

2005 Urban Land Institute

World Cities Forum

Building a livable urban future

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Thought Provocateur Discussion Papers

World Cities Forum

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The goal of the ULI World Cities Forum is to build an urban agenda for world cities. An agenda that:

- Defines the key working principles for cities.
- Lays out a foundation for participants to better develop their own strategies, business plans, and decisions.
- Provides guidance for the Urban Land Institute's future body of work.

Each part of the Forum is structured to help gather information and build this agenda. Day two of the Forum is dedicated to exploring seven areas of enquiry with the seven thought provocateurs:

- Civic Leadership with Richard Baron
- Urban Design with Joan Busquets
- Demographics with Anthony Champion
- The Global Economy with Hernando de Soto
- Urban and Cultural Anthropology with Jennifer James
- Geopolitics with Fareed Zakaria

Each of the thought provocateurs will be participating in the Forum in its entirety and will be sharing insights, facilitating conversations, and collecting data.

The seven thought leaders were asked to write a discussion paper around a concept or idea, within their area of enquiry, that they felt would enhance discussion and help move the urban agenda forward. Each was given the freedom to explore a new concept or idea they felt would be provocative and would spur thinking. Each paper is not meant to be an all inclusive look at the topic but rather a place to begin discussions.

Attached you will find the seven papers from the seven thought leaders. We hope you will read them as a package, before arriving at the Forum, as each paper builds on the other and together they paint a global story, and will help you create questions, ideas, new concepts to support the urban agenda developed at the World Cities Forum.

Papers Attached

- 1) Geopolitics by Fareed Zakaria
- 2) The City as a Transformative Environment by Jennifer James
- 3) Demographics by Anthony Champion
- 4) Cities on Earth by Paul Hawken
- 5) Urban Design: Public Spaces, Cities, and Livability by Joan Busquets
- 6) A New Role for the Private Sector as an Instrument for Social Change by Richard Baron
- 7) Economics by Hernando de Soto

ULI World Cities Forum Thought Provocateur



Fareed Zakaria
Editor
Newsweek International

Fareed Zakaria Geopolitics

I will use this paper to identify the most important global trends that are shaping the world. I break them down into short-term and medium-term trends, by which I mean over the next one to three years and three to seven years, respectively.

The Short Term

The war on terror continues, but do we live in an age of terror? There are two contradictory trends that are shaping the environment in this regard. The first, political and economic, is favourable. The second, technological, is unfavourable.

Islamic extremism and thus support for terrorism is on the wane. You can see this all over the Muslim world. Do not be fooled by small bands of extremists, who issues *fatwas*, make videos, and deliver sermons. The crucial issue has always been how many people support these groups and individuals. Where politics is open and there are elections, the evidence is overwhelming. Elections in Malaysia last year handed the radical Islamic party there its worst defeat in 30 years. Poll results in Indonesia and India were similar. The Palestinian elections are particularly revealing. Held under difficult conditions of occupation, Palestinians voted not only for a moderate—and against Hamas and Islamic jihad—but they also voted for the only major politician, Mahmoud Abbas, who had actually denounced the intifada of the last four years. In all these cases, the message is basically that Muslims, like most people, have more immediate and pressing concerns than clashes of civilisations and calls for jihad. They want jobs, security, sanitation, and welfare.

The most powerful quiet example of the mixing of Islam and modernity is Turkey. Among all the world's developing countries, it has undertaken the most dramatic economic, political, and social reforms. It has deregulated its economy, simplified its tax code, and brought its fiscal house in order, resulting in 8.2 percent growth this year and a 10 percent rise in productivity. It has passed nine packages of major reforms that have reduced the military's influence in government, enshrined political dissent and religious pluralism, passed strict laws against torture, abolished the death penalty, and given substantial rights to a long-oppressed minority. And what is truly being lost is perhaps the most significant point—all these progressive, modernising moves are being made by a ruling party that represents the people, unlike so many of the liberals in the Arab world, who are an unelected elite. The AK Party has shown that a devotion to Islam is entirely compatible with liberalism, pluralism, and democracy. For this reason it is the most powerful symbol of modern Islam in the world today, a symbol that could have resonance for the Middle East, Europe's own Muslim population, and the entire Islamic world.

The phenomenon of Islamic terrorism might well be a desperate effort by a radical minority to gain attention. Gilles Keppel, the best French scholar of Islam, has compared it to radical communism, which had a burst of violent activity in the 1960s in Europe and Asia. As they were losing hearts and minds everywhere, communist groups realised that their only hope was to gain attention by staging spectacular acts of violence. So also, Islamic terror. Groups like Al Qaeda know that they cannot get a million men on the street to overthrow the

Egyptian regime. (If they could, they would.) They know also that they cannot convince the majority in Iraq to enact Islamic fundamentalism. (If they could, they would have participated in the elections.) What they have left is violence and terror as a way of getting attention. This creates a real problem, but it does mean ultimately that the political engine that is generating this activity is running low on petrol.

Arab governments are also opening up, which has the effect of draining some of the rage that produces support for extremism. They are talking about changing their economic and even political systems. Some are even doing more than just talking. Jordan and Morocco, for instance, have begun serious economic reforms. Egypt, which remains the most tragic case of lost potential in the Arab world, could be rousing from its slumber. An energetic new prime minister has appointed a team with strong reformist credentials, including businessmen in the cabinet (a first in Egypt). The reforms they have proposed are bold and far-reaching. Markets are taking note: Egyptian stocks are up over 120 percent in the last year.

This early enthusiasm could easily dissipate, however. Arab elites remain enormously resistant to reform and will try to scuttle plans for change. But I sense that the dinosaurs are on the defensive. Modernising voices are increasingly bold, many of them originating in the Persian Gulf, which has become the center of reform in the Arab world. Dubai is far ahead of all others in terms of economic openness and efficiency. But Qatar and Bahrain are moving in the same direction with radical plans. It is a strange reversal. In the 1950s and 1960s, the large Arab states, led by Egypt, were seen as the modernising forces in the region. The gulf monarchies were backward Bedouin societies. Now progress, at least economic progress, is coming from the gulf, while countries like Syria appear to be stuck in the Stone Age. Regardless, this competition is good and will spur all to greater action.

What produced these changes? To some degree, American (and European) pressure. In some part, the spectacle of elections in Iraq and Palestine. More centrally, the shock of 9/11, which did lead Arabs to reflect on their condition (after months of denial and rage). And most fundamentally, the reality that Islamic radicalism has no answers for life in the modern world. It cannot hope to attract people with calls for a return to medievalism and obscurantism. It is a frightened reaction to the modern world, not a plan to live in it. And people, eventually, see that.

If political trends are favourable, however, technological ones are not. Terrorism has met its match in the combined power of governments worldwide that have effectively disrupted most of these organisations. But the mathematics of terrorism is bad. A small group of people can use technology to inflict horrendous damage on a society. The technology of destruction is increasingly easy to get a hold of, and increasingly lethal.

Consider the nuclear problem. Making a nuclear bomb requires fissile materials—weapons-grade plutonium or uranium. To produce either, you need reprocessors, reactors, and enrichment facilities. These are out of the reach of even a large, well-funded terrorist organisation. Terrorists can get such materials

only by buying them from states. Obviously it is easier said than done, but it can be done.

The former Soviet Union accounts for more than 90 percent of all existing fissile material outside the United States. Russia still has 20,000 nuclear missiles and enough material to make 50,000 Hiroshima-size bombs. Many of these are extremely loosely guarded. Then, entirely legally, the United States and the former Soviet Union have furnished dozens of reactors around the world that are used for scientific research. Most use bomb-grade uranium as fuel. Then there's Iran and North Korea, which could sell materials to terrorist groups.

If nuclear terror is worrying, biological terrorism is horrifying. It takes a lot to make nuclear material. It would take very little in the form of know-how and labs to create potent strains of anthrax or smallpox. And their effects would dwarf those of a nuclear attack, if used effectively. You could imagine a scenario in which not hundreds of thousands, but millions are infected and die. Unlike nuclear materials, which can be "locked up" and monitored so that they can't be used, bio terror cannot be prevented in that way. All efforts would have to focus on consequence management—what to do after the disease spreads. How to stop it, treat it, and inoculate the population against further attacks—involving that strain.

The Medium Term

The most powerful driver of political events in the medium and perhaps long term is going to be globalisation, which has entered a new phase. To put it simply, the natives are getting very good at capitalism. For a variety of important reasons, 15 years after the end of communism, countries around the world are becoming more market-friendly and, far more important, more disciplined and effective at these economic policies, which is freeing up the energies of their people to compete and collaborate across the globe. The new technologies of communication—chiefly broadband capacity—have truly wired the world for the first time ever. In previous phases of globalisation, capital and goods became mobile. Now labor is mobile: not in the sense that people can go anywhere for jobs. But jobs can go anywhere to the right people.

Bill Gates explains the implications of this transformation best in an interview with Thomas Friedman. Thirty years ago, he says, if you had to choose between being born a genius in Bombay or Shanghai and an average person in Poughkeepsie, you would have chosen Poughkeepsie because your chances of living a prosperous and fulfilled life were much greater there. "Now," says Gates, "I would rather be a genius born in China than an average guy born in Poughkeepsie."

China and India are the two big countries that most greatly benefit from this changed environment. But together, and with the rise of Japan over the 1970s, they represent a huge shift in geopolitics. There have been two great shifts in the international balance of power over the past 500 years. The first was the rise of western Europe, which by the late 17th century had become the richest, most dynamic and expansionist part of the globe. The second was the rise of the United States of America, which between the Civil War and World War I became the single most important country in the world. The rise of Asia, led by China, will fundamentally reshape the international landscape in the next few decades.

China's rise is no longer a matter of the future. It is already the fourth-largest economy in the world, and it is growing at three to four times the rate of the first three. It is now the world's largest importer and exporter of many commodities, manufactured products, and agricultural goods. It will soon be one of the largest exporters of capital, buying companies across the globe.

India is growing with impressive resilience and determination. And because of its size, it adds another huge weight to the Asian balance. East Asia has now been in a long boom for over 30 years. Asians are also the world's biggest savers, and their savings have financed the deficit spending of the United States. While there may be temporary reversals for a year or two, the long-term trend is clear.

Take an important example: one of the reasons that the United States has been able to dominate the global economy has been its awesome lead in science and technology. But here, too, Asia is gaining strength. From computer science to biotechnology, one can see the beginnings of Asian science. It is at a very early stage, but again, the arrow is moving in only one direction. *Physical Review*, a top science journal, notes that the number of papers it publishes by Americans has been falling dramatically, from 61 percent in 1983 to 29 percent last year. The journal's editor told *The New York Times* that the main reason was China, which now submits 1,000 papers a year.

With economic growth comes cultural confidence and political assertiveness. The West has long taken Asia for granted, seeing it as an investment opportunity or a stage where Great Power rivalries could be played out, as in Vietnam and Korea. But this too will change. China and India are both proud and ancient civilisations. They are also large internal economies, not totally dependent on exports to the West. (In the wake of the East Asian crisis of 1997, all the East Asian tiger economies collapsed. But China and India grew solidly, even when demand from the West dried up.) This rise of confidence is just beginning—it's clearly visible in trade negotiations and will only grow with time.

The United States will remain the most powerful country in the world. But the gap between it and these new Great Powers will slowly shrink. And to continue thriving, it will have to adjust to the rise of Asia. Asians should also hope that America focuses on this new world, because only the United States can ensure that Asia's rise happens in a way that is beneficial to both Asia and the world. Otherwise, the challenge from Asia could easily produce a retreat into fear, protectionism, and nationalism all around.

It is not Asia's rise alone that is shifting the dynamics of power. In a world that is more open to new entrants from everywhere, countries like Brazil, South Africa, and Thailand will also grow impressively. As they grow, they will develop stronger political views and ambitions. One sees it already on world trade. Developing countries used to take any deal that they could get because some access to Western markets was better than none. But two years ago, in Cancun, they turned down a trade deal, insisting on more concessions from the West. And you know what, they will probably get them.

The countervailing force to these strong economic and technological trends is nationalism. As countries rise economically, they almost always develop a strong sense of nationalism. One can already see this in China, where economic growth and contact with the world of technology, pop culture, and travel have gone hand in hand with the rise of anti-Japanese feelings and increasingly strident views on Taiwan. Were Japan to regain some of its growth and thus confidence, the prospect of these two Asian giants, with a history of unpleasant relations, does not augur well for the continent.

And then there is the matter of nationalism and America. In much of the world, nationalism is being defined these days as being in opposition to the American "domination" of the world. Those who claim to be "hardline nationalists"—whether in China, Japan, Brazil, Mexico, France, or Iraq—all speak in similar tones about the United States. In very few countries these days is being pro-American a popular political position. Think of the price Tony Blair has had to pay for his support of American policies. Some of this is rhetoric, some of it is

an inevitable reaction to the reality of America's hyperpower status, and some is due to the Bush Administration's handling of its foreign policy. And the kind of raw anti-Americanism that was seen during the Iraq war has well passed its high water mark. But a quieter and more robust desire to be independent of the United States might still be at work in many parts of the world. In any event, a world where other countries gain relevance and power is going to be a different world, eventually. The road between today's unipolar system and tomorrow's bipolar or multipolar one, however, might not be a smooth and seamless transition. Big shifts in international politics often look like roller coaster rides—and sometimes they end with a crash.

Fareed Zakaria
March 2005

ULI World Cities Forum Thought Provocateur



Jennifer James
Urban/Cultural Anthropologist
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Jennifer James The City as a Transformative Environment

We are drawn to the city. Young people, especially, think about how to get to the nearest metropolis on a Saturday night. Going “downtown” implies excitement, experience, sights, discoveries, and surprises. The city can be an antidote to loneliness, anomie, boredom, and the limitations of the countryside.

The most obvious reasons for the lure of urban centres are action and economics. Density means more people, more options, more work. In the city, new technologies and crafts develop alongside new music and art. The city always has a faster, cooler beat.

The city attracts for other reasons. There is energy wherever people gather—whether that energy is good or bad. It is the good and bad mix, the coexistence of order and disorder that generates this energy. The call of the city can be so powerful that people will ignore noise, filth, poverty, pollution, uncertainty, and even danger, just to feel the possibilities, interactions, and connections it offers. Yes, we dream of rural respite, but most of us do so with an urban mind-set.

Urban environments are not just places for individual opportunity; they are also unique crucibles for transformation because of their density, inherent cultural complexity, variety of subcultures, and multiple information systems. Cities challenge traditional social contracts and cultural stories.

The City as Change Agent

Big cities are where the critical mass of societal shifts are most likely to form because urban centres are where you meet people who are not like yourself. Personal boundaries shift in crowded places, unexpected conversations take place, and subcultures form. Exposure to diversity, in any form, generates a change in perspective. We are forced to tolerate or accept diversity or we cannot, literally, walk down the street.

In a small town, a stranger may be noticed, even questioned. Certainly, for much of history he or she could be harassed because of appearance or demeanor. Small differences are not noticed in a larger arena with so much variety. Urban commerce requires a more open perspective.

A city has an atmosphere, a story that is greater than the sum of its parts. There is a distinctive feel to New York, Berlin, London, and Rome. Many great cities have had moments in their history when the confluence of skills, interests, and residents created a transformation. These shifts have been positive and negative, gradual and dramatic.

Calcutta was transformed in the 1800s, according to anthropologist Ulf Hannerz, because of British commercial interests (1991:182-192). Surajit Sinha, also an anthropologist, wrote of it as a “city of furious creative energy” (1972:7). The meeting of Europeans, who formed a sizeable community around the East India Trading Company, and affluent urban Bengalis, was catalytic. Wealthy Calcutta youth were sent to England for education. Those who could not afford the trip still understood that knowledge of the English language and English ways of doing business were vital for advancement. Ambitious street vendors learned English and English ways.

“The result of this influx of new ideas and of new ideas about old ideas, and of

the growth of new institutions, was to create diversity: new distinction, new debates” (Hannerz 1992:185). Calcutta is a classic example of how increases in cultural diversity become powerful change agents. Hannerz also describes times of unusual cultural ferment in Vienna and San Francisco (192:175-197).

A century ago, Vienna was a city with an unusual concentration of patrons and talents. This growing elite generated new music, art, psychology, and philosophy. It became a magnet for minds and artists drawn to the city for its changing and expanding aesthetic values. Their presence and their active dialogue reinforced those values, creating a transformative cycle that changed Europe. Vienna tripled in size in 30 years.

Fifty years later San Francisco came to symbolise tolerance of cultural complexity, a transformation many of us remember. It was a seaport used to diversity, a city of singles more than families, sailors, traders, pioneers, and beatniks. In the 1960s San Francisco mesmerised America with new poetry, new music, acid trips, light shows, free love, flower children, and peaceniks. It emerged as a centre of American gay culture. It became a city that accepted alternative lifestyles within a sophisticated society.

Think of contemporary Vancouver, Chicago, Jerusalem, Buenos Aires, Johannesburg, Prague, Istanbul, and Shanghai. What do they symbolise? Is the “street feel” one of an increasingly complex and transformative culture or is it one of intolerance of diversity, uncomfortable with complexity? Is the street dialogue one of the past or of the future? Who is leaving these urban centres, who is arriving? What is making the difference?

The adaptive environment of successful cities provides an antenna for the future. Cities change the world because they support and enhance economic and social mobility for diverse groups. Cities offer talented, ambitious, poor, female, ethnic, disabled, and retired populations economic and cultural alternatives. Cities, when they are not just human warehouses, provide a path out of a fixed social and economic system into a fluid one.

People with limited means need public transportation as well as access to goods, employment and educational opportunities, and public services. Cities allow citizens to escape from their own past, and from social control, racial barriers, ethnic and gender bias. When the neighbors don't know an individual's history, they cannot exploit it. City services can mitigate disabilities and ease generational stereotypes.

Cities have been liberating for women, especially single women, in many ways. But, the loss of social control also has a downside. Activist women's group, like other groups who have faced public harassment, organise “take back the night” events. These women believe that they would be able to roam more freely at night if men were forced to stay in, since men are the more likely to be violent. When enough members of a group live in close proximity, they have the ability to organise protests and parades that may change social patterns.

Despite a primarily rural heritage, many African Americans see their society as urban. The common lack of social transformation in rural areas once meant danger. In the 1980s the U.S. Forest Service tried recruiting in cities for minority

trainees to expand the diversity of the corp. They found it difficult to sign anyone up because many African American men, at that time, were uncomfortable with the idea of working alone in the woods with white men. It was not because they had no camping or hiking experiences but because they held a different perception of the woods. The city was safer.

Retirees are increasingly seeking city centres to recapture or maintain their personal energy. As we live longer, more seniors are questioning how many years they can play golf, or reside in a seaside town or even near a college campus. If retirement lasts ten years, maybe, but what if it lasts 40 years? At what age does a personal energy shift take place that is permanent and a quiet life become preferable? In this era, it may depend on one's own ability to create and sustain passions and support systems. The city holds important utilitarian and cultural resources for seniors regardless of their contact with an extended family.

Transformative Process

Anthropologists use the long view of human development, spanning thousands of years, and combine it with cross-cultural ethnographic research to reveal the process of cultural change. If cities are the fertile ground for the transformation and adaptation of both individuals and societies, what are the basics of human adaptation? Four of the core elements are technology, economics, demography, and culture.

Technology

Technology concentrates energy. Progress can be defined as the concentration of both human and raw energy. When a new technology, such as the internal combustion engine, makes work and transportation easier, it fosters the growth of larger markets and work centres. Technological innovation expands our productivity and range and changes who we are and what we can do.

Microchips have miniaturised and concentrated energy and are transforming virtually every facet of our lives. Surfing the Internet offers a complex, almost urban experience on a computer screen. Biotech engineering will further concentrate energy in the form of cells. New energy sources are dramatically changing our work and location options. Telecommuting and distance learning challenge conventional settlement patterns. In 2005, I can live in a village in Tanzania and work as a programmer for Netscape.

Economics

The release of more efficient forms of energy, through technological innovation, changes economic structures. Economics is based, in part, on the efficient use of available energy. The development of more complex industries and services requires "knowledge workers" operating in more complex corporate structures. Knowledge workers, in turn, require more complex management and motivation techniques. Consumers change as well, "technological cottages" create new work and lifestyle demands. Where and how are you willing to live and work? When citizens become aware and activate new lifestyle choices, recruiters, developers, and markets follow.

Essential skills change as job descriptions change. Howard Gardener's "Project Zero" at Harvard is redefining and measuring the relevant intelligence and aptitude for a new world. Memorisation is becoming a low-level skill because it can be replaced by technology. Higher skills such as strategic thinking, problem solving, creativity, communication, negotiation, rapid bonding, international citizenship, self-management, and governance are harder to replicate. Homo sapiens may now have a mechanical third hand but we are struggling to develop a new mind. We are changing what you need to know and how you need to behave.

Demographics

When new industries hire diverse workers with redefined talents, demographics change. One can describe the population mix by age, gender, ethnicity, but also by power. Who has power and position in these new structures? As a changed worker population develops, a new mosaic of individuals eventually emerges.

When today's peasants learn to surf the Internet, the king, as we have seen in the past, is in danger. New groups change work habits as well as neighbourhood and political cultures because they have different perceptions and experiences. Their effect is particularly intense in education and health care systems.

Culture

Culture can be described as the stories we tell ourselves about the way things are or ought to be. Changing the story is the last stage in the adaptation process. Culture is about perceptions, meanings, myths, symbols, values and shared understandings. It is how we rationalise, make sense of and justify a way of life. It may be the most difficult aspect of any transformation because it is hard to let go of an old rationalisation or significance and replace it with a new one. Urban environments frequently generate revolutionary cultural change through their creation of more inclusive social contracts.

Sorting Mechanisms (Trends)

If the adaptation process provides the context, the frame, the four corners, if you will, of the puzzle of the future, then how do we sort the pieces to create a picture? Four key trends or sorting mechanisms useful to putting the pieces together are increasing complexity, increasing sophistication, increasing effectiveness and increasing justice.

Increasing Complexity

The intensity of the complexity trends in public and private technology can be confirmed by a look around your office or car. Our ability to handle this complexity is equally obvious. Ten-year-olds can programme cell phones and operate defibrillators. Multitasking is taken for granted as are the speed and ease of international communication, instant access to information, and multiple option lifestyles. The downside of such complexity—time compression, reduced attention, inability to process information, loss of reflection, stress, etc.—are familiar topics of discussion.

Increasing Sophistication

Our response to complexity and the expansion of knowledge-based work is increasing sophistication. Communication and negotiation skills, self-management, flattened management, and reduced class hierarchies require sophistication. In a fast-paced, complex environment with fewer institutional supports, people have to notice and work at coherence to live and work together. Call it emotional intelligence or cultural intelligence; we have to be able to make sense of the responses and perspectives of others.

Increasing Effectiveness

The push for effective utilisation of human energy or productivity is speeding up the integration of new thinking skills. Knowledge workers rely on rapid information retrieval and the resources of the human intellect and personality. Knowledge workers require different work environments (structure, schedules, management, and location) to remove obsolete barriers to efficiency. Using sports as a metaphor, it is obvious that the trend is towards connecting the head to the body, e.g., sports psychology. Smart players and strategic coaches break records. Productivity is increasingly tied to self-knowledge, interest, motivation, and teamwork whether on the playing field, on the assembly line, or in the boardroom.

Increasing Justice

The adaptive processes I have briefly described - technology, economics, demography, and culture - when combined with the trends of increasing complexity, sophistication, and effectiveness, are forcing a global awareness of justice and injustice. Worldwide information sharing, global markets, and international labour forces are destroying the old cultural stories. It is harder to sell traditions as reality or even common sense. When anyone can retrieve high-level political and financial information and connect with like minds, the power structures are more easily questioned. Citizens in many parts of the world can now download the detailed plans for a new development and challenge it.

Social injustice interferes with the effective use of sophisticated human energy. Racism, sexism, class hierarchies and religious prescriptions all require mind-sets that can implode a diverse empowered work team, a community, or an international market. Injustice is inefficient; it consumes human energy through its need for restriction, enforcement, control of information, exclusivity, cognitive dissonance, and ultimately by its reliance on violence and cultural manipulation.

Landscape and Transformation

Public spaces and streets are important environments for the transformative processes and trends I have been describing. The streets and market squares of a traditional urban centre gathered people together in shared activities and transactions. This contact generates much of the interaction essential to the development of successful urban cultures. But, in many of our contemporary cities, open spaces are becoming less viable because they are designed to serve nonresidents or exclusive groups.

Much of our urban public development leans towards prestige projects—stadiums, convention centres and monuments—not modern versions of traditional spaces for public interaction. These projects are frequently geared to attract the outsider or the tourist, as much as the community member. Tourist or other revenue projects may be easier to organise and fund than basic services for the residents of an urban centre. As a result, citizens of great cities who go downtown now may find little of the old vitality. They instead find barriers as they try to circumvent traffic, tourist lines, and markets geared to selling icons for outsiders.

In many cities, as convention facilities blossom, the neighbourhoods gets dirtier, the local transportation fails, the utilities fray, and the educational system declines. It is as if the future quality of today's urban centre resides in its tourist attractions and stadiums, not in the quality of its schools and opportunities. The values of the implied social contract between all residents may be neglected or abandoned. A new office centre, in a sea of decline, may be a familiar urban model if we remember cathedrals and castles, but it has limited potential unless the city becomes a theme park.

Business, market, and neighbourhood centres still thrive, far from the maddening crowd, but alienation from downtowns is growing. It is critical to address more seriously a viable balance between theme park developments and the needs of local residents. Preserving vibrant open-air markets, such as Pike Place

in Seattle, usually requires a major citizen effort. This effort has to be repeated city by city, even though we know that such markets work well for both residents and tourists.

Past experience makes it clear that as the split in services and public spaces widens between rich and poor, individual investment in the commons begins to collapse. This cycle of decline influences who migrates to the city and who stays to live and work there. Those who once came to the city for opportunity, education, and a future, move, give up, fight the changes, or burn their own neighbourhoods. A sustainable urban centre still requires what it always has: opportunities and an environment that closes the gap between rich and poor.

Conclusion

We are becoming an increasingly aware civilisation in increasingly intimate communication. Our cities must reflect that to thrive. But, developments favouring social and cultural separation become more tempting just at the moment when they may be most destructive. Separations, gates, and zones do work and they seem easier design options, like a form of polite human storage, but they also generate alienation, tension, and ultimately conflict.

Most people want a wider world and that is the lure of a great city. The metaphor of a vibrant melting pot has always been at the heart of our long and winding path towards a better world. Improvements in our lives, increments of civility, are gained through well-known mechanisms: contact, communication, access to education, inclusiveness, alternatives to violence, open information, and public grace. Increasing our knowledge of transformative urban culture will contribute to successful urban development.

Although our urban circumstances are profoundly ambivalent, our minds should be open as never before. Think of the history of the cities of the world. Imagine city sights and sounds through the centuries. Imagine a person getting off a bus on his or her first morning in the city now. What do they see, what do they hear? What part do you play in such dreams?

Jennifer James PhD

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ULI World Cities Forum Thought Provocateur



Anthony Champion
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Anthony Champion Demographics

The key demographic changes facing the world's cities in the first decades of the 21st century are those summed up in the term second demographic transition. In basic demographics, this appears like a continuation of the (first) demographic transition, with its two headline trends of longer life expectancy and lower fertility.

But certain aspects are different, notably the underpinnings in the changes in attitudes and values from "altruism" to "individualism," in gender relations and household structures. Also, the second demographic transition is associated with long-term natural population decline rather than growth, while parts of the world still experiencing the early/middle stages of the first transition are still recording strong natural increase. This combination is associated with pressures for adjustment through migration.

This paper focuses on those parts of the world where this new "demographic regime" has already had greatest impact, most notably Europe, North America, Australasia, and Japan. But their past experience arguably provides pointers to the future, not only there but also for the Asian Pacific rim generally and Latin America. Moreover, these developments are playing out on an "urban landscape" that is changing rapidly for other reasons, too.

There are at least seven major elements of these altering demographics that pose challenges for cities and other urban areas:

- Growth of the older (60-plus) population, which is wealthier than previous generations and has a wider choice of where to live in retirement
- Increasing numbers of the very elderly (80-plus), with fewer children to support and care for them.
- Increasing elderly dependence ratios, leading to changing working patterns.
- New types of lifestyles and households, with especially strong growth in numbers of people living on their own.
- Increasing diversity of ethnicities and cultural preferences: is there a home for all these in the future city?
- Increasing social polarisation within and between cities.
- Quality of life as the most important priority for increasingly many.

In sum, demographics are a very important driver of city change. At the same time, with cities changing for other reasons, too, residents are involved in a continuous process of adjustment to their evolving environments. What needs to be done to ensure that there is indeed a home for all types of people in the city?

Introduction: a Changing Demographic Regime

Over the past four decades or so, many parts of the world have entered a new phase of demographic development. Observers have been so impressed by the potentially fundamental nature of the changes involved that they seem to have been competing for the best phrase to describe it. Lesthaeghe and van de Kaa (1986) suggested that the world had begun a "second demographic transition." Faus-Pujol (1995) echoed this by arguing that "Europe is at the beginning of a

new demographic transition", while McLoughlin (1991) deemed it to be nothing less than a "demographic revolution."

In the most basic demographic terms, this second transition appears like a continuation of the (first) demographic transition, not least because the headline trends associated with it are longer life expectancy and lower fertility. Several aspects, however, are very different. In particular, according to van de Kaa (1987, 2003) and McLoughlin (1991), the move to the second transition involves a switch in attitudes and values from "altruism" to "individualism" and a shift in gender power towards the female, both greatly assisted by "the pill" and altered sexual and partnership behaviour.

Certainly, the emerging demographic regime is very different from that of 40 to 50 years ago. Among the main differences, besides the falls in fertility and mortality, are increasing cohabitation, rising levels of couple separation, slower (even negative) natural population increase, and surging net immigration from other countries, especially those with weaker economies and those still experiencing the first transition. Alongside these changes and partly linked to them are the ageing of the population, the growth of ethnic diversity, the reduction in average household size, the decrease in numbers of traditional family households, and the rise of other household types.

The evidence of these developments for those countries that started to move towards this new regime in the 1960s, most notably those in northern and western Europe, has already been extensively documented (Coleman, 1996; Hall and White, 1995; Noin and Woods, 1993). More recently, aspects of it have taken on an even more intense form in southern and eastern Europe. Meanwhile, as part of an intensifying first transition if not clearly part of a second, similar trends can be identified in other parts of the more developed world and in what in the 1980s became known as the new industrialising countries.

With these being the most highly urbanised parts of the world and indeed with the urban share of the world's total population shortly expected to pass the 50 percent mark, any changes in demographic regime are bound to have some impact on cities and towns. The purpose of this paper is to highlight the main challenges that these changes are likely to pose for cities over the next 20 to 30 years. It builds on two previous papers examining the relationship between demographic trends and urban change in the developed world (Champion, 1992, 2001).

Seven Challenges

In this review and speculative discussion, seven dimensions of change are accorded particular importance.

- *Challenge 1: Increasing Numbers of Older (60-plus) People.* This trend is caused by the ageing of past birth cohorts, with the main "postwar" baby boom generation beginning to hit 60 in the next few years in the United States and in the 2010s in northern Europe. Most of these will be better resourced than previous cohorts of older people (e.g., higher levels of home-ownership, larger pensions), and so will be big players in the market and compete on a more equal basis with the younger generation.

So, how will they call the shots? For instance, will they “retirement migrate” more than their predecessors? Or will they use their greater wealth and market power to stay put in their (mainly urban, indeed metropolitan) working-life environments and mould them to better suit their living needs and aspirations in older age?

- *Challenge 2: Increasing Numbers of Very Elderly (80-plus) People.* In many countries, the initial steep rise in this group has already occurred and plateaued, but it will recur when the baby boomers come through in the 2020s onwards. Fewer of these will have children to support and care for them, and those who have children will be relying mainly on those aged in their 60s and 70s as the parents age towards 100.

What will be the balance of reliance on family and friends, paid support from the private sector, and social welfare supplied by government and voluntary agencies? Exactly what residential preferences/needs/options will there be, including their proximity to any children? How may urban environments be refashioned to allow for greater mobility and accessibility for this group?

- *Challenge 3: Increasing Elderly Dependency Ratios Leading to Changing Working Patterns.* It is not just absolute numbers that will alter the complexion of national populations and their cities as their primary dwelling places, but also the balance between age-group sizes. Headlines figures are a drop from eight to one not so long ago to under three to one in the ratio of elderly to working-age people (using conventional age breaks based on retirement at 65/60 but also young people leaving education at 16). With more young people starting their working lives later and with pension schemes becoming less generous, people will likely be working later in their lives and the distinction between men and women in labour market participation will shrink further.

Will work/life pressures become even greater and more difficult to balance if there are more very aged relatives needing support and if grown-up children look to grandparents to act as their childminders to cover their longer working hours? While much will need to be negotiated with employers in terms of working arrangements, there are questions about how far jobs in general—along with housing and facilities—can be redistributed within urban areas to allow for easier mobility between daily activities.

- *Challenge 4: New Types of Lifestyles and Households.* This is possibly the largest single challenge, though in fact it comprises several different elements and drivers. Manifestations include increased numbers of lone-parent families, couples without children, and multiperson all-adult households. Its most common expression, however, is in the rising proportion of households that are occupied normally by just one person. One-person households have increased enormously as a proportion of all households over the last three decades, and are above half in some cities. These include elderly people, young adults, and the middle aged, among whom are a substantial share of the divorced and separated, as well as “living-apart together” couples where one partner is working away from home.

Whether through choice or necessity, one-person households are having huge potential impacts on cities; among other things, thinning their population across the existing housing stock, prompting new building and conversions to suit the smaller households, and altering the collective pattern of preferences about where to live (in relation to lifestyle, security, etc.). To what degree harnessed to effect reurbanisation and to slow the pace of suburbanisation and counterurbanisation?

- *Challenge 5: Increasing Diversity of Ethnicities and Cultural Preferences.* While minority ethnic groups have a long history of settlement in certain port cities

and capitals of the early developing countries, the size and national diversity of these groups have grown at an unprecedented rate in recent decades owing to new immigration and associated natural increase. Moreover, the majority of relatively permanent settlement (as opposed to more transient and seasonal workers) has concentrated in cities and, increasingly it seems, in the largest cities and certain other “gateway” entry points. In one way or another, the new population has tended to replace the original, so that the minorities collectively are moving into the majority. At one level, this is an issue because it leads to greater ethnic differences between cities. At another, it has to be recognised that, even where this is occurring, the minority groups are themselves very heterogeneous, deriving from a vast range of racial and cultural backgrounds.

While there are many ways in which this can be seen as a strength in today's so-called globalising world, tensions can also emerge as different groups wish to live in different ways and may attempt to secure this by political or other means. Can there really be a city, or part of a city, for everyone?

- *Challenge 6: Increasing Social Polarisation Within and Between Cities.* Recent evidence from many countries indicates a widening gap between rich and poor, caricatured by a transition from an onion-shaped to dumbbell-shaped social structure where the middle-income groups are reducing in relative importance. This is driven by changing employment practices that put most emphasis on professional staff at one end of the scale and menial jobs (cleaning, security, catering, etc.) at the other—an emphasis that is reflected in the increasingly polarised nature of international and other long-distance labour migration.

Inevitably, this is reflected in the housing market and in the social complexion of the neighbourhoods that make up a city, further developing the divisions traditionally associated with newer suburbs and inner-city ghettos but commonly occurring in the form of gated communities, gentrified streets, and sink estates. Indeed, it is also a driver of greater differences between whole cities, as many of the highest-level jobs (especially those needing frequent face-to-face meeting) remain concentrated in larger cities while more routine white-collar (back office) jobs are farmed out off to lower-cost locations. Corresponding to and partly interacting with the uneven distributions of minority ethnic groups across countries, this is seen by some to threaten a renewed balkanisation of national territory along a variety of dimensions like north/south, sunbelt/snowbelt, and larger metro/smaller metro.

How successful have been the various schemes designed to generate more mixed neighbourhoods? What equivalents are being considered to address the between-city polarisation tendencies?

- *Challenge 7: Quality of Life as the Increasingly Most Important Priority for Many, Permitted by Greater Wealth and Wider Locational Choice.* With greater wealth comes a higher proportion of expenditure on luxury items, and a greater emphasis on quality over quantity. Allied with the greater spatial mobility conferred by wealth, this reduces the need for proximity of home to work, etc. At a broader scale, given the high value employers place on access to a well-qualified workforce, the latter now has considerable influence on the location of workplaces. Meanwhile, a larger share of the adult population does not need daily access to a workplace because they are retired or self-employed or spend a lot of their working time “on the road.” All these things allow for greater choice of place to live, which reinforces—and is reinforced by—the social polarisation resulting from rising income inequality and contributes to the problem of producing “cities for all.”

People's reevaluation of quality of life considerations in their residential decision making has occurred at the same time as living conditions in cities appear to have deteriorated. Nevertheless, already there are many examples around the world of cities that seem to be succeeding in attracting people back. What constitutes best practice in achieving this? How can these achievements be reinforced and extended? Just as "urbs in rure" (Pahl, 1966) was seen as the major force in the urban exodus to rural England, is it necessary to introduce elements of the countryside into cities?

Implications for Cities and National Settlement Systems

Demographics as Driver of City Change

In many ways, demography can be seen as one of the drivers of city change. This is partly because there have recently been so many changes in population composition and demographic behaviour, together adding up to as big a set of changes as those associated with deindustrialisation and technological change.

It is also partly because, as individual people and households have become wealthier, they have been able to wield more power vis-à-vis the captains of industry and also the governments that are meant to act on behalf of the people. Both private and public sectors are now highly geared to providing what people want, especially their paying customers but not just in the consumer sectors.

Therefore, it is not just an academic exercise to speculate what, for example, increased "grey power" will mean for cities, as the proportion of older people continues to grow. Indeed, demographics are becoming increasingly important as a source of problems for cities, so initiatives that address the demographic causes directly become ever more relevant.

And People Adjusting to the Changing City

At the same time, it is important to recognise that cities are changing for other reasons, too, partly through their own ageing and obsolescence prompting renewal and redevelopment but also through the effect of other drivers. One major theme that has attracted much attention recently is the hypothesised shift from an essentially monocentric city to various forms of polycentric urban configuration. This has been seen to arise from the decentralisation processes unleashed by greater spatial mobility and other communications improvements, as these have allowed both residents and employers to seek out lower-cost and higher-quality locations than what city cores and their immediate suburbs are now judged to provide.

Coincidentally or not, this proliferation of serviced sites in a wider urban region has served to increase the potential for local specialisation over what has previously been possible—something that is not discordant with the increasing heterogeneity of population, especially when the most powerful force is that people prefer to live near others who are like themselves. Would it therefore make sense to facilitate the development of, say, enclaves (or "cells") of the elderly (and each of the many other groups that seem to be growing their separate identities) within each city, whilst also trying to encourage interdependence for certain aspects of life?

Concentration versus Deconcentration across the Urban System

The ultimate question concerns the effect on national settlement systems. During the industrial era, concentration was the dominant dimension in population change, with population shifting from rural to urban areas and from smaller

cities into larger ones. Close to the time when the second demographic transition was recognised, so also there was discussion of the postindustrial era and observations of population counterurbanisation, notably signs of large cities faltering and the greatest migration gains being made by smaller cities and more rural regions.

Since then, while many of the major cities round the world seem to have regained their momentum, there remains uncertainty about what the future holds for the balance of residential preferences and about the details of the form that new development in and around existing settlement will take. Clearly, one important source of this uncertainty is in the altering, and apparently diversifying, demographic regimes and in the associated changes in social behaviour and spatial sorting. How these play themselves out and may be modified by government intervention will influence how they interact with evolving settlement patterns.

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March 2005

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ULI World Cities Forum Thought Provocateur



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Paul Hawken Cities on Earth

The two most complex systems on earth are the biosphere—forests, coral reefs, soil, grasslands, etc.—and the technosphere—cities, industry, governments, the military, etc. The most complex of all human systems is the city. The interaction between city systems and ecosystems is causing an unprecedented breakdown and degeneration of both. All living systems worldwide are in decline. At the same time, the world's largest cities face exceptional challenges with respect to health, welfare, education, poverty, crime, and pollution.

On 30 March 2005 the *Millennium Ecosystem Assessment* report was released by organisations representing 1,360 scientists in 95 countries. Although the report was detailed in its analysis, the conclusions were simple: the earth is wearing out and will soon become exhausted. There were little new data that hadn't been said, published, or ignored before. The novelty of the study was its breadth and the deliberateness of tone. The research was impeccable, the data inarguable. It read like an audited annual report of a faltering company; absent was the alarmist rhetoric seen in some environmental literature. The calm and steady prose made the report's litany of conclusions all the more disquieting. Oceans are overfished, with many fish stocks reduced to 90 percent to 99 percent of their preindustrial levels. Coral reefs are fast becoming algae reefs, with one-fifth of coral reefs already lost and another fifth on the brink. Cultivated farmland, with all its associated chemical runoffs, has increased more in the past 50 years than the prior two centuries. Oceanic dead zones caused by nitrogen-fueled algal blooms increased to over 50 worldwide. Wetlands are disappearing, extinctions are increasing, water availability is diminishing, alien species are invading, and forest cover shrinking. Looming over all is the Damoclean sword of climate change. The report acknowledged what scientists have been stewing about for decades: ecosystems, like all non linear systems, do not necessarily wind down over time but can reach triggering thresholds where they quickly collapse. Like dominoes, one collapse can take down others with it.^{1 2}

The \$24 million *Assessment* was the largest scientific assessment ever undertaken of the planet's carrying capacity, the services the biosphere provides, and the impact ecosystems have on human well-being. It is not hyperbole to say it was historic. For the first time, global civilisation came together to survey the world's biological resources and assess the impact that human activity will have on health, the economy, and the future. Although the report received significant coverage in the UK and foreign press, it had little impact or coverage in the United States. The front-page stories that day were gas prices, the Michael Jackson trial, and political demagoguery about feeding tubes. *The New York Times* story, picked up from Reuters, ran 179 words. The *Los Angeles Times* ran nothing at all. *The Washington Post* ran a piece inside the front section. On the front page of the *Post* were articles on a defective army vehicle; the fight over "McMansions" in Arlington, Virginia; and the rising cost of the new \$581 million baseball stadium for the Washington Nationals.

The report made an important distinction about ecosystems and the services they provide. Because resources can be bought and traded as commodities, there is a tendency to overlook the functions or processes of nature in favour of outputs. Wood fiber is a product of the forest, while water, flood control, climate modulation, carbon sequestration, and habitat are some of the services

provided by a forest. If you remove the fiber, the services cease. As you receive the services, the fiber and the services still exist. Common sense tells us to monitor the amount of fiber removed from a forest so that it is no greater than what is required to maintain ecosystem services. This is a Heraclitan model of nature, where value flows continuously if the underlying ecological foundations are not undermined by human activity. Just as with climate, ecosystems maintain their dynamic equilibrium in the face of physical disruptions, but only to a point. At what stage ecosystems fail is still not fully understood due to the complexity of feedback loops and interactions. Ecologist Aldo Leopold's pronouncement to "think like a mountain" was not just a poetic dictum, but a plea for systems thinking in the environment. By the time he had written *Sand County Almanac*, he understood that we cannot interrupt the complex interrelationships and services in ecosystems without harmful results. The world agreed with him 56 years later.

The report was not all pessimism, however. It contained a section called "How to Fix It" that detailed the measures that could prevent ecosystem and economic collapse. The *Millennium Ecosystem Assessment* proposed what physicist Amory Lovins and I recommended in 1999: creating economic instruments that recognise the value of natural capital, along with financial incentives to restore it.³ That is easier said than done. Forests in most watersheds have greater economic value standing than cut, but we are unable see or price this because of an accounting system that measures only the value of what is extracted and removed. Critical ecosystem services like wetlands, climate stability, oxygen production, water purification, etc., when even crudely monetised amount to trillions of dollars of annual economic output, two or three times greater than the world's GDP. Because we lack a balance sheet and accountability in every sense of the word, we are witnessing a critical component of our wealth drain away. "There are quite a few things that we could be doing to make things better, but we are not doing any of them," commented one of the authors of the report.⁴ One reason these and previous recommendations are not acted upon is because they depend on the same forces that contribute so heavily to the damage: Centralised economic and political systems. While legislative, policy, and economic changes need to occur on national and international levels, change from atop is slow and tedious, often falling short of its objective. Climate change was first brought to the world stage in the 1970s. The Kyoto Protocol was negotiated in 1997 and adopted in 2005. If fully implemented and adhered to, it is estimated that it might reduce the rise in global atmospheric temperature by no more than one-quarter of a percent Centigrade by 2050. There is a clear conclusion here: the momentum of ecological and social change is greater than the rate at which human institutions can address change, especially when using the same institutional processes that got us here.

As with ecosystems, the United Nations and other agencies have completed detailed studies of cities. Just like the *Millennium Assessment*, the conclusions and data are difficult to dispute. Cities are concentrations of abject poverty. One-fifth of humanity lives in an urban slum, with over one-half in developing countries being slum dwellers. Half of those lack sanitation and water. Kibera, Kenya, is Africa's largest slum, with 800,000 people living in one square mile.

The urban poor will increase to 2 billion by 2030. As Hernando de Soto points out, residents of slums had no capital in the rural areas they left and migrate to cities in the same economic state. They arrive with no money, no housing, and no jobs. Most will remain unemployed, and two-thirds are women and children. They live without running water, tenure, or municipal services. They are subject to exploitation and eviction, and become locked into cycles of poverty. And yet, the city is also the source of hope for its new arrivals. The cities are unsafe, but are often safer than their former homes. Their slums may be chaotic, but these "shadow cities" that fall outside urban planning are complex, self-organising communities. People are poor, but they are also entrepreneurial, vital, and ambitious. Virtually all of the future population growth from now until 2050 will be in the cities, and overwhelmingly in slums.

Just as ecosystem degradation and loss are largely invisible to the city, the urban poor are largely unseen by the state. Just as ecosystems produce monetised natural resources and far more valuable unmonetised ecosystem services, urban systems have a multiple role. They produce the monetised human resources of educated minds and skilled hands that make products and services. And they also provide unmonetised social services—culture, wisdom, law, science, art, and a whole range of attributes and behaviours that make us human and make our lives worth living. Cities are civilisation. Unsound ways of extracting wood can destroy the ecological integrity of a forest until it can no longer regulate watersheds, atmosphere, climate, nutrient flows, and habitats. Similarly, unsound ways of exploiting or ignoring human resources destroy the social integrity of a culture so it can no longer support the happiness and improvement of human beings.

In the face of the relentless loss of living systems, fractious political conflicts over feeding tubes, sectarian religiosity, estate taxes, and business economics appear petty and small. It is not that these issues are unimportant, but that they ignore a larger context. Are we or are we not systematically reducing life and the capacity to re-create order on earth? This is one of the levels on which any urban planning discourse must take place, for it is there that a framework for both understanding and action can be formulated that sustains life, whether it be urban, rural, or wild. In spite of what signals such as the GDP or the Dow-Jones Industrial Average indicate, it is ultimately the capacity of the photosynthetic world and its nutrient flows that determine the quality and the quantity of life on earth. Cities, the center and concentrator of people and resources, with their "carcinoma of planless urbanism,"⁵ develop haphazardly and apart from the greater environment at their peril. At the same time, attention paid now can reap great benefits going forward.

We think of city infrastructure as static in the center, growing at the edges. But the entire infrastructure of European cities completely turns over in 50 years. Obviously, the Place de la Concorde and Trafalgar Square remain, but the constancy of urban landmarks mask that rate at which cities remake themselves. In the United States and other countries, the rate can be as low as every 30 years. And although urban migration is bemoaned in some quarters, it is demographically spectacular as birthrates plummet when people move from the country to the city. The UN cannot keep up with its own predictions as population growth rates continue to drop. Sometime in the middle of the century, population will peak and begin to draw down. At about that time, 75 percent to 80 percent of the population will live in cities and it will now be an ageing population for at least 100 years. What we design now must stretch to accommodate new arrivals, the 2.5 billion people who will move to cities over the next 40 years. But we should also realise that city systems, overall, will begin to shrink in four decades and serve an ageing population.

Just as environmental problems cannot be solved piecemeal, the city has to be approached as a system. What destination does our society want to reach, and how will it get there? There are many parallels between city systems and ecosystems, but the most important single factor is how they affect the other. Either cities and rural areas exacerbate the problems of the other, or they reinforce the health and resiliency of the other. The determining issues for all urban development are similar to the needs of an organism: food, water, energy, shelter, and transportation. Right now, urban design and metabolism worsen conditions in the environment.

Take food as an example of how urban practices change the countryside and vice versa. Food supply chains are getting longer, more dependent on packaging, refrigeration, and energy. The impact on immediate rural areas is pronounced as small farmers lose out to distant agribusiness and sell their land for suburban development. The price of food goes up, not down, but quality and the environment suffer. More agricultural inputs are used in agribusiness than on smaller farms, creating run offs that destroy rivers, waterways, fisheries, and rural jobs. Hyper- and supermarkets are capital intensive, not labour intensive, eliminating urban employment. With the loss of local food webs, a city is more vulnerable to disruptions caused by energy shortages, conflicts, or other factors. In industrial countries, we have gone from an agricultural system that produced ten calories for every calorie of input to ten calories of input for every calorie of food, a shift that has produced widespread ecological damage and loss of meaningful work for the poor and a shift that is being spread across the world into developing countries. The loss of face-to-face contact between vendors and customers is a loss of conviviality, culture, and security. Agribusiness companies competing on price are likely to standardise on varieties, thus eliminating genetic diversity. The list goes on. What is evident is that centralised and concentrated methods of planning, production, and distribution create dislocation, and poverty. When NAFTA went into effect 1 January 1994, it was the beginning of the end for tens of thousands of *campesinos* for whom corn was not a commodity but a cultural symbol. Unable to compete with subsidised American hybrid corn, they lost their land and moved to the city.

In the other four sectors—water, energy, shelter, and transportation—the details differ from food but the fundamental dynamic is similar. Usage and production patterns that serve the "urbanscape" create second- and third-order effects that adversely affect the landscape. As environmental losses grow, as reported in the *Millennium Ecosystem Assessment*, deracination increases and migration is hastened to the city. This cycle of loss and despoliation can be interrupted only by planning and design that address the city and the environment simultaneously. And it can happen only when caring for the poor is a more important cultural value than building new stadia and convention centres. It is said that a nation that wastes its people does not care for the environment, and the converse is true. Essentially, the people whose lives are wasted and degraded by poverty are a resource, not a problem. Their reintegration is essential to the restoration of the environment.

The promise of the city is the reimagining of what it means to be a human being. This will require whole-system approaches to habitation, transportation, food, and infrastructure. We need Heraclitan cities reimagined from the bottom up. That cannot happen if the resources are concentrated at the top. What is required are social technologies such as participatory budgeting used in Porto Alegre and other Brazilian cities wherein municipal expenditures and priorities rise up from the precinct level rather than descend from the council chamber. No urban plan can fix the problems caused by the concentration of power. The city cannot be "fixed" one piece at a time, it cannot be developed in isolation

from the principles of sustainability, nor can the city be redesigned on Promethean terms as an artifact of male engineering and planning. To create a humane and nurturing habitat for humanity, the reimagination of the city must include those people who pay the highest price: women, the working and localised poor, and children. Just as in nature where true solutions systematically include all aspects of the environment, the city can be healed only if it includes all of its people in its design.

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¹ *The state of the world? It is on the brink of disaster.* March 30, The Independent, UK

² Reid, Walter, Harold Mooney, Angela Cropper, et al., *Millennium Ecosystem Assessment Synthesis Report* (Pre-publication final draft), Millennium Assessment Board, March 23, 2005

³ Hawken, Paul, Lovins, Amory, Lovins, Hunter, *Natural Capitalism, The Next Industrial Revolution*, Little Brown, 1999

⁴ Borenstein, Seth, *People pollution is wearing out Earth study says*, Seattle Times, April 1, 2005

⁵ White, Lynn, Jr. *The Historical Roots of our Ecological Crisis*, Science, New Series, Vol. 155, March 10, 1967

ULI World Cities Forum Thought Provocateur



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Joan Busquets Urban Design: Public Spaces, Cities, and Livability*

As we progress through the new century, we have become more aware of the acute transformations underway in our cities. We are experiencing great satisfaction as we observe new urban phenomena emerge. On the other hand, we feel great frustration as we see that many urban problems are not getting resolved, and are even becoming more severe.

Today, urban development is predominantly concentrated in two open-ended forms of growth and/or transformation: the restructuring of the traditional city and the development of amorphous conurbation. This kind of urbanisation has conventionally been categorised as having weak visual definition, and therefore comes across as illegible or “not rational.” As such, we must find other ways to understand and structure these new urban dynamics.

Urbanism and urban design, must establish the importance and relevance of the project in the city in order to reclaim its well-accepted social presence. It cannot continue to hide behind laws and guidelines that establish basic forms of order but do not fully exploit its operative capacity. The potential of our disciplines lies in the ability of urbanism to operate in a flexible manner that can quickly respond to a wide variety of ever-changing contexts and scales.

Today, urban design is addressing new issues:

- Public space with new forms has acquired a new set of values. Urban culture and its setting, the city, and its public and collective spaces have a much higher profile than ever before and have become subject to intensive use by the majority of city dwellers. This represents a new vector for the rehabilitation of cities.
- Issues of mobility—whether that involves people or information or both—are of great importance in the definition of new urban spaces. Intermodality is becoming more important in the restructuring of traditional city fabrics and in the definition of new urban settlements. Most innovative urban spaces are created around these projects.
- Nonetheless, urban growth without any rational provision happens in many places. Land speculation and improvisation are the reasons for this phenomenon which promises to effect significant repercussions in the medium term for our metropolitan areas.
- Development is very dynamic, and its patterns tend to reappear everywhere, creating a “global identity.” Meanwhile, we must remember Braudel’s definition of cities always moving at different speeds, which should prompt us to do different readings simultaneously and to act according to what we learn.

In order to understand the current role and potential of urban design today, we would like to stress a few things related to public spaces and livability in cities, addressing primarily the first two issues described above.

Refurbishment of Intown Small Public Spaces:

As everybody is aware, the modern movement was quite successful in establishing new housing typologies and changing the scale of the most familiar forms of development at the time. In such a scale shift, the quality of the public space

that resulted was not considered. Most of the open space was simply residual spaces created by major housing operations.

Towards the end of the 1970s and throughout the 1980s, notions of public space were revisited, and today we see very successful strategies to restructure empty and derelict spaces within our cities.

There are perhaps three most salient scales of operation in this category:

- *Rehabilitating public spaces in historic towns.* The case of Copenhagen is paradigmatic. A restructuring strategy offered a new system of public spaces giving priority to the pedestrian over the car and providing added value to urban existing fabric. This type of intervention has become widely accepted within the European city and has allowed for new uses that revitalise residential neighbourhoods throughout the city centres. It has also permitted the introduction of new economic engines for the area such as tourism, shopping, and leisure.
- *The restructuring of large left-over spaces on housing estates built in the 1960s and the 1970s.* Remarkable examples can be found in Lyon, among many other cities. Policies regarding the improvement of open spaces were initially conceived for existing districts, but recently they have been rethought as a citywide concept, creating significant transformations at a larger scale. Once again in Lyon, districts with a great amount of derelict land—such as the “quartier des grataciels” or near Tony Garnier’s districts—have been fully converted into spaces that have a new role at a metropolitan scale.
- *Even within larger urban settings, one can clearly perceive an interest in developing pockets of open space.* Such is the case with the POPs—privately owned public spaces—in Manhattan, which have proliferated in midtown, since the mid-1970s, creating some very successful collective spaces.

The strategy behind these new spaces lies in developing incentives for the private sector to rebuild them in exchange for a bonus that would allow them a greater floor/area ratio (FAR) within their parcel. It is evident that this strategy deals with a more generic policy and as such it faces certain difficulties, but nevertheless, it suggests a favourable means of transforming open space.

Major Open Spaces within the City

This is one of the most significant chapters in the recent development of our cities. Given the fact that cities have always grown by expanding outward, meaning that growth happens in their peripheries, cities begin to amass a large amount of interstitial spaces that are either obsolete or idle—generally known as terrain vague. These spaces have much potential to be transformed into active spaces that contribute to the overall improvement of the city. This category will focus on old port infrastructure, rail yards, and derelict industrial areas, which are some of the many examples of spaces that are currently up for redevelopment, and that have proven to make very successful areas in the city when combined with alternate programmes.

These new spaces and the policies that shape them have developed differently in the world of urbanism at the level of design and also from an administrative perspective, which usually involve as “public/private partnerships.”

A few points must be mentioned in regard to this chapter:

- *The strength of waterfronts and harbours.* Ports have been the origin of many of our cities, but given their industrial development, ports' relationship with other quarters of the city was always distant and fragmented. In recent decades, new techniques and container mechanisms have established new spatial dynamics that require different types of space for the loading and unloading of vessels. Therefore, a large number of cities have moved their port-related activities to the outskirts, opening large tracts of land for other uses and allowing waterfronts to be used in different ways. There are hundreds of examples of new waterfront redevelopment, and we can find different clusters of projects that range from piecemeal development to more comprehensive strategies. American cities have leaned towards the first strategy. Some of the most salient examples are found in Baltimore and Seattle.

Other more general strategies have been deployed in sites that have a more centralised administration, and that take advantage of the port authority's strength. Such is the case with London and Hamburg as well as other examples in France and Italy.

Another important component of this line of work is the rehabilitation of waterfronts by restructuring derelict industrial and infrastructural spaces. Two highly salient examples are Lisbon and Barcelona. Both utilised "big events" as drivers-Expo 98 and Olympics 92. Using this mechanism, in just 15 years, Barcelona was able to reopen the city to the ocean, through the insertion of a series of urban projects that capitalise on the infrastructural pieces already in place. Through such projects, the city incorporated new urban attributes for its residents and developed an unprecedented urban tourism industry. In this process, new forms of collaboration between the public and the private sectors were established. Lisbon is a perfect example of the "double cycle" design process, whereby the Expo site was used temporarily, allowing for the restructuring of a larger portion of the city, composed of a large park and several residential quarters.

- *The importance of recovering infrastructure as an urban element.* Postwar functionalism established operative mechanisms that departed from the idea that the city could be conceived as a series of infrastructures that enhanced mobility and flow. This attitude generated a huge gap between the infrastructural world of the engineers and the inhabitable world of architects. This "disconnect" resulted in a particular urban type in which the relationship between the parts is purely functional and has no qualitative interest whatsoever.

The restructuring of these spaces, accompanied by a huge effort to bridge the gaps between infrastructure and inhabitation, has been backed by significant economic and administrative initiatives. Perhaps the lesson that still has to be learned is that of assessing the value added by these projects in relation to implementation difficulties.

In the case of the CAT-Central Artery Tunnel-project in Boston, a large investment has been made in order to rescue the city's waterfront. These interventions suggest that we should give some thought to the new requirements of infrastructure today. In Boston, in particular, we should consider whether such a massive flow of vehicles should continue to pass through the heart of the city, even if it does through a brand-new infrastructural tunnel. At any rate, the central artery should be commended for the technical and political efforts that have driven a project of such magnitude.

Another salient example is the Yokohama Terminal, which creates a hybrid between infrastructure and recreation.

Decentralisation Process and Large Landscapes Projects.

Another significant aspect of the reworking of public spaces involves the restructuring of large tracts of land in the periphery of the compact or traditional city. This chapter focusses specifically on marginalised and underserved areas of the city as well as on derelict industrial sites that are up for remediation. It deals with the reconfiguration of large expanses that have the potential to transform into active elements within the city in a couple of decades.

One can easily find two specific families of projects within this line of work:

- *Industries of the Primary Sector.* Emscher Park in the Rhine basin is one of the most paradigmatic examples of the restructuring of these kinds of spaces. Having been one of the largest metalworks in Germany, it became less competitive once other less expensive production sites emerged at a global scale, and was abandoned. Managed through an IBA initiative, the operation focusses on a revitalisation of the old industrial sectors as well as very accurate remediation strategies for brownfields. It also very effectively accommodated the intentions of the municipalities involved with the project, since in this case we are speaking of a vast territory.

The Bilbao River area was developed along similar lines, even though its scale is more limited. It is evident that the Guggenheim Museum has anchored most of the operation with its image, but a much larger strategy lies behind this, which deals with the introduction and reworking of several services and infrastructural pieces.

- *Large Tracts of Land in Dense Areas.* Large tracts of land designated for different kinds of urban services, such as airports, dumps, etc., are on the one hand highly needed spaces, but on the other act as an obstacle to normal urban growth. In recent years, however, a richer and more sensible understanding of these kinds of places has fostered a wide variety of strategies that better deal with these areas.

In effect, a garbage infill site develops recycling industries in its adjacent areas. In addition, airports attract a wide array of support programmes, and in the long run adjacent programmes end up choking their own anchor. Such is the case with Fresh Kills in Staten Island, where a recent strategy has renaturalised the area. Another case is Toronto or Athens, where new uses are slowly being introduced.

It is important to note that this particular scale has to deal with quite unprecedented techniques both at the level of design and also from an administrative perspective.

Intermodal Spaces and New Downtown Places.

Another significant set of spaces in the city are those created by new transportation infrastructure. In fact, they have emerged from 1) the rationalisation of each mode of transport and the understanding of its specific logic, and 2) the need for interconnectivity between the different transportation scales that favours intermodal connections rather than terminal points. From this vantage point, large restructuring projects are redefining old transportation infrastructure and making highly innovative spaces out of these new facilities. The new spaces not only facilitate urban mobility but also have helped in establishing new nexuses and revitalised downtown areas.

If in the 1970s public administration buildings were utilised as drivers for development, or shopping malls in the American context, today, intermodal spaces act as a new anchor for urban development. They function as a catalyst for the creation of place.

We can define two general types of intervention:

- *Those that attempt to restructure and rebalance existing centralities.* Such is the case with the reworking of train stations in Paris and London. Masena and Broadgate would be two specific examples.
- *The creation of new nexuses in the periphery of the city.* This primarily involves the intermodality of larger operations such as airports, high-speed trains, etc. A good example in this case is the new airport in Osaka, Japan, that is backed up by a large mixed-use development immediately behind it.

Elements to establish a discussion on the new role of urban design or the urbanist project.

Our recent experience, based on our current research, has told us that the space of the urbanist project is greater than what can be perceived at a first glance. This is due to the fact that the most recent urban explorations have been conducted with great success at an institutional and political level. Furthermore, they have established a more effective discipline that is helping ground the more innovative and experimental lines of thought.

One can also perceive new adjustments in legal and administrative frameworks that allow for closer participation between the public and private sectors. These collaborations or partnerships allow for greater agility and transparency in the administrative process. The years when the public sector believed that it could handle everything are over, but this does not mean the public sector cannot provide a "long-term vision" as well as a strong hand in key projects for the city that require solid political support. On the other hand, the growth of the city itself has always been and will continue to be primarily a private enterprise.

In a similar manner, the development of the operative disciplines in the city must undergo several changes. Primarily, private parties must understand the role of the public sector and collective sphere. Furthermore, they must be made accountable for some of their actions. In addition, designers and planners must bypass the controversy between public and private sectors, and see themselves as agents in favour of the city at large and its potential for improvement.

With these changing new conditions cities and urbanised areas have a very important role to in residents' activities and urbanism has a relevant role in framing it and making it possible. In the end, progressive human evolution always took place in cities and they must evolve in order to continue playing a significant role in shaping the built environment.

Joan Busquets
March 2005

** Paper summarises part of major research carried out at GSD Harvard Design School, titled "Approaches to City Design and Open Territories at the XXI century," assisted by Felipe Correa, design critic.*

ULI World Cities Forum Thought Provocateur



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Richard Baron A New Role for the Private Sector as an Instrument for Social Change

The withdrawal of central government from the redevelopment of urban America has shifted the focus of regeneration efforts to local communities that, more than ever, need the leadership and entrepreneurial skills of the private sector to take on the challenges of neighbourhood renewal in concert with resident organisations.

The complexities of reknitting the fabric of a community require an integrated redevelopment plan that is sensitive to existing neighbourhood assets, reflects good architectural design, and offers an opportunity for both existing and new residents to live together in a new community. New initiatives must combine a sophisticated knowledge of real estate finance and the built environment with a thorough understanding of human capital programmes - particularly the relationship of high-quality schools with the creation of new residential markets.

Introduction

The increased pressure on urban centres with the migration of new families comes at a time when elected governments are increasingly withdrawing the delivery of services and relying on the private sector to carry out what have historically been public functions. Government bureaucracy, public resistance to new taxes, and an increasing disenchantment with social welfare programmes have led to efforts at contracting out the management of schools, hospitals, prisons, and toll roads.

Federal funds for the development of social housing in the United States ended 25 years ago, and the only government role now is a decreasing effort to maintain the existing public housing programme of some 1 million units, and the Section 8 voucher programme. The current United States affordable housing production programme operates with the use of federal tax credits, and is administered by state housing finance agencies under a formula developed by the Congress in 1986 that appropriates credits by formula based on state population.

Efforts by local government to redevelop neighbourhoods that are home to lower-income families and are often the choice of new immigrants offer interesting possibilities for the private sector in designing and implementing regeneration programmes that involve housing, schools, retail services, and the like. The complexity of these projects make them particularly suited to the private sector, which has, if motivated, the experience to deal with the difficulties of integrating the design, finance, and management of projects that can transform the built environment. Moreover, there is a stronger likelihood that these projects can be undertaken at less cost if they are not burdened by the added costs of developing them through a public process.

Housing and redevelopment programmes generally have suffered from a failure to recognise the close interrelationship and symbiotic nature of the problems that have contributed to distressed communities. Moreover, the lack of coordination between narrowly focussed programmes and different levels of government has promoted an inefficient use of the limited resources available for neighbourhood preservation. The focus for developing appropriate redevelopment strategies in the United States has clearly moved from Washington to local communities, but one must question whether the transfer of decision making

will make any difference in the long run, given the general failure of federal, state, and local officials to coordinate and integrate their programmatic efforts, which often continue to function along parallel lines with little or no connection to each other.

The purpose of this paper is to suggest a new intervention strategy that may avoid many of the problems of past efforts and offer new hope for community building in the present atmosphere of fiscal austerity. The principal feature of the proposed strategy is an integrated application of existing programmes and a neighbourhood focus that recognises the potential role of previously untapped human resources in existing communities working in concert with a committed private sector that understands how to leverage public funds with private and philanthropic resources, as well as the value of good design. "Integration," in this discussion, is concerned with the identification and coordinated application of a variety of public and private assistance programmes that are available to alleviate the causes of urban decay and neighbourhood abandonment. The neighbourhood focus of the proposed strategy rejects the narrow emphasis on physical improvement and gentrification in favour of an emphasis on the potential stabilisation and redevelopment that exists in neighbourhoods with active and well-organised residents who are prepared to partner with private firms.

The growing realisation in the United States that national economic constraints will foreclose expensive new domestic policy initiatives in the foreseeable future suggests the concentration of existing programmes and resources in those "weak market" urban communities that have the greatest potential for successful redevelopment. The proposed intervention strategy argues that the selection of neighbourhoods to receive programme assistance should be a function of the degree of community organisation as well as the physical condition of the area. Public and private assistance should then attempt to reinforce the initiative of neighbourhood residents through good design and an integrated application of existing community development, employment, educational, and social service programmes that are sensitive to the particular characteristics of the target neighbourhood and designed to promote neighbourhood redevelopment.

Attacking the Forces of Neighbourhood Succession and Decline

The process of creating urban intervention strategies to reknit communities with the use of available resources must begin with the identification of the variety of forces that promote urban decay. Policy makers and academicians make frequent reference to the "urban crisis" and the familiar symptoms of neighbourhood deterioration and abandonment, but there has been little agreement on a precise determination of the crisis or its underlying causes. The phenomenon of neighbourhood succession and decline has been variously linked to changes in the race and class composition of neighbourhoods, crime, air pollution, poor schools, redlining, the age of the housing stock, bussing to achieve school desegregation, and a plethora of other factors that are consistent with the interests and perspective of a particular observer. Behind the often-cited causes and symptoms of neighbourhood pathology, however, lies an erosion of institutional and individual commitment to neighbourhood stability. Viable neighbourhoods, whether they are composed of single-family homes, subsidised multifamily

developments, or public housing developments, depend on a delicate balance of government, private sector, and individual resident commitment to the future of the neighbourhood. A variety of factors can upset this balance. Although neighbourhood decline cannot be traced to one easily identifiable cause, as soon as a particular problem threatens the balance of private and public commitment, a process of succession and decline may begin, which will proceed inexorably toward complete deterioration and abandonment.

The level of resident commitment to a particular neighbourhood is a function of the quality of local schools, employment opportunities, shopping facilities, transportation, physical conditions, and a variety of other factors of importance to residents. As this bundle of neighbourhood characteristics becomes less attractive, the commitment of households to the future of the neighbourhood weakens and a process of succession and decline begins, hastened by rapid changes in the racial and economic composition of the neighbourhood. The decisions of households to abandon a neighbourhood are normally accompanied, if not preceded, by both public and private decisions to abandon it.

The decisions of public bodies and government agencies to abandon a neighbourhood both precipitate and follow household decisions to abandon it. Decisions to route a new highway through a particular neighbourhood, or redirect spending for public education or police protection can adversely affect the bundle of beneficial neighbourhood characteristics and seriously weaken household commitment to the neighbourhood. In addition, once the process of racial and economic transition and decline is well established, city governments and public agencies, operating under the continuing threat of a fiscal crisis, may begin selective reductions of essential municipal services in order to provide them to neighbourhoods that are believed to be capable of stabilisation and preservation. Reduced police protection, fewer street repairs, and less frequent trash removal often constitute the fatal blow for a decaying neighbourhood, pushing it from a state of incipient decline to complete deterioration and abandonment.

The process described above represents a classic scenario of a neighbourhood in distress. The stability of these neighbourhoods, like that of more affluent areas, depends on whether the neighbourhood is meeting a variety of resident needs that are essential to a suitable living environment. Inadequate educational or employment opportunities, poor transportation, a lack of decent shopping and other commercial facilities, and deteriorating housing also threaten the viability of low-income neighbourhoods. Although middle-income people can flee a rapidly declining area while low-income people usually cannot, the critical aspect of the process of decline in both low- and middle-income neighbourhoods is identical - a lack of household commitment to the stability and future of the neighbourhood.

A neighbourhood provides a vehicle through which residents can exert some influence over their living environment. Whether through formal rules or informal and implicit standards of conduct, neighbourhoods remain viable because of substantial resident compliance with generally understood standards of social interaction and property maintenance. As neighbourhoods fall victim to the devastating forces of decline, resident needs are increasingly unsatisfied, household commitment to the neighbourhood weakens, and implicit standards of conduct and maintenance have little effect. Residents perceive an increasing inability to control their own living environment and react accordingly. The process is particularly severe for low-income people, who are often concentrated in rapidly declining areas abandoned by the middle class. Lacking adequate employment and educational opportunities, and victimised by public and private decisions to abandon their neighbourhoods, residents become cynical and with-

draw from the active social interaction that is essential to a viable neighbourhood.

A successful intervention programme for distressed low and moderate-income neighbourhoods, therefore, must consider the programme areas of housing and community development, employment, education, security, and related social services as integral reinforcing elements of a long-term programme designed to attack deficiencies in the bundle of essential neighbourhood resources and to revive household confidence and commitment to a viable neighbourhood. This bundle of concerns, which collectively account for the neighbourhood succession process, must form the basis for a new policy focus that should be directed to specific neighbourhoods, and to the interrelated problems of housing stock condition, security, quality of education in the neighbourhood schools, municipal and social services, and employment.

It should also be clearly understood that an intervention programme must be designed on a sound financial basis with appropriate fiscal controls, or it will no doubt fail. The history of social housing, urban renewal, and social programme efforts in the United States during the last 30 years is replete with examples of poor planning and financial irresponsibility. Renewal officials, planners, bureaucrats, and both nonprofit and for-profit developers have placed far too much emphasis on development with no long-term financial viability, rather than on the social infrastructure of communities that must be addressed simultaneously with the built environment.

The lessons of the last 30 years should not be lost: redevelopment succeeds best when it proceeds in manageable increments as part of a master plan and utilises the resources of indigenous community organisations in partnership with more experienced private sector organisations. Moreover, an objective of any successful programme of long-term stabilisation must be to create cohesive communities and to encourage residents to work together toward a stabilised and revitalised neighbourhood. The most effective type of community redevelopment programme will be one that involves its residents and derives its vitality from the intelligent use of their talents and leadership in concert with skilled professionals who understand the complexities of the redevelopment process.

The effect of many governmental programmes involving state departments of transportation, urban renewal agencies, and other public agencies has been the destruction of the social fabric of many neighbourhoods, and the isolation of low- and moderate-income families as they have been moved from one part of a city to another. The current dialogue related to urban reinvestment still threatens low- and moderate-income city residents as bureaucrats and politicians devise new strategies to "upgrade" neighbourhoods and increase the tax base. Planners and community development experts persist in advancing plans for neighbourhoods, which, by their very nature, will force indigenous residents to leave. This is so because the costs of financing substantial housing rehabilitation new construction, and mixed-use projects dictate that rent levels or sales prices will exceed the financial means of low- and moderate-income families. Thus, the current rhetoric relating to the "preservation" of neighbourhoods and increasing the urban tax base often focuses solely on market-rate housing or mixed-use projects.

A new intervention strategy for declining neighbourhoods should respond to both the physical and human needs of a particular area. Such a programme should focus on the interrelationship between employment, housing, and education, and attempt to incorporate whatever community infrastructure exists into a particular redevelopment programme. This is a fundamental principal of intervention, because the utilisation of community leadership in the design and

implementation of a redevelopment programme carries with it the social stability and decision-making processes that are necessary if the newly rehabilitated neighbourhood is not to deteriorate once again. It should be understood that not every neighbourhood is mature enough to assume the responsibility inherent in such a programme, but it is clear that there are many that are.

A New Role for the Private Sector

The fact that bureaucracies have been relatively ineffective in intervening directly in neighbourhood redevelopment programmes offers interesting opportunities for the private sector. The transformation of distressed communities is a function of redesigning the built environment to respond to the demands of the market while accommodating the needs and interests of indigenous residents who choose to remain. The challenge becomes one of creating a mixed-income community that can accommodate a cross section of the market and that requires an integration of public, private, and philanthropic resources to reknit the social fabric of a targeted area. This, in turn, requires a specific focus on schools and

recognition that their quality is inextricably tied to broadening the market and creating the conditions that encourage new investments in retail businesses and services.

The complexity of a successful redevelopment programme can be handled more effectively by a private or public/private entity that has the vision and ability to tackle a variety of issues simultaneously. This is surely not the role of the public agency. The entrepreneurial aspects of this work leads itself to those in private and nonprofit sectors who have a desire to lead as they resolve the intricacies of design, real estate finance, and human capital programmes. The work is rewarding and promises to create a new group of urban entrepreneurs who can serve their communities as agents of change.

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March 2005

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Hernando de Soto Seeds for Sowing Prosperity

In spite of their shortcomings, today's extralegal enterprises and the people who run them are less developed countries' (LDCs') seeds for sowing prosperity. In the past of all of today's developed countries, the extralegal sector has been the launching pad for creating more productive enterprises in an expanding market. Extralegal entrepreneurs in LDCs could be the same kind of agent of economic change. What they are missing is a good legal framework to replace the makeshift extralegal practices they have created to get by. To achieve this, they must find it profitable to move away from the impoverished and fragmented circuit of extralegality to an institutionalised system of market exchange that must provide them—at least according to ILD's experience—three basic institutions that are indispensable for growth:

- Organisational forms that while protecting the family will also increase their productivity through the division of labour.
- Legal means for enterprises to operate in the expanded market of LDCs.
- Formal, fungible property rights to replace the existing local possessory arrangements, which will in turn allow assets to be identified, people to be made accountable, and assets to move and capture value in the expanded market.

Developed nations take many of these institutions for granted. They sometimes forget that unfettered democratic access to business organisational forms for enterprises to govern internally and be able to operate in the expanded market—as well as access to property rights—were reserved for a politically favoured few until less than 200 years ago. It was only in the 19th century that these fundamental institutions became easily accessible to all Western citizens. Democratic access to corporate forms only came about in 1840 in New York—and proceeded to transform the world of enterprise.

By taking on legal organisational forms, individuals are able to do things together that they could not do alone. For example, organisations can assemble lots of different people and administrate them collectively. Even if the owners or the managers get sick or disappear entirely, the organisation and its assets remain. Legal attributes, such as limited liability and perpetual succession, which come with most organisational forms, allow risks to be quantified and help identify the reasons for which an enterprise can be sued. Law ensures that the way legal organisations hold their accounts is uniform, easy to retrieve, and made public in such a way that they are more trustworthy than any individual person.

Business organisations can be regulated so comprehensively that employees and other parties who deal with them know what to expect. The records and rules can be made clear enough so that it is much easier to understand how a business organisation is governed internally than how a group of extralegal individuals make their decision.

Let us look at these three institutions one by one to see how their implementation would benefit LDC entrepreneurs.

The Division of Labour

The division of labour in an ever-expanding market was, according to both Adam Smith and Karl Marx, the most revolutionary experience in the history of

mankind. They believed this because the division of labour within an enterprise involves passing from cooperation on a small scale to cooperation on a large scale. It is about moving from specialising in the self-sustaining economies of small markets (families, patrimonial estates, neighborhoods, tribes, villages, towns, and fiefdoms) to specialising in the wider market of the whole nation, and eventually the world.

Before the division of labour on a large scale came about in developed countries, most of their entrepreneurs worked for themselves in local, segmented markets with little specialisation. As a result, they were poor—like most small LDC entrepreneurs today. However, when division of labour beyond immediate family members became possible, it increased wealth, offering businesses the possibility of breaking up production into more efficient functions, thereby increasing productivity. To illustrate this point, Adam Smith gave his famous example of a business that manufactured pins with ten workers: Operating separately, each worker was able to turn out less than a dozen pins a day; but once pin-making was divided in a productive manner among workers into 18 specialised tasks ("One man draws out the wire, a second cuts it, a third points it, a fourth grinds it at the top for receiving the head ..."), the ten workers were able to churn out 48,000 pins per day.

The division of labour increases productivity not only because of better distribution of work, but also because of the increased competence of each worker. Repetition of the same task gradually improves a worker's on-the-job dexterity, as formerly new or difficult skills become habits. Also, focusing solely on one task, workers save the time they used to waste by having to move from one function to another. And most important, the division of labour encourages the invention, production, and operation of machines that raise the productivity of labour even further. Businesses thus are able to increase their returns and offer their workers a higher income.

The use of such classic division of labour techniques is how developed countries were able to set up elaborate production organisations that have prospered over time. Formal firms in developed nations can easily grow and reorganise (divide labour) internally by hiring or associating with outsiders because they all abide by uniform laws and regulations that govern their internal organisations and provide them with clear rules that protect the interests of their investors, creditors, managers, and workers. Today, there are not many technically advanced things that we consume which are the product of one person or even a few. Most of what we consume is the result of the joint effort of several people who have divided the labour among themselves.

LDCs, too, can benefit from the expansion of the division of labour—and without hurting the family ties that bind most LDC entrepreneurs. One need only be reminded that in developed countries like France and Italy most businesses are still family owned. In fact, even in the United States, 80 percent of all enterprises are still run by families. The difference with LDCs is that the United States has business organisational tools that allow enterprises to retain the best outside professional talent, achieve a large-enough scale using the best available technology efficiently, and using their property to finance their expansion.

In other words, one of the first things that enterprises need to divide labour efficiently is to have easy access to standard organisational forms that endow entrepreneurs with a strong internal government able to enhance the division of labour within the enterprise. These should include tools that allow an enterprise to break up production into different functions, partition and combine resources, and distribute work so as to increase productivity—the physical output for each unit of productive effort. These tools allow the internal government of an enterprise to set up effective and accountable management structures; to attract experts from outside the extended family to work for the original owners: to create rights over certain assets so as to partition and protect the interests of creditors and shareholders alike—so that credit and capital can be captured; to act as an organisational nexus for controlling and monitoring contracts with creditors, buyers, and suppliers; and to put to good use the most advanced and productive technology available.

Exchange in Expanded Markets

Division of labour within entrepreneurial organisations is possible to the degree that they can exchange with other organisations. For example, those specialising in making pins have to be able to buy the wire inputs and machines from other producers to make their pins, and then they must be able to sell their pins to other people to be able to buy food, clothes and other goods. They must also be able to borrow money and/or obtain investment from other organisations to start new operations and to grow their business. In other words, organising labour productively within one entrepreneurial organisation is possible only to the extent that this organisation can make deals with many different people and organisations. But, how many people and organisations can one LDC entrepreneur get to know and trust among his or her country's million inhabitants? Probably not more than a very small fraction of one hundredth of 1 percent—consisting of immediate family, friends, and local neighborhood, religious, and peer networks. And in spite of what such small groups might offer in terms of familiarity and security, maintaining and cultivating relationships within them can take up an enormous amount of time.

The wider the market, the more enterprises can carry out all manner of anonymous business transactions and specialise to such a degree that the economy grows more efficient and wages and capital values rise. A legal failure that prevents enterprising people from negotiating with strangers defeats the division of labour, specialization, and expanded markets, and fastens entrepreneurs to smaller circles of specialisation and lower levels of productivity than would be possible otherwise.

Entrepreneurship triumphed in developed nations because the law integrated everyone under one legal system for organising enterprises and defining property, giving them the means to cooperate and produce large amounts of surplus value in an expanded market. The advances of developed nations, right up to today's exponential growth of electronic information and telecommunications technology, could happen only because the property rights systems required to make them work were already in place. The rule of law opens up closed groups while inviting the creation of a larger network where the potential to create capital increases substantially. In this sense, property obeys what is known as "Metcalfe's Law" (named after Bob Metcalfe, the inventor of the Ethernet Standard for networking personal computers). According to Metcalfe's Law:

The value of a network—defined as its utility to a population—is roughly proportional to the number of users squared. An example is the telephone network. One telephone is useless: whom do you call? Two telephones are better, but not much. It is only when most of the population has a telephone that the power of the network reaches its full potential to change society.¹

Like computer networks, which had existed for years before anyone thought to link them, property systems become tremendously powerful when they are interconnected in a larger network. Only then is the potential of a particular property right not limited to the imagination of its owner, his neighbors, or his acquaintances, but a beneficiary of a larger network of other imaginations. Only then will people subject themselves to obeying one legal code, realising that without it they will cease to prosper. Only then can government begin to administer development instead of rushing heroically to plug each and every leak. In fact, a modern government and market economy cannot exist without an integrated legal business and property system.

Many of LDCs' current problems are due to a lack of interconnecting devices provided by uniform law that allow enterprises to move beyond their neighbourhood and to be able to deal with strangers of unknown reputation and resources.

What enterprises in LDCs need are identities and tools that will allow them to access resources that are beyond the reach of families and groups of friends and give them contractual and efficient enforcement mechanisms to make sure that promises are kept, even by anonymous contracting parties. Such tools include standard business organisational forms, limited liability, and perpetual succession, all of which will allow enterprises to reduce the distance between themselves and other unknown people and to have access to customers, suppliers, and resources that are beyond the reach of their extended family. These are the means that allow entrepreneurs to cooperate with each other on a large national (and even international) scale that goes beyond the small, fragmented, and isolated circles of acquaintances that most entrepreneurs in developing and former Soviet Union nations are confined to. Such rules allow enterprises to find their comparative advantage and achieve economies of scale in markets of millions rather than in markets of hundreds or thousands—moving their operations and resources to any location in the national territory where they perceive they can obtain the highest rate of return. Since the extent of the division of labour very much depends on the size of the market, these tools will also increase productivity.

Property Rights

For the division of labour and exchange in expanded markets to work, LDCs also need an accessible system of property rights, and the business records it makes possible so that they can clearly identify who is who, who owns what, who has behaved well, and who has not-so that people can trust each other and select their best potential partners.

As I documented in my book, *The Mystery of Capital*, most LDCs lack a legal and institutional environment that identifies the economic relationship first between people and then between people and their assets. That leaves most people and their resources commercially and financially invisible. Because owners are not readily identifiable or accountable through efficient legal property records and enforcement mechanisms, nobody really knows who owns what assets and where, who is accountable for the performance of obligations, or who is responsible for losses and fraud. Nobody knows what goods guarantee and help enforce payment for services and goods delivered. The poor, therefore, live outside the legal framework, where there is too much room for misunderstanding, confusion, reversal of agreement, and faulty recollection. Where the costs of unfixity and uncertainty are far too high. This is why they cannot use their assets as capital to secure the interests of lenders, investors, and business-people to generate additional production.

Until a property and capital formation system tailored to the circumstances of the poor is in place, they cannot be helped in any significant way. Consequently,

no matter how much government or business tries to extend credit to the poor, they will fail. No matter how much they try to make the poor beneficiaries of an increasingly globalised marketplace, they will fail. No matter how much government and business want to extend public services to the poor, such as electricity, clean water, and sewerage, both parties lack the means to identify the poor as subscribers, to enforce utility contracts, to establish reliable service connections, to control losses, and to collect rates. No matter how many computers are imported, how much mapping is done, and how much titling is carried out, an adequate property system cannot be established because most poor hold and use their real estate assets outside mainstream law, where the facts will always be in conflict with the records. The legal system is so hostile to most LDC entrepreneurs and property owners that nearly every time they are provided with assets and titles, they quickly slip back into the extralegal sector, where after one generation of transactions, the records no longer reflect the conditions of ownership.

Therefore, even though the poor owners and the small entrepreneurs collectively have billions of dollars, their assets are “dead capital.” They cannot use them to generate more wealth. As a result, they are marginalised from capital and cannot function to full capacity in the modern market.

For this to happen, LDCs must create a system that carries out the following four tasks: integrate the assets of the extralegal majority into the mainstream market, make these assets fungible, make their owners accountable, and provide them with the connecting devices that allow them to leverage their usefulness in the economy.

- *Integration*: Informal property arrangements dispersed in hundreds of isolated LDC realities have to be pulled together into one consistent network of systematised representations that operates within a large national consensus.
- *Fungibility*: Assets must be represented in such a manner that they can be moved and made more accessible. This involves standardisation of definitions and representations of assets to facilitate: the low-cost measurement of the attributes of assets, the combination of assets into higher-valued mixtures, the division of stock into shares, the objective valuation of stock, and the provision of track records of transactions involving stock.

- *Accountability*: Ensures that integration and fungibility of assets enhance the accountability of owners by shifting the legitimacy of rights from local, politicised arrangements to the impersonal context of national law; demassifying by linking assets to owners in such a way that the latter can be individually identified and located, and thus, lose their anonymity; and encouraging trust and commitment to contracts by linking the right to use property to create surplus value to the enforcement of contracts through penalties or forfeiture.
- *Network*: Create the institutional framework for low-cost connecting devices that allow all assets to be interfaced in the expanded market, connecting devices such as record-keeping organisations, abstractors or chain-making organisations, fiduciaries and closing services, insurance and trust mechanisms, and systems integration facilities.

In conclusion, most economic agents in LDCs do not enjoy the benefits of the three institutions or sets of legal tools described above. The result is that their productivity is extremely low in their capacity to reap the rewards of organised, large-scale production in an expanded market is practically nil; and their chances of using property efficiently and obtaining credit and capital in competitive conditions are nonexistent. People who live outside the rule of law operate way below their potential in an environment that is usually referred to as the underground economy (or the grey or black market, or the extralegal or shadow economy). Here, most people cannot prosper, governments cannot rule, and terrorism and crime are difficult to control because they are actually useful or appealing to some types of disenfranchised people.

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¹ “Survey the Internet,” *The Economist*, July 1, 1995, p. 4-5.

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