

THE SHIFT FROM NATION-STATES TO URBAN AREAS AS A NEW APPROACH TO ADDRESSING ECONOMIC CHALLENGES (*TRECEREA DE LA CONCEPTUL DE STAT-NAȚIUNE LA ZONELE URBANE: O NOUĂ ABORDARE A PROVOCĂRILOR ECONOMICE*)

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Rezumat. Odată cu schimbările ce au loc în lumea contemporană, în special ceea ce privește urmărirea unei dezvoltări economice și creșterii calității vieții, este vital de a sesiza importanța orașelor, crearea și administrarea eficientă a zonelor urbane ca un concept nou pentru depășirea provocărilor economice. Cercetarea vizează analiza abordărilor cu privire la conceptele de stat-națiune și zone urbane, atât la nivel mondial, cât și la nivel regional pe exemplul Uniunii Europene. În baza studiilor teoretice și empirice, se urmărește evaluarea importanței orașelor per ansamblu și a orașelor mari, cu accent pe modelul optimizării procesului de gestionare și administrare a acestora în contextul provocărilor de ordin economic. Astfel, zonele urbane devin puncte de concentrare și verigi componente de bază ale economiei, care, dezvoltate și administrate eficient cu perspective de lungă durată, pot fi aliniate la cele mai înalte standarde până la modelul de „Smart City”.

Cuvinte cheie: Stat-Națiune, Zone Urbane, Provocări Economice, Orașe, Regiuni Metropolitane, Clustere Economice, Efectul Împrumutului de Rang, Economii de Localizare, Avantaj Competitiv, Productivitate, Inovație

JEL CLASSIFICATION: R13, R58

INTRODUCTION.

The world is changing. Over time we can see a very clear tendency of the world to build itself, to reconstruct itself, to become better and renew its standards. Along with these processes, people become more prone to choose a city as their place of life spending. Half of the planet's population lives in cities. They are the world's engines, generating four-fifths of the global GDP. There are over 2,100 cities with populations of 250 000 people and more, including a growing number of mega-cities and sprawling, networked-city areas — so-called conurbations — with at least 10 million residents. Such a trend in the world evolution is accompanied by problems and accordingly generates challenges, including those concerning infrastructure. To tackle them, our research aims to achieve the following objectives:

- A comparative approach of the concepts of nation-state and urban area;
- Identifying and exploring why urban areas are important in the economic growth, welfare and development;
- To assess the vitality of urban areas and their evolution for overcoming economic and administrative challenges.

MAIN FINDINGS

The world's major economies have been engaged in a strategy of irreversible interconnection for so long that there's no turning back. The future of prosperity will be in investing in new economic and democratic networks, not in hoping that business can somehow reform itself to defend the nation-state. Eric Garland, a Harvard strategic trend analyst, affirms that despite this call to defend the nation-state, the past few decades have seen the birth of an era in which large, stateless corporations succeed irrespective of the long-term impact of one nation-state or another [7].

One of the arguments that he brings for the idea of ineffective nation-state concept is that since the financial crisis, individual nation-states need a change for a healthy fiscal situation if the world system is to avoid periodic collapse. As for global corporations, they are increasingly unlikely to embrace a nationalist strategy of “shared value”, or to volunteer to help shape up national ledgers. As it has been pointed out, as a result of the globalization effect, many corporations have capital

structures that aren't tied to a single nation. For instance, Apple's manufacturing strategy, General Motors' growth market and Wal-Mart's supply chain are all based in China and in reality we cannot expect them to radically remake their strategies in favour of their origin nations-states issues: California's fiscal crisis, Detroit's economic depression, or Arkansas' rural poverty and so on.

There is a need of a wide variety of new networks that may well drive the future of prosperity. In the wake of global instability, we see new economic and political networks popping up as people excluded from the global financial system look for alternatives. The fiscal failures of the nation-state are strengthening independence movements in places like Scotland, Cataluña, and Quebec. New forms of money, such as regional currencies and stateless digital currencies like Bitcoin, are emerging to tie likeminded people together economically while global bankers worry about the chaotic debt structures they designed. Transition Towns are inspiring locals to make their communities robust in the face of potential shocks to food, energy or money supplies [7].

Thus, despite the popularity of the nation-state concept in the past decades, a new tendency could be seen nowadays – that of raising the importance of shifting to an alternative economic strategy. Such strategies are based on the regional networks of interconnected urban areas.

To understand and quantify the importance of cities or metro regions (cities plus commuting zones), we have to examine the results of the European Union with more than 250 metro regions which held more than 60% of the population, 62% of all employment and generated 68% of GDP in total [7].

Definitely, cities boost productivity in multiple ways. According to the European Union Commission Report *The State of European Cities (2016)* [5], several factors that can boost urban productivity are: human capital, the quality of the business environment, entrepreneurship, quality of institutions, market access, access to capital, costs of land and labour, as well as research and innovation. Most of them are reinforced by agglomeration economies.

Cities and especially large cities more than other territories, tend to have better educated population. Demand for highly skilled labour attracts educated people from different parts of a country. The presence of higher education institutions makes it easier for residents to obtain a tertiary degree and find a job matching those skills

High-growth firms can provide important contributions to job creation and economic growth. The number of high-growth firms per capita is typically higher in metro regions than in non-metro regions, and in most cases it is highest in the capital metro region. Accordingly, in his notorious work *The Competitive Advantage of Nations* [11], Michael Porter introduced and further popularized the concept of “Economic Cluster” or “Business Cluster”, which is defined as a geographic concentration of interconnected businesses, suppliers, and associated institutions in a particular field. Clearly, cities / urban areas are best fit for including and integrating clusters that could provide for increase in productivity of companies seeking to compete locally or globally.

Consequently, for shaping an urban area as an “economic gear” following the economic clusters concept, there are two distinct channels [5]. The first is related to the size of the city, also known as ‘urbanization economies’. Urbanization economies arise when the size of the city leads to higher productivity. It is estimated that a doubling in city size increases productivity by 2 to 5% according to OECD [9]. The second channel is related to the size of an economic sector or cluster, also known as ‘localization economies’ or specialization. This allows smaller cities to reach high productivity levels by hosting competitive clusters.

The larger a city, the more potential jobs across a range of skill levels are available to a worker without the need to move. Similarly, larger cities offer a larger pool of potential job candidates across a range of skill levels. Therefore, in larger cities workers usually find a job that is a better match to their particular skills and qualifications. Furthermore, larger cities allow for greater specialization and a greater division of labour which raises productivity [5, p. 61-63].

These ideas tend to increase productivity and spread first within the city before they reach other parts of the country. Furthermore, when more people with different ideas work close to one another, it becomes more likely that they combine these ideas to create innovations that can also

increase productivity. Depending on the type of economic activity, different forms of agglomeration economies exist. Some forms are very local and appear to have effects only within a few hundred meters of a cluster of firms or people. Others have a wider geographic reach and can increase productivity at significantly greater distances. For many types of agglomeration economies, the total number of firms or people in the economic cluster matters as does their proximity or density [5, p.60-65].

In the light of the above mentioned, the issue of uneven territorial distribution of large cities [2] is becoming increasingly important. By attracting more people, large cities trigger migration of human resources and human capital from the less developed regions, this fact misbalancing the normal functioning of both the former and the latter.

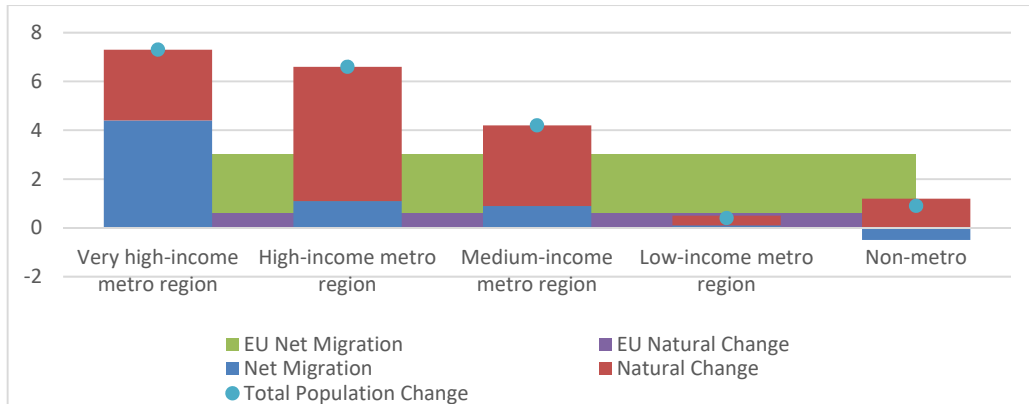


Figure 1. Population change per city income group, average annual change in pro mille, 2000-2013
Source: European Commission, *The State of European Cities 2016* [5, p. 76]

This figure shows that population growth differs more by income group than population size does. Population growth is above the EU average in all metro regions except the low-income cities. The higher the income, the higher the population growth. In other words, people are attracted by wealthy cities in Europe.

However, improving market access does not always mean generating growth. For example, if a city with less productive firms is connected to a city with more productive firms, the more productive firms can capture the market of the other city, leading to a reduction of economic activity in one city in favour of the other. This underlines the importance of promoting productivity growth by improving human capital, innovation and business environment.

Administrative approach under the concept of gradual change becomes a need. This means that large cities should be raised and equally distributed territorially accompanied in the near proximity by smaller urban areas, creating a concept of the functional use of the urban interconnections between large cities and smaller ones as “Harbour Centres” – where all the routes come in there, although people keeping doing their main business activities in the origin areas [5, p.70-73].

Most studies agree that the productivity of a city is higher if it is close to another city—a phenomenon known as ‘borrowed size’. Cities close to other cities may benefit from “borrowed size” [5, p. 64] this means that cities in close proximity to other cities can become more productive than their size alone. Thus, European cities, tend to be close to each other and well connected.

CONCLUSIONS.

The concept of nation-state in comparison with the one of urban area is economically out of date as ,when applying the first one, there appears the non-efficient fiscal system regulation with an impact on the global economy followed by cyclic collapses which can not be avoided. Moreover, along with the increase of the number of the transnational corporations, the national strategy of “shared value” in no longer as much efficient. As an effect, independence movements in small regions

or cities are raising considerably. Consequently, as a result of the increased importance of cities, there appears the necessity of shifting to a new approach of addressing the economic challenges, namely to the urban areas.

Urban areas are those economic gears that comprise the aggregate elements of the functional economy, at which level, the yield of control of the economic and social processes (like migration of population, education, efficient labour market creation, share of qualitative infrastructure) is higher, thus giving a possibility of a more effective and efficient administration. Additionally, they represent the best environment of building and increasing the number of business clusters which boost competitiveness and invariably the economic growth.

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