The crisis - coming after two decades of globalization - is recomposing the relations between regions and nations. Jurisdictional boundaries and sectoral silos are increasingly the impediments to the design and implementation of projects that are indispensable for social well-being and economic growth. Europe has been the world's laboratory for innovative practice since the end of the Cold War. Recent OECD case studies and reports highlight key lessons as well as cutting-edge issues, with an emphasis on the contribution that universities can make.

This paper is a cry against complacency, supported by evidence from Europe of how regions and universities can work better together, highlighting some of the differences between Europe and America, and concluding with a list of themes for sustainable implementation now.

Let’s start with where we are:

- We know it is a crisis because many in authority do not know what to do: these are not normal times.
- The future of regions, and of universities as well, is uncertain. They may emerge with reduced autonomy, or greater scope for initiative. Mergers are conceivable; the future of regions is “up for grabs.”
- Old mechanisms of economic adjustment such as internal markets, migration, and corrections to balance of payments positions, are not operating well, and may no longer perform as neo-classical macroeconomists would like.
- Regions benefit from co-operation domestically and internationally. Networks however are not automatic; they take leadership, and good governance.
- The crisis highlights the need for reform, but because coping with the crisis diverts energy away from making reform happen, little may get changed. Correcting the regulatory governance failures of 2008 is slow, and still inconclusive.
- Planning for the recovery starts now, but the crisis makes people and institutions risk-averse. The critical issues however call for cross-sectoral and cross-jurisdictional solutions, which involve departures from past experience.
- Why look at Europe? Because Europe since 1989 has made more progress than the United States in place-based development, which matters more to innovation and to infrastructure than national programmes.

**Killer facts**

Regions do not mirror nations. Regional factors explained growth in GDP more than national factors in more than half the 112 regions in the 34 countries of the OECD; decline works the same way, too.

The US depends on business for R&D more than any other OECD country.

Before the crisis, the level of investment in the US from state and local government averaged 2.3%, a level below Germany, Austria, Italy, Canada, and Spain, countries with a strong degree of federalism or decentralization.

On average cities in the European Union are no further than 13 kilometers from their nearest neighbor; in the US the average is 48 kilometers.
Europe is different – and the media do not capture the reality: the greater rate of growth in the percentage of researchers in the labor force in Europe than in the US since 1990

Several European countries increased the number of researchers per 10,000 in the labor force by a factor of 3 since 1990:

- Finland went from 55 in 1990 to 140 in 2001 and 156 in 2007;
- Germany increased from 16 in 1990 to 33 in 2001, and 72 in 2007;
- Denmark went up from 40 in 1990 to 68 in 2001 and 102 in 2007;
- Portugal lifted its performance from 12 in 1990 to 33 in 2001 and 55 in 2006.

Other countries nearly doubled:

- Belgium’s stock was 43 in 1990, 73 in 2001 and 82 in 2007;
- France went up from 50 in 1990 to 66 in 2001 and 83 in 2007;
- Ireland increased from 35 in 1990 to 49 in 2001 and 60 in 2006;
- Sweden raised its level from 58 in 1990 to 103 in 2001 and 106 in 2007;
- UK levels increased from 46 in 1990 to 55 in 2001 and 56 in 2007.

Progress is not uniform:

- Spain’s level went from 40 in 1990 to 68 in 2001 and fell to 60 in 2007;

By contrast, the level of researchers in the labour force in the US grew slowly, and is now below the best-performing EU countries:

- In the United States, there were 76 researchers per 10,000 in the labor force in 1990, 90 in 2001, and 97 in 2006.
- By contrast, the 2007 figure for China is 19 per 10,000, and for India, 2 per 10,000.

Innovation is predominantly an urban activity, but little is known about the relationship between cities and innovation beyond counting the number of patents generated in particular localities. Among the preconditions for success is the ability to import innovations, in two-way flows. City-based universities, and the confluence between universities and other public institutions, are obvious factors. But other things matter as well, such as the ability of people to travel between cities easily and efficiently, and to meet and interact in social settings. And here too the considerable investments made in intra-and inter-urban accessibility and transport, and in urban regeneration, remain intact. In other words, how productive the enriched human capital of Europe is in the years to come may depend on how Europe’s urban civilization – the world’s largest network of cities – is managed.

If livability matters, then Europe has an asset to help make its workforce of researchers more productive, and more stable. In the Monocle list of the world’s best-ranked cities, Helsinki comes first, followed by Zurich, Copenhagen, Munich, Melbourne, Vienna, Sydney, Berlin, Tokyo and Madrid. Of the top 25, only 5 are in North America, ranked 18th to 25th: Portland, Honolulu, Montreal, Vancouver and Seattle. With the exception of Tokyo, these are not cities associated with large, industrial-style laboratories and research centres, but rather with more flexible and specialized enterprises. It may matter as well that in many European cities the university precinct is being built afresh, often in the city centre or linked to it by efficient modern transport such as a streetcar network (Leipzig, Lausanne, Grenoble, but also Paris and Berlin). This is in contrast with the United States, where university precincts tend to be enclaves when in metropolitan cities, or on greenfield sites. In the United States the location and management of university buildings is typically NOT linked to overall urban or metropolitan planning.

The well-known problems of American cities, including work-force training, the growth of and support for the cultural sector, health care, and infrastructure investment, may be reflected in their ranking among OECD metropolitan regions between 2001-07 in respect of the average annual growth of GDP per worker. In descending order, but above the OECD average, are: Krakow, Prague, Budapest, Busan, Houston, Vancouver, San Francisco-Oakland, Aichi, London, Stockholm, Portland, Deagu, Helsinkiet, Warsaw, Hiroshima (notwithstanding its ageing population), Fukuoka, Seoul, Toronto, Montreal, Los Angeles (on the basis of manufacturing), Sydney, Osaka, Tampa Bay, Rotterdam-Hague, Paris, Vienna, Dallas, Milwaukee, St. Antonio, and San Diego. The remaining US metropolitan regions were all below the OECD average: New York, Sacramento, Minneapolis, Philadelphia, Boston, Miami, Seattle, Orlando, Pittsburgh, Washington DC, Chicago, Baltimore, Phoenix, Cleveland, Kansas City, San Bernardino-Riverside, St Louis, Denver, Detroit, Atlanta, and Cincinnati.
And this was before the crisis of 2008! In a world of urban networks, where more than fifty percent of mankind lives in cities, the dual nature of the American challenge emerges clearly: better urban and regional management must be linked to the concentration of human capital and economic opportunity that is the unique advantage of metropolitan urban areas.

American universities are however laboring under a handicap of disciplinary neglect when it comes to urban issues. Notwithstanding the solid base in regional economic geography and urban economics which dates from the early 20th century, the methodological and disciplinary orientation in the 1960s and since turned increasingly to social and cultural analyses, and primarily of people and groups which had been neglected in the past. This was accompanied by a disciplinary gap between people working on cities in developing countries, and on cities in the United States, impeding a better understanding of the links between development and urbanisation. An American-centric approach meant that European and Asian urbanization became marginal topics within the mainstream. As a result, American universities are not that well equipped to help policymakers intervene more effectively in urban contexts which matter critically for both innovation and inclusion. [See Peter Szanton, Not Well Advised, New York: Russell Sage Foundation, 1981, and Jane Jacobs, Dark Age Ahead, New York: Random House, 2004].

How to build a perspective for a common destiny at the regional level, particularly across jurisdictional or geopolitical boundaries: lessons from OECD case studies on integrating universities in regional economic development and on designing effective regional initiatives

In Europe, the development plans of many universities are key to metropolitan and regional plans, including transport and infrastructure investment and housing. This can only succeed through partnership and mixed funding, and cross-sectoral co-ordination.

The Learning City-Region

Jena, Poitiers, Oresund, Andalusia, Thames Gateway-Kent

Handicaps: image, remoteness, de-industrialisation, red tape, weak governance, low endowments – issue of path dependency, un-learning.

Lessons:
Secondary education matters more to informal than to formal knowledge, and explains overall employment rates better than tertiary education;
University R&D is adapted to local needs;
Strong collective symbols and measures lift social capital
Organisational learning depends on socio-economic inclusion of firms, individuals
Policies stimulate traded and untraded networks

Urban renaissance

Belfast, Glasgow, Krakow, Berlin, Canberra, Kitakyushu

Handicaps: insufficient funding; poor integration of large-scale projects into city-wide contexts; competing priorities that are vulnerable to political and economic cycles; insufficient private-sector participation; not enough attention to health and housing.

Lessons:
Strategic framework;
Ten year perspective;
Putting environmental benefits first;
Uncompromising quality design;
Dynamic, innovative public sector.
Leadership and the challenges of social inclusion and cross-border co-operation: Belfast and Good Friday accord; Glasgow city-region tensions; Canberra and demonstration effect of competent public management; Krakow and new regional government; Berlin and re-unification.

Universities:
Berlin – as basis for knowledge-based sectoral growth; attract youth;
Belfast – to connect with regeneration sites, capitalize on high percentage of in-migrants with tertiary education;
Canberra – develop ANU and Canberra University into poles which exploit Canberra’s role as national capital to internationalise the economy;
Krakow – better management of the space occupied and constructed by the University;
Kitakyushu – link innovation and research to international technical training and assistance.

Leadership:
A key difference between the US and Europe concerns the reluctance of politicians in the US to get involved in regional development. In the past, American states had often been the “laboratory” for policy reform and innovation, taking the lead when the federal government would not. This no longer seems to be the case, putting into question the conventional wisdom that the American system is more resilient and dynamic.

Because universities are uniquely not bounded by jurisdictional limits, they have the scope to bring disparate groups together. This convening role is separate from the direct or indirect contributions of universities to education, training and research. Engagement to shape a constructive agenda remains a difficult task unless there is leadership from within the university.

This highlights a critical need for translators, or brokers: people who can explain the importance of policy initiatives for innovation and the role of universities to help regions develop and make best use of their resources. Because universities are widely perceived as places disconnected from the world of work, even well-intentioned efforts can encounter communication problems. Anti-intellectualism, which speaks of a social and cultural gap between university people and other parts of society, means that there is a suspicion of people whose expertise allows them to speak with authority.

The impending austerity crisis
Comparing the pre-crisis growth profile of regions that managed to sustain employment growth during the recession (“resilient regions”) with the profile of “recession-hit regions” shows that the latter experienced faster growth and faster reductions in unemployment from 1999 to 2007. Before the crisis, resilient regions experienced larger increases in their qualified human capital, in participation rates, and in the productivity of the public sector and agriculture. An increased share of employment in the public sector also suggests higher protection from job losses in resilient regions. Austerity however turns the problem inside-out.

Austerity has shifted the initiative to central governments. People may understand that things will get worse, but not take the initiative to shape the process of change and adjustment, to preserve core assets and prepare for recovery. The path of routine becomes a form of inertia; the time that could be spent preparing for the next phase of the crisis is instead spent on small, incremental yet useful actions, in much the same way as before the crisis. In other words, the crisis may have changed some of the rhetoric, but it has not yet shifted energy toward strategic initiatives for universities and regions. The impression is of lucidity – people see the outlines of future problems – but also of powerlessness – the lack of a plan to manage future problems, supported by appropriate resources.

In the United States there will be an erosion of public funding for research, and a decline in student enrollments. There may be institutional mergers. But there could also be opportunities to create new institutions as well, with a different mission and financial base. The lack of forward planning however is likely to make the adjustment more difficult, and harder for people to understand. If universities react primarily as competitors, the likelihood grows that the adjustment process will
serve the objectives of those imposing the cuts. This is the time when universities should be showing the way forward to build relationships, to transcend local and regional borders.

Global networks of universities are more important now that banks and public utilities are less involved in regional economic development. But there is a risk that universities, as they expand internationally, will be less tied to particular cities or regions, less “territorial”.

Organisational learning – not individual learning, but the use of learning in firms for regional performance;
Un-learning – tackling inappropriate or obsolete beliefs, practices

Themes or areas that are critical for the recovery at regional level and are also at the cutting edge of academic work

Strategic insight: “...the ability to understand and balance government values, societal preferences, current and future costs and benefits, and expert knowledge and analysis, and use this understanding for planning, objective setting, decision-making and prioritization”. Government at a Glance (OECD, 2011, p. 54, emphasis added).

Consider the challenge in applying strategic insight to implement the ten key lessons from OECD studies of the best use of public investment across levels of government:

1. Combine investments in physical infrastructure with the provision of soft infrastructure; maximize long-term productivity growth;
2. Exploit the value added of place-based investment policies;
3. Improve co-ordination mechanisms for the design and implementation of investment strategies across levels of government;
4. Improve transparent management for the selection and implementation of investment projects;
5. Enhance horizontal co-ordination at the local level;
6. Cost-benefit analysis and strategic environment analysis to set priorities;
7. Diversify financing sources;
8. Conduct regular reviews of the regulation with potential impact on public investment decisions and strengthen regulatory coherence across levels of government; eliminate contradictory regulations;
9. Capacity-building;
10. Bridge information gaps.

From Making the Most of Public Investment in a Tight Fiscal Environment: Multi-Level Governance lessons from the Crisis (OECD, 2011)
“Impact of the Crisis on Jobs in Regions”, Regions at a Glance (p. 48, OECD, 2011)

Four critical areas, combining hard and soft infrastructure, breaking down governmental and disciplinary “silos” and supporting the new post-crisis regional economy:
Risk management: when coping with innovation, and its commercialization; when bringing about institutional change; when managing the public-private interface.
Public services: huge scope for innovation in health, education, energy, environment; integrating hard and soft infrastructures; regulatory agencies and their oversight.
Governance: ethics and accountability; PPPs and a new role for civil society; culture as enterprise; regulation inside government.
Space: what the future will look like; how to engage engineers, architects and planners.

Conclusion

Regions are unique; universities deal with the universal. The challenge is to create synergies that work for both. Regional issues expose gaps in knowledge and its application, helping academics redefine problems amenable to their methods of investigation. Teaching is no less important, helping
individuals to develop themselves, to share knowledge, and to retain a capacity for learning. (“The proper education of mankind is man”). Policy research for sustainable implementation is urgent.

Planning for the recovery starts now, not when the recovery is underway. What kind of future do we want? What should be the role of universities in cities and regions? How can better regional engagement strengthen universities, and strengthen regions? How can national policies, including for infrastructure and immigration, help universities engage with, contribute to and draw benefit from their regions?

Questions and issues for future discussion:

- The effect of the global crisis on regional competitiveness;
- How to overcome the fear of change during a crisis;
- Evidence that inclusion and equity correlate with efficiency;
- Improving public policies at central and regional levels to encourage collaboration in metropolitan or rural settings, to make regionalism work;
- The different roles of research and general universities in regional development;
- Creating a virtuous cycle to bring more stakeholders along, and managing social and political complexity.

OECD references

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