Towards a new paradigm for Local Urban Development

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LUDEN is a unique network which involves local/regional politicians, technicians and residents in the process of area based regeneration. It was established in 1989 and is one of the longest established networks in relation to the theme of urban regeneration and remains committed to being at the leading edge in relation to the changing realities experienced by regeneration area

Introduction

This discussion document has been produced by the Local Urban Development European Network (LUDEN) formerly known as Quartiers-en Crise: European Regeneration Areas Network(QeC-ERAN).

LUDEN has always been a "market leader" in the development of urban policy, both at local and European level. The organisation came into being at the start of a major transition in European development. The fall of the Berlin wall in 1989 was in many ways an outcome of urban development in the then former USSR. It was in the same year that 19 cities across 8 Member states came together to launch the network. The underlying rational for establishing the network was a growing sense that urbanisation was creating new issues, challenges and opportunities. That urbanisation was in danger of creating social and economic exclusion for certain groups and in particular in certain neighbourhoods.

The network launched a "manifesto" for area based regeneration in deprived neighbourhoods. The manifesto called for area based, integrated programmes of intervention in such neighbourhoods. The manifesto identified that such areas had certain common characteristics:

- Low economic activity rates
- Linked in part to high levels of unemployment
- Poor levels of educational attainment, or low attainment for certain groups
- Rising economic development potential(particularly, linked to proximity to buoyant economic zones)
- High levels of social exclusion
- High interest in micro-entrepreneurship
- Key agencies failing to reach needs of marginal groups
- High presence of immigrants and "economic migrants"
- Health inequalities and unhealthy life styles emerging
- Greater levels of insecurity experienced through criminal and anti-social behaviour
- Declining social capital
- Poor quality housing and limited housing choice
- Run down and degraded physical infrastructure and public spaces
- Growing drug(prescribed and illegal) and alcohol dependency
- High levels of poverty

The manifesto was influential in persuading the European Commission to launch what were called Urban Pilot Projects in 19 locations during the period 1989-1992. To cut along story short, this then lead to the "roll out" of what was called the URBAN programme. URBAN I (1994-2000) and then URBAN II (2000-2006).It is widely recognised that area-based regeneration programmes are

one of the success stories in term of mainstreaming across the EU. Virtually all the original EU15 member states have incorporated such an approach within their national policies and programmes. Some had indeed already started down this road well before 1989. In the UK, the riots in several cities in 1981 resulted in a national “Urban Programme, followed by a succession of variations in Holland, Germany, France, Spain, Portugal, Sweden, Denmark, Ireland and Belgium.
The results of the experience emerging are very mixed and overwhelmingly not positive. This is not the place where we propose to provide a detailed review of urban programmes at EU and national level. However, the following outcomes are generally agreed:

- “Deprived areas” have in part been physically renovated. This has taken form of demolition of older housing stock and new build in the form of “lower density” housing. It has also involved the improvement of existing housing stock. However, here the bulk of the improvements have left private living space untouched. They have by and large improved shared spaces and services.
- There has been “mixed tenure” housing created and this has helped bring in new people into the area.
- There has been gentrification of parts of deprived areas and this has broken down, in part, the negative image of such areas. So one can find young professionals living in St Denis outside Paris. You can find local authority workers living in St. Pauls in Bristol.
- Linked to the process of gentrification, there has been a “displacement effect”. That is to say the “problem people” have been moved elsewhere. This “water-bed effect” has simply dispersed the underlying social and economic problems. In many cases it has created new problems in the areas where the groups are displayed. Those areas themselves begin to take on a “negative “image and this results in the recreation of the very problem that the original intervention sought to change.
- New business and jobs have been created through the development of affordable workspace and “enterprise zones”. However, there is very little evidence that this has resulted in a “trickle down” effect. Indeed, the evidence shows “trickle up” and “trickle out” rather than trickle down benefits. That is to say that inequality has grown. It is also to say that those who have taken advantage of the “business support” resources are not from the area. Indeed there is also lots of evidence that shows that existing businesses choose to relocate simply to take advantage of the subsidies on offer.
- Population churn has not declined and in many cases has increased owing to higher levels of inward migration (indigenous and non-national).
- Quality of key public services (education, health, housing) has not improved. Attainment levels remain poor, health inequalities have increased, unhealthy lifestyles have grown and affordable, good quality housing has simply become more and more difficult to obtain. This has created a market place of poor quality, unhealthy and expensive private sector housing.
- Civic and political participation is in decline.
- Culture has proved to be a sector that has created new impulses in terms of economic development and social cohesion
- 80% of money has been spent on infrastructure and physical improvements.
- Inequality and exclusion has grown. The targeted areas have not seen any significant change in relation to their position within a city wide socio-economic profile
- Unemployment for some groups has remained high, irrespective of the general economic climate. This suggests that it has become structural.

- Relatedly, the claims made by such programmes for the numbers of jobs created is not possible to validate. Indeed, if all the jobs claimed had been created then unemployment would have been solved.
- The financial construction of large scale development, particularly in the form of Public-Private partnerships have largely benefited private developers at the expense of public interest.
- There is evidence of greater spatial segregation having been created.
- The "integrated approach" championed by such programmes has not resulted in any significant organisational change. All the evidence suggests that the integrated approach was just "project focused" and once the project funding was used then the integrated approach ceased to exist.

In short, the evaluation is that such approaches have improved the physical environment but left the socio-economic situation unchanged. The need for a new paradigm emerges in part from this experience.

It also emerges, however, from new challenges that mark the start of major transitions that are and will take shape the future. These challenges relate to urbanisation and:

- climate change
- expensive oil and peak oil
- food and water security
- impact of the painful and slow collapse of the neo-liberal economic model .

In short these challenges mark a transition to a steady state or low/no growth economy.

It is these two important contexts that set the basis for LUDEN to launch what is in effect a new "manifesto" which recognises the new reality we face.

Context:

We are living in delusional times. The mainstream agenda at the EU level remains wedded to the idea of economic growth as the means by which we will be able to create sustainable and inclusive urban development. This delusion is best reflected in the EU 2020 strategy.

EU 2020 : Summary

EU 2020 clearly sets the macro context within which the urban dimension will be "placed".
EU 2020 recognises some of the "deep transformations" that Europe is going through:

- climate change ;
- the energy crisis;
- demographic change;
- migration
- and the impact of the financial crisis.

In responses to these "deep transformations" Europe 2020 puts forward three mutually reinforcing priorities:

– Smart growth: developing an economy based on knowledge and innovation.

– Sustainable growth: promoting a more resource efficient, greener and more competitive economy.

– Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

In addition EU2020 has the following EU headline targets:

– 75 % of the population aged 20-64 should be employed.

– 3% of the EU's GDP should be invested in R&D.

– The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right).

– The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree.

– 20 million less people should be at risk of poverty. (this target has already been revised so that there is no %age mentioned.)

Finally, EU2020 has seven flagship initiatives to catalyse progress under each priority theme:

– **"Innovation Union"** to improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs.

– **"Youth on the move"** to enhance the performance of education systems and to facilitate the entry of young people to the labour market.

– **"A digital agenda for Europe"** to speed up the roll-out of high-speed internet and reap the benefits of a digital single market for households and firms.

– **"Resource efficient Europe"** to help decouple economic growth from the use of resources, support the shift towards a low carbon economy, increase the use of renewable energy sources, modernise our transport sector and promote energy efficiency.

– **"An industrial policy for the globalisation era"** to improve the business environment, notably for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally.

– **"An agenda for new skills and jobs"** to modernise labour markets and empower people by developing their of skills throughout the lifecycle with a view to increase labour participation and better match labour supply and demand, including through labour mobility.

– **"European platform against poverty"** to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society.

EU2020 comes after the ten year Lisbon Strategy which by broad “independent” consensus failed in terms of virtually all its headline targets. The only positive aspect about which there is also broad consensus is that it got a process of national action planning in place which enabled better “oversight” and sharing of experience.

EU2020 also emerges from the wreckage created by the deregulation of financial markets on the back of Lisbon’s three pillars of liberalisation, privatisation and competition.

EU2020 takes a view that what happened in 2007/8 is just simply a bad “crisis”. That is to say, it is simply part of the “normal” economic cycle. EU2020 simply sees the need to tweak arrangements through better regulation and austerity and then we can recover and proceed.

Our conclusions are that the crisis has not even finished, there is a strong sense at local level that the worst is yet to come. There is validity in this position in that the impact of austerity measures that are an inherent element of EU 2020, will take some time to really impact at the local level. There is a time lag, the real impacts will start to “kick in “in terms of public sector cuts in 2011 and with increasing severity for at least 8 years after. The scale and nature of collective EU public sector debt is not at all factored into the context that local urban development will have to take place. The Lisbon Treaty allows for collective EU public sector debt to be no greater than 60%. The current and projected levels are 90%. This means a collective cut of over €400 billion in the next 3 years.
Furthermore, independent analysis is highlighting that global economic factors alongside the Euro-Zone crisis has already blown the Europe 2020 strategy off course.The Annual Growth survey highlights how the semester results tallied with the EU’s 2020 strategy.The findings showed that the EU will miss its 75% employment target by up to 2.6%, fall short of its target of 3% expenditure of GDP on research and that member states will fail to attain its 2020 goal of a 20% improvement in energy efficiency.In addition education and poverty targets will also be missed, these targets are not implemented by all countries and are not comprehensive enough, the report says. It claims that the Commission’s Annual Growth Survey (AGS) uses too many benchmarks, and that there are too many overlaps and inconsistencies in its contents. Furthermore, the 'Euro Plus Pact' for economic policy coordination and AGS have all but eclipsed the 2020 strategy.

More fundamentally, what EU2020 simply ignores is the more fundamental question. Does the financial collapse signify something much more deeper, namely the breakdown of the underlying economic model of growth that has served us well (in large part) since the second World War.
The scale of what has happened is staggering. From the start of 2008 to the spring of 2010 the crisis knocked $30 trillion off the value of global shares and $11 trillion off the value of homes, according to Goldman Sachs. At their worst, these losses amounted to about 75% of world GDP.

The economic model that has dominated most of the world since 1945 has failed spectacularly. If the theories of self-correcting and efficient markets had been right, the events of the last few years could never have occurred. But they clearly did. What we have seen is not just a temporary malfunctioning of the model but its failure on its own terms. Instead of endless, stable growth and high and rising incomes equitably shared, we have had inequity, volatility and crises. These are not anomalies, but a natural and increasingly severe expression of the 'normal' functioning of the system. As even Alan Greenspan, former Chair of the US Federal Bank, was forced to admit, there was 'a flaw … in the model that defines how the world works'." A number of factors highlight just how much the dominant model rested on false claims:

- It has not created better/stronger growth. It has not created greater investment. Indeed, it has created greater instability. The recent crash follows on the back of the Russian Crisis, the East Asian Crisis, the Latin American crisis. On an everyday level it has created huge job insecurity. We can see this clearly manifested in a number of ways:
    - The share of short-term jobs has risen.
    - Employment terminations have increased
    - Even jobs that used to be seen as "secure"(managerial, clerical and professional) have become insecure,
    - Even where the job has remained secure , its nature and intensity have become subject to more frequent and bigger changes-very often for the worse,
    - Alongside this we have seen the cut back of the welfare state leaving people in greater insecurity.
- The free market version of capitalism has created greater inequality. It is based on the myth of 'trickle down". Let people get richer as it is good for economic growth and thus also the poor will benefit is the underlying myth. The evidence base disproving this nonsense is overwhelming. Following the Second World War, there was a rapid growth in progressive taxation and social welfare spending across Western Europe. Despite this the period between 1950 and 1973 saw the highest ever growth rates in Europe. During this period growth was 4-5% in Western Europe. Since then it has never managed to grow so fast. The same evidence is reflected in trends in the US and Japan. The evidence could not be clearer. According to World Bank data, the world economy used to grow in per capita terms at over 3% during the 1960's and 70's, while since the 1980's it has been growing at the rate of 1.4% during the period 1980-2009. Infact instead of trickle down what we have seen in the past 30 years is a redistribution of income from poor to the rich. There have been tax cuts for the rich. Financial deregulation has created huge opportunities for speculative gains as well as astronomical paycheques for top managers and financiers. As a result income inequality has increased. According to the ILO 2008 report, of the 20 rich economies for which data was available, between 1990 and 2000 income inequality rose in 16 countries.
- Our economic model, has created debt by squeezing average and below average wages. It is now widely recognized that in most advanced industrial countries, average wages stagnated during the last 30 years, while income inequalities surged in favour of the top 10% and indeed 1%. In effect money was transferred from those who would have spent to meet basic needs to those who had far more than they could easily spend, thus weakening aggregate effective demand. We know how this played out. The negative impact of stagnant real incomes and rising income inequality on aggregate demand was largely offset by "financial innovation" and cheap credit that allowed households to increase consumption by borrowing. On the other hand, the search for yield by the higher income classes to invest their increased incomes supported the formation of non sustainable asset bubbles.

- Our economic model is not connected to the real economy any more. It's not about making things its just about making money by any means necessary-legal or illegal. By 2008 unregulated and undocumented trading in options (a gamble on future price of a share, commodity, exchange rates, etc) and derivatives (bundled up debts and insurance on those debts) accounted for $600 trillion in trading. Yet the value of the real economy in the same year that is the total output of goods and services amounted to only $55 trillion.
- There are always crises in our economic model. What happened in 2007/2008 had already happened elsewhere. In 1980's and 1990's we had similar crises in Latin America, Africa and East Asia. It was also the bankers that got protected in these crises. The only difference with now is the scale and scope of the crises. The origins and solutions being applied were the same as now-namely, screw the people and keep the bankers happy.

Current policy is a form of "denial" of what are evident facts:

- Better regulation of the financial sector will not be sufficient. While the crises initially appeared in the financial sector, the origins of the problem are much deeper and cannot be addressed simply by repairing the "plumbing" of the financial sector. There has been spectacular policy failures at both the micro- and macro- economic levels. Loose monetary policy, inadequate regulation and lax supervision interacted to create financial instability. "Reforms" over the last three decades have in fact exposed countries to greater instability and reduced the impact of "automatic" stabilizers.
- No mention about the lack of "accountability". It's like as if the house got trashed but we are not going to discuss who trashed it. Not only that, we are going pay for the house to be fixed whilst the perpetrators will get our support in helping themselves to trash the house again. Not one voice which asked why we have socialised private losses. Why are young people and those less well off being asked to pick up the price of a rich peoples party that got out of hand. Indeed, in the post crash context, the financial sector is even more concentrated, the problems of "too big to fail "have actually increased.
- Similarly no taking into account that in the post crash context global imbalances remain unabated. Indeed the current receipt is the same as the old one, growth through increased consumption, though, now we simply want the Chinese to consume more. This is simply crazy. You cannot cure obesity by consuming more. We will not prevent another crash by simply encouraging countries to consume like us. Our plant cannot simply sustain a global lifestyle based on our patterns of consumption.
- No recognition that the dominant belief that light touch regulation, limited government, low taxes, labour market deregulation and weak labour market institutions are all necessary ingredients of economic success has proved to be a recipe for volatility, excessive risk taking, growing income inequality and, in some countries, the rise of precarious employment. While the richest in many parts of the OECD saw their relative position improve – sometimes dramatically – the poorest saw their relative position deteriorate. The OECD itself documented the rise in inequality in its landmark publication *Growing Unequal* in 2008.
- Relatedly, no mention also that it is NOT true that the policies that we might usefully label as "market fundamentalist", led to better economic performance before the crisis broke. This troublesome fact was recognised by the OECD in their reassessment of the 1994 Jobs Study, published under the title *Boosting Jobs and Incomes* in 2006. It was accepted

that two groups of countries had achieved 'good results' (defined as a high employment rate, moderate inflation and apparently robust growth): those pursuing 'market reliant' policies, such as the US and the UK, and those pursuing policies with higher taxes, stronger employment protection legislation, more generous unemployment benefits and much higher investment in active labour market programmes (including Austria, the Nordic countries and the Netherlands).

- **We have had a period of sustained growth alongside growing and widening inequality.** There is extensive data that shows that our model of economic growth, particularly in the past 25 years when the model has been driven by the goals of liberalisation, deregulation, privatisation and competition., has generated more inequality. At a macro level this is evidenced by the declining share of GDP that salaries and wages have accounted for since the 1980's. During the same period the share of GDP accounted for by capital has substantially increased. This is evident in the wider emergence of what is called the "super rich club. Inequality is socially corrosive. This is evidentially clear from studies that show a clear correlation between inequality and a range of "societal problems":
    - Mental illness(including drug and alcohol addiction)
    - Life expectancy and infant mortality
    - Obesity- it's the first time in our history that poor people have become obese.
    - Children's educational performance
    - Teenage births
    - Homicides
    - Imprisonment rates
    - Social mobility

- **Labour market structuring** The so called "third wave" of this crisis, which began in the financial markets and quickly moved to the broader economy, is now striking the labour market in what will be a long term manner. This has a global and more "local" element. For example, in Cambodia 30,000 workers were laid of in the clothing industry alone as the collapse in trade took hold, according to the World Bank. In South Africa the closure of mines and smelters has cost 40,000 people their jobs. In China an estimated 670,000 small businesses went out of business in the coastal cities of Guangzhou, Dongguan and Shenzhen. Closer to home, unemployment has now climbed to over 10% as an average. One in five young people aged between 18-25 are unemployed. In several member states it is one in four or one in three. The OECD estimates that as many as 25m people may have lost their jobs in the 30 rich countries that belong to the Organisation for Economic Cooperation and Development (OECD). The danger is that several million may never regain them. **Furthermore governments are not in a position to stimulate jobs given the requirements of EU 2020.**
- At the other end of the working life cycle the universal extension of the retirement age that our governments signed up to years ago is also going to impact on certain groups disproportionately. What is known is that the average age that people leave work is currently57. It is highly unlikely that the new wave of longer working life cohort will experience a dramatic change in their job opportunities. Hence a growing proportion will actually be stuck without work and dependent on social security payments longer BEFORE

they can get their pensions. This will impact disproportionately on women and lower skilled workers. The rise in retirement age is a direct result of the failing of the current model.

- **Public Sector debt .**By the spring of this year the world's governments had injected $432 billion of capital into their banks, according to the IMF, and guaranteed bank debts worth $4.65 trillion. America now holds a 34% stake in Citigroup, or .Citigov, as the financial blogs call it. The British government owns 43% of Lloyds Banking Group and 70% of Royal Bank of Scotland. The EU has invested €720 billion into a stabilisation fund. Public sector debt for France, Germany, UK, Italy, Spain, Portugal, Greece, Ireland, Hungary, Lithuania, Estonia, Romania will continue to rise at least in the short term. The "austerity "measures announced by all the above governments are going to result in major cuts to public services. **Furthermore, and even more worrying is that all the governments are assuming that they will cover the costs of their debts through future growth.** However, what is very clear is that demand in rich countries will remain weak and emerging economies will not be able to compensate. There is no secret about the other potential sources of demand. Government spending and business investment accounted for 18% and 12% of GDP respectively at the economy's peak in 2007. However, the commitment to austerity measures will actually turn off this important source of stimulus.

- **Demographics.** The normal debate on demographics highlights the challenge of ageing and the impact that this will have in terms of health and care expenditure AND also its impact on the shrinking pool of available labour in the EU which will thus necessitate further immigration. About 1 million migrant per year will be required .However, there is another profound demographic change taking place that remains excluded from the discussion. This is the generational shift from the baby boomer generation to the "IPOD" generation. The disconnection of this age group from mainstream institutions and in particular from mainstream political /democratic processes is well documented. A huge amount of research is being conducted throughout Europe on the current and upcoming trends among teenagers and twentysomethings. There isn't a lack of trend watchers - and in today's fast-paced society there is certainly no lack of trends. Although trend watchers are doing valuable work and many trends are indeed relevant, most of this kind of research seems to fall short when it comes to actually understanding twentysomethings. The up and coming generation of twentysomethings is simultaneously positive and realistic. Neither God nor the state provide a future for you, neither economically, nor morally. This generation's sense of us starts with me. This trend is part of what essentially is the decay of our party political model of representative democracy. Political parties have declining membership. The bird watchers society in the UK has more members than all the UK political parties combined. The same decline in membership is very evident (particularly in EU15 countries). In other words we are electing our leaders from a smaller and smaller pool of people. Our "political class" has in fact diminished to such a state that the very quality of what emerges from within is self evident in the leaders that emerge. This is reflected in the increasing lack of participation in local and regional government elections (where they exist) and also in the wider mechanisms for local democracy.

- **Climate change and energy.** The discussion here needs to be better positioned. It is not just about ecological modernisation of our model of growth as EU 2020 proposes. Fundamentally what we have to do is to recognise that these issues are linked to our “bio capacity”. That is to say, how much of our farmland, fisheries and forestry can be used in such away that it can be replaced as fast as we are using it. How much waste can we put back in the form of green house gasses, chemicals, plastic etc. The current consensus on our bio capacity is that we are consuming at a nearly 50% higher rate than we can replace AND it’s projected to get worse. The bottom line is that the model of growth underpinning EU2020 is in fact unsustainable in terms of making the reductions required. The idea that simply “greening “the economy will solve the matter is just simplistic and contradicted by the fact that current “green” solutions (e.g. bio fuels) have actually increased carbon emissions. The same has been the outcome of regulation-e.g. carbon emission trading has actually resulted in the heaviest polluters making windfall profits at our expense as we end up paying for higher electricity process as it is these companies that end up buying addition carbon emission quotas. Similarly, government programme that have stimulated the car industry have resulted in higher emission levels or at best no impact on levels. Underlying this perspective is what can be referred to as a ”mainstream” definition of sustainability. The ‘mainstream’ view tends to emphasise decoupling economic growth from environmental degradation (including climate change). And, to drive that dynamic it relies heavily on market-based initiatives – the ‘ecological modernisation’ of the economy, defined by German sociologist Joseph Huber as a twin process of ‘ecologising the economy’ and ‘economising ecology’. Policies of environmental or ecological modernisation include: the ‘polluter pays’ principle, eco-taxes, government purchasing initiatives, consumer education campaigns and instituting voluntary eco-labelling schemes. Such a strategy relies on small acts of individual consumer sovereignty (sustainable consumption) to change the market. The growing emphasis on the individual to practice sustainable consumption as a cure-all, however, is awkwardly juxtaposed against the systemic nature of the problems. There is now a growing view and body of evidence that ecological modernisation has not been effective in reducing carbon emissions. In fact, some would argue it has acted in the opposite direction, driving emissions upwards. In contrast to this mainstream definition of sustainability there is a growing body of knowledge that identifies in fact six core ideals and themes within sustainable development. These include:
    - The integration of the economy and environment: economic decisions to have regard to their environmental consequences.
    - Intergenerational obligation: current decisions and practices to take account of their effect on future generations.
    - Social justice: all people have the equal right to an environment in which they can flourish (or have their basic human needs met).
    - Environmental protection: conservation of resources and protection of the non-human world.
    - Quality of life: a wider definition of human well-being beyond narrowly defined economic prosperity;
    - Participation: institutions to be restructured to allow all voices to be heard in decision-making (procedural justice).

The core ideals cover three fields – the environment, economy and society – the three pillars of sustainability. A view of sustainable development that encompasses all three dimensions can be defined as ‘strong sustainability’.

- **Growing negative entropy.** Another issue that raises fundamental questions about our current model stems from the large but still emerging field of studying life-satisfaction and human well-being. It presents a critique of how, in industrialised countries, patterns of work and rising consumption are promoted and pursued that repeatedly fail to deliver the expected gains in life satisfaction. At the same time, these patterns of (over)work potentially erode current well-being by undermining family relationships and the time needed for personal development.

  In fact, a growing body of literature shows that once people have enough to meet their basic needs and are able to survive with reasonable comfort, higher levels of consumption do not tend to translate into higher levels of life satisfaction, or well-being. Instead, people tend to adapt relatively quickly to improvements in their material standard of living, and soon return to their prior level of life satisfaction. This is known as becoming trapped on the ‘hedonic treadmill’, whereby ever higher levels of consumption are sought in the belief that they will lead to a better life, whilst simultaneously changing expectations leave people in effect having to ‘run faster’, consuming more, merely to stand still.

  National trends in subjective life satisfaction (an important predictor of other hard, quantitative indicators such as health) stay stubbornly flat once a fairly low level of GDP per capita is reached. And, importantly, only around 10 per cent of the variation in subjective happiness observed in western populations is attributable to differences in actual material circumstances, such as income and possessions.

  Social epidemiologist, Professor Richard Wilkinson argues in his book *Impact of inequality: how to make sick societies healthier* that poorer nations with lower wealth inequality tend to have higher levels of well-being (physical and mental) than more wealthy but more unequal nations. For example, life expectancy in rich nations shows a strong correlation with relative equality. His more recent work with co-author Professor Kate Pickett, *The Spirit Level*, makes an even stronger case. Here they demonstrate that more equal societies almost always do better against a wide range of social and environmental indicators.

  In *Impact of inequality* Wilkinson compared various social indicators in Greece to those in the USA. He found that while Greece has almost half the per capita GDP, citizens have a longer life expectancy than the USA. While globally, the USA is the wealthiest nation, it has one of the highest levels inequality and lowest life expectancy in the global North. Furthermore, Wilkinson demonstrates that crime rates are most strongly correlated to a nation’s level of inequality, rather than its aggregated wealth. Given this, Wilkinson concludes that the most equal countries tend to have the highest levels of trust and social capital.

In summary, we are faced with an unavoidable challenge. A limited form of flourishing through material success has kept our economies going for half a century or more. But it is completely unsustainable and is now undermining the conditions for a shared prosperity. The current model sets the economies of Europe and the United States as aspirational models of economic development for the rest of the world to follow. But to copy their lifestyles, in an environmental sense, is fundamentally unsustainable. For everyone on Earth to live at the current European average level of consumption, we would need more than double the bio-capacity actually available - the equivalent of 2.1 planet Earths - to sustain us. If everyone consumed at the US rate, we would require nearly five. Current policy fails to recognise or accept that the crash exposed the underlying problem with the free market model that has driven and is driving economic policy. Take the example of Iceland, the deregulation of the banks and the unleashing of a free market regime tore apart a country that had been performing well. The bank meltdown was directly linked to the free market model that was introduced in the 1990's. Take Ireland. This too has faced a crisis largely because it followed the standard free market orthodoxy: unfettered markets led to a bloated financial sector which put at risk the entire economy; while politicians boasted of the growth (the benefits of which were not uniformly shared) they took little note of the risks to which they were exposing the economy. The core lesson of Ireland's experience – and that of the US – is that we cannot rely on unfettered markets or self-regulation. Joseph Stiglitz has called this system" 'ersatz capitalism', the essential ingredient of which is the socialisation of losses and the privatisation of gains. In some cases, who pays for these gifts to corporations is not so transparent: in the end, of course, it is ordinary citizens, whether as taxpayers or consumers who pay, but often in ways that are not easy to detect, for example, through tax expenditure or through higher prices on the goods they purchase.

Towards a new paradigm for Local Urban development

What does the above analysis mean for local urban development? To a certain extent we can see the evidence of the global trends at a local level. After 25years of urban policy we can see the contradiction of city renewal and revitalisation alongside growing inequality within and between localities. The thrust of urban policy was in fact the same as that for global policy, namely, "trickle down". Expenditure in urban renewal would result in a process of trickle down so that all would benefit. In fact what we can clearly see is that a rising tide has not lifted all boats. Poverty levels have increased. There is greater social exclusion. Indeed what is also evident is that urban policy has supported gentrification and the displacement of problems to other more "invisible" parts of cities. This "waterbed effect" is well documented from research undertaken in several EU cities. The State of Cities report in 2008 also highlighted this aspect.

In a sense we have had what can be called "voodoo" regeneration. Go to any city where there has been extensive urban regeneration and you will be confronted by infrastructure and architectural renewal. These zones of redevelopment have created a kind of "voodoo" effect in that suddenly cities are able to represent themselves in a new light. For example, take the city of Birmingham. Described in the late 1980's as the "the dirty mark that a full bath tub leaves" into a thriving centre with new public spaces and extensive shopping areas and bars etc. However, once you step out of the voodoo zone then, it's the same if not worse situation that existed in the 1980's. Indeed, what is clear is that the choice made was to spend on city centre renewal at the price of improving public services. Education attainment levels in Castle Vale (an URBAN programme beneficiary) remained abysmal in 2008 that is some 9 years after the end of the programme. Nearly 50% of African Caribbean boys failing to attain the basic educational standards. Furthermore, the life chances of the indigenous English poor have also not been improved.

Clearly then we do not need a continuation of what URBAN programmes delivered.

Given the above context, LUDEN has engaged in process of reflection and debate. The starting point was that there are three factors that that stand firmly in the way of further economic growth:

- The depletion of important resources including fossil fuels and minerals
- Growing negative environmental impacts arising from the extraction and use of resources leading to snowballing costs from both these impacts themselves and from efforts to avert them.
- Financial disruptions due to the inability of our existing monetary , banking, and investment systems to adjust to both resource scarcity and soaring environmental costs- and their inability (in the context of a shrinking economy) to service the huge piles of government and private debt that have been generated over the past couple of decades.

This is not say that there will be no growth. Indeed we can see that growth has picked up in parts of the EU, especially in Germany. In fact our position is that we will continue to see signs of growth BUT they will not be sustainable and more importantly will not on an EU level exceed more that 2% per year as an average across EU27 in any one year. All the available evidence suggests that over the longer term period of the EU2020 strategy growth will not exceed 1% .There are already forecasters who are predicting that growth will only average 0.5% over the next decade at an EU 27 level.

The most important implication of this is that we need to have shift in policy prioritisation. Growth should cease to be the policy priority. It should be a by-product of policies that target inequality, economic re-structuring, public service reforms etc.

From this starting position, we have undertaken a lengthy process of debate (external as well as internal) as well as a questionnaire targeted at our members. The process has in particular had the following key events:

- A study tour undertaken in Seine Saint Denis, a department of Ile de France which encapsulates the need for a paradigm shift. It is a department of just over 1,2 million inhabitants. It is located in the region with the highest GDP in Europe. Alongside this accolade it is faced with “stigmatisation” as having one of the highest level of poverty and related exclusion in the EU. It is also a department that reflects the super diversity that exists in many local urban contexts. It is also a department that has benefitted from URBAN Programme investment and yet the socio-economic realty confronting many of its inhabitants in 2011 is no different than before EU interventions.
- An Open days debate on the need for a new paradigm, which attracted over 65 participants from 17 member States.
- AN Open Days OFF event which centred on the issue of the Jilted generation and which attracted over 50 delegates from 14 Member states
- An online questionnaire amongst our members, which incorporated findings from surveys undertaken by the CoR, Eurocities and URBACT.

Our reflection and discussion has also involved following the debate that has/is taking place at EU level in respect of the wider priorities and strategy of cohesion policy. The Barca Report, The EP report on “the urban dimension of cohesion policy in the new programming period, by Oldrich Vlasak. , Commissioner Samecki’s orientation paper and also the "Territorial cohesion: unleashing the territorial potential" background staff paper produced by DG Regio in relation to the Kiruna conference of 2009.
However, what is not so far part of the core discussion is what should be the “content” of an urban dimension in cohesion policy.
Certainly, there have been discussion about the “need to ensure the importance of the “integrated” approach. However, there has really been no discussion of what this “integrated approach” needs to look like. There is somehow an “autopilot” mindset which simply seems to assume that it is nothing more than the integration of economic, social and environmental factors. However, our view is that a new paradigm needs to first recognise that the environmental and economic crises are not separate but interconnected events. It is the high levels of debt-fuelled consumption in developed countries that have landed us with dangerously high concentrations of CO_2 and put pressure on ecosystem resources. Astonishingly, this is precisely the path that politicians are trying to return us to. Many of the measures hastily put in place at the start of the recession – VAT reductions and the car “new for old” scheme, for example – were specifically designed to kick-start consumption.
Similarly, within such a paradigm there has to be a recognition that promises of “trickle-down”, have been a myth. What we have seen is that the model has seen huge inequalities develop within and between countries.

The table below is a first step in starting a discussion about what elements a new paradigm for the urban dimension needs to have:

Current paradigm	**New Paradigm**
Integrated approach in terms of process and objectives	Integrated also in terms of Outcomes
Growth model based on GDP	Progress based on social justice, equity and wellbeing
Infrastructure led	People led and focussed
Product innovation	Product and Social innovation
Project focussed	Public Service focussed
Green growth	Sustainable bio-capacity- the city as an eco-system
Competivity	Co-operation and mutuality
Mega cities focus	Medium and small urban centre focus Rural hinterland and urban focus
Privatisation	Social Economy
Social Integration	Inter-culturalism
Representative democracy	Participatory democracy
Administrative based governance	Functional Urban areas

Our current paradigm with its obsession with growth and our relentless pursuit of a global system which creates ever greater dependency on it has put us on the road to perdition. This confronts us with an artificial and unnecessary choice between the moral imperative of poverty eradication and the practical necessity of environmental sustainability. We need policies aimed directly at reducing poverty and ensuring environmental sustainability, leaving growth as a by-product. Within a non-growing economy it is possible to maximise benefits and reduce factors leading to decay, but doing so will require pursuing appropriate goals: instead of more we must strive for better; rather than promoting increased economic activity for its own sake, we must emphasize that which increases quality of life without stoking consumption. One way to do this is to re-invent growth itself.

At the end there will be the rewards: The rewards from these changes are likely to be significant. A less materialistic society will be a happier one. A more equal society will be a less anxious one. Greater attention to community and to participation in the life of society will reduce the loneliness and anomie that has undermined wellbeing in the modern economy. Enhanced investment in public goods will provide lasting returns to the nation’s prosperity.