

urban policy and new economic powerhouses

Nicholas Falk looks at how we might develop an urban policy for the 21st century based on agglomeration economies, devolved power, and smarter growth that links development with transport



Nicholas Falk

New housing at Paris Rive Gauche, a major regeneration scheme undertaken through public-private partnership

The idea of a 'Powerhouse for the North', based on the value of joining up cities in Yorkshire and Lancashire, could be the big idea that urban policy has so far lacked. However, as the 'project' is likely to trail far behind commitments to upgrading

transport and other infrastructure in the South, not to mention funding social services, it is worth considering the potential benefits from agglomeration, the impact of improved transport infrastructure, and the critical issue of where the funding is going to

come from. Without adequate answers to the very different issues of managing growth in the South and securing regeneration in the North, urban (and regional) policy will continue to be empty statements.

The benefits of agglomeration

While the idea of 'agglomeration economies' is centuries old, it was Professor Michael Porter from Harvard who brought it up to date, with his notion of 'clusters'; while Ed Glaeser has shown how 'smart cities', such as Boston and Milan, have made the most of human capital.¹ An attempt was made to apply the cluster principles in one of Gordon Brown's initiatives, but it ran out of steam, as did many other attempts to promote enterprise in areas that had lost their traditional role. The problem perhaps is that the very people who run successful enterprises, particularly the entrepreneurs involved in making products that are traded elsewhere, prefer to live in smaller towns and cities near their work.

Cities in the UK underperform compared with their continental rivals because there are far fewer independent firms left employing over 100 people; a rapacious City of London has encouraged mergers and takeovers, while a shortage of land for building has no doubt led many businesses to close and sell off their sites for out-of-town retailing or warehousing.

Each recession not only kills the vulnerable but makes others more risk-averse. So where is the growth of the 'real economy' going to come from, and would it make any difference for a business to feel part of a wider Northern economy, as opposed to owing its loyalty to, say, Manchester or Hebden Bridge?

The most compelling argument is the 'law' put forward by the American physicist Dr Geoffrey West, who argues that each doubling of population leads to a 15% increase in GNP per capita (and also crime rates and other less positive effects). So if Manchester were a city not of 500,000 but of 1 million, or even 4 million, perhaps graduates would choose to stay and set up in business, while other businesses would grow faster. Certainly 'Zipf's law', which posits an interrelationship between the size of things, suggests that England's major cities are far too small.

In 1999 another economist, Xavier Gabaix, showed how Zipf's law related to cities. He demonstrated how in most countries the largest city is twice the size of the second city, three times the size of the third, etc. England, however, does not fit this rule because London is more than three times larger than any other city. If the problem is not that London is too large, then England seems to be missing its second city; and indeed all its cities are

Table 1
Population of England's major cities and regional hinterlands, 1911-2011

	1911	1931	1951	1961	1971	1981	1991	2001	2011
Greater London	7,161	8,110	8,197	7,977	7,529	6,806	6,809	7,322	8,174
Inner London	4,998	4,893	3,679	3,481	3,060	2,550	2,627	2,859	3,232
Outer London	2,162	3,219	1,518	4,496	4,470	4,255	4,263	4,463	4,942
West Midlands	1,780	2,143	2,547	2,724	2,811	2,673	2,629	2,568	2,738
Birmingham	526	1,003	1,113	1,179	1,107	1,021	1,007	985	1,073
Greater Manchester	2,638	2,727	2,716	2,710	2,750	2,619	2,570	2,516	2,683
Manchester	714	766	703	657	554	403	439	423	503
West Yorkshire	1,852	1,939	1,985	2,002	2,090	2,067	2,085	2,083	2,226
Leeds	430	446	483	505	710	749	718	716	752
South Yorkshire	963	1,173	1,253	1,298	1,331	1,317	1,302	1,266	1,344
Sheffield	450	455	512	513	581	579	548	513	553
Merseyside	1,378	1,587	1,663	1,711	1,662	1,522	1,450	1,368	1,381
Liverpool	745	856	789	741	610	517	481	442	466
Tyne & Wear	1,105	1,201	1,201	1,241	1,218	1,155	1,130	1,087	1,105
Newcastle	112	267	286	292	336	312	384	266	280

Based on UK Census data

smaller than they should be if jobs and homes are to be kept in balance. This is largely due to the shift of population away from the crowded inner city areas when urban extensions and new towns were built in the post-war period, as the figures in Table 1 indicate.

But enterprise development depends above all on access to markets, and the internet has shrunk space. Public procurement policies of buying where it is cheapest favour the large – and often foreign – supplier. The loss of manufacturing giants makes it harder for the pygmies, as most business comes from sub-contracting. Back offices and call centres will never pay the wages needed to retain the most capable. So although it should be possible for areas to specialise, as Michael Porter suggests, the creative economy of Manchester will always be a small fraction of its London (or Berlin) equivalent, while many of the ties that linked the different textile towns together may have dissolved for all time.

Without a high quality of life, cities will lose the talented people that offer their best hopes of acting as powerhouses. As commuting time has a major impact on people's happiness, we need to rethink the relationship between where people work and where they live.

The impact of better transport links

While the appeal of HS2 is considerable, it is by no means essential for progress. Neither the Netherlands nor Germany are building new high-speed rail lines, relying instead on much more integrated transport systems. The exceptions of the French and the Spanish have much greater distances between their cities, and have profited from building both railway systems and tram lines.

The real challenge in the 21st century is not getting from London to Manchester faster, particularly as current trains are so frequent, but inducing people to switch from their cars to mass transit or bikes for local journeys, and encouraging them to spend time (and money) in town centres. Half the car journeys at peak time are said to be parents taking their children to school, while mail order and home deliveries are growing fast. While we in the UK have pruned back our railway system instead of converting rural lines into tram trains (as in Karlsruhe in Germany, for example), there are still lots of railway lines running across the Pennines or around cities in the South that could be readily upgraded, as well as a multitude of streets where cars need to be tamed.

So why do we always go for the big projects and omit the many small projects that the Eddington Transport Study argued offered much better value? The answer is that a centralised financial and governmental system run from London will always prefer the big projects that appear easier to fund and

Table 2
Growth cities in the East of England

Local authority	Population, 2008	Change since 1991, %
Cambridge	122,800	15
Chelmsford	167,100	9
Colchester	181,000	24
Ipswich	122,300	3
Luton	191,800	10
Norwich	135,800	9
Peterborough	164,000	6
Southend	164,300	2
East of England	5,728,700	12
England	51,446,200	7

Source: *Growth Cities*³

manage and that get the most media coverage. The current 'system' simply cannot join up investments to secure added value. Any progress towards making our cities more sustainable, or simply healthier and happier places in which to live, depends on devolving not only powers but also the means of financing local infrastructure and better connectivity.

Furthermore, with wages in the UK being so low, it is also vital both to keep transport costs down so that those on lower incomes, such as health workers, can afford some kind of a life, and to cut travel times so that people have some time for themselves or their families.

Powerhouses or greenhouses?

In searching for ways of boosting both economic growth and wellbeing, the UK needs to look beyond London and the 'core cities' to some of the smaller cities that have exhibited the greatest growth in recent years. In a global economy, the future of 'knowledge cities' like Cambridge or York is of more than local importance. The mechanical or electrical model of large cities as 'engines of growth' or 'powerhouses' no longer holds. Instead, what matters more is the ability of organisations that compete internationally to hold on to and attract good staff, and to extend the markets for their products and services.

Having examined 'growth cities' in the East of England (see Table 2), where cities such as Ipswich or Peterborough were falling behind the region as a whole, I believe strategic planning needs to pursue 'smarter growth' in which development and infrastructure are carefully matched, and where the obstacles to business growth are removed. What is needed is something far more akin to the art of gardening than the old mechanical sciences.³

Achieving smarter growth

In *Good Cities, Better Lives*,⁴ Peter Hall and I sought to show how other European cities have done a better job, and we looked to Germany for inspiration on how to promote economic growth. But it was in the 'how', rather than the 'what' that continental cities really beat those in the UK. Cities as different as Montpellier, Freiburg and Utrecht show us how to link new suburbs with new forms of work.

While the centres of the UK's major cities have largely been upgraded over the past three decades, their edges are fraying. So the real task for urban policy over the next few years is to set out the steps for how resources of all kinds (including savings) can be better utilised, and the population rebalanced. The forgotten key is *strategic spatial planning* that links development to infrastructure, and that spreads the benefits to outlying areas.

We also need new sources of investment finance. With strong resistance to higher tax rates, it is going to be vital to tap into the development uplift in land values through 'smarter growth' to pay for related infrastructure up front. New Garden Cities are one means, as David Rudlin and I argued in our winning submission to the 2014 Wolfson Economics Prize, based on York and Oxford.⁵ More widely, we also need what David Rudlin and I call 'Sustainable Urban Neighbourhoods' in locations that are well served by public transport.⁶ This means rethinking our reliance on private developers to identify opportunities and reinventing agencies to do what the private sector never will.

By learning from planning (and financing) systems that work better, for example those in France (as

outlined in Fig. 1), and comparing differences in approach, we should regain the courage to go beyond simply setting targets and mouthing platitudes.

If we are to replace our broken planning machinery with proactive approaches that reflect local circumstances, we need inspiration. Of course, we can draw on the analogy of wars, where changes have to be made to mobilise and make best use of resources, but we also have the successes associated with the staging of the Olympic Games. Clearly, if enough resources are directed at a few simple goals, we can not only transform an area but also improve our competitive performance against the rest of the world. We can also learn from countries in Europe that have successfully devolved power to their cities, as France most notably has done, or from the rebuilding of Germany since reunification after the Berlin Wall came down.⁷ City Deals, which drew inspiration from the French *Contrats de ville*, are an important first step, but there are many more that need to be taken.

Of course, France has traditionally been pilloried by the English (perhaps because of Napoléon, who threatened our Empire, or because of our difficulties with the language). But undoubtedly the most modest and poorest French town enjoys a better-quality public realm than many of England's richer market towns. French provincial cities such as Montpellier and Bordeaux have outperformed Paris since power was devolved to them under President Mitterrand, and are being extended around superb light rail systems.⁸ In turn, investment in new energy and transport systems has boosted French companies and opened up export markets. We

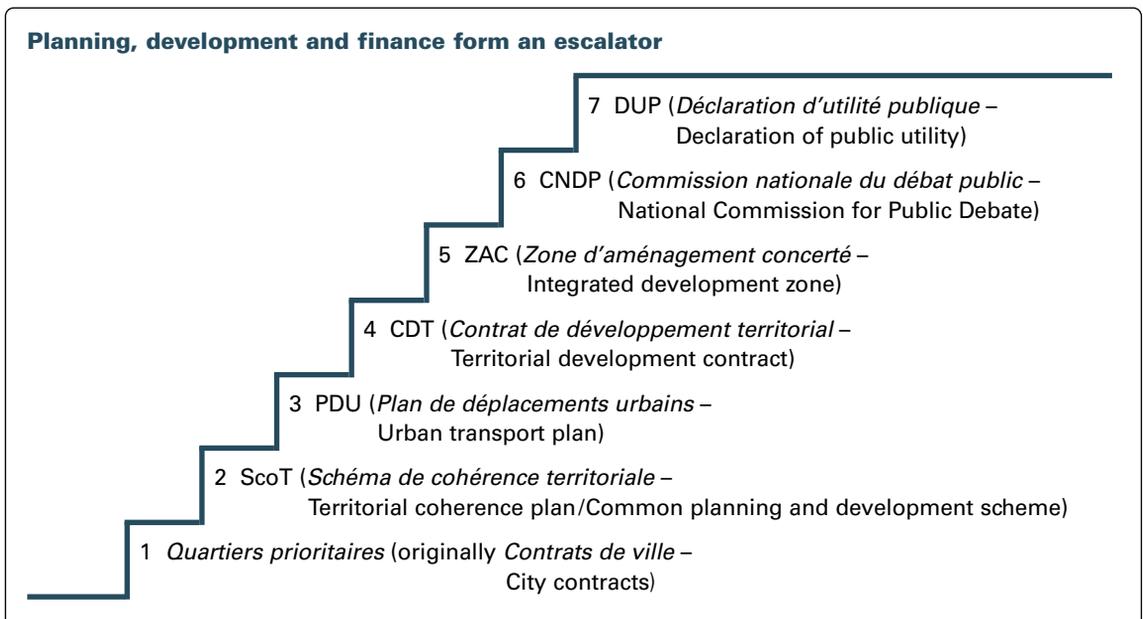


Fig. 1 The French model of smarter growth

could learn from the way that the French approach planning, and three lessons are outlined below:

- **Co-ordinated strategic plans:** In what is essentially a sequential, seven-stage process the local plans of the many thousands of local authorities are knitted together with regional plans. In considering progress in a poor part of North Eastern Paris, planners on a recent TEN Group⁹ visit were struck by the way that funding was made available for feasibility studies once the local plan had been accepted into the plan for the region of Île de France.¹⁰ Five local authorities had combined to give themselves greater influence in relation to Paris, and new metro and tram lines are being built to link up poorer areas with jobs and services, encouraged, no doubt, by periodic riots in the *banlieues* that surround the outer suburbs.
- **Local action plans:** Co-ordination is also secured at a more local level by designating *Zones d'aménagement concerté*, in which public funding is channelled to stimulate private investment. Private investors have confidence in development plans that link with transport, and in spatial planning decisions that link with public investment, so that spatial planning still has a kind of magic that has been lost in the UK. It may help that in France a distinction is made between *urbanisme*, or place-making, and *l'aménagement du territoire*, or what we might call spatial planning, while we in the UK use planning to cover the whole range of activities.
- **State investment bank:** Planning leads to action because the delivery mechanisms are less adversarial, helped by a better functioning system of public finance. *Sociétés d'économie mixte* or public-private partnerships are used for major regeneration schemes, such as Paris Rive Gauche. This huge mixed-use development, which is many times the size of the King's Cross railway lands, stretches between the Gare d'Austerlitz, where the tracks have been covered over to create development sites, out to the Périphérique, or inner ring road. A combination of a charge on employers for transport schemes (*taxe versement transport*) and the huge state investment bank, the Caisse des dépôts et consignations, helps to channel funds into the infrastructure projects that build great places, and to get regeneration going. Similar arrangements are to be found in Germany and the Netherlands, where greater economic and environmental progress has been made, as case studies have shown.¹¹

Conclusion

One of Peter Hall's main contributions to spatial planning was to promote the idea of containment, and of polycentric conurbations, as a new edition of *Built Environment* clearly demonstrates.¹² In wars, changes have to be made to mobilise resources, and in England we face a similar scale of challenges

now, as government funding is progressively cut while the population continues to increase. Climate and demographic changes are working against us.

In particular, we need to mobilise private investment behind building new homes and local infrastructure in places with real growth potential rather than sustaining inflated house prices, or subsidising vanity projects that will never pay off. The current regional boundaries stem from the Second World War and are no longer appropriate. Instead, we need to empower both city-regions and dynamic counties to undertake projects that build for 'posterity, not austerity'. Alternatively, we can expect our 'common wealth' to dissolve as economic decline, riots and despondency set in.

● **Dr Nicholas Falk** is the founder Director of URBED, and co-winner, with David Rudlin, of the 2014 Wolfson Economics Prize for their submission on *Uxcester Garden City*. The views expressed are personal.

Notes

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- 2 *The Eddington Transport Study. The Case for Action: Sir Rod Eddington's Advice to Government*. HMSO, 2006. www.thepep.org/ClearingHouse/docfiles/Eddington.Transport.Study%20-%20Rod.pdf
- 3 N. Falk: *Growth Cities: Local Investment for National Prosperity*. URBED, for Regional Cities East, 2011. <http://urbed.coop/sites/default/files/Growth%20Cities.pdf>
- 4 P. Hall, with contributions from N. Falk: *Good Cities, Better Lives: How Europe Discovered the Lost Art of Urbanism*. Routledge, 2014
- 5 D. Rudlin and N. Falk: *Uxcester Garden City*. Submission to the Wolfson Economics Prize. URBED, 2014. <http://urbed.coop/sites/default/files/URBED%20Wolfson%20Submission.pdf>
- 6 D. Rudlin and N. Falk: *Sustainable Urban Neighbourhood: Building the 21st Century Home*. Routledge, 1999 (Second Edition, 2009)
- 7 N. Falk: 'Creating healthier, smarter places: learning from European cities'. In H. Barton, S. Thompson, S. Burgess and M. Grant (Eds): *The Routledge Handbook of Planning for Health and Wellbeing*. Routledge, 2015
- 8 R. Harman and N. Falk: 'Developing historic cities: the case for an Oxford Metro'. *Tramways & Urban Transit*, 2015, May, No. 929, 195-8. Available at <http://urbed.coop/sites/default/files/Tramways%20and%20Urban%20Transit%20Article%20-%20The%20Case%20for%20an%20Oxford%20Metro.pdf>
- 9 The TEN Group is a small group of primarily senior local government officers in London who have met regularly to share ideas and exchange knowledge on how to achieve urban renaissance – see <http://urbed.coop/projects/ten-group-2012-2013>
- 10 See, for example, the 'French lessons for British planners' page on the URBED website, at <http://urbed.coop/news/french-lessons-british-planners>
- 11 N. Falk: *Funding Housing and Local Growth: How a British Investment Bank Can Help*. The Smith Institute, 2014. <https://smithinstitutethinktank.files.wordpress.com/2014/09/funding-housing-and-local-growth.pdf>
- 12 'Professor Sir Peter Hall: Role Model'. *Built Environment*, 2015, Vol. 41 (1). Special Issue, edited by Michael Hebbert