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EUROPEAN COHESION AND TERRITORIES RESEARCH NETWORK

Minutes: "Territorial Crises and Transformations" Workshop
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I. Moving beyond Crisis: A Territorial Approach to Finance
Olivier Crevoisier, Neuchâtel University

An increasing portion of industry is influenced by the financialization of the economy.
The financial industry has built channels to exploit the mobility and liquidity of capital across borders.
Companies are no longer territory-based.
Company owners are being replaced by managers from large groups.

Paradoxically, these changes contribute to increasing both transparency and opacity. Indeed, the financial industry is based on transparency but the fact of distance between investor and investment increases opacity. Increasing diversity in the number of sectors, products and intermediary actors involved similarly contributes investment opacity.
The global city dominates producing regions and investors.

The crisis has led:
- To promises of developing the green economy, socially responsible development and financial sustainability. But sustainable and socially responsible development, on the one hand, and finance, on the other, run counter to one another in terms of their spaces of action, criteria of analysis, actors and mode of governance.
Financial actors try to adapt market finance to new social demands, such as sustainability.
- to a second scenario, characterized by the fragmentation of financial channels: How are territorial bonds to be understood? Loyalty and confidence are the new key words.

But one central question remains: how are confidence and loyalty to be restored between investors, entrepreneurs and financial intermediaries? Territorial bonds characterized by new spaces and a new temporality might be an answer. There is a need for inter- and intra-regional channels.

Discussion:

- "Dark pools" and the European directive on financial tools aimed at breaking monopolies.
- Returning to the territory to restore loyalty: do we return to the model of the 70s or are previously existing institutions to be restored?

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- Returning to the value of loyalty and social capital: what will happen in territories where these values are weak? What could be the effects in terms of concentration?
- To what extent are cohesion policies meaningful compared to the development of financial tools?
- What is the role of micro-finance and alternative financial means in the examination of financial channels?
- How to move beyond perspectives that are constrained to those of "real" economy and financial economy actors?
- Is there a risk that the trend set by big investors will be followed, with the result that small innovative projects (investment in the green economy at the moment) will be neglected?

II. The Dynamics of the Industrial Economy after the Financial Crisis
Pierre Veltz, LATTS Ecole des Ponts, OIN de Saclay

What is going on in the real economy? On the one hand, there is a disconnection between the financial and real economies and between the level of the Stock Exchange and the actual situation of companies. But both terms of these pairs are in fact closely interrelated. There is at the moment financial "liquidification" and "liquidification" of the processes induced by the pressure of the global market. This leads to a reduction of transaction costs linked to transport.
The global world is characterised by:

- A movement of "unblending activities": the production process can be totally fragmented and distributed geographically in an open and fragmented way. The main reference is the value chain, with a strong focus on the client – a significant development compared to some years ago, when suppliers came first. Paul Krugman emphasises the change from trading goods to trading tasks.
- A movement of organizational and project "fluidification": projects are based on a hard core in large networks of activities. These take more open and more flexible organisations into consideration, with pressure exerted to lower salaries.

Such changes have strong destructuring effects on the territories and are linked with uncertainty and unpredictability. Because of the developments mentioned above, crises can have an impact on any company and any territory. This impact is all the more important given the fact that there is a lack of collective action and expression due to the scattering of the working world. The impact of the crisis is therefore fragmented, both from a geographical point of view and when considering affected populations and companies.
The territorial impact is differentiated: capital cities in France are better off than regions integrated into large international networks. Social shock absorbers played their role as well (see study carried out by L. Davezies and the present author's presentation of its results at an earlier CoesioNet conference). Manufacturing regions are suffering the most. The fact that social shock absorbers played their role gives a false impression that there is a balance in France, a notion that is questionable given the fact that this redistribution system only works in the event of employment. A degrading industrial situation will lead to a worsening redistributive system.
How can territories be considered a counter-balance to the general process of economic "liquidification"? Some territories resist better than others. Metropolitan cities are better off because there is a congruity between the metropolitan economy and the new form of the global economy.
Three models of territorialisation can be distinguished:

- Confronted with fragmented channels, we could favour short channels based on local solidarities that are likely to lead to protectionism and not counterbalance global effects;
- Some resisting territories are doing well, as in Germany: they have strong SMEs with important territorial relationships and they benefit from a high level of global industrial demand;
- A development model linking industrial sectors and territories (health, education, energy and mobility): packages of goods and services can emerge; territories are not excluded from international networks. The role of public policy is crucial.

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Discussion:

- Was the model of development of Baden Württemberg particularly hit by the crisis? The notion of social capital is central.
- Where does German companies' money come from when they are not on the Stock Exchange?
- What can be done by territorial actors in terms of clusters and other territorial tools? Do these tools have a structuring role?
- What can public actors do? How could territories be considered differently? Do macro-regions have a role to play? Territories need to be thought of in terms of networks. There is a need for large scale industrial policy at the EU and national level.
- Couldn't the three models presented above be complementary?

III. After the crisis, will territorial cohesion be a victim of structural adjustment or rather a guiding policy consideration?
Roberto Camagni, Politecnico de Milano

What is new is the fact that a structured system can collapse because of increased "liquidification".
The equity/efficiency trade off exists today but only in the short run.
Territorial cohesion needs to be better defined.
In the longer run, the territory should be placed at the centre of development strategy because:

- Territories compete on the basis of an absolute principle rather than competitive advantage, as is the case of individual countries, and they run the risk of desertification in case of inefficiency;
- Territories experience growing imbalances due to integration and economic liberalisation;
- The crisis has increased disparities. This may result in protectionist intervention by governments.

How should EU policies intervene? The same recipe does not apply in all territories because they present different territorial capital assets.
Territorial cohesion is an important principle of EU intervention but needs to be better defined. Territorial cohesion could be considered as the territorial dimension of sustainability and is composed of three main elements:

- Territorial efficiency linked to competitiveness and attractiveness, external accessibility;
- Territorial quality, i.e., the quality of the living and working environment and accessibility to SGI;
- Territorial identity involving social capital, a shared vision of the future, common heritage, etc.

These dimensions could be associated with result indicators in order to assess policy performance and impact.
Territorial cohesion can therefore become the basis for a smart, long term development strategy. This approach refers to the importance of the "place based" approach discussed in the Barca report.
In this way, territorial cohesion could contribute to overcoming the crisis.

Discussion:

- In France, the development of certain territories is linked with the development of tourism. What does this mean for territorial cohesion and inequalities between territories?
- The crisis originated in the service-based model. Given the low salaries of the sector, should tourism represent the basis of development?
- Germany has been a model of East-West solidarity. What solidarity model is to be used to locate aids? How is the quantity and quality of aids to be defined?
- What is to be done to ensure that territorial policies can adjust to present mobility needs?

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