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Rethinking our Local Economies After COVID-19 **22 October 2021**

On October 21-23, mayors from around the world, convened by the Global Parliament of Mayors, will gather virtually in Palermo to chart a path forward for leadership in the post-COVID era. They will be joined by international organizations, non-governmental organizations, universities, think tanks, industry, and other stakeholders. Participating mayors will debate critical policy points, share experiences and lessons, and identify key policy actions around five themes: Culture; Urban Pandemic Response; Global Governance; Cities, Urban Areas and Climate Migration; and, Rethinking Urban Economies After COVID-19. This paper provides a policy brief and potential policy actions for the Rethinking Urban Economies After COVID-19 theme.¹

Overview

An urban economy has always been dependent on interaction with its surroundings. It offers a marketplace of exchange and concentrates production and surplus-value from the hinterland. Cities are also sites of collective consumption. That concentration of means allows for a labor market, infrastructures and logistics, services, and administrations of a bigger size than the sole carrying capacity of the city's population. That central function for a wider environment is essential for urban dynamics. Relocalizing the urban economy must be part of the post-COVID agenda.

The hinterland of most cities is confined to its immediate (rural) periphery. That interaction with the city center extends to where the next city becomes more effective. In that way, space is organized in extended urban territories, determining the core of the city's economic reach and installing a certain hierarchy between cities. That "space of places" is complemented with a "space of flows," of inter-urban networking, where cities become nodes of distant interaction. Certain cities in greater networks work to structure these flows. In that way, the expansion of markets, from national to continental to worldwide, has positioned some cities as continental or global cities.

This international component of the local economy is very competitive. Its quality is an attractor for multinational companies and services. The globalization process of the last half century, creating a worldwide division of labor and thus radically restructuring the labor market, has increased the space of flows over the space of spaces and created a worldwide competition to attract investments and uphold positions in certain global networks, be it financial, logistical, political, industrial, or services. Cities have invested in restructuring their economies to adapt to the process of globalization, be it – in the global north – to adapt to deindustrialization and transition to a service-based economy, and – in the global south – to participate in the growth models related to industrialization, global production chains,

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and cheap labor. We have seen a rebalancing in the global urban structure, with growing and shrinking cities, relocation of activities, migration patterns, and changing relations with cities' hinterlands. The interdependence of these processes is considerable.

Policy Brief

The COVID-19 pandemic has changed the face of the world. After four decades of global economic integration and attempts for supranational modes of regulation, governments suddenly looked for ways to reassert domestic control. The global pandemic has not been managed by global governance. Indeed, the persistent inequality between continents has been highlighted. Health policies have been "nationalized," all while cities and local governments received limited resources to manage a crisis that was unevenly distributed and concentrated in the most densely populated areas.

At the economic level, the most striking feature was the uneven access to resources and the incapacity of the world market to provide for needs in the right place and time. Medical resources, like masks and vaccines, and medical providers, like hospitals and specialized doctors, did not reflect global economies, but rather local means and resources. The confinement of populations also led to a new thinking on localizing basic needs, provisions, and production capacities. This agenda has only been strengthened by ecological challenges and the climate crisis. These problems, and their related policy solutions, have helped reorient economies around shortened production and distribution chains, and the use of local resources, re-use, and recycling. The restrictions during the crisis have also increased the attention to what is deemed "essential" versus "luxury," what had to be maintained and safeguarded and what was at risk, and what would be the focus of recovery plans. A new attention was drawn on a "local economy," relatively autonomous from global competition. But what can we truly do with our own means? What is the realm of local agency?

Two shifts can be seen within the field of urban economic analysis. On the one hand, there is the insight that only a part of the urban economy is involved in continental or global competition. Our hospitals or schools are not directly "competing" with hospitals and schools worldwide. Our butchers and bakers might be competing with global value chains in their respective sectors but are mainly confronted with local purchasing power. Research indicates that in most cities surplus value production in reproducing and servicing local daily lives accounted for almost half or more of local GDP. Growth models should concentrate more on that segment.

What are the basic needs of our population and how do we build a sustainable economic model to match them? In fact, the "foundational economy" research turns this question upside down. Instead of asking how the city's economy and its population can adapt to a competitive global market, the question becomes how the economy, and the market can serve local needs and development. The "foundational economy" is not only concerned with governance and ways of functioning, but it also seeks to match existing local resources and talents with local needs and incorporate that "matching" in and development



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model with a vision for the future. It therefore requires documentation of ecosystemic services (resources) in the metropolitan area, and how that relates to economic entrepreneurial capacities and specific social needs. Of course, it focuses on the essentials not under threat of being delocalized: basic education, local health services, housing, clean air and water supply, good food, culture, etc. However, it must incorporate cultural and social knowledge to complement the dominance of technology and engineering with socio-cultural planning. With approximately half of the economy operating in this foundational capacity, this sector can more easily be used in spillovers to the rest of the economy than external competition with other cities, which in most cases are “captured” or escape local regulation for supralocal functions.

The new urban economy must be rightly “placed” in the city. Most cities are looking for the right combination between the “productive city,” the “consumption city,” and the “livable city.” Major industries have left city centers, all while modern urban planning remains based on “zoning” and concentrating productive activities in specified industrial areas. This, coupled with de-industrialization causing unemployment mainly among unskilled labor, has complicated the transition to tertiary economies and increased the tension between productive activities and urban living conditions.

With a return to economic production and reproduction in local contexts, a new emphasis on integral urban planning has arisen, making a clear view on the local urban ecosystem necessary. Such an approach supersedes the classic divide between urban and rural, as a new symbiotic relationship and contract can be made. Sustainable planning needs a clear-cut analysis of spatial and territorial characteristics and opportunities. Mapping the economic activities within a territorial urban development plan allows for locating the foundational economies near residential zones, just as local economic activities require the mobility of commuters and goods and local urban planning.

The new urban economy must be carried by a development coalition. The dynamics of the global economy have delocalized various economic actors. Multinational companies, financialization, and virtual platforms are in search of places, producers, and customers without necessarily being integrated in local economic circuits. They are sometimes closer to an extractive economy than of a development model. A local economic policy needs to integrate entrepreneurial energy in synergy with other urban development plans and ambitions: movement of goods, healthy food, strong education, clean air, inclusive health policies, energy-friendly housing, and a focus on closing social opportunity gaps.

The market economy remains the main engine in producing wealth and capital accumulation. This private-driven activity is an important part of the urban economy, especially in distribution, service, and the commercial sectors. Yet public services and public investment are another important agent in the urban economy. Furthermore, cities provide for the important sector of informal and voluntary activities vital to the living conditions (and sometimes, survival) of large parts of the population. Urban economic policies would benefit from a better coordination of these three important actors: private industry, the public sector, and civil society. They should become partners in a development coalition situated in a mixed economy as driving forces in multiscale and multipolar development plans.



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These different economic sectors and dynamics need to be integrated in an urban development model, but an important part of them is to escape local governance. Economic and financial activities often exceed the reach of local and even the national governance. At the same time, cities need to attract such activities. Even if they do not fall under local competences, and are governed by national regulations and international conditions, good urban governance must seek to have a contractual understanding with industry so that their influences do not contradict urban development planning. Sometimes the relationship is not without tension in employment, working conditions, pollution, taxation, or redistribution. The success of a good combination of local foundational economies with the overall economic market will depend on a strong democratic base to support a transparent local development model. This includes a lively and energetic local sector oriented towards local resources, reuse, and circularity, and the fulfilment of basic needs of the population. Local procurement competencies can be developed and used rather than relying on big global players. Several “foundational economies” in cities with similar visions can collaborate in joining investment in energy, transport, or other vital procurement. Such conditions can only be obtained in the framework of better national and global regulations allowing for the urban foundational economy to survive at the benefit of local populations and their social needs. In the end, empowering cities is necessary for a sound economic transition to a more sustainable world system.

Recommended Local, National, and International Policy Actions

The GPM is well equipped to advance, coordinate, organize and scale up the collective action of mayors and local leaders. Recommended policy actions, which target the international community, national governments, local leaders, and communities, include:

- **Develop analysis and policies focused on foundational economies.**
- **The new urban economy must be rightly “placed” in the city.** The foundational economy has proximity as an asset and must be organized alongside urban planning, localized in adapted urban development poles, and integrated in sustainable neighborhood development.
- **The new urban economy must be carried by a development coalition.** Foundational economies are at the crossroads of economic, social, and cultural policies. They must install specific collaborations between the private sector, the public sector, and civil society. That collaboration needs adapted forms of mediation and organization.
- **Economic development is part of an integrated urban development vision.** The urban project combines a vital economic activity with city marketing and imaging, and mobilization of both international and local actors. Corporate actors and the market need to take part in the welfare of citizens, inhabitants, and users.



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- **Focus on the necessary foundational economies and economic transition needs empowering cities.** To develop the necessary policies and integrate the local economy in an urban development plan together with other actors in the social and the cultural sector, mayors and city councils need extended competences and better collaboration with regional and national authorities.