

## I. THE ECONOMIC LIFE OF CITIES: THE BASICS

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Jane Jacobs is well known for her critique of urban planning and her attention to how cities function. This includes issues including neighbourhood well-being, safety, transportation and the need for diversity and social interaction. However, she also wrote extensively on economic issues. At least two of her major works: *The Economy of Cities* (1970) and *Cities and the Wealth of Nations* (1985) focus on the role that urban centres play as economic entities. In this primer, we explore some of the ways Jane Jacobs understood the economic life of cities (a useful thing to keep in mind during your walking tours)! We will look at the role of cities as economic actors, reflecting on their changing priorities and the way that they finance their activities. We will also step back to look at the way Canadian city economies have changed over time.

### THE CITY AROUND YOU: URBAN CENTRES AS MANIFESTATIONS OF THE ECONOMY

Cities are economic entities. Not only do they provide a site of trade and a forum for the exchange of capital (money) through their many markets, shops, services and production centres - but, like people, they also “wear” their economic status in a more visible fashion. This is particularly true in the downtown core of major cities, where the prevalence of skyscraper buildings – condominium and office towers – reflects a form of “built power.” In order for a banking firm or a real estate developer to undertake the development of tower architecture, they require a good deal of money and what is produced as a result is a very physical representation of accumulated capital.

The very nature of economic activity governs the shape of the city – the size of the buildings and houses, their numbers, the materials with which they are constructed. It also affects the quality, quantity and maintenance of the “spaces in between” – the roads, parks, and public places that punctuate the urban landscape. When you walk around your city, try to identify the various ways in which the physical structure of the city reflects economic influences and decision-making – the allocation (or lack thereof) of resources to construction projects, the presence (or absence) of public amenities, the scale and ornamentation of civic structures, the health of local commercial districts. Jane Jacobs called our attention to many of these issues, and helped us think about what the economy has to do with creating vibrant cities.

### EARLY CANADIAN SETTLEMENTS AND ECONOMIC TRANSITION

The history of cities in Canada and North America has been one of economic transition, made up of several major shifts – driven by changing technology, global trends, and more - over the last few hundred years. In fact, the dynamics associated with trade and the movement of goods in our country was an important part of its founding. European explorers arrived here searching for trade routes to the “Far East,” and when that failed they began to exploit the trade potential of the resources they found instead.

The initial European settlements were **Resource-Based** – principally driven by discovery of abundant stocks of fish on the coast, as well as the European fashion and appetite for fur. As land in the colonies was cleared and the population grew, the staple economy was expanded to include timber and other resources, which in turn opened up opportunities for increased settlement and a more robust **agriculture-based economy**. To a large extent, these two “sectors” (natural resources and agriculture) defined the early economy of the territory that would later be called Canada – a relationship that has continued to define the nation’s history to the present era. Even today, the resource-based and agricultural sectors of our economy, exemplified not by fur, but by fishing, mining, forestry and food play a substantial role across the country.

## **JANE JACOBS ON IMPORT, INNOVATION AND IMPORT SUBSTITUTION**

Cities emerge from settlements for a variety of reasons – good location, access to resources, military or trade significance and more. In *The Economy of Cities* (1970) Jane Jacobs suggests that in order for a settlement (city or otherwise) to grow it needs to import (or be provided with) various goods and materials – be it tools, weapons, rope food and so on. This dynamic is particularly obvious in the case where a colonial settlement is established. When the first settlers arrive and help to establish “a place” their efforts are largely dependent on supplies imported from elsewhere (presumably the place from which they came). If all goes well and the settlement grows, local production of some of these key import items starts to take place, allowing other items to be imported instead. When local production flourishes, it further enables the creation of surplus that can, in turn, be exported. This, in turn, allows a greater volume of imports and exports and leads to an increasingly diverse, complex and integrated economy.

To Jacobs, the cycle of import, import substitution and export was critical to understanding the economy of cities – not just in a historic sense (the transformation of settlement to city), but in terms of present-day economic activity. Cities thrive when producers are able to innovate into the new areas of production. Eventually, cities that are mature and diverse enough, are able to produce the very goods that they once imported and still further industries are generated. Import replacement, says Jacobs, is the key to economic expansion. Later, in *Cities and the Wealth of Nations*, Jane Jacobs summed up these thoughts by writing :

*“Economic life develops by grace of innovating; it expands by grace of import-replacing. These two master economic processes are closely related, both being functions of city economies”*  
(1985: 39).

Early Canadian settlement economies were no exception to the transformative process of innovation and import substitution. Bit-by-bit, the growth in population provided the necessary labour and domestic capacity for production of items that had once been imported. It was an incremental process. Forges were built, looms constructed, mills raised, and each time this occurred, the local economy diversified a little more. At the same time, the changing economy allowed for a surer form of security for settlers who saw themselves less as interlopers and visitors and more as inhabitants. Economic security helped to support a sense of place.

## **CITY GROWTH, MERCANTILE AND INDUSTRIAL ACTIVITIES AND ECONOMIC TRANSITION**

As Canada’s settlements grew into small towns and cities they created opportunities for the rise of a merchant class. Merchants acted as middlemen, and were responsible for supplying both England and the farmers with goods – and tended to do a good job at profiting from both markets.

From the 1830s onwards the economic transformation in Canadian cities was accelerated by the process of industrialization. Again, it was incremental process: the initial gristmills, sawmills and distilleries were supplemented by tanneries, wagon and furniture making. Then came the development of the first steam mill, foundry and factories. The economy continued to diversify and an **industrial and manufacturing era** was ushered in. During this period the role of Canadian cities as economic “hubs” continued to accelerate – something that increased dramatically with the development of more pronounced transportation infrastructure in the form of, first, canals (such as the Welland and Rideau Canals) and then railways. A century later the same would be said of the development of major highway routes, automotive and truck transportation.

## II. THE ECONOMIC LIFE OF CITIES TODAY

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### CANADIAN CITIES IN THE 21<sup>ST</sup> CENTURY

Fast forward to the 21<sup>st</sup> century and we find that Canadian cities reflect a different type of economy, one that has called several different names: “post-industrial,” “knowledge-based,” “creative,” to name just a few.

In a globalized world, the defining elements of the older economies – the singular focus on resources, the role of agriculture, a robust manufacturing sector – are making way for new generators of capital. Of course, resource extraction and processing, farming and manufacturing still play a part and are not likely to disappear. However, the significant role that some sectors – particularly manufacturing – once played in Canada is now more volatile. Many goods can be produced more cheaply overseas than domestically. This has been exemplified by the ascendancy of transnational corporations in the 20<sup>th</sup> century – something that has spurred on the movement of whole industries (for example, garment manufacturing) from Canada to other parts of the world, typically in pursuit of lower-cost inputs such as labour. Import substitution has, in some cases, come full circle – and we are back to importing goods that we previously manufactured!

In fact, Canadian cities are seeing their economies shift towards the development of services rather than goods. The 21<sup>st</sup> century economy of our urban centres is reflecting this change as more aspects of business are geared towards the processing of immaterial elements – marketing concepts, financial transactions, administrative decisions, cultural products, leisure and tourist amenities – than ever before. The number of people employed in these “knowledge-based” or “service-based” industries continues to rise.

### THE ECONOMIC INFLUENCE OF CITIES

Our brief discussion of economic change might seem to suggest a linear, sequential process where one type of economy transforms to another. In fact, various types of economy often work in tandem with one another – both within a city, or as a point of linkage between cities. So where does this leave us? There are a few other points that we can make about cities as economic entities.

**:: Cities exert a gravitational influence on regions.** The concentration of economic activities found in cities creates a strong core/periphery relationship between the “hub” of activity and the regions that surround it. This is true *within* cities (think of the relationship between the downtown core, with its concentration of jobs and services, and its surrounding residential neighbourhoods) but it also characterizes the relationship between cities and the regions that surround them. The outer edges, suburbs, rural or exurban areas that surround cities are strongly reliant on the vitality of the economic force in the city core.

In *Cities and the Wealth of Nations*, Jane Jacobs noted that “cities are unique in their abilities to shape and reshape the economies of other settlements, including those far removed from them geographically” (1985: 32). What is useful to remember here is the degree of precision that this statement offers us in understanding how urban, regional and national (even global) economies function.

Although we talk about the idea of “the economy” in an abstract way, what are referring to more often than not, are a series of specific, city-based activities. The economy of Whistler, BC (site of the 2010 Olympics) is an extreme example of this, but it makes the point. Virtually its entire

resort-based economy is city-based, despite the fact that it's two hours outside of the nearest urban centre. Piece-by-piece the role of the city is ever-present: Whistler's present construction came about because of urban developers in Vancouver, its ski-trails are cut and maintained by machinery produced in urban centres, its faux-European architecture was sketched but by city-based architecture firms, its infrastructure, landscaping, retail environment and product lines are sourced from urban centres, and it's marketing is almost completely directed towards the attraction of urbanites.

Of course, it would be a mistake to suggest that the flow is one-way. Regions also exert a powerful role on the economies of cities (as the relationship between Calgary and Alberta's Tar Sands area illustrates). The difference here is that cities are concentrated entities, whose many roles in relation to the region create something of a multiplier effect. They manage the resources, consume them, package and re-package them, market them, and then send them off to (principally) other urban centres for further consumption.

**:: Cities, not nations, are the primary vehicle in the national and global economy.**

When Jane Jacobs wrote *Cities and the Wealth of Nations* one of her aims was to challenge the mistaken focus, within economics, on national economies, something that she felt was a hold-over of the nationalist conflicts of the 18th and 19th centuries. Instead, she argued for the primacy of cities in defining the economic activity in a given region.

In recent years, this line of thinking has been extended to the study of authors including Saskia Sassen have termed "Global Cities" – that is, cities like New York, London, Paris or Tokyo whose role as financial, business, cultural and informational "hubs" exert an substantial influence on the economies of other cities and regions. Here, the role of certain key cities advances the idea of urban centres being the primary vehicles in a system of global economic exchange.

**:: Cities act as incubators of local economy and entrepreneurialism.** Through a variety of processes and factors (including the reclamation of older buildings for new uses, the diversification of industry and commerce via "break-away" entrepreneurs, and the sheer availability of potential consumers) urban centres act as sites of renewal and change.

The local economy of a city isn't just reflective of the local circulation of nationally or internationally available goods and services. It's also a force for small to mid-size businesses, sector-specific consultants and researchers, community-based services, local artists and more... some of whom have a market no bigger than a neighbourhood and others, thanks to technologies like the internet, who have a small physical presence but a global-reach. Cities facilitate these agents of local economy on a scale that isn't possible in more geographically disparate regions. Moreover, cities create the potential for intricate networks of referral and exchange to exist between these "small players" – networks that play a vital function in the trade and barter of goods, ideas and capital.

**CITY ROLE, DEVOLUTION AND THE REDISTRIBUTIVE ECONOMY**

Up till now, we've focused largely on the role of various types of industry in the urban economy. With city economies there is another principal factor or agent that we need to identify: government. The local, provincial and federal governments that influence life in cities are more than just facilitators of economic activity, they are also, via their various enterprises, major economic players in their own right.

This is because “the economy” is not just about the exchange of private goods and services. For a long time, certain goods and services – public goods - have been handled collectively. Things like road construction or cleaning, the maintenance of communal park space, the provision of health care or many other things are undertaken by the State (sometimes in collaboration with private firms, though that’s a separate issue). The State is “funded” to do this by contributions derived from the citizenry at large and handled through the process of **taxation**.

Why bring up taxes at this point in time? Because cities, as economic entities, depend on tax revenue to provide the very goods and services that enable other aspects of the economy to function well – including roads and bridges, sewers, water filtration, emergency services, transit, social services, public amenities and more. Yet, despite the important role that they play in the provincial and national economy, cities only get a small fraction (less than 10 percent) of the total tax revenue that is generated each year. And unlike their provincial and federal counterparts, which have various tools - like sales and income taxes, corporate taxes and import duties, - local governments have only one guaranteed tool – property taxes – with which to sustain themselves.

To make matters worse, recent years have seen a trend towards “downloading.” This happens when higher levels of government transfer responsibilities for various services to municipal governments. Unfortunately, the increased responsibility has not been matched by an increased transfer of upper-level tax revenue, meaning that cities, time and again, have been expected to do more with less. Commentators including Alan Broadbent (2008) argue for the importance of inter-governmental reform to give more self-determination, power (and resources!) to Canadian cities where the majority of the population live. Reference to his book is found in the further links section.

Many people believe that there should be a balance between the wealth that is generated, the taxes that are paid, and the goods and services received in turn. And yet, as a result of the differential mentioned above, Canadian cities are facing a growing revenue gap between what they generate in property tax revenue, and what they require to sustain their increasing levels of infrastructure and service provision. A fairer distribution of tax revenue by the three levels of government is part of a number of changes that could help city governments to function in the 21st century.

Would this be detrimental to Federal and Provincial Governments? On the contrary. It has been estimated that Canadian 10 largest metropolitan areas generated upwards of half the country’s GDP (Gross Domestic Product). As sites of this much activity, it is certainly worth taking a look at the functioning of our systems of taxation and wealth-sharing to ensure that our key economic assets, our cities, are well looked after. It would be a better investment, by far than shaving a few cents off of the GST.

#### **FURTHER LINKS**

Conference Board of Canada. *Mission Possible: Successful Canadian Cities*.

Special Report by Natalie Brender, Marni Cappe, Anne Golden

February 2007. [www.conferenceboard.ca/documents.aspx?did=1904](http://www.conferenceboard.ca/documents.aspx?did=1904)

A report by the Conference Board that investigates the role of Canadian urban centres as sites of “national productivity, competitiveness and success.”

**Institute on Municipal Finance and Governance** (Munk Centre, University of Toronto)  
[www.utoronto.ca/mcis/imfg](http://www.utoronto.ca/mcis/imfg)

The website of the IMFG contains many interesting reports and presentations on issues in Canadian municipal economics.

**Journal of Urban Economics.**

[http://www.elsevier.com/wps/find/journaldescription.cws\\_home/622905/description#description](http://www.elsevier.com/wps/find/journaldescription.cws_home/622905/description#description)

Since the mid-seventies, this journal has covered a plethora of issues pertaining to city economies.

Alan Broadbent. *Urban Nation: Why We Need to Give Power back to the Cities to Make Canada Strong*. Toronto: HarperCollins, 2008. A timely work that looks at issues of municipal responsibility, civic governance and city financing.

Saskia Sassen. *The Global City: New York, London, Tokyo*. Princeton University Press, 1991 [2002]. A now-classic text on the role of key urban centres and their influence on global exchange.

**Canada's Cities: Unleash our potential**

<http://www.canadascities.ca/canadasbigcitymayorslaunch.htm>

**GET INVOLVED**

**City Budget Processes – Your Municipality**

Every year in the late winter and spring, municipalities in Canada go through a process of setting their annual budget. During which time there are public consultations and comment periods. These are valuable opportunities and a chance for the public to let their voice be heard on how tax dollars are spent.

**One Cent Now Campaigns**

<http://www.onecentnow.ca>

Initiated by the City of Toronto and endorsed by other cities, this campaign seeks to encourage the Federal Government to distribute one cent of the GST to cities in order to help urban centres offset the burden of increased infrastructure costs.

**III. EXERCISES: THE ECONOMIC LIFE OF YOUR CITY**

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As we have seen, the economic life of a city involves many complex factors and transformations. This brings us to the question: **what is the economic life of your city?**

As a walk leader, it will be your challenge to bring different dimensions of the economic life of your city to the attention of your walkers. The economic life of *your* city will provide you with lots of opportunities to connect the ideas we've talked about in this primer to the theme of your own walk. Keep in mind that a great way to get people thinking is to ask good questions without necessarily providing the answers! Your job is to help people "see" and experience their city differently. A good way to do this is to engage your walkers directly in the exercises by asking them to share their own perspectives. Here is an exercise that you can consider:

**EXERCISE 1: EXPLORING ECONOMIC TRANSFORMATION**

One way of looking at the economy is to explore how change has become incorporated into the design of the urban landscape. A city's built form not only mirrors its economy, it also mirrors

aspects of its periods of economic transition. These elements of change are especially fun to identify. Consider the following three examples – the first a geographic example, the second and third a description of a more localized *process* of change - as a set of guideposts for your own explorations.

**:: City Waterfronts as Sites of Transformation** – After periods of vacancy and disuse, many cities are pouring considerable resources into revitalizing the former industrial, manufacturing and warehousing sites in their waterfronts areas... transforming them into vibrant residential, tourist and entertainment areas. Waterfronts, more than most other spaces in a city, exemplify the nature of economic change in Canada – illustrating Jane Jacobs idea of the import/import substitution/export relationship. Montreal’s old waterfront now hosts some beautifully restored buildings (functioning now as restaurants, museums and galleries). Vancouver’s False Creek waterfront has become the city’s prime real estate destination. Halifax’s Historic Properties site was one of the first waterfront revitalizations in Canada and now boasts innumerable boutique shops, artisan outlets and outdoor events.

**Ask your walkers what sorts of changes they see in their city waterfront. Ask if they can identify former uses, businesses, etc.**

**:: City Architecture, Adaptive Reuse & Gentrification** – Adaptive reuse refers to the process of taking “old” buildings, designed for a particular type of use, and refitting them for a new and different use. That warehouse loft that you see advertised in the newspaper? It used to store a variety of goods before it was retrofitted for residential purposes. The textile factory? It’s been transformed into a set of artists studios. Adaptive reuse reveals the nature of changing economies.

Sometimes, though not always, adaptive reuse is part of a process called **Gentrification** – a form of urban revitalization wherein a run-down building (or neighbourhood) is restored. Often the restoration causes some social displacement – as it completed in a fashion that appeal to the aspirations (and pocketbooks) of people that are more well-to-do than those currently living there. When this occurs, the revitalization can trigger a form of localized socio-economic transition.

**Ask your walkers to locate a building (or block) that has undergone adaptive reuse or gentrification. Get them to reflect on the process or elements of change that lead to the present use?**

**:: Commercial Transformation and Franchising** – One of the most striking examples of what Canadian Geographer Edward Relph calls “the corporatization of cities” (c.f. *Place and Placelessness*) is the proliferation of retail chain franchises. This is also sometimes referred to as the “McDonalidization” of the economy – reflecting the nearly ubiquitous nature of an American fast-food franchise in cities around the world.

**Ask your walkers to keep a tally during your walk (or a portions thereof) of the number of shops and services that are chain stores or franchises. Ask them to reflect on what this might say about the “local” economy? What about the character and identity of the neighbourhood?**