



UCL BRIEFING FOR POLICY-MAKERS MARCH 2015

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KEY FINDINGS

- **Variation between cities:** the crisis has impacted differently on cities and cities have developed different responses often according to pre-existing conditions, past experience and local context.
- **City resilience:** cities with a self-reliant local economy appear to be more resilient to economic shocks than those dependent on international flows, central investment, public sector jobs or a particularly dominant economic sector.
- **Learning from past experience:** cities cope better when drawing on lessons from past experiences. Cooperation among cities and good practice sharing and learning are important.
- **Local and 'big picture':** the 'big picture' perspective on the crisis is important; however, a greater understanding of how local environmental, social, economic and institutional dimensions of cities are shaped by economic shocks should also be developed.
- **Urban focus in EU policy:** EU urban policy frameworks can play a role in tackling issues emerging at the city-region level and should also consider the crisis' knock-on effects on urban patterns of consumption and environmental degradation.
- **Emerging responses:** there is currently little understanding of whether emerging responses to the crisis across different local contexts, cities and countries are robust enough and/or transferable in the long-term.

The impact of the global financial and economic crisis on European cities

Introduction

The crisis has impacted on the economic, social and environmental dimensions of urban life, with significant implications for the present and future quality of life in Europe's cities. Cities are seen as 'productive engines' of economic growth and so, the impact of the crisis and cities' response to it have important consequences at the European, national, as well as local policy level. **This briefing considers how the crisis has impacted on different European cities; how well-placed different cities were to cope and their different responses to the crisis.** Illustrative country-specific case studies can be found online with some brief references to them provided here.

Defining the crisis

We define 'the crisis' as a series of shocks to the global economy, which started with the burst of the housing bubble in the US and the UK in 2007, to then spread across Europe as a financial crisis in 2008 and 2009 and become a fully-fledged sovereign debt crisis thereafter. Rather than a unique incident, the crisis can be seen as a series of events caused by structural economic and social imbalances, manifesting themselves worldwide at different points in time.

There are a number of variations in framing the crisis, which in turn determine cities' responses. Although a predominantly economic perspective of the crisis (i.e. unemployment, recession) is the dominant discourse, the crisis has also had an impact on cities' social, environmental, and institutional outlooks, of which there is less understanding. It is important therefore to understand the full spectrum of impacts, and the synergies and tensions between them, in order to paint a more complete picture of the crisis and its impact on cities.

Understanding the crisis at city-level

Some countries and cities were already dealing with **pre-existing urban conditions**, such as demographic change (Germany); the urban-rural divide (Sweden); an ageing population (France); post-industrial economic restructuring (Italy) and low-demand housing areas (UK).

The macroeconomic conditions of the crisis were used to strengthen **green urban investment** and the **transition to a low-carbon urban economy** (Sweden, Germany). These cities seem to have been relatively less affected by the crisis and were more resilient to it.

CASE STUDY: GERMANY

Germany was already dealing with long-term challenges resulting from reunification and demographic change and was little affected by the crisis. The aftermath saw an enhancement of existing urban regeneration programmes and a particular focus on urban sustainability.

Other cities were more severely impacted by the crisis. This was portrayed in a number of ways at the city level:

- **Economic:** a crisis in real estate, construction and services sectors (Spain, Greece); economic diversification (Italy, Sweden); austerity measures and budget cuts (UK)
- **Social:** a 'social crisis' illustrated by evictions, homelessness, informal economy, curtailing of welfare provision and new forms of urban poverty and vulnerable groups (Spain, France, Italy, Greece, UK)
- **Environmental:** a reliance on 'cheaper' (but 'dirtier') energy resources; relaxation of environmental standards for the industry and a lesser concern with environmental agendas
- **Spatial:** a 'spatial crisis' in the shape of 'ghost towns' (Spain) and cuts in urban infrastructure provision (Greece, France), but also a wider emphasis at the European level on devolution and city-regions.

Specific impacts of the crisis in cities

Urban economy: The crisis has resulted in high unemployment, especially across the young, women and migrant groups, with significant variations within and between countries. Some urban areas within the same country have seen considerable increases in unemployment rates (Greece, Spain, Italy and France), while others have managed to maintain or create new employment during the crisis (Germany, Sweden).

Social problems: High unemployment levels have exacerbated social problems, as indebted and jobless homeowners and renters have been evicted, masses of people impoverished and informal economies and crime have flourished. There has also been a rise in social movements such as 'occupy the square' (UK, Greece, Spain), as well as urban unrest and rioting (UK, Greece, Spain).

City governance: Austerity measures, seen as a way to address deficits, have resulted in public budget cuts, privatisation of public infrastructure, downsizing of public services, and an anticipation that the private and third sectors may fill some of the gaps in service provision left by the withdrawal of the public sector. This has introduced new types of urban stakeholders, 'partnering' and models of city governance.

Urban housing: Some countries have seen their housing sector relatively unaffected or witnessed above inflation price and rent rises (Germany, Sweden). In others, the residential real estate sector, the main economic engine, was severely affected (Greece, Spain). Countries with high levels of home ownership (Spain, UK) have found it more difficult to cope

with the crisis than those with lower levels (Germany).

Urban renewal: In some cities, the crisis has led to the further impoverishment of already disadvantaged urban areas. The impact of the crisis was exacerbated by local government service cuts and the cessation of previous regeneration programmes (Greece, UK, Spain and France) as well as further gentrification of 'premium' urban areas, for example through business incubators and urban experiments (Sweden, Spain).

Emerging urban responses to the crisis

The crisis has affected European countries and cities, and sometimes cities within the same country, differently. It has also been often framed in a North versus South perspective, with Southern European cities most adversely affected. Many European cities have reported severe impacts underlined by social unrest, a reduction in social initiatives, withdrawal of regeneration initiatives and little access to EU funding due to lack of national match funding. However, a minority of cities have reported minor impacts – often those with more self-reliant local economies, based on businesses functioning locally through self-financing (rather than relying on bank credit) and fewer connections to international markets.

SUMMARY OF THE RANGE OF RESPONSES TO THE CRISIS:

- **economic** (austerity, structural adjustments and new financial mechanisms)
- **technological** (smart cities, IT, innovation, bio-tech)
- **social** (alternatives to welfare provision, social innovation, social economy)
- **environmental** (investment in greener urban infrastructure, carbon finance)
- **institutional** (partnerships, multiple stakeholders, new governance mechanisms).

Emerging knowledge about the impact of the crisis on European cities portrays mixed responses. Some seem to have used the crisis as a catalyst to reform their economic base and the delivery of public services, including: an increase in urban entrepreneurship and business start-ups in response to growing unemployment; a focus on social innovation; and a shift towards 'smart' sectors such as energy and technology and investment into energy-efficiency in buildings, transport and urban infrastructure. Other cities have struggled more and are critical about the changes they are forced to make, perceiving an abdication of national government responsibility. The different impacts on different social groups in different cities have also seen new categories of vulnerable groups emerging.

CASE STUDY: SPAIN

Spain has a long record of urban vulnerability and has undergone significant transformation without a coordinated policy approach to manage it. The crisis has particularly affected the real estate and construction sectors and reinforced these weaknesses. Policy responses have been fragmented. City residents have often protested on matters of social justice.

CASE STUDY: UK

The North of England in the UK, an area of post-industrial restructuring hit by significant depopulation and low demand housing, has shown unexpected resilience to the crisis. This might be explained by urban investment preceding the crisis in an attempt to tackle deep-rooted economic difficulties. The crisis has resulted in more targeted urban policies and a move away from integrated programmes to specific ones, often within a reactive rather than proactive approach.

These responses have also taken various forms across European countries and cities. For example, Germany has focused on strong governmental intervention through significant investment in urban infrastructure; environmental upgrading of buildings; and dedicated new urban programmes; Sweden paid attention to technology and 'innovation/ urban labs', green energy and low-carbon transition; the UK focused on municipal recovery plans in response to service cut-backs and reprioritisation of urban needs; Spain saw real estate development kick-starts driven by politicians and decision makers, squatting residential buildings, grass-roots and ad-hoc social provision; Italy prioritised economic diversification and spatial devolution and regionalisation; Greece responded through social innovation and new forms of welfare provision.

Main findings

There are significant variations between cities, even within the same country: Cities can be characterised by unequal spatial, economic and demographic dynamics, just to name a few. These can be amplified by further regional differences at the European level such as those between Northern and Southern, Eastern and Western Europe. As such, a wide range of responses to the crisis have emerged.

City resilience: Cities that have coped with significant economic or social challenges before the current crisis seem to be less affected and more resilient to the crisis. For example, cities in the North of England have been addressing a historical industrial and economic decline and so far have shown greater than expected resilience to the crisis; cities in both Germany and Sweden, seemed to be better prepared during this crisis due to the response they have formulated during previous crises.

Learning from past experience: Learning from past crises could offer a way to greater resilience in the face of new crises. However, not all cities and countries demonstrate such learning. It is important to encourage cooperation among cities to share lessons from previous events in order to better cope with future challenges.

Local context and 'big picture': 'Macro-processes', such as the socio-spatial accumulation of wealth, housing market volatility or globalization more widely play an important role in shaping national urban policies.

However, local level politics and a greater longitudinal and local understanding of the causes and consequences of the crisis are also important. Traditional macro approaches should be supplemented by 'micro analysis' of how the environmental, social, economic and institutional dimensions of cities are shaped in a particular local context.

The relationship between the EU and city-level policy: The capacity of the EU to contribute in framing urban policy and governance matters at the city level, as well as at the regional level should be reconsidered. EU policy should take more account of the relationships and interdependencies between cities and their hinterland, including better recognition of the growing autonomy and significance of cities and their economic and social impacts on their broader vicinities. This is particularly important in the context of the financial crisis, where responses are often seen at city-level.

GAPS IN KNOWLEDGE

There remain significant gaps in knowledge of how the crisis is affecting cities as they seek to manage the consequences of the recessionary downturn and austerity programmes. Future research should consider:

- A systematic analysis of impacts and responses across cities in various countries, cities within the same country and different socio-economic groups within the same city, including the impact of the crisis on city policy agendas;
- How robust and long-term emerging solutions are; there is little longitudinal understanding beyond early intervention and/ or 'snapshot' responses, little assessment of adaptation versus resilience responses and little understanding of where the crisis may have created new opportunities for green investment, social innovation, the social economy etc;
- Whether 'economic shocks' lead to further impoverishment of already poor urban areas and further gentrification of better-off areas; and whether deprived urban areas can be more resilient to 'economic shocks' than better-off areas.

BACKGROUND

This policy briefing summarises the main findings of a report developed from a literature review and a one-day seminar held at the Bartlett School of Planning in October 2014 with scholars undertaking cutting edge urban research in seven different countries: UK, Germany, Sweden, France, Italy, Spain and Greece.

