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Chapter 16: Strategic economic policy: Milan, Dublin and Toulouse

Authors: Silvia Mugnano, Enda Murphy, Hélène Martin-Brelot

Introduction

This chapter compares three European cities with well-established and successful creative and/or knowledge based economies - Milan, Dublin and Toulouse. However, each economy has different sectoral strengths and has associated historical development paths and economic trajectories developed over varying time periods. As national capital of Ireland, Dublin possesses several conditions that are only partly present in the regional capitals of Lombardy and Midi-Pyrénées. Dublin’s economic growth in both creative and knowledge sectors has been significant in the past two decades (Murphy and Redmond, 2009); Toulouse’s development relies mainly on knowledge-based activities such as aeronautics, space and electronics; Milan’s success in the creative industries occurred over a prolonged period of time. Over the centuries Milan has gained national primacy by becoming the financial, economic, innovative and creative capital of Italy.

Milan and Dublin are somewhat different from Toulouse in that the former cities are well-known internationally as economic decision-making centres as well as prominent historical and cultural centres. Moreover, Toulouse does not possess the same commercial influence as Dublin or Milan, where the strength of financial and business services also stems from export-oriented economic policies. On the other hand, by managing to avoid the full brunt of industrial restructuring such as that which occurred in Milan in the late 1980s and early 1990s, the French and Irish cities share an early service profile and demonstrate active innovation and technology policies, relatively good governance arrangements and well-equipped financial and organisational resources.

The number of individuals employed in the creative sectors, especially advertising, architecture and recreational services differ from one city to another. The relative importance of the creative and knowledge sectors for the regional economy of each of the three cities is best explained by utilising an historical socio-economic approach. The three case studies under consideration have quite different past economic trajectories. Milan’s regional economy is deep rooted in history with the economy of Toulouse being somewhat younger while the development of Dublin’s economy has been more recent, at least in international terms.

Bearing the foregoing in mind, the central aim of the chapter is to analyse each of the three cities together to investigate the various policy approaches adopted in each city in the past and assess whether different approaches have laid the foundations for greater economic success in the creative and knowledge sectors of the economy. Moreover, the

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1 The populations of Milan, Dublin and Toulouse are 1.53, 3.12 and 1.10 million respectively. These values relate to the statistical units of the Milan metropolitan area, the Greater Dublin Area (GDA) and the Urban Area of Toulouse (UAT) respectively.

2 21,000 employees in Toulouse (UAT, 1999/XX en 2005; 6.2 per cent of the working population); 250,890 in Milan (2001); 122,724 in Dublin (2004). Individuals employed in the knowledge sectors (Law, ICT, Finances, R&D and higher education) also vary between the case-studies: Milan (6% law sector; 5% ICT; 5% Finance; 1% R&D); Dublin (XX); Toulouse (15.9 per cent of the working population)
chapter also assesses whether past policy traditions and economic specialisms in each city should continue to be the focus of economic policy in the future or whether there is some degree of convergence between the cities in terms of recent policy initiatives being adopted within the context of increased global competition.

16.1 Distinctive policy traditions

Milan’s early industrial heritage was concerned primarily with iron and steel making, electricity production and developing mechanical industries. In the contemporary period, diversification and specialisation are significant features of Milan’s regional economy. Exports from the region are driven mainly by creative industries such as fashion and design (including automotive design), furniture and accessory goods sectors as well as advertising. The city is also Italy’s main financial. The Borsa di Milano is one of the largest European stock exchanges, with 282 listed companies and average daily trades of approximately 4.2 billion Euro. This has positive impacts on related financial services industries such as business consultancy and legal services. The financial district also attracts industries in the creative sectors: radio and television enterprises are located there together with more than 700 publishing companies (21% of the national total).

As a consequence of industrial restructuring in the 1980s and 1990s, manufacturing activities have relocated from the central area to more peripheral locations in the suburbs. Political strategies aimed at regional economic development have been implemented only recently and each sector has had to reorganise considerably. At the regional level, the increasingly important role of meta-districts allows specialised enterprises and research centres to link together on a thematic basis. For example, targeting of investment in the healthcare sector has enhanced the competitiveness of local biotechnology sectors.

Turning to the Irish case, prior to the 1960s Dublin’s economy was predominantly agricultural and manufacturing based. The city’s economic evolution reflects a strongly interventionist policy adopted by the state to reorient Ireland’s economy towards high-technology, knowledge-based industries such as information technology, biotechnology and financial services. Additionally, in response to the recession of the 1980s, the Irish government favoured an innovative governance approach that contributed to the generation of a stable labour relations environment while also providing the country with a competitive edge for attracting foreign direct investment. Supporting small to medium size enterprises (SMEs), developing reliable telecommunications and transportation infrastructure and favouring the proximity of new industries to universities and colleges have been some of the pillars of recent economic policy. However, rapid economic growth has not benefited all citizens in society and those benefiting from recent prosperity have not done so equally. In fact, after years of continued economic growth many of Dublin’s inner city areas continue to suffer from high unemployment as well as physical and social deterioration.

In terms of population and employment growth, Toulouse is currently one of the most dynamic French urban regions. Since the early 1900s the city’s development has been driven by education and research and an early specialisation in electricity. Toulouse’s profile as a technopolis - specialising in aeronautics, the space sector,
electronics and computer activities - is a result of both public and private sector interests. State policy has been crucial for the decentralisation of space activities (1950-1975) and also for encouraging co-operation between companies and academic institutions from the 1980s onwards. Local social networks and private companies have also played a key-role in shaping Toulouse as a knowledge-intensive regional centre. The emergence of spin-off enterprises from laboratories and technological service firms in software engineering, information storage, artificial intelligence, communications and biotechnology demonstrates the city’s evolution towards a ‘local competency system’ where most of the highly qualified workforce hails from the local academic system. Though creative industries have never been dominant, culture is being considered increasingly as part of a local urban strategy. However, critical issues remain including concern over the agglomeration’s sprawl as well as issues surrounding social segregation and functional specialisation.

The foregoing discussion has stressed the similarities and differences between Dublin, Milan and Toulouse for creative and knowledge industries in terms of their respective positions in the national and international hierarchy. Leading economic sectors of specialisation have also been highlighted as well as a broad overview of past economic trajectories. The following sections attempt to outline three separate models implemented by policy makers in each city. First, More specifically, three policy approaches are presented: First, the Milan approach, which is a bottom-up non-interventionist economic strategy. Second, the Dublin approach, which is a top-down highly interventionist strategic economic policy approach.. Third, the Toulouse approach, which is a targeted strategic economic policy focussing on selected economic sectors.

16.2 Existing strengths in creative knowledge policy

The role of policy in the development of creative knowledge regions is rather variable. On the one hand, the development of Dublin and Toulouse has been heavily influenced by top-down state-led policy initiatives while on the other, in the case of Milan, the development of the creative sector is considerably more bottom-up whereby direct policy initiatives have been lacking at least until very recently. Even though Dublin and Toulouse seems to have followed rather similar development paths, the two cities present some striking differences and both have similarities with the development of Milan.

The first important dimension to be explored relates to the time frame of policy implementation. The period in which strategic economic policies were implemented is rather different in the three case studies and thus offers a possible explanation for the varying phases of economic growth in each city. Although the creative and knowledge industries have developed more or less simultaneously, the policy approaches leading to development did not.

The longest tradition of policy intervention can be found in Toulouse where the emergence of strategic economic policies promoting the growth and development of the Urban Area of Toulouse (UAT) can be traced back to the late nineteenth-century. In 1870, the establishment of the Third Republic brought with it a restructuring of the French higher education system whereby, in the 1880s, universities gained considerable autonomy. At that time, many local academics and researchers saw electricity as a
leading future technology. With significant financial support from the local municipality, Toulouse became an important academic centre in this field of specialisation. To some extent at least, this laid the skills foundation for the subsequent emergence of the early aeronautics industry. Indeed, between 1950 and 1970, state policies driven by the local Préfecture led to the further development of already existing research institutes in automatics as well as transferring aeronautical and space activities to Toulouse. This created a dual focus for industrial activity. The emergence and growth of these activities was facilitated, in no small measure, by the decentralisation of related education institutes from Paris to Toulouse over the same period. In effect, the state played a highly significant role in directing the growth of the computer and electronics industry as well as the aeronautics and space industries.

From the mid-1970s until the end of the millennium, state policy tended to focus on enhancing co-operation between academic research institutes and industry in an attempt to enhance the competitiveness of the aeronautics, space and computer industries. Several spin-off industries were created as a result of this marriage of public and private sectors interests. In the computer industry for example, the rise of high-tech industries fed the development of a number of service companies including software engineering, information storage, artificial intelligence and communication (see Scott and Zuliani, 2006). Moreover, the progressive establishment of companies specialised in integration, assemblage and testing of satellite decks for the space industry gave rise to a number of large private industries such as SPOT Image and CLS Argos (Zuliani, 1999). At the same time, many small ancillary companies were established to service the needs of a growing aeronautical sector, particularly Airbus. Thus, state policy until the turn of the millennium tended to focus specifically on the development of the UAT as a knowledge-based region.

In the case of Dublin, the shift in economic ideals from protectionism to liberalisation over the last 50 years has been quite remarkable. The move coincided largely with its applications to join the European Economic Community (EEC) in 1961 and 1967 (Fitzgerald, 2000). Since the abandonment of protectionism, and with entry into the EEC in 1973, the focus of economic policy has been to attract foreign direct investment (FDI) as a means of stimulating economic growth. Since the 1990s, the focus of economic policy has been to target industries associated high-income jobs in the knowledge sectors of the economy. In this regard, Dublin has become a major financial services centres in recent years helped in no small measure by low rates of corporation tax as a lax regulatory environment. In effect, Dublin’s economic development over the last 50 years has been characterised by a high degree of state policy intervention.

In terms of policy intervention, until recently a non-interventionist policy approach was adopted towards regional economic development in Milan. Although since

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3 In 1955, the Laboratory for Electrical Engineering of Toulouse was established by partition of the laboratory for industrial electricity founded in 1907, which laid the foundation for the future establishment of the Laboratory for Automatics and System Analyses (LAAS) in 1967. In addition, a university centre for numerical calculation was established in 1957 (see Grossetti, 1995).

4 The National Centre for Space Studies (CNES) was transferred from Paris to Toulouse in 1968. In addition, the 1960s saw the creation of a national Office for Aeronautical Studies and Research (ONERA) and a National Institute for Applied Sciences (INSA), both located in Toulouse.

5 The national School of Civil Aviation, the National Higher School of Aeronautics, and the National Higher School for Aeronautical Engineering were all transferred from Paris to Toulouse in the 1960s.
the nineteenth century Milan has been a national cultural and innovative centre, this is more as a result of organic bottom-up enterprise development rather than direct policy intervention. Looking specifically at media and popular culture, it is important to underline the historical performance of Milan in this area also. Since the beginning of the nineteenth century, Milan has been one of the most innovative centres of Italian literature, hosting the ground-breaking group of artists - “scapigliatura” and has been home to the headquarters of several newspapers such as the Corriere della Sera. At the beginning of the 1950s, half of Italian publishing enterprises (such as Treves, Sonzogno and Hoepli, Mondadori, Rizzoli, Bompiani and Garzanti) were located in Milan. In the same period, other important “cultural cities” such as Rome, Florence and Turin slowly lost their importance while Milan became the unquestioned media-city of Italy. As a result, much of Milan’s economic success, particularly in the creative sector during 1950s-1980s, was rather organic bottom-up entrepreneurial activity with little state intervention and almost a complete absence of industrial innovation policy.

Indeed, the early development of Milan’s specialisation of small to medium sized industries, specialising in areas such as textiles, furniture, fashion and design, cannot be attributed to policy-making at the national or regional level. One of the reasons is that the new economic and social changes have clashed with a period of political stalemate. In the early 1990s, a massive corruption scandal (Tangentopoli) was uncovered at all levels of political activity (Municipal, Provincial and Regional) with many senior politicians either removed from office or imprisoned. Since then, a political and institutional vacuum has ensued with little integration in terms of economic or social policy between the various stakeholders in the wider metropolitan region. Ultimately, this led to a lack of political leadership in Milan for a considerable period of time which served to exacerbate the problem of weak governance in the metropolitan region. Indeed, relative to other cities in Italy, for example Turin, the Milanese authorities were slow to react to economic restructuring in the form of deindustrialisation during the 1980s and early 1990s.

The time frame of policy implementation seems to be strongly related to policy model adopted each case study. In the policy analysis of the three case studies, it is important to explore the relationship between the State (either central or local government) and the private sector. Improving governance is a crucial step for assisting successfully deprived individuals in society and ensuring all localities participate in economic growth. In this regard, Dublin’s barriers to more inclusive governance come from highly fragmented administrative districts within the region. As a consequence of a laissez-faire approach in Milan, public institutions have little influence over the various sectors and often favour corporate interests over the interest of the general public. In a similar manner to Dublin, the lack of a single administrative management unit operating at the scale of the UAT poses a serious obstacle for broad-based strategic policy implementation.

16.3 New Strategic Economic Policy Approaches

In the early 1990s urban policies in Europe were influenced by a number of different factors. On the one hand, there was an attempt to connect the governance paradigm (Rhodes, 1987, p. 43) to a precise territorial environment, integrating the economic, political, social and technological changes that were occurring in European
cities in a single interpretative grid. Or, as Le Galès (2002) asserts, European cities started to develop the ability to integrate and to give some form to local interests, organisations and social groups. At the same time, all European governments were undergoing a process of Europeanisation which promoted a process of multi-level or multi-layered governance (Marks: 1992, 1993; Scharpf, 1994; Hooghe, 1996). Since the emergence of the European Union in 1957 and especially since the Maastricht Treaty’s convergence criteria were put into practise, the relationship between different levels of government and the traditional responsibilities assumed by the state have changed. The multi-level governance approach stresses the changes in European governance without claiming the decline of the role of the nation-state and the importance of the policy networks between the different level of governance.

Within these general trends, three different policy models, mentioned already, can be identified within the case studies for promoting the creative and knowledge intensive sector. The first model - Milan - can be characterised as a bottom-up strategy with little policy intervention. Despite this, and in the absence of clear policy directives, specific economic clusters have emerged in Milan in the particular specialisms alluded to already, namely textiles, furniture, fashion and design. The Milan case is significantly different from the previous cases in that Milan’s success has occurred in the absence of direct policy intervention. Institutionally, the region is highly fragmented. The economic vivacity is related to private entrepreneurship rather than to strategic policy. The role of public bodies has been to co-ordinate and bring together the individual actors within the economic system. At the regional level, the Lombardy Region has been active in promoting collaboration between local industries, universities and research institutes in an attempt to stimulate innovation in the creative and knowledge sectors, particularly in emerging industries such as biotechnology and ICT but also in Milan’s core industries of fashion and design (Mingione et al, 2007). Furthermore, the regional strategy has also sought to reinforce the clustering of industry within specific meta-districts within the region in an attempt to promote synergy and innovation within clusters. In Lombardy, industrial districts are a very important model of economic organisation. In 1991 Italy implemented a law to regulate and support industrial districts and Lombardy established criteria to identify and finance industrial districts. While the regional authority of Lombardy holds the key to political and financial decision-making, the Province of Milan is playing an increasingly active role in the creation and promotion of a strategy for the future of the metropolitan area. Indeed, from 1999 onwards, a series of strategic plans have emerged aiming to bridge the gap between the EU discourse on innovation and the seeming lack thereof in the Milan area. The initial plan (1999-2001), which was part-financed by the EU, designed and promoted a strategic framework for industrial innovation and technology transfer. Subsequent plans have a rather different focus within the broader economic development framework. In broader terms, the overarching aim of the strategic plan is to provide a framework for fostering innovation and a knowledge economy as well as promoting better governance arrangements within the provincial area. For example, the second strategic plan gave special attention to the role of so-called ‘incubators’, which are places where start-up companies can be housed and receive support and assistance. In particular, one can refer to those virtual networks established by the Province of Milan to promote inter-sector policies related to the knowledge and creative sectors of the regional economy. However,
a major drawback of the plans lies in the fact that they are extremely short-term in scope (normally two to three years) which makes the development of a coherent long-term economic strategy extremely difficult.

Aside from the foregoing policies, the local context is also important whereby the most recent policy initiatives have been at the local level. They revolve around the city of Milan’s bid to host EXPO 2013[^6] where the proposed theme focuses on tradition, creativity and innovation in the food sector. Clearly then, attempts are also being made at the local level to engage more pro-actively in raising the city’s profile at the global level.

The second model - Dublin - demonstrates *top-down highly interventionist strategic policymaking*. The evolution of the Dublin’s modern economy from a predominantly manufacturing base up until the 1980s towards a service-based economy currently can be traced to the state policy interventions mentioned already as well as to global economic restructuring and de-industrialisation of advanced capitalist societies during the 1980s. During this period, much of the FDI entering the Dublin region was through branch-plant multinational manufacturing operations characterised by low-skill assembly and low-wage workers. Competition from emerging economies in Asia highlighted the extreme vulnerability of the national economy to this type of economic base. The result was that since the early 1990s, economic policy has focussed firmly on establishing Ireland as a knowledge-economy by attracting FDI multinational service-based industry focussing on high-skill and high-wage job creation. This change in direction was brought about by the publication of the Culliton Report on industrial policy in 1992. The report had a wide-ranging impact on subsequent policy formulation. In particular, there was increased recognition of the need to attract new emerging international growth sectors including Information Communication Technology (ICT), pharmaceuticals and international financial services, as well as the need to encourage greater links between university and industry. Indeed, subsequent repositioning of Ireland on the global market placed emphasis on Dublin’s perceived strengths. These included achieving recognition as a high-skill, low-taxation, low-cost gateway for FDI to EU markets with minimal regulatory and planning restrictions (Redmond et al, 2007). The establishment of the International Financial Services Centre (IFSC) in the heart of Dublin deserves particular attention. Since it was established in 1987, Ireland has become a leading player in financial services on the international stage. In fact a recent report has ranked Dublin above cities such as Paris and Amsterdam in a compilation of global financial services centres (Yeandle et al, 2008).

In 1999, the Irish Council for Science, Technology and Innovation (ICSTI) produced Technology Foresight Ireland, a report which, among other things, devised possible scenarios in relation to the development of the ICT and biotechnology sectors in Ireland and recommended certain courses of action for policy implementation. Specific reference was made to the development of a biotechnology cluster and a Centre for Advanced Informatics. The report emphasised the development of strong links with other emerging core areas of expertise including universities and the financial services sector. This initiative resulted in the consolidation of employment within the ICT sector as well

[^6]: EXPO is an annual non-commercial exposition which lasts for a three week period. It is organised by one nation but many nations are invited to participate.
as attracting high-end employment in research and development (R&D) in the biotechnology sector.

More recently, the National Development Plan (2000-2006) was heavily influenced by the Technology Foresight Ireland report with its focus on upgrading the innovation capacity of the Irish economy by investing in the hard and soft infrastructure of the country. Similar rhetoric can be found in the current national Development Plan (2006-2012). At the local level, the recent Dublin City Development Plan 2005-2011 (Dublin City Council, 2005) makes explicit mention of the dependence of the Dublin region on intellectual capital in order to develop and sustain a knowledge region. Projects such as the digital media hub in central Dublin are indicative of attempts to develop a creative employment clusters in the region. Indeed, the recent establishment of the Creative Dublin Alliance (Murphy and Redmond, 2008) is a rather overt statement of the move towards incorporating creative city ideals at the policy-making level.

The third model type – Toulouse - can be characterised as targeted strategic policy. The state’s decentralisation policy, designed by the local Préfecture, was crucial. The local authorities (municipal and regional after 1982) have accompanied the development stemming from this policy. Undoubtedly, regional economic policy has taken direction from the state in terms of focussing on the development of knowledge-based industry in Toulouse. In the1980s the administrative unit of the Midi-Pyrénées Region (Regional Council of Midi-Pyrénées) tried to play a role in economic development by financing theoretical and applied research and organising technology transfer through the CRITT (Centre Régional d'Innovation et de Transfert de Technologie). Until recently, financing and support for industry was provided through a number of institutional agencies often with overlapping objectives and focus. However, the recent establishment of the Regional Innovation Agency (Agence Regionale de L’Innovation), an initiative of the Regional Council, is an attempt to co-ordinate regional policy in the areas of technology transfer and support for technological innovation.

Economic development policies at the level of the UAT have complemented state and regional policy initiatives which aim at promoting specific types of industrial activity. Over the last fifteen years in particular, these policies have focussed on establishing centres of excellence around the aeronautics, space and electronics and computer activities. In this regard, current policy intervention is based upon two key principles: first, strengthening of the local productive system within the foregoing centres of excellence and second, promoting diversification strategies towards airborne satellite systems and biotechnologies in the area of health research. In broad terms, these local economic development measures are aimed at creating territorial resources through the intensification of relationships between existing firms thereby fostering knowledge circulation rather than seeking the establishment of new enterprises.

While the 1990s were characterised by a high degree of institutional fragmentation at the UAT level, more coherent economic and institutional strategies emerged in the new millennium. Undoubtedly, this was facilitated by governance arrangements which allowed for greater co-operation between the public and private sector and particularly between the public sector and the large private sector industries. Yet it must be recognised also that enhanced co-operation between the public and private

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7 One notable example is the role played by stakeholders at various institutional levels in the recent development of the Airbus site for the A380.
sectors has not necessarily been to the benefit of all individuals in the UAT. In particular, the drive towards economic specialisation relying on a highly skilled labour force has led to strong territorial and socio-economic disparities particularly in terms of access to housing for lower socio-economic groups who have been priced out of the housing market by the gentrifying trends of high-wage labour (Peyroux et al, 2008).

16.4 Key actors in Entrepreneurial Cities

Several recent initiatives show attempts to improve information processes between actors working for regional and urban regeneration or development projects. Most European cities dealt with economic restructuring and associated de-industrialisation by introducing into the political discourse issues such as globalisation, city attractiveness, and Europeanisation of policies. Cities and city-regions are gaining in importance due to processes associated with globalisation and state restructuring (Clarke, 2006) and are becoming actors on different political levels linked together in various networks which increasingly by-pass the nation-state (Le Galés, 2002). As the previous section has shown, Milan, Toulouse and Dublin, albeit in varying degrees, are promoting growth-oriented policies and new organisational structures which are highly characteristic of entrepreneurial cities (Harvey, 1989; Chapin, 2002;). The term ‘entrepreneurial’ is used to denote a situation where the city government strategies are influenced by different actors (Hall and Hubbard, 1996, Jessop, 1998). Moreover, entrepreneurial refers to the growing influence of private sector interests on the planning and development of cities. This section will explore the role of key actors in each of the three aforementioned policy models.

In the Milanese context, the political debate continues to be focused on who will take the lead in the innovative process at the different levels of government (regional, provincial, and municipal). In recent years, Italy has been characterised by an important decentralisation process (devolution). According to Legge Bassanini and successive implementation decrees, the subnational government has gained considerably more power. While the regions and the councils are playing a more important role in decision-making, the provinces are becoming weaker. This is particularly worrying considering that they are primarily responsible for the delivery of education as well as preserving the provincial environment (OECD, 2006: 129). Furthermore, Italy is more fiscally decentralised than France although it is unclear as to what extent this decentralisation process has endowed Milan with the tools necessary to create more appropriate governance arrangements and allocate responsibilities within the region, province and municipality. In this context Milan appears to have somewhat underdeveloped governance arrangements. According to a relatively recent density index of governance (Dente and Fareri, 1997), Milan suffers from a relatively loose fabric of actors and a number of potential “flagship projects” remain isolated and are unlikely to reach maturity. In other words, for a long time Milan has been overly dependent on past heritage without investing adequately for the future development of the city region. For a long time, the Chamber of Commerce of Milan has been one of the most visible actors in promoting and fostering emerging design and fashion sectors. This has been achieved through targeted policy actions and by promoting the Chamber as a point of reference for the sectors. Since 2003, the Lombardy Region has become an important actor in
economic development by stimulating and promoting collaboration between local industries and knowledge centres. At the provincial level, the promotion of economic incubators to support small and medium sized companies is a new development.

Two other administrative levels are important policy actors in a Milanese context. The first is the city council who have been relatively absent since the candidature to the Expo 2015. A candidature for such an event provides local authorities with the strength to support and co-ordinate the political, social and economic effort that these events necessitate. In other words, the council has tremendous political will for building and re-enforcing a system of governance, creating economic partnership and investing in the social capital of the city. In practice, however, the Council has promoted a number of high profile public-private partnerships. From this perspective, the role of private developers is considerable at influencing urban development of the city (F.Memo…): the landscape of Milan is changing by the “hands” of the private developers without the control of the public body.

In the case of Dublin, the major actor is the national state and particularly the role of the state in attracting foreign direct investment for economic growth. Perhaps the most pivotal turning point in Ireland’s recent ‘economic miracle’ was the development of a Programme for National Recovery in 1987. The program involved the formation of partnerships between government bodies, employers and labour unions to negotiate a national wage agreement. The partnership approach to economic development provided a stable labour relations environment which afforded Ireland a competitive advantage in attracting inward investment (House and McGrath, 2004). It is interesting to note that this approach has been abandoned since the onset of the recent economic crisis. Undoubtedly, low corporation tax (12.5%) was an essential pre-requisite for many companies locating in Dublin. Complementary to the taxation policy, the aggressive marketing of Ireland as a location for business by the Industrial Development Authority (IDA) was also important. together with the 1986 Finance Acts which led effectively to the established of the International Financial Services Centre (IFSC).

Innovation policy in Ireland is directed by Forfás, the enterprise agency, and is formulated by the Irish Council for Science, Technology and Innovation (ICSTI) which is an agency operating under the aegis of Forfás. As Ireland is a small, open and export-oriented economy, the nation is heavily dependent of foreign direct investment and the existence of a solid base of competitive industry. Ireland's economic future is heavily dependent on the development of an innovation-driven economy. Investment in research, related human resources and the application of new technology enabled Ireland to attract high quality foreign direct investment (FDI). The recent National Development Plan (2000-2006) sought to significantly upgrade the innovation capacity of the Irish economy through the provision of both hard and soft infrastructure and generate key linkages between existing third level institutions and industry engaged in innovation (Forfás/ICSTI, 2000). The future Dublin City Development Plan (2005-2011) aims to develop and sustain a knowledge economy with significant emphasis on improving related infrastructure. Future urban policies are expected to pay more attention to integrating different industrial activities. A good example is the recently developed Digital Hub, a centre for new media industries that seeks to create a mixed-use development consisting of enterprise, residential, retail, learning and civic space over the next decade.
In the case of Toulouse the major actor is the central state who established the basis for high technology-oriented development with the decentralisation of the national space agency. The Midi-Pyrénées Région implements industrial development policies based on technology transfer and financial and start-up support to innovative firms. This policy takes place within contractual agreements between the regional authority (Regional Council of Midi-Pyrénées) and the State. Interventions are therefore conducted through state institutions such as DRIRE (Direction Régionale de l'Industrie, de la Recherche et de l'Environnement) and OSEO-ANVAR (Agence Nationale de Valorisation de la Recherche). This is viewed as a mutualisation of resources between state and region (Scott and Zuliani 2006). Regional representatives of state institutions have become service providers of consulting services as well as suppliers of loans primarily for technological SMEs. In addition, since 1970 the Midi-Pyrénées region has developed its own institutional framework to support scientific research and technological development (examples include Comité Consultatif Régional pour la Recherche et le Développement Technologique, Agence Régionale pour le Développement de la Société de l’Information and Programmes d’Action Régionale pour la Société de l’Information).

However, the Toulouse policy model is not a single administrative unit. At the metropolitan level local actors include municipalities and inter-communal structures. At the micro level local authorities and inter-communal structures are increasingly involved with other public and private stakeholders in the field of local economic development (LED) policies in an attempt to create and establish new enterprises. The private-public partnerships often promote planning and the development of business parks such as those specialising in aeronautics (aeroconstellation) or nurseries for firms or incubators for hosting innovative firms.

Since 2005 this multi-level policy system for fostering innovation in Toulouse has been made even more complex with the introduction of new cross-regional projects such as Pôles de compétitivité (competitive clusters). These clusters have been developed by the state in Aquitaine and the Midi-Pyrénées regions and are based on core regional economic competences. In the case of Toulouse it comprises a large geographical perimeter where firms and research and education units are engaged in a partnership in an attempt to promote common technology projects. The cluster includes aeronautics and space activities as well as computer industries and electronics for airborne systems (e.g. transport, mobile phones, medical implants). It is supported by an association named ‘Aerospace Valley’ which has 620 industrial and institutional partners. Headed by the director of Airbus France (Toulouse), the management board comprises 33 members, representing the different sectors and territories in the Midi-Pyrénées and Aquitaine regions. These new competitive clusters are characterised by new governance arrangements involving increased collaboration between private firms, and particularly large firms such as Airbus, and the state sector.

### 16.5 Addressing barriers and obstacles

An important policy issue is how to maintain a city’s evolution towards a creative knowledge economy. What are the barriers and obstacles for future development of the creative knowledge sector? Clearly, these are important issues with respect to the long term ability of cities to attract creative knowledge industries. Failure to deal with such
issues may, in the long run, lead to serious problems with regard to the economic sustainability of the city particularly in terms of its ability to retain large volumes of intellectual capital. There are some obstacles which are specifically related to the local context and other more general issues. More specifically, Dublin’s key strength in attracting foreign direct investment appears to be getting increasingly difficult. In the past there was an emphasis on attracting ICT industries to the region and this was laid down as specific government policy in Technology Foresight Ireland. But this was mostly low value-added ICT manufacturing involving low-skilled workers. Thus, FDI in this area was originally dependent on cheap labour which left the sustainability of employment susceptible to outside competition. Recent policy shifts have been towards industrial innovation and the development of a knowledge based economy attempting to focus on R&D and more high value-added employment in order to retain industry in the Dublin region e.g. Microsoft’s new data centre will be in Dublin. Although this economic development strategy has been successful, new challenges are in the offing such as problems with regional infrastructure as well as the recent crisis in the global economy and particularly financial services which the regional economy of Dublin is highly dependent upon.

Other issues appear to be common to all three case studies. In the near future the question that most cities might need to respond to is where is the current model of economic development is leading to? City competitiveness based on a particular type of worker or industry does little to alleviate social inequality within cities. Whatever the historical background and development trajectory, industries currently being developed in these city-regions require predominantly a highly skilled and flexible workforce which is mobile at the international level. These types of development, based on competitiveness policies, have deeply transformed the physical and social profiles of the studied cities. Solutions to reducing the increasing spatial inequalities relate, at least partly, to promoting better education between local employment opportunity supply and demand dynamics.

Strong specialisations also create vulnerabilities for individuals employed in the local leading sectors. In Toulouse, development of clusters of high technology activities relying on a highly qualified workforce has led to strong territorial and socio-economic disparities. This leads to the question of whether or not the development model promoted by the creative knowledge economy is conducive to social integration? This in turn raises the issue of how to integrate low-skilled or unqualified workers into a highly specialised metropolis? Furthermore, the spatial segregation impacts of the creative economy is poorly understood and little explored. In Milan and Dublin, the phenomenon of cultural quarters is gaining further ground at the policymaking level. The development of cultural quarters is used as a deliberate model for promoting the regeneration of run-down inner cities (Montgomery, 2003, 294) and as a strategy of shifting the most vulnerable sectors of society from strategic parts of the city. Dublin’s Temple Bar or Zona Tortona in Milan are undergoing a strong process of gentrification both of which are primarily state or private developer led.

In Dublin, until very recently housing affordability was a central issue. House price escalation has generated significant problems of affordability with some obvious
and less obvious consequences emerging. First, the evidence suggests that first-time buyers have affordability problems, with clear implications for the labour market and knowledge-based industries. With affordability has improved recently, the contraction of credit in the banking sector has meant that access to mortgage credit is increasingly difficult. In Dublin, a market-led approach to urban renewal was implemented in the mid-1980s and the early 1990s that was based essentially on the introduction of tax incentives applied to a number of designated areas. The effect of such measures was to introduce significant risk reduction for private-sector development interests, ensure far greater certainty in obtaining permission to develop, and fast-track bureaucratic planning procedures. The main consequence has been large-scale property development, the physical renewal of the inner city and significant transformations in the social geography of the central area (Kelly and MacLaran 2004). After more than a decade of tax-based incentive development, the entrepreneurial approach has been criticised for its lack of community participation in the development of many areas of the city and the consequent negative social impacts which has ensued, particularly for poorer city residents (Department of the Environment 1996).

With industrial re-conversion, the three cities are facing pressing social issues. Milan, Dublin and Toulouse are experiencing vulnerabilities due to high degrees of specialisation and changing global economic conditions and business environments. This could be the over-reliance on FDI in Dublin or the dependence on one single dominant sector such as aeronautics in Toulouse. The dependence on one particular form of economic policy or industry is less of a problem in Milan. Although it is renowned internationally as the capital of fashion and design, it has a highly diversified industrial sector.

16.6 Conclusion and new challenges

In policy terms, it appears that there is no correct strategy for developing creative knowledge industries. In the case studies considered, different policies were implemented in both Dublin and Toulouse in order to develop a knowledge-based economy while in Milan the absence of policy intervention does not appear to have hindered the development of creative industry; on the contrary, these industries have flourished. Of course, the key question is whether specific policies should be pursued in the future in order to develop a creative knowledge economy or whether policymakers should allow these industries to develop of their own accord? The lessons emerging from the cities analysed shows that policymakers have been quite successful at implementing policies to develop and attract knowledge-based industry to cities such as Dublin and Toulouse. It is likely that similar policies could be pursued in Milan to develop knowledge-based industry further. However, the success of policies aimed at attracting and developing creative industries, particularly in Dublin and Toulouse, remains to be seen. Certainly in the case of Dublin, initial attempts to develop a creative industries cluster have been largely unsuccessful (Bayliss, 2007).

Previous chapters have demonstrated that the nature of creative industries is such that many tend to be rather small-scale and have a tendency to spring up in unlikely
locations and somewhat spontaneously. This is certainly true in the case of Milan which has one of the most vibrant creative sectors in Europe. Given that targeted policy intervention has been more or less non-existent in Milan it would appear that targeted policy intervention in the creative sector is perhaps less important than in the knowledge sector. This conforms to the conclusions reached by Kovacs et al (2008) for analysis of a number of European cities. Whereas policymaking has been focussed on the development of economic specialisms in Dublin and Toulouse and relatively absent in Milan, there appears to be common movements in each of those cities towards the development of the ‘soft’ infrastructure of these cities so that they are more attractive to high-skilled workers. However, the identification of policy measures aimed at improving the relatively intangible factors of cities would appear to be a complex task and highly difficult to implement in a targeted manner.

Nevertheless, in each of the cities discussed some clear improvements need to be made to enhance the city liveability and competitiveness. At present, Milan is paying for twenty years of institutional stagnation. De spite recent research noting some new and positive energies, public institutions have to fight against a long period of institutional disaffiliation and low levels of trust prevalent among firms, managers and cultural operators and the general public (Mingione et al. 2007, 2008). Creative and knowledge managers do not rely on the institutions for making Milan more competitive. The slow nature of procedures and the high level of bureaucracy have created a timing mismatch between the needs of firms and the response of public administration. For a long period, cultural operators have felt abandoned by the public institutions and in some instances they feel that the public institutions fight against genuinely positive initiatives. A bottom up policy can only survive where the city’s governance arrangements allow the economic, political and social actors to join forces to work on the transformation of the city. In order to attract new economic activity, policymakers should go beyond the idea of implementing only hard policies (infrastructure, tax benefits etc) and begin to think additionally about soft policies associated with the city.

In the case of Dublin, there is overwhelming dissatisfaction among creative knowledge workers with the level of public services being offered including health and policing while the lack of a quality transportation system appears to be a source of particular discontent (see Murphy and Redmond, 2009). Indeed, Murphy et al (2008) have demonstrated that the inadequacy of ‘hard’ factors such as transportation and accessibility, impacts negatively on all aspects of an individual’s perception of living and working in the Dublin region. Clearly then, these are areas where significant efforts need to be made by urban administrators in order to improve the attractiveness of the city-region for all citizens while at the same time enhancing economic competitiveness.

In Toulouse, recent surveys also revealed some dissatisfaction with the city (Martin-Brelot et al. 2008a, 2008b, 2009). Managers in creative industries voiced the need for a change in the mindset of local leaders. Indeed, compared to knowledge intensive industries, professions related to culture, arts or entertainment appear to suffer from a lack of recognition, which could play against the attractiveness of the city in the longer term. The recently elected left-wing municipality has engaged in the enhancement of the intercommunal structure of Toulouse. The declared ambition is to harmonise strategies of economic development and urban planning so that the city becomes a European metropolis. The cultural project designed for 2009-2014 insists on the
promotion of creative industries as well as on a more equitable meshing of cultural resources on the whole territory.

The more recent development of the three cities under consideration tends to show that there is some degree of convergence in current urban policy. Although different policy traditions and legacies remain, they have absorbed some of the same new elements in their approaches. Examples include the influence of the EU as well as a greater awareness of economic development alternatives and of the competition between cities at the global level. There is also a common recognition of the emerging importance of soft factors for the attractiveness of cities and issues of social polarisation. Looking to the future, it seems clear that whatever the different institutional and political arrangements, the three cities will need to conciliate the objective of social and spatial solidarity and the enhancement of competitiveness at the international level into future strategic economic policies.

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