

Chapter 7. Winner-take-all cities

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The shift from the industrial to the post-industrial knowledge economy has not only caused growing economic inequality and new class divide, but growing spatial inequality and the rise of regional winners and losers, of which the populist backlash across the world is a consequence. Coping with this will require developing policies that can deal with spatial inequality, and even more so, devolving political, economic and fiscal power to cities and communities who can best deal with local problems.

While much has been made, and is being made, of economic inequality, the biggest single problem facing the world today is spatial inequality – the growing divide between large and small cities and between cities, suburban and rural areas (Piketty, 2014_[320]). These spatial divides define a set of geographic winners and losers which vary greatly in terms of productivity, innovation and living standards, and which also underpin the growing politics of anger and division which have fomented the rise of populism across the advanced nations of Europe, Canada and the United States, and across parts of Asia, Latin America and the developing world as well. Our cities remain key to innovation and economic progress, as well as being our truest beacons of equity and inclusion, and social progress.

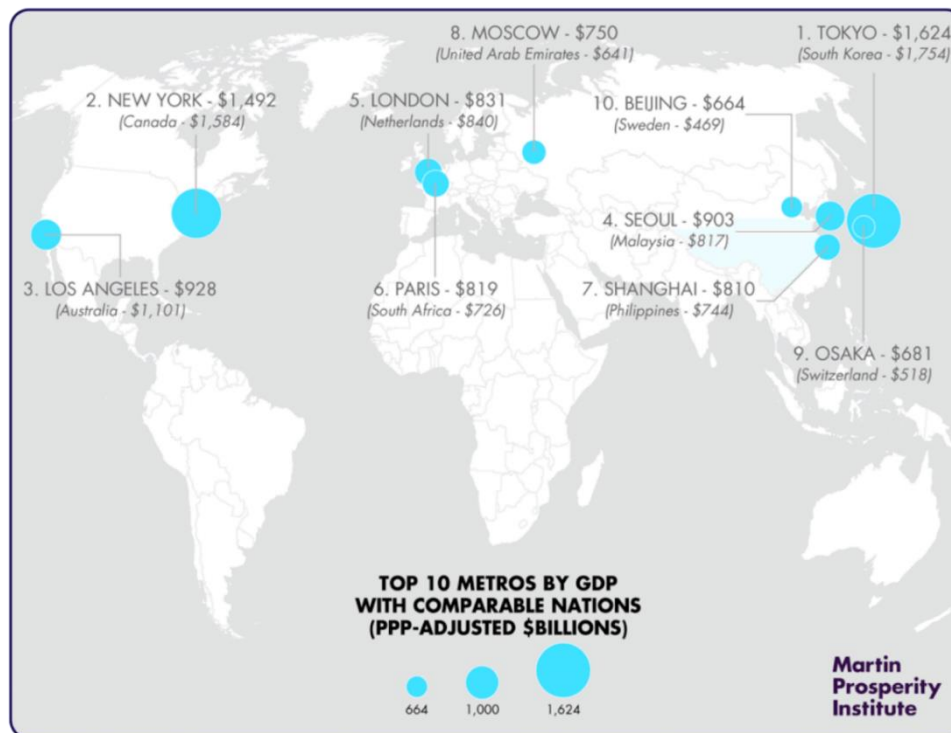
Many have written about the winner-take-all economy of economic winners and losers that define our age (Frank and Cook, 1996_[321]) (Rosen, 1981_[322]). But, our time is also defined by what I dub “winner-take-all urbanism”¹ or “winner-take-all cities” (see Florida, 2017_[323]). Increasingly, across the globe, a small group of winner cities concentrate a disproportionate share of the world’s talent, knowledge, innovation and other economic assets, while a much larger group of smaller and medium-sized cities, and suburban and rural areas fall further behind forming a much bigger pool of losers.

Many have outlined the transition from the rigid industrial economy to the flexible, post-industrial knowledge economy (Bell, 1996_[324]) (Inglehart, 1971_[295]). The knowledge revolution is also an urban revolution. The basic engine of the new economy is no longer the corporation, but the city. Place – or the clustering of knowledge, ideas, talent and economic assets in place – has become the basic platform for growth and prosperity. A hundred years ago the majority of workers worked on farms; 50 years ago more than half of workers were employed in industry; now the great bulk of workers are employed in service, knowledge and creative industries, which are clustered in cities (Florida, 2012_[326]).

These economic shifts are reflected in human society’s growing urbanisation. In 1900, roughly 15% of people on earth lived in cities, and by 1950, about 30% did. Today, that figure stands at more than 50%, and it is projected to level off at 85% over the next century – which will account for approximately 8.5 billion people. This incredible tide of urbanisation is accompanied by the rise of mega-cities and mega-regions. In 1900 there were 12 cities with a population over 1 million; in 1950, 83; in 2005, 400; and in 2017, 500 (UN-Habitat, 2016_[327]) (UNDESA, 2016_[328]).

These cities are concentrating ever-greater proportions of the world’s wealth and productivity. The world’s 300 largest metropolitan areas produce nearly half of the world’s economic output, despite hosting just 20% of the world’s population, according to Berube et al. (2015_[329]). The largest, most productive metros are as economically powerful as major countries, as Figure 7.1 shows. Tokyo’s economic output is comparable to that of Korea, the world’s 15th largest economy; New York’s is comparable to Canada; Los Angeles to Australia; and London to the Netherlands (Florida, 2018_[330]).

Figure 7.1. The largest, most productive metros are as economically powerful as major countries



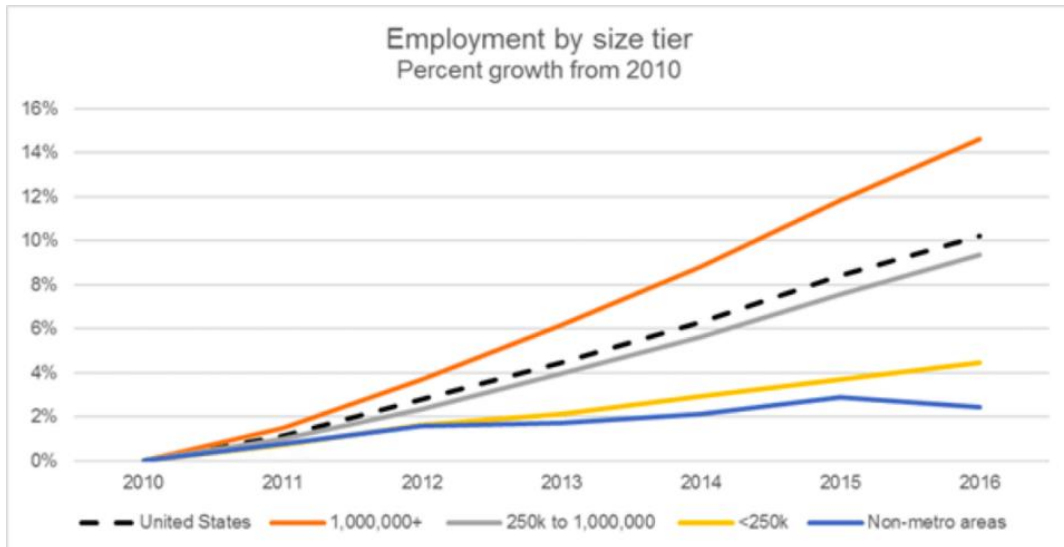
Innovation and start-ups which power economic growth are even more concentrated (Florida and Citylab, 2016^[331]), with more than 40% of venture capital-backed start-ups in the world concentrated in the San Francisco Bay Area and across the New York-Boston-Washington, DC corridor (Florida and King, 2018^[332]) (Florida and Mellander, 2017^[333]) (Florida and King, 2016^[334]). While the contributions of smaller and more peripheral regions should not be discounted, superstar cities are the engines of growth (OECD, 2009^[335]).

The divide between geographic winners and losers (Muro and Whiton, 2018^[336]) can also be seen within countries. Consider the United States, for example. Between 2014 and 2016, the 53 largest American metros accounted for 72% of economic growth and 74% of job growth. By contrast, small cities saw their share of economic output shrink by 6.5% between 2010 and 2016, while rural places experienced population decline, as well as a decline in employment growth.

Furthermore, the world not only revolves around these powerful individual cities and metros; instead, its real economic axis turns on 40 mega-regions (Florida, Gulden and Mellander, 2008^[337]) – even broader clusters of economic activity. Along with my colleagues, Tim Gulden and Charlotta Mellander, I identified these mega-regions by using satellite images of the world at night to observe actual clusters of activity, which are expressed by the light signatures of these regions (Florida, Gulden and Mellander, 2008^[337]). These are economic aggregates with more than 5 million people which produce in excess of USD 100 billion in economic output. They are places like the New York-Boston-Washington, DC corridor; Greater London; Greater Tokyo; the region spanning Rome, Milan and Turin; the region spanning Amsterdam, Brussels and Antwerp; and the

area from Barcelona to Lyon. Taken together, these 40 mega-regions produce two-thirds of the economic output worldwide, and a full 90% of global innovation, while housing only 18% (Florida, 2016_[338]) of the world's population.

Figure 7.2. Employment growth by city size in the United States (2010-2016)



Source: Muro, M. and J. Whiton (2018_[336])(2018), “Geographic gaps are widening while US economic growth increases”, <https://www.brookings.edu/blog/the-avenue/2018/01/22/uneven-growth>.

And these divides are fractal, there are winners and losers at every scale. Some big cities prosper, while others decline; some smaller and medium-sized cities thrive, while others decay; some suburbs do well, while others see their economies deteriorate; and while many rural areas are challenged, those that are close to large metros are home to universities, or have an abundance of amenities like coastlines or mountains do very well. And these divides are also compounded within all of these kinds of places. Cities of all sizes, suburbs and rural areas all have small areas of concentrated advantaged surrounded by much larger spans of disadvantaged. In this patchwork configuration, the middle class and middle-class neighbourhoods which have powered upward mobility and been beacons of political stability have fallen away. The rising populist tide in countries around the world is an outgrowth of such increasing spatial inequality.

Indeed, even the winners of winner-take-all urbanism are caught up in a troubling dynamic. Their economies are increasingly bifurcated, consisting of high-income, high-skill knowledge jobs on the one hand, and low-skill, low-pay service class jobs on the other. As the affluent and advantaged sort themselves into the most central and desirable cities and neighbourhoods, the less-advantaged are relegated to neighbourhoods with fewer amenities and opportunities. I call this crisis of success “The New Urban Crisis” (Florida, 2017_[323]). Even in the winner cities, the vast majority of people are functionally shut off from the tremendous economic opportunities offered in the world's global cities.

Left unchecked, today's clustered urban economy generates a small group of winners and a much larger group of losers, across cities as well as within them. While the clustering of talent and economic activity transforms cities into hubs of innovation that power economic growth, it also etches deep divides into society. Furthermore, cities, and not the factory floor, have become the primary arenas of class conflict. Ultimately winner-take-all cities,

spatial inequality and the new urban crisis are not just a crisis of cities; taken together, they form the fundamental contradiction of modern knowledge-driven, place-based capitalism.

Many would suggest that the way to overcome such spatial inequality is for higher levels of governments – states or provinces, national governments or even cross-national bodies – to introduce policies aimed at spatial equalisation, say for example, by investing in lagging regions or more effectively by building infrastructure to connect lagging disconnected places to more thriving, more connected places. The so-called smart specialisation strategies, which emphasise building up the underlying capabilities of lagging places, have much to recommend (McCann and Ortega-Argilés, 2016^[339]) (Dijkstra, Garcilazo and McCann, 2013^[340]) (McCann and Ortega-Argilés, 2015^[341]). There is little doubt that national and state or provincial strategies can play a role in helping to address the challenges faced by lagging places.

But, the reality is that nation-states have proven ill-equipped to effectively deal with growing spatial inequality. Many are so divided they cannot get things done. The ineffectiveness and dysfunction of nation-states at coping with the divides and challenges of the urbanised knowledge economy is in large measure what has created the very problem. Many nation-states are captured by anti-urban interests with little interest in addressing these problems. Not just today in a rising populist environment, this anti-urban stance is a problem going back more than a century. Much the same is true with states and provinces. A growing number of them are captured by populist or anti-urban interests (Florida, 2017^[342]). Across a growing number of countries there is a lack of alignment between national, state and provincial and local levels. Like it or not, today's reality is that cities are increasingly out on their own.

The basic dilemma is this. Even though cities are economic power centres, across the globe, they remain beholden to nation-states and provinces, which often undermine their interests and cause additional economic damage, siphoning off their tax revenues, underinvesting in their infrastructure, undercutting their investments in universities and innovation, and pre-empting their abilities to attract immigrants and remain culturally open and tolerant.

All of this begs a deeper question and issue. The real key challenge of our time is to create a new governance system for the 21st century's knowledge-driven, place-based economy by massively devolving power from the increasingly dysfunctional nation-state to cities, localities and neighbourhoods.

There are clear economic benefits to empowering states and localities. More than two decades ago, the economist Alice Rivlin made a powerful case for devolving education, housing, transportation, social services and economic development programmes from the national government to the states, whose leaders, she said, are closest to the conditions on the ground (Rivlin, 1993^[343]). This is supported by a massive amount of research from the OECD, which shows that decentralised local government is more powerful and efficient than centralised control (OECD, 2016^[268]) (OECD, 2015^[344]) (see also McCann and Ortega-Argilés (2015^[341]) and (2013^[345])). As large corporations realised long ago, permitting work groups on factory floors to take their own decisions results in huge productivity gains (Hayes and Abernathy, (n.d.)^[346]) (Womack, Jones and Roos, (n.d.)^[347]) (Jaikumar, 1986^[348]).

There is also less partisan or ideological division and conflict within cities and communities. Local governments tend to be less ideological and more focused on problem solving, and they know intimately which problems actually need to be solved. They are more accountable to the people they represent, because they interact with them

every day. When I travel across the world, I have trouble determining whether the mayors and local leaders I meet are conservative, liberal or moderate.

While top-down national governance tends to impose one set of choices on all of us, localism respects our differences and allows people to choose the kinds of communities that reflect their values. It is also more democratic, according to detailed studies from political scientist Jenna Bednar (2011_[349]) (2014_[350]), a political theorist at the University of Michigan whose research focuses on the political effectiveness of more decentralised. The empowerment of local communities thus represents an alternative solution to an impasse over the efficacy of place-based policies (Glaeser, 2011_[351]) (Barca, McCann and Rodríguez-Pose, 2012_[352]). The devolution of not only funding responsibilities, but revenue-generating tools, is a way out of this impasse.

Still, some will argue that devolution could worsen our existing urban divides by prompting large employers to relocate to larger cities with more economic assets and larger pools of talent. But, this criticism misses the mark. Even though some companies have gravitated to large cities, devolution can help smaller and medium-sized cities marshal their assets and build up their talent bases and economies. Rather than reflecting and contributing to the spatial inequality, devolution can actually encourage competition for talent and investment as cities endeavour to build stronger local economies (Greve, 2015_[353]).

To a certain extent, the disparate priorities of large, medium-sized and small cities, urban and suburban and rural areas can even serve to complement one another. On the one hand, large, dense, cities tend to have higher wages, productivity and innovation rates alongside higher housing costs and steeper taxes. Meanwhile, smaller cities and rural areas have just the opposite: lower wages and productivity alongside lower housing costs and increased home ownership. By combining their resources, larger and smaller places have the potential to generate more widespread inclusivity, thereby eliminating the uneven geography of today's innovation and economic growth.

At a time when trust in national governments have reached historic lows and backlash politics and populism are on the rise, more robust local government has emerged as a grounding political force. For example, in the United States today, between two-thirds and three-quarters of Americans express trust in their local government compared to 55-65% for state governments and around a fifth to a third for the federal government according to recent surveys (Gallup, 2016_[354]) (Pew Research Center, 2015_[355]).² Because people pick where they live by “voting with their feet,” constituents tend to share the same values as their leaders. For these reasons, local governments are uniquely poised to help us overcome or at least cope with our deepening political divides.

Of course, some issues are simply too large to be solved by municipal governments alone. In the case of transit and transportation, which span entire regions, cities and suburbs can join together to form a larger network, while groups of metropolitan areas can combine to form mega-regions. Similarly, housing investments can be publicly funded or made possible through public-private partnerships that cater to local demand.

In her final book, the late great urbanist Jane Jacobs³ surmised that we will face a deepening “Dark Age Ahead”⁴ and that the last great hope for democratic life lay in our cities and communities (Sassen, 2016_[356]) (Jacobs, 2004_[357]). This will require a shift in political and fiscal power commensurate to the shift in economic power from the nation-state to our cities and urban areas. At the end of the day, it is the local level – not the nation-state – that continues to serve as our most powerful source of innovation, economic growth and social progress.

Restoring growth, spurring innovation and igniting the economic engine that is our cities will not happen on its own. Left unchecked, our current urban moment will create an even more uneven, concentrated and clustered winner-take-all urbanism. The key here is not to renege on urbanism, but to make urbanism work for every member of society, rather than against them. To do so will require moving from winner-take-all urbanism to a new model of more inclusive urbanism for all, in which all communities and all classes can participate and benefit.

Notes

1. See Florida, R. (2017), *The New Urban Crisis: How Our Cities Are Increasing Inequality, Deepening Segregation, and Failing the Middle Class and What We Can Do About It*, Basic Books.
2. Confidence in the national government varies: Canada is relatively high at 62%, the United Kingdom at 41%, Japan at 36%; the United States and Spain at 30%, and France at 28% (OECD, 2017^[247]).
3. See: <https://www.theguardian.com/cities/2016/may/04/jane-jacobs-100th-birthday-saskia-sassen>.
4. <https://www.penguinrandomhouse.ca/books/86052/dark-age-ahead-by-jane-jacobs/9780679313106>.

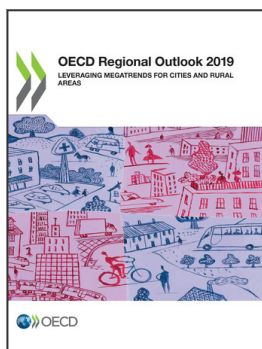
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