

# 'New urban economies': challenges ahead

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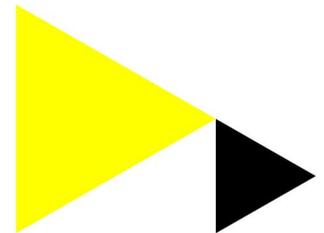
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# 'NEW URBAN ECONOMIES': CHALLENGES AHEAD

 By Willem van Winden and Luís de Carvalho\*

*Europe's urban economies do not look the same as ten years ago. And in ten years from now, they will again be different. The digital revolution is particularly disruptive: entire sectors are being transformed, old players are losing out, newcomers are taking over, and competition is fiercer than ever. At the same time, citizens are not just workers in companies, but many become independent entrepreneurs, and active producers.*

*Innovation is becoming open, involving interaction between companies, universities and users. Working, living and recreation become intertwined in place and time.*

In a growing number of industries, companies need to innovate to survive, and they can only do so when they have dynamic people in the right positions and when they work with others. In this context, cities must become effective 'innovation ecosystems', places where people and companies meet, exchange, learn, collaborate and get inspired. Places that make most of their own resources: their people, their inherited natural and cultural assets. This sounds great, but is very hard to achieve, especially for cities that do not start from a pole position.

This publication has provided many illustrations of the economic changes that cities face – highlighting the dynamics in digital, health and care, 'green' and collaborative economies – new opportunities that arise, and new approaches that may drive change in traditional urban economic policies. Table 1 summarises the shifts advocated and illustrated.

## WHAT CAN CITIES DO TO PROMOTE 'NEW URBAN ECONOMIES', TODAY AND IN THE LONG TERM?

Table 1 shows a sharp distinction between a traditional approach and a new-style economic policy. Many cities sit in the middle, in a transition process, seeking to adapt their approaches. We are well aware that City Hall and its policy making procedures will not change overnight. What we advocate here is a process of gradual change in the way economic development policies are designed and implemented. We consider this essential to strengthen the urban economy and enhance its resilience in the face of rapid economic change. Our suggestions may also provide ammunition for EU policy frameworks to strengthen the urban dimension of the EU2020 strategy, magnifying its impacts in cities and urban economies; but the action must come from the cities.

So, what can cities do, what should they avoid, and where should they let go? Here is some advice:

### **Turn your urban challenges into economic opportunities.**

Improving local care systems or greening the city are key tasks for many European cities. Think how to involve local companies, and create new markets and job opportunities around it. This is the best way to combine economic growth with inclusive and sustainable growth. Recognise that not every project can be inclusive, smart and sustainable. Taken together all the actions should be heading in this direction.

**Refrain from picking winners.** Instead of supporting trendy sectors that show great growth prospects worldwide (but not necessarily in your city), try

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**Table 1. Shifting approaches: traditional vs. new urban economic policy**

TRADITIONAL URBAN ECONOMIC POLICY	NEW URBAN ECONOMIC POLICY
City focuses investment on high profile iconic buildings, business parks and incubators	City facilitates innovation platforms among different players
City has a stand-alone economic development strategy	Economic strategy is linked to urban planning, social and environmental policy
City picks winning sectors	City facilitates new linkages between sectors around transversal themes
City managers design economic policy in-house and rely on consultants	City managers engage deeply with local stakeholders and find a direction together
City bases its decisions on hunches, general statistics, policy trends and what big company bosses say	City has a fine grained 'economic intelligence' in place, involving a wide range of sources
City plans technology parks as secluded locations	City facilitates mixed innovation districts combining multiple functions
City focuses on attracting inward investment and attracting people from outside	City works with its business sector and tries to maximise existing human resources, combining them with external-to-the-region competences
City managers work from '9 to 5' at their desk in city hall	City managers are out in the city, listening to and engaging with stakeholders

to foster linkages between new growth domains and the endogenous skills and qualities that you have in your city. Connecting missing links between local industries and new activities (inside and outside the city) can do a lot more than supporting new sectors from scratch. Avoid labelling the city as a 'creative city', a 'science city' or a 'maker city' unless there is a lot activity on the ground, initiated and carried by local communities and stakeholders.

**Hack the education system.** Universities and schools are slow to change their curriculum, and they are not naturally oriented to the city (but rather to the national ministry of science and education). Mobilise individual professors, researchers, teachers and students to work with the industry and/or tackle local challenges. Invite them to 'co-create' the city, turn it into a 'living lab'.

**STOP following fashion and beware of mega projects.**

Ever since the Guggenheim in Bilbao, cities have been seeking out starchitects to design iconic buildings for science parks, museums, galleries and concert halls. Others have thought that hosting a major global event such as the Expo or Olympics would transform their city. Mega projects mean mega risk, with all your eggs in one basket. .

**Facilitate bottom-up developments.** Make sure you facilitate bottom-up developments initiated by entrepreneurial individuals or communities. Be open and ready to support new ideas and ventures in their start-up stage (after that they must stand on their own feet).

**Don't stand in the way.** Rules, regulation and bureaucracies exist for a reason, but they kill too many initiatives at too early a stage. Instil an enabling culture of 'making things possible' to unleash the energy. Make the city business friendly without making it unregulated.



**Have big ears.** City leaders are used to talking with strong and influential players: powerful developers, local captains of industries, as well as with big investors. But they need to listen just as carefully to small entrepreneurs, newcomers and unusual suspects. Much of the innovation will come from that direction.

**Develop and implement strategies in a triple helix context.** Actors from government, knowledge institutes and business should together draw the policy framework, agree on implementation responsibilities, and deeply commit themselves on a long-term basis. Strategy building should not be a one-off event, but a continual process, open to incorporate new insights and developments. This requires ‘intelligence’, new participation methods and hands-on work; one-off, high-level institutional meetings are not enough.

**Organise the effort at the appropriate spatial scale.** Develop integrated approaches on the level of the urban city-region or metropolis, not the administrative city only. Municipal borders are not relevant for labour markets, start-ups, universities, or location decisions of companies. A problem might be that businesses pay taxes to a particular municipality, leading to ‘zero sum’ competition between neighbours. To get rid of this, you need either a higher order authority, or some sharing system.

**Empower appropriate vehicles to deliver local economic strategies.** In many occasions, the city has to let power go and trust other players to take the lead; in other situations, the city should support the development of new overarching organisations with more leeway to act instead of a myriad of competing ones. Yet, it is essential to assure that agility goes hand-in-hand with systems of checks and balances.

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## WHAT COMPETENCES DO CITIES/CITY MANAGERS NEED TO MANAGE ‘NEW URBAN ECONOMIES’ ADEQUATELY?

The challenges opened to manage ‘new urban economies’ require new capacities from city’s staff, its managers, but also from elected representatives. We conclude with a number of hints in this respect.

**New analytical knowledge.** Managing urban economies is increasingly seen as a multi-disciplinary practice, and different types of knowledge have to come together, rather than be separated in municipal departments.

**Economic foresight.** Beyond relying on backward-looking statistical analysis, the implementation of qualitative foresight methods and tools are necessary.

**Social skills and network management.** Unlike managing a company, economic development is increasingly about mobilising and engaging with stakeholders outside the city administration. Hence, city managers need to be able to speak – or at least understand – the ‘languages’ of the different stakeholders they interact with, and create common ground between them.

**Dealing with uncertainty.** New urban economic policy involves a great deal of uncertainty, piloting and experimentation. Urban managers must be able to step outside their comfort zones and take a moderate level of risk. This implies also accepting that not everything will work and that some failure is a necessary part of the entrepreneurial municipality.

**Combine room for manoeuvre with efficiency.** Engaging with stakeholders, building triple helices and exploring new developments require some amount of slack in the city administration, and it will not pay-off the day after. City managers have to find ways to balance this with the call for efficiency and ‘doing more with less’. ●



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