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Cities: Challenges for Growth and Governance

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Cities: Challenges for Growth and Governance by Josef W. Konvitz, OECD

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The Rise of the Global City and the New Economy of Security

More than half the world's population will soon live in cities. Thus will begin a new phase in the multi-millennia history of urban civilisation. The fifty-percent threshold was reached in England in the middle of the nineteenth century, in France by 1900, and in the United States by 1920.

This historic moment for the world could easily be overlooked, insofar as it does not involve any dramatic political or technological revolution. From one perspective, contemporary urbanisation simply appears as an extrapolation of current trends into the future. From another, however, the quantitative change underway involves a change in degree that becomes a change in kind. In 1975, there were only five mega-cities, each with 10 million people, in the world; in 2015, there will be 23, most of them in developing countries, where two-thirds of the world’s urban population will live. Put another way, by some estimates 95 percent of all the new jobs in the world in two decades will be in developing countries, where urbanisation levels are rising to an average of 50 percent and already reach or exceed OECD averages in some regions.

To put this in perspective, the population of Asian cities will double in 30 years; by 2030, the urban population of Asia will be twice as large as the entire population of OECD Member countries. Global cities are growing in size and number at the same time as urbanisation in rural areas in many countries is producing a more even distribution of population, a combination of trends that runs counter to theory. Meanwhile some cities in the West, formerly among the largest, are shrinking. There is competition for people. We have indeed entered a new age.

Countries that are already highly urbanised will undergo change as well as countries that are urbanising rapidly. Look back to 1990, a decade which began in crisis, and consider the changes which have challenged assumptions about what can and can not be done. Japan turned its attention from the Pacific to mainland Asia. Berlin was reunified. Liberal Europe created the single market and the euro, and added ten new member states. The British left Hong Kong. Sydney hosted the Olympic Games; and London, Tokyo and Seoul all elected mayors for the first time in modern history.

The rise of the global city in the 1990s is often taken to be emblematic of all urban trends, but this is to over-simplify. The 1990s witnessed two new economies. The new economy everyone refers to is the economy of productivity gains associated with technological innovation, competition, removal of trade barriers, and regulatory reform. The new economy that people ignore is the economy of security, marked by tougher policing, a larger prison population, the use of CCTV, gated communities, and enclaves: the return of the snoop, the watchman and the
informer. In some countries in the 1990s, private spending on security exceeds public expenditure, and by a wide margin. The events of 2001 in New York, of 2004 in Madrid, and of 2005 in London did not create the new economy of security, but they increased pressures on government to take measures, whatever their efficiency or effectiveness. As always, there is an element of reality behind fear. In the years between 1993 and 2000, at least one terrorist incident took place in more than 250 cities, for a total of 1,326 deaths and 11,762 injuries. But there is a danger that terrorism will draw attention and resources away from disasters such as earthquakes and storm-related floods that are far more costly of human life in major cities.

The difference between these two economies concerns the role of the state: the new economy of trade and innovation attenuates the sovereignty of the nation-state, whereas the new security economy claws back, and in some respects expands, state intervention. De-regulation and re-regulation occur simultaneously.

Each of the two new economies of the 1990s has different implications for the design, management and use of city space. The essence of a city is its public space. Without this there is no civic culture. The domestic Right is still pro-globalisation, willing to support further trade liberalisation and investment in services and amenities, often taking the form of skyscrapers designed by the most distinguished architects. Urban policy, not to mention jobs and investment in cities, would be seriously compromised if fear of terrorism revived ultra-conservative, anti-urban ideology and its expression in a rural aesthetic. It could yet happen. These are early days in what promises to be a lengthy period of tension.

The challenge lies in finding ways that blend a liberal approach to economic change with the social and environmental concerns of people in the places where they live.

To manage space better is an imperative, not an option. We are however ill prepared to cope with the current phase of urban development. What do we know about the spatial aspects of urban development that are relevant to policy makers? - very little indeed. Space in cities changes at one-to-two percent per year, but cumulatively, say over ten or twenty years, that is a lot. Decisions taken now will have an impact extending over decades, perhaps centuries.

A listing of spatial issues is telling: what should be the investment in roads versus public transport? How can conflicts over investment in long-term infrastructures such as ports, airports and power generating plants, be resolved faster? How can the renovation and conversion of older buildings be encouraged? What are the environmental and social consequences of the demand for larger dwellings by smaller households? How can space for SMEs be accommodated at lower cost? How can brownfields be regenerated? Can water and waste management systems cope with rising use?

Linking these questions together are concerns to reduce the impact of the built environment on energy use, to promote economic investment, and to encourage community development. This agenda for sustainable urban development calls for a holistic, comprehensive approach. Yet decisions about what goes where are isolated bureaucratically, and can be highly regulated, at least at local or regional level, and dominated by short-term considerations. The result is a divorce between architecture and planning, and an increasing tendency to privatise infrastructure systems and to under-invest in their maintenance.
The lack of knowledge which is conspicuous in matters relating to urban space is symptomatic of a divorce between academic and professional research on urban issues on the one hand, and what policy-makers need and want to know on the other. There are many reasons for this state of affairs, including the sheer cost and complexity of urban research, different time scales, and different terms of reference used by researchers and policymakers. None of these factors is easily remedied.

There is no good label for applied urban studies, a subject which has been balkanised among professional and academic disciplines. Peter Drucker and Buckminster Fuller wrote of spatial sociology, but that term is not likely to capture the imagination. What do we want to know in four-to-six years for which a major research programme could be launched now? Even if agreement could be reached to support such an agenda, cities will not stand still while major research is undertaken. Policy-makers will have to act now according to information and hypotheses which are far from robust according to the standards of the academy.

I want to cover four aspects of cities in which space is of vital importance, either directly or indirectly:

1) wealth creation, involving the links between macroeconomics and cities, and their role in generating innovation and lifting productivity - *Macro-economics and Space*

2) human and social capital, and in particular the benefits as well as the costs of density and diversity - *Society and Space*

3) democratic governance, referring especially to the capacity of municipal government to cope with the challenges of urban development and to promote freedom - *Politics and Space*

4) the built environment itself, because urban space is an independent variable which can enrich our lives through good design - *Modernism and Post-modernism*

**Macro-economics and space**

Let me begin with macroeconomics and space, if only because economics and the business page shape popular perceptions of cities. The level of unemployment and the housing price index are two statistics which people who know little about how economies function are likely to recognise. A sound macro-economy is of course essential to cities, but it is not very sensitive to the impact of change on local economies. Cities are not a microcosm of national economies. Just as there are examples of cities which contributed to national economic failure, such as New York in the 1920s, so too there are examples of cities which have been able to thrive in countries distinguished by poor macroeconomic policy, such as Sao Paulo in the 1990s, or implode even when the macroeconomic settings have been sound, such as Detroit.

Structural reform, moving towards open economies, involves significant changes at the level of the city - of economic structures, and of relationships between local and national governments and between local government and the citizens. A city can only adjust quickly in response to external changes if it possesses accurate and timely information. Surprising as it seems, the city economy is unknown terrain for most city officials; they know little of the city’s comparative
advantages and disadvantages, so management can hardly be other than blind. There is no macroeconomic theory, so to speak, of cities, or at least not yet. To a macroeconomist, an urban economy is a black box: he knows that what goes on inside affects output, productivity, and income, but he cannot easily explain how. This is a matter of externalities, which can be very positive in dense urban regions under the right conditions for housing, transport and schools. A symbol of ignorance is the lack of an up-to-date regularly produced statistical handbook for the city.

Given this bias in favour of macro-economics and the state, it has made sense to try to measure urban economies in terms of their contribution to GNP. Notwithstanding the considerable measurement difficulties involved, it is thus possible to show that Paris, with 16 percent of the French population, is responsible for nearly thirty percent of its production, and that the organisation of its labour market through modern transport infrastructure generates a high rate of return on French public investment. But this approach no longer gives us a good map, so to speak, of either population trends or of income distribution: (1) Incomes are relatively strong in many areas with limited productive capacity; and (2) populations in rural areas are growing even as agricultural employment remains very low. There are many factors involved, but two of the most important are: (1) commuting patterns across regional boundaries; and (2) sources of income other than employment.

As a result, we need to turn the traditional classification of urban jobs into two categories, basic and non-basic, on its head. Basic jobs produced goods and services tradable outside the city, or in other words, its exports. Non-basic jobs concern locally traded goods such as car insurance, shoe repairs and haircuts. Most jobs today are in fact non-basic by this definition, but the terms imply that basic jobs are in some way more desirable, to be maximised. The basic/non-basic classification made sense at a time when consumer goods mattered less, and most people did not enjoy a long retirement. Today, income is a better indication than production of the economic potential of a community, and has become de-coupled from trade. This suggests that cities need to consider many factors other than tax-breaks for factories or corporate headquarters, when designing an economic development strategy.

The first step is to recognise the limitations of 20th century strategies to promote urban growth based on labour mobility. The interest of a firm is in attracting people who can bring in the latest or most relevant skill or information. As Alfred Marshall pointed out nearly a century ago, the urban labour market valorises the tacit knowledge acquired by workers and enables them to move from one job to another, accounting for growth in productivity. From this point of view, the more that places resemble one another, the easier it is for people to migrate from one district, one city, or one region, to another. Planners and housing developers created vast territories of great homogeneity and instant familiarity, complete with schools, shopping centres and housing estates which represent nothing so much as the Fordist model of inter-changeability that demonstrated its worth on the factory line.

But this model has been superseded in manufacturing, where customisation and specialisation now predominate. The urban equivalent is the distinctive neighbourhood or district with its own vernacular architecture, its layout, its inimitable mix of forms and functions. Firms that succeed today want to be in places where the people they want to employ want to live. This is another way of saying that places which put short-term economic objectives ahead of medium-term
social and environmental ones are compromising their prospects for growth. The 20th century built cities on an economic logic that encouraged people to move to jobs; the 21st century needs to learn how to build cities on the logic that brings jobs to people.

In the short run, there is no simple solution to the dilemma posed by city-regions which are stagnating or in decline, but face competition from dynamic city-regions where the pressures of growth intensify, even at the cost of expensive housing, congestion, and other so-called negative externalities. Government efforts to try to limit the size of a city are doomed to fail, and attempts to counter trends by guiding investment have a poor record of success. How can a country get more value out of its cities and towns?

As Jane Jacobs wrote in *Systems of Survival*, published in 1992, ‘the basic idea is to use whatever commercial strengths and resources a locality already has, but that it has been neglecting, wasting or overlooking’ (Jacobs, 1992, p.172). A 1996 OECD study of six cities undergoing an urban renaissance highlights some of the factors of success in an approach to urban development which puts more emphasis on self-reliance than on subsidies. The six case studies included Laganside Belfast, the historic centre of Krakow, the central business district of Canberra, the inner-city districts of Wedding, Neuköln and Friedrichshain in Berlin, the Clyde riverfront of Glasgow, and former steel mills in Kitakyushu (Japan). All these cities are geographically excentric, even Berlin; they are remote from the main corridors of trade and transport. Each city has assets, some unique mix of specific local advantages which it is trying to exploit, usually including a spatial feature, be it a historic centre, a waterfront, or a planned landscape. In other words, the urban environment is itself an endowment, a factor in development. But it takes special skills, a long-term vision, and imagination to understand and nurture it.

A synthesis of these case studies shows that:

Putting environmental issues first pays big dividends

Quality of design is critical, as is the ability to carry projects through to completion

Public participation helps build a vision for the future on which strategy can be grounded

Taking projects through to completion builds confidence

Diversification of the economy is mirrored in a more diverse society

Serious shortcomings in secondary education compromise economic performance

The public sector can itself be dynamic, a creative force for change

In this globalising age, places are not isolated, people are: the social barriers within cities are often more difficult to overcome than the physical distance between them

Interactive learning between organisations is greatly facilitated where network relationships are characterised by high degrees of trust.
All of these cities have universities, often of world renown. Krakow’s is the oldest and largest Polish university. Belfast has a higher percentage of university-trained people in the workforce than almost any other UK city. Kitakyushu’s research excellence is in ceramics. The Australia National University, University of Canberra and government research centres in Canberra attract a large proportion of international students. Glasgow University, where Adam Smith once taught, is among the top-ranked UK institutions for research. And Berlin’s universities are rooted in a history of pioneering advances in the human and natural sciences linked to names such as von Humboldt, Koch and Einstein. Yet in every one of these cities, local and regional economic development specialists ignored the universities that continued to bring in new people every year, which had a major impact on the built environment and on land use, and that often possessed knowledge and talent needed by local business and government.

The OECD study of cities and regions in the new learning economy highlighted the ability of firms to be flexible and to sustain the exchange of knowledge. Hence, the *learning region* is characterised by regional institutions which facilitate both individual and organisational learning. Some regions display more of the necessary characteristics of a learning region than others, but none fulfils all of the criteria in their entirety, even regions which have adopted the *learning region* as a strategic objective. The main difficulty seems to be the need for regional institutional change to enhance the roles to be played by both private and public-sector organisations.

Space, as Peter Hall observed in the introduction to *Cities in Civilisation*, has been ignored as a variable in discussions of innovation. People who have explored the phenomenon of creativity, finds Hall, have not even tried to address the question of ‘the location of creativity’ (p.10); ‘they are deliberately, rather infuriatingly a-spatial: they are entirely uninterested in the question of what happens where, and why’ (Hall, p.14). No one can predict where the next wave of innovation, the next Silicon Valley, will take place. But Hall’s study tells us that innovation, wherever it occurs, involves the interaction of different individuals and groups in the same place. It is therefore appropriate to turn from this discussion of macro-economics and space, to space and society.

**Society and Space**

It is no coincidence that modern sociology developed after 1800 as a reflection on the difference between traditional, largely rural, society and modern cities. Moral philosophers have long debated whether cities should be judged by the behaviour of the people who live in them. Violence against person and property, promiscuity, deviancy, physical abnormalities and mental illness have all been brought forward as evidence to condemn cities as a form of social order, whether by progressive reformers who want to solve social problems, or by conservative ideologues for whom the adjective *cosmopolitan* is a dirty word.

But the dispassionate and objective student of social forms and behaviour has a different question on his mind: how do people who are essentially strangers to each other, and who live in patterns of density, manage to co-exist, learn to help one another, and profit from the experience, usually according to tacit rules and cultural models? Remember Durkheim’s study of suicide, in which he sought the variable which explains why some people take their lives. He concluded that no single criterion of class, gender or wealth was as important as the number of
relationships a person had. Those most alone were most liable to suicide. The fact is that we know very little about the social and psychological mechanisms by which people acquire the skills for urban living. It may well be that many people who live in cities never quite succeed at this.

Three societal challenges, although not uniquely urban, are highly concentrated in cities:

1) ageing and solitude in general – in many cities nearly fifty per cent of the population live in one- or two-person households;

2) immigration; and

3) the fate of the middle class.

These three are linked. No civilisation has ever experienced a significant increase in the percentage of elderly without undergoing a mutation in values and social habits. An ageing society can respond to the change in the dependency ratio by increasing immigration. Immigrants, both legal and illegal, are in fact a diverse group covering all income and education levels, including refugees, expatriates, temporary workers, people with more than one nationality. Immigrants tend to settle in a small number of very large cities. There will be increasing competition among cities to attract young people, with implications for everything from housing markets to child care facilities and cultural programmes. A European city of half a million may have people from as many as 150 nationalities.

Social success has long been defined as entry into the middle class. The viability of the middle class, on which much else depends, assumes the exchange of taxes for clean water, ample food supplies, educational opportunities, and decent housing. If you do not believe me, look at what happens in countries with a middle class where there is a huge informal sector. If the middle class shrinks, as seems to be the case at least in the United States, then the working population supporting the elderly will be relatively less well off, with effects that will be felt by all. The supply-side economists who want to cut taxes to promote growth must confront the evidence that an ample, well-located social safety net may actually help more people remain productively employed.

These three trends have a spatial dimension. Where people live has a lot to do with their integration into a community, access to services, schools and health care, and their capacity to save and invest. Evidence from the United States shows that between 1980 and 2000, regions with low population densities had less income segregation than regions with medium or high density. But the evidence also shows that income-based segregation actually decreased in regions whose density increased even slightly. Furthermore, older regions are more integrated by income than newer ones, a conclusion which would favour spatial policies to maintain the viability of older neighbourhoods and restrain sprawl. (Pendall and Carruthers, 2003, 541-89). Pendall and Carruthers set out an ambitious research agenda to consider further the ‘centripetal and centrifugal forces that push and pull people into and away from downtown’, and ‘to uncover the specific land market mechanisms that contribute to residential sorting and income distribution’ (op. cit. p. 583).
Policy-makers with limited discretion over policy and budgets however want to know what they can do now, that will contribute to a more stable, better integrated society. But historians and social scientists alike have long been wary of trying to read too much into the evidence when they look at particular social patterns or trends in spatially-defined areas. What is cause, and what is effect? Do people really want to live where they are? To what extent are their choices shaped by public subsidies and policies? How can the spiral of decline that leads to the formation of a distressed urban area be arrested, or reversed? How can a strategic plan to guide development both at the city centre and on the periphery function, when the centrifugal forces in society are strong?

Let me say a few words about distressed urban areas. These were the main concern of policy-makers in the 1990s. They are a test case for the proposition that a gap exists between social research and policy-making, concerning questions about the links between geographical and social mobility, equality and opportunity. Using limited data, the OECD estimated that between 7% and 25% of the population of metropolitan areas in OECD countries live in a distressed urban area, one characterised by multiple dimensions of deprivation. Yet there was no Great Depression to account for these figures, and indeed, although low demand is characteristic of a distressed urban area, many who live in one are employed and enjoy average incomes. Environmental conditions and physical assets matter, but perhaps less so than when slums were more widespread and overcrowding more common.

The OECD study on integrating distressed urban areas (OECD, 1996) showed that:

- People have difficulty finding common terms when discussing similar phenomena that in some places are inner-city, and in others, suburban;
- The growth of the informal economy, which involves legal activities that are not declared or registered, and health and housing issues, receive insufficient attention;
- The need to show short-term results and competing priorities compromises programmes that stand a chance of making a difference;
- Large-scale projects and strategies are often poorly integrated into city-wide contexts;
- There is little interest in setting up an early warning system that would detect what Jane Jacobs called ‘un-average clues’ in her classic The Death and Life of Great American Cities (1960).

Two questions:

- Are the life-chances of people living in these areas significantly different from those of individuals with the same socio-economic characteristics living elsewhere?
- Should conditions in those areas be improved, or should their inhabitants encouraged to move out and settle elsewhere?
The answer to the first question is probably yes. This matters to decisions about where to locate and how to staff schools, how to select public services for closure to meet budget targets, and whether to target the health care of small children at risk. Decisions of this kind are often taken in the absence of national urban policies, and in the face of mainstream sectoral policies for employment, education, health care, the environment and the like, which have consequences at the local or metropolitan level, both good and bad, that are often unintended. OECD studies on the learning city-region concluded that the best indicator of employment is completion of secondary education, but this varies widely within metropolitan regions.

The answer to the second question, whether people should be encouraged to stay or to move, is less certain, and would require long-term longitudinal and comparative studies. It is difficult to make inferences from the experiences of previous generations that can be applied to at-risk groups today. Area-based strategies can complement but cannot replace mainstream social and macro-economic policies for education, labour, infrastructure and growth. The fact remains that mainstream policies are spatially blind, so to speak. Area-based strategies which complement macroeconomic and mainstream sectoral policies add a degree of complexity which is reflected in the proliferation of grants programmes, contracts and task forces for coordination.

Urban policies are more difficult to co-ordinate than mainstream macro-economic and sectoral policies. This helps to explain why there is more emphasis on jobs than on social development as policy levers and objectives. In national administrations, the urban portfolio is often the preserve of junior ministers who lack the clout to shift resources and promote coherence among the different parts and levels of government. In any case, the linkages between social cohesion and economic outcomes are difficult to detect.

The low status of urban policy reflects three strong determinants of priorities at the national level:

1) electoral considerations, which often pit mayors against premiers or presidents, and rural against urban interests

2) the potency of macroeconomic policy levers in comparison to microeconomic measures

3) the organisation of bureaucracies on techno-functional, not thematic, lines. Politicians who rely exclusively or too heavily on mainstream policies delivered by line ministries to reduce poverty and promote social integration in urban areas run risks.

First, recessions and structural change will occur, with effects that will be felt more sharply in distressed areas and on marginal groups. Second, the formal economy matters less as a force for integration, now that the moral importance of work, and lifetime employment in manufacturing firms, have been eclipsed. Third, there is a deficit of infrastructure investment for transport in most metropolitan areas, which is critical for integration, but too large for city-regions to manage on their own. Finally, the social dimensions of child health, communicable diseases, mental health and inadequate housing call for well co-ordinated area-based programmes sustained well beyond the short-term cycles of budgets and electoral terms.
In the post-war era, until the 1980s, growth came together with poverty reduction, but increasingly, areas with high levels of poverty and deprivation can be found in cities which are in general prosperous and dynamic. Social cohesion, it seems, is not a pre-requisite for growth. In the final analysis, government intervention for distressed urban areas is rooted in political values, a mixture of short-term electoral considerations and a moral sense of social justice. And so we find ourselves where we were a decade ago, with urban policies as a form of damage control.

The biggest challenge facing researchers and policymakers alike may be complacency, the widespread indifference to issues of societal change. Daniel Patrick Moynihan, in a seminal 1993 article, *Defining Deviancy Down* (Moynihan, 1993) argued that culturally and politically, Americans can only deal with a couple of major social problems at a time. As new problems rise in importance, trends and circumstances that had been the focus of attention recede, and are simply assimilated into the status quo. They become part of the landscape, factored into averages, and are considered to be matters about which nothing can be done.

If there is a variable which distinguishes one urban society from another, it is the degree to which people observe what is going on around them and are motivated to act individually and collectively. Two recent books examine this capacity, a critical form of social capital. Robert Putnam’s *Bowling Alone* (Putman, 2000) argues that social capital, at least in the United States, has been declining since the 1950s according to virtually all indicators, and remains more robust in less densely populated regions. Julia Neuberger’s *The Moral State We’re In: A Manifesto for a 21st Century Society* (Neuberger, 2005) argues that an aversion to risk and the complexity of government regulation inhibit private initiative and create an atmosphere of suspicion when we offer help to strangers or neighbours. ‘What we have’, writes Neuberger, ‘is a failure of trust combined with an aversion to risk’ (op. cit. p. xix).

Like Neuberger, geographer Yi-Fu Tuan argues that the ‘impersonal webs of giving and taking’ should be seen as an accomplishment with ethical dimensions that transcend the narrow calculus of cost and benefit. The city, Tuan concludes, must show civility, but he does not ask what happens if it does not (Tuan, 1988). Perhaps there is nothing to worry about. Cities can tolerate more disorder and restructuring. But can we forecast at what point a breakdown of social cohesion could compromise economic development?

Ten years ago urban problems seemed to be internal and domestic, concerned with whether a permanent underclass was emerging in cities. Today people are asking how peace can be kept in cities if we cannot keep peace in the world.

**Politics and space**

Let us start with some questions which I believe highlight the need for critical, creative thinking.

- What is the future of local government if trust in politicians continues to decline - and how can local government attract and retain more trained professionals?
• Extra capacity in infrastructure is vital in an emergency. What are the implications for planning key facilities such as ports, airports, electricity generating plants, waste and water treatment facilities, parks and hospitals? How should the extra costs to meet security requirements be covered?

• What principles should apply to fiscal policy co-ordination across levels of government? Is there a role for fiscal rules - such as expenditure ceiling, restraints on local tax adjustments, limits on sub-national governments’ ability to borrow money?

• What spending responsibilities are best suited to local provision? What should be the tax rates and base devolved to local governments? To what extent should their spending be covered by their tax base?

• How can the delivery of public services be improved - and what should be the standards for public service, taking the needs of different groups into account?

• What will be the future of city-regions in border areas? What will be the future of city-states?

• What is the impact of privatisation and de-regulation on local democracy? How can citizens who identify with single-issue politics co-operate for area-wide initiatives - and who is responsible for developing a medium-term, area-wide vision?

• Who is a citizen in a mobile society? There were nearly as many people living in Berlin in 2000 as in 1990, but one-third of the population had changed over that decade, as people moved into or out of the city. Should there be minimum residency requirements to vote in local elections? As much as a quarter of the population of any large European city will be foreign nationals. A medium-size city such as Kiel will have 100 nationalities represented; London has over 200. Should voting rights in local elections be given to foreign citizens resident in a city?

• How can public interest in complex urban policy issues be stimulated, when the media focuses on fragments of the market, and over-simplifies?

Many of these questions concern the capacity of key players for co-operation, or what is now called governance. In core metropolitan areas, where environmental quality and spatial design matter the most, the inherited pattern of jurisdictions shaped in another era is a serious handicap to strategic planning and efficiency. National governments are usually reluctant to intervene at the local level for political and budgetary reasons. Public choice theory may have an admirable goal, namely to enable people to choose the mix of services they are willing to pay for, but it is biased against government on a priori philosophical grounds, namely that government officials will fail to define and defend the public interest.

To emphasise an essential paradox: cities are places which give more opportunities to individuals, and indeed provide a basis for freedom from the restraints of convention, class, and preconceived notions about how things should be. But cities are built and maintained through collective rules and mutual respect that approach a public art, an expression of something
which transcends individual interests. We have yet to find the optimal balance between freedom and constraint, or between the market and the state, when allocating resources in cities.

The paradigm for urban spatial development in the 20th century was regulation, based on the extension of networked infrastructure utilities to cover the entire urban area, and crossing jurisdictional lines. Regulation made decision-making a question of who controls what. Power was located in sectoral bureaucracies; no-one had overall responsibility for the cumulative impact of many decisions taken independently. This had the advantage for political leaders that they could avoid thinking about the cumulative effect of many individual decisions. This system worked well enough to meet basic needs for growing cities, enabling millions of people to enjoy safe water, access to transportation, electricity and gas. But the system, which was superimposed upon established municipal authorities within well-functioning nation-states, is difficult to adapt in many developing countries which face the challenge of modernising government as they cope with the unmet needs of millions for sanitation, power and water.

Moreover, this system is increasingly difficult to adapt to the challenges facing cities in developed countries, which for the purposes of simplification I can classify as of two kinds. On the one hand, thanks to devolution and decentralisation, regulatory responsibilities at regional and municipal level are growing faster than the capacity of administrators to cope. On the other, the regulatory system does not provide sufficient incentives to synchronise the economic, social and technological aspects of change, and to promote more sustainable patterns of development.

Something has to give. Take the seemingly simple question of negotiating easements for power lines in built-up areas, as well as their maintenance which, when deficient, contributes to widespread blackouts. A transformation of policies for regulation is underway in most developed and in some developing countries, but it will take time to adjust the existing stock of rules and the procedures to adopt new rules, in order to create a regulatory regime suitable for cities in the 21st century. Implementation matters. In the meantime, security issues, which are re-centralising power, may well jeopardise early efforts to make regulation more transparent, effective and efficient.

Decision-makers need creative solutions to problems framed by outdated constitutional structures, complex fiscal arrangements, and jurisdictional boundaries. They are as little likely to benefit from political theory as from empirical studies. Yet there is a large group of people whose experience, knowledge and interest remains untapped: the mayors themselves. The problems they face - land-use planning, housing, transportation, water, waste services, disaster prevention, public safety - are essentially similar. How do we know which policies are working? We do not have time to wait for definitive research. Decisions can nevertheless be taken now on the basis of sound principles, where they exist, and with courage for more experimentation and innovation where they do not. The advantage of democratic systems of government is that, based on the Enlightenment doctrine of experience, they are tolerant of mistakes. Under the circumstances, we should be more imaginative, bold and impatient, but we have too little nerve. We comfort ourselves in the belief that the alternatives we have not tried would likely fail. We have become risk-averse, unwilling to experiment and make mistakes.
Ultimately, improving cities means applying the things people do well in cities - innovation, acculturation, specialisation – to the solution of urban problems. The problem is not that cities have problems - a city without problems would have no people living in it - but that problem-solving strategies have broken down. As a result, urban policies are more often reactive and remedial than proactive and preventive. To quote Jane Jacobs: ‘practical problems that persist and accumulate in cities are symptoms of arrested development’ (Jacobs, p.105). The challenge is to apply innovation to the development and diffusion of new products and services which improve the quality of life and the efficiency of cities.

Such a virtuous cycle has occurred in the past. Many major commercial activities, such as telecommunications and insurance, had their origins in efforts to overcome inefficiencies and reduce risks in cities; indeed, as Jane Jacobs has observed, cities provide the contexts in which innovations are absorbed into everyday life. (op. cit, p.193). Markets should be promoted for new urban goods and services that could improve living and working conditions. We need to identify research strategies and goals which could promote innovations to solve urban problems, building on the efforts, however erratic and poorly funded, that have characterised urban studies since the 1950s. There is a measurement problem to correct as well. In the past, goods and services purchased by municipalities were largely produced and consumed locally or nationally. Now there is a large and growing international trade, but in many if not most countries it is not disaggregated in trade statistics, and remains sheltered by many non-tariff barriers to trade.

In 1968, a report of the US National Commission on Urban Problems, Building the American City, put forward a proposal which addresses this challenge:

> What we need most of all is working capital for ideas, that is, for design. Design…means social, legal and financial design. It means creative thinking in all fields. Money must be made available for all these functions… A start might be by establishing a design development bank (p. 497).

Today, such an idea would be embodied in a public-private partnership for risk-sharing, but to my knowledge no such institution has been established.

Problem-solving is not the responsibility of elected and appointed officials alone. But without political leadership, private-sector interests - and I include philanthropies and civil society to some extent - are likely to set priorities and allocate resources. Driven by fiscal constraint, the reform of public management, decentralisation and devolution, and the design and delivery of public policy increasingly call for greater public participation and more public-private partnership. This in turn necessitates greater clarity about what should and must be done by the public sector, and what by the private. As Jane Jacobs observed in Systems of Survival, partnership is basic to the creative symbiosis of the separate value systems of the public and private sectors.

**Modernism and post-modernism**

In this concluding section I put the terms of debate about styles of planning and design on a higher political level. Clearly, there are many points of entry into this topic: whether from the
perspectives of economic development with questions about where the jobs of tomorrow will be; of social development with questions about cohesion and human dignity; or of political development, with questions about the capacity of democratic institutions.

What is equally clear is that decisions about urban space are taken all too often as a kind of after-thought, the consequence of some other decision about something else. This reductionist approach, which is particularly pronounced in agencies responsible for inward investment or network utilities, ignores the cumulative impact of such decisions on the quality of life, and indeed, on the viability of cities. Missing is a holistic approach to space. What we have instead is a debate, often highly literate and sterile at the same time about modernism and post-modernism, within the professional communities of architects and planners. Yet the terms of their debates contain truths of wider significance.

Modernism is in my view an aesthetic expression of a liberal, progressive philosophy. It asserts that we are capable of generating forms and ways of building suitable to current and future needs. Modernism, which had its greatest impact on cities during the period 1880-1960, was grounded in the assertion that there are principles and rules by which buildings and cities can be ordered, and that these can be applied to the creation of new forms and institutions. One can in fact talk of a tradition of modernity: a spirit of reform linked to an architectural and planning vocabulary suitable in a great variety of places and at many different scales, based on principles of reason and the criterion of meeting human needs. Modernism is not a strait-jacket on imaginative design. Far from it: the Gothic revival of the mid-nineteenth century was just as much a phase of modernism as was the neo-Classical revival of the late-eighteenth.

Modernism recognised that the scale on which planners work is far greater than the scale which individuals inhabit and use on a daily basis. As a result, the techniques for giving form to urban spaces, to prepare them for development, have tended to shade the differences between people, to standardise around the average. This was above all typical in the Fordist era of mass production, when building and planning by rules and norms made possible the progressive expansion of the city, while eliminating a range of environmentally unsound and unsanitary practices.

The lessons and achievements of the modernists – and their nobility of purpose - are often forgotten now that technology provides many of the physical elements needed to make life comfortable. Modernism emphasised the need to improve environmental conditions and to give people access to light and space. It created public spaces appropriate to large urban crowds yet still often intimate enough for people to be alone. Above all it asserted that people of different backgrounds must understand the city to make best use of it – hence the pursuit of a visual language designed to communicate clearly and meaningfully.

Post-modernism, by contrast, rejects the very idea that design can meet the needs of different people in a coherent manner, based on the argument that people are too diverse, and that any effort to develop a coherent style in design involves a relationship of power. It has been sensitive to issues of race, gender and ethnicity that found little place in modernist views of urban society. Post-modernism doubts whether a holistic understanding of the city is possible, because cities by their very nature are marked by, and indeed generate, insurmountable social, economic and cultural divisions.
From a postmodernist point of view there are no objective standards against which a city and the conditions of life of the various groups living in it can be evaluated. Even the observer has no fixed point from which to take in the city and its experiences. Thus, postmodernist architecture violates classical norms about proportion and decoration as a way of proclaiming that there are no standards of beauty independent of a given time and place. Many postmodernists attack the shared public space and culture, as an agent used by hegemonic groups to maintain their position and to dissipulate their power.

Policy-makers and politicians who are still trying to build coalitions and bridge differences do not see the city this way, however. They need a way to understand and act upon the city as a whole.

Post-modernism reflects the widely-shared perception that the future is uncertain and problematic; but the future was always thus. Modernists may simply be more confident that the challenges of the future can be met. The problems of social fragmentation, environmental degradation, and structural economic change are real, but post-modernism is better at analysis than at providing the basis for policies that can address them. Politicians do not discuss urban issues in terms familiar to readers of postmodernist political criticism and social analysis, such as core/periphery, or gendered or socially constructed relations. Perhaps we can indulge ourselves with post-modernist culture; we cannot afford postmodernist politics.

A symbiosis is needed between the best of modernism and the best of post-modernism, not as styles, but as modes of reflection about cities.

This means taking on modernism’s concerns about efficiency on the one hand, and postmodernism’s about identity on the other. These are two of the defining parameters of our time. The capitalist economy increases choices, giving people more control over their lives, more information, and more responsibility. Identity is about self-worth and dignity, the opportunity for individual mobility and self-development, the cohesion of communities, and freedom of expression. Both affirm the variety inherent in human experience; both explain why democratic systems are more tolerant, and cope better with problems, than autocratic and centrally-controlled ones. Social diversity is a positive factor in economic development; the modern economy supports a vibrant, complex society.

The principles of modernism operate at the macro scale, which is appropriate to a large labour market, and to problems of the environment, land, housing, transport and energy at the regional level. At this level, the location of investment is shaped, and major strategic issues resolved.

Post-modernism is relevant to the micro scale at which people find meaning and understand everyday life in a small part of a city-region, where issues of health, security and education are uppermost. At this level, families are formed, children are nurtured, culture and civil society flourish. If this symbiosis is found, then the viability of cities will be coherent with the demand of people for cities as better places in which to live and work. But this is to evoke utopia, which no longer has a place of honour in our thoughts, having been discredited, together with a belief in progress. There is a gap between what we can achieve and what we are attempting to achieve, and it is widening. What do you build if you no longer believe in a better future, or a better society?
The factual evidence about urban change and risk today is filtered through a political lens which is expressed between polarising extremes: between a relatively stable present and a frightfully anarchic future. People feel that they are vulnerable to trends and forces that they do not understand and cannot control. It is this feeling of *impotence* which is most important in political terms, because it encourages people to accept – indeed, demand – an expansion of the State’s scope for intervention. The question is whether the forces and impulses unleashed are directed toward a demagogic, autocratic centralisation, or toward a democratic strengthening by government of the capacity of individuals and communities – and of government itself – to cope with change.

When Woodrow Wilson addressed this challenge in his first inaugural address, it was to prefigure a regulatory role for the state through legislation, taxation and administration which would correct abuses and establish rights. He said:

> There can be no equality or opportunity, the first essential of justice in the body politic, if men and women and children be not shielded in their lives, their very vitality, from the consequences of great industrial and social processes which they cannot alter, control or singly cope with. Society must see to it that it does not crush or weaken or damage its own constituent parts. The first duty of law is to keep sound the society it serves.

Wilson tried to channel the social pressures at work in a society late in a phase of globalisation at least as strong as that which has dominated the last two decades, and similar to ours as well in the extent to which it was marked by rapid urbanisation based on immigration and technological innovation.

The late 17th and 18th centuries witnessed the creation of capital and commodity markets for the first major metropolitan centres of the Atlantic world, but also checks on arbitrary government and on the dominion of the military over cities, as well as the emergence of individual rights enshrined in law. Urban growth in the period 1880-1920 accompanied the introduction of modern telecommunications, infrastructures, electrification, mass production and retailing, as well as modern social welfare systems and universal suffrage.

Modern urban civilisation would not be possible without the expansion of rights since the 17th century; indeed, the pressures of urban growth helped generate both the ideas and innovations that have expanded individual rights, and the political will to enshrine them in law and institutions. The economic opportunities of our era, combining globalisation, environmental gains, and information and communications technology, are fairly clear to discern. But their implications for the exercise of democratic rights and for the protection of the rights of the individual are not so apparent. What new rights or freedoms will become established, at least in part to help support well-functioning cities?

Let us be clear. What makes the Wilsonian moment look remote and idealistic is not the political and social situation he faced, which after all marked the threshold of one of the greatest crises ever to shake Western civilisation, but the belief that a rational response called for broader rights, more democratic participation, and the application of sound principles of political economy to both public and private-sector governance.
References


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