The Great Contraction
Implications for cities and universities

Josef Konvitz
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The Great Contraction
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Josef Konvitz (OECD and Honorary Professor, School of Education, University of Glasgow)

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The familiar business cycle is composed of alternating rhythms which do not easily make room for something other than growth or decline. The current situation is neither a recession, nor a recovery; nor is it stagnation. We are in the post-crisis crisis.

A recession does not provoke such far-reaching shifts in international power and domestic governance arrangements as we are now witnessing. Consider the evidence:

- Loss of wealth and output that years of growth cannot make good;
- Fiscal deficits that will constrain the public sector at a time when problems which are the unique responsibility of the state to address are intensifying;
- The inability of western military power to do more than contain and control aggression through limited war, carried out at a distance from their homelands;
- A rising degree of insecurity, from the level of individual concerns about jobs and family, to national and global disturbances which fester.

Governments have three basic levers with which to intervene in the economy, fiscal, monetary and regulatory. Fiscal policy has limited scope, constrained by accumulated and anticipated debt. Moreover, this is a field open to competition: as France and Germany are discovering, tax harmonisation is itself an objective. Monetary policy is operating in a new environment of very low interest rates, but also in an old one conditioned by exchange rates. This leaves regulatory policy, the 3rd lever of state power. There is a risk that governments will try to regulate more when they must spend less. But this would be a mis-use of regulatory policy, which has under-exploited potential to contribute to growth by removing barriers to investment and trade, by restoring confidence and certainty in regulatory oversight, and by promoting innovation. It is easy for governments to postpone regulatory reform in the erroneous belief that it takes too long and costs too much. The end result however is a paradox: the crisis gave the public a new appreciation of the role of the state, but has also generated conditions which limit the scope for policy intervention.

The financial crisis of 2008 which erupted with the bankruptcy of Lehman Brothers may largely be over. But the papers are filled daily with other developments which are a consequence of that crash, and bring the reader to fear that the absence of bad news is merely a lull, not a turning point.

As Carmen Reinhart and Kenneth Rogoff have pointed out, crises are normal. People who believe that some exogenous factor will finally enable markets and institutions to avoid a crisis are simply deluding themselves. The title of their

1. Why is recovery so hard? So slow?
book, *This Time is Different: Eight Centuries of Financial Folly* (Reinhart & Rogoff, 2009) captures this impulse to believe that crises are abnormal and growth normal, the former the result of something malfunctioning which can be prevented through progress. Progress there may be, but it may only bring us into new risks.

2. The crisis of 2008 is different, however, because the policies and conditions for a resumption of growth were already compromised when the crisis began.

This is a bold claim. It rests on the assertion that the traditional factors of growth which helped the West overcome war and depression in the 20th century have lost much of their potency.

There are four ways by which societies expand opportunities for their people, project power and influence, lift productivity and increase wealth:

- Territorial expansion, adding value through settlement, cultivation and urbanisation but also conquest;
- Population growth, by lifting the natural birth rate, living longer, and reducing losses through war, catastrophe and emigration;
- Expanding political rights for individuals and imposing limitations on the arbitrary power of the state; and
- Generating new ideas and diffusing knowledge.

What is happening to each of these factors?

- Western countries no longer create space for growth. The rural-to-city transition is over in East Asia, Europe and North America. Environmental policies limit changes in land use; the geopolitical settlements of 1945 and 1989 exclude border changes; empires have been dead since 1960; rural regions are depopulating at the same time as many industrial cities are being “hollowed out”; the densification of the coast is at its limit.
- Population has stopped growing due to low fertility, ageing, a pattern of one and two-person households, and anti-immigration sentiment makes it difficult for countries to compensate through a more liberal approach to population movement.
- The expansion of rights to people reached a peak in the 1970s, and some entitlements are now being withdrawn by governments due to fiscal pressures and long-term forecasts for pensions.
- Creativity is perhaps the factor that is the least constrained. Human capital is high and likely to remain so. Nevertheless, research and development are under-funded; the scope to adopt innovation for green growth is constrained by path dependency and regulations. The rise of security concerns and the erosion of privacy in the internet age are complications.

The territorial, demographic and political forms of increase seem to have reached their limit in the West. Maintaining the status quo may be difficult, if not impossible. Nothing like this has happened in living memory. The burden for growth therefore falls primarily on creativity: the ability to generate and use knowledge. Lewis Mumford and Jane Jacobs did not agree on many things, but on two critical points there was no difference between them: over-centralisation is a threat to the vital forces in society which are responsible for innovation, and culture is the means by which civilisations survive and adapt. Friedrich von Hayek wrote as much. Creativity, as I will argue, cannot be so easily separated from the other three forms of wealth generation. They are interconnected. One leg cannot support a chair when the other three have cracks.

3. How long has this been going on?

These are trends whose origins date from years ago: the expansion of rights probably peaked in the 1970s, the decline in fertility a decade later, and the threshold of 80% urbanisation was reached by 1990. As long as their effects were overshadowed by the end of the cold war and by other phenomena as different as the rise of the internet or concern about global warming,
people ignored the cumulative effect of long-term changes in these four factors of
growth.

Chris Andrew in his authoritative study of MI5, The Defence of the Realm (Andrew, 2010),
called "Historical Attention Span Deficit Disorder… the distinguishing intellectual vice of the late
twentieth and early twenty-first centuries" (p.858). Andrew referred to the widespread belief that
past experience is irrelevant, implying that we can invent solutions to problems of our own
making, and muddle through. This is the moral equivalent of Mr. Micawber’s optimistic hope that
something will always turn up.

The inversion of these four factors of growth complicates the efforts of governments in their
search for an exit from the crisis. The implications for policy are two-fold. First, fiscal, monetary and
regulatory policy – as policy instruments – have to be re-considered in relation to their impact
on the factors of growth and production not as they were but as they are, and as they can be
developed. And second, governments need to prepare for a period of uncertainty and creative
adaptation, leading to a new era.

We are used to periods of dramatic change around major wars, leading to the creation of
new institutions and policy objectives. But collectively we are less well prepared when the
moment for change arrives in peacetime. Turning points are infrequent, and always have been
(Kondratieff cycles), meaning that those who pass through one rarely have the experience of a
previous transition or can expect to live through another. This is especially important when viewed
in terms of generations. It matters differently for people in their 20s who then can act 30 years
later on the basis of that experience – one thinks of junior officers in World War One who were
commanders in World War Two – as against those too young or too old to acquire experience
or to apply it.

It has become commonplace to say that there is no going back to the way things were in 2007. It
is harder to grasp what this means. Instead of a clear distinction between “before” and “after, we
confront the overlay between structural patterns which evolve over years, and the short-term
movement of political and economic events. Braudel used this framework to show the limits of state power, at least in material, practical terms when studying the 14th-17th centuries. In an age

habituated to constant innovation, easy credit and global financial markets, and rising levels of
gDP, long-term structural patterns that limit action seem an anomaly, a throw-back to the
pre-industrial era. But the paradigmatic concept of the "longue durée", and of a “conjoncture”
between such trends and the short-term play of armies and elites, is a powerful explanatory tool
just as relevant for the era of Greenspan and Kohl as for that of Philip II.

Taken together, the combination of trends means that we are at a point of rupture or discontinuity,
or rather, of transition to a new set of constraints and opportunities. Based on historical precedent,
the transition to a new paradigm for policy and growth may take a few years, but the paradigm
itself is likely to last for decades, beyond the experience and wisdom that can be acquired in a
single generation.

The distance between reach and reality, or to use contemporary terms, between objectives
and outcomes, defined the crisis of the late 16th century and its echoes in the essays of
Montaigne, the plays of Shakespeare and the writings of Cervantes. With hindsight, we may
assimilate the period 2007-2015 – just to give it an end date – into the history of other crises
which reshaped politics, the economy, values which define public culture, and basic ideas in
science: the 1490s, 1590s, 1710s, 1790s, 1910s.

4. Engine? Dynamo? Incubator?
Can the urban economy generate a recovery?

Three different words, reflecting three different technological eras covering the age of coal and
steam, electrification, and biology. At their core, however, these metaphors try to capture the modern imagination, highlighting just how much modern economies grow through urban markets. Not just markets of monetary and commodity exchange – markets of ideas and innovations as well, which match the supply of skill, imagination and innovation with the demand for problem-solving solutions, novelty and competitive advantage.

There are of course alternative, and more negative view of cities. The Baroque display of superfluous wealth depicted cities as temples of consumption that sterilize what has been produced, and mis-allocate resources. The counter-argument, that the expenditure of the wealthy and powerful paid the wages of the lower orders, only moralised a situation that smothered the entrepreneurial initiative of the bourgeoisie. The fortress is the other image of the city to be mentioned. Unfortunately, the rise of the security economy is bringing this back, albeit in an electronic, not a physical form. The dystopian image of the city may yet become reality again. If growth remains low, urban problems will accumulate, further absorbing resources that could be invested more productively, and generating a vicious circle that retards the recovery.

If we stand back, we can see how each of the four factors of growth relate clearly to cities and the urban economy:

- Territorial expansion: urbanisation in the Neo-Europes, and of rural areas within developed economies; the physical investment to create land on which cities can grow; housing construction;

- Population growth: public health, education, and higher incomes in cities which reduced infant and adult mortality, extending life, and other measures of protection which reduce the loss of capital;

- Rights: this refers to property rights as the basis of investment, and to the limits on takings by the state which is fundamental to the production of private goods; to the rights of individuals to live independently and seek employment, and to access to justice;

- New ideas and knowledge: the city as a storehouse of knowledge, to be sure, and as the seat of education, but also as a generator of problem-solving innovations which help sustain the city as a pleasant and productive place in which to live.

None of these factors can be disconnected from space and conceived of as a tradable commodity, circulating globally. Trade is not a substitute for territorial development, or for population growth, or for political rights: these goods, which involve immobile assets and institutions, are not easily traded at all. Nor is trade a substitute for creativity, which is a process that takes place in specific locations under specific conditions. People and places may be networked locally, regionally, or globally, but they are not disembodied into a virtual space. Even internet hubs are physical!

As Peter Hall famously commented in the introduction to his magisterial Cities in Civilisation (1999), the spatial dimensions of creativity have been neglected in studies of that subject, and are scarcely illuminated in other studies of places where significant contributions in the arts, finance, science and technology have been made. If cities are indeed the engines of the economy, then we need to (1) admit that our knowledge of the workings of urban economies is nowhere near as good as that of national economies; a macroeconomist may understand that in a city with an above average level of productivity, something positive is going on, but just what remains a bit of a mystery, a classic case of the black box; and (2) question the assumption whether the model for urban growth which characterised the industrial era in the 20th century is suitable for the knowledge economy in the 21st.

Regulation in economic policy refers to the need to correct the economy as it functions, so that it continues to perform. This is the less known but more fundamental concept of regulation, dating from 17th century philosophy, transmitted through the Enlightenment and still developed in our own day. We can apply it to the 20th century way of matching the needs of the economy and the supply of labour, which was to get people to move. The neo-classical approach focused on removing obstacles to individual mobility on the assumption that when business declines in
one place but booms in another, people should relocate. It assumes, furthermore, than an attachment to a place is not rational in economic terms if one can do better by relocating. In the logic of mobility, the more places resemble each other, with similar housing markets, schools and retail facilities, the better. Space in the 20th century economy could be developed wholesale on the basis of standardized models and zoned land-use, whether for housing, retail or public facilities. Moving people to jobs as a strategy for resource allocation leads to a situation of precipitous and irreversible decline in some places where low housing prices trap people, and unmanageable growth in others where rising costs and congestion distort housing and labour markets.

Increasingly, however, firms want and need to be in places where the people they employ want to live. A jobs-to-people strategy in the 21st century engages macro-economic policy in a debate about whether investment to make places better, more attractive, can raise overall output. The kinds of spaces and cities people prefer are characterised by more mixed use, more customized design, more specialised forms which take better account of the changing needs and wants of people. Like social diversity, variety within cities is an asset.

5. The growth of the urban economy in the age of contraction

Only a few years ago, around the time when the Lisbon Treaty was being debated across Europe, there was public discussion about what is distinctive about Europe, and about why Europe was losing ground on research and innovation, compared to other regions. One of the defining characteristics of Europe is its dense urban network. This is an extraordinary asset when developing strategies for research and education. In no other region in the world are there so many cities so near one another. In most European states, municipalities are the oldest political institutions. Furthermore, successive comparative rankings show that many European cities are well endowed in the features that people associate with liveability. And this is especially so for cities that are below 2 or 3 million in population size, highlighting that mega cities which score higher on competitiveness than on liveability may also generate some significant negative externalities.

A moment’s reflection suggests that there is an under-exploited link between the social and spatial features of European cities – more compact, safer, more mixed use, better able to blend the old and the new, etc. – and innovation as an activity. The 20th century model for research was the large laboratory campus, usually on a greenfield site: IBM or Google, General Motors or Toyota. But a lot of innovation, especially in some of the scientific and cultural fields, involves flexible, cross-disciplinary teams that are constantly forming and re-forming is not compatible with the company laboratory model. Frequent and even spontaneous interaction, facilitated by cities of a pedestrian scale and by rapid inter-urban road and rail connections, define networks of collaboration.

Cities are:

- Where innovation happens;
- The beneficiaries of innovations which reduce urban costs and sustain higher productivity;
- Places where innovations spread into everyday life, expanding choices and opportunities.

Of course more must be invested in research and development. But just increasing the percentage of public and private expenditure devoted to it is not enough. Innovation as a social and economic process, I am arguing, depends on better urban management, and the investment and institutions
that this requires. And better urban management, in turn, can drive innovation.

A ‘jobs to people’ strategy for economic development calls for urban innovation for:

- Infrastructure for transport (accessibility): where we go;
- Resources (climate change, green growth): what we use;
- Health services (well-being): how we feel;
- The built environment (housing, coastal zone): what goes where;
- Creative business (media, design, culture): what we know, enjoy and understand.

These are inter-connected, not isolated, issues. Governments and the private sector must find more effective ways to co-ordinate, “getting the regulatory and planning processes right”, as Tim Stone underscored in a recent Financial Times article, ‘The Future of Global Infrastructure’ (8 June 2010).

6. The only thing worse than doing nothing would be to do nothing different.

A look at the crisis and public works investment shows how much change is needed to make progress. The stimulus packages of 2009 which were intended to support employment in the construction sector came up short not only because bureaucratic delays slowed down the authorization of many major projects, but also and more importantly because there was a dearth of good projects waiting to be launched. And few firms are able to operate in design, construction and management on the scale required. The crisis, in other words, only made obvious what a few had already known. Once the drawers of departments were emptied of their files for bridge and road repairs to be funded, there was nothing left in the in-tray, and certainly no big plans calling for multi-year planning and construction to improve economic efficiency and environmental quality. If ever an opportunity to seize a crisis was wasted, this was it. Why this failure to identify critical needs and anticipate how to meet them? The result of years of downsizing and outsourcing experience? Risk aversion? The erosion of planning after years of public funding cuts and ideological criticism attacking public goods, based on the superiority of markets? A lack of imagination?

The situation in respect of major infrastructure is serious enough because the expected market for modernisation and expansion of power and transport networks is huge – global estimates are of over 32 trillion Euros over the next 25 years, and unlikely to be met in the current policy framework. And the same can be said for other sectors critical to cities, including affordable housing, access to quality health care, and culture and information. Again to quote Tim Stone, “There is no bigger question for public policy”.

Whatever the mix of causes, we stand in front of a major challenge:

- To use intelligence, to capture knowledge from experience and to create what we need;
- To integrate what we know in organizations, including government, and across disciplines; and
- To prioritize investment and to design budgets that reduce long-term risks and generate social and economic benefits.

There is no quick fix when for a generation, there has been a mis-match between professional certification and expertise on the one hand, and the ability to cut across disciplines, work in teams, look at the big picture – sometimes this means acknowledging that there are limits to what can be done, and sometimes this means trying to do what has not been done before.

Solutions also call on what universities do best: bridge the gap between disciplines, develop new paradigms, connect theory and practice, promote excellence, inspire the young and instruct everyone. Universities, together with cities, are among the oldest institutions in the West after centuries of change, sometimes marked by decline and questions about their relevance. Demonstrating a capacity to reinvent themselves, universities have survived depressions which eroded their resources and
wars which destroyed their collections and libraries, and political repression which sent scholars into exile and enforced dogmatic obedience. What has survived? The time for sustained learning by students and faculty alike, a space distinguished from all other institutional and civic settings, an ethical concern for intellectual rigor and the truth, and a vocational commitment to learning and discovery.

When funding is cut, institutions are subject to public pressure to direct their resources to the objectives set by the state. Yet the agenda that is uniquely the universities’ demands a greater degree of flexibility and freedom to lead public opinion and policy debates in the face of sceptical finance ministries and populist pressures against anything elitist. We are back to the old familiar arguments, nowhere more elegantly developed than by Hayek in The Constitution of Liberty (1959) about the unequal distribution of talent and about the role of universities in an overall system of checks and balance among all the institutions that strengthen civilisation.

What I have in mind is a holistic strategy for the university, taking account of its many facets. If universities cannot do this, then we cannot expect other institutions to do better. Universities must:

- Advise;
- Educate – increase human capital, including through lifelong learning;
- Attract people to the city who might stay;
- Strengthen the research-application -research cycle;
- Create fundamental paradigms (which often change in times of crisis);
- Manage their own space sustainably, a showcase how to do it better.

Is this strategy utopian? As Jane Jacobs reminded us in her last book, Dark Age Ahead (2004), a civilization is defined by its ability to tackle the problems which, if untreated, will compromise its “competence, adaptability and identity” (p.176). Since the end of the Cold War it has become fashionable to disparage utopia and to belittle those who believed in its possibilities. But what are we left with? The “tomorrowland” of consumer capitalism, promising a life of comfort made possible by machines. We can do worse than to remind ourselves that in Rabelais’ Abbaye de Theleme, men and women were free to pursue knowledge. The challenge, as Robert Fogel pointed out in The Fourth Great Awakening and the Future of Egalitarianism (2000), is how we use the time which better health and nutrition and less physical stress have enabled us to enjoy. And education absorbs a substantial portion of our lives.

7. Politics and Governance: from conflict to co-operation

To reiterate: a strategy to promote innovations for cities will enhance cities as a platform for innovation. Innovation however is a risky business, complicated by the fact that the introduction of innovations into cities often calls for regulatory reforms. Cities are fully developed, meaning that changes in land use and functions involve extensive consultations, and often legal procedures which can be lengthy and costly. Regulations covering many specialised fields, from environment, energy, and transport to health and safety, limit options, especially when innovative solutions are involved. Decision-making by bureaucratic silos, across jurisdictions and between levels of government means that power often resides in the hands of officials who control who can do what, and where. Governance arrangements which streamlined decision-making when cities were growing fast are now the source of complexity and delay. These are not arguments against making better urban management a priority; on the contrary,
they underscore why innovations in governance to strengthen multi-disciplinary and cross-sectoral problem-solving are a priority.

Putting cities and innovation higher on the policy agenda will be difficult. National urban policy is often the handmaiden of finance ministries, and is linked to innovation policy through redistributive mechanisms and regional policy. In core metropolitan areas, the inherited pattern of jurisdictions shaped in another era is a serious handicap to strategic planning and efficiency. National governments are usually reluctant to intervene at the local level for political and budgetary reasons. Public choice theory may have an admirable goal, namely to enable people to choose the mix of services they are willing to pay for, but it is biased against government on a priori philosophical grounds, namely that government officials will fail to define and defend the public interest.

When Jean Gottmann published his masterpiece, *Megalopolis* in 1960, he linked regulation and governance in these words: “The great problem of a decision between interference or laissez-faire has arisen over and over again in every country faced with great economic changes, especially when the distribution of scarce resources is involved”. To emphasise an essential paradox: cities are places which give more opportunities to individuals, and indeed provide a basis for freedom from the restraints of convention, class, preconceived notions about how things should be – but cities are built and maintained through collective rules and mutual respect that approach a public art, an expression of something which transcends individual interests.

Gottmann’s layered approach which started from a regional framework reflecting economic geography as practiced in the early 20th century, assumed that the city as a whole, and indeed a city-region, is knowable. And this assumption leads to another assertion, that action on the city-region can be organised to enhance its development. Gottmann called for “reform of the governmental structure, with a view toward securing better co-ordination and more far-sighted policies in a period of rapid change” (p.744). Or as he put it, whether New York retained wealth and power depended on the “resources of the spirit, which may, perhaps, be briefly summarized as knowledge and the will to take risks and fight to win” (p.61). Gottmann was writing when New York was still at its post-war peak, its dominance of transatlantic trade unchallenged. But within less than a decade, the centre of global finance had shifted back to London, and trading power moved on to Los Angeles.

*Megalopolis* is a place, but also a concept, a networked urban region with cities within it, but with its own identity, and hence its own past and future. Again, quoting Gottmann who explained the concept of megalopolis by tracing the origin of the term to Philo of Alexandria: “We are constantly reminded today that ideas precede and shape the appearance of new ‘facts’. The ancient philosopher of Alexandria, Philo Judaeus, taught that there is a great city of ideas that predetermines and commands the material world in which we live, and this great city of ideas Philo called ‘Megalopolis’” (p.772).

What has this to do with governance for urban innovation, the capacity of key players to co-operate, which goes to the heart of multi-disciplinary work, co-ordinated efforts to reduce risks, and of public-private partnerships?

The city is exposed to the most intense political pressures in more than a generation, only to be compared with the tensions of the 1960s or the 1930s. The crisis of 2008 has increased the electoral appeal of extremist, anti-immigrant parties at a time when immigrants are largely concentrated in major cities, and when cities of even modest size contain upwards of 100 nationalities. At the same time, concerns about climate change are revising older misgivings about the viability of the metropolitan system. Nostalgia for the way things were before globalization and de-regulation is easily shaped by images of a social order based on small towns. Proponents of urban development have to reconcile these points of view in a febrile political climate, with nothing more to offer than a package of tools for incremental change, updated versions of the familiar: streetcars, neighbourhood shopping, waterside residential development and the like.

The factual evidence today about urban change and risk is filtered through a political lens which is expressed between polarising extremes: between a relatively stable present, and a frightfully anarchic future. People feel that they are vulnerable to trends and forces that they do
not understand. It is this feeling of impotence which is most important in political terms. The question is whether the forces and impulses unleashed are directed toward a demagogic, autocratic centralisation, or toward a democratic strengthening by government of the capacity of individuals and communities – and of government itself – to cope with change.

When Woodrow Wilson – the only American President with a Ph.D. and the only one to have been president of a university before entering the White House -- addressed a similar challenge in his first inaugural address in 1913, it was to prefigure a regulatory role for the state through legislation, taxation and administration which would correct abuses and establish rights. He said: "There can be no equality or opportunity, the first essential of justice in the body politic, if men and women and children be not shielded in their lives, their very vitality, from the consequences of great industrial and social processes which they cannot alter, control or singly cope with. Society must see to it that it does not crush or weaken or damage its own constituent parts. The first duty of law is to keep sound the society it serves." He tried to channel the social pressures at work in a society late in a phase of globalization at least as strong as that which has dominated the last two decades.

The Wilsonian response to public administration based on strong political leadership, effective communication with the public, and the creation of powerful central ministries organised on sectoral lines, was right at the time. But it has broken down under the pressure of short-term electoral considerations, inadequate co-ordination within the public sector, and public confusion. Let us be clear: What makes the Wilsonian moment look remotely idealistic is not the political and social situation he faced, which after all marked the threshold of one of the greatest crises ever to shake Western civilisation, but the belief that a rational response called for broader rights, more democratic participation, and a state that can itself be a source of innovation.

8. A few final points

1. Ultimately, improving cities means applying the things people do well in cities – innovation, acculturation, specialisation – to the solution of urban problems. The problem is not that cities have problems – a city without problems would have no people living in it – but that problem-solving strategies have broken down. As a result, urban policies are more often reactive and remedial than proactive and preventive. To quote Jane Jacobs, “Practical problems that persist and accumulate in cities are symptoms of arrested development” (The Economy of Cities, 1970, p.105)

2. Cities can tolerate greater complexity, diversity and density – their unique strength as social units – without collapsing. But for years now, they have been developing in the opposite direction, toward simplification. Call it sprawl, rurbanisation, edge cities – the form matters less than the trend toward lower densities with less mixed use, covering more land. This trend neglects that the social forces of aggregation and the economic benefits of agglomeration, or what are conventionally called today cohesion and competitiveness, have a distinctly spatial dimension.

3. Cycles of technological innovation are out of synchrony with infrastructure investment cycles. Systems 100-150 years old for water, and 30-50 years old for transport, must be modernised at the same time as forecasts of demand are breaking with historical trends and new risks are looming. Green growth will call for different technologies and tools for social innovation and engineering. Building in adaptability for green growth
is difficult within current codes; hence a reassessment of regulation is needed.

4. When strategic thinking is pushed into units that lack control over budgets or personnel, do not be surprised if tomorrow looks like yesterday. Planning as a function of government has been discredited in the 1990s, but the market cannot do it all.

5. Universities, having reached a mass market, will differentiate themselves by their ability to establish or renew a regional framework, and to fashion networks to learn from one another about how to develop and promote innovation, restoring prosperity and opportunity.

6. Communication may be the biggest challenge of all. With our modern means to carry voice and image, the message is often less powerful and inspiring than when Woodrow Wilson typed his own speeches in the White House and addressed crowds in the open air.

Let me leave you with a few questions:

1. At what level does government intervene? Who should spend how much on what?

2. How do we know which policies are working? And how can significant ideas and options be framed for public information and debate?

3. What will happen if peace goes the way of prosperity? And finally,

4. Which questions will we want answers for in 5 years? Will be asking the same questions then as now?

The title is adapted from Friedman and Schwartz (1965), when referring to the contraction of the money supply during the Great Depression.

This article expresses the views of the author, writing on his own responsibility, and not as an official of the OECD, where he is Head of Division, Regulatory Policy.
Address for correspondence

Prof. Josef Konvitz
c/o Adam Smith Research Foundation
College Research Office
College of Social Sciences
University of Glasgow
53 Hillhead Street
Glasgow G12 8QF

email: Josef.Konvitz@glasgow.ac.uk