

Comprehensive Urban Studies No.66 1998

Open Lecture

Urban Development in a Global Era

Date : Tuesday, May 12th 1998

Place : Tokyo Metropolitan University

Department of General Education Room 107

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Abstract

This discussion is focused on urban development in advanced industrial nations over the past thirty years. Ten cities are selected and these include New York, Detroit, Houston, Toronto, Liverpool, Glasgow, Paris, Marseilles, Milan and Naples. The cities were chosen because they represent prosperous and distressed cities within each of five nations (United States, Canada, United Kingdom, France and Italy). The cities portray a wide range of urban policy responses and these responses are used to analyze successes and failures.

Propositions are advanced that 1) cities have undergone very different changes and taken different development paths 2) globalization has profoundly affected cities and shaped their development strategies 3) certain characteristics and strategies enable cities to better cope with global transformation. After reviewing these characteristics an observation is made that there is an inherent tension between effective development strategies and socially redistributive policies.

The discussion is concluded with recommendations for the most effective development strategies in an era of globalization. The recommendations are intended to apply to Tokyo as well as other advanced cities.

The subject for my talk this afternoon will be "Urban Development in a Global Era", a comparative study of North America and Western Europe. I will talk about 10 cities and I hope you can draw some inferences for Tokyo. I will be phrasing my talk in a very general way so that you can draw some points for Tokyo.

Let me begin by saying that the last 30 years had been an extraordinary time for us, particularly from the year 1970 up through the coming new millennium. They were years of considerable transformation. The ancient world took 3,000 years to emerge. The medieval world

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took 1,000 years to emerge and the industrial age, just 100 years. And now from 1970 on through the next millennium, we will be facing a postindustrial age, which will emerge even more rapidly than the previous eras.

The change is geometric and so rapid. In just 30 years we have moved more rapidly than in the previous 4,100 years. We can understand the movement of the ancient world simply by understanding the technologically driving forces which propelled one age to another age. The forces of energy for the ancient and medieval world were essentially either man-made or animal-driven energy. The forces of the industrial world were driven by the energy and technology of the steam engine and of electric power and of coal power.

The forces of the post-industrial age are driven by cyber space, fiber optic technology and microchips. It is this age, from roughly 1970 onwards, that has transformed cities and caused a virtual revolution in the urban world. If we look at the major cities across the world we can understand just what has occurred in those places. Cities such as Pittsburgh and Cleveland in America, heavy-industrial cities, or Birmingham, New Castle, Essen, Lille, Turin in Western Europe, virtually revolutionalized their social and economic fabric. These were cities that once contained heavy industries. Many of the cities which created steel and built automobiles have been left virtually empty. They have lost nearly 50% of their employment, and in many cases, 50% of their population.

Those were not only the heavy-industrial cities of steel, automobile, machinery and tool-

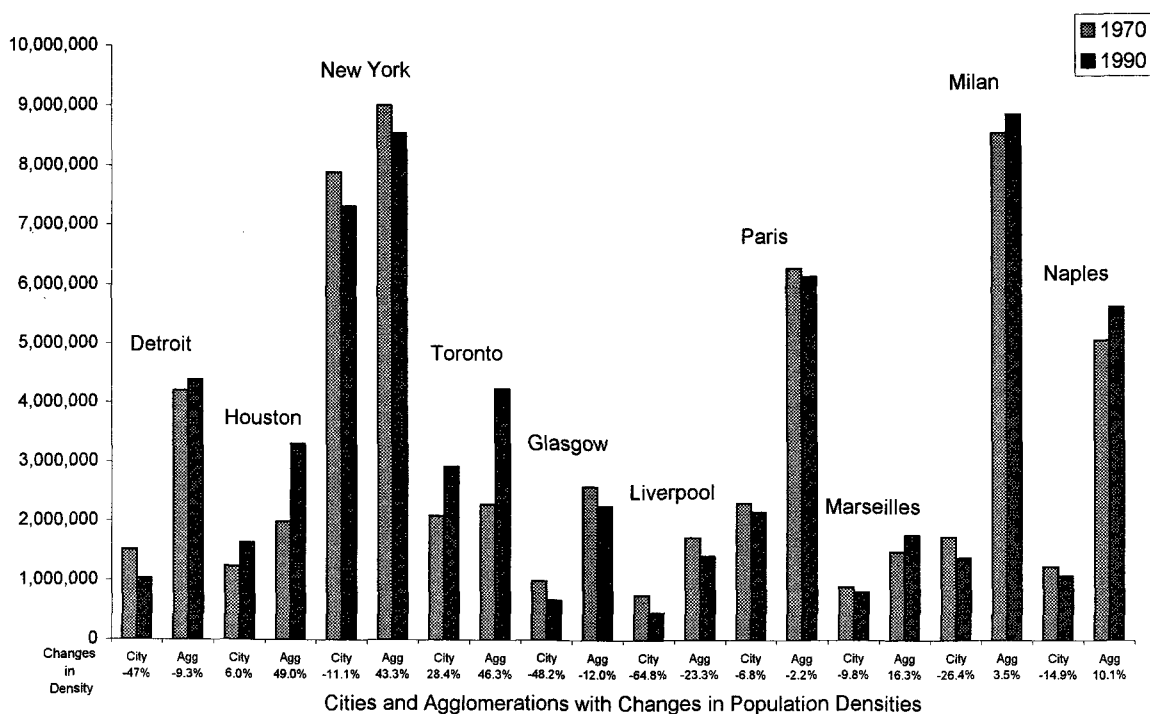


Figure1 Population Growth and Loss in Ten Cities : 1970 – 1990

making, but they also consisted of port cities that hosted warehousing and shipping. Port cities such as Liverpool, Glasgow, Marseille and Hamburg went through this emphatic revolution.

The old industrial age in many of these cities is gone. And it has gone to in many cases to the Southeast Asia and other places. Manufacturing and ports have decentralized but nonetheless, there has been a re-centralization of the service economy and the information economy, the economy of management, finance and direction.

We can see this in the rise of what has recently being called 'globalcities'. Cities such as New York's Midtown and Downtown; Cities such as London's Inner City and the Docklands; La Defense in Paris; Frankfurt's Central Business District and Tokyo, of course, has its Shinjuku Area.

One part of the story of this great transformation can be attributed to the phenomenon we call 'globalization'. We can define globalization as a phenomenon which has brought about the permeability of national boundaries. National boundaries are no longer walls through which people have difficulty passing but they are now perforated. Nations are no longer islands themselves, and nations are tied together in very intricate ways.

We can think of this new era of globalization in terms of three basic dimensions; economic, technological and social. I've already mentioned the technological aspect: the growth of computer usage, the rise of microchips, the rise of everything from e-mail to the technology of the common news media such as CNN that everybody faces. But there are other aspects that complement the great technological revolution. The increasing amount of trade that now blanketed the world are due to trading pacts such as :the European Union (EU); NAFTA in North America; or ASEAN in Southeast Asia. They have changed the very nature of national sovereignty.

Free trade and the adoptions of common currency have lessened the role of the national state, have perforated sovereignty and in doing so, they have increased the roles of cities and the roles of city regions. Once common currencies are adopted, once common interest rates are adopted, once common trading standards are adopted, the roles of nation states diminish. One thing that becomes important is the ability of cities engaged in, for good or bad, more intense economic competition. We can see economic competition even in standardization of products, common weights and measures, common packaging of products which move across nations very rapidly. Whether it's McDonald's that somebody goes for lunch, or a Sanyo electronic product that somebody buys in New York, or Mercedes-Benz that somebody may buy in Lebanon or Shanghai. The products are more or less transnational and very often made in many nations of the world.

Cities have become motors for this globalization. They have become flexible territorial units that can either succeed or fail in the phase of globalization. We can see the very profound changes happening in cities because major cities around the world are growing more and more alike. Not only in the central business districts which have become nerve centers of this global economy, but even in the social structure. Cities are now confronted with waves of immigrants. Cities like New York and Chicago once had more than 30% of their population consisting of immigrants. But now cities such as Hamburg, Berlin, Paris, London and even Milan have now

sizeable waves of immigrants. Even Tokyo, which is supposedly one of the most homogenous cities of the world, has over 250 thousand immigrants who now staff the new economic machinery.

Immigrants are often used for a source of cheap labor, and a source of establishing informal economies. So one can see businessmen heading to the central cities during the day and immigrants going out to serve as maids, housekeepers or as day workers in residential areas, a kind of reverse commute. During the evening as the business people go back to their residential units, those same immigrants return to the central city. They may and be cleaning office buildings, and working in menial or cheap labor jobs during the evening.

Let me provide you with some examples. More than 10 percent of the entire population of Germany and France now consists of what are called 'immigrants' or 'guest workers', very often from Turkey, or from parts of the underdeveloped world. Sao Paulo has 1 million foreign immigrants used to staff its economy. Bangkok has over 500 thousand immigrants mostly drawn from Southeast Asia to staff its economic infrastructure.

Immigration is a very different type of social movement. Fifteen years ago or 100 years ago, when people immigrated, they usually assimilated into the host culture. People became Americans or Australians, or French. But this new immigration consists heavily of single men who send their remuneration back to their home country. Even when the families are brought over they remain unassimilated. We can say that immigrants now live in a kind of transnational space. Turkish immigrants living in Berlin or Paris retain very strong ties to their home. Hispanics in Chicago or New York are very closely tied to Central or South America.

So these are expressions of globalism. The ability of immigrants to move across countries and settle in a land as if it were a part of their homeland. The ability of economic growth that moves transnationally from one city to another without recognizing where they even came from. The force of technology and media to contracts distances between many different countries and cultures.

So it is not, I should say, just deindustrialization. It is not just globalism that now characterizes this new age. But there is a third factor which currently drives this new age and that is urban decentralization. Very often this is expressed, at least in America, as a growth of suburbs.

So we now have this deconcentration of population but we also have, as another expression of this new era, the growth of what I would like to call "new-age boom towns". It sometimes refers to the growth of sunbelt cities. Houston, Texas or San Diego, California in America are versions of this new-age boom town and so is Grenoble and Montpellier in France, Oxford, England and Vancouver, Canada. What is a new-age boom town? They represent a quintessential expression of the information age. Usually their economies are based on high technology, service economies or space-age technology.

Very different from a classic industrial city like Pittsburgh, Lille, Essen, Hamburg, Glasgow or Liverpool. New age boomtowns are spread cities connected by auto routes and major highways, fronted by low rise buildings, and built in conjunction with universities or with major high-tech or aerospace industries.

This is what the last 30 years have given us and is likely to be propelled at an even more rapid rate toward the next millennium. The question of my research concerns how major cities of the world have coped with this transition. Why have some cities been very successful in dealing with this transition while other cities have fallen behind. What I have done as a part of this research enterprise is to look at 10 cities in North America and Western Europe. Again I invite you to draw parallel with Japanese cities, particularly Tokyo.

The 10 cities chosen for the study are: Detroit, Houston, New York and Toronto in North America; Glasgow and Liverpool in United Kingdom; Paris and Marseille in France; Milan and Naples in Italy. They were selected for several reasons. Many were selected because in each nation we have prospering cities and cities in decline. So we will have Detroit which has been shown to be a city in great decline versus Houston, which is a prosper city. In the United Kingdom, Liverpool went through a period of decline but has recently revived itself. Glasgow remains in great distress. In France we have Paris, considered to be a prosper city and Marseille, considered as a city in decline. In Italy we have Milan, a prosperous city and Naples, a city in decline.

So the object of this study is to try to understand why it is, that some cities even in the same nation have prospered while others have gone through decline in this era of turmoil. The second important objective is that we wanted to incorporate different types of cities so that we have Houston and Toronto which represent a new-age boom town. Next I should say that some of these cities are metropolitan cities much like Tokyo. New York of course is a metropolitan city and Toronto represents a metropolitan-type city.

We tried to establish and tried to explain the reasons why certain cities are successful. I will get to that toward the end of this talk but let me say that before that, we looked at several factors. One is their economic strategy; two is their market conditions, and three is the set of inter-governmental relations. Market conditions refer to the ability of the city to attract private capital and investment. Economic strategy refers to the ability of the city to develop and approach toward globalism and the degree to which the city will spend its resources on either social expenditures or in attracting outside investors. We ask the question: Is the city market-centered? Is it centered on attracting outside capital? Or is it social-centered and centered around redistributing its income to help the poor, to establish assisted housing, or to redress social imbalances.

Just to give you an idea, Houston is regarded as a highly market-centered city. It has no zoning, it has very low taxes, it has a vast amount of open land that makes revenue available to industry. By contrast, Marseille and Liverpool are very social-centered. They provide a large amount of their expenditures toward housing, they devote a large amount of their expenditures toward social welfare and there is relatively little incentive they provide to outside investors.

So we had this question of market conditions, economic strategy and the third variable we look at are inter-governmental relations. By that we ask the question; can the central city tie itself in some way to the national government or to governments around it, in the form of metropolitan governments, or in the form of regional cooperation, or in the form of national aid in order to maximize its resources. We are trying to assess here the success or the failure of

cities relative to the three variables of market conditions, economic strategy and inter-governmental relations.

Now let me show you what happened to these 10 cities during these 30 years, or during this age of very radical transformation (Figure 2). The figures represent secondary sector change in these 10 cities. By secondary sector it basically means manufacturing, heavy industry, transport and utilities. What we have listed here in very short terms, the decline in most of these cities, at least in 8 of these 10 cities, of heavy manufacturing that I have described earlier. We have the cities listed here as well as the agglomeration (that is the suburb around the city).

So you will see that in cities like Detroit, more than half of its manufacturing capability was lost. And look at some other distressed cities. In Glasgow more than half of its manufacturing capability was lost and in Liverpool, again more than half. In Paris, more than half or probably 70 percent of its manufacturing capability was lost and disappeared. In Marseille, same thing and Milan too, more than half lost.

The second bar shows the aggregation. Naples lost less, about 40 percent of its manufacturing capability in these 30 years. I'll add just one thing. You can see that new-age boom towns had not lost that much; Houston has lost a little, Toronto has not lost all that much. So you have two exceptions to this steep decline in almost every major cities that we have selected.

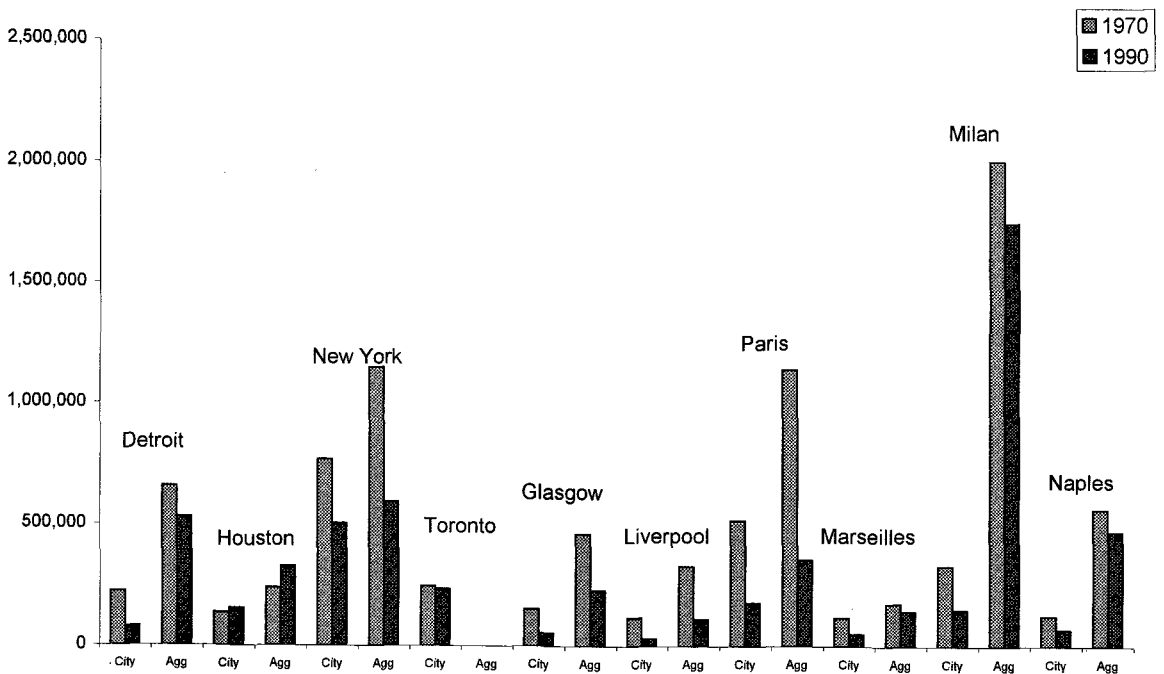


Figure 2 Secondary Sector Change in Ten Cities : 1970 –1990

Now the question is what happened to these cities as a result of lost industry. We can obtain an answer by looking at their ability to recover with what is called here tertiary sector employment. That is a kind of employment that I said was very characteristic of the new global era and may include services, high technology and very often what we call "FIRE", finance, insurance and real estate.

Notice the most severely struck cities like Detroit have even lost the additional tertiary sector employment. The same is true here for Glasgow. Marseille lost as well. Naples had a slight gain. The big gainers are Houston and look at New York City which continued to gain from the 1970s to 1990. If you isolate Manhattan from New York the gain will be even higher. The agglomeration gained as well. A great deal of tertiary sector growth not only occurs in central cities but it occurs else into the suburban areas. Toronto gained in both manufacture and tertiary sector. Paris gained quite a bit. Milan gains here as well. But notice that the typical pattern, both in terms of population increase and in terms of tertiary sector growth, is constituted by a spread of that activity into surrounding suburbs which makes collaboration with surrounding localities important for all central cities.

Here's another view. Of these cities which bring the point into sharper relief. It is the occupational transformation of these cities between 1970 and 1990. So we have here essentially high degree of post-industrial employment, professionals, managers, sales clerks, and services which we label as post-industrial employment. And here we have pre-post-industrial employment of craftsmen and operators in the old industrial cities. I'm sorry to say that this is a work in progress and these categories for Milan and Naples are not filled in yet. But note here, again in distressed cities, they have actually fallen. If we take Detroit, from nearly 78 percent down to 70 percent in these categories. If we look again at Glasgow, we see a little rise and in Liverpool too, but basically under 70 percent. In Paris, by contrast, or in other prosperous cities, they are hitting nearly 80 percent, upwards of 75 percent of their employment base as post-industrial employment. Houston has about 76 percent. New York City has over 80 percent in post-industrial employment.

See Figure 3 below.

So the part of the answer to the question, what happened to some of the old industrial cities, was that there was a replacement of secondary economic activity by tertiary or post-industrial economic activity. But the real question is why is it that some cities were able to replace their secondary activity with tertiary sector activity.

For one cities with high forces of agglomeration have a good chance of converting industry in post industrial uses. In short success begets success. If you have a diverse base, an indispensable location and a lot of capital, you stand a better chance of improving your lot. It is all said by an American jazz singer, Billie Holiday, who exclaimed "Them that's got shall get, Them that's not shall lose, so the Bible said, and it still is news".

But that's not a sufficient enough explanation. I can't stand up here after wasting 50 minutes of your time and tell you that cities having high success will continue to be successful. I can also say that single industry cities are vulnerable to global change. Detroit, Liverpool, Glasgow, and Marseille are dependent upon on either automobiles, or upon steel manufacture,

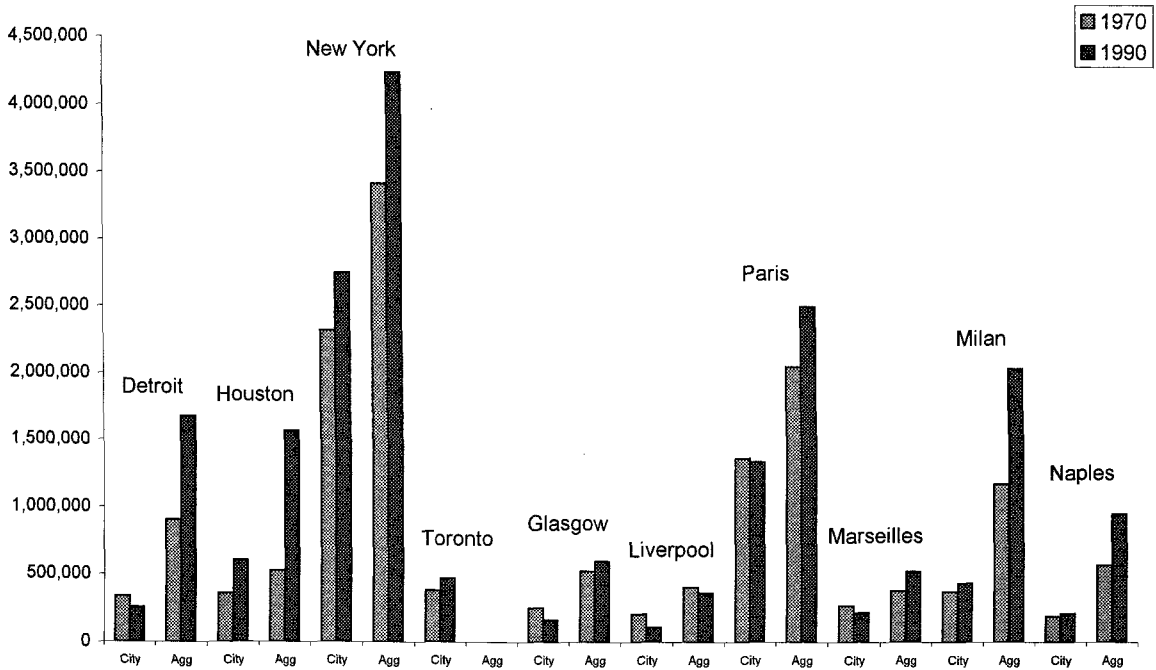


Figure 3 Tertiary Sector Change in Ten Cities : 1970 – 1990

or upon ports and warehousing. Once a single industry moves elsewhere or becomes outmoded the city falls far behind. This was certainly the case for Liverpool. When trade between England and North America so to did Liverpool. And certainly it was the case with Marseille as other more competitive ports opened up through the south of France.

So in terms of market conditions, versatility is a great asset, the ability to have multiple industries that you can rely upon. But that does not still account for the success or the failure. Inter-governmental relations, that is to say, the ability to draw on strength from complementary sources also explains for the success.

In New York City for example, a large corporation run by the state in cooperation with larger regions, called the Urban Development Corporation, invested huge amount of money to rehabilitate midtown and downtown areas. In Paris regional cooperation and national forces were brought to bear in order to build a new downtown outside the center of Paris in an area called La Defense. Toronto is not nearly severely struck by deindustrialization but nonetheless had an enormous network of localities around that supported economic and social cooperation. Both economic fabric and infrastructure of that city were through the 1970s, giving that metropolitan are one of the best transportation systems in North America.

Detroit and Liverpool fell apart and virtually collapsed. And in Detroit riots after 1967 brought about a huge amount of flight of the white middle-class and left that city today with an impoverishment rate among the highest in North America. Neither the suburbs nor the state of

Michigan would have much to do with Detroit. People fled and tried to create an alternative city. White middle-class suburbs were virtually cut off from the central city.

Liverpool different as it is from Detroit and thousands of miles away, experienced much the same phenomena. The city was cut off from the outlying areas and a group of radical labor politicians called the Militant Tendency took over the city and tried to spend it into bankruptcy, believing that if the city went bankrupt the national government would come and save it. But it did not. So Liverpool too is cut off both from national aid and from regional aid around it.

So the force of inter-governmental cooperation can often revive the city. But this too does not tell the full tale. Now here is the third proposition I would like to offer to you. There are inherent tensions between the willingness to invest in economic development by tracking outside investors and the willingness of the city to spend on social causes -- on redistribution. There is a basic contradiction that many cities face between devoting resources toward economic development and devoting resources toward social spending.

Social expenditures will reduce poverty or at least make poverty more tolerable. But social expenditures tend also to dampen economic growth because it taxes the middle class, and the middle class are often the producers of that economic development. Let me show you some data here which may make the case. These are the poverty rates in some of our cities. We are still in the process of filling in the chart. Detroit, 32% poverty, Houston, 20%, New York 18%. Poverty at least in American central cities is much higher than in Toronto or Marseille. So in spite of economic growth, poverty increased between 1970 and 1990 in American cities. We can understand poverty increasing in Detroit to 32%. But why should it increase in Houston or in New York, from 14% to 20% and from 14% to 18% is still an unanswered.

In spite of prosperity one can have poverty. If you look at unemployment rates, here the data is more complete, note here that unemployment rates are less in North American cities, Houston and New York being two cases, 8 and 9% of unemployment, and has gone down since then. Detroit remains high at 17% but note that, in spite of the fact that European cities have

Table 1 Persons in Poverty in 10 Cities : 1970 –1990

	Central City	
	1970	1990
Detroit	14.9%	32.0%
Houston	14.1%	20.4%
New York	14.9%	18.9%
Toronto	14.5%	16.0%
Glasgow		
Liverpool		
Paris		
Marseilles		14.9%
Milan		4% (est)
Naples		22% (est)

lesser poverty, they also have higher unemployment rates which is a paradox. The rate in Glasgow is 19%, and in Liverpool 15% and Paris 11%, Marseille 18% and Milan, mere 9% but considerably higher than in American cities. So the paradox is poverty higher in America but unemployment lower in America.

Table 2 Proportion of Assisted to

	1970	1990
Detroit	3.1%	12.1%
Houston	1.5%	5.7%
New York	8.5%	14.1%
Toronto		15.5%
Glasgow	53.9%	51.3%
Liverpool	44.6%	37.3%
Paris	20.8%	21.0%
Marseilles		46.3%
Milan	4.14%	13.5%
Naples	8.69%	12.2%

The answer of course to this dilemma is the fact that many of these cities and many of the national governments have a high level of assistance in West European cities so that they have a greater degree of social redistribution in West European cities than those exist in the United States. And cities themselves in Western Europe take on higher redistribution function than they do in North America. In other words, the American cities tend to be more market-centered and Western European cities, including Toronto, tend to be more socially-centered.

Look for example at this table here which shows the proportion of assisted housing in each of these cities. In Detroit, Houston and New York the proportion is relatively low, as little as only 5% in the city like Houston which is the most market-centered city of all of the cities that we have studied. It is a little higher in Detroit, and still higher in New York at 14%, But look at these rates here in Glasgow, Liverpool, Paris and Marseille, anywhere between 20% to as much as 51%. So we found that once cities begin in a very strong way to try to redistribute their wealth for social activities, it places a certain strain on their ability to grow in terms of economic prosperity. So in this wake of global transformation, the march to poverty may be more bearable, more tolerable in at least in socially-oriented cities but the march to prosperity in the market-centered cities is far more vigorous.

Finally, I offer the idea that in an era of globalism, cities must be competitive, must be nimble and quick and act in an economically aggressive manner. The best prescription for success in the global era is to have an economic strategy of low taxes, yet a high degree of inter-governmental aid, and promote favorable market conditions. New York and Toronto represent the best examples of that with Paris a distant third.

The worst prescription is to have no inter-governmental cooperation, to sustain poor existing market conditions, and to have a strong redistributive policies. Liverpool represents the most

disadvantaged city of the entire selection of ten followed by Detroit and Marseille.

This may not be a representation of the world as we would like, but it is the world as we have it. And I can only hope my remarks will enable us to function as best as we possibly can within the world as it is. I thank you for your presence and for your kind invitation to me. It has been a pleasure and privilege to address you.