Strategies for Helping Cities

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Americans, at present, use two national strategies that are presumed to help cities. One, which is impartial, is to dispense Federal grants to them, either directly or through the states, for specified physical and social programs. The other is to award war and space contracts to enterprises in this or that locality, frequently a city; while this is a byproduct of other purposes, the contracts are regarded in recipient cities as aids to their economies and are highly valued for just this reason. I propose to question, from the point of view of cities' growth mechanisms, both these approaches and to suggest another strategy.

The overwhelming fact about cities is that if they do not maintain self-generating economies, they will ultimately stagnate and decline. This is not true of rural areas or towns. New export work is often bestowed upon towns by enterprises that have transplanted their work out of cities. Rural areas prosper when their products are directly drawn upon by growing city markets and their productivity increased by city-created products and technologies. But, as for cities—even when a city receives a transplanted factory or office, the spin-off is from another city and has been "earned" by the growth of the receiving city's market or its array of input items, usually both. Rural technologies do not provide answers to unsolved practical problems in cities, nor does any city prosper and grow because of the markets provided by rural hinterlands. Cities, individually, must generate their own economic bases; and cities, taken collectively, must generate the innovations that make developing economies possible.

A city employs two major growth and development mechanisms, each of which builds upon the other: it generates exports and replaces imports. Simply to maintain an export base, a city must continually find new exports because, among other things, the city must compensate for production transplanted out to towns and countryside, and for exports lost because they are produced eventually in former customer cities. Of course, many of a city's older exports become obsolete in the course of time. A city's stream of new exporting organizations emerges directly from, and upon, production of goods and services first undertaken for the city's own market. The other major mechanism, import replacing, operates—for obvious reasons—mainly through replacements of imports from other cities, but also on occasion (e.g. artificial refrigeration in place of natural ice) from rural areas. When a city replaces imports, it shifts its purchases to other, often newer, imports from other cities as well as to larger quantities of rural goods. Replacing imports creates a large multiplier and thus, from the vantage point of that city, also creates a greatly enlarged and diversified reservoir of potential export goods and services. Quite apart from the great problem solving innovations that arise in cities in the course of these events, the processes themselves, considered as sheer mechanisms, are vital to city economic expansion and to dynamic inter-city trade.

The defect of the national grant strategy, as far as these vital mechanisms are concerned, is precisely that it is national. The grant programs insure that many different cities concentrate on exactly the same collections of problems and approach them in similar ways. Once a grant program has been devised, much standardization of goods and services in its cause automatically follows. One does not build a city highway on Federal funds without meeting standard specifications, some of which are gratuitous but most of which are inherent in the prescription itself. Furthermore, since grants must be policed against corruption and egregious mistakes (e.g. housing with inadequate heating plants, hospital nursing units too small)

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or else their purpose is vitiated, it follows that most "correct" responses must be routinized; the policing, in any case a mammoth job, is impractical otherwise. What all this means, in sum, is that each city participating in a given grant program must respond with goods and services, whether imported or locally produced, very similar to those of all other cities participating. The very stuff of differential creation and dynamic city export generating and import replacing is being discouraged. This defect is more serious than the size of the grants alone would suggest. Since the grants are directed to glaring practical problems, they are automatically directed to activities, e.g. housing, transportation, health care, that have already become backward; these are precisely the problems, along with their associated economic activities, that most require development work, not premature prescriptions with their accompanying standardizations.

Not all countries, of course, have numerous cities as the United States does. Some have only one important metropolis. Denmark, Cuba, and Austria are typical instances of one-metropolis countries. Hong Kong is another, although an unusual case. In a one-metropolis country, national grant programs do not carry the defect of standardization to an extreme, simply because, in a one-metropolis country, the central government's writ does not run to the other metropolitan areas with which its own city trades most heavily. This suggests that a strategy which can work constructively in Denmark is inherently destructive in Britain. The same kind of distinction can be drawn between Hong Kong or Malaya and multi-city India or China; and between Cuba and multi-city Brazil or the Soviet Union. The point is that in a multi-city country, a national grant strategy per se must be at cross-purposes to the mechanisms of city economic growth and development, no matter what the specific content and quality of the programs may be.

In the United States, the high point of faith in the grant strategy may well have been reached at the time the War on Poverty was launching its Great Leap Forward in 1965, and now may be on the wane. I base this supposition on the observation that, until the past few years, constructive criticisms of the national grants were almost wholly concerned with tactics—that is, were directed to details of administration, sizes of appropriations, emphases or omissions of the programs, and the like. But interest is growing in Federal tax-sharing with cities, either as an alternative or a supplement to grant programs. This speaks, if only by implication, of growing skepticism concerning the grant strategy itself.

The other American national strategy for helping cities, the war contracts for which there is so much jockeying, also works at cross-purposes to the processes of city growth and development although probably more gradually and cumulatively. From the point of view of a modern city, the war goods produced are export items. Thus they increase, often enormously and abruptly, the city's export economy. The trouble arises because war goods and services are not imported by cities. All sections of the country are paying for them but are not receiving imports in return and this import deprivation inexorably affects their economic mechanisms.

A city develops and builds its economy upon its imports as surely as upon its exports; it does so most importantly during its periodic episodes of explosive economic growth when it is replacing many former imports rapidly, in a chain reaction, and shifting its imports rapidly to other kinds of goods and services. If import deprivation is temporary only, postponement of import replacing seems to be of no great moment. A dramatic example is afforded by Los Angeles at the end of World War II. This probably means that a country which only intermittently engages in heavy war production, as was the case in the United States until the time of the Korean War, reaps the stimulating effect without incurring any long range depressing effects on its cities' economies. See [1].

However, prolonged, heavy production for war is a different matter; it means that one after another, city after city is either being obstructed from replacing imports or the process is critically weakened, simply because, over a prolonged period, such large quantities of goods and services for which their people and enterprises have been paying have not reached the cities as imports. The effect must be a cumulative inhibition on new city exports too, because cities that are not replacing and shifting imports vigorously are not serving as rapidly growing markets for new kinds of exports from other cities; nor are they, themselves, building up in their own local economies their own great potential reservoirs of new kinds of exports. The cities' dwindling capacities for creating exports (and hence dwindling capacities for earning imports from other cities) reinforce the import deprivation caused directly by war production. This further undermines capacities to replace imports. In short, city economic mechanisms that ought to be building constructively upon one another are, at such a stage, converting to mechanisms of decline. A country does not have unlimited time to play games with its cities' economies.

If my reasoning is correct, it would follow that any other heavy and prolonged subsidy falling upon a nation's cities (e.g., very heavy and prolonged foreign aid consisting of goods from the donor country; heavy and prolonged exports of capital at the expense of city imports of goods and services) would also have the same effect. But so would diversion of the subsidies back into the cities themselves if they could not be used there to fuel revived and dynamic inter-city trade in many new kinds of goods and services. We are back at the standardization defect of the grant strategy again, and this time I am pointing out the fallacy of supposing that cities will necessarily prosper if subsidies for war are simply replaced by equivalent subsidies for city grant programs.

Perhaps the society of the United States is already too distraught to be capable of instituting in an orderly and constructive way, a different strategy for helping cities. The common values, the sense of joint purpose, and the trust necessary to great, orderly re-reforms and their adjustments may already have been irretrievably lost. But if reform is still available to the United States, this is the course I would suggest:

First, the grant strategy should be abandoned in favor of Federal tax sharing with localities. The cities' returned taxes (or as an alternative tactic, the reallocated taxing powers) would have to be given the cities themselves, not the states, because so many states contain two or more metropolitan areas, as well as smaller, and in many cases long stagnant, cities. Thus state administered standards or contingencies attached to the funds or powers would duplicate, on a smaller scale to be sure, the inherent defect of grant programs; and if no standards or contingencies were attached to the sharing, there would be no point in using states as conduits. The usual objection, that the cities cannot be trusted with these funds or powers because their governments are too corrupt or because racial discrimination runs too deep in them, may be true; and if so, this is merely another way of saying that reform is no longer available to the United States, but only further city stagnation and decay, or revolution and counter-revolution. Supposing things not to be so hopless yet, the funds swiftly released to cities in lieu of specific grants should be augmented by tax money withdrawn from military spending. We might expect, considering the ingenuity of American corporations when their well being is at stake, and the experience after earlier wars, that organizations losing military contracts would hustle to add new kinds of goods and services to their repertoires; the economy might thus get the famous "fall-out" of civilian technology which has so long been promised as a byproduct of the work of the military-industrial complex but has so little materialized. The objection that the government is, by definition, responsive to Congressional representatives of communities that have come to depend upon war work, and so cannot, or will not, take this step may, of course, also be true.

In effect, these suggested moves at the expense of the existing strategies would merely lift burdens that are now obstructing the normal growth and development processes of cities. In that sense, the reform would be negative. But I think a positive strategy is also desirable and probably necessary. To develop it would take somewhat longer.

The strategy would require a continuous program of data collecting, diagnosis and action, with the data collecting ideally coming first. But realistically, considering the need, diagnosis and action would be desirable at the same time data collecting was getting under way. The whole strategy would be directed at the heart of the matter: city economic creativity.

The relevant data would be economic development rates for cities. These could be determined by first compiling kinds and values of all goods and services, public and private, produced in each given city in a given year. The next compilation, which I would suggest occur five years later, and all succeeding compilations, would sequester kinds of goods and services, and their values, produced in the city only since the preceding compilation; this would be expressed as a percentage of the value of all work shown in the preceding compilation, yielding a development rate of new kinds of goods and services. The second quinquennial compilation, which of course would yield up the first development rate figure, would afford a comparison of a given city's development rate with those of other cities, and so would subsequent compilations. The third quinquennial compilation (and all succeeding ones) would also indicate whether a given city's rate were rising or falling. I am of two minds about a compilation interval as short as five years. The urgency of our situation argues powerfully for it. But a ten year interval would shake out much ephemera and would give real weight, as the shorter span cannot, to the rapid growth of some innovations after their very early years. Perhaps the wisest course, at first, would be to make both five and ten year compilations. Indeed, to compare two successive five year spans, placing greater weight on ephemera, with a ten year span that allows greater weight to be given solid achievement, might be exceedingly enlightening. We know too little about these relationships.

In a city with a low or falling development rate, the job would be to diagnose, concretely, what factors were hampering the economic creativity of the city's people. This work should certainly not be approached with rigid preconceptions, but rather with hypotheses and these only because it is necessary to start somewhere. Some possibilities suggest themselves immediately: lack of venture capital; racial and other ethnic discrimination, as far as access to capital is concerned; presence of monopolies (e.g., those imposed by organized crime, by otherwise obsolete franchises and licenses, by shopping center developers in conjunction with zoning laws); unwillingness of local government to purchase experimental and innovative goods and services (e.g., for parks, schools, health services, sanitation work); unwillingness of local government to permit competition to its services (e.g. in public transportation, waste disposal); prevention, by existing enterprises, of breakaways of employees capable of organizing new enterprises; lack of independently produced or supplied input items, available to any potential producers requiring them; lack of incentives to purchase problem-solving goods and services (e.g., noise combatting materials, pollution-catching equipment) such as could be afforded by intelligent performance zoning, for instance.

This is investigative work from which we would begin to learn, in concrete detail, much we do not now know about the effects of our laws, about the uses and sources of risk capital and, indeed, much about our own natures as city building (and city destroying) animals. To learn, and even to publish what has been learned, is by no means also to correct. But it is a beginning, if undertaken in cities where the power structure and the population are honestly concerned about city stagnation. The work could be financed in such cities by using funds now devoted to many unproductive planning studies and other expensive irrelevancies subsumed under city planning. Of course, resistance might defeat any changes required which is a way, again, of saying it may be too late for reform.

Getting back to development rate data,

such figures would continuously be informative and useful for prospering cities as well as for those in desperate trouble. They would indicate when prospering cities were just beginning to stagnate and would signal that preventive diagnosis and action were required. Where development rates were high and rising, they would signal a city's capability for unusual development work on innovative, problem-solving goods and services, vital to the entire economy; if this were not actually coming about, the reasons why should be investigated. Where development rates had been unusually high, but were falling, the movement might represent only the downside of the normal city growth cycle; but the fall, if long continued, would be a danger sign. Development rates within varying districts of cities or metropolitan areas could be calculated and these would be extremely useful for diagnosis and action.

To achieve a rather refined portrait of a city's economy and the processes at work there, one would need data on the following: (1) which new goods and services (appearing since the last compilation) represented replacements of imports and, among these, which were transplants of production from elsewhere and which were locally originated; (2) which new goods and services represented new input items; (3) what input items had been lost since the previous compilation; (4) kinds and value of export work lost; (5) kinds and values of work exported and which of these represented new kinds of exports; (6) the genesis of these new exports (that is, whether produced by organizations that had already been exporting, by organizations set up *de novo* for export work, or by organizations formerly producing only for the local market); (7) numbers and types of new organizations created by breakaways from older organizations; (8) kinds and sizes of new organizations being financed locally as distinguished from those financed from outside, and the terms of investment; (9) changes in quantities and kinds of imports since the previous compilation. I have been rather reluctant to enumerate these because the list might suggest that to collect that data is the salient task. But it would be useful only where diagnostic and remedial work were already rather highly developed too. As far as data are concerned, the first need is for the development rates; and I think they are badly needed.

The general strategy would represent, in itself, a problem solving addition to economic life; that is, work which more than pays for itself, and does so even during its own period of development. There would be no need to begin the service in all cities at once in a multi-city country, nor need it be under the aegis of a single organization; it could be begun independently in various cities. To obtain useful comparative development rates it would, of course, be necessary to employ the same methods of compiling and computing in different cities but even these must at first be somewhat experimental because many difficult questions of judgment must be resolved in ways that will not, in fact, distort the realistic indications of economic innovation and creativity that are needed. The diagnostic and remedial work would be thoroughly experimental at first. Where any experimental work is concerned, an excellent ground rule is to encourage duplication, not monopoly, of effort. This, I should think, applies as surely to development of an effective strategy for helping cities as it does to the other creative efforts that this strategy would be identifying, measuring and—let us hope—liberating and stimulating.

Reference

1. Jane Jacobs, *The Economy of Cities*. New York 1969, 151–54.