

Local Economic Drivers in European Mega-regions



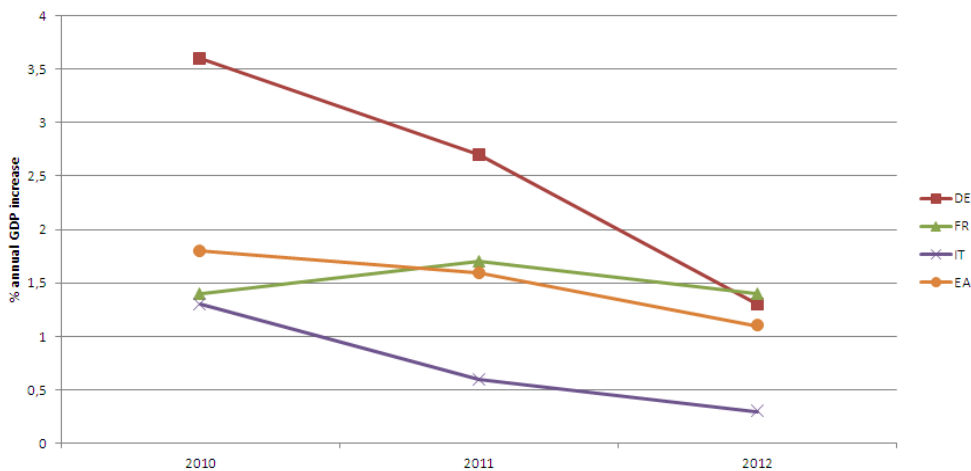
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Given the remit of local decision-makers, what are the crisis effects on mega regions development?

As a decision-maker in urban and regional government, I observe that there are some things over which we have control or influence and others which hit you like meteors or asteroids. In my experience, macroeconomic factors are responsible for about two thirds of these consequences and your own decisions or leadership qualities which are very

important when we talk about governance – cover about one third. You may argue that the percentages are 50/50 or 40/60 but overall your sphere of control is limited. This is an economic outlook projection for some EU countries from the IMF's World Economic Outlook, published this week

Some EU GDP projections
 from IMF WEO 2011



Quelques projections du PIB en 2012 (Allemagne, France, Italie..)

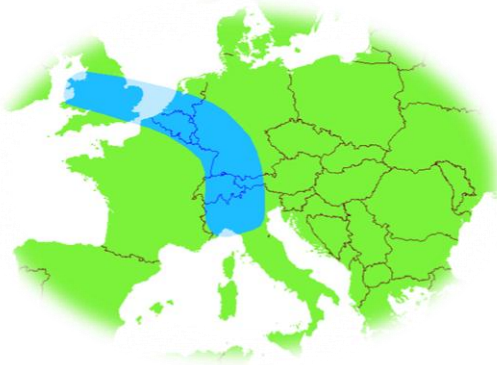
You will see that we are heading in a generally downward direction, including Germany, which is

the motor of the EU. The question, I think to pose to our regions, Ile-de-France among them, is: "Is it a

long term effect? Where are we now with the European crisis?" And if we have effectively no growth, what is the impact of that, and what are the side effects, in particular on the financial, trade and human 'flows'? What are the consequences for our mega-regions?

Financial flows: the expansion of global growth capital flows has been spectacular since the late 1990's and largely resulting from flows to and from the advanced economies; there has been a huge growth in financial flows, from about 7% of world GDP in 1998 to over 20% in 2007 at the peak point before the crash. That is, flows multiplied in 10 years by some 300% in GDP terms. Since 2007 – when flows crashed - the flows come and go with great rapidity and can change their position very rapidly.

What forces will drive business activity in the future?



So what is the future for our European economic "Blue Banana", which runs through parts of the four countries with the largest population?

The issue to me is:

- How can we make an impact on the economy of our regions, through the governments of our regions?
- What are the impacts and issues on the supply side or the demand side?
- And what will be the driving forces of future economic activity?

My impression is that there is an implicit assumption that what we have had for the last 20 years (growing flows, neoliberal policies) will continue, roughly the same and even increase. This may not be right. In any event, under today's austerity programs, people are being asked to accept a 10% cut in real pay in one way or another.

A dual trend: control by European authorities versus control by national governments

What is the impact of all this in our regions? I feel that there is currently a dual tendency - of renationalisation on the one hand, and movement towards the European level on the other; the regional level is, through the austerity programs, moving backwards; look at Spain where the autonomous communities are now really controlled in their finances, possibly for good reasons in some cases. In France too, there is a tendency towards less autonomy for the local and regional governments... And in addition, will we now see more and stronger regulation particularly of financial institutions and flows?

Turning to demographic flows: German and Italian populations are going down; Italy faces a very high debt level, a virtually no growth in GDP and a very ageing population. It is extremely serious. Britain and France, on the other hand, have increasing population which probably has a slightly positive economic impact.

A greener agenda

Then the question is: how do we move to a greener agenda? On my PowerPoint I wrote "car-bon, car-mauvais?" This is sort of code for saying: what is our mobility strategy for the future? What are we doing about greening our economies, and what is the impact of this – can it be a spur to relaunch the economies across Europe? Is there a reality behind discussion of investment packages around the "green new deal"?

Three planning scenarios

What is the future? I think there are three planning scenarios for our regions.

One is the real neo-liberal model, we come to faster, greater flows - here all regions may have some influence in trying to shape the context a little bit, but they are not able to manage or control those flows; it is a free market economy.

The second model, which may be the central scenario, is that you are trying to manage and control flows to a certain extent, not only by regional governments but also by national governments, because you cannot allow the banks and the financial system to run riot in the same way as they did.

The third one is the kind of localisation scenario, with a return to much more local economies, therefore less globalisation, and with more controls over financial flows...