

## Cities, regions and the crisis (FOCI)

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## The space and the crisis

- Big crises lead to new forms of regulation of the capitalism (Boyer, Aglietta)
- New capitalist regulations lead to new spatial dynamics
- The past could help to read the future if we think that we face a structural crisis

# I. The crisis of the 30's and the fordist capitalism

The crisis and the war led to a new capitalist regulation which took form immediately after the end of the war.

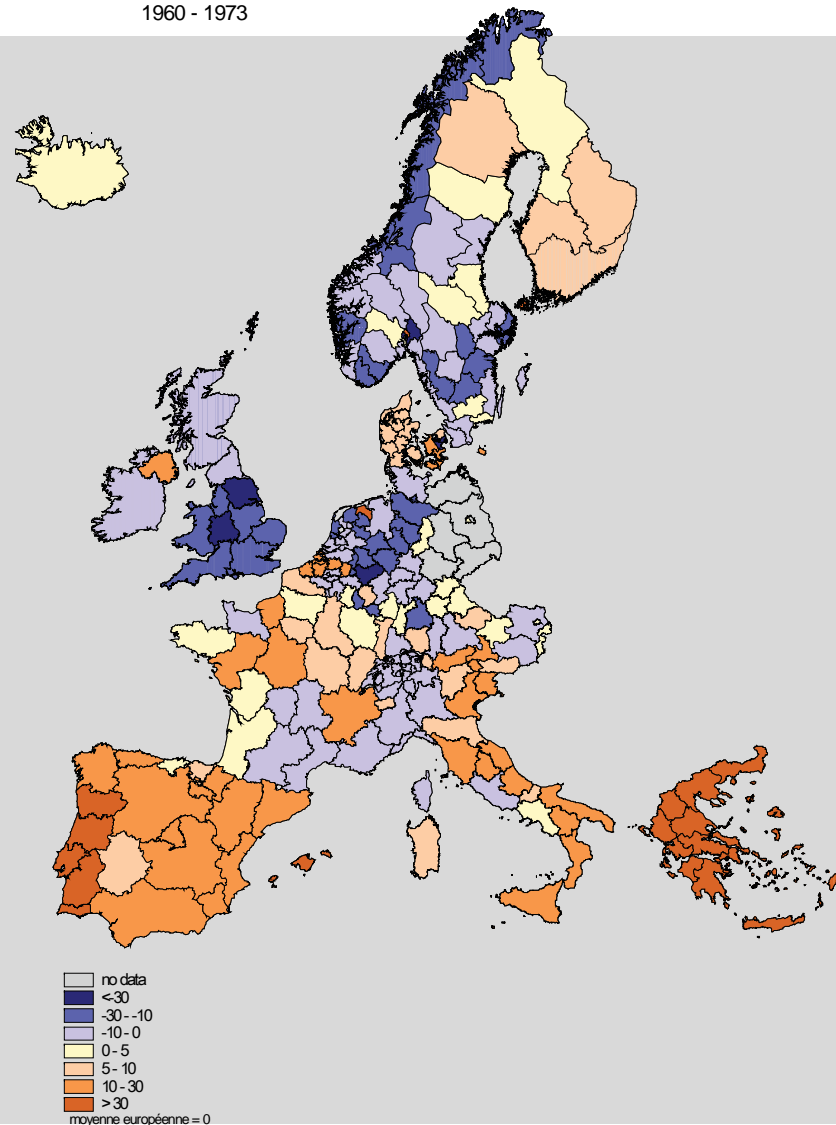
This new regulation is characterized by:

- A strong social compromise (salaries, social security);
- Mass consumption
- A hierarchichal vertical organization of big enterprises (fordist enterprises)
- Taylorization of the working process in the new growth industries (automotive for example)
- A strong regulation of the financial economy
- An important role of the state in the economy

## Spatial dynamics of **the** fordist capitalism

- Catching up process of peripheral Europe;
- Levelling of space across and inside the nations: importance of the suburbanization, roads and cars process of growth
- Weak relative growth in the major cities (deindustrialization and loss of relative advantages)
- Winning regions are:
  - . The fordist basins
  - . The SME marshallian regions
- Losing regions are the old industrial regions

Relative evolution of GDP  
1960 - 1973



## II. The crisis of the 1970s and the flexible capitalism

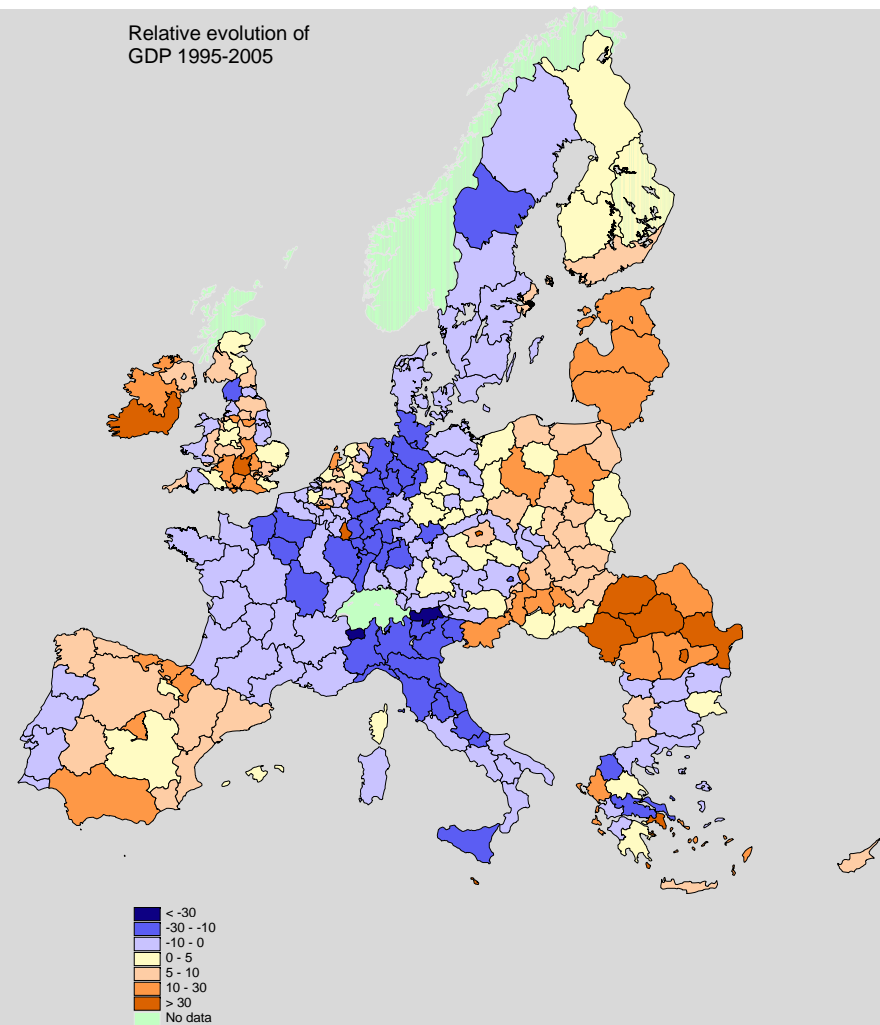
Crisis of the keynesian-fordist capitalism (organization and resistance of labour, growing complexity of the markets, end of the growing process based on cars...).

The new regulation (flexible capitalism) takes form in the 80's:

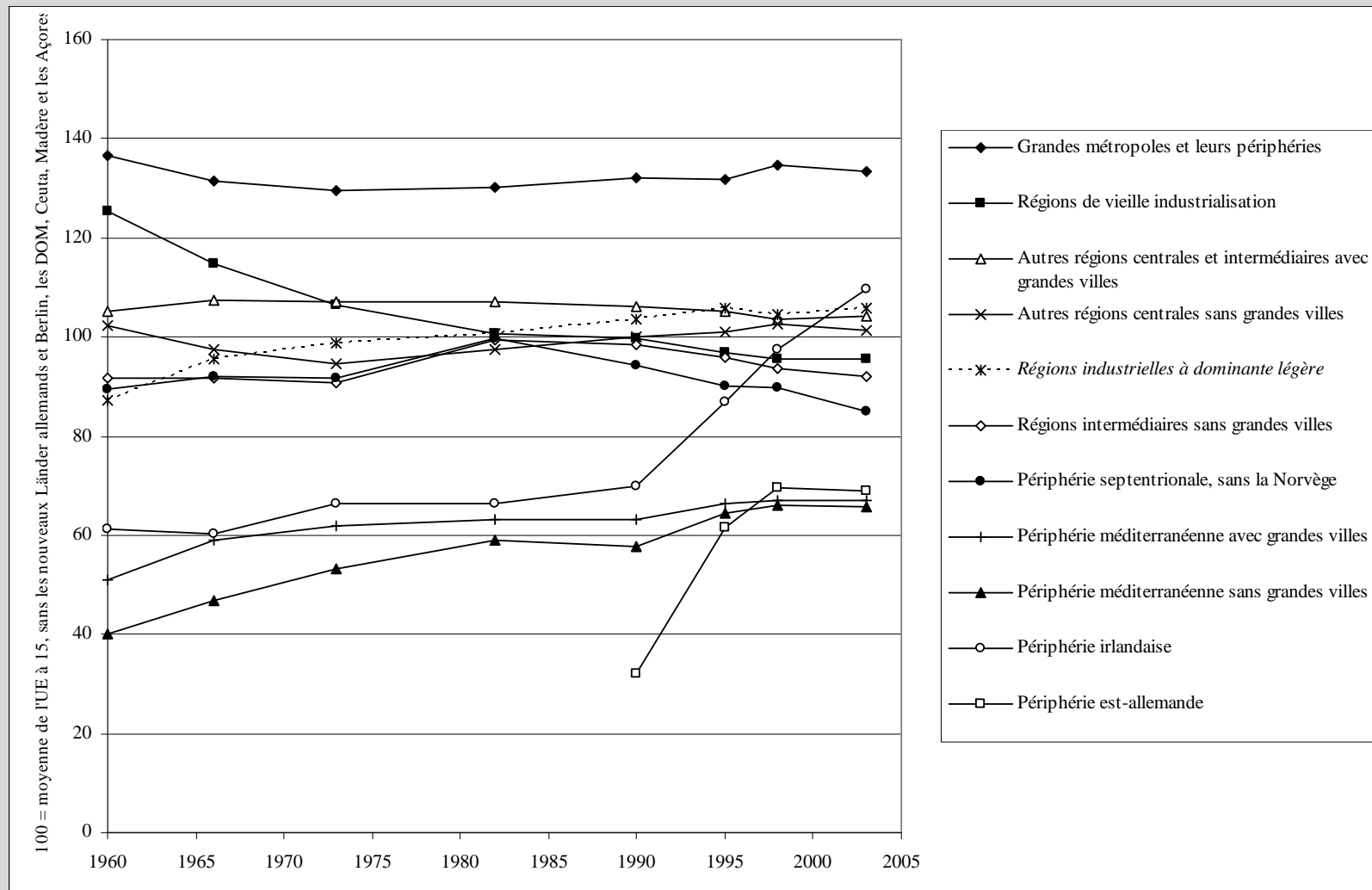
- End of the social compromise (profits rates are restored to the detriment of salaries);
- Flexible organization of enterprises (core business);
- Flexible organization of work (increase of precarious forms of work...);
- Globalization of capital (FDI and financial flows) facilitated by deregulation since the 80's

## Spatial dynamics of the flexible capitalism

- Remetropolization process (global networks, densities, commanding and knowledge economy...)
- The destiny of districts
- The diversity of peripheries
- Persisting crisis of old industrial regions
- The importance of border effects despite EU integration and globalization



# Synthesis



### III. The crisis : crisis of flexible capitalism?

Two perspectives on the crisis

1°) Mainly a conjunctural crisis originated in the financial deregulation;

2°) A structural crisis of the flexible capitalism which is mainly explained by a structural underconsumption process related to growing inequalities during the three last decades. (High levels of profits feed the financial machine while low salaries lead to indebtedness)

Comparison with the 30's

If it is a structural crisis a new regulation will take place with new spatial dynamics. But the transition period will probably be long and uncertain (like the 30's or the 73-79 period)!



## What can we say about this future ? (and especially the impact on the cities)

### 1. The short term perspective

- Metropolitan areas could suffer more;
- Industrial cities (low/middle technologies) could also suffer more.

### 2. The long term perspective

- The metropolitan regions : two contradictory process : financial crisis versus knowledge/commanding economy. New regulations will be decisive (for example « growing globalization » or « new protectionism »);
- Industrial cities which are not specialized in the high tech activities or commanding/conception/research activities will suffer;
- In between regions/cities will suffer (see the Northern Portugal for example). Some Eastern regions could be part of that if they are not able to grow up in the value chain

## Synopsis of drivers for the elaboration of scenarios (persisting versus new trends)

### ***Economy:***

Continuing trends:

- Progress of the knowledge economy
- Progress of the service sector
- Further decline of manufacturing activities
- Further external competition from emerging economies
- Further leadership of metropolitan areas (most likely)
- High importance of qualification
- Long-term trend of growing energy price
- The importance of national trends

### ***Economy:***

Recession and afterwards lower growth rates than before the crisis

- Deglobalisation of certain sectors due to the crisis
- Evolution of domestic demand in the EU: will depend upon the macro-economic policies applied
- Revival of endogenous growth: will depend upon the macro-economic policies applied
- FDI: Strong reduction in the short and medium term
- Access to credits for investments: more controlled and restricted
- Development of “green economy”

## Synopsis of drivers for the elaboration of scenarios (persisting versus new trends)

### *Urban systems and cities*

- Further leadership of metropolitan areas
- Further progress of suburbanization (depending upon the economic situation)
- Further development of networks of cities (if new protectionism does not take place)

### *Urban systems and cities*

- Strong impacts in the short term of the decline of building activities
- Higher short-term sensitiveness to the crisis of cities strongly dependent upon manufacturing industries, FDI and tourism
- Strong impact of the increase of public investments in infrastructures and in the “green economy”
- Improvement of the urban environment thanks to new transport technologies
- Possible benefits for medium-sized and small towns from the revival of the endogenous economy

## CONCLUSION

Impact on the cities can of course not be assessed now (because transition period could be long).

However, it is obvious that cities will react differently according to their size, geographical environment (national and regional) and economic specialization. For example:

- Big metropolitan areas (contradictory trends);
- Industrial cities (economic specialization will be decisive);
- FDI depending cities could suffer compared to commanding ones;
- Specialization in specific high level industrial or services niches will remain and advantage (Toulouse, Oulu, Balears ...).

## CONCLUSION (2)

What are the indicators which could take that into account these processes ? (these indicators are developed in FOCI from different sources)

- sectoral structure while not enough desagregated
- participation in the global networks
- commanding functions and endogeneity versus exogenous development (headquarters, share of independents, cities position in the networks...)
- knowledge functions (level of education, participation to knowledge networks...)