Changing cities: restructuring, marginality and policies in urban europe

BAILLY, Antoine Sylvain, JENSEN-BUTLER, Chris, LEONTIDOU, Lila


Available at: http://archive-ouverte.unige.ch/unige:6483

Disclaimer: layout of this document may differ from the published version.
CHANGING CITIES: 
RESTRUCTURING, MARGINALITY AND POLICIES IN URBAN EUROPE

Antoine Bailly  University of Geneva
Chris Jensen-Butler  University of St Andrews
Lila Leontidou  King's College London

Abstract
This paper outlines the main trends of urban change in contemporary Europe and indicates theoretical approaches which can be used to analyse and understand them. Three main questions are considered: the link between economic restructuring and urban and regional change; the interactions between urban policy responses and restructuring; and the consequences of these changes for patterns of marginality in Europe.

Introduction
This paper outlines the main trends of urban change in contemporary Europe and indicates theoretical approaches which can be used to analyse and understand them. Three main questions are considered. First, the link between economic restructuring and urban and regional change is examined with particular reference to European cities. Second, the interactions between policy responses and restructuring in Europe (especially in relation to urban policy in its new forms) are considered. Third, the consequences of these changes for patterns of marginality in Europe, both social and spatial, and relationships between policy changes and the problem of marginality are examined (see also Hadjimichalis and Sadler 1995, Jensen-Butler et al. 1996, Lever and Bailly 1996).

Restructuring in Europe
In Western Europe, as in most developed countries, the last twenty years has been a period of profound economic restructuring. One of the major elements of this process of restructuring has been the rise of service industries and the relative decline of manufacturing (Coffey and Bailly 1992). This restructuring must also be seen against the background of changes at the international level, with increasing competition amongst the triad (Dicken and Öberg, in this volume), growth of international trade, new patterns of trade, and growth in foreign direct investment, which is replacing foreign trade in importance as the major factor integrating European economies. This is turn makes the question of mobile investment and locational attraction more important as the traditional geographical patterns of production begin to disintegrate while the nature of comparative advantage changes (Jensen-Butler 1996b).

Theoretical approaches
Two schools of thought can be used to explain these structural shifts in the European economy. The first perspective views these changes within long-term cycles linked to technological and organizational innovations, the so-called neo-Schumpeterian view. The prosperity of Europe during the post-war period is seen as the result of the development of electro-mechanical activities. The evolution of the most recent period is linked to the diffusion of electronically-based technology, not least information technology, and communication technologies, giving rise to a new economic order with its own spatial and social consequences. While Nilsson and Schamp (in this volume) regard information and communication technology as ‘enabling’ technologies, seen from a more traditional manufacturing industry viewpoint,
the Schumpeterian view goes further, arguing that production, use and consumption of information lies at the basis of a new techno-economic paradigm, with its own geography.

The second perspective, that of the regulationist school, views the recent changes as the collapse of the Fordist regime, based on the technical division of labour and mass consumption, and its replacement in some cases by a regime of flexible accumulation characterized by differentiated and deregulated markets, with more flexible forms of production and labour utilization. Flexible production is seen to involve programmable forms of production, fragmented and interconnected units of economic activity and fluid labour market structures. The notion of ‘the firm as an organization’ is thus replaced by that of ‘the organization of firms’ (Scott 1988). There are considerable divergences of opinion about the extent to which post-Fordist flexible production has replaced or is replacing traditional Fordist production (Amin 1990, Sayer 1989). However, it does seem that central concepts concerning flexible production, such as those referred to by Nilsson and Schamp in this volume – lean production, vertical disintegration of production chains, industrial districts and milieux – are essential ingredients in the explanation of at least some newer spatial phenomena in Europe.

Thus, in the recent period of global economic restructuring these two explanations seem to apply in Europe (Lever and Bailly 1996). The two explanations are used in different ways and by different authors to explain what is going on. Europe is part of a global village where distances and national decrease in importance and where enterprise networks give rise to a new continental and even global organization. In this new organization, integrated economic markets (e.g. the European Union) and world cities (London, Paris, Randstad Holland) are replacing nations as the basic geo-economic units (Jensen-Butler et al., 1996). The structural evolution and functional restructuring of the European economy is to a great extent a result of the locational decisions of firms. These decisions have four main consequences.

First the establishment of market-oriented, flexible frameworks of regulation exacerbates differences in the economic performance of regions. Many peripheral regions are in deep economic crisis. Large industrial conurbations, inherited from the Fordist period, are increasingly unattractive for dynamic investment, and are being replaced by new industrial spaces, around the periphery of the metropolitan regions and in some new fast-growing regions (Bassin Parisien, south-east England, Prato, the Third Italy).

Second, spatial concentrations in some metropolitan cities result from the clustering of corporate activities such as headquarters and provision of financial services (Moulaert and Todtling 1995), associated with two types of activities: front office functions which require face-to-face contact (to minimize transaction costs), and back office functions which may decentralize to the periphery of metropolitan areas. This growth is often concentrated in some areas which attract activity rather like a magnet – around Paris, London and Amsterdam, for instance. Major urban areas can be regarded as the focal points of the present restructuring process.

Third, in the European Union a new and complex set of interdependencies appears, related to the functional division between production units and administrative activities. The displacement to the peripheries of mass production industries and the adoption of flexible methods of production have profound undesirable effects on the economy and the quality of life in many peripheral regions, which are often affected by economic crisis and high levels of unemployment (Hadjimichalis and Sadler 1995).

Finally, the transition of eastern and central Europe from command to capitalist economies gives rise to new economic zones and localities, despite the fact that these economies are based on low-productivity, low-wage and low-quality goods. The implications of these changes in the east give rise to fears of competition, especially in the European Union peripheral regions, already facing major social and economic problems.

Economic networks in Europe

Crisis and deindustrialization are one element in restructuring. They need to be related to four trends of contemporary growth (Amin and Thrift 1994). First, producer services have become more important not only as an input into the production of all types of goods and services, but also, in their own right, as an engine of economic growth. Second, the implementation of flexible production systems has important implications for both inter- and intrafirm
functional relationships, including labour market and capital market relations, and for the location of all forms of economic activity. Third, the need to remain competitive has motivated firms to create alternative organizational structures based upon networks and a new social division of labour. Fourth, all economic sectors have been increasingly characterized by a growing spatial division of labour at both inter- and intraregional scales. All four processes have led to successful or unsuccessful restructuring, but it is usually the former which has attracted attention in the scientific literature, which has focused on the question of networks, during the last decade.

The network is a mode of arranging transactions not based strictly on the price mechanism, nor being governed by a vertically integrated hierarchical structure. It is a form of organization of growing importance in commercial transactions and is an important tool of strategic behaviour in organizations. As a governance structure of transactions, networking is a powerful competitive tool because it can reduce transaction costs in hierarchical structures and at the same time retain some of the innovative forces and flexibility supported by market governance. It is both the result of a search for the most competitive method of governing transactions and a strategy for developing new products and services. The increasing use of a networking strategy is an indicator of its significance to firms that wish to remain competitive in markets under change (Christensen et al. 1990).

Networks usually involve a high percentage of small firms, in particular small highly specialized niche firms that are able to extend their spheres of operation by combining in ways which allow them to share markets, skills and contacts and to benefit from scale economies. In the past, in the economic literature, small firms were considered as being synonymous with economic backwardness, involving traditional products, simple production techniques, unskilled labour forces, low wages and poor working conditions. This clearly does not reflect the present reality in which small firms are recognized as major job generators and as leading elements of new production ensembles, often characterized by high-tech products and methods. In spite of the recent growth in the role and importance of small firms, large firms continue to play a major role in modern production systems in Europe (Amin and Thrift 1995). They are often interconnected with small firms, and also with universities and professional associations, through a diversity of links often in successful co-operative partnerships, which sometimes trap them by a functional, cognitive or political lock-in (Grabher 1993).

**Resurrected concepts: territory, milieu, place and locality**

The damaging effects of the current period of economic crisis can only be attenuated through a strategic and co-operative vision of development. The micro-global approach proposed by authors such as Massey (1984) and Lacour (1992) reflects these concerns. The latter approach is micro in that the areas involved can be very small regions in which micro analysis can be undertaken, and it is global in that it is based upon a synthetic perspective which integrates not only classical location factors but also consideration of local milieux, the environment and sustainable development. The same is true for the concept of spatial divisions of labour (Massey 1984). The results of such developmental approaches manifest themselves concretely in the form of: (i) technological districts, where economic, social, cultural and technological factors contribute mutually and interactively to local development based upon know-how, technological innovation and local production chains; and (ii) in the form of autonomous regions, whether in metropolitan areas or peripheral regions, that exercise substantial political and fiscal powers (Lever and Bailly 1996).

In the recent period, marked by increased competition and deregulation, it is necessary to recognize that economic processes are situated in a broader context of social and economic milieux, characterized by specific histories, environmental conditions and levels of well-being. In the development of milieux, qualitative concerns matter as much as those of a quantitative nature, and in the conceptualization of production systems the two approaches must be integrated. The attraction of places with high levels of social, cultural, historic and environmental quality offers new possibilities for rural areas and small and medium-sized cities hitherto bypassed by development and also for central city zones abandoned by the wealthy population during the 1960s. These considerations lead to a view of economic restructuring in Europe which is more responsive to human needs and human environments,
and one which involves a wide range of actors, territories, and actions, actions that are no longer uniquely based in top-down strategies of the state and of the large firm. Economic development must thus be viewed as both a policy for territories and a policy of territories (Jensen-Butler et al. 1996).

The social and economic crisis of metropolitan areas and of peripheral regions, as with the rise of regional identities in the former Soviet bloc countries, demonstrates that all approaches that omit considerations of territory and milieu are destined to fail in the medium or long term. Although the liberal ideologies that bloomed in the 1980s used to ignore territory and milieu, these concepts remain at the heart of the daily lives of the residents of neighbourhoods, cities and regions. The importance of place, spatial divisions of labour and locality in economic restructuring is recognized in all cases. Space becomes an active ingredient in the process of capital accumulation (see for example Amin and Thrift 1994, Gregory and Walford 1989, Scott and Storper 1986).

The Resurgence of the city

As investment becomes increasingly footloose, the characteristics of individual localities become more important with respect to location and income generation. The process of economic restructuring in Europe has, as noted in the previous section, resurrected key spatial concepts. One important element in spatial development in Europe has been the return of the importance of the city as a motor of economic development, change and restructuring (CEC 1992). Thus, the prime locality in the context of the present process of restructuring has become the city, for reasons examined below.

First, the growing dominance of service and increasingly information-based production has strengthened the importance of the city. Numerous studies (for example Illeris 1989) indicate clearly that services, particularly advanced services, exhibit high degrees of spatial concentration in the larger cities. This is because of the positive externalities associated with spatial concentration of these types of production.

Second, changes in occupational structure also tend to reinforce the economic role of the city. These trends are described by Parkinson et al. as:

‘reductions in traditional male-dominated blue-collar manufacturing employment, paralleled by greater demand for highly educated, white-collar staff in advanced manufacturing and more professionalised public and private service sectors’ (CEC 1992: 46). In a European context, this type of labour force is essentially urban, a fact which is sometimes veiled by the relative importance of British research on restructuring. The British middle class is, for a complex set of reasons, essentially anti-urban (for analyses of this phenomenon, see Wiener 1981 and Williams 1973). Hence the imagery of deep rural Sussex combined with high-income high-status residents. But this is not the European model. The positive externalities associated with attractive environments in Paris, Amsterdam, Barcelona, Copenhagen and Geneva, to mention but a few cities, attract the new high-income well educated middle class. These trends have been accompanied by an increasing polarization of the labour market into secure highly paid employment and low-paid, less secure and low-status employment. This marginalized group is increasingly employed in manual low-skill service employment in an essentially urban context.

Third, the European economy is increasingly becoming a network economy. One view of the network economy is that telecommunications networks and information technology will remove the importance of geography. But there are many other types of network, dealing with flows of materials, flows of commodities and, perhaps most important, flows of information requiring close contact between knowledgeable and creative individuals in a dynamic and varied informational environment. These types of network are strongest in urban areas. Networks are associated with positive externalities accruing to members (Castro et al. 1995), hence the growing importance of cities. In addition, cities are important because they often function as gateways to national and global networks. In a study of Paris, Burgel (1996) illustrates clearly this gateway function, contributing fundamentally to the role of Paris as a world city as well as the economic core of France; while Gaspar (1996) illustrates the role of Lisbon in opening the isolated Portuguese urban and regional system to Europe.

Fourth, in the new service and information economy creativity and innovation have become key factors for economic growth. Creative environments
are highly space-specific, because of their unique sets of interactions, rooted in specific institutional, cultural and social relations. Creativity can be defined as the combination of existing knowledge and information in new ways. Thus, the most creative localities are those in which these combinatorial possibilities are greatest (Andersson 1985, Törnqvist 1990). These localities will, in general, be environments where the quality of human capital is high and where there is an abundance of information and a tradition for knowledge creation. This again points to the city as the prime locus of production in the information society. It also means that the educational level of the workforce, the quality of the human capital, will gain increasing importance as a locational factor, a point made by Pompili (1992). Such creative environments can be regarded as a positive externality – they confer unpriced advantage to firms locating in them. Creativity has become the key factor in spatial development because it is the key to technological innovation, which today, much more than capital or labour, has become the crucial factor determining economic growth.

Fifth, flexible production discussed above implies increasing uncertainty, as market and contractual relations replace hierarchical structures (Nilsson and Schamp 1996 in this issue). There is also another source of uncertainty arising from the phenomenon of spatial switching (Swyngedouw 1992), where business strategies at global level seek increasingly to minimize production and consumption times with short-term investment and rapid spatial switching strategies, related in turn to instability in financial and foreign exchange markets. The best form of defence against uncertainty is increasing information levels and (informational) proximity to suppliers and customers, which again points to the city as a locality where uncertainty can be reduced.

The increasing importance of the kinds of spatially-bound positive externalities summarized above has profound consequences for spatial, and thereby urban, competition. In the Fordist era, competitive advantage was based upon the existence of natural advantage, presence of specific labour qualifications and existence of specific types of capital, all of which had some degree of immobility. Today, labour and capital are both more mobile and the importance of the natural resource base has declined. The new basis for comparative advantage has become information, knowledge and innovative ability. This basis is also spatially immobile, as it is rooted in place-specific institutions, cultures and social structures. Thus, successful regions in the Fordist era included regions now facing crisis, such as Wallonia, the West Midlands of England and the Basque country. Today, the successful region has really become the urban region: Paris, Milan, Frankfurt. Competitive advantage has become an urban phenomenon and this raises new questions for territorial policy.

The policy dimension

Economic and spatial restructuring have created new policy responses but policy is not only a response. Increasingly it is becoming proactive, attempting to anticipate and further specific forms of economic and social development. As noted above, the cities are the key locality in modern processes of industrial restructuring, so discussion of the policy dimension relates principally to urban policy. In a recent paper Cheshire (1995) has argued that there is evidence that policy can have a significant positive effect on urban development:

"Improvements in the economic position of some urban regions, compared to others, and in comparison to expectations based on their objectively measured characteristics, can be related to policies pursued in those regions. Appropriate regulation of the activities of city regions can, furthermore, encourage use of more effective positive sum policies."

(p. 4)

Cheshire also notes an important distinction, echoing a problem raised by Bovaird (1992), as to whether territorially-competitive policies are zero-sum (such as capturing mobile investment) or are growth-enhancing or positive sum, such as fostering entrepreneurship or reducing uncertainty. It seems clear that new forms of urban policy are emerging, as a response to the changing economic, social and political context.

Policy transformation: the context

These new features of the space economy imply that competition between cities in Europe will increase. This means that there will, at least in relative terms,
be winners and losers among the cities of Europe, a subject which is of increasing interest in the literature on the European urban system (Cheshire 1990, Grasland and Jensen-Butler 1996, Leontidou 1995, Lever 1993). It also means that there will be an increasing tendency for the city to free itself of links to the regional economy and instead develop links to the international and global economy, through links to other cities. From a traditional hierarchical organization of space, based upon Christaller-type principles with regions embedded within regions, cities will increasingly enter into a network organizational context. Persky and Weiwei (1994) have demonstrated for American cities that globalization also means increasing local linkages, both of which occur at the expense of national and even regional transactions. In turn, this implies that the focus of attention for territorially-based policy should be the city – the metropolitan areas and their policies (Gaspar 1992). This policy can be reactive, accommodating the economy and the society of the city to new economic relations and structures, or it can be proactive, where the city attempts to encourage certain types of economic and social development over the longer term. And it can be a mixture of both.

In addition, as discussed below, problems of marginality are increasingly appearing as local and urban political problems, partly because of the inability of national administrations to solve problems of poverty. This also promotes an active urban policy.

**The correlates of urban success**

It follows from the discussion of restructuring that successful cities will tend to exhibit certain characteristics. These include tertiarization, and especially growth and development of high-level producer services; innovation and high rates of technological change; knowledge-based production, with human capital of considerable value and creative environments; concentrations of decision-making power; a pivotal position in relation to the international city system; a class structure which reflects the growing importance of the middle-class well-educated professional, and, in relation to this element, a high amenity value and a well-developed culture provision; a high, sustainable and rapidly growing GDP per inhabitant. This last feature usually implies employment growth, though this need not always be the case, as labour shedding in the tertiary sector through productivity increases may be occurring.

Less successful cities will, broadly speaking lack some or all of these characteristics. However, even in successful cities marginalization of a part of the population can occur, depending upon how the rising income is distributed; a question which relates to the role of the public sector. Problems of social exclusion in southern Europe are increasingly urban, as they have long been in northern Europe, illustrated, for example, by urban riots in Britain, France and Belgium in the 1980s and 1990s. These problems of marginalization are intimately related to both deindustrialization and also to new forms of flexible production with overexploitation of marginalized groups – especially immigrants (a typically urban group) and women, and are sometimes to be found even in the more central areas of the cities of Europe.

**Urban policy**

Urban policy in Europe has been undergoing major changes. From being an essentially administrative and functional activity, that of managing the city, it has become more entrepreneurial, seeking to promote success, along the lines described above (Harvey 1989). The city usually represents clear policy interests and a relatively homogenous administration which has responsibility for a small and clearly defined area which is functionally integrated. However, problems of lack of correspondence between functional and territorial units do occur and create problems for policy implementation (Sanchez 1996a).

Traditionally in economic theory there are a number of reasons for the need for policy intervention in the economy:

1. efficiency
2. equity
3. stability
4. external equilibrium

(Shaw 1974). In the urban context only the first two goals are relevant. The efficiency goal relates to the performance of the urban economy, which can be measured in a number of ways, though labour productivity is frequently used. However, in Europe,
economic performance is not in itself a sufficient indicator of urban success as the equity dimension is also of considerable importance in measuring city success. Cities with highly polarized income distributions, weak public service provision and large marginalized groups may find their economic success affected negatively, by criminality, social conflicts, pressure on infrastructure, smaller and weaker labour markets, and image destruction. The question of the nature of the relationship between income distribution and economic performance is a vexed one, but in Europe there does seem to be some relationship between economic performance and equality of income distribution. However, it has been found that in some cities (for example Athens) there was an inverse relationship: poor economic performance with increasing homogeneity in society and in space (Leontidou 1995), excluding a few enclaves of poverty, especially those containing many recent migrants.

In recent years a third major urban policy dimension has established itself, that of control of negative externalities, particularly pollution and congestion, which are threatening the economies and lives of many European cities. These questions are of course, in principle, related to efficiency goals, but they have become so important that they can be regarded as a policy dimension in their own right. Sustainability has moved closer to centre stage among policy objectives.

Finally, budget constraints are an important factor determining the breadth and depth of urban policy. A number of European cities face severe financial constraints on policy initiatives (Mouriizen 1992).

The three policy dimensions – efficiency, equity and control of negative externalities – provide a framework for the analysis of success of urban policy in Europe. An urban policy initiative can be examined in relation to its effect on each of these three dimensions.

Urban policy: the efficiency dimension

Traditional economic theory uses the concept of Pareto optimality to demonstrate that a large number of utility-maximizing individuals trading in the market will, under certain conditions, create an optimum where the sum of the individual optima and the social optimum coincide. If these conditions do not hold, then there is a situation of market breakdown, which means that public intervention based upon policy is necessary to ensure that a social optimum is attained. This occurs when externalities (unpriced positive or negative effects) related to economic activity exist, when public goods (characterized by non-rivalry and non-excludability) are provided, when production of a good or service is at lowest cost under monopoly or near monopoly conditions (such as electricity generation or rail services) or when groups cannot form to represent their market interests. These types of market breakdown are typically urban (Bish and Nourse 1975) in the sense that externalities and public good provision are usually highly localized and subject to distance decay effects. Here the urban administration should enter the market and ensure that conditions as close to pure market conditions can be created, through subsidies where there are positive externalities (labour training, public transport) or taxes or controls where there are negative externalities. Provision of public goods, such as street lighting and parks and monopoly provision of some types of good and service by the public sector are also necessary to reach an optimum. These activities have been the typical goal and practice of urban economic policy for many decades.

What is new is that other demands are now being placed upon the urban policy-maker. Cities are increasingly entering the economic arena as actors on an equal footing with other actors in the market. The city is gradually becoming an entrepreneur (Keating 1991, Leontidou 1995, Parkinson 1991) in its own right. This is because restructuring of the European economy is placing the question of long-term structural efficiency on the agenda, raising issues not suited for market solutions alone and demanding new forms of partnership between the public and private sectors (Jensen-Butler 1996a) Increasing competition between European cities is compelling cities to undertake entrepreneurial activity. These activities are related to the enhancement of supply-side efficiency, primarily through the reinforcement of positive externalities as discussed above.

Creativity and innovation

Development of creativity potential is a long-term activity not amenable to market solutions. As Törnvist remarks, ‘Productivity and creativity are, in a sense, opposed to each other. Demands for
productivity are hard to reconcile in time and space' (1990: 121). Knowledge creation is a process which involves many positive externalities if the knowledge is diffused generally, rather than only to those who paid for it on the market, hence the need for public participation in research and development.

Sanchez (1996b) describes in the case of Barcelona the central role which the creation of science and technology parks has had in the strategy of the city council to renew the economic base of the city as well as to solve problems of rapid urbanization. Outside the main built-up area of Barcelona, but well served by an internationally-oriented transport infrastructure, the technological area of Vallès is being developed with a target of 77,000 new jobs. This area contains a number of interlinked components: a Technology Park, a General Assay and Research Laboratory, the National Centre for Microelectronics, the Technology Transfer Centre of the Autonomous University, the Higher College of Textile Design and an Applied Technology Centre. In addition, a Business Park is being developed, designed to give assistance in more general business matters to high-tech and service sector firms. Interestingly, the entire project is being realized with much consideration for environmental and recreational aspects, aiming to attract a middle-class high-income labour force. The project is interinstitutional and is characterized by public-private partnerships. The creation of positive externalities and the importance of linkages between Barcelona and the urban system outside Catalonia and Spain is stressed by the Generalitat, the autonomous regional government of Catalonia thus:

Barcelona forms part of the larger world system along with the large centres of innovation, and thus has to assume its corresponding role in technological change. This role is more and more a tight symbiosis between the city, the universities and industry which forms the central nucleus of the new technology centres . . . in different countries

(Generalitat de Catalunya 1990: 125)

**Human capital**

Creation and enhancement of human capital is a vital process for future economic performance and is not suited to market provision, as returns are very long-term, hard to evaluate and even risky. Training and educational programmes have become important elements in urban economic policy in Europe.

**Entrepreneurial vitality**

Entrepreneurial vitality is a key factor in the Schumpeterian view of economic growth and policies to promote entrepreneurial vitality must take into account both global and national processes and local conditions, otherwise they will not succeed (Shachar and Feldstein 1992). It is clear that the market does not create regional and urban homogeneity in entrepreneurial ability. Public intervention in this key long-term type of transformation is therefore necessary.

**Risk and uncertainty**

Flexible production involves continuous change in products and factor inputs; for market processes to function, inputs, outputs and economic outcomes must be assumed to be knowable and relatively stable, which in a situation with rapid technological change and innovation is not the case. Thus cities have an increasingly important risk-bearing function and are involved in the promotion of confidence in relation to investment projects. The need for simultaneity in investment in large-scale development projects is another increasingly important role for cities.

Reduction of risk and uncertainty is an important policy goal in post-Fordist production systems. The strategy of loan support and guarantees in the context of public-private partnerships has been successfully used by a number of cities to reduce uncertainty and promote urban redevelopment, as in the case of Glasgow (Lever 1996b).

**Synergies**

Creation of synergies is, in a real sense, the antithesis of the logic of the market. The market optimum is the simple sum of individual optima whereas a synergy is, by definition, more than the sum of the parts. Synergies are appearing as increasingly important in innovation and technical progress and synergy creation usually requires networking and public intervention.
Networks

The provision of physical networks, for communication and transport, involves typically large-scale projects, subject to major indivisibilities and high risk, again vital for urban success in post-Fordist societies but not eminently suitable for market provision alone. High-risk investment in an increasingly volatile and uncertain global economy necessitates public intervention based upon knowledge of local conditions, and here urban policy has a vital role to play (Lever 1996a).

City marketing

City marketing is increasing in importance. Selling the image of the city as a productive and agreeable locality is the job of the policy-maker, and as cities come to compete with each other this function assumes increasing importance (Jensen-Butler et al., 1996, Kearns and Philo 1993, Van de Berg et al., 1990). The role of international events such as fairs and games cannot be ignored in this context (Leontidou 1995, Schätzl 1996).

Capturing mobile investment

Many of the policies outlined above are combined with policies designed to attract inward investment. Also, as well as promotion and information services, traditional methods of investment subsidies for premises and buildings are applied. Capturing mobile investment is of course at global level, a zero-sum game; however, it is not so for a city and need not be so for a national territory or even Europe.

Lever (1996b) describes the activities of the Scottish Development Agency (SDA) in the 1980s. By 1987 the Strathclyde region, with about 50 per cent of Scotland's population, had attracted 43 per cent of foreign investment; while Glasgow had attracted only 5.5 per cent despite containing 33 per cent of Strathclyde's population and 40 per cent of its employment. Glasgow's relative economic success is therefore attributable to other urban policies. These have been directed towards new firm formation and include advice, finance, premises and labour training. New types of private-public venture have been important. There has been a clear switch of policy towards the service sector in recent years. Glasgow Action, a public/private partnership set up by the SDA, has tried to market the city to attract headquarters offices and public sector agencies, boost visitor revenue and develop specialist exportable services, and 20,000 jobs were created under this initiative between 1985 and 1992. Growth in high-level service employment has created a rise in demand for less skilled manual labour. The personal leisure sector has also experienced growth, related in part to two major international events, in 1988 and 1990, creating perhaps as many as 15,000 jobs. In addition, environmental improvement, including renovation of buildings, has been an important element in enhancing the Glasgow Development Agency's claim that Glasgow is 'A great European city' (GDA 1992).

At the same time a number of programmes have been developed to train individuals or give them work experience after long-term unemployment. Lever reports that cost per job is very high in the schemes which are designed to bring the most disadvantaged individuals back into the workforce; as much as £15,000 per job. He considers urban policy in Glasgow to be a success, having created 50-60,000 jobs since the late 1970s or 10 per cent of the current total. However, he does concede that this assertion can be questioned when the male unemployment rate was still over 17 per cent in 1993.

Urban policy: the equity dimension

As national-level policies are increasingly seen to fail to solve problems of income distribution, access to services, housing provision and poverty, city politicians are having to face these problems locally. Almost all urban policy initiatives - including housing and transport provision, services, schools, medical care and culture - involve income redistribution and changing access differentially for different social groups. Housing is especially interesting as it provides the link between social and spatial equity, giving the notion of social equity a spatial expression (Van Weesep 1996). Changing the pattern of income distribution in a city is a major element in urban politics and likely to create political upheaval. There are a number of grounds for equity-based policies. First, there is the question of social justice. Second, there is the relationship between urban efficiency and social and spatial equity. Cities with severe income polarization may find their economic growth impeded by social conflicts. Third,
a polarized labour market is less efficient than a more fluid and dynamic labour market. Finally, there is the problem of city image: conflict, poverty, slums, crime and drug abuse will not attract the new high-income well-educated middle-class professionals who are the key workers of the post-Fordist economies.

Lever’s (1996b) account of urban policy in Glasgow also includes elements of very clear equity-based policy. At community level in the city, programmes have been developed to create employment where no market-led process would have generated demand. This is typically in the provision of non-marketed services and they are heavily local-authority led. Additional expenditure is targeted on areas of multiple deprivation. These areas increasingly have moved from the inner city to the peripheral housing estates. Measures include Educational Priority Areas, and community business support, involving community-owned enterprises, mostly providing non-market services (home improvement and environmental improvement, for example). On the social housing estates retailing workshops, housing repair and maintenance services are all supported under these schemes, sometimes with requirements with respect to local purchasing, to increase local multiplier effects. These schemes seem to be a necessary counterpart to the more entrepreneurial efficiency-oriented projects which are also urban economic policy initiatives.

Engelstoft and Jørgensen (1996) raise the question in the case of Copenhagen of whether or not the city’s economic performance has been partly sacrificed to equity-based policy considerations, both at national level and at city level. The trade-off between efficiency and equity seems applicable in the case of Copenhagen.

Urban policy: negative externalities

Pollution and congestion occupy major positions in relation to urban policy, as they seriously threaten urban efficiency and even health and survival in cities. In a study of twenty European cities Drewett et al. (1992) have identified a rank-order of environmental problems: air pollution, noise, ground water, solid waste, surface water pollution. Transport in cities is a principal source of environmental problems. However, co-ordination and punctuality are also vital problems for flexible and just-in-time production systems; hence the importance of traffic control in urban policies. Cleaning buildings and the visual environment has also become an important element in city image building. The urban environment policy dimension is now a major policy issue in European cities. Environmental policies take on many forms (de Roo 1996), depending upon the relative gravity of the different types of environmental problem, the technical possibilities for their solution and the level of political will to use different policies.

Engelstoft and Jørgensen (1996) and Engelstoft and Jensen-Butler (1992, 1993) provide an example in the case of Copenhagen of some of the consequences of urban environmental policies. Two main elements of urban environmental policy operate in Copenhagen: energy planning for heating, and traffic policy. Energy planning is based upon five main policies: increased use of local energy sources, including combined heat and power (CHP); increased coverage with warm water-based district heating; consolidation of natural gas supply; greater co-ordination between heat planning and other types of energy-related planning; promotion of energy savings and better co-ordination of supply and consumption. The central policy document is a regional heating plan, designed to integrate spatial components of energy supply, transmission and consumption.

Traffic policy in Greater Copenhagen has a very central environmental component, which is based upon two principles: reduction of car density in densely populated areas; improvement of public transport. Measures in operation related to the first principle include parking charges (about 2 ECU per hour), reduction in the number of parking spaces in inner Copenhagen, reduction in road area for cars, changes in traffic control systems, development of park and ride and improvement of conditions for cyclists. Road pricing in the inner city is at present only under consideration. The second principle is pursued vigorously with a range of measures, with plans for new rapid transit lines, including a new metro linking the centre of Copenhagen with the airport to the south and further across the new Öresund bridge to Malmö. Bus priority and careful timetabling and interfacing are measures designed to increase the attraction of public transport.

Central measurement stations in Copenhagen show that SO₂ emissions in 1990 were only 20 per cent of the 1970 level. Lead concentrations in 1990 were only 25 per cent of the 1982 level. CO levels have declined slowly during the last decade, as have soot levels. The
major problem remains with NO\textsubscript{x}, where threshold values are sometimes exceeded.

Environmental policy in Copenhagen illustrates the potential for real improvements without using drastic or highly innovative measures. As a contrast, Stockholm, has pursued drastic policies designed to improve quality of both fresh and salt water in the city. These measures have resulted in a radical transformation of water quality as Wijkmark (1996) describes. The high quality of the aquatic environment, together with radical improvements in atmospheric emission, is being used as a key element in promotion of the city and in urban economic policy designed to attract both inward investment and well educated high-income groups to the city (Lundqvist 1993).

Poverty, marginality and social exclusion

The processes of restructuring create new winners and losers, both in a social and a spatial sense. Places can be marginalized as new sectors and new localities grow in economic importance and others decline. As competition between cities increases at a European or even global scale, there are winners and losers amongst these (Jensen-Butler et al. 1996, Lever 1993). As there are stories of failure in space, among competing cities, enterprises and localities, so there are social groups on the losing side in the neo-liberal Europe. These are the new marginalized groups.

Definitions of marginality

Bailly and Weiss-Altaner (1995) examine the concept of marginality, pointing to the etymology of the word, being derived from Latin, meaning the edge, border or frontier, thus equating the notion of margin with periphery. While the concept ‘minority’, they argue, relates to numerical weakness, marginality relates to social, political, cultural and economic weakness. They also argue that there is no necessary link between geographical and social location and that the study of marginality must go beyond simply projecting economic and social dimensions onto specific locations. Thus marginality is peripherality, or weakness, in social political, cultural or economic terms. Marginality is also an interaction of social and spatial elements, in given geographical contexts and at given levels of spatial resolution.

Perhaps the concept of marginality can be expanded into a topological framework, as this approach permits the simultaneous inclusion of peripherality in social, political, cultural and not least economic terms, with relations of power. Centrality and marginality in topological terms can encompass different types of geographical situation. Groups which are marginalized are topologically isolated. They have few and weak connections with the central and most strongly linked parts of networks, and as a consequence, limited interactions with the parts of networks where power resides and income is generated. Clearly, marginality in a topological sense is increased when this is combined with or reinforced by peripherality of marginality in a geographical sense. The topological approach also allows us to conceive of different networks, with different power and income generating capacities, but which nevertheless have important connections with each other, connections which, if destroyed, can destabilize the other network. The topological approach thus allows consideration of functional importance of marginal groups.

Marginality has often been associated with the dualist thesis that there are two segments in economy and society: a central and a peripheral. This thesis has been the subject of much controversy, including the debates on dependency theory. It must thus be remembered that marginality does not necessarily imply functional marginality. Marginal groups can play an important role in income creation for non-marginal groups, by undertaking functions which are necessary for the efficient working of the economy. Different modes of production can be integrated into one economic system, more marginalized groups providing a vital input to the more dynamic sectors of the economy (cf. Rey 1973). Examples can also be found in the modern European city, one of which – Brussels – is discussed in the following section.

A brief illustration of the different meanings of marginality can be seen in Portugal. In many parts of northern Portugal in remoter rural areas, such as Tras-os-Montes, true marginalization can be found. Here, small farmers, producing partly for their own consumption, having very low incomes, often being illiterate and depending upon family ties for survival, represent true marginality. The most marginalized tend to live in the remotest rural areas. Another form
of marginality is to be found in Lisbon. Here there are substantial African (mainly Cape Verdian) populations, frequently living in shanties or other poor-quality housing often in the inner suburbs. At the same time this marginalized group forms the backbone of the labour force in the building and construction sector in and around the city. Marginalization in Lisbon can assume a quite dramatic physical expression in terms of housing quality, and it here relates to a clearly identifiable social and ethnic group.

Finally, it must be remembered that marginality is contingent upon economic, social, cultural, political and geographical circumstances. The processes of restructuring described above are creating new patterns of marginality, both social and spatial. Perhaps there are in fact no peripheral regions, only peripheral people. As peripherality in the labour market changes, so does peripherality in space. Increasing flexibility will create new marginality among those groups incapable of adaptation to new labour market conditions.

**Social exclusion and types of urban poverty**

Every stage of restructuring, every turning point in geopolitics, has produced new types of poverty. Capitalism has always thrived in the midst of misery, and this has not been simply rural poverty: much has been located in the cities, from Engels’s Manchester and Victorian London through the black and hispanic American urban underclasses (Gans 1993), to post-war shanty towns and Gastarbeiter communities. The process has again changed during the post-Fordist period, creating ‘new’ urban poverty (Mingione 1993). Visible signs of homelessness, begging, crime, youth gangs, and misery, give rise to concerns about the Americanization of European cities or the possible return of the underclasses (Morris 1994, Musterd 1994).

A diversity of types of urban poverty can be discerned during the 1990s. The traditional poor in dilapidated neighbourhoods with inadequate infrastructure and overcrowded housing are one part of the story. New types of poverty have their roots in long-term unemployment caused by changes in the production system oriented towards contract, self-employed, informal and temporary work, involving instability and subcontracting arrangements, and by the demise of the welfare state. As has been recently pointed out, however, the poverty debate stresses different dimensions in various countries (Hadjimichalis and Sadler 1995; Mingione 1993, Musterd 1994).

Comparative studies among European countries have taken the issue further. There are variations in the causes of poverty across different localities. The social class/work dimensions stressed in the UK (Morris 1994) can be attributed to a tradition of wage labour combined with a welfare state, which is now in deep crisis. Distinctions between work-rich and work-poor households (Pahl 1986) bring about associations with the continental European model. In Italy, family and kinship form the main dimensions (Mingione 1990, 1993), since the family enterprise and self-employment have traditionally been important. There is a tendency to compare this with the German model proposed by Esping-Andersen (1990), by far the most influential study of them all. His work is increasingly cited to stress the difference between the central European (Germany, France) and the Anglo-American model in respect to the importance of family and kinship. Southern Europe is often included in the former model. However, family and the informal sector have very different facets in southern Europe, which has been for several decades the source of guestworkers for northern European ‘economic miracles’.

The major change in the south is from predominantly rural poverty and unemployment, push factors for urbanization and emigration, to urban poverty (Leontidou 1990, 1993). In addition, the change of southern Europe from a region of emigration to one of immigration (Blottevogel and King 1996 in this issue; King 1993, 1994) has created another underclass here: refugees and immigrants (often illegal) from eastern Europe, the Near and Far East and the Third World. At the opposite end, there are the least mobile populations, excluded from such benefits of the Maastricht Treaty as free movement of people: women are tied to particular places (Vaiou 1995).

Kesteloot (1995) provides an example of socio-spatial marginalization in Brussels. In the 1960s guestworkers (Moroccans, Turks and southern Europeans) arrived in Brussels in large numbers, filling socio-economic and spatial gaps left by mass suburbanization of the Belgian population. These groups are highly concentrated in the inner city,
particularly the eastern part. Both social and economic processes, related to the functioning of the housing market, the development of a secondary network economy and, not least, the importance of survival strategies have created guestworker neighbourhoods in the city. According to Kesteloot: ‘all this indicates that the guestworkers and their descendants are captured in their neighbourhoods because these are places where they can develop survival strategies’ (p. 81). Kesteloot identifies the role of economic restructuring in creating an urban revival in Brussels since the 1980s. A key element in this restructuring has been the growth of flexible production, which has tended to polarize the labour market, where especially labour-intensive and marginal activities have been subcontracted out to firms which offer lower wages, less employment security, part-time contracts, overtime work and poor conditions. In addition such firms can more easily operate informally, avoiding taxation and social security contributions. The resident immigrant population, already badly hit by unemployment because of the general economic crisis, is increasingly entering this segment of the labour market and, in fact, is performing a key function in a more flexible service-based economy. However, one further consequence of flexible production (which has a strong urban component, as noted above), is the increasing competition for space in the inner city, a competition which is heightened by urban economic policy and city promotion. The example provided by Kesteloot illustrates the consequences of these policies for marginalization in the city. Competition for the residential space occupied by guestworkers and their descendants is increasing and they are gradually being pushed out. One of the few places for them to go to is the western inner city, where increases in overcrowding, declines in living conditions and increasing social conflict are to be found. The eviction of the guestworkers from the inner city locations can, as Kesteloot argues, also be dysfunctional for the urban economic system as ‘it thwarts the locational logic of the labour force in a flexible urban economy’ (p. 83). Growing social tension and conflict seems to be the future scenario for Brussels, arising largely from urban economic restructuring and urban economic policy in the city.

Social tension and social movements

There is in Europe today increased concern over ethnic tension (Pugliese 1995). Mobilization from below against social exclusion also takes new forms. Urban social movements originate among the ‘enterprising’ poor, and among middle classes with sufficient resources to maintain an organization. ‘Urban movements are not to be defined in terms of the social or spatial marginality of their members, but at most in terms of the “marginality” of their political form’ (Pickvance 1995). In this sense, the poor are likely to experience a double exclusion. This has been explored with respect to poor localities, which cannot possibly compete in place marketing because of lack of organizational resources and managerial skills (Leontidou 1993, 1995). Among competing cities, it is the most affluent which attract funding. It is the same with the poor and the migrants: the most dynamic members of social groups hit by poverty, those with some savings and energy, try their luck by risking alternative ways of subsistence, like squatting and informal activities, protest or, finally, moving to places where they think that the grass is greener.

Urban movements depend in diverse ways upon the political context, but usually there are indications that they actually decline when effective political opposition is possible. Southern Europe has experienced strong urban movements during the period of transition from authoritarianism to democracy, which has been followed by social integration and decline of grass-roots mobilization (Leontidou 1990). Italy (along with France) is a different case of long-term right-wing domination and political instability, which has led to the institutionalization of urban movements (Pickvance 1995).

Conclusions

The urban systems in the Europe of the future will be formed by the processes of economic restructuring occurring today. In the neo-liberal Europe social movements are marginalized, while new forms of urban policy play a key role. Parallel to increasing competition, networks of firms and cities, coupled with uneven development and polarization, create new winners and losers, both in social and spatial terms. Poverty and exclusion is the reverse side of the
coin of growth and development, but marginality can also threaten the stability of entire social and economic systems. A number of key future research issues emerge.

First, there is a need to develop new theoretical tools to understand and explain the new types of territorially based, particularly urban, policy developing in Europe. The relative importance of the three principal dimensions identified above (efficiency, equity and environmental goals) in contributing to urban success should be closely examined. The interactions between policy goals in the context of specific policy measures should be the subject of further research; for example, a new urban transport system, designed to promote economic efficiency will always have distributional and environmental consequences.

Second, the interaction between the processes of economic restructuring outlined above and the development of policy in specific geographical contexts needs closer attention. In particular, to what extent is policy reactive or proactive? Is it possible to extract general principles which should be followed to ensure the success of urban policy, or is successful policy always time and place specific?

Third, it is clear that further research is needed into methodological and theoretical questions concerning the evaluation of the effects of urban economic policy (Bovaird 1992). This is a relatively open field.

Fourth, research into the long-term consequences of restructuring for spatial, social and socio-spatial marginalization must be included in the geographical research agenda. Only through such research can attempts be made to alleviate the negative social effects of restructuring, or even, given the right tools, to avoid some types of marginalization altogether.

There is also another pragmatic reason for promoting this type of research: the success of European cities will not only depend upon their income-generating capacity. Growing inequalities inside the city can affect economic performance negatively to such a degree that efficiency will be affected. This is the urban version of the European cohesion issue.

Fifth, further study of institutional frameworks and their variation throughout Europe in relation to policy formulation and policy success is necessary. What institutional frameworks seem to be successful and in which circumstances? These questions include analysis of the dynamism and success of different forms of private-public sector interface. In addition, the institutional framework of marginalized groups in cities or elsewhere is of key importance to understanding possible responses to the problems of marginalization.

Finally, the changing relations between European cities – or the changing and growing nature of interurban competition – is an important area of research. Examination of the relationships between cities and their regions and the nations in which they are located (in the context of globalization and urban competition) will be important for understanding and predicting the future performance of cities, as well as for formulation of policy. One important aspect of this research theme is the way in which a network economy consisting of interrelated networks, with different power relations, will condition economic performance at the nodes, (the cities) and the regions and nations in which they are located.

References


Generalitat de Catalunya (1990) What and where in Catalunya (Barcelona)


European Urban and Regional Studies 1996 3 (2)
Sanchez, J.E. (1996a) Political and administrative systems, in Jensen-Butler et al., *op. cit.*