



The Big European sort?

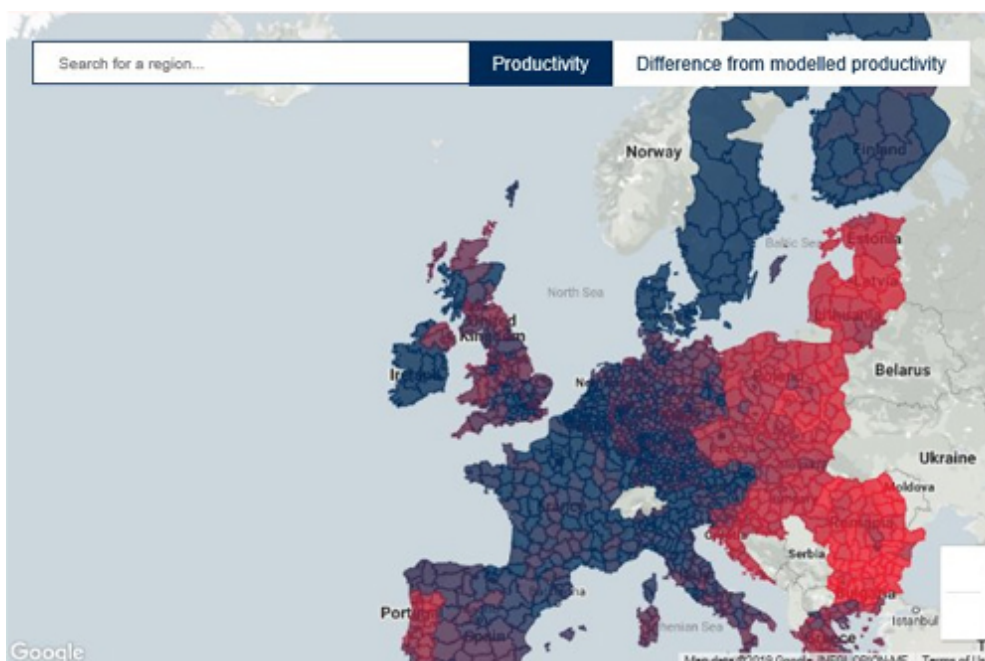
The diverging fortunes of Europe's regions

by Christian Odendahl, John Springford, Scott Johnson and Jamie Murray

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Europe is increasingly experiencing one of the economic trends that has frayed US politics: the growth of high-value services and technology firms is drawing young productive workers to the big cities, triggering greater regional economic divergence. The divide between more productive regions and those that have been left behind risks fueling resentment and driving support for populist and anti-establishment parties, many of which are expected to make gains in the forthcoming European Parliament elections.

That is the key assessment of a new research paper by the Centre for European Reform, '[The big European sort? The diverging fortunes of Europe's regions](#)'. The paper provides a fresh insight into how structural economic change is leading to divergence at a regional level. The research includes an interactive map which reveals some striking examples of regional divergence in productivity across Europe. It shows some UK regions are on a par with less wealthy countries in Southern Europe, and that the worst performing region is Berlin, which given its size and population should be far more productive.



Click [here](#) to access the map

The relative decline of manufacturing and the rise of services is at the heart of the story. While manufacturing output has tended to spread out across Europe in search of cheaper land and labour, services and technology firms have tended to be more concentrated in successful cities, which have been drawing in graduate workers. This concentration of activity has increased in the West since the financial crisis.

The political effects of this population sorting are evident across Europe: frustration at relative economic decline in poorer regions, a sense of loss of community as younger people leave, and grievance about metropolitan 'elites' running the country for their own benefit. Policymakers need to be aware that this process is in its early stages in Europe and may intensify. And it begs the question: should they focus on encouraging people to move to successful cities and regions, or on investing in places that are experiencing economic stagnation or decline?

"Young and well-educated people and more profitable firms are increasingly rubbing shoulders in the big cities. This sorting process drives both productivity and political resentment, which results in a dilemma for policy-makers," said John Springford, deputy director of the CER and a co-author of the paper.

"The policy response needs to involve three elements: bring more towns and regions closer to the successful cities, by investing in transport and ICT infrastructure; make existing agglomerations such as the Ruhr Area or Northern England places of research, innovation and world class education; and invest heavily in the education of every young person, in cities or the countryside," said Christian Odendahl, chief economist at the CER and a co-author of the paper.

'The big European sort? The diverging fortunes of Europe's regions' is the first in a series of papers on the future of the European economy by the CER. Subsequent papers will examine how technological changes and globalisation might affect growth and inequality across regions, and their impact on European politics.

Note for editors:

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