

# Why Territory Matters for Competitiveness and Cohesion?

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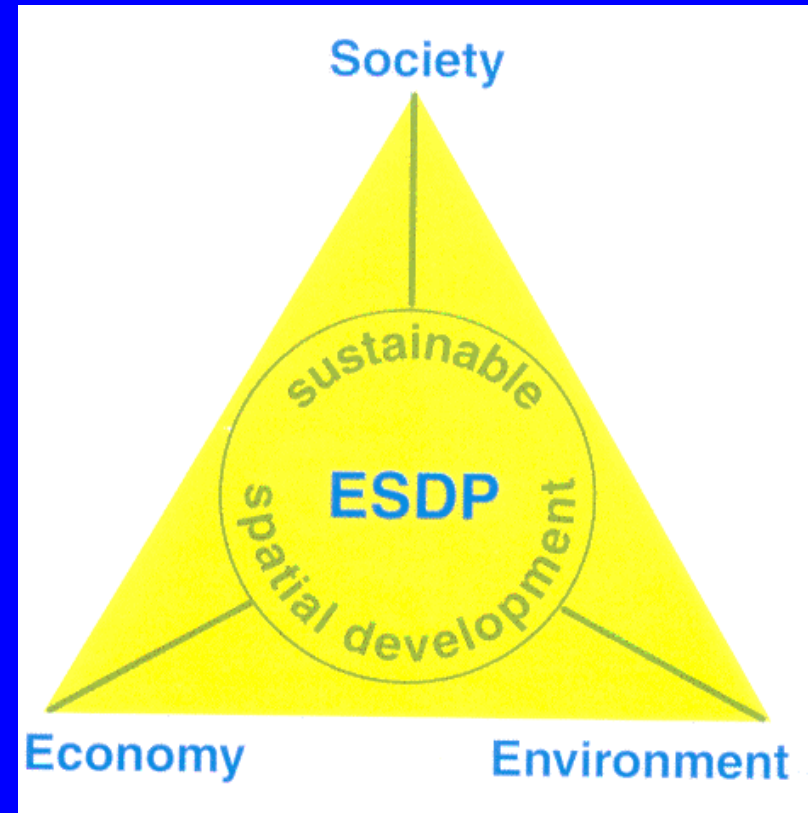


# Outline

- **Why territory matters for competitiveness and cohesion?**
- **Why government policy should have a territorial dimension?**
- **Why, and in what circumstances, should governments intervene in the operation of the free markets?**
- **How territorial policies are changing?**
- **What is the significance of territorial cooperation?**

# Why policy intervention?

- A framework for justifying policy intervention consists of **3 Es** (CLG, 2007):
  - Efficiency rationale
  - Equity rationale
  - Environmental rationale
- This matches the **3 pillars** of EU sustainability agenda
  - Economic competitiveness
  - Social inclusion
  - Environmental protection



# The *Efficiency* Rationale

- Policy intervention is justified if there are market or government failures
- Examples of market failures:
  - Externalities
  - Provision of public goods
- Example of government failures:
  - Unintended consequences of existing policies

# The Efficiency Rationale cont.

- A ‘holy grail’ of economics is to achieve *Pareto efficiency*
- It provides the underlying principle for cost-benefit analyses, but ...
- It does not necessarily result in a socially desirable distribution of resources
- “A society or economy can be Pareto optimal but still be perfectly disgusting”.  
(Amartya Sen)

# The *Equity* Rationale

- Policy intervention is justified if the market outcomes lead to uneven distribution of resources, and if these disparities are considered to be **‘unfair’**
- 3 types of equality:
  - Equality of opportunity
  - Equality of outcome
  - Equality of processes

# The *Environmental* Rationale

- Policy intervention is justified on the ground of protecting or enhancing environmental resources.
- Environmental rationale has both efficiency and equity dimensions
  - **Efficiency:** the market under-values the environment resulting in pollution, depletion of natural resources, etc
  - **Equity:** neither access to environmental goods nor the distribution of environmental bads is universal.
- Inter-generational equity and efficiency issues.

# In applying the 3E Framework

- There are often *tensions* and always *trade-offs* between efficiency, equity and environmental objectives.
- How these tensions and trade-offs are dealt with depends largely on governments' political / ideological stance



# Why territory matters?

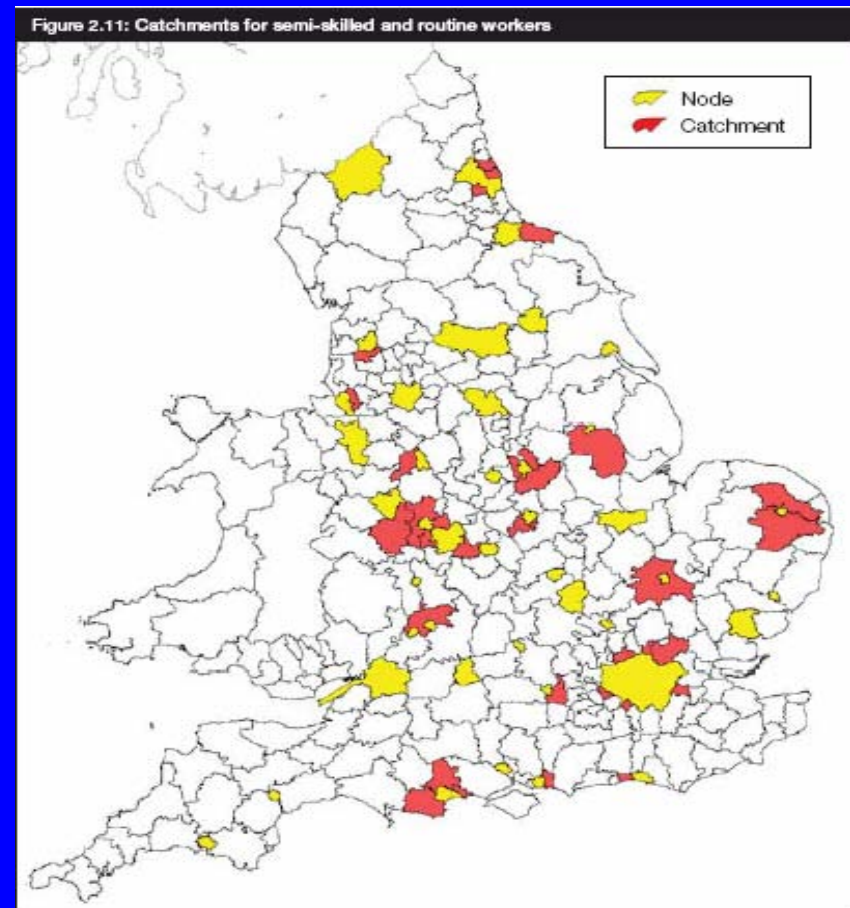
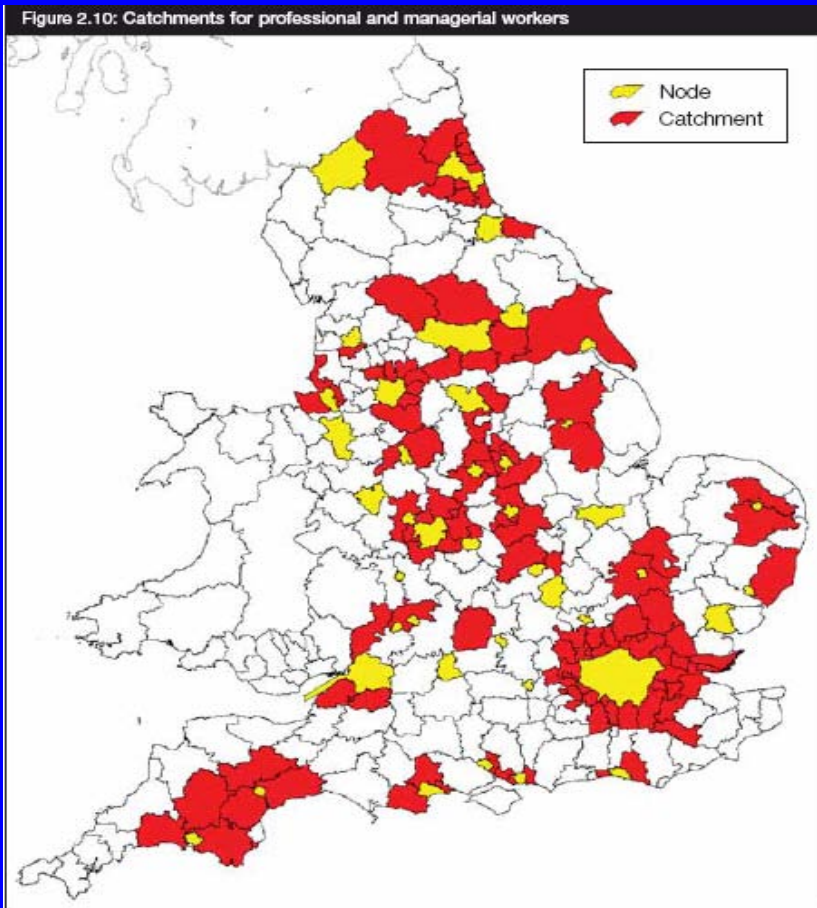
- It matters because of individual identity, social relations, cultural heritage, ...
- It also matters because of the 3E rationales for policy intervention

# On *efficiency* ground, territory matters because:

- Market and government failures impact on different places in different ways
- Distribution of economic activities across Europe is path-dependent.
- Agglomeration forces interact with place-specific factors and result in different outcomes, leading to:
  - Positive externalities in some places; boosting productivity and attracting skilled labour
  - Negative externalities in others; undermining economic performance and people's life chances
- Place is a public good in itself!

# On *equity* ground, territory matters because:

There are limits to people's ability to move  
Not everyone is perfectly mobile!



# On *equity* ground, territory matters because:

- The costs of mobility act as a barrier to people's ability to take advantage of opportunities elsewhere
- Some people will always be left behind!
  - *“People should not be disadvantaged by wherever they happen to live or work in the Union”*  
(EU 3<sup>rd</sup> Cohesion Report)

# ***On environmental ground, territory matters because:***

- The costs of environmental goods vary in different places (efficiency dimension)
- The distribution of environmental bads is uneven across places (equity dimension)

# **Territorial-based policy intervention is justified,**

- A) When spatial market and government failures undermine economic performance and welfare
- B) If people are disadvantaged by where they live, or constrained from taking advantage of opportunities elsewhere
- C) If there are environmental implications of spatial disparities, or equity issues in the distribution of environmental bads

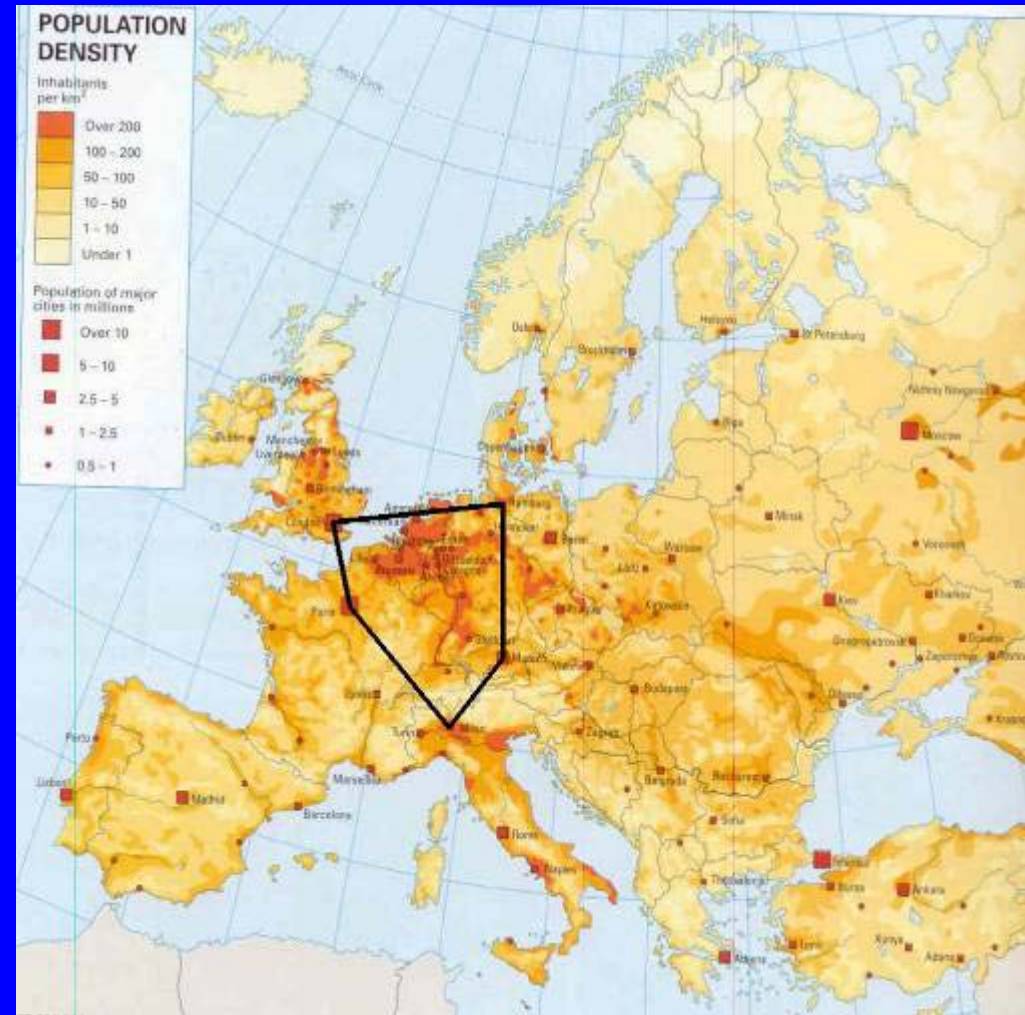
# Territory Matters

- Because, territorially-blind policy interventions fail to reduce persistent:
  - economic inefficiencies
  - social inequities
  - environmental degradations

# The 'pentagon' in the ESDP

London, Paris, Milan,  
Munich and Hamburg

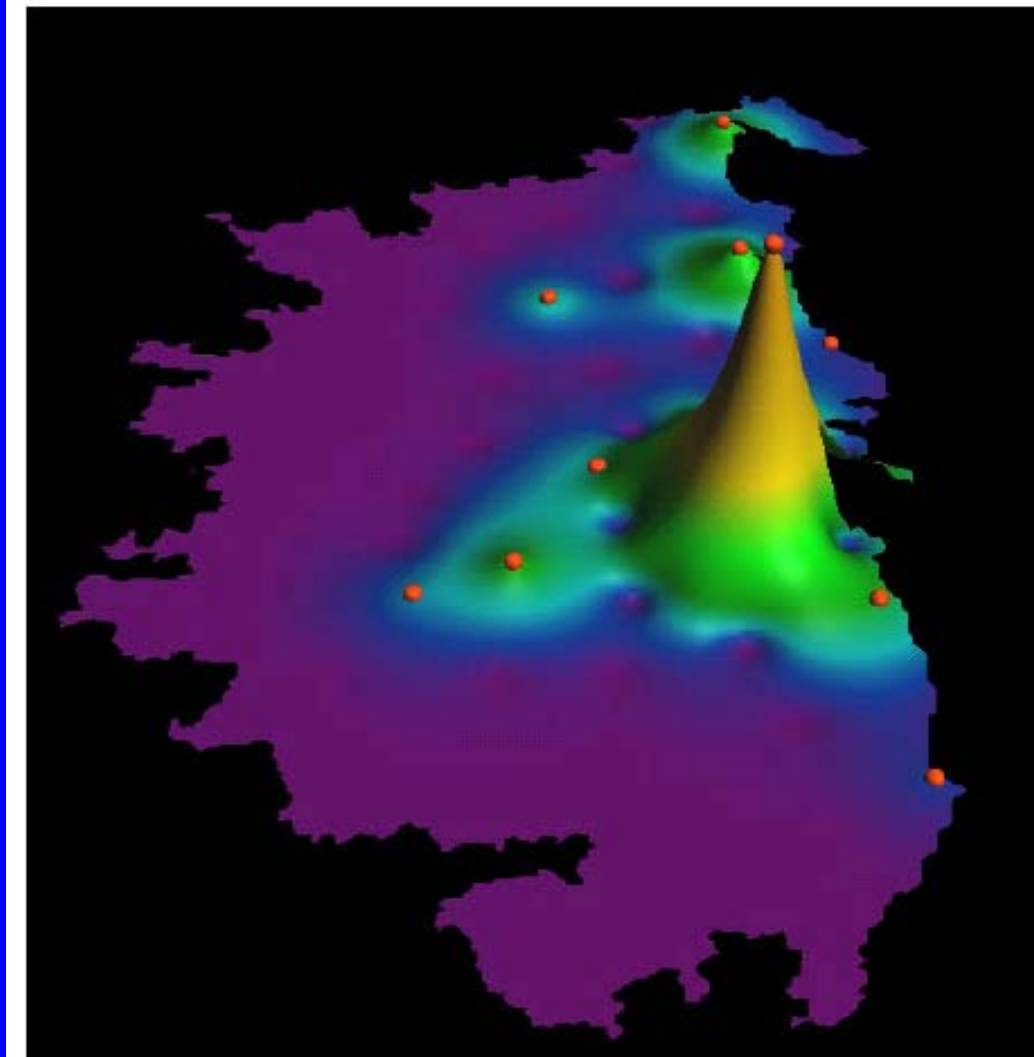
- 14% of area
- 32% of population
- 46% of GDP
- 75% of R&D





# The Greater Dublin Area

- 40% of national population
- 48% of national GVA
- 70% of major Co. HQs
- 80% of government agencies
- 100% of financial institutions



# The 'pull' factors

- Economic activities are gravitated towards major urban centres, particularly capital cities due to their:
  - Critical mass
  - Infrastructure
  - Institutional capacity
- A similar trend is happening in many central and eastern European countries

# What kind of territorial policy?

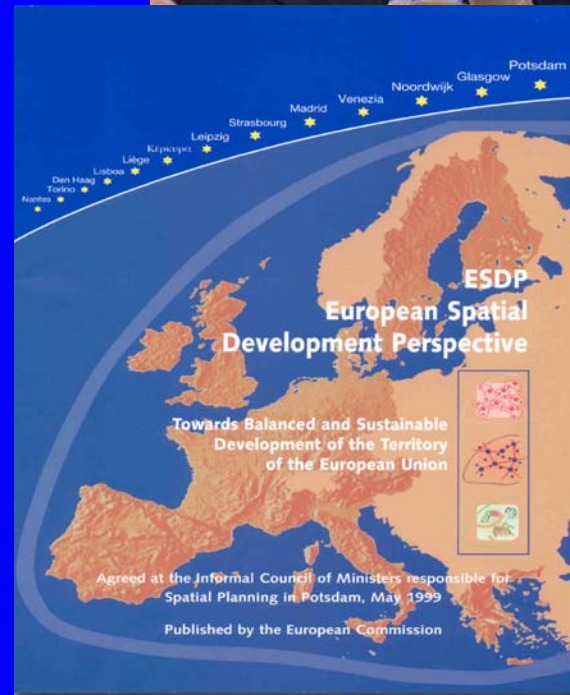
- Traditional regional policy focused on:
  - **redistribution** of resources from the prosperous regions to the declining areas
  - steering development away from capital cities towards peripheral locations

# *Paris et le Désert français!*

- *Jean-François Gravier*, 1947, argued for a counter-Parisian spatial strategy:
  - Based on the creation of the *métropoles d'équilibre*, or the growth poles outside Paris
  - By pouring resources into French provisional cities (e.g. Lille, Lyon, Toulouse, Marseilles)
- To make France territorially more cohesive!

# From France to Europe via ESDP

- *Cohesion Territoire* promoted by Jacques Delors
- Introduced in the Amsterdam Treaty, 1997
- ESDP's promotion of polycentricity



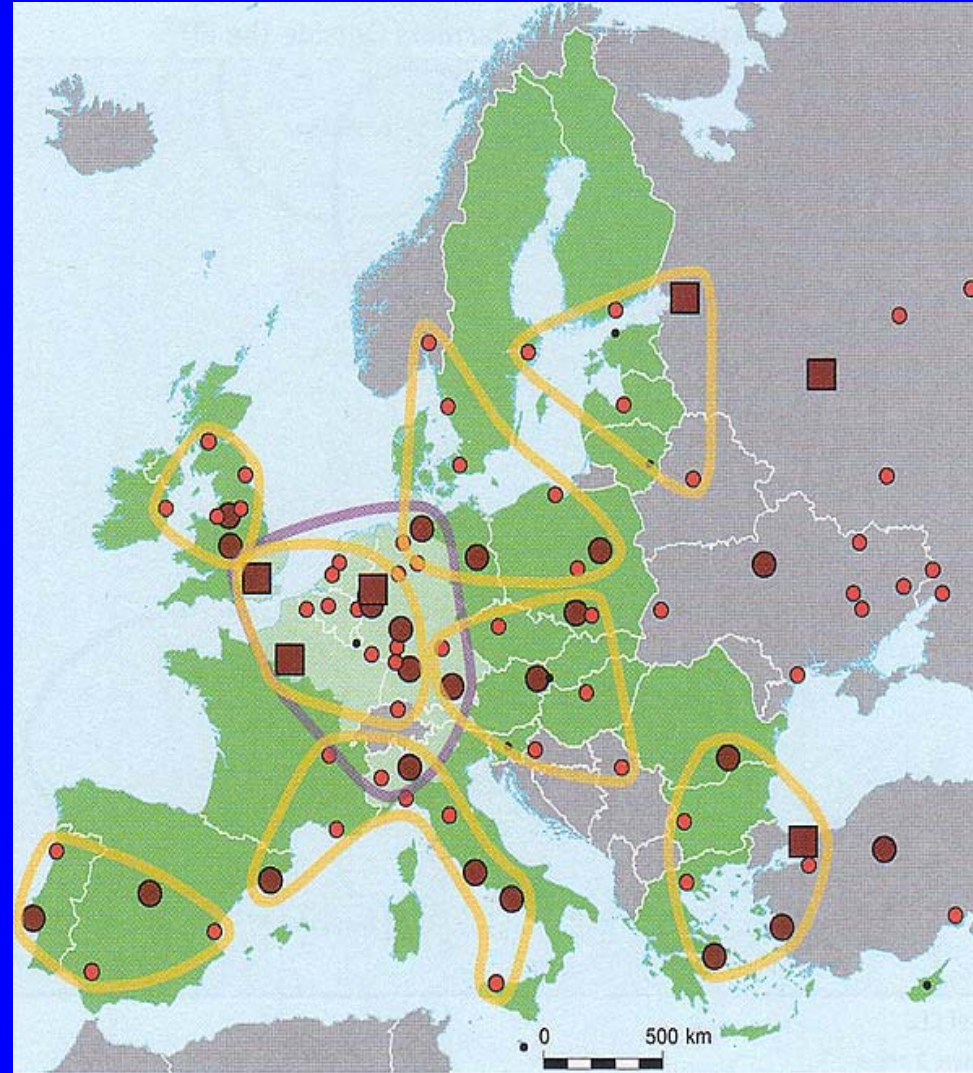
# But, without the re-distributive dimension!

The emphasis has shifted

- Away from the 1960s' *distribution-based* regional policy
- Towards *potential-based* territorial policy
  - With a focus on maximising the endogenous territorial potentials and minimising territorial disadvantages

# Polycentric urban regions

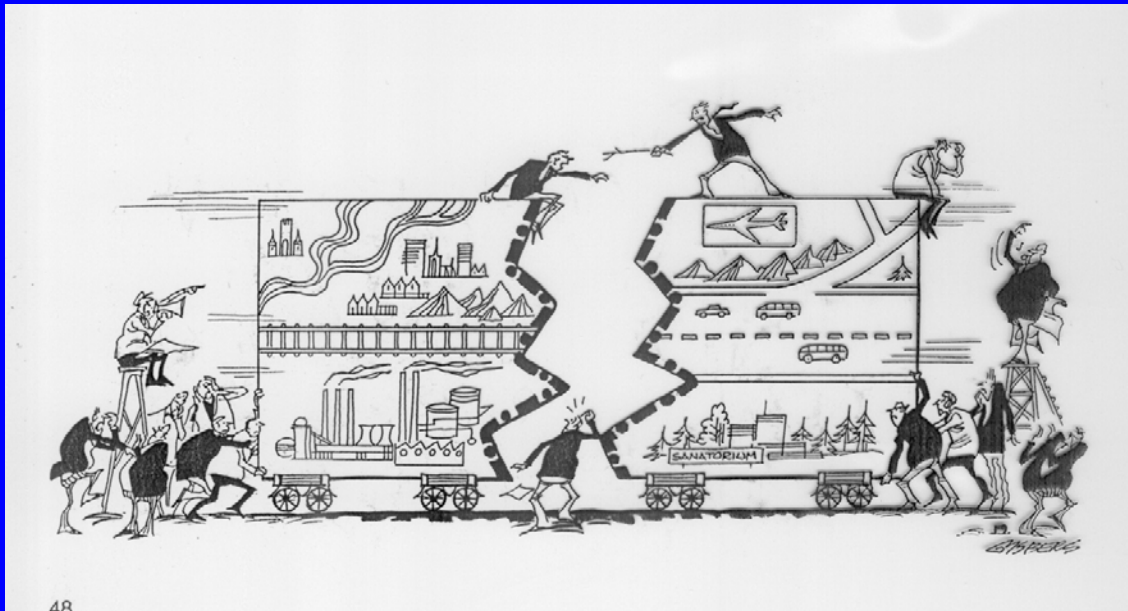
- Enhancing functional interdependencies
- Creating synergies and complementarities





# Territorial cooperation is about:

- Joining forces to create critical mass
- Pooling assets & resources
- Complementing functions
- Collaborating and boundary-spanning





# Effective cooperation requires:

## Context

**Tangible incentives**  
**Institutional capacity**

## Substance

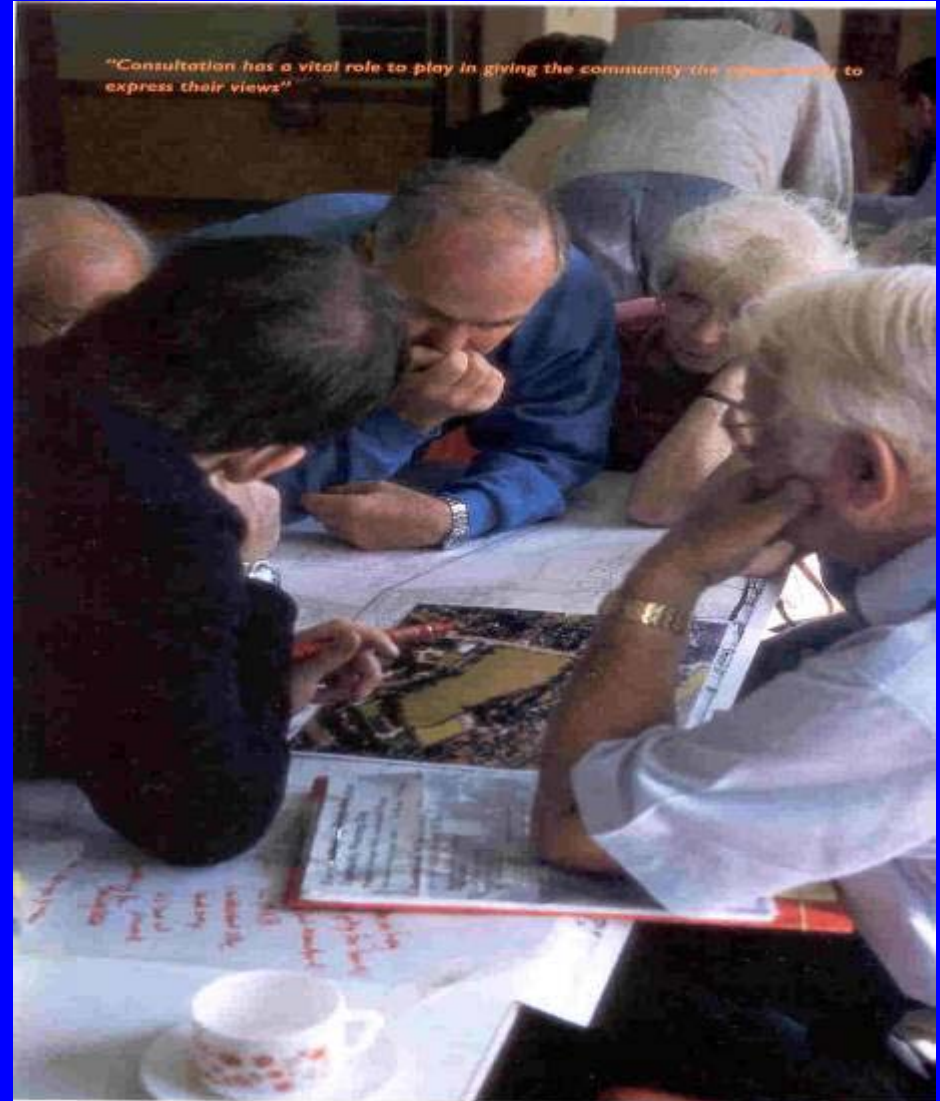
**Vision**  
**Strategy**

## Process

**Leadership**  
**Trust & social capital**  
**Political & societal support**

# Territorial cooperation

- Is the hallmark of effective governance
- Is the prerequisite for developing and sustaining effective territorial policies



# Further Information:

- Davoudi, S. (2005) Transnational co-operation and its contribution to territorial cohesion, *Informationen zur Raumentwicklung*, Nos. 11/12, pp. 683-689.
- Davoudi, S., 2005, Understanding Territorial Cohesion, *Planning Practice and Research*, Vol. 20(4): 433-441
- Davoudi, S, 2003, Polycentricity in European Spatial Planning; from an analytical tool to a normative agenda; *European Planning Studies*, Vol. 11(8): 979-999