The geography of EU discontent and the revenge of places that don’t matter

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ESPON Seminar

New Narratives for Territorial Development

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Places that matter/
Places that don’t
The dominant narrative

Tim Leunig
16 October 2008, Liverpool Cathedral

- “Liverpool's time is past”
- “Regeneration spending towns” have slipped back relative to Britain's most successful towns.
- If we really want to give people in Liverpool, Sunderland, opportunities, we need to let many of them move to the south-east.
- We should convert half of the industrial land in the South East into housing: gain 200,000 houses,
- We also need to expand London – making it a mile bigger would create 400,000 new houses.
- And add a million houses in Oxford and Cambridge, along the model of America's Silicon Valley.
Places that matter/don’t matter

Matter:
- London
- Cambridge

Don’t Matter:
- Middlesbrough
- Birmingham
- Sheffield
Cities: the bigger the better

Agglomeration and density

- **Glaeser (2012) Triumph of the City**
  - Subtitle: “How our greatest invention makes us richer, smarter, greener, healthier, and happier”
  - “Urban density provides the clearest path from poverty to prosperity” (page 1)
  - “There are substantial productivity benefits for all firms in denser areas that are even stronger for more productive firms” (page 2570)
  - “Firms in denser areas are, on average, about 9.7 percent more productive than in less dense areas” (page 2584)

And transport costs

- Decline in transport costs which fuels agglomeration and density
More urbanization and bigger cities

1960

Source: World Urbanization Prospects
2011
More urbanization and bigger cities

2011

Source: World Urbanization Prospects
2011
Big cities, drivers of growth

London

Paris

Tokyo

New York
Size matters

London

Paris

Liverpool

Marseille

Newcastle

Lille
“No country has grown to high income without vibrant cities. The rush to cities in developing countries seems chaotic, but it is necessary. It seems unprecedented, but it has happened before”

*World Development Report 2009*
The consequences
Inequality is the norm

Territorial inequality in the world
(Second Theil Index)
Growing territorial inequality: Europe

Many regions underperform in the national context

Emergence of a middle income trap
The reaction
The precursors

Poland, 24 May 2015

USA Trump swing, 8 November 2016

Brexit, 23 June 2016
The flood

Netherlands, 15 March 2017

France, presidential first round, 23 April 2017

Germany, 24 September 2017

Austria, 15 October 2017

Italy, 4 March 2018

 Hungary, 8 April 2018
The results of the flood

Netherlands, 15 March 2017

France, presidential first round, 23 April 2017

Germany, 24 September 2017

Austria, 15 October 2017

Italy, 4 March 2018

Hungary, 8 April 2018
Strong anti-Europeanism or Euroscepticism
Anti-Europeanism or Euroscepticism
Anti-Europeanism and populism

European integration, 1 = strongly opposed, 7 = strongly in favour

Salience of anti-elite and anti-establishment rhetoric,
0 = not important at all, 10 = very important

y = -1.0778x + 10.213
R² = 0.4843
What determines the rise of anti-Europeanism?
A series of individual characteristics: “Older, working-class, white voters, citizens with few qualifications, who live on low incomes and lack the skills that are required to adapt and prosper amid the modern, post-industrial economy” (Goodwin & Heath, 2016: 325)
The left behind (II)

Goodwin & Heath (2016); Hobolt (2016); Antonucci et al. (2017); Becker et al. (2017); Ford & Goodwin (2017); Rodrik (2018)

Becker et al. (2017); Los et al. (2017); Rodrik (2018)

Rodrik (2018)
The left behind (III)

Lee et al. (2018); Gordon (2018)
A geography of discontent

Refers to a series of geographical characteristics: “Local economic conditions were the single most important factor driving the pattern of voting” (Los et al., 2017: 788) (see also Garretsen et al., 2018)

Linked to the so-called “great inversion”: Once prosperous rural areas and small and medium-sized cities have suffered relative economic decline and job loss (Moretti, 2012; Storper, 2013; Martin et al., 2018)

Rodden (2016); Cramer (2017); Bonikowski (2017); Essletzbichler et al. (2018); Martin et al. (2018); Gordon (2018)
A geography of discontent (III)

Johnson (2015); Goodwin & Heath (2016); Shafique, 2016; Tyson & Maniam (2016); Becker et al. (2017); Essletzbichler et al. (2018); Martin et al. (2018); Rodrik (2018)

Lee et al. (2018)

Goodwin and Heath (2016); Hobolt (2016); Becker et al. (2017); Ford and Goodwin (2017); Goodwin and Milazzo (2017); Lee et al. (2018); Rodrik (2018)
The places that don’t matter

Geography of discontent mostly linked to the crisis, often overlooking long-term processes of decline

Theory of the revenge of the places that don’t matter (Rodríguez-Pose, 2018): Anti-system vote linked to long-term decline by neglected places (or places that feel neglected).

Different types of long-term decline
What has driven this ‘revenge’?
### Economic decline a driver of anti-Europeanism

#### Main results stand

<table>
<thead>
<tr>
<th>Factor</th>
<th>Strongly opposed (1)</th>
<th>Strongly opposed and opposed (1 &amp; 2)</th>
<th>Strongly to moderately opposed (1, 2 &amp; 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic change</td>
<td>-0.69266***</td>
<td>-2.10537***</td>
<td>-0.55087***</td>
</tr>
<tr>
<td>Population density</td>
<td>-0.00024***</td>
<td>-0.00041***</td>
<td>0.00010***</td>
</tr>
<tr>
<td>Distance to the capital</td>
<td>-0.00265***</td>
<td>-0.00105***</td>
<td>-0.00209***</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>0.04176***</td>
<td>0.11045***</td>
<td>0.07000***</td>
</tr>
<tr>
<td>Employment</td>
<td>-0.16178***</td>
<td>-0.14491***</td>
<td>-0.26329***</td>
</tr>
<tr>
<td>Population 65 and over</td>
<td>-0.26127***</td>
<td>0.05510***</td>
<td>-0.02545**</td>
</tr>
<tr>
<td>Education</td>
<td>-0.18333***</td>
<td>-0.16979***</td>
<td>-0.08907***</td>
</tr>
<tr>
<td>Migration</td>
<td>-0.26622***</td>
<td>0.04181***</td>
<td>-0.01563**</td>
</tr>
<tr>
<td>Share of no CHES vote</td>
<td>-0.09780***</td>
<td>-0.22435***</td>
<td>2.8251***</td>
</tr>
</tbody>
</table>

#### Density and rurality only apply for extreme anti-European options

Once moderate anti-European parties are included, urban dwellers are more likely to vote for parties against European integration.

#### Ageing not an issue

Regions with older population tend to vote less for extreme anti-European parties - As is the case with moderate anti-European parties

#### Migration not an issue

- Connected to a lower share of anti-European vote
- People who interact with migrants less likely to vote anti-European

#### Four factors consistent and significant across different degrees of anti-Europeanism:

Economic change, GDP per capita, Education, Employment

Robust standard errors in parentheses.

*** p<0.01, ** p<0.05, * p<0.1
## Does all decline lead to populism?

<table>
<thead>
<tr>
<th></th>
<th>GDP per capita change</th>
<th>Industrial change</th>
<th>Employment change</th>
<th>Demographic change</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>OLS</td>
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<tr>
<td>Economic change</td>
<td>-2.10537***</td>
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<tr>
<td></td>
<td>(0.067)</td>
<td></td>
<td></td>
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<tr>
<td>Change in industrial employment</td>
<td>-0.31374***</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>(0.012)</td>
<td></td>
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<tr>
<td>Change in employment</td>
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<td>Population change</td>
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<tr>
<td>Controls</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
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<tr>
<td>Country FE</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.61962</td>
<td>0.61709</td>
<td>0.61387</td>
<td>0.61880</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>F test</td>
<td>0.619</td>
<td>0.617</td>
<td>0.614</td>
<td>0.619</td>
</tr>
</tbody>
</table>

Robust standard errors in parentheses.

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Economic and industrial decline as the drivers of anti-European integration vote

Employment and population growth, by contrast, linked to higher votes for anti-system options
The left behind

Education an important factor for support (or lack of it) for European integration

Local wealth an important factor for anti-Europeanism. But, in contrast to expectations, once other factors are controlled for, richer places are more anti-European
Low levels of employment a moderately important factor in the geography of EU discontent.

Presence of an elderly population does not result in greater anti-EU vote. Once the economic trajectory, levels of education and the wealth of the place are controlled for, areas with large shares of elderly population tend to vote less for both radical and moderate anti-EU parties.
Left behind vs places that don’t matter

The places that don’t matter

Migration, a marginal player, if at all. Places with higher share of migrants tend to vote less for parties strongly opposed to European integration.

Density and rurality has less of a role than predicted by US political scientists. Once moderate anti-European parties are considered, more dense places resort to anti-EU vote.
Distance to the capital not always significant. If anything, areas farther away from national capitals tend to be more pro-European integration.
The places that don’t matter (III)

Long-term economic and industrial decline as the main drivers of anti-EU vote

Population decline and low employment levels do not have the same effect in generating a geography of discontent. The creation of sheltered economies may be a factor behind this difference.
Are we surprised?
Economists got it wrong

Challenge has come from an unexpected source

Told to expect *negative externalities*
  - Land rents
  - Congestion
  - Pollution

Told to expect *Inequality: Interpersonal*
  - But the poorest of the poor have not rebelled: Trump and Brexit votes

But a fundamental negative externality overlooked
  - *Territorial inequality*
    - Territories left behind
      - Long-periods of low-, no- or negative-growth
      - Industrial and agricultural decline
      - Brain drain
      - **No hope** Geographies of discontent
Territorial policy more needed than ever
But, what type of policy?
Has nothing been done?

No, quite a lot has been done for these areas

- **National level**
  - Welfare transfers
  - Public employment

- **Regional level**
  - Big investments in infrastructure
  - White elephants: Big motorways, empty airports, under-used high speed trains

**The real economic potential of these areas has not been mobilised**

- Policies have often promoted collusion, corruption and poor government
- Perpetuating the impression that there is no future
- Or that the future inevitably passes through big cities
  - This is massively resented
Public employment

France

Germany

Spain

United Kingdom

Public sector employment 2016 %

GDP per capita 2015 %

France

Germany

Spain

United Kingdom

Public sector employment 2016 %

GDP per capita 2015 %
Spanish ghost airport costing €1bn attracts offer of just €10,000
Tobias Buck in Madrid

July 17, 2015 5:38 pm
Towards a different policy
Towards a different policy

The problem is territorial/ Places matter

We need better, not more, not less policy

But a different policy

- Away from simply providing welfare
- Away from sheltering less developed regions
- Away from big, visible white elephants

Place-sensitive policy

- Place-sensitive distributed development policies (PSDDP)
  - Strongly based on theory and evidence
  - But sensitive to the different conditions of clubs of regions
  - Aimed at tapping local potential
  - And enhancing the opportunities of every territory (entrepreneurship, skills, absorption of innovation)
  - Offering portable skills
  - Tackling institutional inefficiencies and bottlenecks head on
How to go about doing it?
Conclusions
The most negative externality so far has come through the ballot box

The places that don’t matter have revolted

- Those left behind are attacking the very factors on which recent prosperity has been based:
  - Open markets (goods, services, labour)
  - Migration
  - Access to the single market
  - Membership of the EU
  - Globalisation

- This will affect
  - First and foremost them (directly but, especially indirectly) (McCann, Van Oort, Los)
    - Less taxes – less welfare
    - Less inward investment (manufacturing) – less jobs for the medium-skilled
  - But also the foundations of the recent prosperity on the dynamism of agglomerated poles (London and the South East, Paris, Milan, Frankfurt, Munich)
Fixing the places that don’t matter

Responding to this geography of EU discontent, requires addressing the places that feel left behind

- Focusing not only the least developed areas
- Or in the areas showing the greatest potential
- But considering long-term economic decline
  - Long-periods of low-, no- or negative-growth
  - Industrial decline
  - Low employment rates
  - Brain drain

- But this requires a different type of policy
  - Place-sensitive distributed development policies
The geography of EU discontent and the revenge of places that don’t matter

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http://personal.lse.ac.uk/rodrigu1/

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