



Michigan State University Extension Public Policy Brief

Right-Sizing Cities

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Part I: What is a Shrinking City?

The term “shrinking cities” has been defined by authors Joseph Schilling and Jonathan Logan (2008 *Journal of the American Planning Association* article¹) as a “special subset of older industrial cities with significant and sustained population loss and increasing levels of vacant and abandoned properties, including blighted residential, commercial and industrial buildings.” In their definition, the authors set a minimum standard for a city to qualify as a shrinking city—population loss of 25% or greater over 40 years. This definition would appear stringent, but it provides a framework for separating seriously challenged cities from others that are much less challenged.

“I know of no safe depository of the ultimate powers of the society but the people themselves . . . and if . . . not enlightened enough to exercise their control . . . the remedy is . . . to inform their discretion.”

Thomas Jefferson

¹ http://pdfserve.informaworld.com/449567_918013288_902368691.pdf.

This is a fact sheet developed by experts on the topic(s) covered within MSU Extension. Its intent and use is to assist Michigan communities making public policy decisions on these issues. This work refers to university-based peer reviewed research, when available and conclusive, and based on the parameters of the law as it relates to the topic(s) in Michigan. This document is written for use in Michigan and is based only on Michigan law and statute. One should not assume the concepts and rules for zoning or other regulation by Michigan municipalities and counties apply in other states. In most cases they do not. This is not original research or a study proposing new findings or conclusions.

The fact of the matter is that virtually all American cities have lost population from their peak levels, and almost all of the nation's major cities have lost population since 1950. Although some of them do not meet the official definition of a shrinking city, the rapid decline of American city's population and economic activity should have been an even greater concern to our public policy makers than it has been to date. The fact that this situation is so wide-spread should have raised questions about the fundamental basis for the future of our cities. Was the idea of cities in America a bad one in the first place? Is it the case that our cities just happened and we never did have the opportunity to develop our own concept of cities and how to help guide their evolution in the direction of sustainability? Is it the case that the world has experienced such a paradigm shift that the old notion of cities no longer applies? Or, is it the case that somewhere along the way, we lost track of what we, as a society, needed to do to ensure that our cities optimally serve society?

The notion that places like Detroit, MI, were below the radar screen of federal policy makers for so long reflects the possibility that our law makers do not really understand the magnitude of the challenges facing American cities. The challenges are daunting. A 25% decline in 40 years is a pretty significant decline, especially considering how many of our cities were included in that statistic. Very few important things in our society go through that much down-grading without some intervention. It seems that if this issue stemmed from a natural disaster, not an economic disaster, we would have done something different. Is our country's national policy framework for intervention immune to economic disasters? Is the issue of how we deal with long-term economic

disasters even important? If "no," why not? If "yes," why has it been so difficult to turn the situation around? Perhaps the notion of long-term economic disasters is foreign to our society and we just don't know how to resolve them yet? Perhaps we have become so used to automatic prosperity, and have learned to ignore even the most obvious disasters around us.

On one hand, according to Witold Rybczynski and Peter Linneman (authors of the 1997 *Wharton Real Estate Review* article, "Shrinking Cities"), the vast majority of large American cities have lost population. On the other hand, we have this subset of American cities that have experienced significant, steady and gradual population loss over long periods of time. What is the difference between these two categories? It seems to me that our official definition of shrinking cities is a subset of those cities that are troubled, which is most of our nation's large cities. So, our shrinking cities simply represent extreme cases of a condition that plagues American cities in general. The fact that the American landscape is littered with so many of these challenged cities makes one wonder whether our cities can ever again reach the level of prosperity they attained in the past. The point is that American cities are challenged, and the nation may need an aggressive strategy to deal with the problem. If not, we definitely need a clear statement of reason for why this situation is acceptable.

Whether or not we should do something about our cities—especially our shrinking cities—depends on what Americans want their cities to be. It also depends on our understanding of what cities actually do within the context of a metropolitan region, a state and the nation. Perhaps most relevant is the issue of whether or not any action we take will actually bear fruit.

In other words, do our cities have the ability to rebound again? Answers to this question can be found in turn-around cities. Such cities as New York, NY; Chicago, IL; and Washington, D.C., were able to break free from the persistent cycle of decline. The fact that people are flocking to these cities, and that Americans generally like these cities, may suggest that not only do they have the ability to turn around, but also that such a turn around is a good value proposition, at least in the case of some cities. A little caveat may be appropriate at this point. New York, Chicago and Washington, D.C., either grew by receiving massive inflows of immigrants, or by aggressively annexing surrounding cities and towns. The few cities that experienced turn arounds without the help of immigration and annexation did so by rediscovering themselves—shedding old paradigms of growth, leveraging new principles of urban viability and working hard to reposition themselves. This suggests that while the natural fate of cities is to continue to shrink, that a city may well have within its power the ability to shape its own future.

The first option, regional expansionism through annexation, is definitely still a possible strategy for growth, but it is becoming increasingly unfeasible politically.

The second option, international expansionism through international immigrant attraction, is also feasible, but is largely constrained by national immigration policies, which have become even more restrictive in recent years. Besides, more and more reports (e.g., The Pew Charitable Trusts² and the Ewing Marion Kauffman Foundation³) seem to be suggesting that because other parts of the world are now booming and prosperity is more evenly distributed across the globe, immigration reform alone may not yield adequate results for it to work as an urban revitalization strategy. The Indians, Chinese and Brazilians, I am told, are increasingly either staying at home in the first place or returning to their country of origin from the U.S. after going to school here or having lived here.

The third option, thinking and working hard and discovering new growth paradigms, is obviously a tough road to hoe, considering the numerous obstacles in the way, and the fact that few places have been able to accomplish this. However, the fact that some places such as Pittsburgh, PA, have been able to effect some turn around may suggest that this is the way to go. So, on the issue of whether or not it is possible for a city to reverse the trend and grow, the answer seems to be “yes.” However, it would require new ways of thinking about the function of cities and the policies we implement to reposition them.

Clearly, for a city to be better positioned to effect its own turn around, it needs to understand its history, the growth model and trends that led to its emergence in the first place, and the fact that the possibility of that model is no longer valid and its associated trends are no longer relevant. A city would also need to understand how the drivers of prosperity have changed, and why the development of a can-do culture that balances the need to address current economic challenges against the need to be forward-looking and strategic about the future is critical.

² <http://www.pewtrusts.org/>.

³ <http://www.kauffman.org/>.

Part II: The Growth and Decline of American Cities

December 3, 2010

In order to understand the shrinking cities-phenomenon, some perspective on how it was that cities grew in the first place is helpful. Shrinking is the antithesis of growth. In most systems, growth does not last forever. In many stable systems, however, shrinkage does not necessarily follow growth. Indeed, shrinkage is characteristic of a system in disequilibrium, the redirection of which requires significant systems understanding. Therefore, it is important not only to understand how American cities declined, but why they declined, and what critical factors drove their shrinkage. So, let's start from the beginning.

How Our Cities Became So Big in the First Place

Before most American cities began to form, the majority of the American people lived at or near the eastern seaboard as first-generation settlers in a new land. Those earliest settlements attracted people and communities, largely from Europe, but also domestically through the reshuffling of population. They featured higher levels of prosperity, due to what economists would call agglomeration economies--the creation of better opportunities through interactions, networks, synergy and critical mass. These early cities eventually became the foundations for our prosperous national economy. They provided base-line economic activities, the benefits of which radiated beyond their borders. People in places surrounding those cities found it beneficial to rely on them for much needed goods and services, while people in rural places leveraged the critical mass in cities as trade connection points.

As the nation continued to grow, city-like places (larger towns) started to emerge closer to other clusters of economic activity, such as agriculture and mining. From the large plantations of the South to the more remote mining communities of the West , eventually rural economies revolved around functional large towns, if not the larger urban economies. So, in the earlier part of our nation's growth, cities and large towns enjoyed a symbiotic relationship with rural areas.

The natural success of cities was hinged on their ability to be attraction points or staging grounds for new economic opportunities. New immigrants from Europe and other parts of the world were attracted to cities or city-regions, because they had identities and signatures that were unique. Even internationally, the signatures of America's large towns and cities were palpable in enabling major ethnic groups, such as the Italians, the Irish and the Germans, to settle in large numbers. Regions were identified by their key cities or large towns. New immigrants utilized these cities as entryways to North America and the opportunities that the nation offered. The bottom line is that cities were very successful, not in spite of or on the account of their surrounding communities. One could argue, as mentioned above, that this was a relationship of equilibrium, whereby most places found it easy to thrive.

The industrialization of America in the late 1800s was the New Economy that was about to be born. The nation had a collection of places with great potential--places that were strategically located in proximity to raw materials, along trade routes at strategic locations for the shipment of finished goods and with the concentration of initial talent that the first generation of manufacturing activities could leverage. Innovators with great ideas helped champion industrialization, but what they championed were processes that were consistent with key assets of the cities and regions in which they developed their enterprises. So, the natural assets and unique signatures of those earlier cities could be said to have positioned those places to take advantage of industrialization. As unique business enterprises centered on manufacturing emerged in and around our cities, people flocked to such places in search of better opportunities.

Our cities attracted their fair share of people who previously worked very well with their hands at rural locations around the country where farming represented the dominant economic activity. People could move from Biloxi, MS, to places like Detroit, MI, or Pittsburgh, PA, to find better paying jobs on assembly lines, manufacturing goods slated for the homes of the emerging middle class workers. Likewise, people with more advanced skills, such as managers, flocked to cities, while those that were technically informed, such as engineers, also found these cities to be destination points.

The very large cities we know today emerged from those earlier formations of cities. An understanding of the key underlying factors that maintained the integrity of cities is helpful. On studying our cities, I arrive at the following basic tenets of early 20th century cities. These tenets, or the fundamentals and trends that drove the emergence of cities, are listed as follows:

- Cities were attraction points for young talent and immigrants searching for better ways of life, which they offered. Our cities were built around the value of talent and new ideas.
- Closeness to raw materials and shipping ports crystallized industrialization in places with such assets. Our cities were built around the notion of production and logistics. Fixed assets mattered in the positioning of cities.
- Differentials in prosperity between cities (destination places) and less affluent rural areas (sending places) was a key indicator of how fast a city/region would grow. Our cities were built around the notion of prosperity and inter-place competition.
- Skill levels needed for industrialization and the success of production places did not exist in the past, but were quickly learned as workers sought to become relevant under an alternative growth paradigm where people and machines created much higher economic value together than they did separately. Our cities were built around new skills and new opportunities to direct them.
- Growth and prosperity were self-perpetuating, as long as a place (city) was in tune with the realities of prosperity. Otherwise, decline was possible—as we have already observed—and shrinkage was highly probable as we are observing now with shrinking cities. Our cities were built around the notion of a growth machinery.

My point is that the industrial economy paradigm favored large cities. As long as cities found themselves on the right side of growth, they thrived. With the mission of cities being largely defined by production capacity, much of the infrastructure developed by cities was designed to support the movement of people to work, and the movement of goods to markets. This was possible during a period of unprecedented national prosperity when the nation grew and was expected to grow by three to six percent a year, and where people and places did not have to worry too much about their relevance in the economy. The fact that our national economy was prosperous and self-contained (no globalization to worry about) made it possible for our cities to grow the way they did. However, the underlying framework started to unravel by 1950. The very trends that made cities success, described above, provide some insights as to what went wrong.

Why Did American Cities Decline?

So much has been written about why prominent U.S. cities began to slide. Many of the factors identified are certainly relevant. Some blame the decline on Federal and state highway and transportation policies, which created roads and highways that made it easier for people to move away from cities and into first-ring suburbs, secondary suburbs, remote suburbs and, in many cases, rural areas. Obviously, highways fueled the ability of people to separate their work-place interests from their other interests, such as housing, community and quality of life.

Some blame the decline of cities on the advent of automobiles, which created significant mobility and the greater ability of people to separate themselves from production-oriented communities. Automobiles became prevalent as Americans came to significantly value mobility. But if the roads did not exist, the explosion of auto-dependency would probably not have occurred. One can, therefore, conclude that roads and cars were co-enablers of the decline of major American cities.

Some blame the shrinkage of cities on the slow decline of the industrial economy, which rendered most production-focused places less relevant, as people moved to places where the economy had better mixes between manufacturing and production, on the one hand, and services, such as tourism, on the other hand. Across the United States, there is abundant evidence mounting that places can thrive without manufacturing anything. There is also huge evidence that so much more value can be generated through the combination of the brains of smart people, the creativity of entrepreneurs, the utilization of innovative platform technologies, and the incredible power of information technology.

Some blame the decline of cities on the white-flight that occurred after the urban riots. But we need to remember that those riots were avoidable and, therefore, that there was something more fundamentally off, leading to a situation where white-flight became desirable. While cities attracted people of all races, they certainly appeared to have missed the opportunity to work out innovative arrangements where diversity was perceived as an asset, and the problems facing one segment of the population were perceived as common problems. American cities had the potential to anticipate the problems of the 1960s and 1970s if they were built on the notion of sustainability and had the resilience to accommodate dissent. Given the usual level of foresight that Americans direct toward important problems, it is difficult to explain away the problems of the '60s and '70s on the basis of oversight. My more plausible explanation is that we never took the time to design and conceptualize our cities in the first place. Despite all the planning by planning professionals, it appears that our cities just happened organically or were planned in a reactionary, as opposed to proactive, way.

Much of the writing about the decentralization of cities has focused on what scholars have referred to as “push” and “pull” factors. Push factors are those things that are inherent in cities, and that encourage urban dwellers to seek other places to live in. Examples include higher crime rate, inadequate quality of education, racial distrust and high direct cost of living. Pull factors include the desire for open space, the quest for better-quality schools, the absence of racial cohesion, avoidance of traffic, newer amenities and limited incidents of crime. Regardless of the nature of the push or pull factors, which actually appear to be symptoms rather than real causes--it becomes clear that in few places in American history does one find reference to city vision, city purpose and city strategies, until the profession of planning began to evolve in the public and academic landscape. Is it the case that we built it first, and then determined that we needed planners? It becomes very clear that not much thinking went into the concept of cities, at least at the national level.

However, suffice it to say, that if cities had maintained their integrity in the first place, perhaps their decline would not have occurred. So, declining cities have much deeper significance with respect to foresight. One can ponder about vision, but perhaps more relevant is what element(s) was powerful enough to shift the paradigm to the point where consistent long-term decline became possible.

In a nutshell, cities declined because the economy started to change. Perhaps the old paradigm of growth did not continue to hold true everywhere. Perhaps what people were looking for in life started to change, and cities no longer offered the best opportunities for such things. Perhaps the positive reaction of people to cities of the past no longer holds true. Perhaps highways created a new environment, whereby the assets that made cities so prominent could easily be accessed from elsewhere and at low cost. Then, obviously, something fundamentally changed with respect to cities that resulted in many of the visible outcomes that have been witnessed since the peak era of American cities, the early 1950s.

The declining trend, which started in the 1950s, continues in many cities today. Given the range of push-and-pull factors, and the fact that many of these themselves are indicators of a system disequilibrium, it is evident that the decline did not quite conjure significant policy intervention. The nation certainly had a vested interest in thriving cities, considering our interests even in some of the most remote parts of the world. The decline of American cities is too significant to explain on the basis of oversight.

Some of the explanations for such gross oversight are that the shifting population itself created alternative place interest groups who perceived the boom in places away from cities to be beneficial. The rise of townships and other distant places and the relatively rapid growth in the political clout of non-urban areas have been used as explanations for why the decline of cities eluded our public policy. Another explanation is that the nation was coming off such a long period of prosperity that we simply didn't know what to do in an environment of a national economic slowdown. Yet another explanation is that we had no arsenal in our toolbox and, therefore, decided to sweep the issue of declining cities under the rug.

Whatever the explanation, the shrinking city-phenomenon is obviously persistently problematic. Clearly, given the price that society has paid to position our cities, the lack of foresight has cost the nation plenty. This happens when an issue as phenomenally important as cities is overlooked. How we deal with our cities from now on may well define our future prosperity, given the linkage between cities and national economic performance.

Part III: Consequences of a Shrinking City

December 17, 2010

To justify more deliberate state and national interventions into the shrinking cities problem, the following must be better understood:

1. that cities, in their future forms, will be vitally important, not only to inner-city residents, but to non-urban residents across states and the nation;
2. that everyone has much to gain from more functional cities; and
3. that adequate political will is required to make the restoration of American cities a cornerstone policy in revitalizing the American economy.

Regarding the first, the public is hardly ever convinced to do anything about an issue unless they perceive the problem to be important and that solutions are seriously needed. Regarding the second, even if the public perceives cities to be vitally important, given the variety of economic challenges the nation and our states face today, they need to be convinced that solving the problems of cities will deliver direct benefits not only to city residents, but citizens beyond the boundaries of those cities. Regarding the third, in this day and age, the political will to do something is not always strong enough to address even some of the most pressing problems facing society. In other words, we will begin to see real efforts to deal with the shrinkage problem when the general public understands what it stands to gain or lose.

Importance of Cities

Are cities important or not to the future of American prosperity and to non-city residents? I think so. Looking globally, one critical function that a city provides is to serve as a central point for economic, social and other activities. In the United States, this role is largely taken for granted. The sprawling of the American metropolis, the resulting metropolitan and rural political economy, and decades of national prosperity enabled us to forget how cities helped the domestic economy become so successful. In the

evolution of the United States, cities anchored prosperity, helping the larger regions they served become relevant in the national economy, and the national economy itself become purposeful and successful.

There are economies of scale benefits in the delivery of services to people and business, at least up to a point where large numbers no longer matter. This raises the issue of optimum city size, which will be addressed in a later article in this series. As major population centers, cities cater to a large number of people and businesses, making them unique entities within their host states or regions.

For example, rather than thousands of people relying on personal transportation, with the attendant problems of traffic congestion, long commuting times, pollution and stress, cities can more effectively deliver mass transit, thereby alleviating problems related to personal transport. The same applies to such things as museum services, cultural amenities, parks, sewer services, airports and shopping. An efficient network of cities can help reduce duplication, drive down the average cost of providing public services, and enhance national competitiveness. These are benefits that urban and non-urban residents should be able to identify with, if well informed.

There are environmental and social benefits of cities to society as well. The differences between one community of 1 million people and 20 communities of 50,000 people are many: 2 million day trips by private cars versus 1 million such trips with transit, lighter traffic on the freeways versus significant traffic jams, long versus short commuting times, and lower electric transmission costs versus added costs when people are spread across the landscape. From a sustainability perspective, the more people that we accommodate in clusters, the more we can conserve vital resources that can serve us well as renewables, if kept in their natural states.

Cities make sense for the local economy and for local business as well. Many business activities are attracted to large population centers, due in part to the greater access to a large pool of skilled workers, managers and professionals. Companies with large economic footprints tend to find cities attractive, and tend to cluster in places with adequate access to quality labor. With the presence of strong cities, unit commuting time is reduced, work travel costs are reduced, human capital search costs are reduced, greater human capital efficiencies are realized, talent is more readily attracted, etc. Overall, companies see benefits that attract them, and a state benefits by saving costs that would otherwise be directed toward business attraction. Even as the benefits of the internet continue to mount, large population centers will continue to be attractive to companies, as long as city size does not exceed the level where these benefits begin to shrink. Future growth in energy prices will probably add to the benefits of cities. Cities also offer more diverse job opportunities, not only for inner city residents, but for the broader metropolitan residents.

Cities offer large/mass markets for businesses. These translate into better distributional logistics, concentrated purchasing power, more efficient movement of goods and services, among other benefits. For businesses seeking to reach out to a large consumer base, a city can offer an opportunity to combine the numbers of people in urban, suburban and remote areas as a large market for products. Mass market benefits of cities are particularly strong in such areas as consumer products, automobiles, electronics, sports, banking and entertainment.

From an image perspective, states with large cities tend to be more globally visible, and regions with large cities tend to leverage the prowess of cities for broader economic opportunities. This is especially important in the emerging New Economy. Larger scale cultural, entertainment, knowledge, education, transit, industrial, banking, insurance and other assets can be leveraged to attract knowledge workers who help define the types of business opportunities that will become the mainstay of the future.

When optimally configured, cities are symbols of success, access, connectivity, entrepreneurship, better options, job opportunities and quality civic life. Cities offer global visibility for regions and, if well

managed, offer unique signatures that make it easier for states to be globally visible. Cities are the anchors of globally relevant destination regions for entrepreneurs and innovators who increasingly prefer to locate where the access to various things they need to thrive is solid. The diversity, entertainment and social opportunities that cities offer are typically more difficult to find in more remote places. For example, global companies in the U.S. have chosen states as their headquarters, largely because of the global relevance of their prominent cities. But, their employees and the businesses that support them are typically drawn from the entire state or region.

Cities have tended to feature high concentrations of knowledge institutions and opportunities. For example, it would be a greater challenge for states, such as Massachusetts, Georgia, Florida and Colorado, to be globally relevant if cities, such as Boston, Atlanta, Miami and Denver, were not successful and vibrant or offer opportunities for knowledge workers. Cities represent opportunities to do things that cannot be done elsewhere.

Cities attract young people, many of whom have newer and better education. The presence of young people translates into economic vibrancy and greater potential to create new business and market opportunities. These impacts can be observed regionally, and can clearly affect the economic performance of a state.

The diversity of business and people activities that cities bring to the table offers potential launching pads for future regional economic growth. A city that is working well with its suburbs and nearby rural areas can offer diverse options, all within reasonable distances. In the New Economy, people and families feel more empowered within the context of a city that is surrounded by exciting and interesting places. The mayor of a major U.S. city once told me that he is just as concerned about the vitality and success of surrounding communities as he is about the vitality of his downtown and central city areas.

I can go on and on about the benefits of cities, but in essence, my point is that, if well positioned, cities can offer huge opportunities for the high quality of life of a state to be globally visible and send signals to the rest of the world that things are happening in that state. I cannot think of any highly successful state that does not feature at least one attractive, enticing and/or successful city. In my opinion, where a major city goes will eventually go the socio-economic and quality performance of its host state, whether immediately or eventually. This is perhaps even more important in the New Economy upon us. A state or region that lacks a vibrant and attractive city essentially misses out on opportunities to compete for businesses, knowledge workers and high-value residents who have greater choices today about where to settle and conduct their activities. These value-added features of cities tend to radiate beyond their boundaries, as economic activity is attractive to metropolitan regions, not just cities.

Public Perception about Cities

If cities are important, and their benefits radiate beyond their boundaries, why then is the recognition of their importance and benefits less broad-based? One rational answer is we have forgotten how domestic economies work, the role of population centers in domestic prosperity and the how the world relates to the national economy through the economies of places. It is not so much that the benefits of cities to society at large has waned with the shrinking of cities as it is the fact that we do not understand how cities add value. We all benefit from cities without realizing the extent to which we do.

Returning to the central theme of shrinking cities, I see two categories of mindsets. The first includes those that are affected by the shrinking cities-phenomenon and understand the impacts on their lives. These generally include city residents, suburban residents and those that live in remote areas who understand that their livelihoods and quality of life eventually derive from the city that provides the economic engine for whatever community they live in. This is a group that needs to understand how to

better tell the story of how cities impact people beyond their boundaries. The second category includes those that are affected by cities, but don't fully appreciate how such cities impact their lives. This is perhaps because they neither live in or near cities, nor understand the social, economic and other consequences of cities in their lives. This is the group that needs to be better informed about what cities mean. My classification is based on the notion that the failure to recognize the contributions of cities creates a bottleneck in the ability to develop public policies that target the repositioning of cities. In other words, we have the classic problem, which economists would describe as "market failure." That is, cities are public goods, but for a variety of reasons, we are not all willing to support major actions that would enhance cities and benefit us.

We All Need to Be Better Informed about Cities

This takes me to the need for public education. The absence of consensus about whether concerted efforts are needed to revamp cities is largely the result of inadequate knowledge/education, especially for the second category of people I mentioned above. That is, people do not know enough about what cities mean to a region, a state or the nation. Given the current mindset, targeted education on the current and future roles of cities may well yield some results, especially when the public is better able to make the connection between urban revitalization and statewide/nationwide economic development. This education is a necessary condition for more concerted state and federal efforts to reposition cities. Debates about urban repositioning should no longer center on equity between urban and non-urban areas. The politics of urban revitalization has to catch up with the realities of what cities can do for our nation.

Consequences of Doing Too Little

To drive the point home, I now highlight some of these consequences of doing nothing or too little:

- Continued loss of talented and of innovative people from states and regions that fail to recognize the importance of cities. This will erode their economies. The same applies to the nation if the set of globally recognized cities that are in the U.S. continues to decline.
- Continued reduction in the percentage of the nation's workers that live in places where their productivities are potentially high enough to match global levels.
- Continued increase in the level of concentrated poverty, which will further erode the opportunities in cities and their potential for turn around.
- Continued erosion of the ability of the nation to maximize the returns on past investment in cities; and the continued investment in new places when funding has already been spent in old places, adding to the overall cost of doing business.
- Lost potential efficiencies in service delivery.
- Social and human welfare challenges, due to the concentration of poverty.
- The distancing of economic activity from the large-scale educational infrastructure already present in many of our cities.
- Even greater rates of foreclosure and property value declines in the very places where the opposite is much needed.

Dwindling tax bases and rising tax rates of communities, including non-urban places.

The Michigan Perspective

In Michigan, our cities are already some of the weakest in the nation. Almost all of our metros were in the bottom on the 2009 Milken Institute list of Best Performing Cities. With Nevada, California and Florida in

a deep hole economically, many of Michigan's cities have moved up in ranking as of 2010, according to the Milken Institute. This is good news and it suggests that Michigan is indeed making progress, and that other places were more hardly hit by the current recession.

But, Detroit remains at the very bottom of the pack. Can Michigan be successful without repositioning Detroit for success? Can it be successful if it does not attend to its other cities? The answer is "no" on the two counts, at least in my opinion. Detroit, Grand Rapids and our other cities in Michigan will have a hard time being successful unless we fully understand how cities and counties must work together. Creative solutions are needed to address these issues.

Many of our cities are left with a high inventory of foreclosed properties. The glut of abandoned properties has decreased the tax base and placed pressure to raise tax rates. These cities are left with a weak population base to support successful social and retail activities. They are left with a patchwork of functional neighborhoods. Many of our cities are fiscally challenged. With the dearth of funds available for investments today, these cities have not made adequate investments in New Economy infrastructure.

To Act or Not to Act?

Now, do we do something about these cities? I would say "yes." How do we go about it? The answer is: by starting with a statewide awareness program designed to educate urban and rural residents about how city repositioning can benefit the whole state. It appears that there is much to lose by leaving some of our major cities to decline and some perhaps collapse. However, in order for our intervention strategies to work and in order for the public to support them, we need clear visions for cities, clear strategies that make sense and a broadly supportive public that understands why cities must be transformed.

Part IV: The Global Context for the Future of Cities

January 21, 2011

In *The Atlas of Shrinking Cities*, edited by Philipp Oswalt, the etiology of shrinking cities is graphically depicted to explain not only the history of cities and the causes of shrinkage, but the various paths that took cities globally to their peak levels and the paths that led to their shrinkages. The Atlas suggests that the shrinking cities-phenomenon is much more prevalent in old industrial regions and nations. Is shrinkage an unavoidable aftermath of industrialization? Maybe! Most cities were built on the platform of industrialization. Their peak sizes resulted from the continuous economic opportunities that industrialization offered. The recent waning of the industrial economy suggests that other forces have become more relevant in driving growth and economic opportunities. Therefore, one would expect most cities, as currently constructed, to experience significant shrinkage. This can be likened to a correction for a system out of equilibrium. That is if the level of economic activity that industrialization commands wanes, there will be collateral losses, unless the cities themselves do something different or discover strategies that are consistent with what the new drivers of economic activity warrant.

Exploring Forces beyond Deindustrialization

The decline of cities has been attributed to a variety of other factors. Included in the list are such things as war, armed conflicts and political disasters; natural disasters, such as hurricanes, earthquakes and tornados; environmental disasters, such as the Bhopal gas tragedy in India; health disasters, such as major epidemics; declining national population, perhaps as a result of war, conflict or genocide; significant

water scarcity and drought; and suburbanization. On this list, the most likely factors that could be causes for U.S. cities are natural disasters and suburbanization.

With respect to natural disasters, no one can predict where the next one will occur, and cities have no control of this phenomenon. While they can plan to mitigate the effects of natural disasters, cities cannot count on such disasters in other parts of the U.S. or the globe as a source of growth in their own population or economy. Besides, depopulation following natural disasters tends to be somewhat temporary, as cities that have faced this challenge have tended to attract back some of their lost population if conditions were resolved. This leaves only one factor to consider as a critical driver of city shrinkage, besides deindustrialization, which is suburbanization.

Suburbanization has offered little to American cities. In fact, the history has been that it robbed cities of much of their relevance, enabling huge outmigration of population to suburbs. Reverse suburbanization is a potential source of growth that one cannot count on, unless cities tap into new growth drivers that are powerful enough to offset the trend toward deindustrialization. But, these new sources of growth must also be powerful enough to offset the emerging global economic trends that have contributed to the decline of U.S. cities. With industrialization intensifying in emerging and developing countries, and many of those countries leap-frogging with respect to new-tech and high-tech, my conclusion is that U.S. cities have to work very hard to identify unique drivers of economic prosperity.

Looking at Deindustrialization

With respect to industrialization, few cities will grow in the future due to this driver. A manufacturing-dependent city is expected to decline if the overall manufacturing sector declines nationwide. The loss of manufacturing from the U.S. to other places around the globe (off-shoring and out-sourcing) to places that offer lower wages, lower regulatory barriers and cheaper taxes, suggest that global forces are at play, which define where industrialization will agglomerate next. Our cities may not have as much control over that process as we did in the past.

A city may diversify its economy so that more of the growth drivers that are relevant in the New Economy are working for it, but the chances are that relevant sectors to focus on are not related to traditional manufacturing or industries. Examples of New Economy growth opportunities, which have been leveraged by American cities that have repositioned themselves, include the financial services, biomedical, advanced communications technology, tourism, food innovation, knowledge, film/entertainment and renewable energy-related industries. These high-tech and new-tech areas have been proposed as replacement targets for traditional manufacturing, but the attraction of these is difficult in this challenging economy.

There certainly exist industrial opportunities in the high-tech and new-tech areas of the economy. However, the rate at which the high-tech sector is growing in our shrinking cities just has not matched up with the rate at which American cities have deindustrialized. Related to this is the issue of the optimal location of future high-tech manufacturing activities. With significant growth in the size of the middle class in emerging and developing nations and the growing consumption and demand for manufactured consumer and industrial goods, it appears that high-tech manufacturing activities may eventually become "off-shored" also, which means we have to compete in that space too.

Our Competition

Evidence continues to mount that the population of cities in developing countries will rise considerably. The expectation is that North American and European cities would not grow as fast, if they grow at all.

Not only is industry shifting to parts of China, India and other BRIC countries and N-11 countries, their cities are likely to grow, at least for a while. Many of these cities, due to policy reform and the emergence of the New Economy, are growing their financial markets, developing their educational infrastructure, building their critical infrastructure like airports, leap-frogging the technologies typically used in public service and power generation, and emerging new models of public/private partnership in solving their own problems. These are factors that tend to result in the growth of modern cities and should result in growth of opportunities in emerging and developing nations. The rapid growth in GDP, wealth, private equity, middleclass, population, entrepreneurship and other productive capacity in a few countries suggests that our economy is de-coupled from theirs. According to the International Monetary Fund, in 2008 the U.S. and other western nations did not witness significant growth in per capita GDP, while countries like China, Russia, India and Brazil grew in leaps and bounds. By 2025, China will be the world's largest economy, according to Goldman Sachs. So, the BRIC cities are expected to grow rapidly. This is in contrast to our cities that are shrinking.

My point is that cities worldwide are in competition with each other and the momentum is on the side of cities in developing economies. Several of the factors that would drive the growth of cities in the future include the globalization of income, employment, wealth, education, opportunity, entrepreneurship, information technology and social networks. It is becoming increasingly easy in emerging and developing countries and increasingly difficult in the United States to stage the management of cities or innovate beyond what we have always done. We seem to have gotten used to the way things were, and we are not as attuned to the way things need to be in order to be successful with our cities.

Land use policies and strategies were key to the growth pattern of American places and helped drive the prosperity that most of our cities came to know. However, we have been reluctant to change our land use policy paradigms to accommodate the evolving needs of New Economy prosperity. Our land use decision-making framework has become cumbersome, while some cities across the globe have greater ability to be strategic and decisive, especially as it relates to public policy. The mindset of many in our communities is that because prosperity will return, no major change in how we think about economic development is needed. Countries are building new cities as a way to deal with the explosive population that will come in the future. Despite international immigration constraints, those cities can be expected to grow their populations. So, in general, the trend, if one does nothing, is for American cities to continue to decline. More importantly, doing something requires a clear vision for a city and deep understanding of the relevant approaches to growth in the New Economy.

What Can We Learn from Cities that Have Stopped Shrinking and are Now Growing

A look at the characteristics of growing cities around the globe leads one to conclude that they have four things going for them. The first is that they offer greater prosperity than their surrounding regions. This is what will lead to the exodus of people from suburbs and rural areas into cities. Our experience since 1950 has been the opposite. Rather than being bastions of regional prosperity, our cities have largely become large pockets of poverty and limited opportunities.

The second thing that growing cities around the globe have going for them is they continue to feature higher levels of education than the broader regions they represent. That is not always the case in the U.S. Our cities often feature lower educational attainment than other places in the region that support them. Many of our cities have become concentrated pockets of poverty and illiteracy as the educated and knowledge segments of the population have moved out.

Third, growing cities seem to have worked out the issue of their purpose and vision, and have the abilities to articulate these. My observation has been that most American cities have difficulty articulating a purpose that stands out, that is easily understood, that is globally relevant, and that resonates with people and the business community. Clarity of purpose is just as important for cities as it is for individuals and companies. Growing cities worldwide seem to be known for something, which was the case for most American cities before and during their peaks. The tendency, however, in the U.S. is for the unique identity and signature of a city to not be a high priority. The notable exceptions to this include places, such as Boston, MA; New York City, NY; Austin, TX; Pittsburg, PA; and Seattle, WA, which seem to exude clarity with respect to what they intend to be. Before a state or region can go about crafting a vision for cities, developing strategies or garnering public support, it is important to recognize that the North American experience with cities may not adequately provide the lens from which we must embark on solutions. While the U.S. features a large number of cities, many of them with high quality of life, other parts of the world have had much less fruitful experiences with cities, but their outlooks are more favorable today.

The fourth characteristic of growing cities around the globe is the degree of state or national commitment to those cities. While regional commitment may be the case for some parts of the U.S., many have argued that the nation actually lacks an adequate urban policy and deliberate strategies to move our cities forward. Given the magnitude of the problems facing American cities, nothing short of aggressive national and state mandates, coupled with creative and innovative ideas will address these problems, in my opinion. The nation needs to be clear about what it stands to gain from successful cities and better understand the types of policies that will work in urban revitalization. In the current context in Washington, D.C., it is difficult to assess the likelihood of an aggressive urban policy strategy. It is even more difficult to expect that such strategy will recognize the uniqueness of every city and the need for strategies to be heterogeneous and customized to local conditions.

New cities are being proposed around the globe. The Chinese former Minister of Civil Affairs, Doje Cering, set the goal of building 400 new cities by the year 2020. That was back in 2000. Their new cities will be powered differently, leveraging renewable energy, and some are designed to be green cities. In places, such as Nigeria, for example, new cities are not only being planned, but the governments are working on the expansion of existing cities, with the designs based on principles of the New Economy. Green, renewables, sustainables, education, talent, talent attraction and other New Economy principles seem to underline the principles of cities around the globe that are on the drawing board.

All of these trends point in the direction of most of our cities not growing their populations beyond where they are now. That is, their natural trajectory is to be smaller, with respect to population. What cities have to plan for, therefore, is not so much how to grow their general populations, but how to change the mix of people, so that targeted individuals and companies will be responsible for future job growth. But, then we must also recognize that the range of services that future city residents will prefer, or that are consistent with the New Economy, would appear to be different from the services cities provided in the past. The types of neighborhoods needed to support the New Economy are also different from the neighborhoods of the past. This will require careful thinking about infrastructure needs for the New Economy, not infrastructure needs of the past. In other words, vision and mindset changes will be required for American cities to thrive.

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