

City and Innovation

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Growth and development are driven by innovation

However, innovation can have highly different impacts:

It can bring lower prices to consumers, and commodification with stagnating wages and profits to employers/employees

- Such innovation is also easy to emulate

It can bring entirely new products/services, with higher product price, higher wages and profits

- Emulation restricted via some sort of protection (IPR)

Specialization and Geography

Fordist wage regime of mass-production area carried gains from innovation – and alleviated its negative impacts – for large geographical areas through education, training, health care, infrastructure, social protection etc

Technological change has had profound effect on this: we can detect breakdown of Fordist wage system in

- Increasing regional inequality
- Decreasing share of wages in GDP
- Growth of slums etc

Specialization and Geography

Historically, city equals development

With breakdown of Fordist wage regime and ICT impact, it matters greatly what kind of economic structure city/region has:

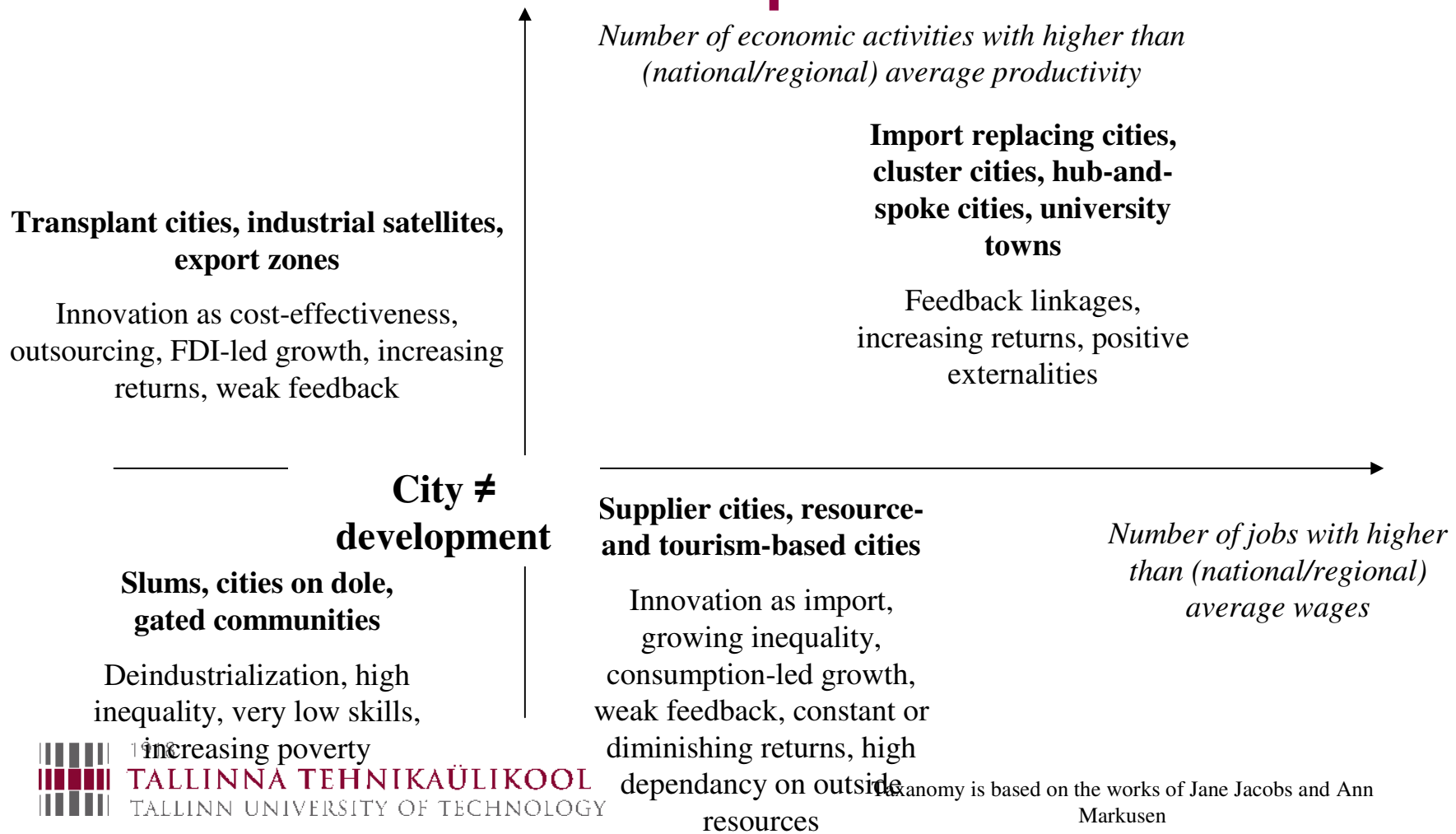
- Gains from innovation do not ‘travel’ geographically so easily
- Negative impact of innovations does travel quickly in form of / or via outsourcing, increased global competition, weaker labour market regulations, FDI, trade etc
- Spinning into vicious circle of underdevelopment: stagnating real wage growth, outsourcing as deindustrialization, low investment into education and training etc

What is city competitiveness?

Thus, **city competitiveness** has two essential components, we can talk about better competitiveness when in a city

- there are more and more jobs with higher than average salaries, and
- there are more and more new economic activities with higher than average productivity

Competitiveness and Taxonomy of City Development



City Competitiveness Strategies

Clearly, FDI-, resource- and tourism based strategies will not work over longer period of time, lower competitiveness arrives sooner or later (*maquila* cities, US inner cities etc)

Successful cities do what they did 400 years ago: emulate successful cities, specifically economic structures: get the economic structure right with

Upgrading and education – strongest drivers of networking

Priorities within sectors – targeting high value-added jobs

Efforts at better policy making and administrative capacity

Conclusions

For city competitiveness it matters greatly what activities given city/regional economy specializes into

- What activities are targeted
- What jobs are targeted

Priorities, partnerships, flexibility:

- Different economic activities demand tailor-made policies
- High administrative capacity demanded in order to avoid negative rent-seeking
- Key understanding: rent-seeking in high productivity and high wage activities brings positive externalities (networking, feedback linkages, demand for culture etc)**

