

**“Global Cities and the Knowledge Economy:
New Rules of Competitiveness”**

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Thank you very much. As a life-long observer and lover of cities, I am pleased to be part of this program.

This morning’s panel is asked to identify the key elements required for global cities to be competitive, with a particular focus on the knowledge economy. This is a topical issue with academics and urban experts developing more and more ways to compare cities around the world, whether it’s the World Bank, UN Habitat, University of Toronto, Hong Kong University, or The Conference Board of Canada.

Given the modern-day focus on global cities and urban competitiveness, I find it interesting that cities were not always thought of as the platforms for economic prosperity and the drivers of national and international prosperity. Lewis Mumford, for a long time the leading urbanologist of the 20th century, conceived of the city not as a place of business or government, but as “an essential organ for expressing and actualizing the new human personality”, the place that united all of the scattered parts of human personality and essentially humanized modern man. In his vision, the final mission of the city was social, cultural, even spiritual “to further man’s conscious participation in the cosmic and historic process” – very lofty indeed.

I ask myself: would Lewis Mumford be disappointed by our very prosaic focus?

Have we – observers and promoters of cities – been swept up in the drive to define our cities as economic engines rather than incubators of human experience?

I will be the first to acknowledge, and proudly so, that the Conference Board has been part of the growing interest in cities as centres of economic growth in a globally inter-connected and highly competitive world. There is a huge appetite for knowledge about how Canada's cities can become better platforms for trade, and gain bigger shares of the global economic pie.

New paradigms are being sought to address the shift to a knowledge-based economy. While sophisticated technology and improved communications had been expected to diminish the importance of place, we find the opposite has happened. Cities are crucial to the lively exchange of ideas – the places where informal or formal encounters create synergies and spark innovation.

Richard Florida's ideas about attractive cities have become so commonplace that they risk becoming clichés. But by now, it is generally agreed that a city needs to offer a broad sweep of amenities and a high quality of life if it is to succeed in attracting a share of the highly mobile talented labour force.

Last year, the Conference Board undertook a benchmarking project to test out this concept and see how well Canada's metropolitan areas were doing in attracting people. We developed 46 indicators grouped according to seven key quality-of-life themes; namely: economy, society, education, health, housing, innovation, and the environment. The results, for the most part, supported what we had been expecting; namely that the biggest cities in Canada were at the top of the rankings. Calgary, by the way, ranked first, powered by a booming economy (at least until four months ago) which lifted the fortunes of citizens at almost all income levels.

However, the strong showing of some of our mid-sized urban areas, such as Victoria and Kitchener, gave us pause. Kitchener – in some ways the “poster child” of the knowledge economy – does well because of its relatively strong performance on innovation. In the case of Victoria, it’s environmental and health outcomes that push it near the top.

But it was in 2007 when we first set out to address these questions of prosperity and competitiveness in our wide-sweeping Canada Project, which culminated with the publication of “Mission Possible: Sustainable Prosperity for Canada”. Volume III focused exclusively on Canada’s cities, laying out four cornerstones needed to support successful and competitive cities:

1. **A strong knowledge economy**, fuelled by high-value job creation, research and skills development, and a talented, creative human capital base.

For more than a decade, the Conference Board has been sounding the alarm on Canada's lagging productivity growth relative to the world's most prosperous economies. Our income per capita – the proxy for standard of living – lags that of the U.S. by more than \$6,000 per capita annually. The sectors in which Canada's productivity lags the most are urban-based, such as services and manufacturing. In Toronto, we have the enviable knowledge platform in terms of universities, colleges, and institutions where research is carried out but we are not maximizing or leveraging this research and development platform – something that the TRRA was created to do.

2. **Connectivity** – physical infrastructure linking people, goods, and ideas. When it comes to advancing the economic competitiveness of our cities, the highest connective infrastructure priority is undoubtedly urban transportation.

3. **Environmentally sound growth**, to make sure our cities are healthy places in which to live, and contribute to a sustainable Canada through less, not more: air and water pollution, solid waste, and energy consumption. Consider this: cities take up only 2% of the world’s land mass but account for roughly 78% of the carbon emissions from human activities.

4. **Socially cohesive communities**, allowing for citizens of all backgrounds, abilities and orientations to participate in city life.

This means access to: education and training, affordable housing, public transportation, recreation, culture¹, and so on. For instance, as jobs move out to the suburbs, workers who can't afford cars need reliable public transportation.

We are proud that Canadian cities are home to increasing numbers of newcomers, yet many people don't realize how poorly we've done when it comes to integrating educated immigrants into the workforce. In Toronto, newcomers with university degrees earn just half the income of their Canadian-born counterparts. (source: "City Magnets")

I hope Mr Mumford would be pleased to see that our 21st century pre-occupation with the economic competitiveness of cities does not eclipse the need to ensure our cities are liveable places for everyone.

¹ Culture sector's impact on the economy: 7.4% of total GDP (\$84B in 2007); Toronto represents more than one-fifth of that; *Valuing Culture: Measuring and Understanding Canada's Creative Economy*, The Conference Board of Canada September 2008.

So how do we get there? There is no template – no quick fix for cities. In “Mission Possible”, we identified three basic *enabling* conditions linked to good governance, strong leadership, and sufficient fiscal resources. These things aren’t sexy; they’re not magic; but they matter. Cities without these will struggle to stay competitive.

Good governance is more than about good government; it means that the informal and formal roles of all stakeholders in the city work harmoniously, responsibly, and with some degree of flexibility.

It means that the right level of government is dealing with the right kinds of issues, and it can sometimes lead to the creation of new governance bodies when problems cross jurisdictional boundaries, such as with transportation and the creation of Metrolinx.

Hand in hand with good governance is strong leadership – knowing with whom, how, and when to forge partnerships to solve complex city issues is the hallmark of a good leader. I am reminded of a visit I made to Manchester, England where the chief City Administrator views himself as a “municipal entrepreneur”, eschewing the traditional role of bureaucrat and bean-counter in favour of pursuing excellence, innovation, and attracting suitable investment.

And thirdly, the importance of adequate fiscal resources cannot be overstated. Much has been said about the state of local government finances in Canada, and in particular, the effects of delayed spending on infrastructure. I do not intend to give the “infrastructure gap” lecture this morning, but I do want to underscore the importance of coming to grips with this problem if Canada is serious about wanting to compete for new business and new workers.

There is ample evidence to show that investing in infrastructure can improve productivity – an economic benchmark on which Canada, in general, and Canadian cities, in particular, have been particularly weak.

So going forward, what should Canada's cities be looking at?

For one thing, while our cities have been busy looking southwards to New York, Dallas, and Boston, fast-growing cities in Asia are starting to steal the show. Places like Hong Kong and Shanghai have seen extraordinary GDP growth, averaging 15 to 20 percent a year during the past five years. Hong Kong, in particular, is a centre of international finance and banking, and will be competing for the same kind of talent Toronto and Vancouver will need to compete in the new economy.

Our cities need to build on their strengths – and our city leaders need to discover the unique contributions and attractions of their own metropolitan regions. It’s not good enough to be complacent, resting on the assumption that our cities offer a high quality of life that few other places can match. If we don’t look after our infrastructure and if we don’t find ways to get our newcomers into the right jobs, then we will lose whatever competitive advantage we have.