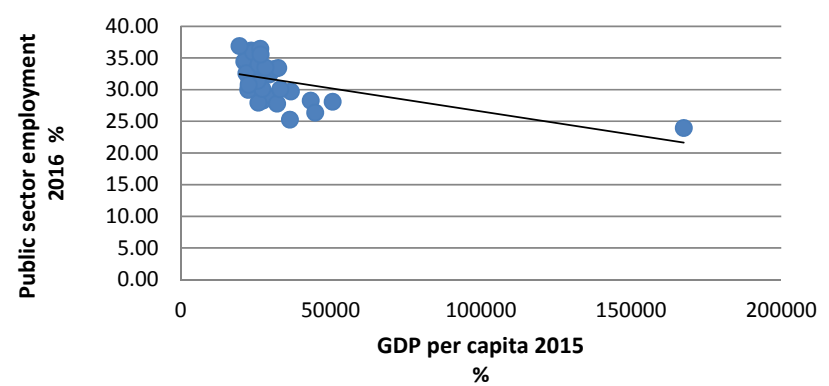
Germany



Spain



United Kingdom



Expo Station, Seville



'Radial' motorways, Madrid



AVE Toledo-Albacete



Castellón Airport



July 17, 2015 5:38 pm
Spanish ghost airport costing €1bn attracts offer of just €10,000
Tobias Buck in Madrid



Ciudad Real Airport

Towards a different policy

Towards a different policy

The problem is territorial/ **Places matter**

We need *better*, not more, not less policy

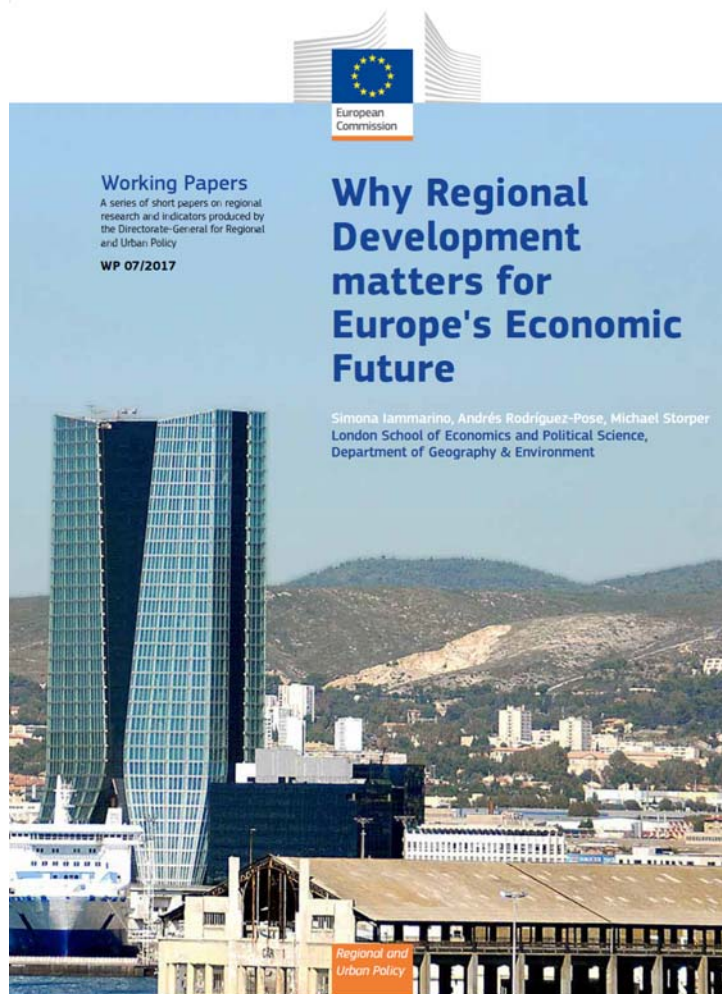
But a different policy

- Away from simply providing welfare
- Away from sheltering less developed regions
- Away from big, visible white elephants

Place-sensitive policy

- Place-sensitive distributed development policies (PSDDP)
 - Strongly based on theory and evidence
 - But sensitive to the different conditions of clubs of regions
 - Aimed at tapping local potential
 - And enhancing the opportunities of every territory (entrepreneurship, skills, absorption of innovation)
 - Offering portable skills
 - Tackling institutional inefficiencies and bottlenecks head on

How to go about doing it?



Journal of Economic Geography (2018) pp. 1–26

doi:10.1093/jeg/lby021

Regional inequality in Europe: evidence, theory and policy implications

Simona Iammarino, Andrés Rodríguez-Pose and Michael Storper¹

Department of Geography and Environment, London School of Economics, Houghton Street, London WC2A 2AE, UK

¹Correspondence to: email <m.storper@lse.ac.uk>

Abstract

Regional economic divergence has become a threat to economic progress, social cohesion and political stability in Europe. Market processes and policies that are supposed to spread prosperity and opportunity are no longer sufficiently effective. The evidence points to the existence of several different modes of regional economic performance in Europe, responding to different development challenges and opportunities. Both mainstream and heterodox theories have gaps in their ability to explain the existence of these different regional trajectories and the weakness of the convergence processes among them. Therefore, a different approach is required, one that strengthens Europe's strongest regions but develops new approaches to promote opportunity in industrial declining and less-developed regions. There is ample new theory and evidence to support such an approach, which we have labelled 'place-sensitive distributed development policy'.

Keywords: Regions, inequality, economic divergence, place-sensitive development, European Union

JEL classifications: R11, R12, R58

Date submitted: 25 August 2017 **Editorial decision:** 25 March 2018

Date accepted: 9 April 2018

1. The challenge

Regional inequality is proving too politically dangerous to ignore.

The Economist, 17 December 2016

In the European Union (EU) in the new millennium, inequality among regions¹ has turned sharply up. This is not uniquely a European problem, but one common to many countries, both developed and developing—for example, the inequality in income per person among US metropolitan areas was 30% higher in 2016 than in 1980 (Ganong and Shoag, 2015).

Since the late 1970s, a combination of globalisation and technological change (and some policy choices) have generated what are known as the 'great inversion' and the

¹ Throughout the paper, the level 2 of the EU Nomenclature of territorial units for statistics (NUTS-2) is used when referring to European regions.

Conclusions

Why there is an urgent need to act?

The most negative externality so far has come through the ballot box

The places that don't matter have revolted

- **Those left behind are attacking the very factors on which recent prosperity has been based:**
 - Open markets (goods, services, labour)
 - Migration
 - Access to the single market
 - Membership of the EU
 - Globalisation
- **This will affect**
 - First and foremost them (directly but, especially indirectly) (McCann, Van Oort, Los)
 - Less taxes – less welfare
 - Less inward investment (manufacturing) – less jobs for the medium-skilled
 - But also the foundations of the recent prosperity on the dynamism of agglomerated poles (London and the South East, Paris, Milan, Frankfurt, Munich)

Fixing the places that don't matter

Responding to this geography of EU discontent, requires addressing the places that feel left behind

- **Focusing not only the least developed areas**
- **Or in the areas showing the greatest potential**
- **But considering long-term economic decline**
 - Long-periods of low-, no- or negative-growth
 - Industrial decline
 - Low employment rates
 - Brain drain
- **But this requires a different type of policy**
 - Place-sensitive distributed development policies

The geography of EU discontent and the revenge of places that don't matter

Andrés Rodríguez-Pose

More papers at:

<http://personal.lse.ac.uk/rodrigu1/>



@rodriguez_pose

This presentation will be made available at: www.espon.eu/xxx