

# Resurgent Cities, Urban Myths and Policy Hubris: What We Need to Know

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## 1. Structure and Aims of this Special Issue

This Special Issue has grown out of an international Symposium on Resurgent Cities held in London in April 2004. More than 40 papers were given on a range of issues related to that unifying theme. We are not trying to represent the sweep of these contributions here. It would not be possible, given how rich the available material was. Here, we have two, more narrowly focused objectives. The first is to put the idea of 'resurgent cities' on the research agenda. What does this phrase really mean? What plausible hypotheses underlie the idea that resurgence is likely or feasible now? How does it relate to the facts of cities in OECD and other more developed countries? Our second objective is to take the notion of resurgence as an example of the need for a research agenda to develop serious, fundamental, evidence-based research on urban issues before rushing to judgement or formulating urban policies on the basis of some new conventional wisdom(s). In this context, it is hoped that this Special Issue forms something of a manifesto.

## 2. Resurgence and the Functions of Cities

The symposium was not predicated on the assumption that urban resurgence was universal or even existed, but that it was a process for which there was some current evidence and—given the importance of cities in social, economic and political terms—was therefore a subject for serious enquiry. Contributions showed that city resurgence was a hard concept to define precisely and the evidence suggested that, although happening in some urban contexts, it was both far from universal, even uncommon, and—more significantly—its causes were not clearly understood. This sceptical caution is reflected in the contributions of Glaeser and Gottlieb, Markusen and Schrock, Musterd, and Storper and Manville as well as Beauregard (2004). Indeed, Glaeser and Gottlieb's reading of the evidence is much more supportive of resurgence—at least in the US—being more relative than absolute.

Emphasising the difficulty of defining exactly what is meant by urban resurgence, the contributors to this Special Issue all have somewhat different versions, although all

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those who directly address the question agree that at least a degree of resurgence has occurred and that resurgence is against a context of previous decline. Musterd suggests that resurgence involves a city being competitive, attracting new and growing activities and becoming a more interesting place in which to live. Markusen and Schrock define it in terms of reviving urban economies, but argue that resurgence comes in many guises and they find signs of resurgence in specific cities with quite heterogeneous characteristics. Their conclusion is that more successful cities develop their distinctiveness or comparative advantages. Storper and Manville take a relatively straightforward approach, but discriminate between intraurban and interurban dynamics. For them, resurgence implies past decline of some sort, so it is distinguished from simple growth as such, but it

refers to two separate but related processes, on two distinct but related geographical scales. The first . . . is at the regional level: the revival of entire metropolitan areas that had previously lost population and investment. The second is the jurisdictional level: the revival of central cities themselves (Storper and Manville, 2006, p. 1249).

Glaeser and Gottlieb, define resurgence within a stricter economic mode of thought and so conceptualise it as a renewed attraction of activities that may manifest itself as a varying combination of absolute growth in output and population or as rising relative house prices against a constraint on housing supply.<sup>1</sup> Thus the growth does not have to be in absolute terms, but could take the form of a slowing rate of population loss accompanied by rising real incomes and house prices. The evidence they analyse points to the balance of forces not being driven by rising relative productivity in urban areas (the new economy leading to increased agglomeration economies, for example) but rather by a relative growth in the welfare derived from urban living—in part resulting from a reduction in costs of, for example, crime but from other factors as well.

In some ways, this definition is the one that can be most precisely pinned down, but it does not directly capture the intraurban element that seems to be implied in some of the discussion and which is incorporated by Storper and Manville. We still have a range of definitions, but a surprising consensus that resurgence has occurred in at least some cities according to which ever definition the author(s) are applying. The most frequently cited cities exhibiting resurgence are Boston, New York, Los Angeles and the Bay Area in the US and London and Amsterdam in Europe. Storper and Manville (this issue, p. 1248) claim that “the revitalised central city needs not just a growing region, but also some shift within that region that moves people towards city life” and there seems to be some plausibility to this.

A reasonable case can be made that cities are the most fundamental human innovation of the past 10 000 years. It was the ‘invention’ of cities that provided the essential basis for the development of the division of labour: that most fundamental of all contributions to enhanced productivity and economic growth. It was the initial growth of cities that prompted the need for transport improvements to feed the specialised and productive urban-dwellers. The invention of the wheel was driven by the demand to overcome the ‘tyranny of distance’. Only by extending the area over which food could be moved to the early cities could they expand (Bairoch, 1988). It was the further growth of cities that gave rise to the demand for technological innovation in infrastructure, water supply and public hygiene. Those innovations in turn allowed the industrial era to exploit the economies of scale and the further division of labour enabled by the invention of the factory system. Each phase of innovation fed on the previous and contributed to the next (see Audretsch, 1998, for recent evidence on the continuing importance of cities to innovation) but all were predicated on cities, not only as a means of organising economic life but also as places in which to live. As Marx and Engels pointed out long ago (Marx and Engels, 1967), one of the main contributions

of the bourgeoisie was to have 'rescued the mass of the people from the idiocy of rural life'. While most commentators, including Storper and Manville, have stressed the growth of productivity in cities with the increasing concentration on activities with significant agglomeration economies, in their contribution Glaeser and Gottlieb argue that the evidence suggests it is mainly on the basis of the consumption benefits they generate that US cities have been showing significant signs of revival.

It is not just to directly lowering the costs of production and increasing output that cities contribute. They also contribute directly to welfare by allowing more choice in consumption, lower prices and more specialised neighbourhoods with specific and appropriate support systems, more and more interesting social interactions and more varied and better local services. Agglomeration economies and the extent to which cities allow the division of labour to be exploited increase total factor productivity directly: but amenities, local public goods and the direct consumption benefits derived from living in cities also reduce the real supply price of labour and enhance welfare directly.

It is obvious that there are costs as well as benefits associated with urban living and the growth of cities. No city is utopia. Space costs rise as people and firms bid for the benefits of accessibility and there are rising costs of crime, pollution and congestion to offset against the increased productivity of labour, more rapid exchange of ideas, greater competition as a source of innovation and the benefits of specialised neighbourhoods and more chances for human interactions. Proximity to other people brings hazards as well as advantages, as Glaeser and Gottlieb point out. In the post-Roman era and right through to the qualitative improvements in public health introduced in the second half of the 19th century, cities were killing places that relied on net inward migration to grow.

But people still flocked to cities voluntarily. Liverpool grew 85 fold between 1700 and 1850, from 5000 to 425 000 people (Chandler,

1987). Except in the most extreme circumstances, people have not been forced to move to cities. And cities continue to grow and prosper not just in the developing world but in OECD countries, too, despite the continuing decline of those cities created by the Industrial Revolution. Recent work, for example, has demonstrated an increasing concentration of the most highly skilled in US cities (Costa and Kahn, 2000) and an increasing functional specialisation between major cities in both the US and Europe (Duranton and Puga, 2000 and 2005; IAURIF, 2002). Cities in advanced countries are no longer in uniform decline. Some, like Dublin or Madrid, are booming; others, previously declining, like Birmingham or Leeds, have stabilised. London is arguably the prime example of a 'resurgent' city in Europe.

For nearly the whole period in which cities have existed, they have evolved piecemeal—with occasional significant interventions—but mainly as a result of the local actions of individual households, institutions and civic arrangements; and, more recently, organisations of economic actors such as firms (which have only existed for about 2 per cent of the time cities have been evolving!). Urban innovations, such as marketplaces or parks, which worked well, survived and spread; innovations which lost their functions, such as city walls, town-centre ports or large manufacturing, disappeared. It is only in the past 100–150 years that human beings really decided to 'plan' cities in the modern sense.

The Romans had blueprints for almost flat-pack cities for newly occupied domains. Cities were laid out to secure newly occupied territory in the Middle Ages—for example, the *bastides* of south-west-France. There was major redevelopment in a number of large European cities—most notably Paris and Barcelona—in the middle of the 19th Century when it was recognised that city walls had lost their functions. There were even examples of cities such as St Petersburg, planned to symbolise a new political vision as much as to provide for an economic need.

We can mark the origin of serious and concerted 'urban planning', however, designed to

organise the whole structure and form of cities and systems of cities to the late 19th and early 20th centuries. In its modern form, city planning was not just an issue of accommodating economic activities and people in the most efficient and welfare-maximising way, it was also part of a wider vision of social improvement. As Hall (1974) calls them, they were the Seers. Improving cities ceased to be an evolutionary process and became a toll of moral improvement. The key moment was the publication of Ebenezer Howard's hugely influential *Garden Cities of Tomorrow*, in 1898.<sup>2</sup> It was Howard who first advocated the restriction of urban growth, green belts and the creation of self-contained 'garden cities' of some 30 000 people. This book set the framework for the city planning movement of the 20th century. The ideas it advocated were incorporated in Abercrombie's London Plan of 1945 and still, in many ways, frame urban policy and planning in the UK today. Nor are they confined to the UK. Many countries, for example South Korea, in designing their own town planning systems in the second half of the 20th century adopted an essentially British model. The 'new urbanism' or 'smart growth' movement in the US is, in essence, an adaptation of the post-WWII British planning system's ideas of urban containment (or growth boundaries as they are now called) and mixed neighbourhoods and the integration of jobs with residential development. As books such as *The Octopus in England* (Williams-Ellis, 1928) bear witness, the new vision incorporated a strong moral revulsion to the industrial city and even to industrialisation itself. The 'bungalow' was 'blasphemous' and the endorsing epilogue was by Abercrombie himself.

Cities, however, are extremely complex organisms, probably more complex than colonies of ants; and there has probably been less fundamental research on how cities work than is the case with ant colonies. As Charlot and Duranton show in their contribution to this Special Issue, even so simple sounding an issue as communication within cities is a complex problem. Glib simplicities such as the assertion that new communication

technologies will erode—even eliminate—the need for cities with their rich possibilities of face-to-face communication, turn out to be untrue. New technologies seem to be complementary to face-to-face communication and their use is particularly prevalent in larger cities. On the other hand, the apparently obvious fact that face-to-face communication will be particularly evident in larger cities also turns out to be incorrect. Taken together, there is simply more communication of all sorts between workers in larger cities.

While we understand less about how cities work than we do about ant colonies, however, we confidently develop and implement *dirigiste* urban policies. We do so with no real understanding of how the policies will eventually impact on the urban system, on economic productivity, on welfare or on distribution; and hence even on the competitiveness of our economies. Fortunately, cities have so far appeared to be not just complex but rather robust systems so, while policy has had clearly demonstrable but often very unexpected and adverse effects (see, for example, Brueckner, 2000, or Cheshire and Sheppard, 2002), the world—and the cities in it—carries on successfully.

This seems to be mainly because of the inertia of cities. The impact that planning has been having on British cities and their physical development, for example—effectively since the passage of the 1947 Town and Country Planning Act—has been slow and cumulative. Cities have much more inertia than super-tankers and policy takes a long time to have any significant effect at all. One obvious reason is the durability of the built environment. If there is policy to influence the location and density of new housing, for example, this will only influence a small proportion of supply in any given year because more than 90 per cent of the supply (in the UK; see Barker, 2004) already exists. Most of the supply of housing is second-hand stock being resold or re-let. This is important in understanding how the restriction of land supply, introduced in Britain and enforced following 1947, only began to impact on the real price and density of houses and other buildings

slowly from the mid 1950s. This fact about cities also has other implications as Storper and Manville show (this issue). Their path dependence conditions the current choices available to, and perhaps even the preferences of, their current citizens.

Perhaps even more important are two other types of inertia affecting the built environment: the inertia exercised by the structure of property rights and the inertia imposed by norms and standards, especially those which condition infrastructure. There were elaborate plans to rebuild London on a new layout following the fire of 1666, but after the fire people returned to their properties, to salvage what they could, to camp out and then to rebuild. The medieval layout was imprinted in patterns of ownership and this proved too great an obstacle to any attempt to restructure the layout and make it more efficient than the winding lanes of the old city. Other major cities which have been substantially destroyed—Chicago, Berlin and Tokyo—have been similarly rebuilt on their original layout. There are exceptions to this rule of inertia, but they remain exceptions. This inertia is important in explaining the resilience of cities in the face of utopian visions but, as is analysed below, it is also important in understanding the limitations of planning policy to deliver ‘sustainability’.

### **3. Some Policies that have not Passed the Test of Evidence**

The papers in this Special Issue have been selected partly to illustrate the need for careful analysis and evidence-sifting before we impose supposed cures for perceived urban ills. It is our judgement that, ever since the urban visionaries became empowered to implement their visions and began prescribing policies for cities, there has been a horrid vacuum where clear foundations of understanding should be. Cities are highly complex and policies have too often been conceived of in isolation. Some have related to urban design without analysing the consequences of design for economic and social interactions. Architects and designers are by

temperament inclined and by training skilled in designing buildings and ensembles of buildings. But the buildings in a city are only a small fraction of what makes up a city. Architects and designers are not social scientists and have little or no analytical training in understanding how cities work.

Another example of how the focus of policies can be too narrow is when they are designed to tackle one ill without an adequate knowledge of whether that ill is a cause, a symptom or simply a characteristic of cities. Cities impose costs as well as benefits so they always have ills: for example, high property prices, the loss of lower-paid jobs, congestion and crime may simply be a price we pay for urban prosperity and the benefits cities bring. In cities in which the economy is prospering, land prices get bid up and less-skilled, lower-paid jobs get squeezed out as they are replaced by better-paid and more-skilled jobs. Cities which are not losing low-paid, traditional jobs have stagnant economies. Crime rates vary between societies and over time and we may have effective social policies to reduce crime, but crime in cities may just be the spatial manifestation of a social ill. Whatever the crime rate in a society is, crime pays better in larger cities so that is where it is concentrated (Glaeser and Sacerdote, 1999).

A similar argument may be true of social segregation. Two of the contributions to this Special Issue—by Härsman and Musterd—provide strong evidence on the persistence of patterns of social and ethnic segregation in Stockholm and Amsterdam respectively. But that is different from demonstrating that social segregation is a separate ill that incrementally imposes suffering on the poor and disadvantaged. As is argued below, in the state of current knowledge (see, for example, Cheshire and Sheppard, 2004), it may be more plausible to believe that poor neighbourhoods are simply the spatial manifestation of income inequality. The more unequal incomes in a society are, the more strongly polarised between rich and poor are the neighbourhoods in its cities—and, the larger cities are, the wider the areas dominated by one or

other of these groups will tend to be (Gordon and Monastiriotis, 2006). But that does not demonstrate that poor neighbourhoods are a cause of disadvantage: just that the disadvantaged are concentrated in poor neighbourhoods. If that is the case, the conclusion for policy is to reduce income inequality in society not to build 'mixed neighbourhoods' or to improve the built environment in such neighbourhoods. Policies should help people, not buildings. Indeed, if policies do not effectively address the underlying causes of poverty, improving neighbourhoods may simply displace poorer people to even less attractive neighbourhoods, so the poor have to bear disruption costs as well as poverty while continuing to live in a low-quality built environment. These arguments do not of course imply that it is never useful to deliver policies aimed at reducing societal inequality in poor neighbourhoods (such as improving labour force skills); nor that real differences in life-chances may exist for the inhabitants of different regions when migration, and so spatial adjustment, is costly or difficult.

Let us look, therefore, at four types of policy being implemented for urban areas in Europe and the US for which we believe there is, at present, a wholly inadequate research base. We are not arguing that these four policies are necessarily wrong or will necessarily make cities less productive and worse places in which to live. We are rather arguing that in the present state of knowledge there is no real evidence that these policies will improve either our cities or our social well-being. Each of these policies seems to have entered into the realms of conventional wisdom without ever having been subjected to the test of evidence or the search-light of serious analysis. Apple pie, however, as modern nutritional guidelines tell us, is not necessarily a good thing.

### *3.1 Sustainable Cities*

Sustainable cities and planning for them is very much a part of modern conventional wisdom. Perhaps even worse than that—if

we question it, we are somehow challenging the forces of good and reason. There are two unanswered questions the advocates of 'sustainable cities' have sidestepped, however. The first has already been alluded to in discussing the inertia of cities. If we are serious about 'sustainability', interpreted as a step reduction in the rate of depletion of non-renewable resources so that we leave the world to future generations as rich and useful as we inherited it, we need to affect the behaviour of all. Planning for sustainability, however—in the sense of land use planning, 'smart growth' or the 'new urbanism'—can only influence new development and—as was shown above—new development is but a tiny fraction of the built environment. If our aim is to generate a stock of buildings and a pattern of infrastructure that is far more efficient in its use of non-renewable energy than is alleged to have been typical of construction between about 1930 and 1980, we need policies that influence the actions of everybody and the form of all buildings and infrastructure: not just new development. We also need to influence the consumption of non-renewable energy in transport, heating and cooling. Economic instruments, such as fuel or carbon taxes, would achieve that. There is a clear economic argument for ensuring that people pay the full social costs of energy use, just as there is a clear economic argument for a congestion tax. But taxing gasoline in the US or aviation fuel anywhere would be politically costly and would require great political bravery. Having planning policies for 'sustainable cities' is politically better than costless; but may be nearly useless.

It is politically positive because not only does it sound good—like motherhood—but it creates asset values for the richer homeowners of the developed world.<sup>3</sup> Evanson and Wheaton (2003) show how in Massachusetts, the richer the community is, the more restrictive its growth policies tend to be; Cheshire and Sheppard (2002) show how in the UK the benefits generated by growth boundaries/urban containment policies are disproportionately distributed to the richest

householders; Fischel (2001) has provided a plausible hypothesis as to why homeowners benefit from growth controls and will expend considerable resources and energy defending them. They are defending the capitalised value that growth controls generate for their most important single financial assets—their houses.

So people, particularly rich and articulate voters, like growth controls imposed in the name of sustainable cities, but such policies are incapable of delivering much sustainability. This is not just because of the fact that they only influence the pattern of new development. It is also because the case that low density implies high energy consumption has not in fact been demonstrated. Close examination, indeed, suggests the evidence is pretty flimsy. As was shown by Gomez-Ibanez (1991) or Breheny (1995), the widely quoted ‘fact’, popularised by Newman and Kenworthy (1989), that lower-density cities mean greater automobile dependence and more gasoline use, is entirely misleading. Like many such investigations, it included no prices. There is a cross-sectional correlation between urban densities and gasoline use but, if economic variables are included, then the relationship between density and fuel use all but disappears; fuel use is largely explained by its price and urban density is a function of city size and incomes. Gordon (1997), for example, shows that including economic variables, plus a dummy for Singapore and Hong Kong, reduces the density effect by two-thirds. Like many corrections, however, the original headline finding remains in the public mind while the correction missed the headlines; so planners and policy-makers ‘know’ that lower urban densities are a cause of higher energy use when the evidence is entirely lacking.

At its extreme, containment policies may increase mean commuting distances and fuel use. In the UK, planning policies imposed over two generations have generated a pattern of ‘concentrated deconcentration’. Each urban node is relatively high density (and so, probably, more congested) but is

separated by large belts of unbuilt land over which urban development leapfrogs. The result is that commuters travel from almost all over the south-east of England to work in London, crossing large tracts of unbuilt land as they go. In addition, cross-commuting between urban nodes in the outer south-east may rise. Thus, on balance, without a great deal more information than is presently available, it is impossible to conclude whether total travel time and energy used are increased or reduced by urban containment. In passing, it may be noted that commuting times to jobs in central London are the longest of any major city in the world, but this is not proof that containment increases commuting times—only consistent with that conclusion.<sup>4</sup>

If we are serious about ‘sustainability’, then we need much more and much better research to understand how people behave and make choices with respect to energy use, travel patterns and conservation. On the basis of what we presently know, taxation and public investment in appropriate transport and energy-saving infrastructure seem likely to be much more efficient policies.

### 3.2 *Polycentricity*

While urban containment has spread to the US in the guise of the ‘new urbanism’, the vogue for ‘polycentricity’—although represented in US policy aspirations<sup>5</sup>—is more distinctively European. It morphs between being just a descriptive label for how cities are, or are thought to be, to developing into a goal for policy. The European Spatial Development Perspective (CEC, 1999) or CEMAT (2000) strongly promotes a ‘polycentric urban system’ in the search for spatial equity and making Europe’s city system more competitive. Yet there is precious little evidence to support the view either that it is possible for policy to promote polycentricity or that—were it possible—doing so would make Europe’s cities more competitive. One could even argue that ‘polycentricity’ is nothing new: it is only new in scale and in good part the extended scale of polycentricity reflects

the accumulated impact of planning policies as discussed above.

The functional region of London now extends over much of south-east England and contains large tracts (indeed, in terms of its area, is mostly composed of) what appears to be agricultural land. The functional reality is that this is frequently just houses with extraordinarily large gardens; peri-urban development as the French call it (Cavailhes *et al.*, 2004). What is new in this process is that such exurban nodes—places like Maidenhead, Reading and Northampton—remain physically detached from the built-up area of London. As London rapidly expanded from the mid 17th century until about 1950, it physically absorbed outlying settlements. Islington, when it was a separate settlement in the mid 17th century, was some 25 minutes travel time from London, just as Reading is now. As London grew, however, Islington was physically absorbed as were Hampstead, Walthamstow and Fulham; or, even in the 20th century, settlements such as Enfield. It was this pattern of development that gave rise to the idea of London as a ‘city of villages’. Thus, although jobs have always been concentrated in the centre, London has been to a degree polycentric since the development of Westminster. Transport technology and travel times determined its physical pattern of expansion, first with a string of growing settlements along the River Thames, then with expansion to accessible, high-amenity suburbs such as Highgate and Hampstead. Then, as first the railway, then the tube and, most recently, in the mid-20th century, the arterial road, brought new areas within a convenient travel time, a whole host of existing settlements and small towns were absorbed. Whole counties like Middlesex became part of the continuous urban fabric of London. It is only since the post-WWII New Towns and urban containment that London has leapfrogged outwards to embrace, functionally but not physically, most of the south-east of England.

Nor is London unique: a somewhat similar story could be told about the 20th-century expansion of Los Angeles, incorporating

Santa Monica, Beverly Hills, Glendale and even Pasadena and Long Beach into a continuous urbanised area. Even Paris has now engulfed Versailles.

Thus ‘polycentricity’, at least in some sense, is not new, but the form it is taking in the UK means there is an ever-widening gap between the morphological city and the functional one. In this, London differs at least in significant degree from Paris (see Cheshire and Gornostaeva, 2002) where planning policy and infrastructure provision have accommodated a continuous expansion of the city. Nor is it clear what European policy-makers and planners are talking about. As Davoudi points out, in the European literature ‘polycentricity’ is used in at least six different ways

Urban planners use the concept as a strategic spatial planning tool; ... geographers use it to explain the changing spatial structure of cities; the European Union (EU) Commissioners and their counterparts in member-states often promote the concept as a socio-economic goal aimed at achieving a balanced regional development; and civic leaders use the term ... as synonymous with pluralism, multiculturalism and dynamism. ... more recently the ... concept has been used at the ‘macro’ level of inter urban scale to denote the existence of multiple centres in one region. ... A third ‘mega’ level of polycentricity has been added to the ESDP ... and promotes polycentricity as an alternative to the core-periphery conceptualisation (Davoudi, 2003, pp. 979–980)

If defined as the opposite of a ‘monocentric’ city—that is, a large metropolitan region composed of more or less equal and strongly interacting cities, each with its own employment centre and specialised functions—it can be argued that Europe does have at least one genuinely ‘polycentric’ urban region—the Randstad, in Holland—although even this is questioned. The Rhine–Ruhr region is also sometimes promoted as an integrated metropolitan city-region, although this seems an altogether less plausible case to make than that for the Randstad. No non-partisan



observer, however, could really confuse the Ruhr towns with a serious major city such as Paris, London or New York. The population may in aggregate be of the same order of magnitude, but the functions performed and communications are of a different type altogether. Traded services, cultural industries, knowledge-intensive activities and a cosmopolitan population, all hallmarks of these major metropolitan centres, are weakly represented in the Rhine–Ruhr.

However, we are less interested here in what ‘polycentricity’ is, or whether it is apparent in patterns of European or US urbanisation, than we are in its use as a normative aspiration for policy. Even here, we have trouble in specifying what the concept means, but it is perhaps at its silliest when promoted as a goal in order to achieve simultaneously greater competitiveness for Europe’s cities and a more ‘balanced regional development’. This seems increasingly to be the sense in which it is used in both European and national planning documents (CEC, 1999; ODPM, 2001). As Parr (2004) points out, the attraction is obvious. Almost all European countries have some set of cities which are close together and may interact to some extent. Even better—from an EU viewpoint—in several instances there are neighbouring cities across national borders that may interact,<sup>6</sup> although these are probably rather few given the knowledge we have about how strong the barrier of borders still is in Europe, except for trade and tourism.

The trouble here is that not only is the sense in which ‘polycentricity’ is being used unclear, and the degree to which it happens, undefined, but the claim that such polycentric sets of cities represent a more efficient urban form is totally untested. Not only is it untested, but it also runs counter to what we know about why cities come into existence. In empirical terms, the urban hierarchy, most generally described by a Pareto distribution of city sizes or, more specifically, by the rank–size rule, is one of the ‘most well defined of social economic regularities’ (Tinbergen, 1968). We do not have to be true believers in Zipf’s Law to accept that

there is a vast literature demonstrating the existence of some kind of urban hierarchy. A system of cities only exists within the relevant territory which contains it and that is normally thought of as the nation-state. Europe has some countries, such as Germany and Italy, which only unified recently in historical terms and—given the inertia of urban development discussed above—the size distribution of their cities still reflects the fragmented statelets from which the countries were constructed, only some four generations ago. The size distribution of their urban systems is flatter with a less-dominant main city. The same is true of Spain where the national capital was only moved to Madrid quite recently in urban development terms. In countries which have been unified states for longer, such as France, the UK and Austria, there is a single more-dominant city. With European integration, it is possible to believe that over the very long run a unified European urban system might emerge with a single more-dominant city and something approaching a rank–size distribution of city sizes. But that is a very long way off. There certainly seems to be no empirical basis for European policy to try to create a flatter urban system in the search for a ‘fairer balance’ and to cite the systems of Germany or Italy as somehow representing ‘better’ systems is essentially a confession of ignorance: either about history; or the structure of urban systems; or both.

On grounds of competitiveness, given the current imperfect state of knowledge, the argument for a flatter size distribution for Europe’s urban system seems even less persuasive. As was noted above, cities generate the basis for the division of labour and there is increasing evidence of both a theoretical and an empirical nature as to the importance of agglomeration economies in cities (see, for example, Costa and Kahn, 2000; Duranton and Puga, 2004). Policies to redistribute growth from large cities, mainly in western Europe, to smaller cities, particularly those in central and eastern Europe, would seem to ignore this altogether. Of course, costs in smaller cities are lower: but so are returns.

Costa and Kahn's findings suggest that, despite rising costs of living, returns to individuals' investment in human capital rise systematically with city size given modern trends towards increased participation of women in education and the labour force.

Indeed, it seems slightly less implausible to argue that, to make the European economy more competitive, policies should reinforce the position of the EU's largest cities. With internationalisation and falling international trading costs, it is perhaps the case that the relevant territory within which an urban system is defined is no longer the nation-state but the time-zone. In which case, if Europe is to be competitive within its time-zone, it needs a larger London not a smaller one. We are not, of course, advocating that as a policy. Not enough is known for that to be a sensible course of action. It is mildly less implausible, however, than the policies to redistribute growth to medium-sized cities to reinforce 'polycentricity' which both Europe and its member-states seem increasingly to be adopting.

The urban hierarchy is a very well established empirical fact for which we have no satisfactory explanation. It seems highly likely that it is ultimately explained in part by agglomeration economies. It seems foolhardy for policy to be trying to create a more 'polycentric' urban system until we understand why we observe urban systems as they are. At the very best, we should expect it to be a waste of public resources since it will not work. Should it 'work' as intended, it would not only cost public resources but would be likely to reduce the efficiency of the European economy.

### *3.3 Creating Mixed Communities*

Urban policy is increasingly moving towards the aim of creating mixed (or 'balanced') neighbourhoods in cities (see, for example, ODPM, 2005). However, a feature of cities is specialisation and varying intensities of residential segregation have been observed in all of Europe's cities at least since the times of ancient Rome. Even more than the

urban hierarchy, cities which are socially segregated along income lines are a universally established fact. Two contributions to this Special Issue, Musterd and Hårsman, document the stability of patterns of both income and ethnic segregation, particularly in Amsterdam and Stockholm.

The desire to force neighbourhoods to be mixed or 'balanced' can be traced to the same set of 19th-century utopian thinkers as gave rise to the Garden City movement. One of the first developments reflecting these new impulses was Bedford Park in Chiswick in west London, started with the construction of the District line of the Underground in 1871. It was to be a home for liberal professionals and artists with cottages, as well as substantial middle-class homes, in order to ensure 'social balance'. The construction of cottages was stopped, however, soon after the first residents arrived and complained that such houses would 'attract the wrong sort of tenants' (Affleck Greeves, 1975). Similarly, Hampstead Garden Suburb, started in 1910 by two disciples of Howard, was intended to be a balanced community but within a short period had become an affluent professional suburb (Weinreb and Hibbert, 1993).

The problem is, of course, that the impulse to plan mixed neighbourhoods ignores vital aspects of how cities actually work and the advantages they offer which are 'sold' through the market in housing. People derive welfare from living near to other complementary—usually similar—households. They also derive welfare from living near amenities, such as views or attractive parks, and being distanced from concentrations of industry. As has been shown in countless hedonic studies of housing markets, a more affluent neighbourhood and better educated neighbours generate a premium for houses in the neighbourhood independently of other factors. One of the contributions to human welfare produced by cities is the specialised neighbourhoods they permit. The larger a city is, the more specialised and the larger its specialised neighbourhoods become.

The existence of ethnic neighbourhoods is well documented. Hårsman (this issue), in

his detailed study of the evolution of patterns of ethnic segregation in Stockholm, shows how the incidence of social segregation has tended to intensify over the past 20 years and is only partly explained by income differences. His evidence is at least consistent with people from ethnic minorities mainly choosing to live in ethnically specialised neighbourhoods despite official policy pushing for integration. There is increasing evidence that such neighbourhoods themselves generate positive externalities for their residents once other factors are allowed for (Coniglio, 2004), even if the outcomes for some minority groups may appear to be negative (Cutler and Glaeser, 1997).

Recent theoretical work (for example, Ekeland *et al.*, 2002) implies that neighbourhood homogeneity (at least in incomes) is the outcome that housing markets should be expected to generate. As Cheshire and Sheppard (2004) argue, the non-linearity of estimated price functions for most urban public goods and amenities, coupled with their fixed, location-specific supply, suggests that the degree of neighbourhood segregation is to a large extent a function of the inequality of the overall income distribution.<sup>7</sup> Households compete for access to better schools, nicer neighbourhoods (and 'niceness' might include there being plenty of households from your own ethnic or religious group) and superior amenities, and the value of these is capitalised in urban land prices. Since the supply of many such goods is almost fixed (access to the best school, the nicest views or frontage to the best open spaces), the price paid, and the degree of income segregation that results, will reflect the degree of inequality in the overall distribution. If only 1 per cent of households in a given urban area can be located in the best school catchment area or only 1 per cent of houses can have a river frontage—because that is all there is—then, other things equal, access to such amenities will be dependent not on a household's level of income, but its position within the distribution. Only the richest 1 per cent of households will be able to afford houses giving them access to the school or river in question.<sup>8</sup>

The rich can always outbid the poor for nicer neighbourhoods because the niceness of a neighbourhood is fully reflected in the price of a house within it. To the extent that this is true, social segregation in cities reflects economic inequality: it does not cause it. Forcing neighbourhoods to be mixed in social and economic terms is treating the symptoms of inequality, not the cause. In other words, it is on a par with applying leeches to lower a fever. At the same time, if there are welfare benefits derived from living in specialised neighbourhoods with other complementary and similar households, the policy is directly destroying a potential source of welfare and a portion of the consumption benefits cities are capable of delivering.

Musterd's contribution to this issue is broadly consistent with this conclusion. He finds no evidence that more intense segregation is linked to lower prosperity across a wide range of cities in Europe and he shows that highly skilled workers in different service sectors choose to live in different types of neighbourhood. Workers in ICT, financial services and banking choose to concentrate in the suburbs of Amsterdam while skilled workers in the creative industries are selectively concentrated in central neighbourhoods. He also reports work tracking very large numbers of individuals over time in The Netherlands and Sweden, and relating changes in their prosperity to their individual characteristics and the characteristics of the neighbourhood in which they originally lived. For the very poorest—those on benefits and/or unemployed—there appeared to be only the weakest of neighbourhood effects although the impact of a 'bad' neighbourhood seemed to be slightly stronger for the next group up the ladder.

In other words, the losses of the poorest households associated with being in the poorest neighbourhoods exist but are small, whereas the losses of the not-so-badly-off households from being in the very poorest neighbourhoods are significant. This finding is consistent with the methodologically completely different study of Bolster *et al.*

(2004). Using a British Household Panel Survey derived cohort dataset following individuals for 10 years, they find no evidence of place of residence having any significant influence on subsequent labour market success. Very similar results have been found for Canada (Oreopoulos, 2003) over an even longer, 30-year period tracking individuals. Most recently Kling *et al.* (2005) have made use of the US housing voucher scheme—which provides an opportunity for residents of highly disadvantaged Black neighbourhoods to relocate to better neighbourhoods in the suburbs—to track the impact of moving from some of the most disadvantaged urban neighbourhoods in the US to mixed ones. For young Black females, there were some positive results in terms of social outcomes; however, for young Black males, the social outcomes were significantly negative.

### 3.4 Urban Containment and Densification

As discussed above, urban containment has been an established policy in the UK since the passing of the Town and Country Planning Act of 1947. Over the past 30 years, the policy has been spreading to the US and, more recently, to the Netherlands. Although, since it limits urban land supply, it was always implicitly a policy for densification, as originally developed the idea was supposed to be compatible with lower-density living and upper, rather than lower, limits on densities. The British New Towns of the period following WWII reflected the aspirations of the Garden City movement. Although greenbelts were supposed to stop ribbon development and towns merging—that is, prevent what is now known as ‘sprawl’—there were also aspirations for ‘houses with gardens’ and greener living generally. The New Towns were designed to provide lower-density living than in the inner-city working-class neighbourhoods destroyed in the war or subject to post-WWII ‘slum clearance’. Containment, however, has been reinforced in the UK since the Urban Task Force report

(DETR, 1999) called for ‘urban densification’ and the government issued planning guidance to that effect. Densification is no longer an inevitable but explicitly unintended long-run outcome of planning policy, but a goal in itself, reinforcing both containment and ‘sustainability’.

The problem is that the economic impacts—both direct and indirect—were not and have not been taken into account. In economic terms, what happens is that the supply of urban space—for each type of use<sup>9</sup>—is controlled independently of price and deliberately constrained. Since ‘space’ is an attribute of houses for which demand is strongly income elastic (and also, as an attribute of offices, shops and factories, an input into production processes), as incomes rise, so does demand. The result is a very substantial increase in the real price of houses (Barker, 2003). Since 1955, the real price of houses has increased by a factor of 3.5. However, it is ‘land’—or the supply of space—which is constrained and, over the same period, the real price of housing land has increased 11-fold (Cheshire and Sheppard, 2004). Containment generates benefits but it has substantial costs, raising housing prices but above all increasing the price of housing space. These ‘costs’ are not easy to estimate nor are they immediately visible. Since house prices rise, houses become more important as financial assets and, as Fischel (2001) has argued, this creates a strong incentive for existing home-owners to defend the restrictions.

Again, it seems that there is a one-dimensional view of how cities work and one, moreover, which has not been tested against the evidence. Higher densities are ‘good’ because they stop urban sprawl into rural areas and, by implication, protect the environment. Higher densities are good because that is how cities ‘ought to be’ if they are about social interaction. Higher densities allow for public space in cities and that is valued. Higher densities make the provision of infrastructure and services cheaper. Yet, on examination, the evidence for all of these claims is inadequate.

Sometimes this is because whilst the simple fact is correct, the complicated reality means that the price paid is higher than the values generated. This appears to be the case with the indirect costs of providing unbuilt countryside external to the city in the form of greenbelts. When there is no public access to such unbuilt space, the balance of net loss seems even greater. Estimates of the willingness to pay for large areas of parkland and public lands seem systematically to be higher than those for farmland (Irwin, 2002; Barker, 2003). The costs of preserving farmland, in the form of higher prices for housing space and space for economic activity, however, are likely to be similar to those for protecting public open space from development.

The argument that higher urban densities protect the environment seems to be based on two types of evidence: that higher-density cities involve lower per capita energy consumption; and, that agricultural land is synonymous with a higher-quality environment. As we saw above in the discussion of 'sustainable city' policies, the evidence with respect to energy saving is far from clear. With respect to the evidence that unbuilt land is environmentally superior, the answer is: it depends. If the land is virgin forest, wilderness or some high-quality habitat, that is likely to be the case. However, most cities are in fertile areas and are surrounded by agricultural land. Modern intensive agriculture is one of the least environmentally friendly activities in which we engage. There is more, and more varied, wild life per hectare in lower-density established gardens than there is in an equivalent area of modern agricultural land. Preserved 'countryside' which is subject to modern farming methods provides neither recreational potential nor habitat and produces significant problems of environmental pollution in the form of agricultural chemical runoff. It also already gets a significant financial subsidy from government which helps to retain it in non-urban use. The claim that the transfer of an acre of land from intensive agriculture to residential use represents a simultaneous gain in economic efficiency, biological diversity, potential food production

and environmental quality,<sup>11</sup> certainly seems worth debate.

That dense cities favour social interaction seems likely to be true at the limit but, as the contribution of Glaeser and Gottlieb (this issue) shows, the evidence suggests that the reality is again more complicated than Putnam's headline claims they quote might lead us to fear.

#### 4. Conclusions

We are not arguing that all the policies discussed above are plain wrong, nor that we have provided a complete list of potentially destructive policies: Markusen and Schrock (this issue) make a case for at least one more to be added to the list—the homogeneity of local economic development policies that suppress rather than enhance a city's distinctiveness. Rather, we are arguing that there is no adequate evidence for believing that they are right or will improve cities, either as places in which to live or as centres of economic activity. Since cities are the very foundations of economic competitiveness, this seems to be a serious charge. Both governments and the academic community have been complicit in this abnegation of responsibility. The basic research has not been done and government has not funded it; the academic community has let its belief systems and egos run away with themselves so that we have become barkers for flawed policies rather than dispassionate investigators, analysts and collectors of evidence.

This is the real theme of this Special Issue: that we need a much more detailed understanding of how cities work before we impose policies. Apart from the papers directly addressing the issue of resurgence, we include some that we hope go some way to showing how analysis based on very different methodologies and data can contribute to a better understanding of how cities actually work. Charlot and Duranton (this issue) use an excellent French dataset on communication to analyse how this varies between cities and non-cities. Communication is one of the basic underpinnings of agglomeration

economies. Glaister and Graham (this issue) provide a detailed modelling approach to the use of, and outcome to be expected from, the application of congestion charging. It was after all the interest in the 'transport problem' in cities that was the origin of urban economics as a field. Wollmann (this issue) analyses the changing role of local government over a long historical sweep and how in some ways patterns of local government are tending to revert to the local.

Not all the papers challenge conventional wisdoms or policy directions directly, but all ask critical questions and use evidence in various ways to advance our understanding of cities and to illuminate policy issues. However, we are a very long way from understanding those issues yet and, given the importance cities have, it is irresponsible to be imposing policies without knowing better what the effects of those policies will be or even whether they are treating real problems, just minor symptoms or features of cities which may be undesirable but are inevitable and part of the price we pay for having their benefits.

## Notes

1. See Gyourko *et al.* (2005) for recent evidence on rising house prices and average household incomes but with stable populations in US cities with growth constraints and how this contrasts with rapid population growth in cities such as Las Vegas or Phoenix without growth constraints.
2. Howard and the 'Garden City Movement' can to a significant extent be seen as another manifestation of the Victorian impulse to utopianism. That indeed is how it was represented in contemporary popular literature, such as in Buchan (1919).
3. It also creates and re-enforces a *status quo* of asset values the owners of which fight to defend even if there are net welfare costs associated with constraint in aggregate.
4. My thanks to Stephen Glaister for directing me to the data on commuting times (see Glaister *et al.*, 2004).
5. The Southern Californian Association of Governments has had an official policy for 'polycentricity' since the mid 1980s, as does the San Francisco area and the NY/NJ Port Authority.

6. Vienna and Bratislava are perhaps the most persuasive and interesting examples, although the Austrian town of Bregenz functionally extends into both Germany and Switzerland and, in combination, these areas constitute a substantial and fast-growing urban region.
7. Hårsman (this issue) finds some support for the diagnosis that income differences between ethnic groups in the Stockholm region explain a significant part of the ethnic segregation observed.
8. It is recognised that the argument here oversimplifies because, for example, of the possibilities of substitution between different attributes of houses. Houses may be built at higher densities so that more can have a river frontage: in this case, space is traded off against river access. Equally, private schools can be substituted for good state schools. But the basic point is nevertheless valid.
9. The British land use planning system controls the amount of land available for all legally defined types of development, including residential, industrial, retail and offices. Land cannot be converted from one use to another without explicit permission being sought and granted.
10. Remembering the study (Best, 1981), which demonstrated that an acre of even neglected allotment gardens produced on average seven times as much food as an acre of intensive arable.

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