



THE OECD METROPOLITAN GOVERNANCE SURVEY: WHAT LESSONS FOR CHICAGOLAND?

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First, a health warning...

The views presented here are those of the author speaking in a personal capacity and do not necessarily reflect the position of the OECD or its member states.

Indeed, they may not even reflect the opinions of the author himself as he would, on mature reflection, wish them to emerge.

I am not a specialist on the economics of inequality and inclusion.

Almost every conclusion presented here is contested in the literature.

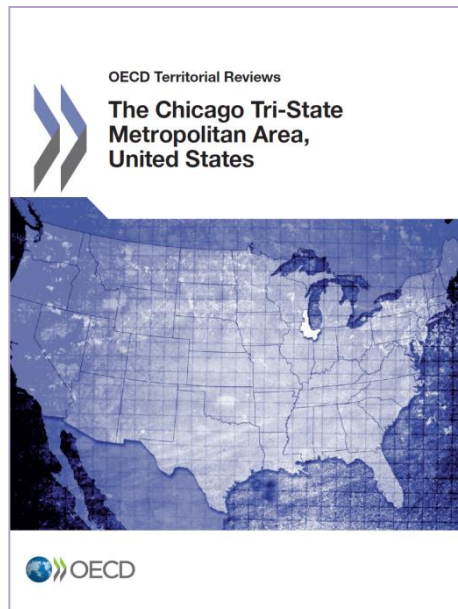
Most of the presentation focuses on U.S. cities, owing to the far larger literature (and more/better data) on them. We do not know how confidently we can extend conclusions based on studies of the US to cities in other places.



OECD Territorial Review of the Chicago Tri-State Metropolitan Area (2012)

Among the key themes:

- Need for a regional approach to skills development and labour-market policies



Need for an integrated approach to transport policy to improve internal connectivity.

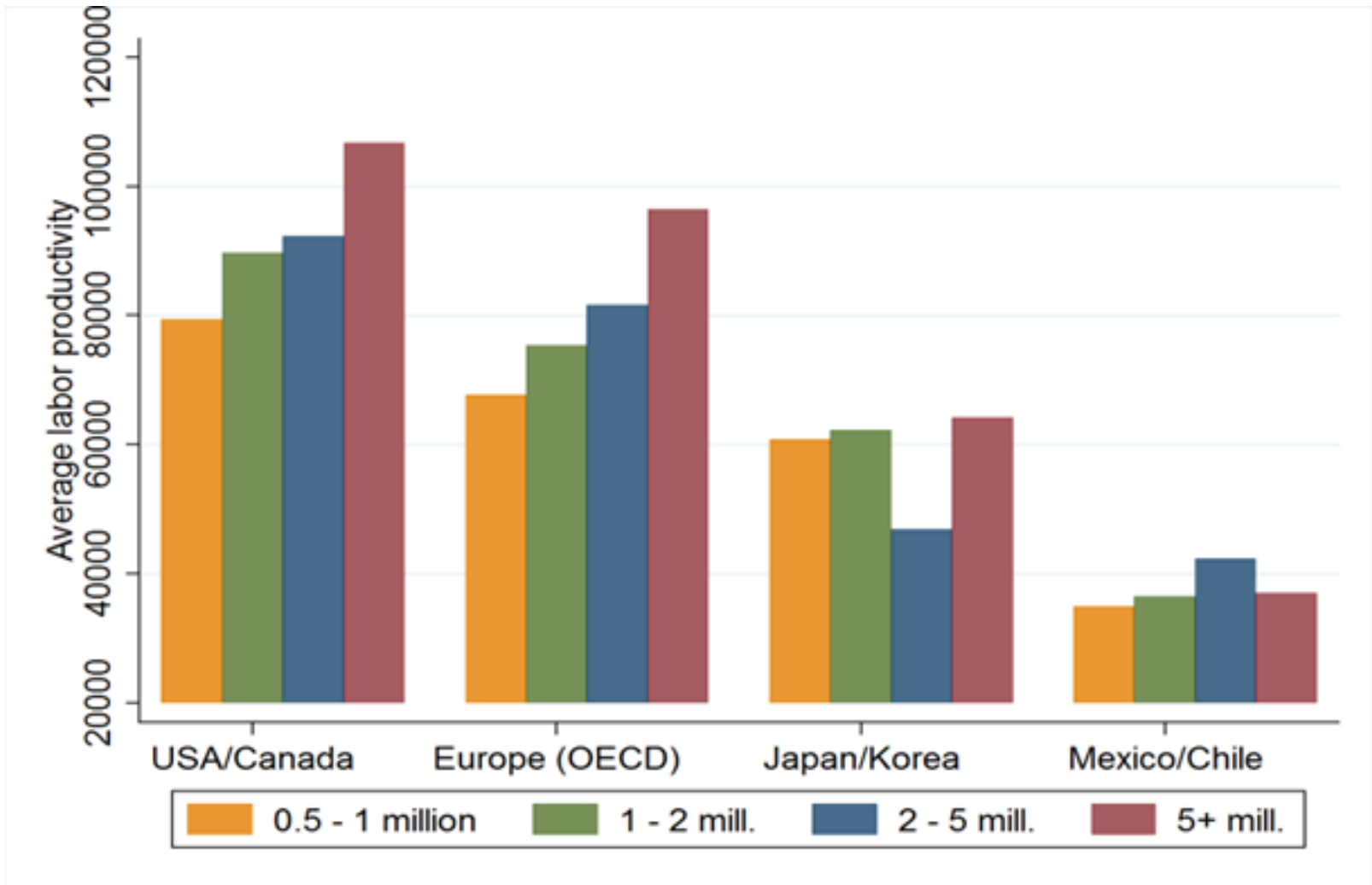
Need to strengthen co-ordination at the scale of the metropolitan area.



WHAT MAKES CITIES RICH?

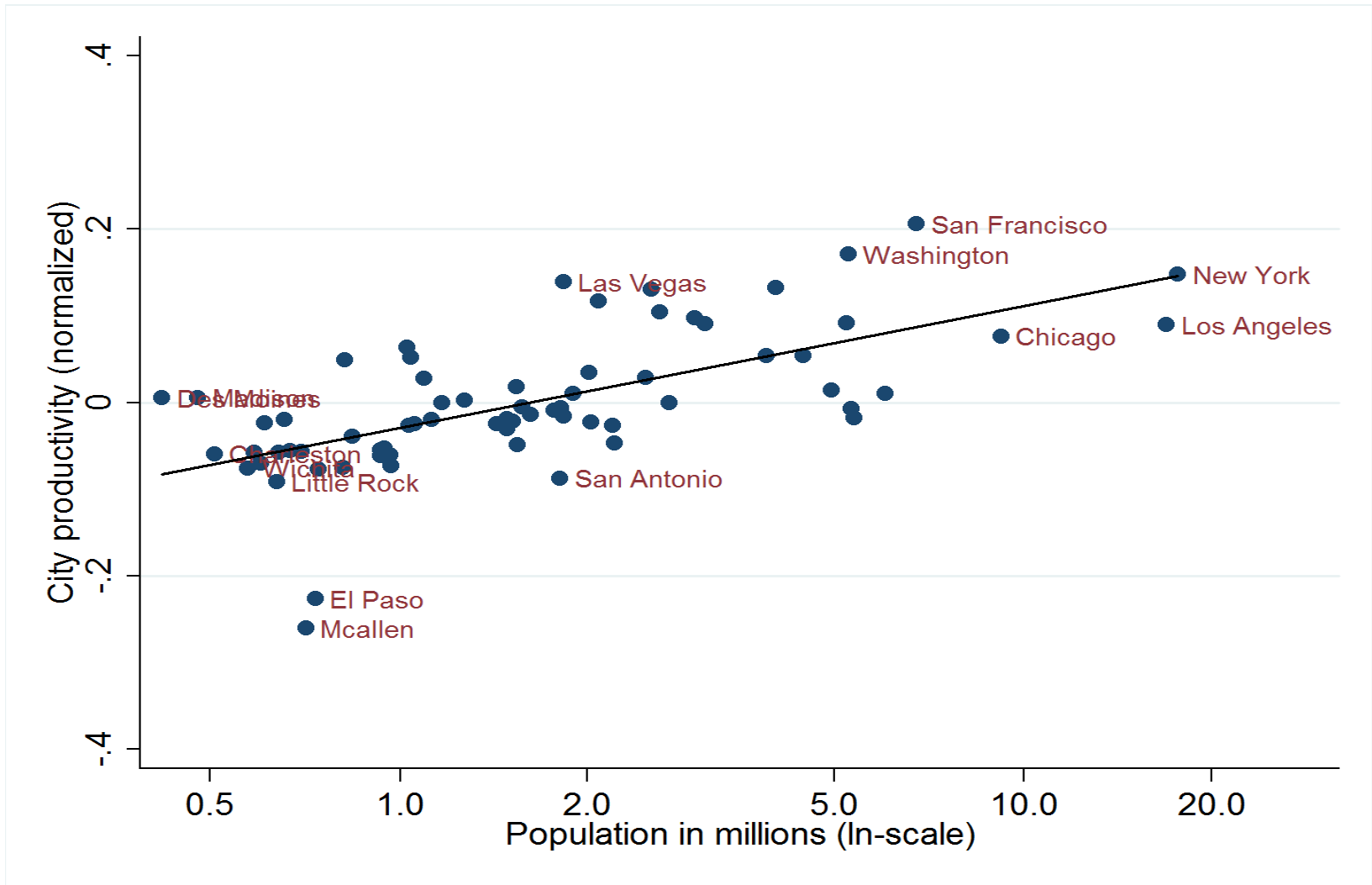


Size matters



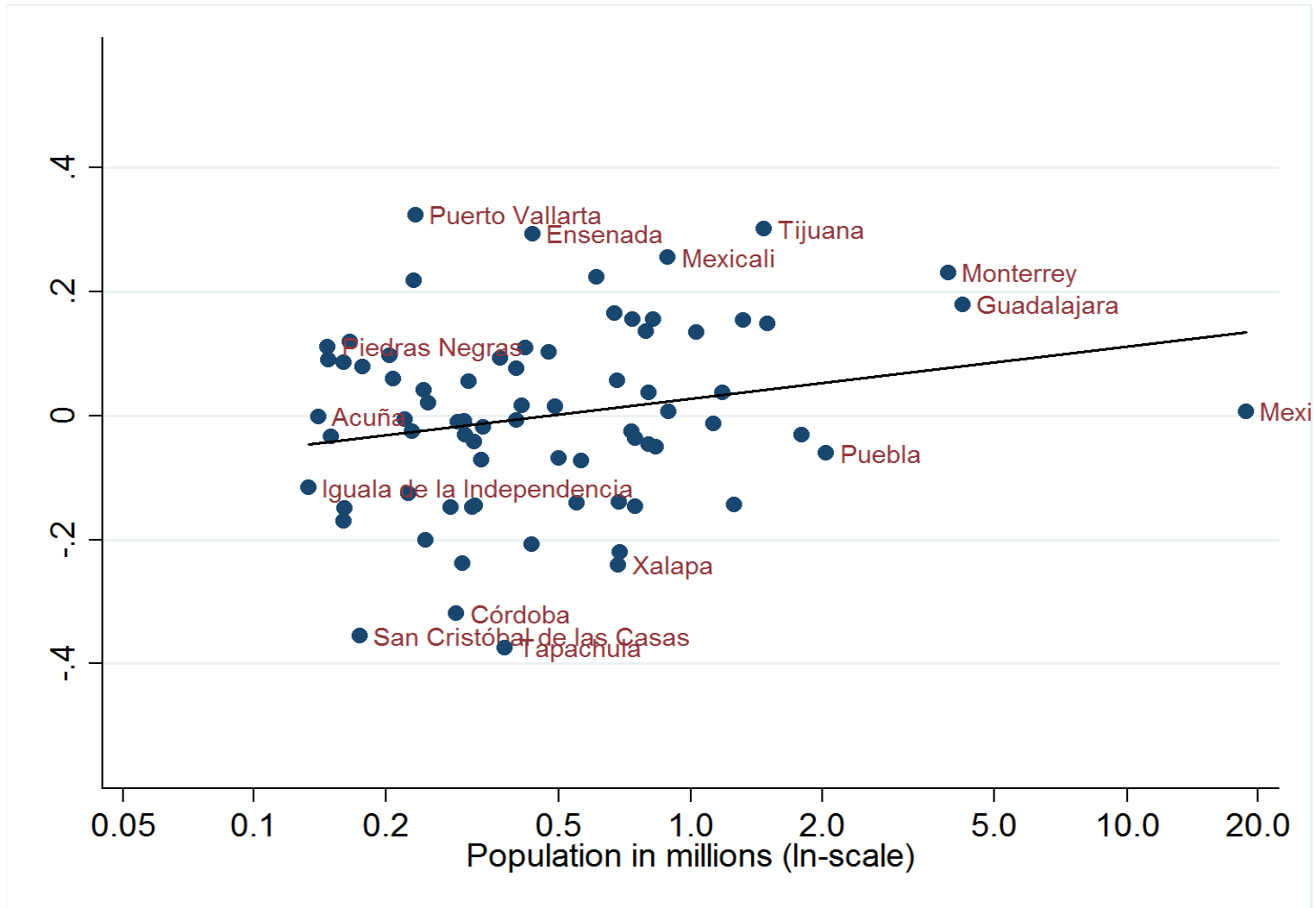


City productivity premia in the United States



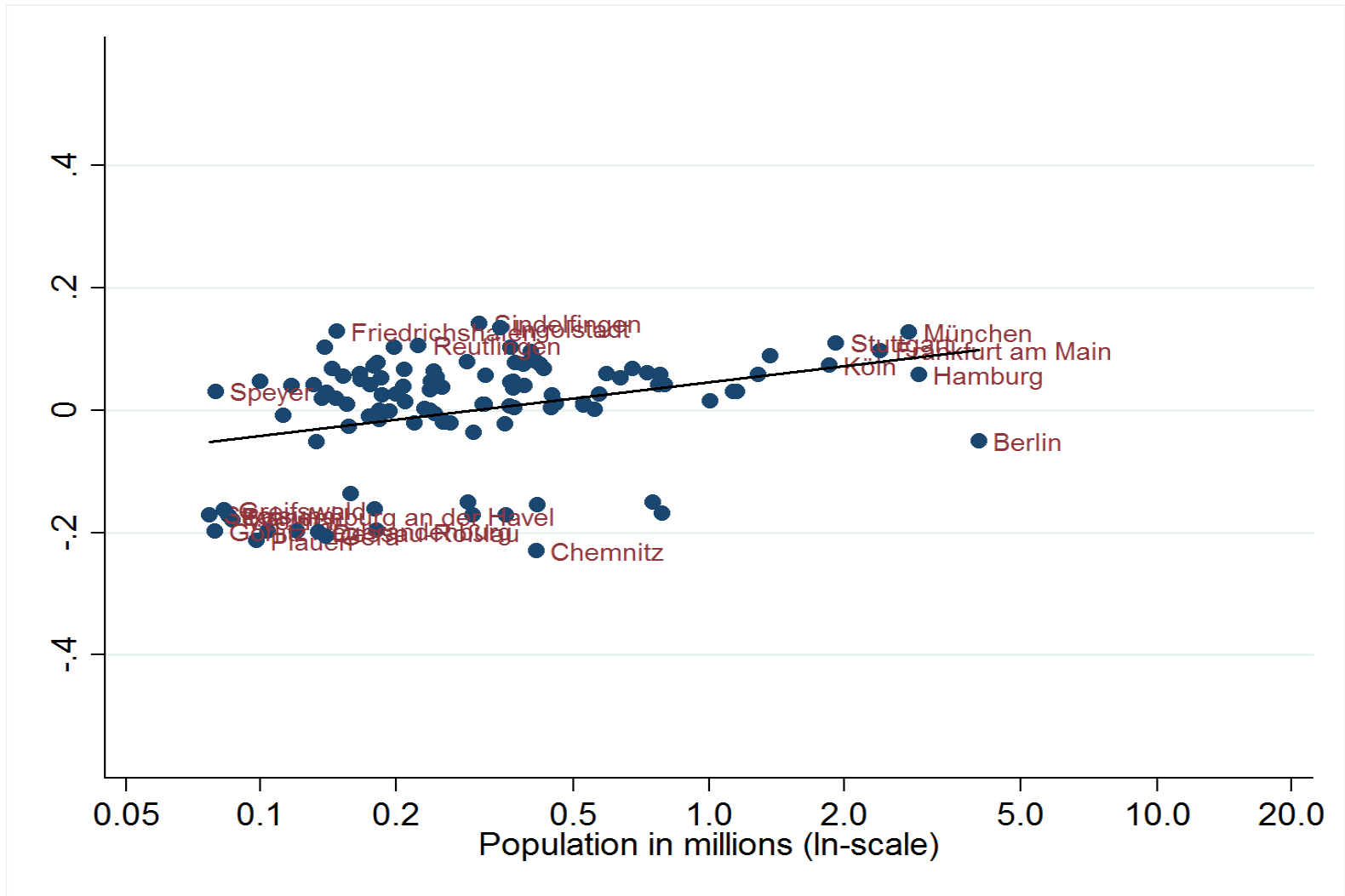


City productivity premia in Mexico



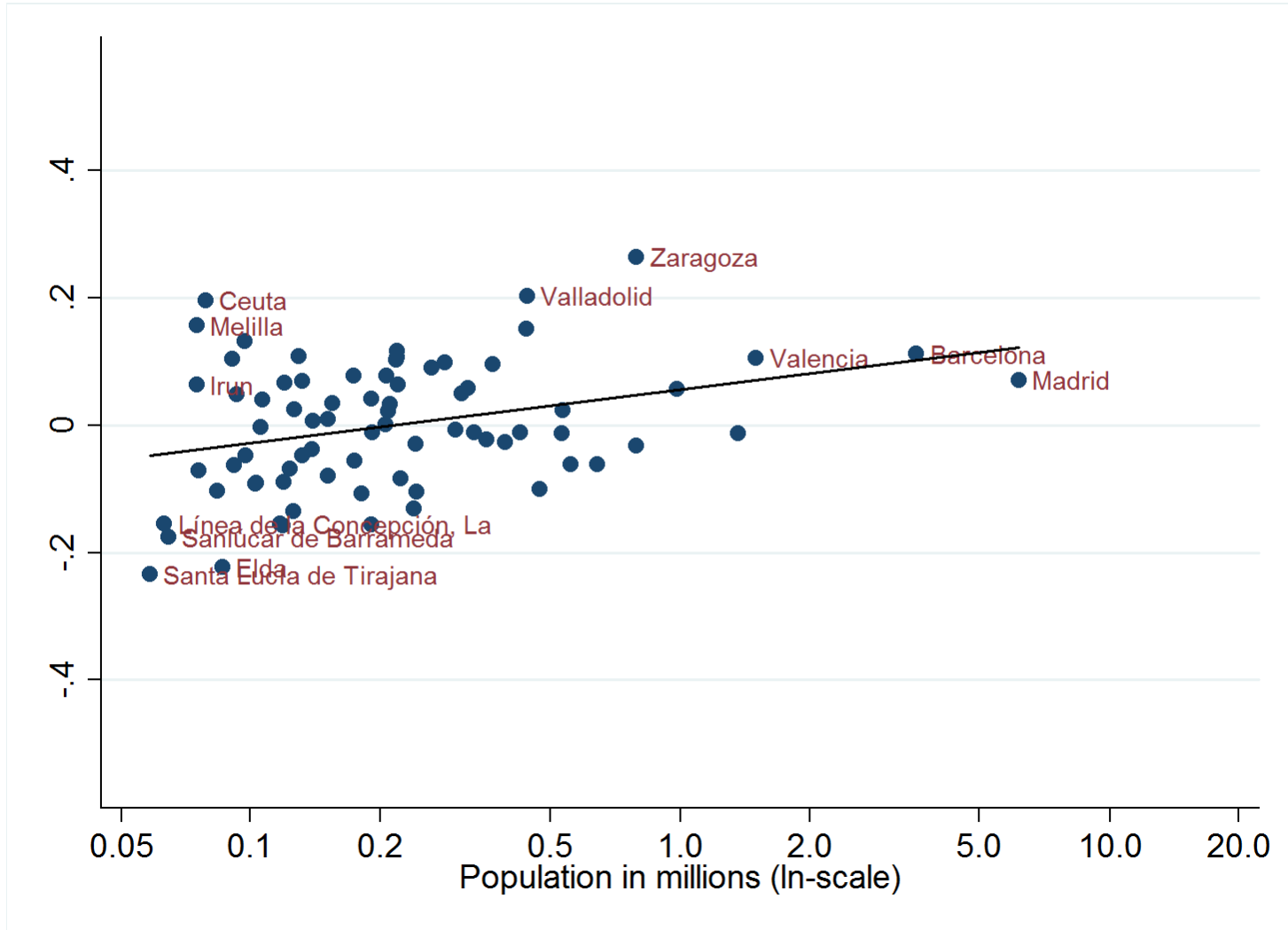


City productivity premia in Germany





City productivity premia in Spain





Bigger cities are more productive

- The productivity increase associated with increasing a city's population—are in the order of 2-5.0% for a doubling in population size.
 - This implies, e.g., that moving from a city of roughly 50000 inhabitants to the Paris agglomeration – on average - increases productivity by an order of magnitude of 20%.

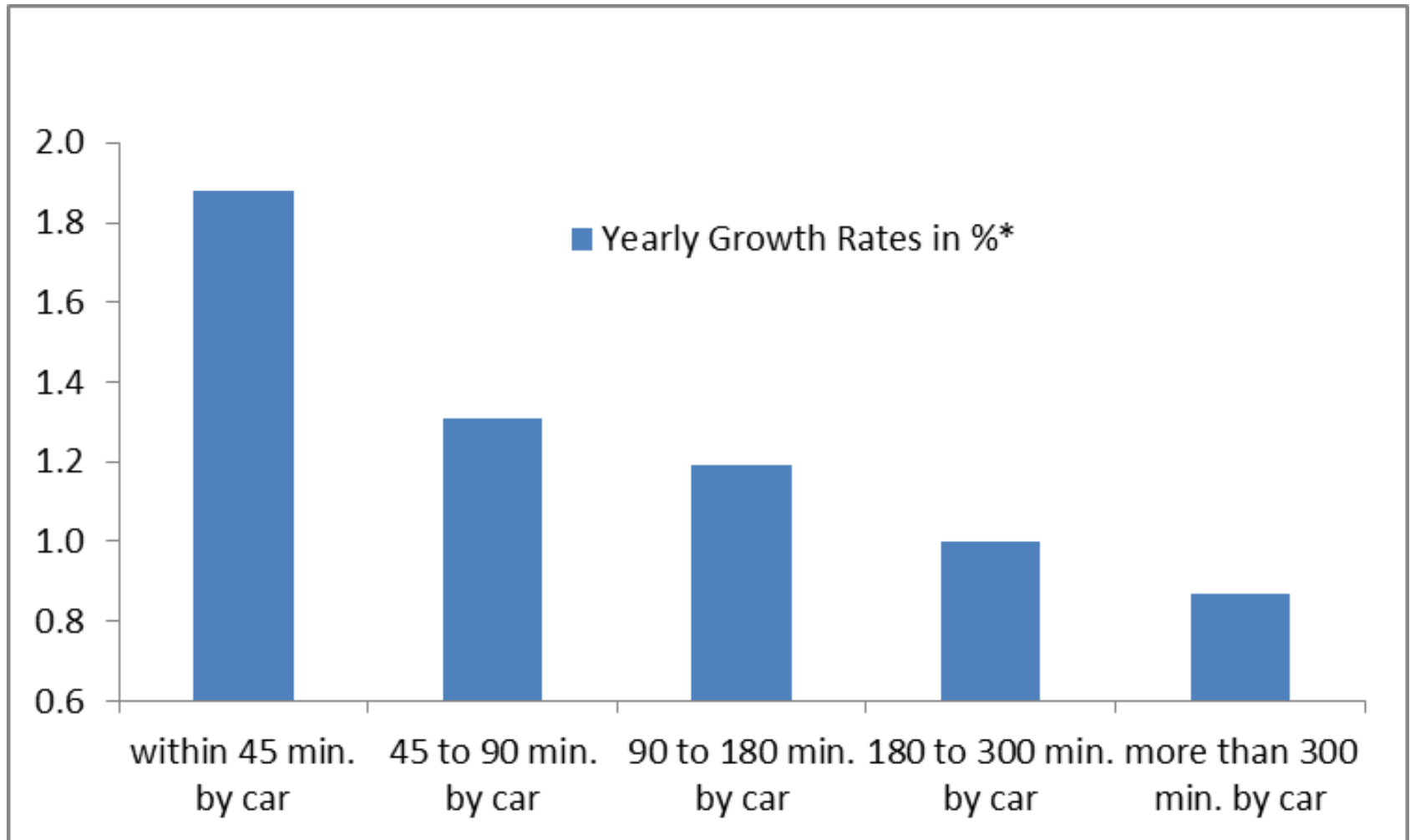


Cities make nearby cities more productive

- Proximity to nearby populous cities affects positively the productivity of a city, implying that
 - in a certain sense - cities can utilise the agglomeration of their neighbours.
 - For a given city, if the population (discounted by distance) that lives in other cities within a 300 km radius, is doubled
 - => the productivity of the central city increases by 1 to 1.5 percent.



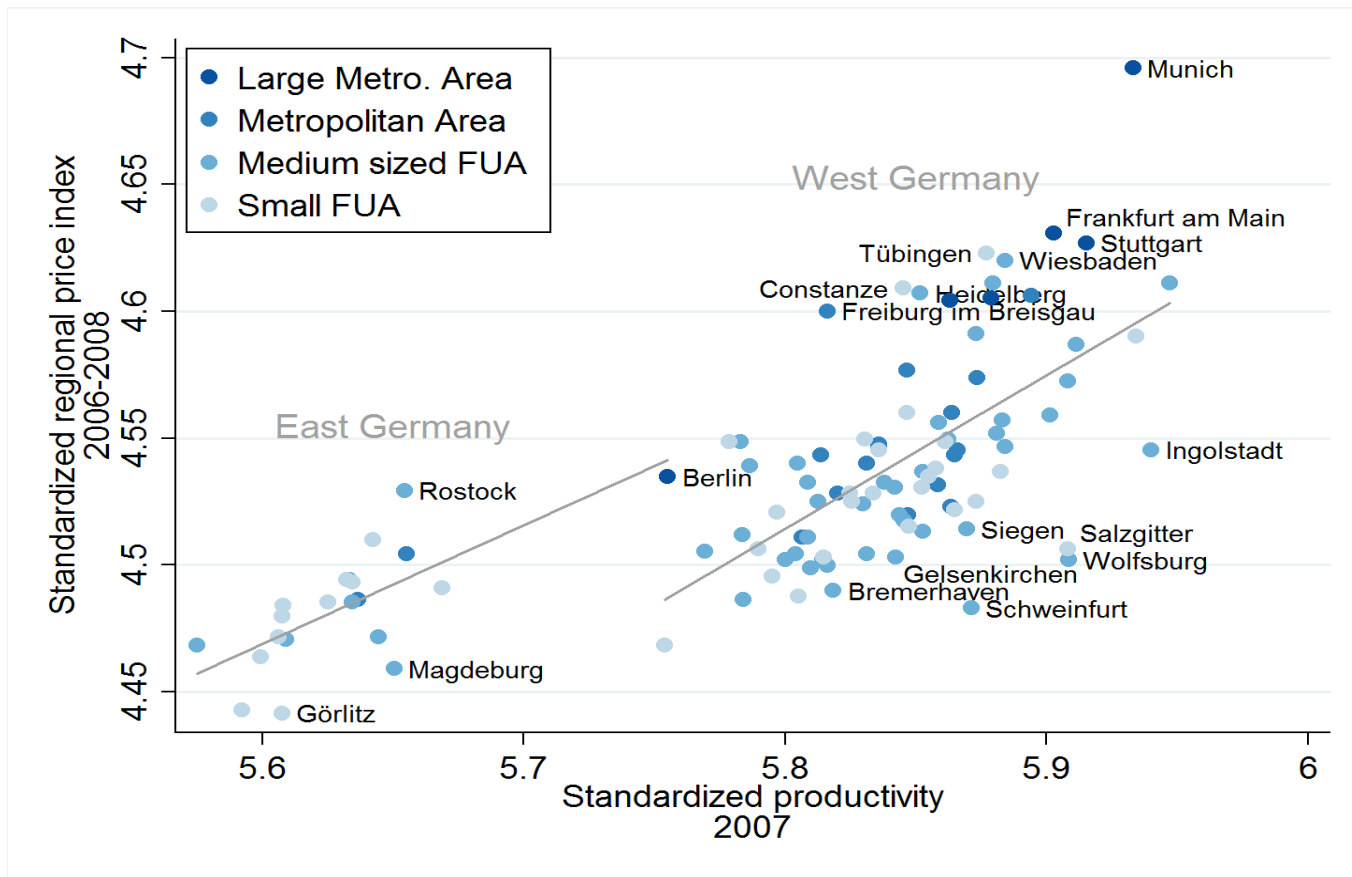
Economic growth increases with proximity to large cities





Higher productivity comes with higher prices

- Overall, gains from agglomeration, but **local purchasing power does not on average increase with city size**



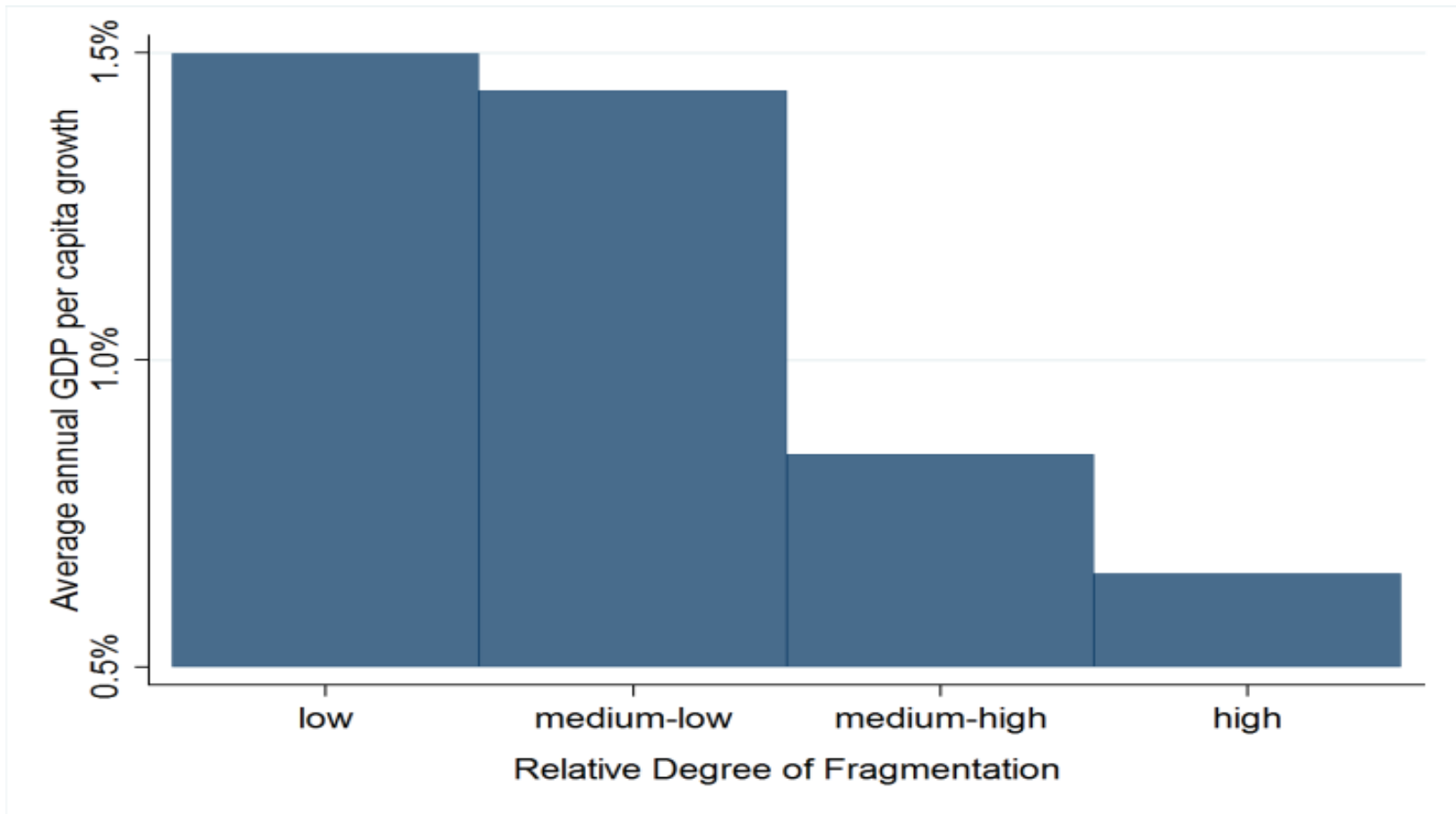


Differences in local purchasing power are partly driven by amenities

- Local purchasing power varies widely around the average, and amenities can explain a significant share of the variation
- Residents are willing to pay for local amenities
 - Proximity to large bodies of water (coast or lake), cultural attractions (theatres/operas/etc.) and UNESCO World heritage sites make cities relatively more expensive
- Disamenities require compensation
 - PM10 air pollution reduces local price level relative to productivity benefits
- More educated individuals appear to be willing to pay more for amenities; also, the share of university educated workers seems to be a local amenity in itself.
- The evidence also points to the importance of a greater differentiation of goods and services available in large cities.



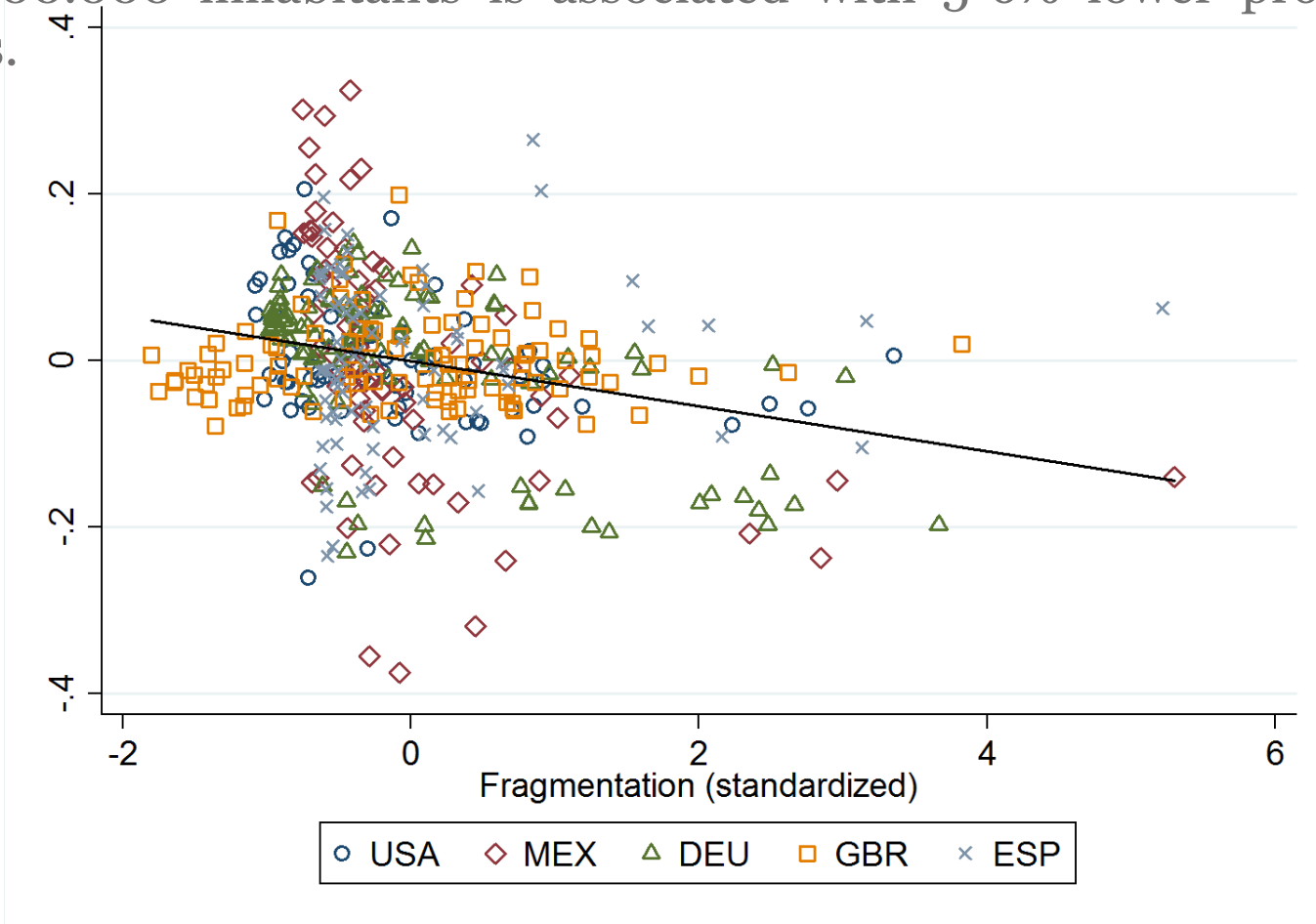
Less fragmented urban agglomerations have experienced higher economic growth





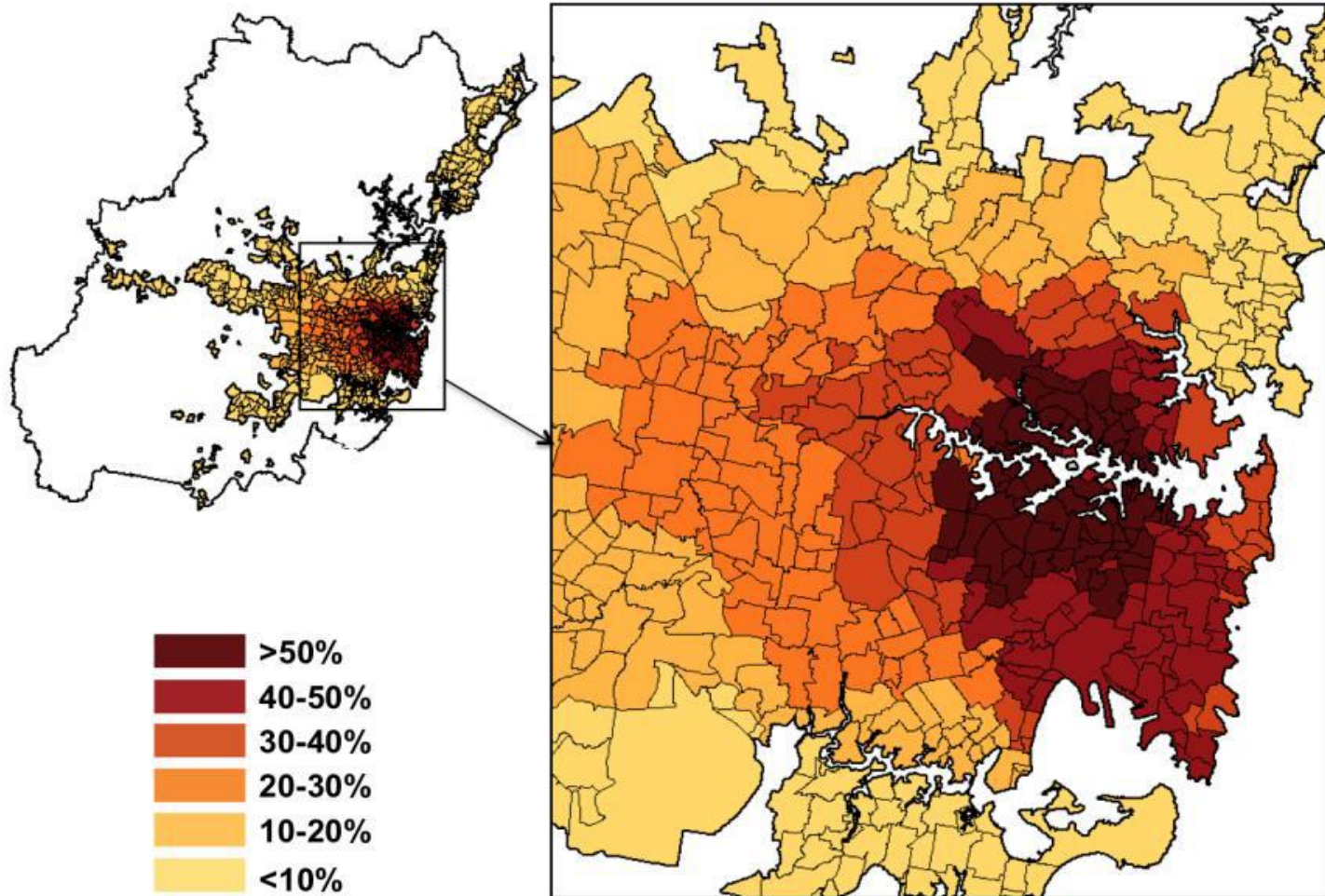
City productivity premia decrease with municipal fragmentation

OECD estimates indicate that a twice higher number of municipalities per 100.000 inhabitants is associated with 5-6% lower productivity levels.





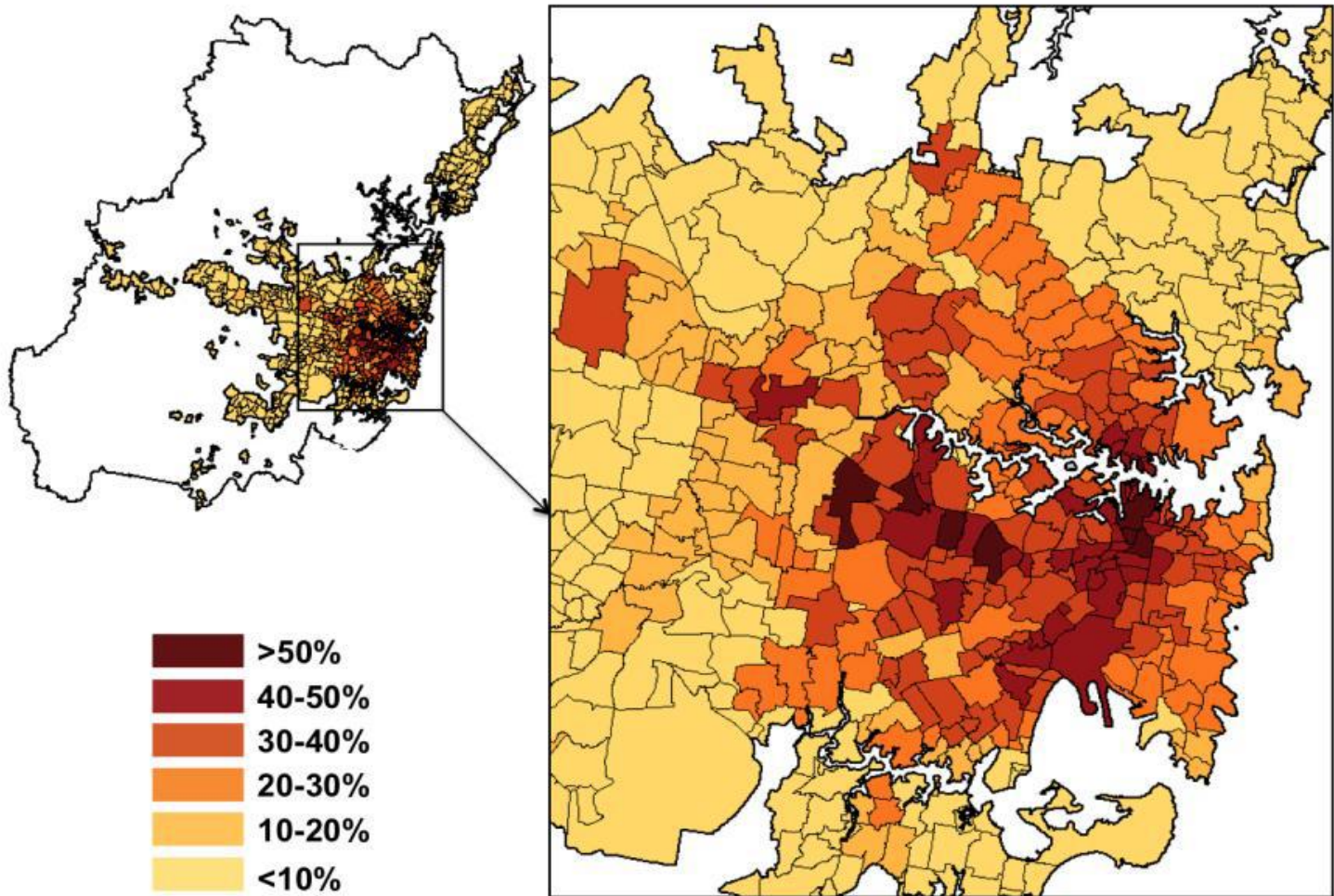
Percentage of Sydney jobs reached in a 45 minute journey by car



Source: Kelly / Mares 2013



Percentage of Sydney jobs reached in 60 minute journey by public transport



Source: Kelly / Mares 2013



GOVERNING THE LARGE METROPOLIS

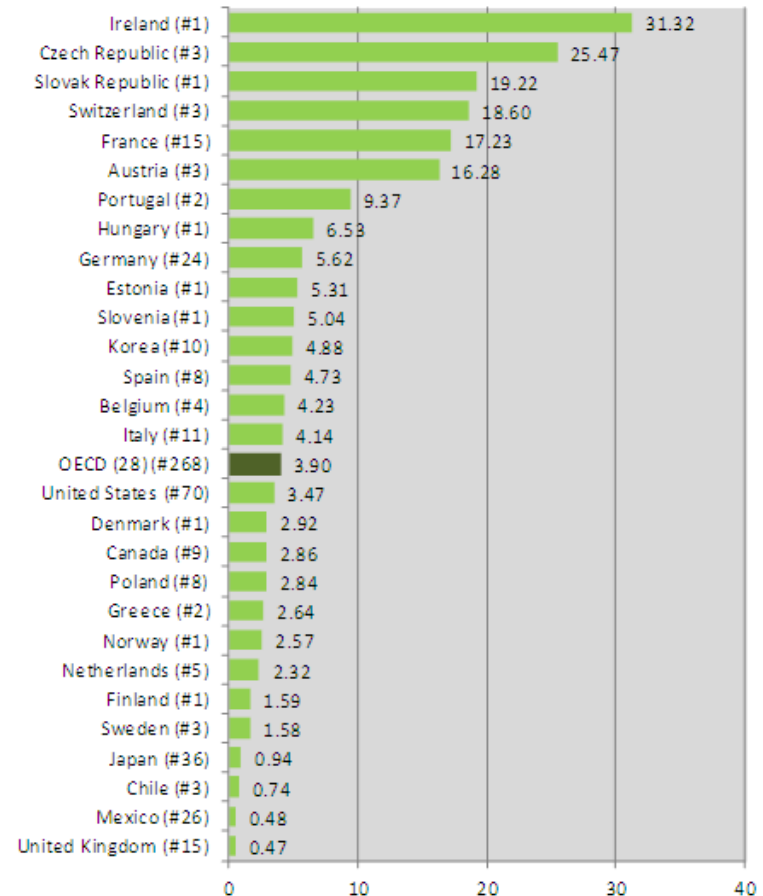


Urbanisation (and sub-urbanisation) create fragmented & moving policy targets

- **Urbanisation and sub-urbanisation automatically increase the number of local governments in large metropolitan areas** – currently around 1400 in Paris and 1700 in Chicago (→ numerous instances of municipal mergers in OECD countries)
- **The expansion of metropolitan areas is dynamic over time** → economic areas often neither fit into long-established administrative boundaries, nor necessarily remain for long within the boundaries of newly established metropolitan structures



*Number of local governments per 100,000 inhabitants
in OECD functional urban areas
(Source: OECD Regions at a Glance 2013)*





Urban governance: administrative fragmentation

- Functional Metropolitan Areas often consist of several hundred municipalities
- => possibility of economic inefficiencies
 - high costs of coordination
 - certain policies taken at municipal level are likely to have negative effects on other municipalities (that are not internalised)
- **Fragmentation may lead to suboptimal outcomes**
- **Can specific metropolitan governance bodies help?**



Metro governance matters

Survey of over 270 major OECD metros:

- Around 2/3 have some level of metro governance, though only a minority have power to legislate.
- Many have been created since 2000 and the trend continues.
- The strength of metro-level governance increases with size.
- A Closer Look at Two Strategic Sectors of Metropolitan Governance: Transport and Spatial Planning
- Steps for Effective Metropolitan Governance Reforms
- Case Studies of Selected OECD Metropolitan Areas
 - Aix-Marseille (France); Athens-Attica (Greece); Chicago (United States); Daejeon (Korea); Frankfurt-Rhein-Main (Germany); Puebla-Tlaxcala (Mexico)



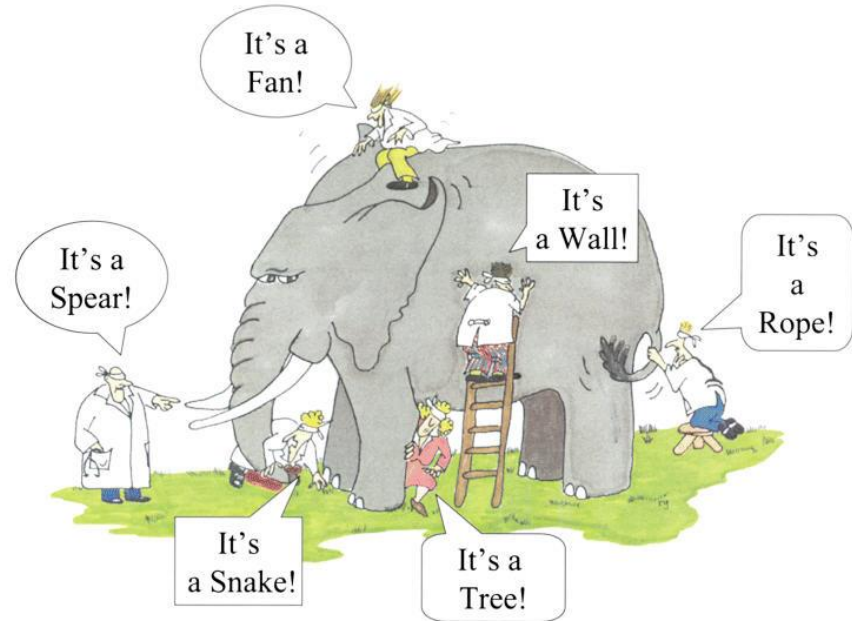
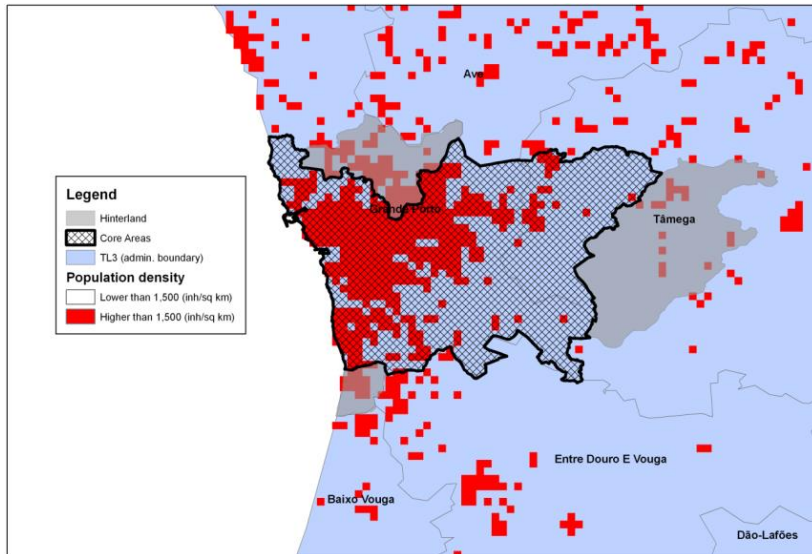
Metro areas without effective governance: a case of the blind men & the elephant?

If municipalities pursue investment choices in isolation...



... they may *individually* hit short-term targets, but *collectively* miss the point of growing (or remaining) globally competitive in the medium to long term

Example of the functional urban area of Porto (Portugal)





How are your cities governed?

- Identifying the most relevant arrangement for individual regions remains a matter of political & social choice

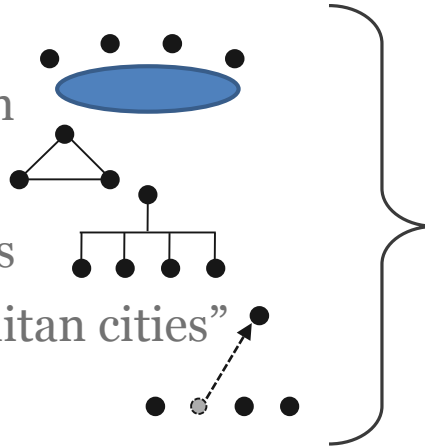
- **4 broad categories:**

- a) Informal/soft co-ordination

- b) Intermunicipal authorities

- c) Supramunicipal authorities

- d) Special status of “metropolitan cities”



Where does the *demand/momentum* for metropolitan governance come from?

...whose trade-offs could be assessed against 3 key factors:

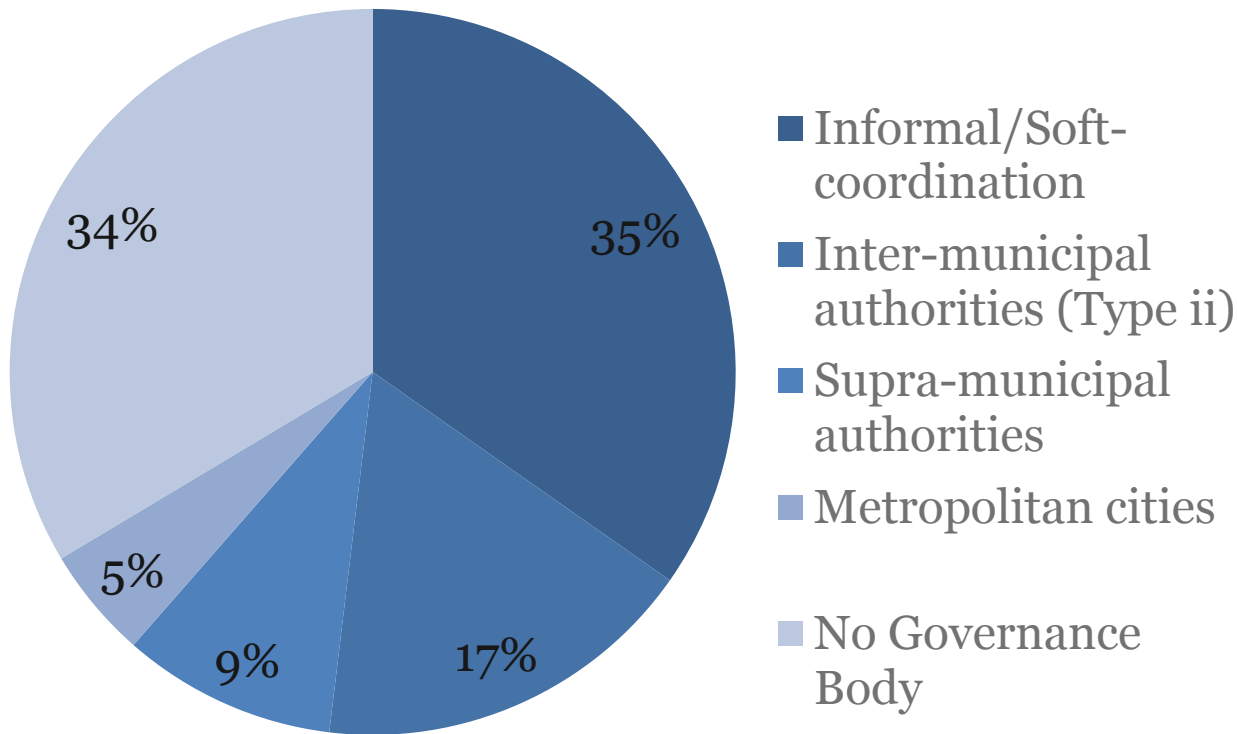
- *Co-ordination* (horizontal & vertical): objectives
- *Capacity to act* (e.g. budget, staff...): tools
- *Trust* (e.g. accountability, legitimacy...): how the arrangement is received by citizens & other stakeholders





Understanding the reality of metropolitan governance: governance bodies

Governance Bodies by Type



- Following charts based on data collected for around 270 metro areas
- Governance Bodies exist in more than half of them
- Most common are bodies without own competencies



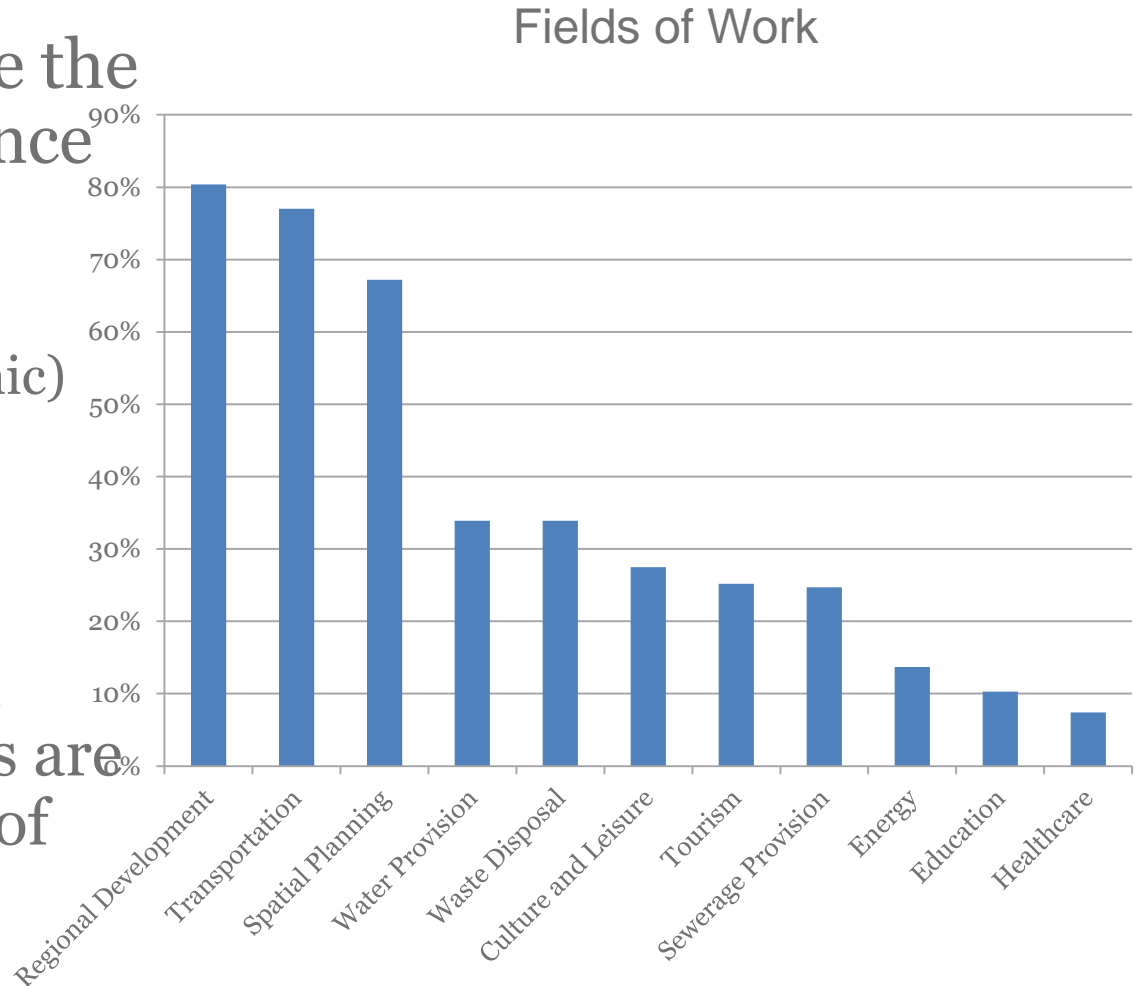
Why metropolitan governance reform?

- For most administrative functions, there is a level (area covered) at/for which they are best carried out.
- Metropolitan areas often consist of several hundred municipalities, with the connected possibilities for economic inefficiencies.
- For metropolitan areas, traditional administrative structures (municipalities, regions) are often not the best levels for taking many crucial decisions.
- The core of metropolitan governance reform is to overcome this problem.



Understanding the reality of metropolitan governance: governance bodies

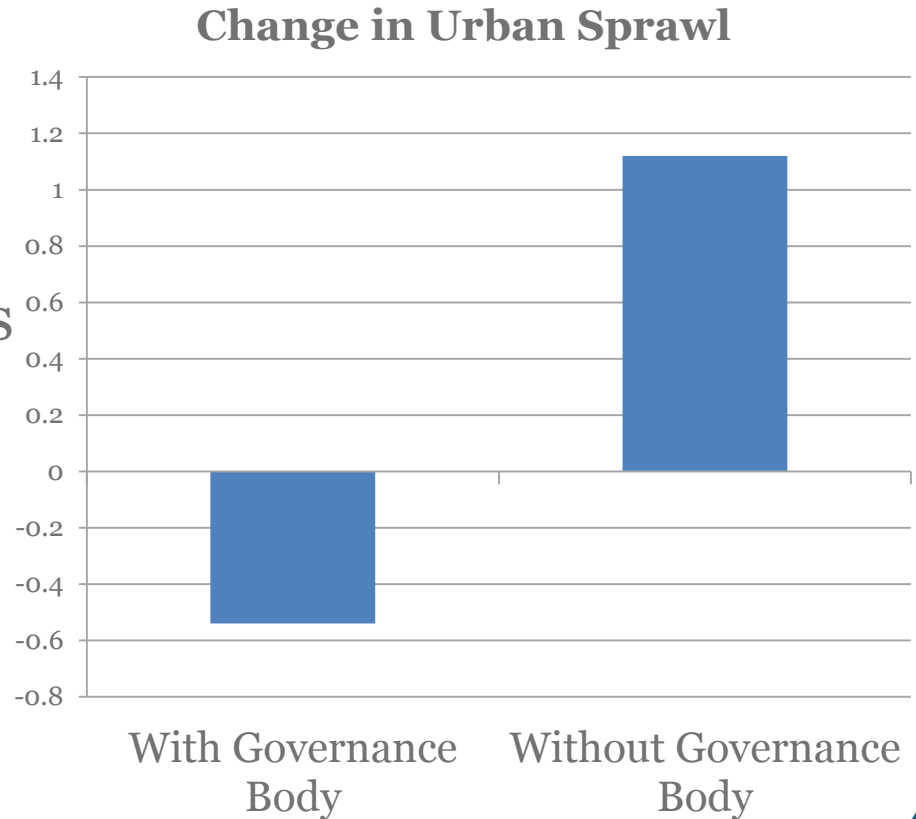
- 3 fields dominate the work of governance bodies:
 - Transport
 - Regional (economic) development
 - Spatial Planning
- Roughly 2/3 of all governance bodies are active in all three of them





Governance bodies can reduce sprawl

- Urban sprawl creates negative externalities in Metropolitan areas (MAs)
- Cooperation is a way to internalize the externalities when making policy decisions
- -> **Sprawl decreased in MAs with governance body, but increased in those without!**



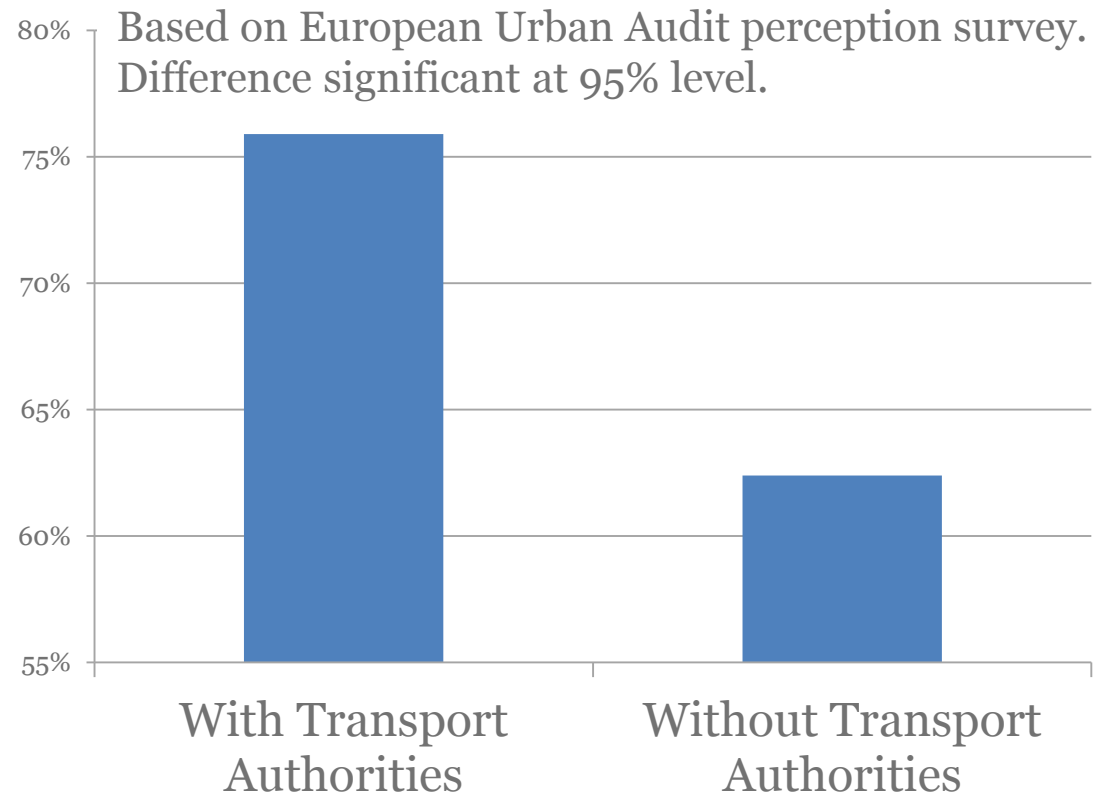
Difference significant at the 99%-level after controlling for log-population levels and country specific trends.



Governance bodies can increase well-being

- Public Transport projects usually cut through many jurisdictions
- Cooperation is required for effective implementation and coordination of services
- **Citizens are more satisfied in MAs that have sectoral authorities for public transport**

Share of Citizens Satisfied with Public Transport





Governance bodies positively affect economic productivity

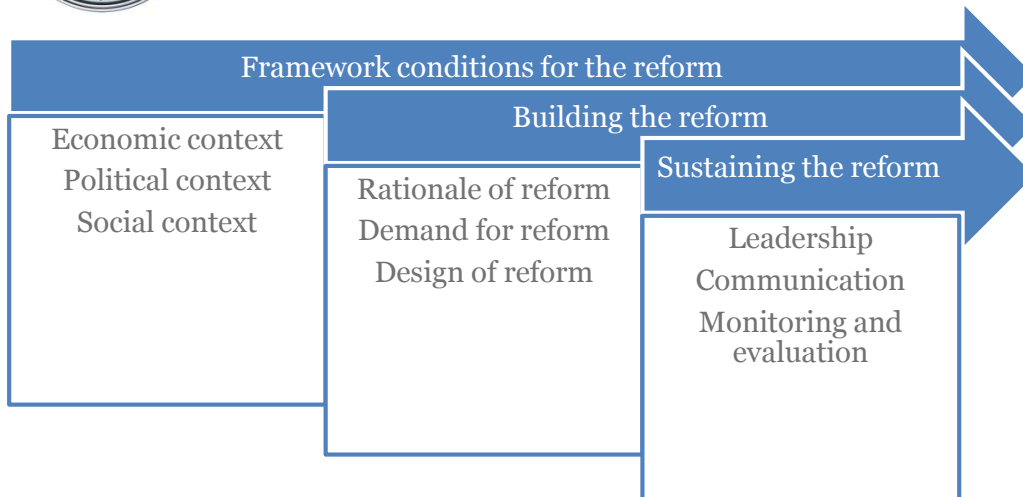
- Within countries, cities with fragmented governance structures have lower levels of productivity.
 - For a given population size, a metropolitan area with twice the number of municipalities is associated with 5-6% lower productivity.
- Effect mitigated by almost half when a governance body at the metropolitan level exists.
- Further evidence suggests that the positive effect of the governance body is contingent on having tangible functions, such as spatial planning.



Process matters



Three timeframes for metropolitan governance reforms



Key steps for metropolitan governance reforms

- Identify a **clear cause** for collaboration and communicate on successful collaboration outcomes.
- Develop metropolitan **leadership** and/or **ownership**.
- Empower and engage **stakeholders** at an early stage, and ensure **accountability** and **transparency**.
- Tailor reliable sources of metropolitan **financing**.
- Design **incentives** and **compensations** for metropolitan compromises
- Strengthen the **evidence base** and track **progress**.



THANKS FOR YOUR
ATTENTION