



THE RISE OF CITY NETWORKS AND MEGAREGIONS

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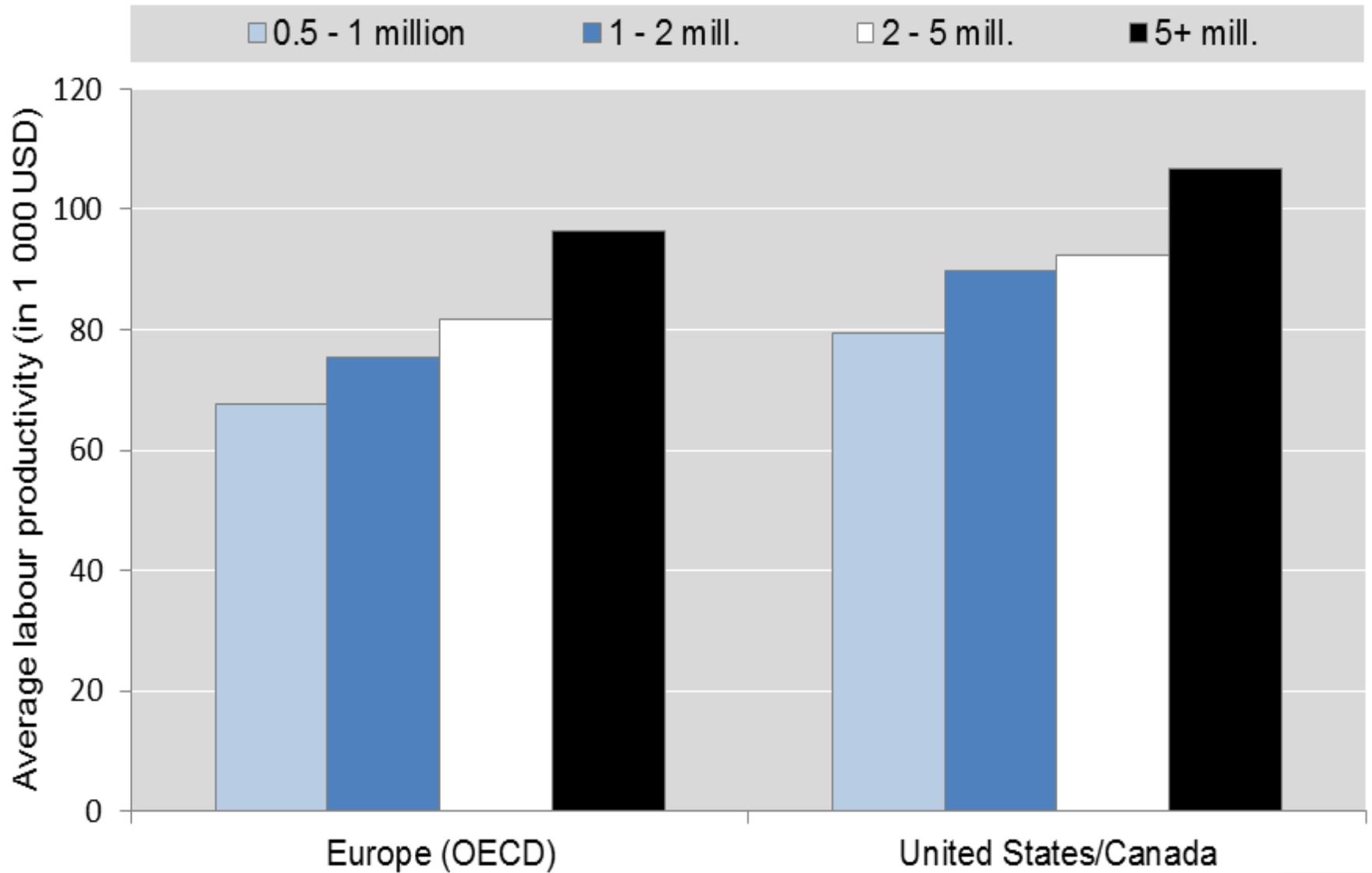
OECD Centre for Entrepreneurship, SMEs, Regions & Cities



Can City Networks and Megaregions be a competitive and more livable alternative to the trend of fast growing Megacities ?



Bigger cities are more productive





Large cities have benefits and costs



The Rise of City Networks and Megaregions



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Sources of agglomeration benefits

- Sources of agglomeration from Marshall (1890); reviews by Rosenthal and Strange (2004), Puga (2010); concepts already present in Marshall (1890).
- *Thicker labour markets: labour market pooling; better matching*
- gain from reduced labour acquisition and training costs in thick local labour markets with abundant specialised labour force
- *Sharing facilities, inputs, gains from specialisation*
- firms may face lower costs for specialised non-traded inputs that are shared locally in a geographical cluster.
- *Knowledge spillovers*
- face-to-face contact can enable tacit knowledge spillovers through increases in the intensity of the interactions with other firms or individuals
- *Probably also : Connectivity, Knowledge based capital*



Agglomeration benefits

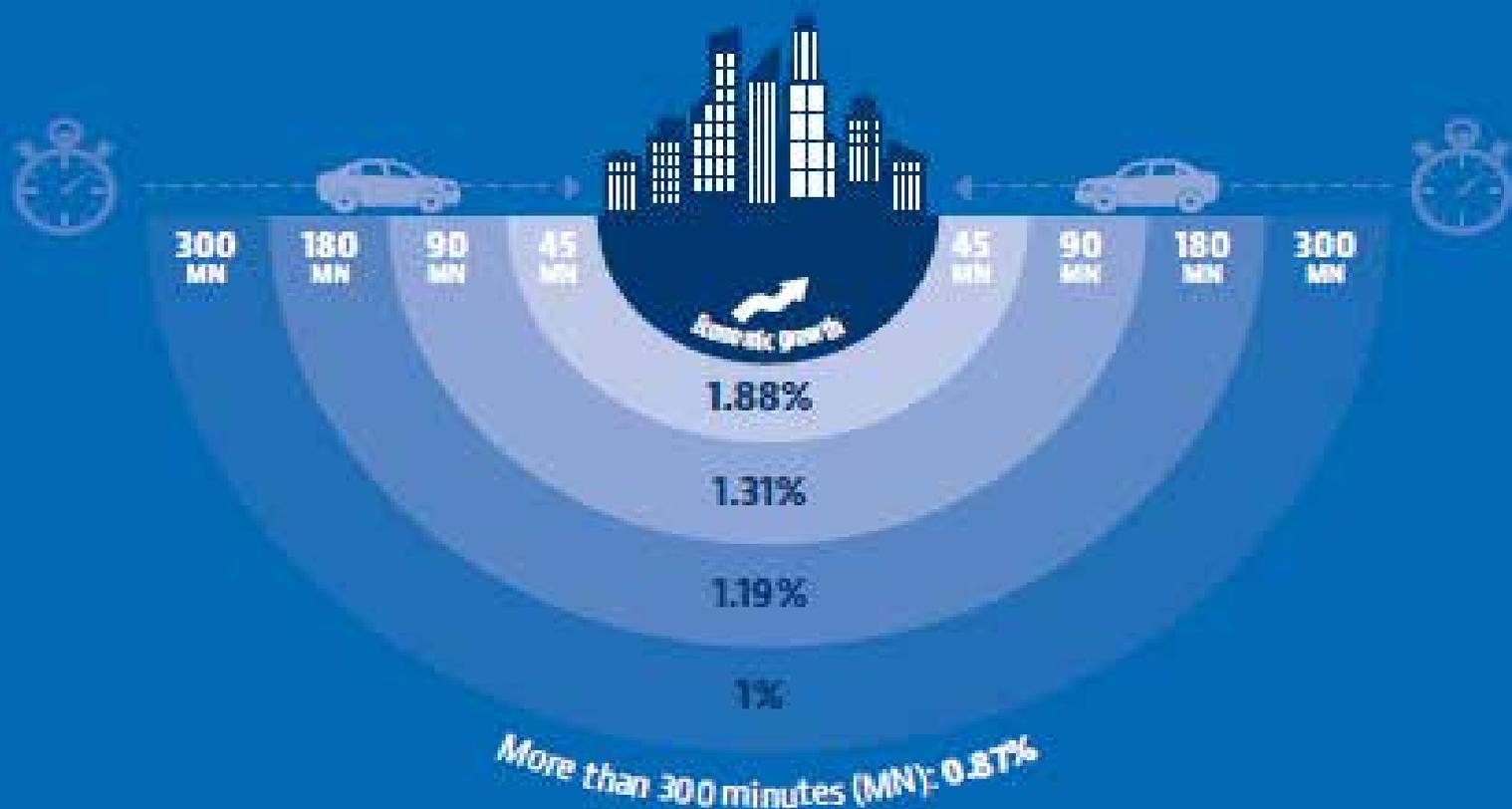
- The productivity increase associated with increasing a city's population are in the order of 2-5.0% for a doubling in population size.
 - This implies, e.g., that moving from a city of roughly 50000 inhabitants to the Paris agglomeration – on average - increases productivity by an order of magnitude of 20%.
- Smaller cities can “borrow” agglomeration benefits – which are roughly half as large as effects from your own population



Space matters: proximity to cities benefits surrounding rural & intermediate regions

Economic growth increases with nearness to large cities

Yearly growth rates of GDP per head (1995-2010) and driving time to the closest large metropolitan area of 2 million or more inhabitants in OECD countries





Why Megaregions?

- Economic co-ordination and social organisation increasingly extends beyond functional urban areas and metropolitan areas
- Potential for maximising economies of scale
- Increasing global competitiveness through combining strengths of individual cities and the less-densely populated hinterland
- Globally, soon more than 40 Megacities (> 10 Mio inhabitants)

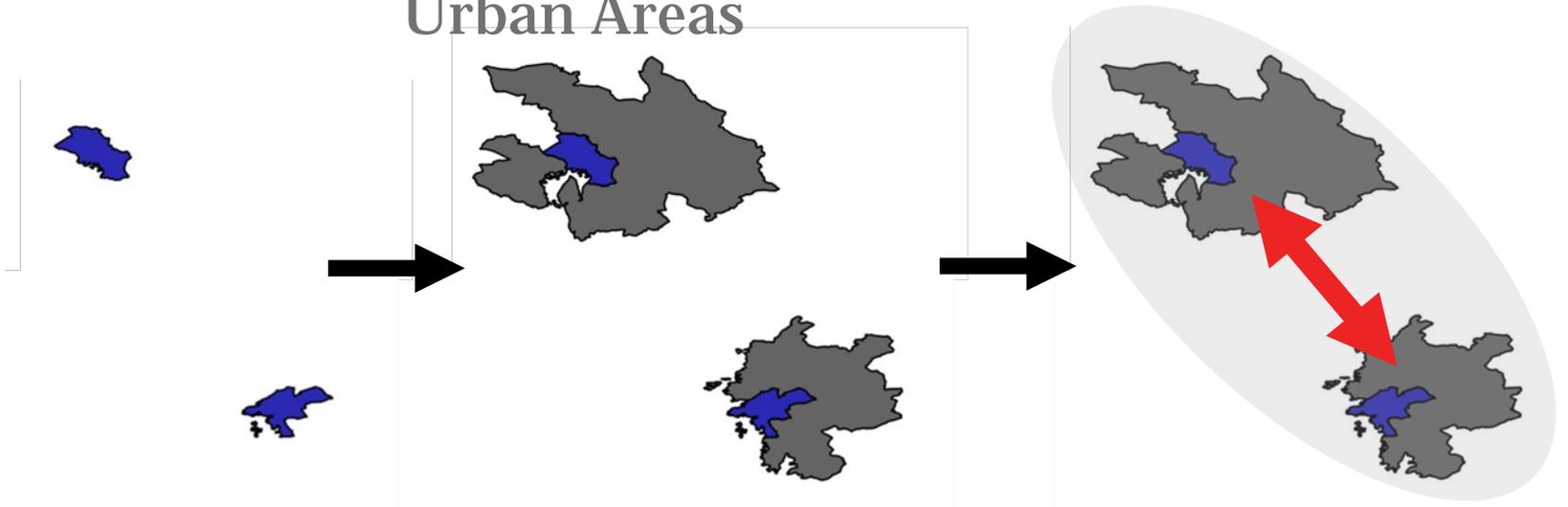


What is a “Megaregion”

From Cities

to Functional
Urban Areas

to Megaregions

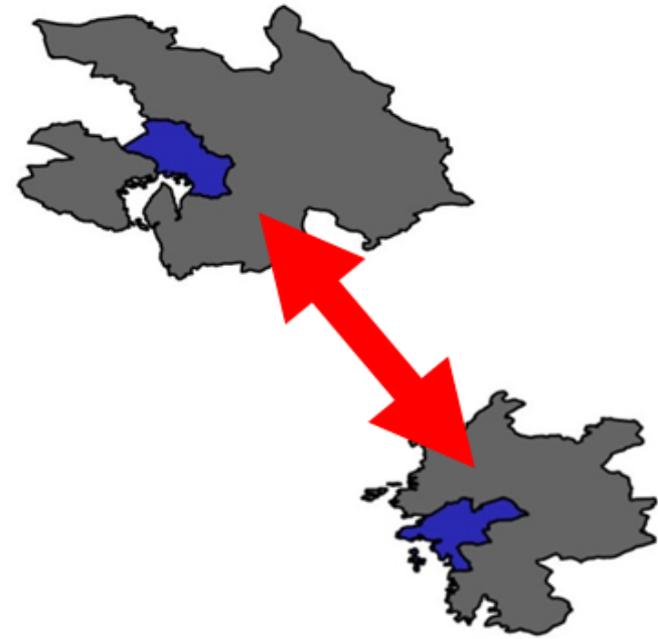


Megaregions: A network of functional urban areas that are defined by a layer of relationships that together define a common interest. This common interest, in turn, forms the basis for joint policy decisions.



Five major layers of relationships that define megaregions

- Infrastructure systems
- Economic linkages
- Settlement patterns and land use
- Environmental systems and topography
- Shared culture and history





What are the benefits of megaregions?

- **Agglomeration benefits** within a megaregion that functions as a single regional economy:
 - Agglomeration benefits through **specialisation** within the megaregion, i.e. metropolitan areas/FUAs with their own economic strengths and unique assets
 - A **shared labour pool** that facilitates knowledge spill-overs within the megaregion
 - Smaller sized metropolitan areas could increase their agglomeration power through **borrowing agglomeration**
 - Good **rural-urban linkages** can benefit productivity and well-being
- **Businesses** in a megaregion have access to a much larger range of potential customers, partners, and suppliers.
- **Workers** gain a much wider range of employment possibilities.
- **Residents** can access a greater amount of entertainment, shopping, and recreational opportunities.



What challenges for megaregions?

Good transportation connections are crucial for mega-regions to allow the exchange of people, labour and human capital

Rural areas also need to be well connected to the metropolitan centers.

Co-operation between different jurisdiction needs to be encouraged as challenges might arise due to:

- **Economic competition** between jurisdictions
- **Disproportional benefits** in different parts of the megaregion might occur
- **Financing** of mega-region projects, such as transport infrastructure

=> Co-ordination challenges can be even more severe if the megaregion stretches across national borders.



Conclusions

- Megaregions can be an attractive and productive alternative to Megacities
- But they need political will and adequate structures and policies to make function them well and to reap all the potential benefits



Thank you

