

URBAN AGE CITY TRANSFORMATIONS CONFERENCE

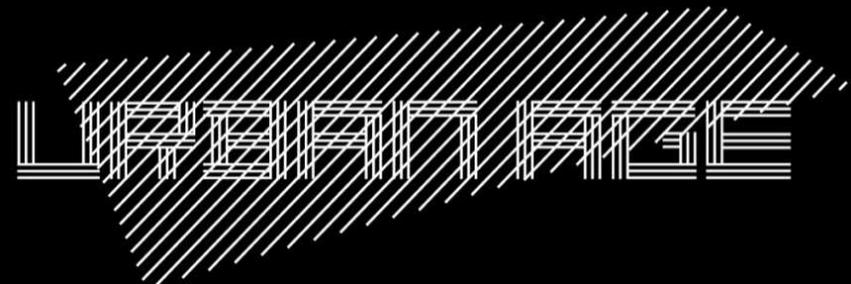
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Dieter Läßle

HafenCity University, Hamburg

*Cities in a competitive economy:
a global perspective*

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The urban transition

We are witnessing an urbanization process unprecedented in pace and scale;

spanning the globe with cities and new urban configurations growing in number and size,

providing opportunities of economic growth, technological and cultural innovation and social inclusion.

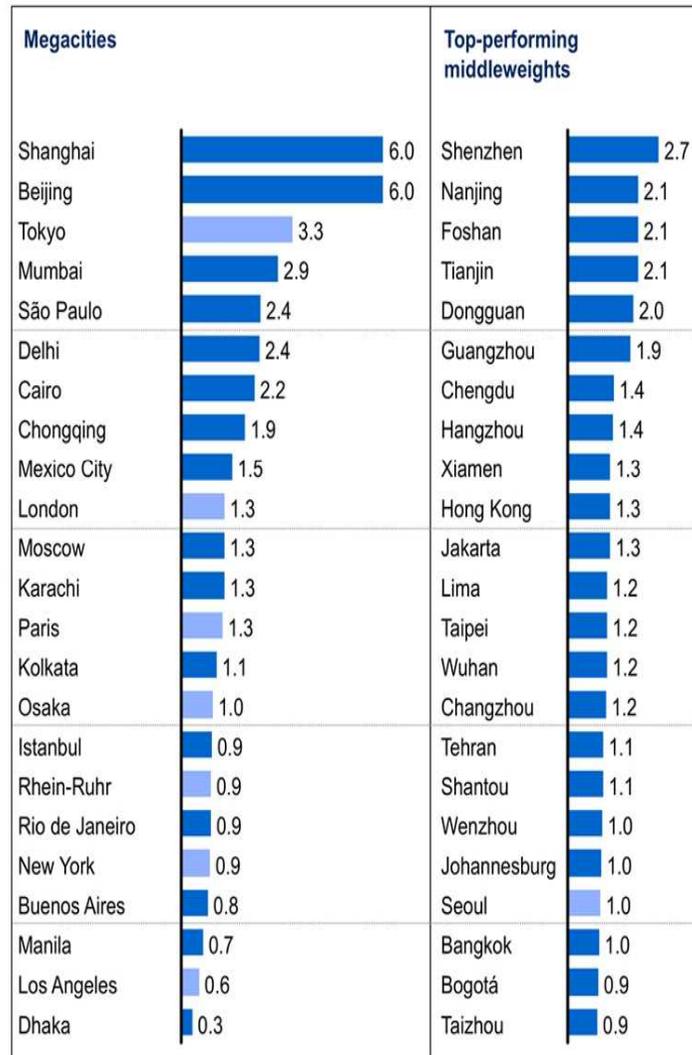
All future population growth will be, more or less, in cities and urban centers.

The global economy is already an **urban economy**, in which around 80 per cent of global GDP are generated in cities.

Household wealth in mid-size developing world cities will show impressive growth

Top cities by increase in the number of households with annual income above \$20,000 at PPP
Million households

Developed regions Developing regions



.SOURCE: International Telecommunication Union; Federal Communications Commission

The urban transition – a driver of economic growth.

Due to the rural-urban transition in the next 15 years **one billion people** will presumably enter the “**consuming class**” with an annual income of more than \$3.600 (or 10 \$ a day)

In the same period urbanization will give rise to a **new urban middle class**:
By 2025, the emerging-market cities might be home of additional **235 million households** with an annual income above \$ 20.000,-

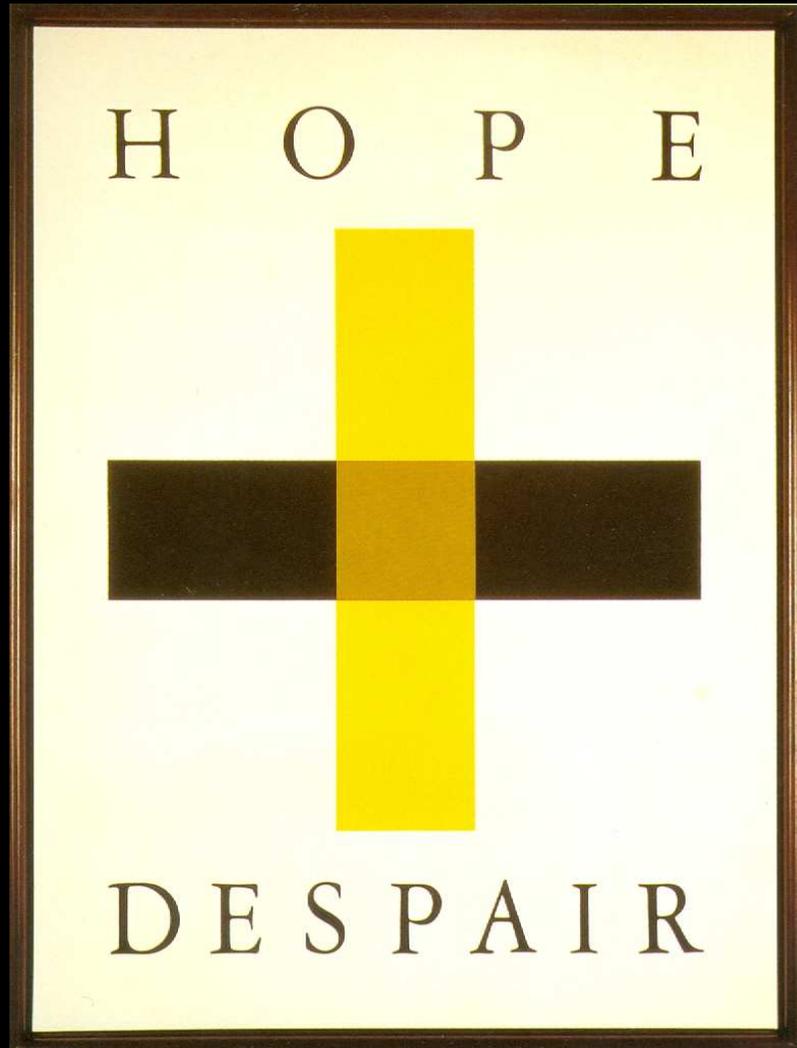
The challenges of sustainability and equity

However, the triumph of the city over the countryside is ambiguous:

The urbanization patterns expanding all over the globe are still **highly fossil-fuel dependent** and cities are prime agents of global warming and climate change.

And the rapid urbanization is linked with the **urbanization of poverty**. Many developing countries do not generate enough jobs to meet the demands of the growing population.

A rising number of poor urbanites will live in informal settlements or in slums and will suffer from overcrowding and environmental degradation.



spaces of despair – spaces of hope

Arrival cities or informal settlements can have the capacity to overcome poverty and to form a new urban middle class.

But they can also be places of social degradation, where the next great explosion of violence can occur.

Change of the economic base of cities in advanced economies from a manufacturing to a knowledge and cultural based economy



Metropolitan areas are being transformed into privileged locations for knowledge and cultural based services and into places of consumption.

London

The shiny vision of a 'post-industrial' city centered on FIRE



The new urban post-industrial economy

No longer the production of tangible good but rather the creation of ideas and symbols such as information, knowledge and culture seem to form the economic 'raison d'être' of modern metropolitan areas.

Many commentators, and especially economists see the process of deindustrialization not only unavoidable, but even as a natural and healthy process of economic evolution on the way to a service and knowledge economy.



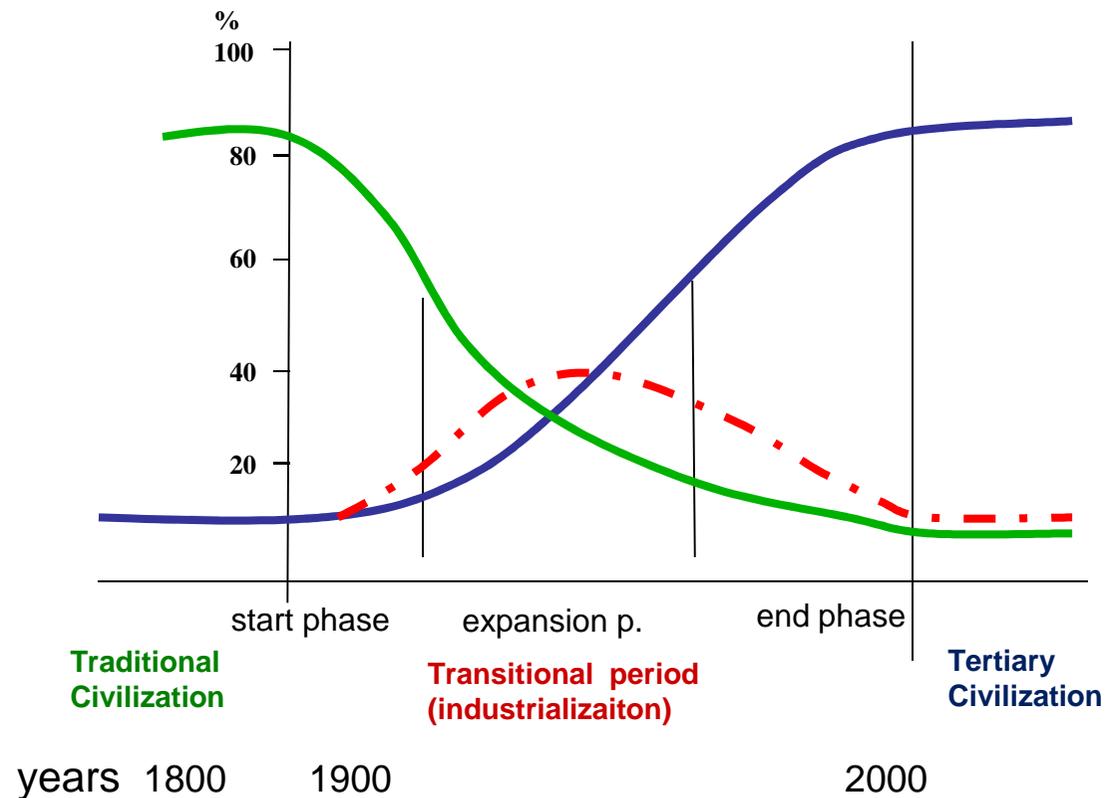
Jean Fourastié
Le Grand Espoir du XXe siècle. Paris, PUF, 1949

„Three-sector-
hypotheses“
and
Historical phases
of socio-economic
development

Changes of Occupational
Structure

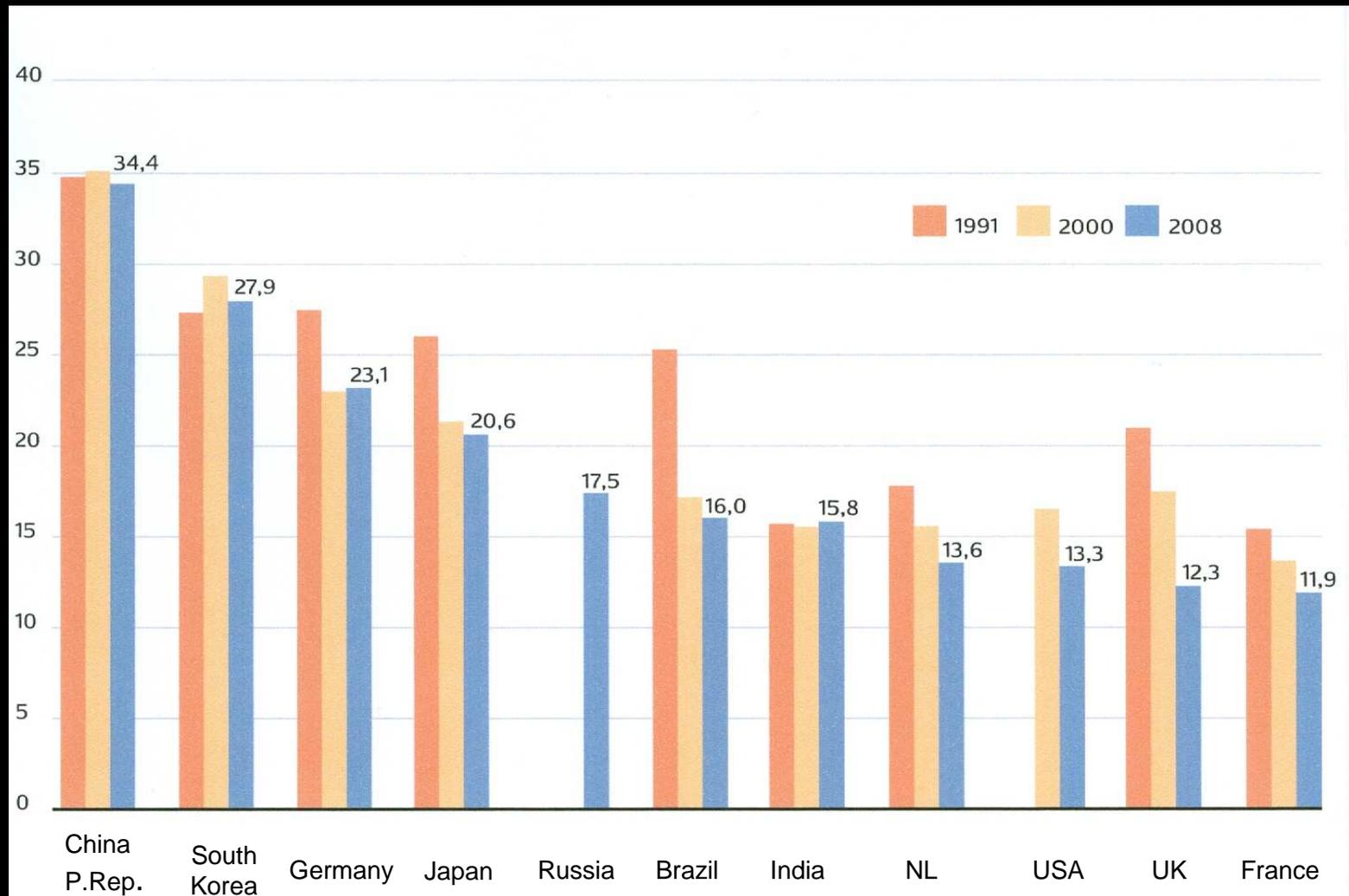
Workforce quota in per cent of total active population:

- agriculture and extraction of raw material (**primary sector**)
- - - Manufacturing (**secondary sector**).
- Services (**tertiary sector**).



Source: Fourastié (1949), *The great hope or the 20st century*;

Share of Value Added of Manufacturing (in %) 1991, 2000, 2008



Quellen: OECD, Weltbank.

Für die USA liegen Daten erst ab 1998 vor, für Russland erst ab 2002.

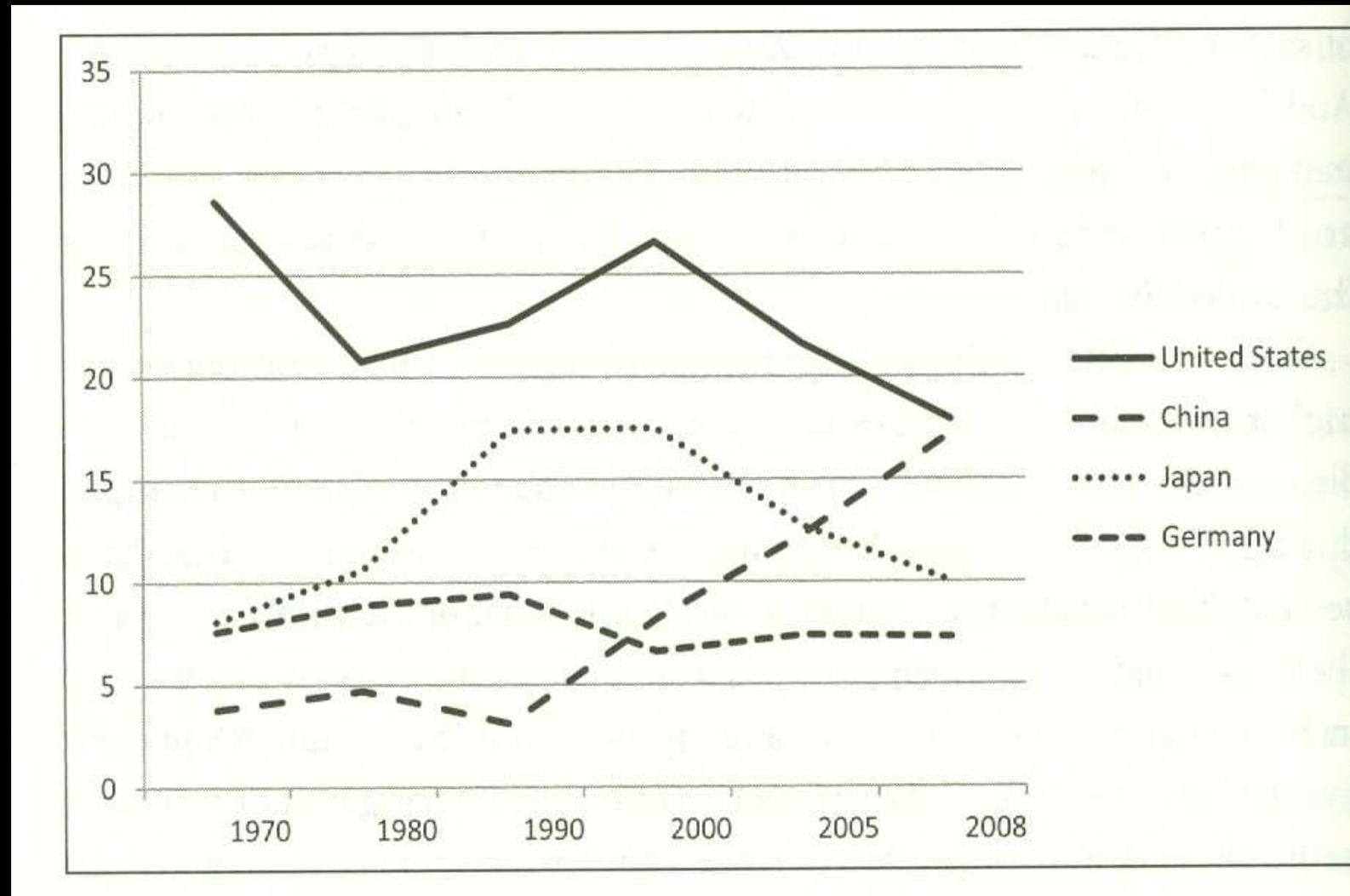
*: Für KR, JP und USA wurden Werte aus 2007 verwendet.



The economic decline of an industrial powerhouse: Detroit's East Side
In Detroit: 60% population decline; 36% of the population live in poverty; municipal bankruptcy

Country Share World Manufacturing Output, 1970 – 2008

Source: Atkinson / Ezel 2012; based on information and statistics from UNCTAD



Manufacturing still plays a role in the city:

In quite some successful cities we still find a competitive core of manufacturing with developed forms of „**service-manufacturing-linkages**“. Manufacturing seems to be an important condition to develop and expand industry oriented services.

We also find specific forms of **urban manufacturing**. The new urban manufacturing is no longer characterized by the smoke-stack industries or big standardized mass production, but by a mix of small- and medium-sized firms that are often related to the local demand and the City's service industries. It functions as so-called “silent partner” to other sectors, such as creative, cultural and health care industries.

And manufacturing plays a critical role in tackling environmental problems – to create a renewable energy base, to exploit urban mining, to reduce resource consumption → rise of a **green industry**.

3 D-printing, additive manufacturing and prototyping with personal fabricators open new perspectives to bring production back to the city.

3 D-printing as “Personal Fabricator”

Opens new perspectives for Urban Manufacturing

The „maker“-movement of the kids of the Internet.

Development of „Creative Commons“ through open access.

“The neighborhood is our factory”



Neil Gershenfeld, MIT

What are critical implications of the 'post-industrial' path of urban restructuring?

- It leads to functional “thinning out” and a reduction of diversity of the urban economy. The world-wide financial crisis made hurtfully aware the vulnerability of this development.
- It reinforces the skill mismatch in the labor market, widens the gap between poor and rich; and leads to an erosion of the middle class.
- The most serious impact might be an erosion of the innovation capabilities.
Pisano and Shih of the Harvard Business School label this process “the erosion of the industrial commons” as consequence of the outsourcing of manufacturing functions.

Why should manufacturing be a critical condition to develop and to sustain an urban knowledge-based economy?

→ Change of competition:

Current global competition is linked with a shift from a **price-based competition** to an **innovation and quality-base competition**.

And, in this globalized competition innovation cycles are getting shorter and shorter.

→ Uncertainty

At the same time we are faced with a constantly changing and a **highly instable environment**.

Given these tendencies there is a strong need for the capacity to **reshape rapidly networks of actors and value chains**.

In this age of uncertainty

cities and metropolitan regions are “**loci of change**”.

They function as “**human ecosystem**” for adaptation, innovation and transformation.

In these human ecosystems the interrelation between knowledge and culture-based services and manufacturing plays a key role.

Manufacturing continues to matter, for both emerging economies and advanced economies.

Manufacturing is a critical driver of innovation, productivity, and competitiveness, also for services.

Simultaneously the distinction between manufacturing and services has blurred.

But, to be clear,

We should not not question the tendency to a knowledge-based economy. And it is also obvious, manufacturing never again will become a source of mass employment.

Manufacturing has deeply changed.

The future of urban manufacturing will no longer be the standardized mass production.

Urban manufacturing is deeply networked and embedded in the urban fabric.

The city functions as a breeding environment for cooperation, innovation to respond rapidly to changing needs of markets, whether local or global.



Urban Manufacturing Alliance
wins Commitment from
Clinton Global Initiative:

The alliance will strengthen the national manufacturing sector as a whole, resulting in meaningful growth in both **local employment** and numbers of **manufacturing companies in U.S. cities.**



The role of policy

We need strategies to reconcile manufacturing and the city.

We have to reflect on the possibilities of bringing production back to the city.

Policy for promoting manufacturing should be focused on the integration of manufacturing in the urban context by land use planning and infrastructure measures and to support the development of an innovation environment.

An important challenge is to develop mixed and shared use locations and to overcome the autistic zoning legacy of the age of mass production.

Resume:

It is no longer possible to separate manufacturing and services in distinct sectors without considering their functional and spatial interdependencies.

Urban development can no longer be understood as succession of distinct stages of development.

Cities are complex manifestations of **diachronic**, temporal superposing development processes.

In an age of uncertainty cities need robust economic structures. Cities should not choose for a narrow way of specialization. Quite contrary: The interplay of diversity, redundancy and contingency are at the core of the capacity of cities to reinvent themselves.

Thank you for your attention