

**LSE London: HEIF Development Workshop**  
**Roundtable on Paris-London Economies and Their Governance**  
23<sup>rd</sup> June 2008

## **Background Paper**

**Comparing Paris and London.** Paris is London's closest counterpart in Europe, in terms of proximity, scale and role. In terms both of population and economic activity they are clearly the largest cities in the continent, and as unchallenged economic, political and cultural capitals of two centralised states each plays a dominant role in their national affairs. Yet, for various reasons, the relations between London and Paris, and lessons that may be learned from a comparison of their experiences, have been given much less attention (at least in London) over the past decade than where London stands in relation to New York.

**Current Parisian Interest in London.** From Paris, however, there has been substantial recent interest in the strength of London's economic/competitive performance, and how this may relate to the new governmental structure established in 2000 – in particular including the strategic responsibilities for the Greater London economy as a whole which were assigned to the Mayor and the London Development Agency. These causal links may well be exaggerated, but responses to developments in London – as well as a wider interest in British experience running a more flexible economy - do seem to be a significant influence on the current round of policy and institutional innovations in Paris. *It is then probably time for the London policy (and research) communities to take a closer interest in what is happening in Paris, and in how the two city economies are related.*

**Reasons for Greater Past Attention to New York.** Apart from the substantial appeal of New York's glamour, and a shared language, an obvious reason for the greater attention that attracts here is that in some key respects it is much more structurally similar to London than Paris is. In particular this is true for the strength of its advanced business services, engagement in international finance, the much reduced scale of its manufacturing sector – and also in its social geography (with poor and minority groups living quite near to the centre. It is, of course, also true that a more strategic segment of London business is owned by American firms than by the French, as a consequence both of takeovers, and of their choice to locate European headquarters in the London region, rather than in Paris. Partly as a consequence, Americans have been much more visible on the London business scene – though the number of French residents in London has grown rapidly over the past decade and is now about equal to the number of Americans here.

**Difficulties in Comparing the Two Cities.** Where there has been some interest in comparison is simply in terms of relative performance or league table standing – rather more often in search of comfort than as an entry into deeper enquiry. Because of the differences in how the two cities are structured economically and spatially, contrasting conclusions about which is doing better (or even which is bigger) can be obtained depending on the measures which are used. Simple comparisons of statistics for London and Paris can be very misleading because the boundaries of Paris are very much more tightly drawn, actually including an area rather smaller than Inner

London, while the Ile de France actually stretches further than the Outer Metropolitan Area around London (Hall, Banks et al., 1996).

### **Contrasting Evidence on Relative Performance**

**1. Productivity.** One thing to have been shown, when comparable Functional Urban Regions are defined, was that GDP per resident (in 1999) was significantly higher (by 17%) in Paris than in London. Evidence on comparative employment rates and hours worked (albeit for Greater London and Ile de France) suggest that differences in productivity per worker, and especially per hour, were (and are) substantially greater (Cheshire, 2002; IAURIF, 2002). On this most comprehensive of economic performance indicators, the Paris economy actually looks stronger than London's.

**2. Ratings as Business Locations.** On the other hand, relative evaluations of the two cities as business locations regularly give lead position to London by a clear margin (and not only when they are focused on the financial sector in which London has special strength). For example, the latest *European Cities Monitor* (Cushman and Wakefield, 2007) reporting survey results from large European companies placed London as first and Paris as second choice, clearly ahead of all other contenders – but with London well ahead of Paris. This position was reproduced on most of the important criteria – and when London was not top it still tended to be ahead of Paris (most notably in relation to the fiscal climate). The main exceptions were cases representing the downside of success (in costs and pollution) where Paris did less poorly than London. The only case where Paris came out well both absolutely and relative to London was in the quality of life available to employees. It was, however, also ahead of London (and other West European cities) in terms of the numbers of businesses expecting to locate there within the next 5 years.

These two rather conflicting messages about where London and Paris stand in relation to each other might simply reflect differences in comparative advantage – if European survey results speak to London's comparative strength in the 'global' aspect of the metropolitan economy, while Paris's higher productivity reflects its greater strength in the large part of the economy not bound up with 'global city' functions.

**3. Output Trends and Unemployment.** However, there are also objective indications of a deterioration in Paris' relative performance. Trend data assembled by Freeman (2007) show GDP growing twice as fast in Greater London as in Ile de France between 1992 and 2005 (on a PPP basis), reflected both in some convergence of productivity per hour and some divergence in hours worked per head (which were always lower in Ile de France). Davezies (2007) shows that trends were also less favourable than in the rest of France. He points to a series of associated problems in the Ile de France economy - notably unemployment (with a probably disproportionate effect on minorities experiencing strong labour market discrimination). He links these to weak consumer demand in the region, reflecting various factors including redistribution of tax revenues to the provinces, and residents spending their money elsewhere, and suggests that out-migration (beyond the wider Paris region) reflects lower real incomes in Paris for given occupations.

This analysis has one echo in London, in the conjunction of growth with unemployment (or more broadly worklessness), though in the London case

unemployment is much above the national average, rather than just having reached it as in Ile de France. And in London it does not seem to reflect a weakness of demand.

**Governance Issues.** As in the London region there are evident issues about how legitimate political authority and local identities can be reconciled with the geographic scale of the effective metropolitan region. In the Paris case, however, the issue is not that of the absence of a region-wide authority looking beyond the core urban area, but rather the fact that the ville-de-Paris which the Mayor represents covers only a small part of that urban area, excluding a key part of the CBD, in La Defense, as well as the high-tech areas and the areas with the worst deprivation and cohesion problems. Both the current Mayor and the President are promoting change and a renewal of Paris' competitive challenge as a global city. A new Ministry for the Development of the Capital City Region has been created, a new development plan commissioned, together with an architectural competition to devise a new global vision for the city, and other emblematic projects, though debates about enlargement of Paris and/or other forms of institutional reorganisation continue.

### **Some Questions for Discussion**

- How similar or different are perspectives from Paris and London on the economic challenges facing Europe's leading cities ?
- How can we understand the different impressions about relative performance given by productivity measures versus location attitudes surveys ?
- How far are these connected to social challenges (of cohesion, exclusion, worklessness) and how far can lessons be exchanged on this ?
- What actually are the economic relations between the two cities – competitive and complementary in what ways ?
- How does the way in which migrants impact on the Paris economy differ from that in London ?
- What impacts do differences in employment legislation have on work/worklessness among the young in the two cities?
- Are there significant differences in how social housing affects economic outcomes for Paris/London residents ?
- Does Paris (and/or London) need tall buildings in order to compete ?
- Is tourism plus 'culture' turning both cities into theme parks ?
- What form is the new economic strategy for Paris taking ? How does it relate to that in London (as it currently stands) ? What might be learned from each other's experience with such strategies ?
- How important is regional governance for long-term economic success in these cities ? In what functional areas does it most need enhancing – and in which should it be scaled back, in favour of a more market-related approach ?

## References

- P. Cheshire and G. Gornaesteva (2002) 'Comparable measures require comparable territories', *Cahiers de l'IAURIF*, 135, 13-21.
- Cushman and Wakefield (2007) *European Cities Monitor 2007*, London C&W.  
[<http://www.cushwake.com/cwglobal/jsp/kcReportDetail.jsp?Country=EMEA&Language=EN&catId=100004&pId=c9400108p>]
- P. Hall, N. Banks et al (1996) *Four World Cities: a comparative study of London, Paris, New York and Tokyo*, for DOE and GOL, London: Llewelyn Davies.
- L. Davezies (2007) '*Croissance sans développement en Ile de France*', report for the Caisse des Dépôts, Paris: Oeil/CRETEIL, University of Paris 12.
- A. Freeman (2007) The GLA's interim metro area dataset, *GLA Economics Working Papers*, 21
- GEMACA2(2002)*The Metropolises of North-West Europe in Figures*, Paris: IAURIF.  
[ [http://www.iaurif.org/en/doc/studies/metropoles\\_en\\_chiffres/index.htm](http://www.iaurif.org/en/doc/studies/metropoles_en_chiffres/index.htm) ]
- L-C. Prager (2007) *Le Management Stratégique des Grandes Métropoles des Pays Avancés: études comparatives*, Paris: ADIT  
[ [http://www.adit.fr/images/pdf/grandes\\_metropoles.pdf](http://www.adit.fr/images/pdf/grandes_metropoles.pdf) ]