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Central and Eastern Europe Local Government and Housing Privatization

URBAN ECONOMIC DEVELOPMENT IN EUROPE
FIVE CASE STUDIES

December, 1993

Prepared for the Office of Housing and Urban Programs
Agency for International Development



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By

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INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION
USAID Project No. 180-0034
USAID Contract No. EUR-0034-C-00-2034-00
Local Government and Housing Privatization
Request for Services #60

Urban Economic Development in Europe : Five Case Studies

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20 November 1993

Summary and Recommendations

I. Summary

Part I. The Report outlines in some detail the following topics for the five European cities - Barcelona, Berlin, Birmingham, Glasgow and Lyons -

- i) the immediate historical origins of the local economy which precipitated the formulation of strategies of economic development;
- ii) the phases of development of the strategies;
- iii) some of the significant projects in the strategies;
- iv) where available, the organisation and financing of the projects;
- v) the relative strengths and weaknesses of the city economies after the implementation of the strategies.

Part II. The Report then examines the common and different elements in the case studies under a series of headings:

i) the different starting points - in terms of the economy (as seen in the different compositions of output); the changing character of the labour force; the modern internationalization of city economies, particularly within the context of the European Community; the different national administrative frameworks; the traditionally predominant role of the State in European cities.

ii) Types of programmes - the initial reactions of City authorities to the decline in manufacturing; the shift to seeking a service-based economy; the convergence of aims - on communications, health, research and development, education, culture and sports - and the difficulties in converting these mainly public investments into commercially viable projects; the importance of communications; the creation of 'image'; enabling strategies as creating a framework for specialization.

iii) Planning and implementation - the shift from the old physically oriented Master Plan to strategies/scenarios, from public authorities as single providers to facilitators, leaders of coalitions; collaborative implementation through coalitions, partnerships etc. between public agencies, public and private, voluntary organisations and citizens; the change in the attitude of private business.

iv) Evaluations - the lack of both data and clear criteria for rigorous assessment.

Part I.

The Case Studies

1. Barcelona (Catalonia, Spain)

The story of Barcelona's redevelopment since the 1970s is, at least on the surface, one of the most spectacular. The city, however, has had a development agency since the first World War. The Consorcio de la Zona Franca was set up in 1916 to handle the infrastructure needs of the city, and in the 1920s developed a free trade zone. In the 1970s, it constructed the largest industrial park in Spain (1200 acres) which, at its peak claimed 150 companies operating there, employing 30,000 workers to produce one per cent of Spain's gross domestic product. In the 1980s, the Consorcio developed Spain's first technological park (in 1987, the Valles) and a major business park.

In the late 1970s, Barcelona confronted the cumulative problems of neglect from the years of Franco's rule, made most painful by the onset of recession, a sharp increase in unemployment and a decline in some of the older manufacturing districts (particularly Poblenou, an area known in the nineteenth century as "Spain's Manchester") and in the old port. The problems were made worst by the associated issues of derelict areas, decaying buildings and a poor transport system. The city, it was felt, needed to identify a new economic role with a physical renovation to support this role. The City authorities, in collaboration with the national and Catalonian governments, and other public agencies undertook a number of interlinked initiatives, of which some of the major ones are described below.

1.1. In 1981, the Mayor of the City persuaded the Corporation to prepare a bid to host the 1992 Olympic Games (a bid accepted in 1986), and to exploit this as a major opportunity to mobilize investment (public and private), the citizens and the political order to transform the city through a set of improvement projects, emulating initially what was said to have been achieved by the city through hosting the Barcelona World Exhibitions of 1888 and 1929.

In 1983, the City opened the competition for an "Olympic Ring" to be constructed on Montjuic hill. This was an ancient site, housing a major park with many historical and cultural buildings (the National Palace, to be turned into Catalonia's National Art Gallery, theatres, stadia, and swimming pools created for the 1970 European Swimming Championships). The new scheme was to construct a major sports stadium, organizing the work through a company set up by the City authorities (Anello Olímpica de Montjuic) and a joint operation with the Spanish Government ((Barcelona Holding Olímpica). Construction was completed between 1985 and 1990.

In 1986, with the acceptance of Barcelona's bid for the Games, the City identified 300 projects to be completed by the time of the opening of the Games (a US \$7.5 billion programme spread over six years). The projects were grouped to meet six major objectives:

1. The City population, 1.8 million in 1981, was 1.7 million in 1991. The Metropolitan Region, which only for a short time had a metropolitan government, had the same population in both years : 3.1 million.

v) Lessons for Warsaw: importance of inheritance of historical quarters and buildings, wealth of cultural life, appropriate to an important national capital (but not true of many of the case studies); the need to identify the emerging comparative advantages of the city - through

(a) research, whether in the universities, the City government, or preferably, a separate research centre;

(b) the development of a city context for continuing discussion and participation in choosing of options;

(c) an Economic Development Unit in the City Corporation for data collection (on a routine basis), short term advisory and briefing functions. The importance of starting this process through an audit of the city's strengths and weaknesses in : the financial sector; transport and telecommunications; supporting facilities; cultural facilities; manufacturing; education and research; the facilitation of foreign investment.

II. Conclusions

Depending on what has already been done, the City should consider moving towards the development of an evolving strategy for the economy through:

i) the creation, in collaboration with business associations and firms, universities and non-governmental organisations, of a research centre on the city's economy and its prospects;

ii) the establishment of a continuing forum for discussion of the future of the city, its strengths and weaknesses and its reactions to changes in external conditions, a think tank where all the interests of the city can participate;

iii) The creation within the City Corporation of an Economic Development Department or Economic Advisory Unit to provide short term advice and intelligence on the city, briefings on possible reactions to national and outside changes etc..

iv) As part of the launching of these changes, the City should carry out a swift audit of key features of the economy, covering (among other items) : the adequacy of the financial sector in an international context; the transport and telecommunications networks; the support facilities (hotels, restaurants, neighbourhoods); cultural facilities; the strengths and weaknesses of the manufacturing sector; education and research institutions; the facilitation foreign investment.

i) major efforts to clear the derelict industrial (Poblenou) and disused port areas, to "recover the waterfront" (and clear the old railway loading yards and the track along the coast), and construct an Olympic Village (a \$1.8 billion project, covering 375 acres, with apartments and housing, a shopping mall, four 5-story office blocks, two 44 story towers, a new 700 berth marina, and including an extension of the beach from 30 to 50 acres). The proposed expenditure was 67 per cent public (of this, 43 per cent was provided by the national government, 21 per cent by Barcelona city, 19 per cent by the Catalonia Regional Government, 8 per cent the Spanish Olympic Committee, and the rest from other public agencies).

ii) a major improvement in transport infrastructure, covering:

a) a new ring road, 40 kilometres of a 4 and 5-lane highway, to increase the vehicle capacity from 110,000 to 900,000 per day. The ring road linked major autoroutes connecting growth areas to the south (Valencia) and to France, and to the west (Bilbao and northern Spain).

b) a refurbishment and expansion of the airport, tripling the area involved, with four terminals. By the time of the Games, the capacity was to reach 12 million passengers annually, and the completion of the plan after the Games, would raise this to 16 million passengers. Subsequently, under a central government scheme (Llobregat River Delta Project), a "city of services" was to be developed next to the airport, and passenger capacity expanded by the year 2007 to 30 million.

c) the underground railway was to be expanded (to include the Olympic Village) and upgraded with, for example, the installation of air conditioning etc.

d) the city developed large car parks on the edge of the city to persuade car drivers to leave their vehicles and travel on public transport to the centre. Some 50 per cent of the costs of public transport were covered by a City subsidy.

iii) a major investment was to be made in telecommunications, with the opening of a new teleport scheduled for March 1991.

iv) a major expansion of the sports facilities was scheduled for the city, particularly in the Montjuic area (as mentioned earlier). However, it should be noted that only 9.4 per cent of the total expenditure for the Olympic Games (Pta.926, 439 million) was devoted to sports facilities.

v) the development of new parks, the upgrading of the physical fabric of the city, restoration of historical monuments etc. were important objectives. One component of this was a scheme introduced in 1986 (and scheduled to last until 1997, with an investment of \$20 million) to offer subsidies and incentives to citizens and companies to upgrade and beautify their own buildings and areas (particularly gardens and squares in the historical centre). By 1992, some 400 projects had been completed.

vi) the development of new hotels, commercial areas, cultural facilities, particularly in the downtown area, were separate development projects. In the end, the persistent deficit in hotel beds had been turned into a surplus with a 60 per cent increase in 4 and 5-star accommodation, resulting in strong competitive pressures to lower costs and increase the

competitive strength of the city in terms of tourism.

1.2. The Consorcio also launched other initiatives, two of particular interest:

i) in 1987, the Consorcio, with the support of the National Employment Agency, set up Barcelona Activa to counter unemployment. This undertook three main programmes:

a) the development of an inner city site for 'incubator' firms - 70 small businesses were ultimately accommodated. The enterprises were offered a range of common services (legal, technical, financial and commercial advice), permitted a three months planning period and then a six month lease, renewable for up to four years (after which the firm was expected to relocate in more permanent premises elsewhere).

b) the young unemployed were offered free premises for up to eleven months (in 1990, there were 40 projects under this heading).

c) training schemes for the unemployed were developed - in business management and new technologies (by 1990, 460 people had passed through these schemes).

ii) also in 1987, the Consorcio set up a subsidiary, the Barcelona Development Agency (the board was chaired by the Mayor, and included representatives of the Port Authority, Chamber of Commerce, Business Association, National Railways, and the national Ministry of Economy), with the task of promoting the City abroad, attracting and facilitating foreign investment, and suggesting projects for the Consorcio derived from foreign experience (cf. the Reus Project outlined below).

1.3. There were many other projects associated with this series of initiatives, some developed in the build up to the Games, some afterwards to sustain the momentum, some by a variety of public sector agencies, some by private interests. Barcelona aimed to become one of the key centres, an "Entrepreneurial European Metropolis" in a new European region extending along the Mediterranean coast to Italy. The projects included:

i) In collaboration with the City and the Regional Government, the Port was upgraded and expanded, and linked to the airport, the highway and railway systems to become the major intermodal junction for the Mediterranean (the "Rotterdam of the South"). The container throughput in the port increased from 180,000 TEU (20 feet container equivalent) to 448,000, making Barcelona the largest container port in the Mediterranean. A new container terminal was planned in the 1990s to raise capacity to 700,000, with the aim of capturing deliveries from Asia which could save four days on the route to Rotterdam by being transhipped by land. The City estimated rail freight at 2.8 million tonnes; with the proposed high speed (TGV) rail link to Paris (supposedly to be completed by 2004), this cargo volume could be raised to 4 million tonnes by 2010.

ii) The construction of a new railway station and loading yards away from the sea and in preparation for the completion of the high speed link to Paris (cutting the travel time to about four and a half hours). The suburban railways were also extended to include a number of outlying commuter towns. A scheme was developed for a high speed rail link to Madrid to compete with

the 50 minute air shuttle, carrying 2 million passengers per year.

iii) Private initiatives sought to exploit the city's advantage in public and private medicine to create a major commercial health sector. Barcelona has 11,425 hospital beds in 66 hospitals and a multiplicity of private clinics and medical research institutes (among the best known are Clinic Barraquer for ophthalmology, Fundacio Puiquert in urology, and Institut Dexeus in obstetrics). The private clinics formed a Medical Centre Association, linked to the major hotels, the Catalan Savings Bank and the Spanish State Airlines, Iberia, to offer a package of coordinated services to out-of-town patients; it was said these numbered 60,000 in the two years up to 1993.

iv) Reus is a small town in the most southerly district of Catalonia, 60 miles south of Barcelona and eight miles from the seaport of Tarragona. Between 1975 and 1990, it became an important location for the Spanish chemicals industry. The Consorcio acquired a former military airport that had, after being converted to civil charter traffic, been in steady decline since 1988. The site was developed as a focus for a new 750 acre business park, linked to the airport, the port, the north-south highway connecting France and Valencia (with its major international vehicle plants) and a rail container terminal (again, awaiting the TGV high speed link). The park was designed for companies directly concerned with air freight and intermodal junction activities (including air couriers, aircraft maintenance work, stock and distribution companies), propelled by the global integration of manufacturing networks and the growth of just-in-time stock policies increasing company reliance on fast and reliable supplies of components. The project was modelled on three similar American projects which Barcelona Development Agency officers had visited - the Perot Alliance Airport industrial complex next to Dallas/Fort Worth airport, the Stewart Industrial Airport Complex in upState New York, and the Global Air Cargo Industrial Complex in North Carolina.

v) The Gloriés Project for a new downtown commercial development was to be located at the intersection of three main city highways, linking the area to the waterfront, the airport and the ring road. The site had originally been a large factory, and the Consorcio acquired this and leased it to two major French companies for development, combining underground parking (for 3,500 vehicles), a commercial area (with a hypermarket and shopping mall), and one million square feet of offices.

vi) The City also had a deliberate policy to attract business conventions at the existing Convention and Exhibition Centres. The scale of throughput was said to be the second highest in Europe (with, in the year 1992-1993, 54 Congresses on 160 days, receiving 53,500 participants). The City was actively considering the construction of a new convention centre to exploit this activity - and a senior officer of the city saw the failure to include such a project in the Olympic programme of investment as the biggest mistake made.

1.4. Unlike most of the case studies presented here, some attempts have been made to evaluate components of the investment programme. The City itself claims that Catalonia received \$5.5 billion foreign investment in 1990 and 1991 (nearly a third of the total inflow to Spain) as the result of the Games. The City Programming Department estimates that the total economic impact of the Games expenditure between 1987 and 1992 (Barcelona Real Estate News, Fall 1992) was of the order of \$28 billion (or equal to some 0.9 per cent of the

gross domestic product) and created 128,000 jobs and an environment more highly conducive to future economic growth than any other comparable European city (an estimate made by the European Economic Development and Advisory Consortium for 1991-92). Other studies - for example, that by Dr Pere Riera of the Autonomous University of Barcelona - suggest, with an appropriate discount rate, that there were strongly positive rates of return on both the ring road and the Olympic Village (over a 30 year period).

However, the still-important manufacturing base of the city had not necessarily been secured as the recession of the early 1990s in Europe became severe. In particular, the closure of the Dutch Azko chemicals plant at La Seda (with a loss of 2,600 jobs) in 1991, of Volkswagen's SEAT plant in the Zona Franca (with the loss of 9,000 jobs) in 1993, and the proposal by Nissan to lay off 1,100 workers were all signs of the severity of the downturn. The decline in the fortunes of Nissan were particularly threatening since Nissan was a symbol of the internationalisation of Barcelona and had attracted to the city 117 other Japanese companies (comprising some 85 per cent of the investment in Spain of Japanese firms).

Furthermore, while the credit rating of the City remained good, it has a major burden of debt, officially put at Pta. 241.9 billion (or \$1.8 billion), or Pta.107,400 per capita (Madrid with double the population had a per capita debt of Pta. 37,000). It was also well known that the estimates of local authority debt in Spain were very far from transparent, and Barcelona's debt might be double the official figure. Certainly, the tax levels were the highest in Spain (Pta.53,000 per capita per year) at a time when, because of the recession, tax yields were low and continued suburbanization removed from the City's tax network many of the better off tax paying households. The City was strongly pressurized to cut expenditure and employment (over 1,000 jobs were lost in 1993).

2. Berlin (Federal Republic of Germany).

2.1. Berlin¹ is a unique case, both as a divided city (with East Berlin as the capital of the former German Democratic Republic) and as a reunified one within a unified Germany. East Berlin, originally a fragment of the city, was transformed into an independent capital, a showplace to demonstrate the superiority of the East. West Berlin was a fragment of a city, isolated deep within a more or less hostile territory, but sustained by massive subsidies (constituting over half West Berlin's government revenues) from West Germany as a showplace for the superiority of private capitalism. Reunification confronts this peculiar ideologically divided city with the task of once more becoming a real city.

Immediately after 1946, there seemed little hope in sustaining West Berlin through the hard years of the Cold War. No longer the capital of a united Germany, the City lost the head offices of major German companies (only two remained) and banks to West Germany proper; the media, publishing and legal services fled. There was a major brain drain. Indeed, the population declined

². The population of West Berlin is 1.3 million, of West and East, 3.4 million. The Berlin Region (within a 60 kilometre radius of the City centre, and including parts of Brandenburg Land or State) has a population of 5.5 million.

up to the 1980s and was increasingly aged - not only did the birth rate stagnate, especially as the population aged, but the young migrated westwards. In the early years, only foreign military occupation ensured survival of the City.

The postwar economic difficulties - let alone the political ones - were severe. The unemployment rate remained persistently high. In the early 1950s, the Federal Republic launched a major programme of aid in an effort to offset the high local costs and risks of business (and the ban on all military-related work), thus establishing the form of a State-directed and sustained economy.

West Berlin was given the status of a federal State, a Land (along with Hamburg and Bremen), and this strengthened the powerful Prussian tradition and the predilections of successive Social Democratic Senates (the Land Government) in a State directed and supported economy. The Land's powers were significantly greater in the economic field than was customary elsewhere for local authorities or even major cities. German cities were also supported by relatively strong Chambers of Commerce and Industry, and of Craftsmen, both bodies being recognized in public law as quasi official bodies, and in combination with the local and Land governments, constituting a kind of corporatist regime. Furthermore, German cities historically raised greater funds locally, and many developed economic development departments (some from 1945, urged on by the Occupation authorities) or associations of economic assistance, often with staff and finance provided by the city, but working closely with the Chamber of Commerce and of Craftsmen. Thus, the Berlin version of this, with a mandate to help small and medium firms, purchased old multi-story buildings to renovate and let to companies; in this way the old and decayed residential area of Kreuzberg was turned over to industrial use.

West Berlin's Senate took a number of initiatives which are rarely now within the powers of local authorities. For example, in 1950, the Senate set up the Berliner Bank (out of the prewar finance and taxation department of the City) as the instrument of the City's economic policy, alongside the existing Senate-owned Savings and Cooperative Banks. The Berliner Bank was directed by the City, and acted as a funnel for the distribution of Marshall Aid funds. Later on, it became less important in its original role and the City encouraged it to become a normal medium-sized commercial bank, albeit one with its headquarters in, and loyalties to, Berlin. Senate representatives remained important on the Bank's board and officially the Bank espoused the same aims as the Senate. In a similar style, the City developed Tegel airport from the early 1970s through a publicly-owned private company.

Federal subsidies were crucial in establishing a special preferential environment in West Berlin. They covered a sales bonus (a bonus on turnover in Berlin), investment grants, capital depreciation allowances, investment finance, tax reductions, training subsidies and special investment allowances on capital equipment and buildings. The particular orientation of this pattern of subsidies is now blamed for the type of industry in West Berlin which is relatively capital intensive with low value added in manufacturing, a fragment of processes the bulk of which are located in West Germany. In particular, it is argued, Berlin's manufacturing yielded low profits and so sustained a poor investment level. It was an industrial structure that proved particularly vulnerable to the shocks of the 1970s, the combination of global recession, increasing oil prices and the strong appreciation in the value of the deutschmark in the early 1970s.

2.2. Nearly half of the manufacturing establishments of 1960 had disappeared by the 1980s (compared to 22 per cent in the Federal Republic). Between 1976 and 1983, West Berlin's manufacturing employment declined by nearly 18 per cent (compared to 6.4 per cent in West Germany). The contraction was most severe in what had been Berlin's most important industry since the turn of the century, electrical engineering (experiencing a loss of a quarter of its capacity). Steel, mechanical engineering, food, drink and tobacco, and chemicals, all declined. However, other sectors expanded - vehicles, banking and insurance, professional services, personal services, nonprofit making services and government.

2.3 The response of the Senate from the mid-1970s was to seek to restructure the economy, to upgrade technology and encourage new firms. In 1978, the City set up an Economic Development Corporation (Berliner Wirtschaftsförderungsgesellschaft) with the Chamber of Commerce and Industry and two banks, to promote the city's economy. The Corporation, fully owned by the Senate and employing some 40 staff, ultimately established investment offices in many major cities abroad (including Taipei) with the aim of targeting particular firms (in fields of high technology), generally promoting the city as a location for foreign investment, and facilitating the location of new foreign-owned plants. By 1992, the Corporation claimed to have facilitated DM10 billion investment leading to 50,000 new jobs.

2.4. In 1981, the Senate formulated a strategy to modernise the economy, to increase its competitiveness by upgrading local skills, encouraging new companies and technologies, and expanding jobs.

i) The existing Promotion Law was amended to make the incentive system reward only firms which added more than 10 per cent of the value of the finished product in Berlin.

ii) In 1982, the City set up an Innovation Fund which initially allocated DM12 million to some 26 firms through credit on favourable terms, public participation in the equity of firms, or conditionally repayable loans for new technically advanced products.

iii) It established an Assistant's Programme, offering to pay 40 per cent of the gross salary of new graduates for a one year internship in a company as a means of transferring technology from university to market place.

iv) The Special Trainee Programme had the reverse aim; it paid small and medium firms to train students for three months (meeting again 40 per cent of the cost).

v) In 1984, the City set up a Centre for New Professions to offer training to existing or aspirant employees of companies working in data processing and software, in informatics, and telecommunications (with DM7 million for the first three years).

vi) In 1983, with the strong support of the Chamber of Commerce, the City established a Centre for Innovation and New Enterprise (Berliner Innovation und Gründerzentrum or BIG) in collaboration with the Technical University to promote innovation and high technology both through technical education and training and the support of 'incubator' companies. The City claimed to have helped twenty firms in the first year of operation. BIG's success led to its expansion, and ultimately incorporation as the Humboldt

University's Centre for Research and Technology.

2.5. The City also sought to utilize Federal funds to secure a major share of Germany's research and development funding, and in this - with the help of Bonn - it was rather successful (with 3 per cent of West Germany's population, West Berlin received 15 per cent of Federal research funds). By the early 1990s, Berlin claimed to have some 300 research institutes, employing 60,000 workers. They included some pre-eminent national institutions - the Heinrich Hertz Institute (electronics and communications), Hahn-Meitner (nuclear research), the Fraunhofer Centre for Process Automation (robotics), BESSY Electron Synchrotron Institute (X-ray), the 5th Generation Computer Centre, Laser Medical and Solid State Institutes, the Heart Centre etc. East Berlin also has important institutions in medical research and many other fields, concentrated in the Academy of Sciences. Furthermore, after unification with the East, the city possessed three universities with some 170,000 students, the largest concentration of higher education in any German city.

The research and education base was seen by the City as one of its most important comparative advantages, and was the basis for other initiatives. For example, after unification the City launched a science park at Adlershof on the former Johannisthal airfield, site of the Academy of Sciences of the former East Germany. The Berlin Economic Development Corporation established a subsidiary in 1991, the Adlershof Development Corporation, to plan and develop the site; by 1993, it was claimed that 150 small and medium companies in advanced technology had applied to locate in the park, as well as some major research organisations - the Max-Planck Institute for Mathematics and Data Processing, the German Aero-Space Research Establishment, the Hahn-Meitner Institute. It was predicted that the project would attract DM40 billion in investment and create 130,000 jobs.

2.6. In the early 1990s with reunification of the city, numerous other projects were developed, many directed to upgrading the east. Seven projects by the City included both the Adlershof scheme, a 'water town' for tertiary activities on the edge of one of Berlin's lakes, developments associated with Berlin's application to host the year 2000 Olympic Games, or to house the Federal Government when eight departments moved from Bonn.

2.7. The Senate assumed responsibility for East Berlin on reunification, and the Economic Development Corporation extended its programmes of support there. A DM 100 million fund was established (to last until the end of 1993) to renovate commercial and industrial premises in the east. The opening of the eastern Lander to competitive banking exposed the relative weakness of Berlin's banks, so - with the encouragement of the Senate - the Berliner Bank expanded quickly and merged with its East Berlin counterpart, the Berliner Stadtbank, and with the Senate's Savings Bank, Landesbank and the Berliner Hypotheken Pfandbriefbank to form united Germany's sixth largest bank, the Bankgesellschaft Berlin (78 per owned by the Senate).

2.8. Reunification, however, raised many other problems. The extraordinary level of subsidies to the West were drastically reduced (to end in 1994), and some predicted that even before then manufacturing companies were closing or relocating either back to the western parts of the country, beyond Berlin to the surrounding Land of Brandenburg (encouraged by the rapid development of business and industrial parks in Brandenburg's cities and towns) or elsewhere in the eastern Lander, helped by the major transfer of funds from Bonn to the east. Others suggested relocation might leave Germany altogether, avoiding

the eastern Lander where productivity and infrastructure were poor, but wages - by decision of Bonn - at the same level as the west. Whereas Germany had an average hourly wage of DM 42, it was said, Poland (only 45 minutes drive from Berlin), former Czechoslovakia and Hungary had equivalent rates of DM5-7.

The industrial structure of both parts of the city, but particularly the east, was seen as uncompetitive and undercapitalized. Industrial employment in the east was said to be one third of the 1989 level, and the rate of unemployment 14 per cent (but it was 12 per cent in the west during the recession of 1993). The east was marked by poor infrastructure and telecommunications, and both east and west had, it was said, poorly trained workforces. On the other hand, both parts were 'overindustrialized' by the standards of other west European cities, so that it was expected that the process of deindustrialisation which had been spread over some two decades in other cities, would occur much more rapidly in Berlin, suddenly exposed to open competition. The severe recession exaggerated these questions - there was little new business attracted to the city, and most new jobs recorded were the result of the Treuhand privatisation programme in the east rather than new initiatives.

The decline of subsidies to the west, as well as the recession, forced a contraction in public spending, symbolized in the announcement of 10,000 redundancies in the City labour force and the closure of two famous theatres. The markets of eastern Europe in which Berlin had placed great hopes, developed much more slowly than expected and offered no short term relief to the city.

The strengths remained. Research and education as well as medical services remained strong. There was a substantial cultural sector, albeit heavily subsidized, including three opera houses, many theatres, museums etc. The creation of a teleport, the proposed new international airport (with a projected capacity of 30-40 million passengers by the turn of the century, provided the existing three airports were closed), and the opening of a new Warsaw-Paris railway line would further strengthen the city's position. The transfer of federal government bodies to the city - the Berliner Bank estimated 15,000 jobs would be moved to Berlin over seven years, and in total 58,000 jobs would be created - would give a considerable boost to the City's labour market and economy.

The decline of subsidies was also an opportunity, albeit a painful one, to shift the City from its predominantly State directed form, encouraging public action as facilitating rather than providing. The Senate increasingly came to include partners who were outside the Chamber of Commerce (with whom there had always been considerable collaboration) within the voluntary sector. For example, the Senate employed Stadtbau (which began as a squatter organisation and moved into training) to develop job creation schemes in the eastern central district of Mitte.

However, despite high hopes, it was most unlikely that Berlin would ever again be able to repeat the role it played before 1945 - the biggest centre in Germany of government, manufacturing, finance, communications and culture. The time since the end of the second World War had seen a much greater pattern of specialization develop in Germany's major cities - with Munich as the most important centre of high technology industry, Dusseldorf in publishing and insurance, Cologne in the media and vehicle manufacture, Frankfurt in finance, Hamburg in shipping and related activities. Berlin was more likely to be a Washington than a restoration of the Kaiser's capital.

3. Birmingham (United Kingdom)

3.1. Britain's recent history is peculiar in that whereas in many countries, governments have accepted the desirability of administrative decentralization, in the United Kingdom the preoccupation with controlling public expenditure in the 1980s has led to increased centralization. The closer subordination of local authorities has gone with, in England, the abolition of intermediary levels of administration (metropolitan regional government). This process has been accompanied by an increased role by the national government in urban initiatives and opposition to areas of activity not traditionally part of local government, including local economic development. Most of the important initiatives and easily the bulk of expenditure devoted to the economic restructuring of cities has thus been national in origin. Local authorities in turn have found it most difficult to emulate the economic initiatives undertaken by cities elsewhere in Europe.

3.2. Birmingham³ in the postwar period seemed to have made a most successful transition from its nineteenth century economic basis (relatively small engineering and metal manufacture companies, and mining) to a high growth twentieth century manufacturing economy, based upon vehicle and vehicle component manufacture and modern engineering, the heart of one of the most concentrated manufacturing regions of Britain (the West Midlands). The British economic expansion of the fifties provided the basis upon which "Birmingham had prospered more brilliantly than any other major British city outside London" (Sutcliffe, 1986). By 1971, 69 per cent of the jobs in the city were in manufacturing. It seemed in the 1960s inconceivable that the West Midlands might one day join those stubbornly relatively depressed areas of Northern Ireland, Scotland, the North East and North West.

3.4. However, in the first and second major recessions since the second World War (1973-5, 1979-81), the city and region were hit badly. Half the manufacturing jobs in the city were lost by 1981, and the growth of the service sector (8 per cent between 1971 and 1989, compared to a 48 per cent decline in manufacturing) went little way to making up the losses. In the early 1980s, local unemployment was nearly 20 per cent (and in some inner city areas, over 50 per cent).

3.5. These disasters prompted the City Corporation to seek an alternative economic direction in the 1970s (without relinquishing the city's position in manufacturing). Three of the City's initiatives were of particular importance here -

i) the continued upgrading of the airport to make it an international terminal.

ii) the development, with private support, of a £48 million National Exhibition Centre (the largest in Britain, and said to be the tenth largest in Europe; half the British national exhibition business was claimed by Birmingham, with, in 1990/1991, 4 million visitors).

iii) the development of science parks, the first of which was through a partnership between the City and the University of Aston to create a

³. The population of the city is now a little under 1.5 million; 4 million live in the 25 miles journey-to-work area surrounding the city.

Business and Innovation Centre; by 1992, this was said to be 80 per cent occupied by 70 companies, employing 1,000 workers.

3.6. In the 1980s, the City was increasingly focused on an overall economic development strategy, led by an Economic Development Unit in the City Corporation and closely linked to large local firms. The Birmingham Economic Forum was a continuing point of discussion for all parties on such topics as how the city should respond to the increased competition expected to result from the project of European unification for 1992. The City maintained a strong European orientation, and made major - and successful - efforts to tap European funds as well as national ones. It set as its aim: the redevelopment of the city to become a major European centre of services, with appropriate cultural facilities and a large tourist trade (particularly, business tourism). To this end, a number of programmes were developed:

i) The Economic Strategy for 1985 identified business (and other) tourism as a priority area for development. The City initiated an International Convention Centre (opened in 1991) in the city centre as a key focus here; the Centre cost some £121 million, and, it is claimed, attracted a further £50 million of additional investment; 3,000 jobs were created, and the Centre received 35,000 visitors per year. In the 1987-91 Economic Strategy, the City developed a plan to spend £72 million to make the city the largest centre of fairs, business meetings and sporting events in Britain. Other supporting facilities were developed or encouraged in the centre - hotels, restaurants etc. In collaboration with business groups, the City launched a number of schemes to upgrade the physical fabric of the inner city (for example, through a three year Physical Enhancement Strategy, and in the eight areas targeted by the Area Regeneration Initiative). A major redevelopment of the centre of the city, the Bullring, was undertaken to upgrade it as a retail trade centre (at a cost of £250 million). The City also made bids to host major events - for example, the 1992 European Community Summit.

ii) The City made efforts to develop a large indoor sports stadium and other sports facilities as part of its bid (unsuccessful) to host the Olympic Games.

iii) The City commissioned a report on cultural activities, and this showed that some 13,000 were employed directly here (and 6,800 indirectly) in libraries, museums, galleries, and places of the performing arts (this excluded the Central Television studios and associated production companies, and the B.B.C.). The City gave financial support to the Birmingham Symphony Orchestra (and provided a new symphony concert hall in the Convention Centre), and to film and television festivals. It succeeded in attracting to Birmingham the Royal Ballet and the D'Oyly Carte light opera company. The City considered creating a National Electronic Music Centre, and 1992 held its International Year of Culture.

iv) The City made efforts to strengthen its position in education and training. With three Universities and centres of research, the City identified as of particular interest, research in new technologies, in new materials and biotechnology. Under the 1987-1991 Economic Strategy, 2446 million was budgeted (including £203 million of European funds) for business, development, training and education, and technical research.

v) All economic strategy documents continued to stress the importance

of manufacturing and the need to upgrade industrial technology. The City directly assisted some firms through endorsements, taking shares in smaller and medium-sized firms (until this was banned by the central government), and the redevelopment for industrial purposes of the 30 per cent of the city's land owned by the Corporation, the upgrading of old sites and infrastructure facilities. A series of programmes were developed in the 1987-1991 Economic Strategy - the Human Potential Programme (£82 million) was to retrain industrial workers in new technology, particularly directed at small and medium-sized firms. Additional sites were developed - for example, the Holford Business Park. The Business Development Programme (£73 million) was directed at helping new businesses through providing common services (financial help, advice and technical support, promotion etc). An additional scheme targeted key potential investors (in the United States, Germany and Japan) and sought to facilitate any inward investment.

vi) The Corporation stressed the international and European dimension of its aims. A Task Force was created, and a European Steering Group to seek, in consultation with business groups, to attract foreign firms and learn from foreign experience. The relative strengths and weaknesses of the City were explored, all directed to, as the City expressed it, to capture and hold comparative advantage at regional, national, European and world levels.

3.7. The strengths of Birmingham had been created in a complex of complementary activities concerned with business and other tourism - the National Exhibition Centre, the International Convention Centre, the set of cultural and educational facilities, renovated central districts. The City prided itself on its national centrality - 95 per cent of the country was within one day's drive of the city; on its role as a rail hub, to be enhanced by the opening of the Channel Tunnel (making Paris, it was said, only five hours away); and on its international airport with, in 1992, 3.4 million passengers (projected to reach 6 million by the year 2,000), the main cargo facilities for British Airways, and an associated free port.

3.8 However, Birmingham's weaknesses were also prominent. The employment situation remained at best fragile, and manufacturing highly vulnerable to national recession. In the early 1990s, unemployment again came close to its 1979-81 peak; West Midlands manufacturing employment contracted by 16 per cent (1990-92), affecting most severely engineering, transport equipment and communications. At the end of 1992, the City unemployment rate was 26 per cent for men and 10 per cent for women - compared to 21 and 8 per cent for the West Midlands, and 16 and 6 per cent for the United Kingdom. Unemployment was concentrated in five inner city districts where the rate reached 30 to 40 per cent. The city's unemployment was also concentrated among the young (the rate for 18 and 19 year olds was 33 per cent), and among minorities (when the rate for whites was 12 per cent, that for those of Asian origin was 27 per cent). Birmingham's unemployment was 38 per cent above the average for all metropolitan districts in Britain. Furthermore, the problem of derelict areas was by no means overcome.

Furthermore, the financial source of the City investment programmes was a matter of dispute. A 12-person independent enquiry, set up and financed by the City Corporation (the report was published in November 1993) alleged that the City had diverted £250 million of the education budget over five years to 'prestige' projects in culture, sports and international promotion, and that, as a result, the city's schooling system was suffering severe problems of decline.

4. Glasgow (United Kingdom)

4.1. Britain's old manufacturing cities, like those in other industrialized countries, were hard hit by the opening up of the national economy, changing technologies and a succession of recessions. This is especially true of cities which in the nineteenth century specialized in heavy industry. Glasgow is an example of this and has endured a long and painful process of economic restructuring. In 1903, the city possessed 39 shipyards, employing 100,000 workers to produce a vessel a day, a third of Britain's shipbuilding output per year and a fifth of the world's output (at that time it was said that half the world's stock of seagoing vessels had been built on Glasgow's river, the Clyde). Shipbuilding sustained a mass of other industries - steel, coal, metal manufacture, heavy engineering. Yet despite the incomes generated, the city was notorious for its appalling slums; 11 per cent of the housing stock accommodated more than four people per room, compared to an English average of 0.8 per cent.

The contraction of shipbuilding and the housing crisis became two aspects of the continuing decline of the city. After the second World War, the second became the key target for public action. Inner city areas were cleared and the population rehoused in public dwellings either in the inner city, in new towns or on the periphery (in the 1980s, 60 per cent of the housing stock was still publicly owned). Clearance drove the middle classes from the centre to the suburbs, while the working classes were rehoused without regard to the location of employment. From clearance and rebuilding (1955-1970), the City moved on to rehabilitation with the collaboration of private owners (1968-1980) and to regeneration, with the emphasis on the development of the economy (1975-) (Boyle, 1991). In all phases, public action was predominant - as it had been for much of the postwar period in the city's economy; Glasgow has been peculiarly dominated by nationalized industries (shipbuilding, steel, coal, railways) or national public subsidies.

The city was faced with continued population¹ and employment decline and persistently high levels of unemployment. Between 1952 and 1987, total employment declined by 27 per cent, and manufacturing employment by two thirds. In the 25 years to 1990, the city lost 160,000 jobs, and in the 1980s, the annual job loss was still 3,500. Whereas, the early period saw the attrition of the old heavy industry capacity, the later years saw the decline of the new higher growth industries of the 1960s (metal manufacture, vehicles, textiles). Services barely expanded to make up the losses until the late 1980s.

The process of decline was not simply a relocation of activity to the surrounding region. Strathclyde, the region, lost 43 per cent of its employment between 1979 and 1990. Glasgow's losses were particularly severe in the recession of the early 1980s, but the same problems reappeared in the early 1990s. In August 1993, the male rate of unemployment was 24.5 per cent (and the female, 9.3 per cent). Furthermore, restructuring had changed the type of job - put oversimply, from fulltime male manufacturing jobs to part-

¹. Glasgow's population peaked at the time of the first World War at 1.1 million. By 1981, it was 774,068, and by 1991, 689,210 (with a projected total of 639,151 for 1997). The much larger region of Strathclyde was also experiencing population decline - from 2.4 million in 1981 to 2.3 million in 1991.

time female service jobs.

4.2. From the 1970s, the public authorities were preoccupied with the issues of unemployment - national government departments (particularly, those of Employment, Trade and Industry, and the Environment), the Scottish Office and Scottish Development Agency (SDA), the Strathclyde Regional Council (SRC), the Glasgow City or District Council, and in the 1990s, the Glasgow Development Agency. Initially, the City, with other public support, concentrated upon improving the physical infrastructure and promoting the city, but later, it moved on to seeking to help private firms to expand and individuals to improve their skills. The range of initiatives over the years was considerable, and some of these are listed below.

4.3. Business support operated through advisory and support services, including the development of land and factories, improved environments and promotion. Business initiatives by the disadvantaged and unemployed were particularly encouraged. The City had a special export service to encourage potential exporters, and endeavoured through twinning arrangements with cities abroad to open new markets.

4.4. The City tried to encourage tourism through the development of leisure and cultural facilities and the organisation of major events (for example, the National Garden Festival of 1988). It developed or enhanced new facilities - the Glasgow Royal Concert Hall, the McLellan Gallery, an International Indoor Sports Centre, a Transport Museum, a People's Palace and Winter Gardens, the Botanical Gardens etc. The City financed half the expenditure of the Glasgow Tourist Board, and the redevelopment of particular tourist areas (for example, the Cathedral Precinct).

4.5. A number of other initiatives were supported by the City - for example, the Govan Partnership in training and upgrading public housing, the Workwise and Heatwise youth employment programmes, and the S.D.A.'s Enterprise Fund to train and assist young unemployed workers to start new firms. The SDA financed the Renewal Programme for the East End of the city, according to Cheshire and Hay, "the single most successful area-based programme to combat urban decline in the United Kingdom"

4.6. The City and the SRC also supported the initiative of the SDA to create in 1985 Glasgow Action to develop the old city centre. In this case, significant public funds were put to work by an organisation run by prominent Glasgow private businessmen in a series of parallel programmes:

i) the development of major offices in the centre; 10 sites were proposed for development over five years, but in fact 20 sites were developed, creating, it is claimed, 7,000 new jobs (in fact, 3,200 had been proposed before the project was begun).

ii) a programme of general refurbishment of the rest of the city centre, with associated housing and environmental improvements.

iii) Glasgow Action targeted companies with headquarters in the south-

⁵. Cheshire, Paul C., and Dennis G. Hay, *Urban Problems in Western Europe : an Economic Analysis*, Unwin Hyman, London, 1989, p.193.

east of England to seek to attract them to relocate to Glasgow, and had some important successes in this endeavour.

iv) attracting tourists to Glasgow became an important aim through seeking to make the city the location for business and other conferences, and exploiting the new cultural facilities.

v) research and development was also encouraged, and a new Glasgow Science Park set up.

vi) from an early study of the airport, Glasgow Action - in collaboration with many other agencies - developed a programme to upgrade and expand the facilities; by 1990, the airport had secured five direct routes to North America, 11 to European destinations and 27 domestic routes

4.7. The success of Glasgow Action prompted its reorganisation and expansion in 1991, while retaining its essential objectives of improving the city through the private management of public funds. Glasgow Action was merged with the Glasgow offices of the Scottish Development Agency (which became Scottish Enterprise) and of the national Training Agency to form the Glasgow Development Agency (GDA), a "local enterprise office" with an annual budget of £50-70 million and responsibility for training, business advisory services, and promotion.

4.8. The wide variety of activities by many different agencies had, from the point of view of the City Corporation, the central aim of turning Glasgow into a centre of service activity, or culture and tourism. The City authorities greeted with acclaim what was seen as the recognition of their achievements in this field when the city was in 1990 declared 'European Cultural Capital'. Office expansion had indeed taken place - there were 17 major office investments between 1986 and 1991, and office employment had increased by 30 per cent. The city remained the largest concentration of wealth and employment in Scotland, an important centre of the retail trade, of higher education (with three universities) and research, of advanced medical services, culture and communications.

4.9. However, the city had not been able to restore a manufacturing base - new industry tended to locate elsewhere in Scotland, particularly around the new towns, such an important component of the spatial policies of the immediate postwar period. There seemed to be a profound mismatch between the low skills of the unemployed - and heavily male - labour force and the demand for workers in new activities. Household income remained lower than average for Britain; even in the Strathclyde Region, 20 per cent of the population were below the national poverty line, compared to 12 per cent in Scotland as a whole. Some commentators argued that the growth of service employment was essentially in temporary, casual and part-time work with low income, two thirds of it sustained only by public investment - "Glasgow's flirtation with 'culture' may be (replacing, NH) the city's dependence upon shipbuilding and heavy engineering with an equally dangerous dependence upon the service sector and in particular upon low paid, semi-skilled jobs in tourism and leisure" (Hayton, 1990). The judgement was premature.

5. Lyons (France)

5.1. Lyons⁶, the second city of France and historically an important industrial area, experienced a more radical decline than France as a whole following the world recession of 1973-75. The 1976 Master Plan for Courly was still projecting a significant growth in population and employment, and laid out a case for a series of important capital projects (the airport, the extension of the new subway, the expansion of the universities). However, the population had already started to decline, spreading away from the central area into a larger region (net migration to the city had become negative: - 0.16 per annum; and between 1975 and 1982, the central city lost 1.4 per cent of its population). Manufacturing employment declined by some 60,000 up to 1985 (with additional losses in agriculture and construction of 9,000 jobs each; 60,000 jobs were added in services, making a net job loss of 19,000). The job losses were most severe in some of Lyons' traditionally strong sectors of manufacturing - heavy chemicals, smelting, electrical machinery, vehicles, textiles (which in total covered between 30 and 50 per cent of the losses), leather and shoes, pulp and paper, and rubber. In vehicles, one of the most important sectors in the past, employment contracted by 26 per cent (1973-86). However, some manufacturing continued to grow - secondary chemicals and pharmaceuticals, printing, ferrous metallurgy. One of the few consolations in this restructuring process was that the decline in employment did not produce a disproportionate increase in unemployment - the 1975 rate was 2.9 per cent, and the 1987 level, 8.3 per cent (compared to the national rates respectively of 4.6 and 10.5). Furthermore, services had grown significantly, and Lyons remained the second largest financial centre in the country, with a stock exchange and close links to some leading banks, as well as a leading centre in health facilities, education and research.

5.2. However, the picture of relative industrial decline was less clearcut, the wider the region considered. If, following Beckouche, Davezies and Schébat (1993), we take the extended Region Urbaine de Lyons (1236 communes, with 3 million population), still one of the major manufacturing regions of Europe is revealed, with particular strengths in textiles and garments, basic and secondary chemicals, mechanical engineering, foundries, and vehicles. Despite the downturn in the early 1980s, both population and employment grew in the second half of the decade. Thus, Lyons' role as a major supplier of business services has been stimulated by the growth of the larger region, even if its own manufacturing has declined.

5.3. The City and the national government sought to restore the economy through programmes of urban renewal and the development of industrial parks (what became in the later plan, technopolises). In the early 1980s, the national Plan of Action for Employment and Industrial Restructuring began to

⁶. There are at least five official conceptions of the Lyons urban area -

the City (the central area; one commune) 0.4 million population.

COG (Communauté Urbaine de Lyons, or Courly; 55 communes) 1.1 million population.

SEPAL (the conurbation; 71 communes) 1.2 million population.

ZPIU (the agglomeration; 271 communes) 1.5 million.

Rhone (County; 293 communes) 1.5 million.

Two other areas are mentioned in the text - the Urban Region of Lyons (official) and the Urban Region of Lyons (extended)

focus much more specifically on the issues of unemployment, without this having apparent strong effects. However, there was a significant shift of focus in the basis of city planning strategies. In 1982, the national government introduced radical decentralization measures (under the Planning and the Decentralization Acts), according cities much greater powers over local economic development (although they were barred from taking equity holdings in companies). The central government continued to supply up to half the funds for economic development, but without strings, and local governments were now permitted to borrow freely on their own credit for projects without central sanction. One of the immediate results was a much greater concern with the local economy and with collaboration with other authorities for urban development. In the case of Lyons, the central government had dominated the formulation of the first plan (in operation from 1976), and its implementing agency, SDAU (Schéma Directeur d'Aménagement et d'Urbanisme de Lyons). The second Master Plan (initiated in 1988, completed in 1990) was entirely controlled by the elected political leaders of the relevant local authorities (71 communes) in SEPAL (Syndicat d'Etudes et de Programmation de l'Agglomération Lyonnaise), and was much less oriented on a programme of public infrastructure provision, much more on sketching a vision of Lyons in the 21st century.

5.4. The second plan is directed at making Lyons a "European metropolis", the core of the activity of which is in its role as transport junction, in business services, in science and technology, in culture and a handsome environment for citizens and tourists. The plan document discusses only a few of 100 major investments proposed, to cost F.Fr. 18 billion (F.Fr.11 billion to be raised by the local authorities, the rest from national government agencies), but they are grouped according to these five themes:

i) Transport and communications. The plan identifies an enlarged Satolas international airport (with in the early 1990s 50 direct international flights, 3 million passengers and 12,000 tonnes of freight annually) as the centre of a major European intermodal junction, linking the TGV high speed railway to the south coast (with a new railway station) and the city's five important autoroutes (the eastern route to be built). A business park is being created to exploit this centrality. Furthermore, the underground railway was to be extended beyond the three lines opened in 1978, and the city ring road completed. A new teleport was to be opened, linked to the technopolises mentioned below.

ii) Services to business. The urban region remains an important manufacturing area, particularly in some locally-based research growth sectors - secondary chemicals and pharmaceuticals, biotechnology, new materials and robotics. Many of these activities are located in the technopolises, developed in the 1980s, where teaching and training, research in high technology, and innovative companies are combined. These include a biochemical centre, a National Informatics Park, a health technopolis. Furthermore, the City proposes the construction of an International Business Convention Centre and Exhibition Park (Euroexpo) to complement this activity.

iii) Education, research, health. There are some 75,000 students in Lyons' three universities, along with a new Ecole Normale Superior at Gerland (set up in 1987), and 15 national schools. The City sees this group as an important element in the city economy. The plan commits the City to create a university quarter in the centre, well served by transport, and an important attraction for tourists. The plan claims that 400 research institutes already

exist in the city - in nuclear energy, agro-chemicals (Rhône-Poulenc), Railways, cancer, medicine (the Pasteur Institute) and biotechnology. Medical research is closely linked to a famous Medical School and a complex of specialized hospitals and clinics.

iv) In culture, a key component of the City's tourist strategy, the plan identifies the existing strengths of the city and the new elements to be added or renovated - museums (particularly the Gallo-Romain, the Beaux Arts, the Tissus), archeological parks, theatres (including the Théâtre du 8ème), the National Music Conservatory, the National Orchestra of Lyons and its Concert Hall, the Houses of Dance and of Image and Sound, opera, libraries, exhibition centres and galleries. The plan also identifies a series of events to attract visitors - the Biennial Dance Festival, Festival Berlioz, and Octobre des Arts. It is also proposed to establish a popular music centre and a museum of modern art.

v) Renovation - the City is to continue upgrading and restoring the inner city and the historic quarters, with the further development of hotels and restaurants. The harbours and quays of the riverside are to be particularly targeted for upgrading, along with the general environment.

5.5. The components of achieving a major European metropolis are laid out as a set of programmes to be accomplished up to the year 2010. The vision was the result of a wide consultation among citizens, officials, businessmen and academics, which perhaps accounts for the heavy emphasis upon the quality of life in the city as its main economic attribute.

Part II

1. The different starting points

1.1. Each city examined here had - and has - a unique composition of output of goods and services, even if the highly aggregated statistics rarely reveal this. Yet all, to a greater or lesser extent, were precipitated into seeking to reshape the local economy by a sharp contraction in their different manufacturing sectors - particularly heavy industrial cities (shipbuilding, steel, coal, heavy engineering) by the first major postwar recession (1973-1975), but most by the second major recession (1979-81), affecting especially industries such as chemicals, vehicles and vehicle components, consumer durables etc.. Insofar as cities had a significant share of activity in services not directly dependent upon manufacturing, they were able to offset the contraction, as seems to have occurred in, for example, Frankfurt, Dusseldorf, Brussels, Reading and Bologna. In some of these cases, the third major recession, starting in Britain in 1990 has had disproportionately negative effects in the tertiary sector.

1.2. An additional factor in the decline of urban manufacturing and the growth of services, particularly marked in the case of Britain, is a shift from fulltime male work in manufacturing to part-time female service jobs (reflected in markedly different unemployment rates for the two sexes in British cities). Unemployment also disproportionately affects the young. However, the problems are partly masked by large-scale withdrawals from the labour force, particularly by those in the age group 50 to 65, utilizing various schemes of early retirement or disability pension to cease to be either employed or unemployed. It has been argued that the difference between

the British case (the growth of part-time employment) and continental Europe lies in different regimes of regulation and compensation, but it may also be related to different compositions of output. Either way, policies to stimulate the growth of employment are required to be more carefully targeted on particular groups - the young unskilled and the late middle aged former manufacturing worker,

1.3. Simultaneously, city managers came to appreciate the growing internationalization of their local economies, a process long developing, but particularly marked in the 1980s, especially with the moves to European integration, culminating symbolically in the project to complete the single market by the end of 1992. Rethinking the role of cities shifted attention from national manufacturing to the 'European metropolis'. This was strengthened by an apparent weakening in the capacity of national governments to determine the activities in their domestic economies, and, in a much more open world economy, the requirement of such greater flexibility - achieved both through a rundown in the public sector (nationalized industries, State provision etc.) and measures of decentralization of power to local administrations. Thus one element in growing 'globalization' appears to be increased roles both for supra-national bodies (from regional governments, such as the European Community, to international agencies such as the International Monetary Fund etc) and subnational ones (for example, city governments). Indeed, the economic rivalry between cities has become an increasingly important area of market competition, to some extent superseding competition between countries or governments. The trend is exaggerated in Europe by the rapid development of transborder communications - motorways, railways, short haul air services - and as a result the apparently disproportionate growth in transborder transactions and the emergence of new supranational economic regions - the so-called 'blue banana' linking London and Milan, or the secondary Mediterranean banana linking Barcelona and Genoa

1.4. On the other hand, increasing competition between cities within the same country has been accompanied by the development of collaborative networks of cities in different countries - whether through the ever-popular 'twinning' arrangements (which have moved on from the exchange of city officers to the exchange of university students and staff, the pursuit of joint business ventures and supplies to each other's markets) or the creation of associations of cities, partly as lobbies on European Community issues but also as mechanisms to exchange information on the process of economic restructuring and the efficacy of different public interventions. As we have seen, these were some of the objectives of the grouping which included Lyons, Frankfurt, Milan, Birmingham and Rotterdam. There are possibly many other such groupings - for example, that between Nancy, Karlsruhe, Halle and Nottingham.

1.5. However, these supranational configurations - insofar as they exist in the real economy - should not conceal the continued predominant importance of different national frameworks which predetermine the power and initiatives of city governments. In the Federal Republic of Germany, the power of the State, the Land, in terms of self-financing, the capacity to tax and borrow and the legal powers to innovate and implement projects, was much greater than that normally available to local authorities in unitary systems; Berlin, as a Land, is therefore not strictly comparable with the other cases examined here. The French 1982 decentralisation measures, however, went some way to strengthening the communes and counties, and therefore the federations of communes which constitute metropolitan areas. At the other extreme, the British government

has, in the past fourteen years, under the spur of the attempt to control public expenditure, steadily increased its role vis-a-vis local authorities to establish, in British terms, an unprecedented degree of centralization (in this respect, France and Britain have exchanged places in the historical record of governance). The British Government has also taken powers to prevent local authorities undertaking significant economic initiatives, and substituted centrally controlled programmes or non-elected statutory agencies, Development Authorities or Agencies, Local Enterprise Offices etc.. Thus, the particular role of city governments is very different in different countries, as opposed to the wide diversity of initiatives undertaken at the local level by a variety of public and private agencies.

1.6. The context is different in another way. The European experience and instincts, whether Christian or Social Democratic, has placed much greater emphasis upon the role of the State than has occurred in the United States. The restructuring of economies has occurred at the same time as a generalized movement against this idea of the all powerful State in the economy. The process of restructuring is not just concerned with changes in the sectors of the economy, but also with a change in the leading actors, a change in the relationships between public authorities, private firms, voluntary organisations and the citizens at large.

2. Types of Programs

2.1. Many cities initially reacted to the decline in manufacturing by seeking to use the public authorities to defend directly industry - some by direct investment in manufacturing (London, for example, created a small merchant bank, the Greater London Enterprise Board, for this purpose), developing - in collaboration with the relevant industrial association - industrial strategies for particular sectors, others by seeking to facilitate the utilization of a growing range of national programmes of support and subsidy to industry, or to provide physical support through serviced industrial estates and, in some cases, advance factory building. The results were not significant, but the programmes were risky and expensive. Budgetary constraints, if nothing else, forced a scaling down of assistance and the replacement with advisory and promotional services, particularly for small firms and new start ups, and in the fields of high technology (hence the growing number of Science Parks, although not all of them had much science in them, and in some cases, costs had to be defrayed by letting to warehouse companies). For the unemployed, training and retraining was the favoured method of assistance.

2.2. Over time, cities have become less preoccupied with securing, holding or reviving manufacturing, and there seems to have emerged a view that there is little long term future for manufacturing (at least, for manufacturing which employs a lot of people) in cities. For those cities, as in the United Kingdom, faced with significant long term unemployment, this has perhaps entailed an implicit abandonment of the unemployed to the care of national social security systems. As decayed physical infrastructure has come to be written off no longer realistically susceptible to incremental reform, it seems the same fate has come to be visited on the obsolete labour force. Experience so far has not shown that there are viable alternatives.

2.3. The cities examined here have - in the 1980s - all come to opt for seeking to create a service-based city economy, with a surprising unanimity as to what is to be included in this - communications, health facilities,

research and development, tertiary education, culture and sports. In some ways, this is no more than an attempt to bring old industrial cities to the standard of large non-industrial cities (particularly those which are capitals). The old emphasis upon the city as a place of production (and the negative byproducts of this orientation are to be dismissed as trivial criticisms) has given way to the city as pre-eminently a place of superior consumption, of culture, leisure and tourism, characterized by a pleasing, green and clean urban environment (thus reintroducing the classic urban agenda of efficient municipal services), with well-maintained historical neighbourhoods and monuments. History has thus been carefully recycled to meet current consumption needs.

2.4. Turning these - often public sector - initiatives into commercially viable projects places great stress on the role of tourism. Higher education generates local incomes, and, as we have seen in Lyons, the creation of a University quarter, a Left Bank, may indeed be a focus for tourism. Cultural facilities similarly have the capacity to generate tourist revenues and therefore form an export sector, but few cities seem to evaluate the considerable costs involved in developing concert halls, indoor sports stadia etc. relative to expected returns to the city, and there is little assessment of the opportunity costs. In the case of health facilities - again, often publicly funded - we have seen in the case of Barcelona how the association of private clinics established a consortium with a bank, hotels and the State airline to create a kind of health-related package tour for patients.

2.5. However, the development of communications (transport and telecommunications) mark off the modern city from its predecessors. In a globally or regionally integrated economy, movement (of goods, people, finance and information) increases much faster than output; an increasing proportion of each city's goods and services are exported beyond the city's boundaries. Thus the means of transfer and accessibility become preconditions of economic growth. Most cities recognize this, and have made considerable efforts to help or press for the expansion of airports, high speed rail links and junctions, motorways with swift access to cities, ring roads etc., and the ubiquitous teleport. In some cases, as we have seen with Barcelona, the location of these different elements of the transport network has been employed to create a multi-modal transshipment junction, with an associated business park for appropriate enterprises. In the case of Barcelona, this utilizes the city's peculiar geographical location on the container route from Asia to Rotterdam.

2.6. In many cities, great emphasis has been put upon the creation of 'image', specially as an international metropolis. It is difficult to evaluate the significance of this, particularly where, as in the case of the Lyons plan, the pursuit of image seems to supersede the specific projects proposed. Perhaps in the cities examined - or at least, among city managers - there has been such a long drawn out process of decline and demoralization, the remoralization of advanced public relations is required to restore commitments to change. However, the emphasis can be politically dangerous if, beneath the media hype, significant numbers of citizens feel little improvement and are understandably enraged by being offered an image rather than a job, and at considerable long term cost.

2.7. All the cities have come to pursue an enabling strategy. All cities economically depend upon making a specialized contribution to national or world output, not a standard one. Indeed, insofar as they fail to capture a

specialized niche or set of niches in the wider economy, to that extent they are vulnerable to competition from other cities. As mentioned, the specialized role of Germany's large cities is clearer than in many other countries (where one large city, Paris or London, may monopolize many roles which in Germany are divided between cities). But with the decline in a major specialization in manufacturing, it is difficult for cities to choose and foment what might be the future service specialization, to 'best guess' the market. It could be that Lyons' research and development sector will turn out to be heavily dominated by medical research, and Berlin's, by aerospace or robotics, but cities cannot decide this in advance in order to shape a highly specific set of support measures. The lack of discrimination gives the appearance that all cities are doing much the same thing, and as a result, oversupply in some fields will be self-destructive, whereas they ought to be seeking to exploit a peculiar set of advantages. The minimization of risks in making such a choice is offset by the higher costs of being indiscriminate.

2. Planning and Agencies

2.1. The period of the restructuring of Europe's older industrial cities straddles also a time of transformation for what is considered to be planning. Furthermore, the agenda of economic issues presented for planning remedy are not at all susceptible to the old methods of statutory direction, control and regulation. In the old form of planning, embodied in the idea of a Master Plan (a term still employed in some cases even though the mastery has long since faded away), an expert diagnosis of problems led to solutions embodied in the control of land uses as the most important instrument for reshaping the city, and the unilateral public provision or delivery of services at whatever standard was currently accepted by the municipal engineers. The shift has been to 'strategies' with much vaguer and more flexible 'scenarios', without precise objectives, norms or controls, leaving open the possibility of radical change of direction to exploit unanticipated opportunities (hence the popularity of the idea of an 'Entrepreneurial City'). Furthermore, the plan is based not upon expert - and unchallengeable - diagnosis, but upon consensus, on sets of collaborative projects which in sum are, at best, indicative rather than mandatory. Public authorities increasingly stress the limits of their role and the crucial inputs of nonpublic agents. Local coalitions and alliances come to play a key role in the discussion of options; the City Forum concept - as in Birmingham and London - is a means to pursue a continuing discussion of the changing options facing the city; Rotterdam's ROTOR (Development Board of the Rotterdam Region) has been constituted as a permanent think tank on how the city should react to the increasing competition in a united Europe. Thus, the issue of the plan is not centrally the public authorities deciding what they intend to do (or at least, present publicly since there was always a gap between stated intention and reality), but rather exercising leadership in a process of creating a political coalition for implementation. As Josep Roig Marti puts it in the Barcelona context, the plan has become "a sort of intention contract" to stimulate reflection on the role of the city, its strengths and weaknesses, rather than outline a scheme of regulation and targets (in *La Ciudad Ante el 2000*, p.92). Barcelona City Council proudly claims that the city's plan was based upon consultations with 560 corporate bodies and individuals.

2.2. On the other hand, private business and voluntary organisations have been obliged to change. For a long period, businessmen have been happy to

concentrate exclusively on their own businesses, leaving the management of the city to public authorities. However, the sheer scale of decline has forced them into the public domain. The health of the city has come to be seen as important for the profitability of business. This is a partial return to the situation in the nineteenth century when city businessmen seem to have been much more actively involved in promoting local improvements from the provision of water supply to education and training.

2.3. The shift in the political significance and organisation of planning has gone with a greater diversification in the means to implement projects. As we have seen, the creation of private subsidiaries of public authorities (as in Berlin and Barcelona) to undertake programmes or projects is a continuing theme, and in the British case, this has been one of the important approaches of the national government to local initiatives. Partnerships¹ have everywhere become a norm, whether between public agencies, public and private bodies, public and voluntary organisations - or in public efforts to stimulate households and companies (as with the Barcelona programme to renovate individual buildings). Private companies have come to spearhead local improvement programmes in collaboration with public authorities - as in the case of Marks and Spencer's inner city programme in Britain, Lazards New York City Partnership or the Shell Consortium in Hamburg. As we have seen, in Glasgow Action, public funds have been put at the disposal of an agency run by private businessmen. Furthermore, cities have increasingly come to rely for implementation on voluntary agencies - as in the approach of the Berlin Senate to employment schemes in east Berlin's Mitte, where public funds are being spent by a nongovernmental organisation. Science Parks have usually similarly involved collaboration between a University, private business and public authorities.

2.4. The same diversification has occurred in funding sources. While the bulk of finance still derives from national governments, the art of City management has come to lie in the capacity to put together funds from many sources, national and local public agencies, international agencies (the European Community), foundations, private companies and the citizens at large. Again, unilateral public provision has fragmented into a changing diversity of sources which strengthen local initiative.

3. Effectiveness

3.1. There is a remarkable lack of evaluation of the effectiveness of the programmes described here, either by the cities concerned, the national governments, or international agencies (for example, OECD²). It is difficult if not impossible to get rough orders of magnitude for the costs of different programmes, let alone rigorous criteria for success or failure. Few cities have endeavoured to assess indirect effects, investment 'leveraged' or employment multipliers. This is true even when governments stress 'value for money'. The lack of data thus allows widely divergent opinions - for example,

¹See ILE Notebooks (Local Initiatives for Employment Creation) : Partnerships : the Key to Job Creation, examples from OECD Countries, OECD, Paris, 1992.

²But see : ILE Notebooks (Local Initiatives for Employment Creation), No.16 : National Programmes in support of Local Initiatives : Contents and Evaluation, OECD, Paris, 1992.

in Berlin, between those who argue that the Senate has been decisive in reorienting the economy, to those who deny that it has had any significant effect at all on the overall economy.

3.2. However, major projects have been completed, and often central city areas transformed, allowing a significant expansion of tertiary activities. Access, transport networks and telecommunications have been considerably improved. Cities have come to perceive a new role for themselves in the provision of high quality services in activities formerly taken for granted as simply to serve the local population (education, culture, health and sports facilities). Furthermore, there has been a revival of confidence after the dispiriting experience of radical economic decline of the past couple of decades. Cities have been restructured and are now in a position to exploit their new advantages, even if the full rate of return will take a long time to realise.

3.3. These striking changes have in some cases - and the British example is possibly the most extreme - not resolved the obstinate persistence of poverty and unemployment among a significant minority of the population. Expansion in new employment seems to have benefited either computers or part-time women workers, not meeting the need for fulltime work for the unemployed. Insofar as the aim of economic development programmes was to reduce unemployment, the results have been disappointing - even if cities have prepared for themselves a future dynamic role.

4. Lessons for Warsaw

4.1. Warsaw as both a national capital and an historic city has, unlike many of the secondary cities discussed here, an extraordinary wealth of historical quarters, buildings and monuments (many excellently rebuilt or restored), and a rich cultural life (music, opera, drama, the film etc.) with the facilities appropriate to an important power. Thus, the central task for economic development is less the creation of these elements and rather more making them accessible to a much wider audience.

4.2. Furthermore, what is of possible relevance in the case studies for Warsaw is powerfully determined both by the legal and financial powers available to the city authorities, the historical endowment in terms of manufacturing and service activities (for example, health and sports facilities, education, research and development etc.), and the geographical uniqueness of Warsaw's location (what the public relations industry might, for example, describe as 'Gateway to the East' or 'Window on the West'). However, the overall aim ought to be clear, as expressed in the Birmingham strategy documents : to capture and exploit comparative advantages at the regional, national, European and international levels. But comparative advantages are rarely invented out of nothing; they emerge from existing activities, out of present strengths and weaknesses, and the competitive context. Often, they are unanticipated - as with, for example, Bogota's sudden emergence as the second largest producer of cut flowers in the world, or as a centre of printing and publishing for the United States' market; or Bombay as a centre of software programming for

⁹ For a partial evaluation of British inner city programmes which comes to fairly negative conclusions, cf. Peter Willmott and Robert Hutchison, *A Report on Britain's Deprived Urban Areas*, Urban Trends 1, Policy Study Institute, London, 1992.

California's Silicon Valley, or ticketing and accounting services for international airlines; Singapore as a centre of high level medical services for south east Asia (in this case, long term government support has been of importance) etc.. The bundle of these activities which cities can create predetermines the future growth strategy of the city and indicates the points at which careful public intervention can be of greatest assistance.

4.3. Identifying what are the emerging strengths requires research, in close collaboration with private sector agencies which are introducing innovations. In some cases, such research has been undertaken by local universities, although too frequently such research remains simply critical (which can be useful, but needs to be complemented by some positive orientations on where the city is going). Sometimes cities themselves have tried to undertake the research, but often this becomes subordinate to the short term political priorities of survival of the City authorities, so that it has the opposite merit to university research. Finally some cities, usually in collaboration with the local Chamber of Commerce, powerful business groups and sometimes the national government, have created separate research institutes with, under the arms length guidance of a council uniting the different interests in the city, a reasonable degree of autonomy in setting the agenda of research issues and orienting on the medium term.

4.4. Research is necessary to identify the data, to link the data to wider national and global issues, to evaluate programmes and suggest policy options and economic opportunities. But it needs to be linked to, and to inform, a continuing discussion on where the city is going. The research can never offer clearcut 'scientific' options, only arguments based on the weight of available evidence, and the options will always involve risk. The community at large has to understand those risks and be involved, out of their experience and preferences, in the choosing of options, so that action can hopefully call upon a coalition of support. As we have seen, the creation of City Forums, of 'think tanks', the process of widespread consultations, continuing discussion in the press, in Chambers of Commerce and Industry, business associations, non-governmental organisations, as well as in the City corporation, have as their end both the identification of the most appropriate directions and the creation of a consensus to pursue them.

4.5. The third link in the chain between research, public debate and action is building within the City authorities a department to advise the City managers on the short term directions suggested, to provide continuing information (often, for example, through a Statistical Yearbook of the City, a continuing bulletin of information and opportunities, and occasional seminars or workshops on specific topics), to advise on the implications for the city of changes in government policy or international events, to brief city managers on negotiations with national governments etc..

4.6. As a preliminary step in this process, it might be useful to carry out a quick comprehensive audit to evaluate the present strengths and weaknesses of the city which, as a report, can be presented for discussion to the forum as a first approximation. Following from the case studies examined here, this might include the following sorts of questions (presented in no order of priority) :

i) how far is Warsaw's financial sector equipped to become both an effective financial centre for Poland and an important centre of modern global financial activity, a link between the global centres and Poland and eastern

Europe, covering different financial instruments (including foreign exchange transactions, international equities, derivatives etc)? How far is the physical fabric of the financial quarter, its telecommunications and transport access, appropriate to this role ?

ii) How far is the transport system of the city appropriate to an emerging international metropolis - the airport (terminals, runways, access roads, intermodal exchange systems), likely to be subject to disproportionate growth of passenger and freight traffic in the immediate future; the motorway or autoroute system, connecting Warsaw westwards and eastwards; the rail system and railway terminals, the possibility of high speed rail connections (the proposed high speed link to Paris); how far can the transport system be exploited for other purposes (for example, air cargo transshipment warehousing, processing, distribution; aircraft maintenance, as an activity competitive with other European centres etc)?

iii) How adequate are Warsaw's support facilities - hotels and restaurants, neighbourhoods and historical sights, the environment; would Warsaw be an appropriate site for international conventions and exhibitions?

iv) How adequate are the cultural facilities to the full expression of Warsaw's rich cultural life ? In common with most East European cities, one must presume the sports facilities are already excellent.

v) What are the strengths and weaknesses of Warsaw's manufacturing industries ? What are likely to be the results of continued opening up of the economy and intensified competition? What social support policies are required to soften the possible impact of deindustrialization ? What are the possibilities of facilitating industries in the high technology sectors (and which are these?), linking research centres, universities, private firms and possibly a science park located with good access to the airport?

vi) What are the relative strengths and weakness of the higher educational and the research sectors ? How far can these facilities be enhanced to strengthen the competitive position of the city ?

vii) Poland has long recognized the important role that foreign capital, technology and management can play in upgrading the economy, and it is possible that Warsaw already possesses the means to target foreign companies and facilitate the location of foreign-owned plants in the city. However, a strategy to attract foreign investment could be a useful means to upgrade the city's activities. Furthermore, the proximity of Germany gives Warsaw special advantages for German firms (particularly given the level of German wages in comparison to Polish).

4.7. However, all these are components of the standard enabling context for activities. They are the entry point to identifying the real core of Warsaw's special advantages, the bundle of activities which can lift and sustain the city's economy into the twenty-first century.

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