

The Case for Agglomeration Economies in Europe (CAEE) Interim Report summary

CAEE is a Priority 2 project that was proposed by Manchester, Barcelona, Dublin and Lyon under the leadership of the Commission for the New Economy in Greater Manchester (formerly Manchester Enterprises). These stakeholders were interested in exploring the impact of agglomeration economies within and beyond the territories they cover and the extent to which the beneficial impacts of recent patterns of agglomeration have been shaped, and might be managed more effectively, by public policies and programmes.

A key point made in the Interim Report is that “It is only if we can understand *how* city-regional/metropolitan governance matters and *to whom*, rather than simply noting that it appears to matter, that the study can improve upon existing knowledge and fulfill its aspiration to inform debates about policy choices and institutional design”.

The researchers demonstrate that, in the decade before the economic and financial crisis began, the case study regions were “were not simply beneficiaries of a sustained period of national economic growth, they were important drivers of that growth”.

The research has two main strands, an economic one concerned with the nature and effects of agglomeration, and the other, drawing on political and administrative science, on city-region governance. The Final Report will integrate the two in relation to the four case study city-regions.

Agglomeration economies

In simple terms, the notion is that a relationship exists between employment density and productivity. The report has a succinct review of the development of the academic literature on the idea that agglomerations offer firms advantages, by providing a pool of specialist labour, input suppliers and access to know-how and ideas. The authors note that the emphasis has increasingly been placed on the last of these three factors. However, the nature and impacts of such ethereal assets – the idea that somehow knowledge is embedded in the milieu of the place - are hard to measure. Nevertheless the team is undertaking statistical work to assess whether the advantages from agglomeration are most marked amongst firms in the same or closely related sectors (‘localization economies’) or benefit firms in general (‘urbanisation economies’).

City-regions

Similarly, there is a review of the literature on the links between urban governance and prosperity. Within Europe, for example, there is some evidence that cities where the administrative boundary is drawn within the functional economic area grow more slowly. In England, cities that lie completely within the jurisdiction of one local authority had faster population growth 1995-2005.

The strong economic performance of the four case study cities suggests that they do indeed offer significant agglomeration advantages. However, to what extent these advantages are influenced by institutions and governance “remains an open question” at this stage of the research.

Amongst the appendices there is a tabular presentation of the history of metropolitan / city-regional governance in each of the four cities. Eventually, the case studies will combine econometric analysis with “a structured comparison of city-regional /metropolitan institutions”. There will also be interviews in policy areas such as transport, housing, planning and economic development that will explore the impact of city-region / metropolitan policies in practice. However, at this stage, the Interim Report provides few empirical findings.