

OPINION ARTICLE

A way out of the crisis



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The current economic crisis is hitting metropolitan areas around the world, and Barcelona is no exception.

Barcelona is also vulnerable because its recent growth has been partly fuelled by the extraordinary expansion of construction and real estate in Spain and rising tourism numbers, both of which have now gone into reverse. The low interest-rate policy of the European Central Bank led to negative real interest rates, diverting resources from industry and advanced services towards real estate.

However, Barcelona does have the advantage of a more diversified economy than most of the rest of Spain, and it managed in spite of the real estate boom to maintain its industrial traditions and stay attractive to dynamic, internationally competitive companies.

This diversity – the weight of industry in gross value added is higher, and the weight of construction lower, than in Spain as a whole – may prove to be a crucial asset in emerging from the present crisis. Indeed, the construction-driven Spanish growth model is unsustainable: the more balanced approach of Barcelona and Catalonia may indicate Spain's future path.

A “back to basics” approach, in which productivity growth is driven by competitive industries and services, is the name of the game. But it will not be without pain. In the short term, adjustment will be difficult since credit is not flowing to industry due to the financial crisis, and the small and medium-size enterprise (SME) sector predominant in the large Barcelona metropolitan area is very dependent on bank credit.

Perhaps this should be seen as a blessing in disguise and provide an impetus for the overdue restructuring of the SME sector, which needs to reform itself and to innovate in order to increase productivity.

Such a restructuring will succeed only if there are no artificial impediments to transfers of resources from declining to emerging sectors, and any industrial policy must be framed in a way that allows private enterprise to flourish. The pressure of lower cost producers on an advanced industrial area such as Catalonia, combined with the Darwinian selection that the crisis will impose, should provide a crucial momentum for needed productivity improvement.

At the same time, an important and sustained effort should be made to improve human and technological capital. In the area of advanced education, Barcelona is already leading the way internationally, in business and economics, for example. In research, an important effort is being made in the biotechnology sector.

Some firms in traditional sectors, such as textiles and food, and in services, including utilities and banking, are already very competitive internationally.

A key asset of Barcelona to attract talent is its quality of life, not only due to climate and geography, but also because of the city's cultural and architectural heritage. This should serve to strengthen technologically-advanced sectors in the area and promote innovation. For this to happen, excellence should be put first, fragmentation avoided and the public sector should take the lead by supporting research and innovation on a competitive, open basis – and by decisively fostering knowledge of English.

What else is needed? Barcelona and Catalonia need a coherent regional strategy within Spain, Europe and the world that builds on local strengths and develops global connections. Barcelona needs to deepen its capacity to attract and keep highly-qualified international professionals, embrace mobility, and serve as a development point and port of entry for new ideas, products and services.

Catering to all aspects of quality of life and embracing a culture of openness will be key elements of such a strategy. Barcelona should make the most of its large metropolitan area to reach economies of scale while allowing diversification and experimentation with different activities.

It is worth noting that Barcelona violates the so-called Zipf's law on the size of cities, for according to this mathematical formulation the size of the second city in a country should be half the size of the first. Yet the size of the Barcelona metropolitan area is not far from that of Madrid.

As for its strategic location, Barcelona has the capacity to become the economic leader that will drive the development of the existing Mediterranean Euroregion, a region with a development model probably more resilient than those of many other European Union regions.

Barcelona and its hinterland could be an effective commercial, logistic and business headquarters centre for the region, but for this to happen crucial transport and communication infrastructure has to be developed and political will applied.

Barcelona and Catalonia have lagged behind in public infrastructure investment for decades. Now an effort is being made with a new terminal in the airport, development of the port and much-needed investment in commuter trains. After a couple of decades of impressive growth of the Madrid area, the present crisis may bring about a rebalancing, with increased emphasis rightly given to the Mediterranean axis where Barcelona is a natural leader.

The development of this regional and international strategy, however, will need appropriate financing and leadership that is both outward-looking and entrepreneurial.