SUMMARY:
The South West Regional Development Agency (SWRDA) recognises that, in the lead up to the review of the Regional Economic Strategy, it will be required to reveal more of the evidence base for the strategies that will be adopted. This will be particularly important with regard to spatial issues and the promotion of sustainable development.

Previous research has led SWRDA to believe that urban areas are of vital economic importance to the region. Less research, however, has been undertaken to highlight exactly how cities influence the wider development of the regional economy.

This report starts to fill that gap: setting out the main themes from previous research and academic papers that have looked at how cities influence their wider regions and looking at the mechanisms through which this might be done. It assesses the relevance of existing work to the South West regional economy.

LITERATURE:

1. Functionality & Cities:
The first piece of literature that informs this study is a piece produced by DTZ Pieda for SWRDA in May 2004. ‘Spatial Dynamics’ was targeted at understanding how functions and characteristics impact across the South West region to highlight areas of commonality and difference. This report was written to inform the development of the Regional Spatial Strategy (RSS). The analysis was based upon a number of data sets, falling under eight headings:

- Economics
- Access
- Population
- Housing
- Social
- Culture
- Environment
- Deprivation

This built upon previous work by DTZ in 1999, and updated in 2001, that identified economic activity zones in the South West Region.

Importantly, in terms of assessing the ‘functional economic areas’, the report used a number of economic indicators and highlighted that there is evidence of clear sub divisions within the South West. This analysis highlighted that functional economic areas were largely influenced by the major urban centres in the region. Some functional areas were notable for their rurality - the distance from the major urban areas was exhibited in a general set of poorer economic indicators. An example of this would be the ‘North Peninsula’ functional zone – which primarily encapsulates the rural areas of North Devon and North Cornwall and therefore has poor access to any major urban area. This functional zone displayed a poor economic performance with a low rate of business formation, a lower proportion employed in the knowledge economy, lower wage and skill levels and a higher level of seasonal unemployment.

1 ‘Spatial Dynamics’ – DTZ Pieda/South West of England Regional Development Agency – May 2004
The study notes that often the economic benefits of cities are felt in the regions in the immediate vicinity rather than within the city itself. For instance, the 'Northeast Triangle Zone' generally fares positively on most economic indicators, although the main urban areas of Bristol, Cheltenham and Gloucester sometimes exhibit negative economic characteristics.

Where this report differs from previous work highlighted in the 2001 report is to highlight how sub-regions can interact through a number of different characteristics. For instance, DTZ Pidea defines functional zone areas based around population, housing and social indicators very tightly. Many of these characteristic zones are tightly based around city boundaries. This is in comparison to much wider geographical functional zones that have been established for areas based around economic and accessibility characteristics.

2. City-regions:

In addition to the spatial planning aspects that provided much of the focus for the above report, there is a growing central government focus on the role that cities play in the regional economy. This is exhibited in the report 'Cities, Regions and Competitiveness' that was sponsored by the Office of the Deputy Prime Minister.2

This paper’s key point is the greater understanding of the pivotal role of post-industrial cities in advanced economies. The increasing use of the term 'city-region' reflects the growing significance of this relationship. 'City-region' is an economic term which has gained credibility through recent studies of the knowledge economy in advanced countries. 'City-region' reflects the interdependencies between cities and the areas around them. The recent Northern Way proposals to ODPM from the North West, Yorkshire Forward and OneNorthEast RDAs are founded strongly on this 'city-region' or 'core' cities analysis.

Successful regions, typically within the EU, have successful 'core cities' at their heart. Importantly, the 'city-region' relationship can be mutually reinforcing if there are positive partnerships that can capture the full benefits for both the city and the region.

In a sense, this mutual city-region relationship is based upon the belief that surrounding areas provide the resources to drive the economic growth within urban areas. Typically, in literature related to developing countries, it is claimed that urban and rural areas are tied together by markets in such factors as labour, manufactured goods, services and agricultural produce. In the context of a globalised economy, where manufactured goods, agricultural produce, services and, indeed, skills are traded far from the centre of production, these local economic relationships may seem less important. However, urban area flows remain a vital ingredient of prosperity, both through the supply of human capital and workers’ demand for services.

The ODPM report primarily relates to how cities can enhance regional productivity and address its key Public Sector Agreement (PSA) target. The action plan to deliver the PSA Target focuses on enhancing productivity in all regions by closing differential performance in productivity growth between regions. This is principally informed by detailed analysis of productivity which indicates that productivity differentials between regions account for around 60% of the significant and persistent differences in economic performance between and within the UK regions.

The working group – which is made up of HM Treasury, DTI and ODPM – outlines the link between productivity and cities. This work has fundamental significance for the PSA Target in three ways:

- First, the overwhelming weight of research evidence is that, in advanced knowledge based economies, the competitiveness of major cities is the key determinant of regional performance.
- Second, in advanced economies the centres of highest productivity are principally concentrated in and around ‘core cities’ - so policies aimed at enhancing productivity will gain greatest momentum if they take root in cities.
- Third, the evidence about what makes cities competitive attaches significant importance to urban renaissance and connectivity factors which go beyond the productivity agenda as such.

The first two points directly relate to the essence of this report.

The paper sets out a number of factors that define the city-region relationship. It claims that cities boost their surrounding regions by providing:

- A critical mass of public and private knowledge institutions
- A vibrant environment for knowledge creation and transfer
- Strategic business and financial services
- The ‘connectivity’ which attracts higher value business functions
- Highly paid jobs – many of which attract regional commuters
- A concentration of culture, leisure and sport
- Transport hubs
- National and international profiles

It then continues that cities rely on regions for:

- Space for wider economic and infrastructure projects
- A wider range of urban and rural housing options
- A wider range of business sites and premises
- A wider workforce and skills base
- Opportunities for countryside leisure

Therefore, the Working Group attaches high importance to ensuring that the essential policy focus on strengthening the economies of core cities is accompanied by a systematic partnership between the city and the surrounding region. A specific concept that the paper introduces is that regions with successful ‘core cities’ at their heart develop a vibrant and continually evolving hierarchy of settlements of all sizes carrying out a wide range of functions. The partnership between city and region is seen as a way of bringing about a vibrant settlement hierarchy throughout the region.
3. Regional Productivity:

Throughout the ‘Cities, Regions and Competitiveness’ report references are made to a HM Treasury report ‘Productivity in the UK – The Regional Dimension’. This paper looks at many aspects of productivity within UK regions and investigates the reasons why regional productivity lags behind, in particular, the levels of London. Again, importantly, it also highlights the importance of the role of cities in regional economic growth.

This paper highlights the self-reinforcing nature of regional disparities. Highly skilled people move to regions where innovative businesses offer demanding jobs, new investors choose to locate in those areas to take advantage of the labour pool, producing clusters of ambitious businesses with the capability to innovate and have the profitability to invest in further expansion. The paper classifies this as cities being able to provide the “proximity factors” that attract and retain a critical mass of innovative organisations, leading to the clustering of economic activity. This ‘clustering’ theory comes out strongly in many of the papers concentrating on the urban areas influence.

It outlines some of these ‘proximity factors’ – many of which are outlined elsewhere – but adds that these could include ‘access to risk and venture capital’. It goes further to state that face-to-face knowledge exchange and analysis is a critical feature of successful innovation. Cities can play an important enabling role in this process.

The report argues that other OECD countries have had greater success in creating multiple growth centres around high performing cities. For example, in Germany the city-regions of Stuttgart, Oberbayern (Munich) and Darmstadt (Frankfurt) each have between 130 and 170 per cent of average EU GDP per capita. This compares favourably with equivalent UK regions.

Therefore, the report concludes that improving the economic performance of the poorer performing UK cities would enable these cities to play a much more dynamic role in revitalising their surrounding regions and stimulating overall UK productivity.

4. Productivity & Growth:

The importance of productivity improvements is reinforced by many of the arguments presented in an academic paper ‘Competitiveness, Productivity and Economic Growth across the European Regions’. This paper looks at the growing interest that has emerged in the ‘regional foundations’ of national competitiveness, and with developing new forms of regionally-based policy interventions to help improve the competitiveness of every region and major city, and hence the national economy as a whole.

It primarily concentrates on regional productivity and the changes to productivity levels within the EU over the previous decade. It states that, once growth rates are analysed, it quickly becomes apparent that productivity changes and not employment trends are the main link with GDP per capita growth. This result supports the argument that, over the long-term, it is technological progress that drives sustained growth.

This confirms the conclusions made in many of the above papers – particularly when placed in the context that cities and urban areas exhibit the highest levels of technological progress and innovation. Therefore, if cities can exhibit a high level of technological innovation and increase productivity, then this will ultimately increase growth of GDP per capita for the region.

It concludes that productivity growth is a key determinant of regional economic prosperity: there is a strong positive relationship across regions between productivity growth and growth in per capita GDP.

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3 ‘Productivity in the UK 3 - The Regional Dimension’ – HM Treasury – November 2001
5. Investment & Innovation:
The next link is whether this higher level of technological progress and innovation is correlated to the level of investment – thus the level of investment in the region links through to the competitiveness and growth that the wider region displays. The paper ‘Investability: The key to competitive regions and cities?’ proposes and develops a concept – investability - that can be used for analysing the competitive position of cities or regions, and formulating policy responses. Investability is defined as conditions conducive to increasing the overall rate of investment in an area.

The concept is further linked to that of competitiveness in that being competitive can be equated with being attractive to investors. It highlights that attempts to boost the comparative advantage of an area are unlikely to bear fruit in an era of rapid technological advance, and policy should instead concentrate on boosting competitive advantage. This is an important point to highlight in terms of policy context and largely endorses current policy thinking within SWRDA that competitiveness and productivity are key to increasing regional Gross Value Added (GVA).

The report claims that investability will be high if a locality has positive factors that attract investors. The concept can also help in identifying what it is about a place that either deters investment or is insufficiently developed to attract it. In some cases, a particular factor may be an insuperable obstacle and, until it is sorted out, the city or region will not be thought of as a candidate for investment. It finally outlines that ‘although employment and income are the variables that policy makers will ultimately want to see improved, investment is key to securing the long term viability of an economy.’

Therefore, in the context of this report, the factors that improve the ‘investability’ of cities will help the wider regional economy by boosting the competitive advantage.

6. Competitiveness:
These arguments are also reinforced by the main points contained in a further academic piece from a Southern European angle. ‘Medium size cities economic development and regional competitiveness: The case of Larissa – Volos Dispole in Thessaly region of Greece’ is a paper that also highlights that, in the context of cities, the variable of FDI attractiveness is fundamental, contributing to regional development by increasing the capital stock and the productive capacity.

The main purpose of this article is to investigate the relation between cities’ economic development (local level) and the regions’ competitiveness (regional level) in the region of Thessaly, Greece. It recognises that the term ‘regional competitiveness’ comprises the ability of a region to satisfy the needs and demands of both the local and global markets, acquiring a high and sustainable level of income, acknowledging that the differences in infrastructure and human capital are widely recognised as contributing significantly to variations in regional competitiveness.

The specific issue of competitiveness and how it relates to regional economic growth is outlined in a further piece of work generated by the Core Cities programme. The report, ‘Our Cities Are Back’ – Competitive Cities make Prosperous Regions and Sustainable Communities’ sets out a comprehensive action plan for achieving a step change in the competitiveness of Core Cities.

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5 ‘Investability: The key to competitive regions and cities?’ – Iain Begg – Regional Studies – Vol 36.2, pp 187-200
6 ‘Medium size cities economic development and regional competitiveness: The case of Larissa – Volos Dispole in Thessaly region of Greece’ – T Metaxos and D Kallioras – University of Thessaly
7 ‘Our Cities Are Back’ – Competitive Cities make Prosperous Regions and Sustainable Communities’ – Report of the Core Cities Working Group
The report details a number of critical factors to achieve competitiveness within cities and their wider region:

1. **Economic diversity** – The most successful EU cities possess strengths in breadth as well as in depth across a range of both service and manufacturing functions. Munich - often referred to as "the Munich mix" - is an exemplar of diversity.

2. **Skilled workforce** - Comparative data shows a strong relationship between innovation and GDP levels and workforce skills.

3. **Connectivity** – internal and external - The most successful cities have the physical and electronic infrastructure to move goods, services and people quickly and efficiently. They also have efficient external communications - particularly by air - to ensure their comparative advantages in export markets.

4. **Strategic decision-taking capacity** - The importance of this factor is matched by its relative intangibility. Processes of strategy development and implementation, relationships between key players in public and private sectors, political leadership in making effective alliances at national and regional levels, and the ability to sustain commitment and motivation for the long term all matter a lot.

5. **Innovation in firms and organisations** - Knowledge and innovation are the two greatest differentials in the economic performance of modern cities - accounting for more than 40% of GDP differences according to the EU Commission.

6. **Quality of life** - Skilled workers and their families make informed choices about where they will live.

Another useful section of this report looks at exactly how cities would bring the following benefits for regional economic performance:

1. A critical mass of high productivity businesses will drive up the demand side of the market for innovation.
2. The pool of jobs requiring high level skills will be larger - encouraging graduate retention, generating multiplier effects throughout the skills pyramid, and providing stronger motivation to acquire better skills for the workforce at large.
3. A stronger knowledge based economy - both in services and manufacturing - will create more favourable conditions for new business start ups, particularly businesses based on intellectual capital and with high growth prospects.
4. Strengthening and broadening the higher value end of the economy will have positive consequences for both the size and sustainability of economic base overall - thereby increasing employment opportunities for people currently outside the labour market.
5. A larger critical mass of businesses operating in external markets will enable transport decision makers to read stronger and more sustainable signals about trends in demand for travel, enabling more confident decisions to be taken about transport investment.

Cities are the places where labour markets are changing fastest as the new knowledge based economy develops. They are also the places with the greatest concentrations of people of all ages who are currently least fitted to succeed in this form of labour market due to legacies of the older manufacturing industries. Cities therefore sit "at the fork in the Y". One arm leads to an increasingly thriving and inclusive economy; the other leads to an economy struggling to survive in cities increasingly dominated by low aspirations and social exclusion. Effective investment in employment and labour market policies will ensure that the first route can be achieved.

It finally looks at how the ‘intangible’ factor of quality of the city environment can feed into regional performance and:

- Whether there is a link between quality of place and regional economic performance
- If so, whether policies related to quality of place can play a role in meeting the Regional Performance PSA Target.
The report concludes that the public sector has a role to play:

- There are strong theoretical arguments for supporting investment in quality of place - in many cases the necessary investments are in the public realm and would be under-provided if left to private markets. There are often co-ordination challenges where returns on one investment depend on other investments being undertaken at the same time.
- The public sector’s role can involve co-ordinating the overall investment plan for the area, and providing funds to overcome established market failures.
- Investment in central urban areas to reinvigorate public space appears to be the most promising policy.

The report also notes that the knowledge economy has been a major factor in the economic growth of the UK over the preceding decade. However, and crucially from a South West perspective, the report highlights that the growth of the knowledge economy has given the UK economy a ‘systematic centre-periphery character which will require transformational remedies in order to change’. Simply put, the continuing strength of London still creates a large regional imbalance. The report highlights the need to reduce the peripherality of the Core Cities and their regions by enhancing both inter-regional and international transport links - steps which could even out property price differentials and bring about stronger flows of capital and labour into the cities and regions away from the south east.

7. Knowledge & Inter-Regional Linkages:

In terms of one of the key factors that influence the investability of a region, as briefly mentioned above, knowledge is seen as a key ‘input’. In fact, the increasing focus upon knowledge within policy circles is reinforced in several articles. Among these is ‘Innovation and Urban Regions as National and International Nodes for the Transfer and Sharing of Knowledge’ which identifies that knowledge is the key element in regional performance. It is argued that knowledge is a key resource for innovation which, in turn, is one of the major drivers of economic growth. Specifically it examines the transfer and sharing of knowledge within and between regions in the context of the development of the international economy.

As we have discussed earlier in the report, innovative firms tend to concentrate in a minority of key metropolitan regions. Where this paper differs slightly is that it identifies that these areas are shown to combine a strong local knowledge capital base with high levels of connectivity to similar regions in the international economy. Therefore, one of the key relationships that a city-region can have is with similar regions elsewhere in the global economy.

As a result, they are able to generate virtuous circles of knowledge, innovation, competitiveness and exports. In a simplified sense, this means that firms within each city-region need to have access to technological improvements that are occurring in the wider global economy and then transmit the benefits to the regional economy.

8. Globalisation & Intermediate Towns:

The role of globalisation in regional relationships is further developed, from an EU perspective, in the paper ‘The development of the French intermediates cities: which role in a polycentrism perspective?’ Importantly, it makes the point that the globalisation of markets tends naturally to increase the disparities in competitiveness between territories.

In terms of the role of cities, special attention is made to urban systems that do not fully use their competitive and development potential. The report notes that regional inequalities continue to grow within a large majority of EU countries and much of the emphasis of this is placed on the role of central conurbations. At present, we can see a twofold phenomenon of spatial divergence operating within Europe - on the one hand between the central part of the continent and its peripheries, and on the other – in most countries – between the most competitive conurbations (usually the “capital regions”) and the rest of the territory, known in this paper

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9 ‘The development of the French intermediates cities: which role in a polycentrism perspective?’ – Europe at the Margins: EU Regional Policy, Peripherality and Rurality - 2004
as the Atlantic Space. This certainly fits in with the model of the UK where the highest levels of competitiveness are to be found in the South East region close to London.

Importantly, the paper links the relative weakness of the Atlantic Space, in which the South West sits, to the weakness of its urban structure. None of the Atlantic cities appear, if only on the basis of size, to be in a position to compete seriously with the major continental cities. Most of them could be described as ‘incomplete metropolises’ in that they do not have the full range of higher functions, and they do not always have a strong international sphere of influence permitting them to compete on the ‘territorial market’ with the other major urban areas of Central Europe.

Although Bristol is included in the category of regional metropolises with a strong international sphere of influence, it is also characterised by specialised and incomplete functions. The other Atlantic cities within the South West are defined as peripheral regional metropolises with a limited international influence, weak tertiary sector, underdeveloped international functions and insufficient accessibility.

The paper also looks at the role of the ‘intermediate town’ within the regional economy. An intermediate town could be identified as a town situated at the interface between the major city or cities and their national/regional area, and would correspond to a town with a sphere of influence on a least a regional scale.

Interestingly, the paper begins to look at the role of ‘cooperation’ at this level. It claims that the intermediate town is not necessarily a ‘mono-centric urban area’. It does not, and should not, operate independently. Clusters of closely-situated and complementary towns, with strong functional linkages that demonstrate a genuine will to cooperate, can also play, as a cluster, the role of an ‘intermediate’ system with a regional sphere of influence. Such systems, the existence of which is confirmed by combining the quantitative and qualitative approaches, could play the role that is played in other regions at this level by single cities. Associations of a number of local centres of a small size may together form an intermediate system.

In terms of the South West, it could be argued that the potential for building such an ‘intermediate system’ can only feasibly be constructed in the ‘North East Triangle Zone’ that was defined in the earlier DTZ paper. There is an argument that greater cooperation between such towns as Cheltenham, Gloucester, Swindon and Bath around the greater Bristol urban area could form an urban structure with a more marked international profile and, therefore, a greater role in wider regional development.

9. Co-operative Centres:
The role that greater cooperation on an intra-regional basis could take is further explored in the paper ‘Evaluating Urban Futures: Enhancing Quality and Improving Effectiveness’ 10. This paper outlines a number of important points about city and regional cooperation aimed at improving the competitiveness of city-regions. Many of the main points of this paper will be outlined in detail.

This paper looks at the approach to ‘city-regionalism’ within the UK and comes up with a number of key recommendations. It notes that city-regionalism is an issue that once seemed likely to be overlooked in the move towards regional tiers of governance but, paradoxically, has been reinforced by regionalisation. City-regions are emerging as a key scale in the changing territorial governance architecture of England. Because of the primary focus on the regional and local scales, new collaborations at city-regional level have been much less visible.

It claims that paradoxically, a strengthened regional tier of governance has raised the visibility of sub-regions and regional cities as sites for the implementation of regional priorities and drivers of regional economies. City-regionalism appears to follow three broad forms: the internal re-working of city-regional relations; regional devolution to sub-regions and the development of new relations between city-regions. The different types of city-regionalism are outlined below:

10 ‘Evaluating Urban Futures: Enhancing Quality and Improving Effectiveness’- ODPM New Horizons Programme-Centre for Sustainable Urban and Regional Futures (SURF) – July 2003
<table>
<thead>
<tr>
<th>Style</th>
<th>Features</th>
<th>Drivers</th>
<th>Boundary</th>
<th>Example</th>
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<tbody>
<tr>
<td>Extending Metropolitan Centres: Core Collaboration</td>
<td>New relationships formed around extension of city core focusing on marketing, economic and physical development.</td>
<td>Overcome constraints and realise new opportunities through voluntary collaboration.</td>
<td>Core of enlarged city centre.</td>
<td>Newcastle-Gateshead.</td>
</tr>
<tr>
<td>City Enlargement: Core &amp; Periphery</td>
<td>Core city works with periphery to create new enlarged ‘Greater’ city-regional identity.</td>
<td>Strategic collaboration on issues -transport, economic development -that link core and periphery.</td>
<td>Greater City - including all or part of periphery.</td>
<td>Greater Nottingham, Greater Cambridge and Greater Bristol.</td>
</tr>
<tr>
<td>Sub-Regionalisation: Devolution from Regions</td>
<td>Sub-regional partnerships involving a range of public and private partners.</td>
<td>Devolve implementation of regional strategies to sub-regions.</td>
<td>Former metropolitan counties and counties.</td>
<td>Tyne and Wear and Greater Manchester.</td>
</tr>
<tr>
<td>Twin or Polycentric City-Regional Alliances</td>
<td>Partnership rather than competition between cities and city-regions.</td>
<td>Focus on identification of mutual benefits that can be realised through collaboration on strategic issues.</td>
<td>Multiple - Core cities, city-regions, TTWA.</td>
<td>Manchester, Liverpool Vision Study, 3 Cities Study East Midlands.</td>
</tr>
<tr>
<td>Core Cities – capital City Collaboration</td>
<td>Build collaboration between core cities and GLA.</td>
<td>Share growth between London and core cities.</td>
<td>GLA and core cities.</td>
<td>Core Cities - GLA.</td>
</tr>
</tbody>
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The paper correctly notes that, in the UK policy arena, concepts have emerged that suggests that regions and cities may not necessarily be mutually exclusive policy options. Central to this is the focus on city-regions and the growing interest in the scope for neighbouring cities to collaborate where they share strengths in key growth sectors. The paper outlines a statement by the Treasury/DTI who argues that “the prosperity of the surrounding regions is significantly correlated to that of the central city”. It continues – “improving the economic performance of the poorer performing cities would enable these cities to play a much more dynamic role in revitalising their surrounding regions and stimulating overall UK productivity”.

The paper then looks at how city-regionalisation is developing. City-regionalism is of major strategic interest to cities, regions and the centre particularly in context of how the centre thinks about the development and delivery of national objectives. Yet the new city-regionalism within the United Kingdom is highly uneven. Outside London, it is largely based on voluntary forms of collaboration and the creation of new partnerships.
The paper looks at four case studies of UK cities and their approaches to collaborative approaches – Tyne & Wear, Greater Manchester, Greater Nottingham and Greater Cambridge. In all four case study areas, over the last three years, activities have focussed on the articulation of city-regional visions and plans to guide strategic developments.

In terms of relevance to SWRDA, it also looks at a set of regional recommendations that could be pursued to increase the effectiveness of city-region collaboration:

1. The region should begin to build an understanding of the different types of foresight expertise and knowledge that are currently highly fragmented and disconnected.
2. The regions should develop a context for city-regional policy makers to develop an understanding of the resonances and dissonances between different types of urban and regional strategies and how the affinities are resolved and managed.
3. The regions should provide incentives for the development of metropolitan collaborations and support the development of futures activities to build internal capacity and develop internal decision-making structures.
4. The regions should begin to develop a foresight training capacity to build a cadre of city-regional policy makers who have particular skills and expertise in a range of foresight and futures methods.

The crux of this paper is its concentration on how cities could collaborate more effectively to create enhanced urban structures that can enhance regional development.

This very much fits in with the consensus in the earlier paper ‘The development of the French intermediates cities: which role in a polycentrism perspective?’ that has the broad argument that cities, particularly in the Atlantic Space, need to collaborate in order to create an urban area that has a greater sphere of influence. In the context of this paper, the concept of collaboration, or the creation of cluster cities, is an important point to highlight.

This is reinforced in a number of additional papers. As part of the Core Cities programme emanating from the Office of the Deputy Prime Minister the paper ‘Competitive European Cities: Where do the Core Cities Stand?’ looks at why English Core Cities do not make as great a contribution to national and regional economic welfare as some comparable cities in Europe. One of its conclusions is that English cities do not have the capacity to connect with their wider territories. It recognises that many European policy-makers are convinced that to be competitive in the global marketplace they have to organise and act at a wider metropolitan or sub-regional level.

10. Urban Clusters:

This is confirmed in similar UK focussed work. In the book ‘City Matters – Competitiveness, Cohesion and Urban Governance’ there is a particular emphasis upon Bristol. The authors note that Bristol has experienced a period of significant economic growth – particularly around its northern fringe. At the same time, there was major growth in people and jobs concentrated in the three outer districts adjacent to the City of Bristol. Crucially, for any discussion on regional impact, these districts are an integral part of the functional city-region and constitute a largely contiguous area. Therefore, we are again looking at urban clusters. This fits in with developments on a national scale; the authors note that the spatial structure of UK urban areas has seen significant shifts over recent decades which have included the emergence of polycentric urban regions.

Specifically, in terms of Bristol, it notes that the economic development of the surrounding sub-region was caused by in-migration and inward investment rather than large-scale movement out (that is, decentralisation or ‘hollowing out’) from the urban core itself.

12 ‘City Matters – Competitiveness, Cohesion and Urban Governance’ – Edited by Martin Boddy & Michael Parkinson
However, the author makes the statement that, in the context of Bristol, there is little evidence (from employer surveys and interviews) to suggest that clustering as the basis for collaboration, innovation and knowledge transfer or untraded interdependencies has played any major role in terms of location, investment flows or competitive strength. It claims that the best example of a functional cluster is the media sector. This, however, is small in scale and relatively unimportant in terms of the overall functioning of the city-region economy and its competitive success.

Again, this is an important point. We have discussed a number of papers that present the argument that cities and sub-regions that act collaboratively have a greater means of contributing to wider economic growth. Boddy & Parkinson claim that Bristol does not show any evidence that clustering has played a significant role in wider economic growth but it should be noted that the clustering they refer to in ‘City Matters – Competitiveness, Cohesion and Urban Governance’ relates more to the clustering of specific industries rather than geographical entities such as urban areas.

The theme of Bristol is continued with a specific ‘prospectus’ that forms part of the wider Core Cities programme highlighted above. This document has been produced by Bristol City Council and it is interesting in the fact that it talks of the notion of a Bristol city region and it claims that the document demonstrates further progress in the city region working together. This prospectus talks of a city region that comprises Bristol, Bath and Weston-Super-Mare and covers the four unitary authorities areas of Bristol, Bath & North East Somerset, North Somerset and South Gloucestershire. Therefore, the City Council recognises that Bristol has a role and a responsibility to play within the wider regional economy and that this relationship can be mutually beneficial; indeed reinforcing.

11. Neighbours:
One concept that has not yet been discussed is the influence that neighbouring regional economic performance may have on regional growth. This is mentioned in the ‘Productivity in the UK – The Regional Dimension’ report coming out of the Core Cities programme. Within this report it mentions that recent work on the determinants of urban growth in the EU has shown that, other things being equal, a city-region with a faster growth rate grew faster the closer it was to other, less rapidly growing city-regions.

This has also been looked at in an academic sense in the paper ‘The Distinctive Determinants of European Urban Growth: does one size fit all?’13 This report performed analysis on a data set built up over a 25 year period relating to Functional Urban Regions (FURS). Such FURs correspond to the economic spheres of influence of significant employment concentrations and are relatively self-contained in economic terms. The research introduces the ‘growth shadow’ effect that is inferred above. They observe a significant growth shadow effect with cities in contiguously urbanised regions (such as most of the Benelux countries or large areas of Germany, northern Italy or England) growing faster if they border less rapidly growing cities. This seems to reflect adjustment in commuting patterns to take advantage of changing patterns of spatial economic opportunity.

Whether this has relevance to the South West can be debated. The region borders the South East - one of the strongest regional economies in Europe - but the Bristol and Swindon sub-regions, that immediately border the South East, still experiences strong economic growth and its own commuting inflows. The Bristol and Swindon sub-region does receive a significant inflow of commuters from the South Wales, South East and West Midlands areas. However both regions, particularly the larger urban areas such as Cardiff have themselves experienced strong economic performance over a number of years and therefore it is ambiguous whether they could be classified as a poorly performing city region – especially enough to cause large scale spatial adjustment.

13 ‘The Distinctive Determinants of European Urban Growth: does one size fit all?’ – Paul Cheshire & Stefano Magrini
Conclusion: Key Themes:

This paper has set out to review a number of key papers and previous research and to draw out the key points regarding how cities interact and influence the wider regional economy. Where relevant, the paper has placed this in the context of the South West. The key points are:

Functionality & Cities:
- Economic performance - assessed through a series of indicators - ‘weakens’ in those areas of the South West that are peripheral to the major urban centres.

City regions:
- Productivity differentials between regions account for around 60% of the significant and persistent differences in economic performance between and within UK regions.
- In advanced knowledge based economies, the competitiveness of major cities is a key determinant of regional performance.
- Regions with successful core cities develop a vibrant and evolving hierarchy of settlements of all sizes carrying out a wide range of functions. The partnership between city and region is seen as a way of bringing about a vibrant settlement hierarchy throughout the region.

Technology & Productivity:
- Cities and urban areas exhibit the highest levels of technological progress and innovation. A high level of technological innovation will ultimately increase GDP per capita for the region.

Investment & Innovation:
- Cities are better able to provide the ‘proximity factors’ that attract and retain a critical mass of innovative organisations, leading to the clustering of economic activity. Cities can play an important enabling role in this process.
- Factors that improve the ‘investability’ of cities will help the wider regional economy by boosting competitive advantage.

Knowledge & Inter-Regional Linkages:
- Innovative firms tend to concentrate in urban areas that are able to combine a strong local knowledge capital base with high levels of connectivity to similar regions in the international economy. Firms within each city-region need to have access to global technological improvements and then transmit the benefits to the regional economy.

Globalisation & Intermediate Towns:
- Most of the cities in the ‘Atlantic Space’ could be described as ‘incomplete metropolises’ in that they do not have the full range of higher functions, and they do not always have a strong international sphere of influence permitting them to compete on the ‘territorial market’.
- Clusters of closely-situated and complementary towns, with strong linkages can operate as an ‘intermediate’ system with a regional sphere of influence.

Co-operative Centres:
- City-regionalism appears to follow three broad forms: the internal re-working of city-regional relations; regional devolution to sub-regions and the development of new relations between city-regions.
Critical factors to achieve competitiveness within cities and their wider region:

1. **Economic diversity** – The most successful EU cities possess strengths in breadth as well as in depth across a range of both service and manufacturing functions. Munich - often referred to as “the Munich mix” - is an exemplar of diversity.

2. **Skilled workforce** - Comparative data shows a strong relationship between innovation, GDP levels and workforce skills.

3. **Connectivity – internal and external** - The most successful cities have the physical and electronic infrastructure to move goods, services and people quickly and efficiently. They also have efficient external communications - particularly by air - to ensure their comparative advantages in export markets.

4. **Strategic decision-taking capacity** - Relationships between key players in public and private sectors, political leadership in making effective alliances at national and regional levels, and the ability to sustain commitment and motivation for the long term.

5. **Innovation in firms and organisations** - Knowledge and innovation are the two greatest differentials in the economic performance of modern cities - accounting for more than 40% of GDP differences according to the EU Commission.

6. **Quality of life** - Skilled workers and their families make informed choices about where they will live.

Potential benefits that cities can bring to regional economic performance:

1. A critical mass of high productivity businesses will drive up the demand side of the market for innovation.

2. The pool of jobs requiring high level skills will be larger - encouraging graduate retention, generating multiplier effects throughout the skills pyramid, and providing stronger motivation to acquire better skills for the workforce at large.

3. A stronger knowledge based economy - both in services and manufacturing - will create more favourable conditions for new business start ups, particularly businesses based on intellectual capital and with high growth prospects.

4. Strengthening and broadening the higher value end of the economy will have positive consequences for both the size and sustainability of economic base overall - thereby increasing employment opportunities for people currently outside the labour market.

5. A larger critical mass of businesses operating in external markets will enable transport decision makers to read stronger and more sustainable signals about trends in demand for travel, enabling more confident decisions to be taken about transport investment.