

December 17, 2010

## **LPI Director on Right-Sizing Cities, Part III: Consequences of a Shrinking City**

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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.

Be sure to check the next installment of LPI's "[Land Policy News](#)," where Dr. Adelaja will explore what is happening to American cities, in contrast to cities in other parts of the world, and present a framework for exploring the notion of the viable functions of cities and their purposes in the future, as he continues the series "Right-Sizing Cities." Learn more at [Land Policy Research](#).