

## SERVICING THE GLOBAL CITY – PART ONE

“**N**ecessary but not sufficient” is how the relationship between oxygen and fire is often described, and the characteristics of great global cities fall into the same category.

Those cities are centers favorable for the international exchange of capital, ideas, goods and people, and for the generation of economic value out of ideas. They nurture the communication and information technology that financial networks rely on; they reward high risk investments with even higher returns; and they attract the people that make the system work.

In an age of electronic communication, easy national and international travel, and professional mobility, middle and upper middle class populations that bring dynamism to a city and relate well to the world economy can live wherever they choose to live. And where those bright, educated, creative and dynamic types choose to live and work affects what takes place there, global networking included.

Experience has demonstrated that those who can, shun threats to their physical safety and avoid political jurisdictions with high local taxes and poor services. On the other hand, they are attracted to cities with good transportation facilities, with welcoming public spaces, social peace and, above all, with recreational and cultural activities that come under the heading of “quality of life.”

With appropriate infrastructure, an educated population for support and an encouraging political climate, a critical mass of talented people will assemble. The stage is then set for an agglomeration of

highly specialized legal, accounting, high tech communication, consulting, advertising, forecasting, engineering and other services which international financial centers require.

Rudolph Giuliani's dramatic success in lowering crime rates and business taxes did not create the New York business boom of the nineties, but it permitted it to land there rather than somewhere else.

Those cities which followed his lead have benefited accordingly. Taking seriously small crimes ("the broken window" syndrome) and carefully analyzing current crime data (the Compstat program) pay off, and we now know that lowering taxes can indeed increase revenues.

Good retail outlets, good health care facilities and a wide choice of housing are desirable; but in a free market economy, well-to-do populations can outbid others for choice housing; they can afford private doctors for what ails them; and they can purchase whatever goods they wish.

Good education should ideally be a universal free good; but sadly it isn't. The widespread failure of public education is the greatest tragedy in American life today, not only for global city types but for all those who cannot afford private schooling.

The success of parochial schools with the same inner-city students failing in public schools (and at a fraction of the per capita cost, too!) indicates that the solution lies in a reversal of educational and social policies that our public refuses to recognize.

Perhaps the day will return when New York's public schools again produce literate and numerate graduates and when our public colleges again produce Nobel Prize winners, as they did between the two world wars.

For now, education is our greatest governmental failure; and New York's global workforce will tend to attract single or childless individuals and those who live in the suburbs or who can afford private schooling.

In other matters, Adam Smith's "invisible hand" will soon fill (for those who can afford it) whatever needs government does not. And

free market entrepreneurial types are the fingers of that “invisible hand.””

To perform successfully, we must understand, anticipate and meet the needs of sophisticated clients with complex requirements.

If Tokyo is an exporter of capital, and London a processor of capital, and New York an importer and provider of services for capital, their agents must be in efficient contact. If Kuala Lumpur is an important market for financial futures and Singapore for currency trading (and they are), their agents must be in contact with colleagues in New York and London, Tokyo and Paris, Frankfurt and Boston.

In many types of financial activity, cooperation rather than competition is the order of the day and linkage rather than isolation is the goal. Cities may compete, but today individual firms often cooperate.

And we, the entrepreneurs, must help global city participants meet their needs at a charge greater than our cost. While they are involved in market-making, underwriting, mergers and acquisitions, risk management and so forth, we supply the platform on which they operate.

We must provide them with physical premises, the varied services on which they rely and a context within which they can operate successfully- for their benefit, for ours, and for the cities in which they operate. We must make our respective cities more receptive to those business and professional activities.

For the urban generation of the 1960's to the 1990's, business was seen as a “cash cow” whose taxes paid for government-supplied social services for the urban poor; today, business is seen more often as the provider of jobs that permit people to earn incomes which enable them to take care of themselves.

In the previous generation, demagogic or misguided politicians applied municipal revenues to subsidize short-term consumption rather than long-term investment: the clearest examples are New York's decision to save the five cent fare at the expense of building the Second Avenue subway or trading the benefits of the remarkable underground highway and river front park system called Westway for

subway operating subsidies. Today, at long last, capital investment in infrastructure is back on the agenda.

Healthy cities today are seen not so much as vehicles for wealth transfer as for wealth creation, not so much as donors to those on the bottom as catalysts of upward mobility for immigrants and others, not so much as the home of static business activities as the incubators of new business enterprises, new ideas, new cultural forms that flourish in this new world of privatization, deregulation and digitalization.

Although the first stage of the high tech revolution took place in the shadow of universities, the next, explosive stage (designing software content and so forth), is taking place in the creative sections of dynamic cities, often in the recycled manufacturing premises of a previous economic cycle. It is not surprising to find that in New York, for example, the massive old Lehigh-Starrett freight warehouse is today the address of choice for cutting edge new-media companies.

Cities like Detroit or Philadelphia (before Mayor Ed Rendell), which imposed punitive taxes to support swollen public payrolls or which regarded their police departments as part of the safety problem, not as a solution, witnessed painful economic and demographic decline in the same time frame in which cities like New York have flourished.

Today; the beleaguered city of Cincinnati looks with wonder at nearby Indianapolis; sophisticates in Detroit are painfully aware of the positive developments in Cleveland, and the word is spreading. In Europe, everyone is aware of the exciting resurgence of Spain's Barcelona and of the fierce problems of Manchester, England. Copenhagen's triumph of the pedestrian over the automobile is well known, and Bilbao, whose Frank Gehry museum brought the city over \$500 million in economic activity in its first three years (which recouped its cost) and over \$100 million in new taxes.

In New York, the quintessential global city, the combined impact of the World Trade Center disaster and (God willing) the 2012 Olympics\* could lead to changes making New York the world's first truly 21st century metropolis. Once we dismiss the equally ill-advised

ideas of restoring exactly what was destroyed or creating a 16-acre cemetery, something wonderful can emerge.

Thoughtful observers understand that Lower Manhattan has always had a relatively poor transportation network compared to that of midtown. We now have an opportunity to make the area a mass transit dream come true. Federally-funded improvement in mass transit will be the catalyst for the entire redevelopment effort, which can turn a former white collar ghetto into a 24-hour, seven-day mixed use paradise with office, housing, retail, hospitality, recreational and cultural facilities in proper balance.

An appropriate memorial for the World Trade Center site is a sensitive subject because wounds are still raw and an unemotional exchange of views is not yet possible. Newly-bereaved families have little interest in the long-term aspects of urban design or regional planning, and significant time must pass before important irrevocable judgments are made.

The memorial models most often suggested are Oklahoma City, Pearl Harbor, Hiroshima and the Vietnam Memorial in Washington, DC, the first conveying a deep sense of sadness, the second one of serenity, the third of the need for education, and the last of remembrance.

I believe the ideal model is Pericles brilliant rebuilding of the Athenian Acropolis after its destruction by the Persian King Xerxes in 480 BC, since the Greek goal was both to remember and to create, to memorialize and to move forward. But even the Greeks let the idea simmer for a number of years.

Even the biblical books of Noah, Daniel and Job all end on an upbeat note, and it would be wonderful if the World Trade Center story could, too.

The global city of tomorrow will have the gravitational pull to attract those with the skills and talents, education and mindset, that the cutting edge activities of our time demand; and human capital is acknowledged today as important as financial capital.

Local and regional populations will benefit, too, from having ac-

cess to the urban strengths that create a global city.

Obviously, not all benefit equally, and in global cities worldwide we are witnessing increasing polarization of income and of wealth; and the ramifications of these disparities are complex.

Precise calculation of costs and benefits is difficult in a setting in which manufacturing jobs evaporate, in which heavy foreign immigration clouds the statistical picture, and in which the benefits of formal education and appropriate credentials are crucial, and where their absence puts the uneducated and uncredentialed at a severe handicap.

Someday we will understand that the crucial question is not why some are poor but rather why some are not; and we should reflect on the role of education in the difference.

But make no mistake—the poor in a global city do not benefit if stockbrokers lose their jobs or if tax accountants or corporate lawyers move away. And we should ask if a Third World country isn't better off if a First World country locates a manufacturing plant there.

This week's headlines proclaimed that fully one-third of the youngsters in the State of Washington will drop out before completing high school. Perhaps the protesters against globalization in Seattle last year should have focused their attention on public education instead. Improved education for women in the Third World is the single most important immediate goal well-intentioned groups should fight for.

The wealth creation of a global society is a positive, not a negative sum game; and everyone benefits.

Our challenge is to stimulate such wealth creation and to spread its benefits widely.

*Global Cities in an Era of Change*  
*Harvard University*  
*September 4-6, 2002*

\* God was not willing.