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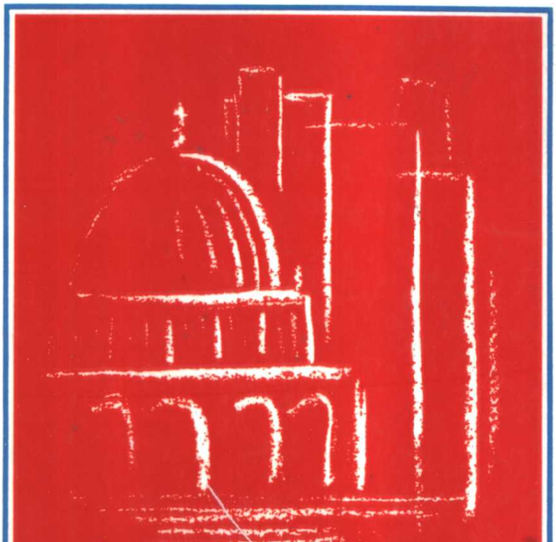

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Edited by

RONAN PADDISON,
JOHN MONEY and
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International Perspectives in Urban Studies

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# International Perspectives in Urban Studies

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# Contents

# Preface

This issue represents the second in the series, *Urban Studies Review*. Our introduction will be (and should be) as brief as in the previous edition published in 1993, since neither the purpose underlying the *Review* nor its basic structure have altered. For first-time users, it may be appropriate to repeat the basic points made in our previous introduction, beginning with the rationale for the *Review*.

As a field of academic endeavour, the most obvious truism concerning urban studies has been its growth within the last few decades. It is not hard to find the signs of such growth, though perhaps no better example can be found than in the proliferation of new academic journals devoted to particular sub-fields – planning and policy, economics, law, to indicate but a few. While reflecting the growth of urban studies scholarship *per se*, the trend reflects an underlying balkanisation of the territory of urban studies, reflecting not only disciplinary boundaries but also the diverse nature of problems posed by the urban condition.

Paradoxically, as much as the field of urban studies has sub-divided into a diverse range of sub-fields, there is a growing awareness amongst scholars, and practitioners, of the 'need to know' beyond their immediate field of interest. Perhaps this is nowhere more evident than in urban policy, where (for example) the economic spills over to the social sphere, is frequently constrained and/or driven by political processes and ignores historical precedent at its cost. Recent paradigms have emphasised the interconnectedness between the spheres constituting the urban, paralleling the recognition of interdependencies within the global economy.

*Urban Studies Review* seeks to address the problems posed by the breadth and depth of research output on the one hand, and the 'need to know' argument on the other. It aims to provide a synthesis of the current developments and debates within the main research and policy areas of the urban field. Coverage of most of the areas selected will be on a regular basis allowing the authors – each of whom is an acknowledged expert in his or her field – the opportunity to monitor debates and trends.

Basically, the structure of this second *Review* remains the same as the previous edition. It is divided into three 'levels', the first of which – the 'key areas' of local economic development, housing, local government, urban planning and Third World cities – resumes aspects of each written by the same author as in the 1993 edition. Topics at the second level, monitored less frequently in a two-year cycle, include in this issue environmental policy, and US urban and regional development. Finally, 'level three' topics focus on more specific issues of current significance and are included as one-off articles. In this issue this includes articles on qualitative approaches to the city, community business and urban regeneration and recent trends in Australian urban development.

As before, it is not our intention, nor would it be appropriate, to provide any *resumé* of the individual chapters. Given the reception to the previous edition, the Editors are assured of the role played by the *Review* – though, as before, should you have any ideas as to how the *Review* might be developed we would be delighted to receive these.

*Ronan Paddison, John Money and Bill Lever*

CHAPTER 1

# Analysing Urban Economic Development

*Tony Bovaird*

## Introduction

This review follows on from the framework developed in Bovaird (1992). It begins with an analysis of emerging patterns and trends in local economies, i.e. at sub-national level; this up-dates the previous discussion on the UK and Western Europe and extends it to the USA, Australia and Japan.

The main focus of the review, however, is upon the theoretical approaches which have been used to explain these changing patterns and trends and the extent to which different conceptual frameworks have been able to throw light upon the fundamental changes which have been occurring in the economies of local areas.

The third review in this series (to appear 1994) will outline the major policy initiatives in local economic development in Western Europe and North America since the beginning of the 1980s, highlighting both the key differences and similarities in approach between these countries and the UK initiatives which were analysed in Bovaird (1992). It will then assess the results of the evaluative studies which have been undertaken on local economic development (LED) in different countries.

## Emerging Patterns and Trends

*United Kingdom*

Urban economic development in the UK is in a crisis which is of an entirely new kind. Since 1945 a more or less continuous process has occurred of simultaneous polarisation of wealth towards the 'South' (away from the peripheral regions) and, within each region, decentralisation away from the traditional manufacturing locations in the inner metropolitan areas and larger cities. The current recession in the UK has created the first clear reversal of this trend – and in a dramatic manner.

The recent Policy Studies Institute report into urban trends in the UK, focusing particularly on the most deprived areas, concluded that:

> Many of our selected areas of deprivation suffered even more than the rest of the country in the continuing rise in unemployment [from 1983] up to 1986. This was particularly true of the conurbations, even [our 13 boroughs in] London... [After] the general reduction of unemployment in the boom years 1988–90,... relatively speaking most of [our areas] were worse off than before (PSI, 1992, p.20).

Evidence from the 'Booming Towns' study for the late 1980s (1987–89) indicated that the South East's economic recovery had peaked, the 'rapid growth baton' had passed from London to the outer parts of the South East region and the leading edge of the economic recovery 'ripple' had reach into the Midlands and Wales, while Northern

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England and Scotland were falling behind relatively (Champion and Green, 1992). The study shows that eight of the fourteen largest cities had slipped in their economic development position (relative to other areas in the UK) since the early to mid 1980s (two were essentially unchanged and four had improved).

The strength of this outward 'ripple' is questioned, however, by the data for changes in regional shares of GDP 1980–88. These show that the only regions to increase their share of national GDP were the South East (from 35.1% to 36.3%), East Anglia (from 3.2% to 3.5%) and the South West (from 7.2% to 7.6%), while in the East Midlands it remained constant and in all other regions it declined (Chisholm, 1992). Again, the net growth in numbers of new and surviving businesses (in all industries and services) from 1980–88 was much greater and faster in the south (excluding Greater London) than in the rest of Britain (Keeble, 1990).

It was from 1989 that a new pattern began to be discernible. Thus, while the London TTWA's share of national unemployment rose continuously throughout the period 1983–91, it rose especially fast in the last two years (from 12.3 of the national unemployed count in 1989 to 14.4 in 1991). London and the South East (in common with the West Midlands) actually experienced a fall in overall employment in the recession of the early 1990s to bring them back to their pre-1987 employment levels (Employment Department, 1992).

The PSI study concluded 'In the north, and in Scotland and Wales, though unemployment rose [in the year or so to September 1991], it rose more slowly than elsewhere, so that several of our northern areas were better off, relative to the rest of Britain, than they had been in 1983' (PSI, 1992, p.20). Indeed, the unemployment experience in the major deprived urban centres in Scotland (the districts of Glasgow, Clydebank, Inverclyde and Monklands) recently bucked the national trend, with Glasgow in particular falling from 3.4 of the national unemployed count in 1989 to 2.1 in 1991.

The unemployment figures above, although they are a relatively weak proxy for economic activity in an area, do highlight where major pressures are likely on local economies in the UK. In the past four years, particularly important implications for LED have arisen from knock-on effects in the housing market. Falling, or at best stagnating, house prices have led to a crisis in consumer confidence; in many cases, too, they have caused problems for new and small firms seeking to raise finance by means of mortgages on their family homes. Clearing banks have been widely accused of raising their interest rates on loans to small firms more than for other lending, although they have pointed to higher default rates as justification for this change. However, there is lively debate as to whether there is plausible evidence of market failure in the provision of small firm finance, with optimistic assessments being made for the national level and major policy areas in PSMRC, 1991, but a pessimistic analysis in Turok and Richardson (1989) for the West Lothian area in Scotland and a non-committal recent study by Storey and Strange (1992) in the county of Cleveland, UK.

*Western Europe*

The growth axis of Europe has long been the Paris, London, Amsterdam triangle (including the Ruhrgebeit). It is becoming clear, however, that this axis is being complemented by a new centre of development extending from southern Germany and northern Italy to rapidly growing parts of southern France and the eastern parts of Spain (EC Commission, 1991). Given its location in both of these axes, it is not surprising that Germany accounted for nine of the sixteen most productive regions (measured in ECUs) in the EC in 1987 (Dunford, 1992, Figure 9.1). Evidence on regional disparities in GDP per head (in purchasing power standards) is sparse but Dunford's analysis suggests that regional divergence was occurring during the late 1970s and early 1980s but that this trend may have come to a halt by 1987 (Dunford, 1992, Figure 9.2).

Cheshire and Hay (1989) suggest that the best-performing cities, in economic terms, over the period 1971–84 were Brussels, Nice, Strasbourg, Bonn, Munich, Wiesbaden, Dijon and Lyons (problem-free growth) and Frankfurt, Venice, Dusseldorf, Amsterdam, Stuttgart, Hannover, Florence, Bologna, Milan, Karlsruhe, Kassel and Copenhagen (problem-free decline). While Hall (1991c) reads into these conclusions the relative success of second-rank provincial capitals in the bigger countries and smaller national capitals, it is difficult to discern any clear pattern without ignoring a substantial number of cities which do not conform to it.

One-quarter of the EC population lives in areas where the average income per head is less than two-thirds of the EC average (Tsoukalis, 1992); most of these poor regions are on the southern and western periphery of the Community. At the urban level, a different picture emerges: Cheshire and Hay (1989) conclude from their major study of European cities that problems of urban decline (i.e. the combination of population loss, economic, social and environmental problems) are concentrated in a narrow band of old industrial cities from Torino and Genoa in north-west Italy through eastern and northern France, the Saar and Ruhr and southern Belgium to the Midlands, north-western and northern England and finally north to Glasgow and Belfast. They note that the problems of these cities were certainly not caused simply by urban decentralisation, since many successful cities were also decentralising; rather urban decline was caused by the existence of net job loss relative to population growth in the urban region as a whole and the existence of a weak tertiary sector.

More recently, Cheshire has suggested that 'the almost universal intensification of urban problems in the late 1970s and early 1980s [on an index which includes net immigration, unemployment, GDP per head, and a travel demand index] has eased to some extent [only 65 per cent of city regions showed deterioration, as compared to 91 per cent in the early 1980s] but only in the Netherlands, Belgium and the UK was there aggregate improvement of urban problems' (Cheshire, 1990, p.26). This finding for the UK does not accord with most other research, nor does the research convincingly handle the balance of economic prosperity and problems experienced by even the most successful European growth cities such as Munich (Birk, 1992), but is must be remembered that the functional urban regions on which it is based do not distinguish separately the inner areas from the suburbs.

*United States of America*

In the 1970s the south of the US became, for the first time in the industrial era, a region of relative growth, joining the ever-growing west. Furthermore, the population of the 'non-metropolitan territory' grew faster than that of its 'metropolitan territory', again a novel trend (Frey and Speare, 1988). Some of the largest metropolitan areas in the old industrial regions suffered unprecedented population and employment declines, particularly during the economic stagnation of the early 1980s and 'on the whole... became vehicles for the encapsulation of minority groups and low-income whites in obsolete sectors of the economy and deteriorating physical environments' (Fainstain and Fainstain, 1983).

O'hUallachain (1989) concluded from his statistical analysis of the determinants of manufacturing employment growth in the US, 1977–84, that there was a faster rate of job growth in smaller metropolitan areas and in smaller industrial concentrations (although the growth of individual high-technology industries tended to occur in locations of existing concentration of that industry, irrespective of whether that happened to be metropolitan or not). This was largely confirmed by Bingham and Sunmonu (1992) in their analysis of the restructuring of the US automobile industry, 1979–86, which suggested that there was some (though hardly dramatic) shift of assembly operations from urban locations, a slow but steady shift out of urban areas in the case of the (still heavily centralised) 'partially auto-related' component suppliers – but little shift out of urban areas in the case of the heavily centralised 'mostly auto-related' component suppliers.

Nevertheless, the so-called 'Massachusetts miracle' demonstrated that there could be dramatic revivals in some old industrial regions (B.D. Jacobs, 1992). Other recent research is tentatively suggesting that these are not simply one-off examples of contra-trend urban regeneration. Cheshire and Hay (1989) have noted that economic revival in the US from 1980 to 1987 was associated with a significant and differential revival of the old urban cores, which seemed to be competing effectively for business investment and for job opportunities for existing residents and no longer suffering problems of property abandonment. Espousing the 'urban life-cycle' model, they go so far as to suggest that this 'apparently cyclical nature of the stages of centralisation, decentralisation and re-centralisation' mirrors the emergence of a group of re-urbanising cities in Northern Europe by 1981 (Cheshire and Hay, 1989, p.172).

The probabilistic shift-share analysis of manufacturing employment change in five states of the US Midwest 1977–86 by Knudsen (1992) indicated that the significant factors were inter-regional shift, intra-regional shift and the national decline of the industries concentrated in the region: once these had been taken into account, demetropolitanisation of manufacturing played a negligible role in the changes.

Hall (1991a) searched for the dynamic of US urban economic growth by analysing the factors influencing the location of the high-tech sector and of service industries. Summarising Markusen *et al.* (1986), he suggested that the high-tech sector is larger and more heterogeneous than often thought, that it is fairly well dispersed and increasingly so, that factors such as climate, educational quality and spending, presence of major corporate HQs and of business services were important in long-term location, and that wage rates, unionisation and research spending were unimportant. However, local defence expenditure stands out as a particularly important factor. Hall suggested that this defence-related research expenditure is likely to be especially innovative, that it is the R&D expenditure which is most often undertaken away from the old industrial centres and therefore that is the key to high-tech location.

Looking at service sector patterns (in an analysis meant to apply more widely than just in the US), Hall suggested that higher-level services are remaining concentrated in the cores of the most highly developed central metropolitan areas (witness the recent recovery of the New York City economy, based on its services sector). When these services are internalised in large corporations, they may decentralise a very short distance from HQs (e.g. research laboratories on the urban fringe). More routine producer services often decentralise some distance to smaller centres with lower costs, particularly to find lower rents and the right kind of clerical labour (female, non-organised, docile, reasonably well educated). Older industrial cities, especially those at a lower level in the urban hierarchy ('provincial capitals') are failing to develop significant concentrations of producer services and indeed may be losing some of their existing concentration due to contracting demand from their manufacturing sector.

*Australia*

In the last 20 years, there has been little disturbance to the high concentration of economic activity in New South Wales and Victoria, which originally developed partly as a matter of physical geography and partly as a colonial heritage. O'Connor (1992) provides a summary of recent urban development. In the latter part of the 1980s, 70 per cent of the value of office building and 80 per cent of the value of factory building were in these two states. With 38 per cent of the nation's population, Melbourne and Sydney account for 50 per cent of employees in manufacturing and finance and property. Since 1986 there has been only a small fall in these shares, in spite of the considerable growth of economic activity in Queensland and Western Australia. However, Paris has forecast that 'South East Queensland is emerging as a major growth conurbation and will probably have superseded the Melbourne metropolitan region by 2025' (Paris, 1992, p.631).

O'Connor suggests that this continued domination of the twin metropoles may be associated with the configuration of the national system of infrastructure, especially in telecommunications and transport. Indeed, O'Connor suggests that the emergence of Australia as one economic unit has been very recent, dating back only as recently as the 1970s, when for the first time nationally-operating businesses began to take advantage of the new telecommunications and improving road and air transport systems. These systems are dominated by the two largest cities.

Much attention has recently been given to the proposed Multi-function Polis in Queensland, based partly on the Japanese Technopolis Programme (Mandeville, 1991), of which more is said in the next section. Other important influences on this initiative included consciousness of the emergence of a global information economy, the upsurge in international technological collaboration between large firms ('strategic alliances') and a desire to use technology to integrate and improve working and living environments. Indeed, one of the progenitors of the project, MITI of Japan, have described it as a 'city of the fifth sphere' where living, leisure and work spaces would be arranged in close proximity and urban structures would be 'humanistic' (Mandeville, 1991, p.240). Given the recency of national integration and the strong centralising tendencies still evident in Australia, this may be evidence more of the power of Baudrillard's 'hyper-reality' than of considered urban planning.

*Japan*

The Japanese trajectory of urban economic development has been distinctively different from other post-war capitalist countries. From 1950 to 1970 there was rapid urbanisation and high spatial concentration of population and economic activity in Japan; the system of cities was centralising, with the large centrally located metropolitan regions growing at the expense of the smaller more peripheral ones (Glickman, 1979). Compared to other capitalist countries, there was relatively little decentralisation during this period. Japan's important growth regions were manufacturing-oriented, rather than service-based.

In the 1970s metropolitan regions continued to increase their population at the expense of rural areas but the rate of increase of larger metropolitan centres declined and there was considerable growth of moderately sized centres near the metropoles and, to a lesser extent, in some (not all) more isolated rural areas. Thus the pattern was converging closer to the North American and Western European pattern. Although suburbanisation of population was occurring, it was mainly in the large metropolitan regions – in comparison to other countries, Japan is spatially compact, not highly suburbanised (Glickman, 1979).

Since the 1960s, the Japanese high-speed train has accelerated the growth of the major cities along the line and speeded up development of a megalopolis from Tokyo to Osaka, both of which have been strengthened as activity centres (especially Tokyo) (Hall, 1991b). Reported growth rates in cities with stations on the Tokaido line increased by 60 per cent; growth in service industries in these cities, including food and accommodation, was dramatic. When compared to a similar group of cities without the benefit of the high-speed train, the cities on the line had a much faster growth rate for the first 10 years after its opening, reversing the growth rate differential of the previous decade (Brotchie, 1991). Regions with both the HST and an expressway showed even stronger growth trends – 63 per cent increase in population, compared to 58 per cent with just the HST and 23 per cent of regions without the HST.

Industrial restructuring has occurred in Japan as elsewhere – hitting coal-mining areas in the 1960s, textile areas in the 1970s, and increasingly since the 1970s the heavy industries such as shipbuilding, steel and other metal-working sectors (Shapira, 1990). In the mid and late 1980s, a far deeper phase of restructuring has followed the sharp increase in the value of the yen, the growth of protectionism in export markets, shifts in domestic demand patterns, over-capacity and greater competition from developing countries.

While unionised workers have been spared compulsory redundancies, they have experienced early retirement or relocation elsewhere; non-unionised workers have had less protection. Unemployment has increased in the heavy industry regions, especially in the more peripheral parts, and in the one-industry towns associated with firms in these sectors. Out-migration has increased from these areas to the booming central core between Tokyo and Osaka, where high technology and advanced service industries are clustered (Shapira, 1990).

During the 1980s Tokyo emerged as a world city, with a much extended range of economic functions reflecting its controlling position in the international network of Japanese capital (Machimura, 1992). In order to allow this, a major restructuring of the central areas of Tokyo was necessary – the level of new commercial floorspace built in Tokyo rose each year (bar one) from 1981 to 1988, by which time it had reached nearly twice the level which had been sustained during the 1970s (Machimura, 1922, Figure 3). More than one-third of Japan's productive capacity is located in the city and almost all corporate HQs, government functions and R&D functions remain concentrated in and around the Tokyo-Osaka region. The vast bulk of manufacturing shipments still originate in the Tokyo-Osaka region and because of their network associations, small companies are glued into their specific regions, prohibited from decentralising (Glasmeier and Sugiura, 1992). Indeed, reconcentration towards Tokyo has increased during the 1981–86 period, not only in manufacturing but in services also, where 8 out of 10 jobs created during this period were in the Tokyo metropolitan region (Edgington, 1990, cited in Glasmeier and Sugiura, 1991).

Partly as an antidote to these trends, the Japanese Technopolis Programme began in 1979, with MITI asking if Silicon Valley could be recreated or cloned in Japan (Mandeville, 1991). It consists of about 25 designated high-technology regions located throughout non-metropolitan Japan, each aiming to integrate organically the elements of high-technology industry, science and a comfortable life environment.

However, new manufacturing plant locations are still primarily occurring outside the technopolis-designated cities and, with the exception of Tsukuba Science City, R&D functions have not decentralised (Glasmeier and Sugiura, 1992). Indeed, even Tsukuba Science City (70 miles from Tokyo) remains dependent upon Tokyo, with many of its professional and technical workers refusing to live there, rather commuting just for the working week. Edgington (1989) concludes from the first five years of the Technopolis programme that the zones which have captured most investments were either those located along the Tokyo-Osaka axis or those which already had a record of capturing decentralising firms in the 1970s. In spite of this rather unconvincing record, there has been much international interest in the programme (and a desire to package it for export!), particularly in respect of south-east Asia and Australia (Rimmer, 1991; Mandeville, 1991; and see section on Australia, above).

**The Explanada**

It is clearly not possible to list all the interesting urban economic developments which exhibit similarities in enough cities to make them worthy of investigation. It would be all the more difficult to list all the interesting ways in which these similarities unfold in differing ways in different urban contexts. Furthermore, each conceptual framework for urban economic analysis naturally highlights and gives special weight to a different set of empirical phenomena.

Nevertheless, there are certain changes which have occurred in urban economies in recent times, some of them apparently sufficiently continuous to be labelled as trends, which have been frequently identified (often in many different countries) and which therefore seem especially important in judging the relevance and value of specific paradigms, perspectives, theories and models.

Among these, the following have been chosen as the key changes or trends in the urban economies of industrialised countries during the 1980s, in the light of which the different conceptual frameworks will be discussed:

- the rapid decline of manufacturing employment relative to services employment (and, in many countries, also in absolute terms);
- the suburbanisation and ruralisation of employment, especially in the manufacturing sector;
- the long-term persistence of derelict or under-used sites in inner-city areas, at the same time as major growth and development in other parts of the same city;
- the increasing role of small and medium enterprises (SMEs) in employment creation;
- the tendency for male job losses and longer-term unemployment to be much more severe than female;
- the prolonged disparities in unemployment rates between cities and regions within countries;
- the long-term persistence of low wages and high unemployment rates in specific social groups and even in particular families in local areas.

Frequent though these trends are, it should be clear that they are a generalised 'average' and not meant to apply to any specific economy at a given time.

A further set of explanada at the level of local economic policy and development initiatives since the late 1970s can be identified, although with less consistency between cities and between countries:

- increasingly active intervention by local authorities in terms of subsidy to and support for local industries, in all sectors;
- increasing central government interest in and support of local (i.e. urban and rural) economic policies at the expense of regional policy and planning;
- increasing co-operation between public and private sectors in local economic intervention;

- increasing attention to local factors in training and retraining policies and programmes.

**The Competing and Complementary Concept**

Explanations of urban economic development patterns and approaches have come from a number of widely differing paradigms. Within each paradigm, a number of different theoretical perspectives have often been used, each yielding different (potentially) testable models. This discussion will explore the extent to which the key issues identified in the previous section have been considered and have been convincingly explained by the major paradigms currently applied in urban economic analysis.

Where appropriate, each paradigm is also examined to highlight the extent to which it is able to incorporate analysis at different levels, particularly:

- geographical scale – from neighbourhood, district, city-wide to regional, national and international scales;
- organisational unit – from individual firms to industrial sub-sectors and sectors.

Finally, this article examines the approach within each paradigm to relating the economic and social changes within local economies to the responses made by the public sector. The main paradigms which will be examined here are:

- neo-classical economics;
- institutional economics;
- Marxism;
- neo-Marxism.

The choice of these paradigms has been based on the framework suggested by Burrell and Morgan (1979) in which they suggest that all social theoretical paradigms can be classified along two axes – subjective-objective and regulationist – 'radical change'.

Most of the conceptual frameworks used in local economic development (LED) lie well to the objectivist end of the spectrum – i.e. they tend to embody a realist rather than nominalist ontology, a positivist rather than anti-positivist epistemology, a deterministic rather than voluntaristic viewpoint of the nature of human behaviour, and nomothetic rather than ideographic methodologies. However, there is a distinct cleavage in the literature between the extent to which conceptual frameworks are claimed to be comprehensive or partial in their explanatory power. Both neo-classical economics and Marxism set out to provide closed explanatory systems for understanding economic change. The institutional economics paradigm and neo-Marxism, on the other hand, accept that their frameworks can only explain a part of the changing economic and social order – indeed, their approaches often embody an outright rejection of all 'totalising' theory. The particular grounds for this rejection are often located in a desire to move towards the more subjective end of the social science spectrum, e.g. towards nominalism (as in Baudrillard's postmodernist concept of 'hyper-reality'), anti-positivism (as in Althusserian Marxism and feminist theory), voluntarism (as in the 'locality as agency' debate), or ideographic methods (as in exploration of corporate restructuring by means of action research, either by working for the management of the corporation or by joining the workers' resistance against plant closures).

Burrell and Morgan go on to argue that paradigms in social theory can also be classified along the spectrum regulationist – 'radical change'. (Confusingly, this regulationism has nothing to do with the French-led neo-Marxist school which we shall be examining later!) While theories of regulation attempt 'to provide explanations of society in terms which emphasise its underlying unity and cohesiveness' (Burrell and