

Housing, Economic Change and the Governance of Metropolitan Areas

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This paper is the second part of a presentation made to the Centre for Housing Research Aotearoa New Zealand (CHRANZ) in Auckland in November 2007 and it considers how large cities have been adapting policies for homes and neighbourhoods in ways that are of relevance to Auckland.

The first paper, Focussing on the Housing System and Modernising Housing Policies, sets out the major impacts of globalisation on housing markets and policy possibilities.

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Housing, Economic Change and the Governance of Metropolitan Areas¹

1. Connecting Housing, Improving Auckland

Since the start of the millennium Auckland, like New Zealand as a whole, has encountered a period of sustained growth in income, low unemployment and rising household and immigration numbers. At the same time, the metropolitan area that lies at the heart of the nation's global connections and competitiveness has experienced a marked rise in housing and land costs. Price pressures in land and housing sectors have now abated as the wider economy slows but there is little doubt that over the cycle as a whole housing costs have risen substantially in real terms and that they are likely to do so again in the next expansion². Price increases make manifest the shortages that positive demand side changes have upon sluggish and localised housing supply systems.

These patterns of change for Auckland are in no way exceptional for a thriving, modern metropolis. They are a reflection of the genuinely local challenges that occur in relation to the wider changes prevailing in the global economy. Economic challenges largely come from abroad, and responses to them are always in local contexts.³ It is important both to recognise the potential costs as well as opportunities that global influences bring to places and to appreciate that new times need new policy approaches and emphases.

Auckland is, again, similar to a plethora of advanced economy cities in the range of debates about new, public policy priorities for managing the city. Most national governments stress how cities and communities have to be strategically and effectively managed, that is cities need effective local policies for progress. Most nations also recognise national interests in connecting single cities into wider national networks and to their hinterland. Some are well aware of how local actions contribute to national goals, for instance metropolitan spatial development policies that contribute to the containment of greenhouse gas emissions. These nations can be said to have national (or Federal) level policies for cities. Canada since 2007 and, until recently, Australia exemplify significantly urbanised countries with no national city policy. These approaches contrast with the very explicit spatial development strategies and other city policies that European nations such as the UK, France and the Netherlands pursue. These nations have recognised the importance of 'place' policies for cities, and indeed nations, in securing goals for better, big outcomes.

Across the OECD there are sustained debates about the efficacy of key instruments of city planning, such as growth boundaries, the importance of local economic development strategies, the development of partnership and community roles in growth management and

¹ This paper is based on discussions at and around a seminar I presented in Auckland in November 2007. The seminar was organized by the Centre for Housing Research Aotearoa New Zealand (CHRANZ) and I am grateful to them for their support.

² Recent developments are set out in the Final Report of the House Prices Unit, Government of New Zealand (2008)

³ Cities contain a diversity of businesses, some that trade locally and others that export internationally. In consequence, economic activity located within any metropolitan area is involved in a multiplicity of competitions. Core city retailers may compete with their own suburbs. One city may compete for markets with neighbouring metropolises and yet more will compete with the activities of countless localities around the globe. National governments have to be particularly concerned about these competitions for international trade as they will have a fundamental effect on national wellbeing..

renewal, and rethinking of government and governance strategies for modern metropolitan management. The government of New Zealand has, in this millennium shown considerable capacities to rethink housing policy in effective ways, and it has also begun to address key aspects of metropolitan governance and partnership formation for Auckland. This paper is set in the context of these wider policy debates unfolding in New Zealand and addresses questions for the formation of a strategic city policy for Auckland but in the context of wider concerns for the nation as a whole. That is, the emphasis is on questions for central government.

The principal aim of this paper is, by reviewing and learning from past experience of similar policy developments in the UK, Australia and Canada, to ensure that the connections between housing, land markets, metropolitan governance and competitiveness strategies are embraced in metropolitan strategy and delivery. Experience in most OECD (OECD, 2006) cities shows why these connections are important. However, the traditional silos of policy formation and conceptual thinking often set housing and land markets outside of core discussions for city competitiveness and sustainability. Housing is too often seen as a concern for social cohesion and inclusion. But it is a big economic and environmental system shaper too. It would be unfortunate were New Zealand not to ensure that housing actions best support government's big goals for cities and the nation.

This paper connects together a number of disparate discussions on housing, city economic success and metropolitan governance that run through both mainstream policy discussions and academic debates in the advanced economies. The purpose of a more connected synthesis is not intellectual tidiness but rather the better design and specification of both housing and economic policies for metropolitan areas. The synthesis is intended to pose questions about policy purpose and governance design for Auckland. In that sense, as for the economy, the key policy questions facing policymakers are global, and the responses have to be local.

The argument of this paper⁴ is made in a number of stages:

- The ways in which policymakers have understood and reacted to globalisation patterns are outlined in Section 2, Globalisation: Changing times, Changing Ideas. Attention is drawn to how new models of economic development and public policy formation have given impetus to new 'place policies', but that pervasive omission of housing and land sectors from 'economic success stories', strategies and measures hampers effective local economic development;
- Section 3, Stylised Facts: Places, Land and Housing sets out some stylised facts of globalisation, metropolitan development and housing market outcomes, in essence the challenges of housing in local economic development;
- Section 4, Governance for City Change: Roles and Approaches reviews recent major international experiences in managing urban change more effectively where multiple sectors, orders of government and stakeholders are involved;
- Section 5, Planning, Property and Partnerships outlines reforms for partnership, property and planning issues; and
- Section 6, New Zealand: Facing the Global Challenge for Cities identifies key policy conclusions for Auckland and New Zealand.

⁴ A supporting paper (MacLennan, 2008a) has set out the changing nature of housing policies and contexts, and their wider economic drivers and consequences and this allows detailed discussion of the housing sector to be curtailed in this paper. Readers unfamiliar with developments in national housing systems and the modernisation of national housing policies should consult that paper for an overview.

2. Globalisation: Changing Times, Changing Ideas

Globalising Policies: Engaging Challenges

The deregulation of trade regimes and national capital markets, the policy drivers of globalisation, have offered new growth opportunities for cities. But to seize possibilities they have to be efficient and competitive. Globalisation makes countries such as New Zealand and diverse economy cities such as Auckland, in aggregate, more affluent. However, aggregate progress has come with significant economic adjustments that often engender increased inequalities in market incomes and wealth. The outcomes of globalisation are always extremely uneven and the pressures of competition relentless. Economies do not just have to change, but they have to build the competences and systems that will continuously adapt to and, wherever possible, create change.

The nature of policy responses to globalisation changes over time. The principal focus of economic debate has been on the redesign of regulatory and tax regimes to facilitate the (inward) mobility of financial and intellectual capital, essentially to extend the realm of 'free trade'. As trade and mobility barriers have been removed, national governments have been concerned to raise productivity, both through creativity and innovation in the use of capital and by raising the level and flexibility of human capital. Smarter ideas and better trained people have been seen as critical to the efforts of OECD countries to ensure growth in incomes and reductions in unemployment as trade relocates older or less appropriate economic activities to other nations and locations. Economic development thinking within governments has rethought the notions of business capital and human capital and has set them at the centre of policy thinking.

Over time strategies that embrace such ideas have been supported at national, regional and city levels. There is now little disagreement that cities, or metropolitan regions need an economic vision and strategy although, as noted in the introduction, there is cross-national differences as to whether such strategies for cities should solely be locally driven or also reflect interests and actions of higher orders of government. It is pertinent to consider in some more detail how local or 'place' policies have become more important as recognition of globalisation grows.

Place Policies: Effective Responses

After the 1980's it was commonplace in economics Ministries across the OECD to regard spatial policies as either unimportant or to regard 'place' policies as being essentially palliative, and redistributive, and concerned with the problems of economic decline in regions and cities. That view stemmed not only from a framework of economic thinking that was largely devoid of space but also from a perspective on government delivery that was focussed on sectoral departmental inputs rather than attaining complex whole of government outcomes. It is argued below that the different spatial scales of region, city and neighbourhood all matter for understanding the competitive advantage of places. Policy has to seek to integrate these different levels into strategic plans for economic development.

Governance and government arrangements have to not just recognise the importance of place to long term outcomes but to fashion a coherence of action across those different levels. Indeed with the emphasis of modern public management on 'whole of government' solutions for complex issues, coherence of 'place' strategies and actions becomes an essential

framework, rather than a minor consideration, for policy design. 'Place' is not simply the locality of a problem but it has also become the locus in which more complex solutions for wider problems have to be connected and aligned with each other. 'Place' policy, in the modern public policy agenda, is not primarily about 'where are the poor, where are the problems' but about 'how can we use place as a medium to manage better for the bigger objectives'. Place policy is about creative, effective public management and not distortionary, problem palliatives. It is as much concerned with managing growth and prosperity as decline and poverty.

Cities around the OECD have espoused the importance of vision based and strategic approaches to their own economic development. Few would turn down offers of assistance from higher orders of government, but equally many now expect to progress under largely their own efforts. In the UK, the English Core Cities Group prior to 1998 largely lobbied for more resources from national government, almost as a spatially defined poverty lobby. After that time they concentrated more on self-improvement in a partnership Urban Summit process with national government and the tone of progress passed from hand-out to hand-up.

It is fair to observe that, despite their local involvement in service provision and land use planning, many cities aiming for economic success have tended to adopt more local versions of national approaches based on business and human capital improvement. Viewed in these terms any economic progress report for a modern metropolis would focus on top level indicators of increases in income, employment, productivity and, at a more micro scale, innovation performance, worker skills, and educational performance (of schools and universities). Auckland is, in these respects, a well tracked city. Within New Zealand, studies of labour productivity and employment (Treasury, 2007) stress that Auckland has high productivity. Contrasts with a set of OECD cities, by the Ministry of Economic Development (2007), using labour market indicators, suggests that Auckland has relatively low productivity but a high quality of life. Explanations of that lower performance are made by reference to innovation, human capital and transport infrastructure.

More detailed city level assessments, for instance in the Auckland Stocktake Exercise (2007), follow much the same business/human capital performance paradigm. Housing, the major expenditure of Auckland households, the major locus of their wealth and debts, and the direct employer of almost one in twelve households merits one paragraph⁵ in the Stocktake for the city. Little in the assessment relates to how well local systems or services perform aside from the labour market and the transport system.

The broad case that land and housing matter in local economic development, and the same observation can apply to other areas of service provision, is made above. A more detailed comment is appropriate given the housing orientation of this paper.

Including Housing

Once again, Auckland is no exception in this performance and policy emphasis. Similar discussions apply in Melbourne, or in Glasgow or Toronto. A recent report spells out, in more detail, the important connections between, housing systems and economic income, stability and growth (Maclennan, 2008b) for the Toronto metropolitan area. These issues have previously been discussed for Glasgow and Melbourne (Maclennan and Norman, 2004). The

⁵ That paragraph is primarily devoted to misleading housing affordability measures.

point being made here is that, of course business and human capital really matter in competitive economic performance but so also do land and infrastructure and housing and planning and the environment. Not to incorporate these localised and grounded systems into refashioning city economics is a serious omission born simply of intellectual, professional and policy silos. Urban policymakers, and the media too, would much prefer to wax lyrical about the creative classes than address the issues of inefficient infrastructure, the damaging effects of rising house prices and the effect of bad housing on the lifetime health and human capital of poor children.

In the Scottish context the long resistance of the national economic development agency, Scottish Enterprise, to recognising economic influences from such local factors stemmed from a number of separate arguments. For much of the 1990's their mantra was of being in the 'business of business' and that had a number of implications. First, for long periods they resisted aligning economic development efforts to more local initiatives to deal with poverty concentrations (and may have justifiably done so in some instances). That is, economic development agencies worry that recognising more detailed influences on performance will mean new constraints on the sectors and locations on which they can confer support. This is a valid concern that can only be addressed by governments being clear about the balance of work that agencies and partnerships are to pursue. Second, they were wedded to an oversimplistic conception of the divide between social and economic life.⁶

The real point here is that these different beliefs and intellectual approaches then permeated every strategic integrated city partnership in the nation. Starting from these intellectual positions just how integrated and effective can development be? But there is need for clarity of purpose here. The argument in this paper is that housing and land systems really matter in economic development and that city economic development partnerships need to understand them.

The social justice issues around prioritising action in poorer places are separate, if related issues. The problem lies in that Ministries for Industry, and the industrial and regional economists that advise them, usually know little about the economic consequences of housing, planning and land. But equally Housing ministries have usually remained wedded to rather old-fashioned needs based views for their actions. Simply put, the housing sector, both nationally and in metropolitan areas is managed, is organized and lobbied for by those with a social policy interest. Issues about poverty and social justice dominate arguments for resources for affordable homes. These arguments are largely about the morality of policy choices. That, in no way, makes them unimportant. But it understates the scope of effects housing systems and of good and bad housing outcomes and their policy relevance.

At the same time the planning profession, in ways that have been much debated recently in the UK and Australia, have had relatively little familiarity with economic issues and analysis. In consequence, planning forecasts for housing in major metropolitan areas often make no use of the most basic and useful concepts of housing market adjustment, such as the elasticity of housing supply and price and income demand elasticities. Ministerial outbursts about "too much red tape" and "planning slowing development" can be heard from governments of any

⁶ These comments are based on personal experience, for almost a decade, from 1990 to 1999, I was the Board Member on Scotland's national housing agency (Scottish Homes) with a particular responsibility for strategy and I also sat on the Glasgow City Regeneration Partnership. Through that decade I witnessed a persistent intellectual incapacity to recognise the economic significance of housing and a recurrent, corporate failure of government to address land supply and renewal issues with any coherent strategy at all.

complexion in the OECD. They may sometimes be valid but almost always miss the wider point. In the near ubiquitous absence of coherent land management systems and policies for urban development the major failure has been the inability of governments to rethink what land planning is for in a competitive city context. The UK Treasury stand head and shoulders above their international peers in having grasped this important and complex issue and moved debate on from polemic to better local practice. For New Zealand, a recognition of the problem could be addressed by making the city or metropolitan partnerships the locus at which a new and relevant synthesis is developed. An audit of the competitiveness effects and economic outcomes of land and housing for the Auckland economy will do more for growth than a sustained tussle over the merits of growth boundaries. That audit, taking land, planning, housing, and possibly infrastructure together should address how these sectors influence incomes and employment, the cyclical stability of the economy and the longer term implications of these systems for growth and productivity. (An example of the kinds of approaches and issues involved can be found, using Toronto as the case study, in Maclellan 2008b). Metropolitan region and the structure of neighbourhoods it contains are the relevant spatial foci for analysis.

The exclusive focus of city economic performance strategies and measures on the more mobile factors, capital and labour has led to a rather lop-sided synthesis of thinking and action for city economic development. That thinking needs to be remedied in two ways. First, in the best traditions of classical economics, there has to be a recognition that a city economy does not exist on the head of a pin, but uses land, place and accessibility in production and consumption processes. Secondly, in some economic exercises a framework that abstracts land and space may be suitably reductionist. But not in this context. In understanding how the 'local' reacts to the 'global', how places cope with and shape economic change, the localised, the grounded, and the fixed systems have as much significance as the more mobile and global influences. Economic development policy for cities is in danger of ignoring the systems that makes city what they are. This approach is essential not just in understanding the problems involved but in selecting the right solutions too.

Land and Housing as Gain Capture Systems

Within a new land-inclusive paradigm for city development thinking, then there should be attention to the housing system as critical infrastructure for any city. However an even more important policy significance of locally and based systems is being ignored, one that is a key shaper of the gains and losses from globalisation. Land, housing and infrastructure systems are not only locally fixed, but there is extensive evidence of supply responses, into the medium and longer term, being relatively inelastic. This asymmetry in the supply elasticities of mobile and immobile factors of production will invariably mean that growth in demand for infrastructure, land and housing will result in 'super-normal' profits, or 'economic rents'⁷, for the owners of these assets. If land and housing systems are not flexible and competitive, the fruits of national economic growth, flowing from more effective human and business capital performance, may largely flow to what the classical economists called the 'rentier

⁷ The term 'economic rent' is a technical term, not to be confused with the charge for space or property. Economic theory assumes that the suppliers of factors of production (workers and their labour, capitalists and their finance, landowners with their land) are rational and respond to marginal changes in prices and costs. When the supply of a factor of production is inelastic, and does not respond to increases in prices, then those who have already provided their services at lower wages, interest and space charges will now receive factor payments higher than those that induced them to supply in the first place. That is the returns to these factors have become super-normal and these supernormal returns are referred to as economic rents.

class'. That outcome is not a sustainable basis for an economy driven by innovation and entrepreneurship. Readers who think this an arcane point might like to reflect upon how much of the income gains of New Zealand in the last decade have been used to pay for higher housing costs, in homes that are much the same quality as a decade ago.

In top level descriptions of globalisation, then, it is important to go beyond the recognition of growth in trade and incomes and their associated inequalities. There has to be more sense of how change impacts on localised systems, the 'land 'nexus in particular, with the recognition that there are impacts on real land prices and new patterns of income segregation. In this context the focus is upon beginning to identify some of the stylised facts of globalisation and housing system change. Some stylised understandings of how cities and housing are changing is required.

3. Stylised Facts: Places, Land and Housing

Across the OECD and until the start of this millennium the 'city', whether viewed as a broader metropolitan area or a smaller concentrated core of problematic neighbourhoods (the 'inner city') was widely seen as problematic, MacLennan and Norman (2004). Until the middle of the 1990's cities were often characterised as places of economic decline, physical deterioration and concentrated disadvantage. Of course that 'decay' perspective had relevance not just in the North of Britain and the rust belt of the United States, and even in these localities, places of growth always coexisted with localities in decline. In newer, growing economies, some older cities struggled to retain momentum in their economic base as markets and production methods changed. For instance, Melbourne and Toronto (both referred to further below) had significant tracts of decay and abandonment in the city core from the 1960's onwards.

Despite the significance of these places of decline, many core city areas did not decline significantly from 1960 to 2000. In most national systems metropolitan areas actually expanded. Looking across OECD, say, since the 1990's, the typical pattern of national spatial development has involved:

- *Stabilisation and, in some places, re-growth in the household numbers and populations of core cities;* this may reflect physical and service renewal efforts, or the emergence of new city-favouring economic activities, or the persistent influences of clusters and agglomeration economies for some productive, or, more recently, rising fuel (carbon tax) and accessibility costs; the last two decades have witnessed not the predicted 'death of distance' but the reaffirmation of the importance of centrality and accessibility for some key economic activities. In particular, the core cities of nations seem to play significant roles in shaping the images, connections and creativities that underpin successful global competition.
- *Typically the imbalances of growth and decline, manifested in stark and growing contrasts in affluence and poverty, exist within metropolitan areas as much as between them;* there is now no simple association of poverty patterns and metropolitan structure, so that some of the poorest households locate in the core and some in the outer suburbs, and the wealthy are similarly dispersed.
- *The changing composition of immigration flows has also contributed, in these settings, to emergent concentration of visible minorities within metropolitan housing markets.*
- *Significant growth in the population of metropolitan regions as a whole;* although 'edge-city' structures with minimal interaction between core city and outer

metropolitan suburb have developed in some localities, the more general tendency has been for the development of new networks of connections between suburbs and sub-centres across metropolitan regions; emergent metropolitan spatial structures can have impacts on not just residential segregation and the mismatch of employee and employment locations but sprawl has significant environmental effects; these neighbourhood geographies, or spatial structures, impact on overall metropolitan performance.

- *Rising demand with inelastic supply has meant significant increases in real land prices and housing prices and, in consequence, increased 'economic rents' for land and home owners.* Sluggish supply appears to be an inherent feature of housing systems but there are cross-country and cross-period differences in response patterns. These can arise from planning processes, infrastructure shortages and market failures. The broad consequences of these processes are discussed in MacLennan (2008a).
- *As real incomes have grown over the last two decades and demographic patterns and living arrangements altered it is apparent that individuals and households with similar real incomes are expressing quite different lifestyle choices and that involves quite different housing choices.* Planning for housing markets has become more difficult in that period as higher incomes and more diverse preferences unfold. Old, or assumed, associations between income, location and size no longer hold true in any very precise fashion. If economic change has become less certain so also have the housing choices it induces.
- *Metropolitan growth, rising real housing costs, new preferences and the downwards pressures on lower incomes are underpinning new geographies and neighbourhoods of disadvantage and visible minorities.* There are more affluent households with high levels of human capital back in city cores. There are more concentrations of disadvantaged households, some in the city core, some in inner suburbs and some on the edge of metropolitan areas, in the cities of Canada and Australia, and Auckland, than two decades ago. Ethnic separation has been reinforced by higher levels of low income immigration and the slower flow of these rising volumes through lower-status rental housing and into home ownership; the immigration absorption capacities of major cities may have been comprised by changing housing patterns.

Rising house prices, increased concentrations of poorer households in neighbourhoods that hold them back, less rapid absorption of immigrants, growing ethnic separation and the tensions they engender are not minor issues in the modern city. Nor are they simply 'social' but they impact on the capacity of 'place' to attract new human capital as well as nurture its own.

Globalisation is transformative changes for cities and nations. That transformation changes, and is changed by, localised land and place systems. In this view of the world, cities have competences to use and choices to make. They are not simply the slaves of global process. The wages of Auckland workers, to use Freeman's phrase (Freeman, 1995), are not set in Beijing. New Zealand has different resource endowments and comparative advantages. Taxes on mobile capital and levels of public expenditure have not been driven to some lowest competitive level. The work of Sachs (2007) and others shows that it is countries with an effective mix of taxes and spending, rather than some minimal level of provision, that have the highest standards of living. The policy response to competitive pressures required is to fashion the systems and measures that will best meet long term government goals in the competitive context.

The policy challenge for the effective metropolitan area is to understand the complex processes of change involved and to concentrate on fashioning more effective, basic adaptive systems, as well as more detailed specialism's. To make the point somewhat brutally⁸, there are many cities across the advanced economies that have spent much time and money debating the importance of the creative and culture industries, and this can be important. Few of them have, however, looked at the much more basic systems in their city, how the housing, labour and land markets function for instance, We have a penchant for fashion rather than fundamentals in urban policies. We have to get back to the basics of effective governance and management of core systems as well as the dynamics of creativity.

How can we do this? What, in the real world of cities, with economies in 'places' rather than on pinheads, can city development policy do to better embrace the 'land' system. Nations concerned with their competitiveness will have to look to improving business performance and human capital and the causes and consequences of regional imbalances in growth. But they will also require a finer grain spatial focus too. The structures, functioning and outcomes of metropolitan housing and labour markets may have impacts on regional growth; the pattern of neighbourhood outcomes, at an even finer grain, may have salience for the performance of these metropolitan systems.

4. Governance for City Change: Roles and Approaches

Horses for Courses

There has been more than a quarter century of experience of evolving new governance and management arrangements to manage change in existing cities.⁹ These efforts, largely in the form of city partnerships and / or large scale urban renewal corporations or development agencies, first became prominent in the renewal of rundown older areas in the USA and Western Europe in the late 1970's. Since then the variety of places embracing such approaches, and the roles that they have been asked to perform, have proliferated. In Europe, for instance one of the earliest city renewal partnerships, the first of the British urban development corporations, was the Glasgow Eastern Area Renewal (GEAR) initiative established to renew the extraordinarily disadvantaged East End of Glasgow. Over time efforts in that city moved beyond older areas into the renewal of postwar social housing. In England such vehicles have also played key roles in growth management.¹⁰

Renewal and growth vehicles have differed in the range of remit, their spatial specificity (from some very small areas to metropolitan wide action), their duration (from five years to infinity), their functional composition, their leadership and resources. In this section discussion of this variety is abbreviated by focussing on the specifics of the Auckland and

⁸ This comment should not be construed as a criticism of the work of Richard Florida who has contributed important understandings in that area of work. It is however aimed at governments, national and local, that focus attention on such issues whilst ignoring more basic systems with wider economic impacts.

⁹ Indeed the experience of new town development in the 1950's, for instance in the UK and the US also draws attention to the importance of integration of functions, purposive planning and the capture of planning gains in settlement development.

¹⁰ That observation, and the remarks that follow, are largely shaped by UK experience but also by experience in French, Dutch, German and US spatial policies. A short review of how these issues have evolved can be found in Maclennan (2005).

New Zealand contexts. There, the emphasis is on growth management with some growing neighbourhood poverty challenges, the approach involves all national and local government as well as the private sector and there is already well developed collaboration across government departments working in the city- region.

The key challenge for Auckland, as for London, or Edinburgh or Melbourne or Toronto , is to devise a metropolitan region-wide growth coordination vehicle that is also capable of addressing the worst concentrations of income stasis or decline within the region.

What is the Problem: Integration or Redistribution?

Globalisation means not just new patterns of growth and inequality but also intense scrutiny of the use of resources used in public policy. Mobile firms and households make choices about the mix of taxes, rules and services that different places offer them, and this applies nationally and locally. With governments required to address complex cross-sectoral outcomes rather than producing siloed inputs, a re-engineering of how governments deliver change becomes required. That redesign requires not one but three re-integrations in policy-making.

First, the major concerns of governments, such as competitiveness and sustainability, require complementary actions across a whole range of sectors of government action. Whole of government perspectives underpin much of the remaking of 'place' policy in general, and not just 'city' policy. Policies do not join in the abstract but in the context of place. There is a key question of where to join as well as what to join. 'Place' policies are no longer about single sector palliatives. The heart of spatial policy is in coordination and delivery arrangements and not ad hoc special area programmes.

Second, there is a recognition that joined-up actions have to be addressed to the system scales that are most effective. Functional systems do not respect arbitrary formal boundaries. In this context municipal boundaries, or ward boundaries, set in the past or for political reasons, are often no longer appropriate. Formal political domains for action have to be replaced by strategy and delivery vehicles that align with the territories of key functional sectors (the labour market, the housing system etc).

Experience suggests that the modern metropolis requires two levels of action for functional alignment. The big infrastructure, economic development, housing, environment and labour markets operate at the broader metropolitan level. Many of the more local systems of service delivery and the interactions between economic outcomes, social effects and service delivery require a more fine-grain neighbourhood emphasis. In essence the framework for good policy-making for, and within, cities has become not the municipal boundary but the metropolitan region and the structure of neighbourhoods within it.

One response is to call for new municipal boundaries and the reorganisation of government. Either because that is not possible or because change is continuing and new boundaries may only contain systems temporarily, the alternative is to seek new governance partnerships reaching across different local governments and embracing others too. Arguably, the British experience is that governance change has been more effective in changing approaches to city policy than refashioning government boundaries.

Third, and following from the above, governance arrangements for metropolitan management offer, really require, the integration of the work of different orders of government. Arguably, effective management of the growing metropolitan areas of an economy is the key test of the efficacy of a system of multi-order government for modern times.

Some central governments have essentially overwhelmed local government, and autonomy, by their own programmes. However as national governments have progressively recognised the importance of local autonomy (or 'subsidiarity', in EU terms) a variety of systems have been developed to align local choices with national interests. Such measures may be fiscal in nature or they may reflect contingent resource allocations. For instance in the UK major regeneration programmes to fund local change have been contingent on the nature of bids as well as the poverty of places. In Canada, major infrastructure projects, funded from a major change in Federal- Local tax arrangements, have to be set within the framework of local Integrated Sustainable Community Development plans.

However governments also differ in how they interpret the limits of local autonomy, or conversely central or federal responsibility. Many national or Federal governments are clear in their thinking that locally manifested outcomes (the pattern of city sprawl or the number of illiterate children and adults in a place) reflect not just local but wider influences and have national as well as local policy implications. That is, governments recognise the real and significant overlapping interconnections and spillovers between different geographic system scales. In these settings national and Federal governments will seek to influence the mix of local outcomes either through fiscal incentives, conditions on resource allocations and, or, by active partnerships. For instance the ways in which central governments, say in France or the UK, have been able to reach to local levels and align with local actions (often also extensively centrally funded but locally chosen) contrast with the Federal governments in Canada and Australia in recent times. In the Canadian contexts Federal government has largely withdrawn from interest in city and community development, seeing these issues as Provincial or local matters, see Government of Canada (2006).

In New Zealand, the active involvement of the national government in shaping better cities for the future, provides an important opportunity to refashion the governance of 'places' and to create new partnerships for change. The 'place' policy issue, as recognised above, is no longer old style redistribution, (certainly not territorial pork-barrel). It is about integrated action across levels and sectors to achieve big aims of government.

The development of institutions or vehicles that will join actions across policy silos and levels of government creates new challenges for how different potential partners will behave. A particular level of government plays not one but many different roles and in different contexts. There tends to be an assumption that the leadership authority, or all tasks, should sit within a hierarchical framework. So that national government leads everywhere it acts. The new paradigm for 'place' management really requires that assumption to change so that national government may be a funder, regulator, and enabler but they may also simply be a partner. In many local settings leadership might better rest with more local government, with national government partnering for its specific place and outcome interests. This raises issues of the culture and nature of government services. But partnerships are dependent too on the cultures of the private and non-profit sectors also meshing with the complex fabric of government approaches. These issues are probed further below.

Different Roles for Different Governments

Where national or Federal governments maintain an active interest in local change, rather than funding and forgetting, they have to be clear on their roles and strategies for 'local' actions.

In many instances, national governments have taken the lead on metropolitan renewal and management issues, sometimes because they have had the experience and ideas to do so. The experience within the more mature 'place' policy settings of Western Europe suggests that in the longer run, national governments are best to bolster local institutions and capacities and to devolve leadership to the local levels whilst remaining as an active and interested partner.

National governments face a number of important strategic issues in establishing either local partnerships or, as an alternative, some statutory urban development agency. First they have to establish the spatial extent of an initiative, or set of initiatives. The government of New Zealand is currently addressing the key problems for Auckland, and are right to do so. Arguably, however, national government action for Auckland has to be predicated on its strategic view of where Auckland fits into future strategy for New Zealand. Any such strategy applies not just to Auckland but to the other major centres, and their rural hinterlands, in New Zealand as a whole. In Europe, the EU requirement that nations have explicit spatial development strategies has helped countries to focus on the different questions of how and where to prioritise development for the future. If the government is acting now only on Auckland it should in the foreseeable future integrate such actions within a more general strategy of 'place partnership' for the progress of the nation.

Once national governments recognise the scale of the tasks involved they then have to address how to make their local presence. In the 1970's, in the UK, when Urban Development Corporations were established in the English cities they embraced economic, land and environment functions that cut across different Whitehall departments. They did not all, ex post, appear to have integrated these different national policy strands very effectively at the local scale, nor were they renowned for effective partnering with municipalities and or community involvement.

A different approach prevailed in Scotland, for the GEAR project, because the Scottish Office was a department of central government and dealing with Scottish affairs in a relatively integrated fashion. Notably, when urban renewal programmes became really significant in England after the mid-1990's, Whitehall government established and strengthened Regional Offices of government and they have been key to the successful devolution and decentralisation of central government renewal partnership influence in England. Other national measures can strengthen the local understanding and capacity of the central government. In Scotland, Glasgow has been the central (but by no means exclusive) concern in renewal for the last 30 years. Within the Scottish Office, located in Edinburgh, there was through the 1990's a coherent network of civil servants across different departments who had a responsibility to be part of a "Glasgow network". That is, from time to time, quite senior civil servants would sit down to discuss the interface of national policies with Glasgow actions and requirements.

This effort of government to have a strategic view, and a connected set of actions, for the city of Glasgow lasted into the early years of the devolved parliament and was a key device shaping civil service views for involvement in partnerships in the city. At the end of the

1980's, the then Secretary of State for Scotland (Malcolm Rifkind) launched four strategic partnerships, for neighbourhood renewal (one for each of the main cities plus another). He placed as Chairs of these Partnerships his Scottish Office Departmental Secretaries for Industry, Housing, Education and Environment. Cross-partnership cooperation on these issues was, consequently, strong. The Civil Service really learned, at the most senior levels, the challenges of change and integration that the most difficult of neighbourhoods faced. These partnerships evolved over time and became community controlled as they progressed but the experience of early civil service leadership befitted not just the local communities involved but the national governments understandings of what it really was required to do. Would such actions, albeit confined to the most problematic places, be a useful device in the cities of New Zealand?

Local governments in multi-level partnerships also have distinctive roles to play. Where government simply funds a statutory local agency, like the UDC's in England, there may be some local political representation on the agency board. However the success of the corporation in engaging with wider renewal will depend on sophisticated and extensive political negotiation with the patchwork of governments within a metropolitan area. There is merit in having a metropolitan renewal partnership, and even having a UDC as a key delivery vehicle for that partnership, as it allows the capacity for metropolitan leadership to evolve.

Just as the nation requires a vision for its future so too does the metropolitan area. National governments, through funding and partnership arrangements, can induce the localities within a metro region to cooperate. Naturally there is competition between different parts of a metro area for households, employment, tax base and prestige. But the point of the partnership is that localised competition should not be allowed to undermine the collaboration that is required to connect and compete on the wider global stage.

At the metropolitan scale there are three key areas of responsibility for a partnership to develop. First, they have to work towards an agreed vision for metropolitan change. Second, at the macro scale, they have to have coherent actions and plans for the major metro systems of transport, the environment, the housing market, the labour market and land use zoning and planning. Looking around the Pacific Rim it is impressive strategic decision taking at this scale that has underpinned the most competitive of city regions. Third, in shaping these plans they have to fashion and connect to a series of problematic 'place' issues that need linked service and neighbourhood actions for performance improvement. That is, within the metropolitan partnership, or delivery vehicle, there have to be nested a series of more localised but still strategic change shapers.

If there are very small local governments, or, if there are area based non-profits, then they have to be a key focus for the service delivery and neighbourhood management that need to complement metropolitan actions if growth management and low-income renewal objectives are to be pursued. In the past too much neighbourhood renewal has ignored the imperative of fashioning sustainable jobs rather than housing and services. Equally, metro 'economic development' initiatives have ignored the consequences of community actions, social capital in neighbourhoods and improved service provisions. Mobilising social capital, engaging communities and integrating local service delivery is the challenge for most local providers.

Housing market outcomes and housing policies, as noted above influence system outcomes at all these scales. Good social housing management and its linkage to health and education services will be critical in raising human capital in the poorest communities. Good strategic

planning for housing will ensure a more elastic supply of homes in suitable densities that will support competitiveness and environmental goals. Housing has to be in the metropolitan economic thinking and it has been at the forefront of local service delivery too. This also means thinking differently about planning. Metropolitan areas should have land use strategies rather than simply regulatory land use plans. The land strategy needs to be used in a refashioned approach to planning, as embodied in the Barker Review for the UK (Barker, 2006) that links land use regulation, to other instruments for policy and their economic outcomes.

There is little point in taking services and governments out of their silos if land use planners stay in theirs. Different instruments, the recognition of changing demands, the need to balance environmental with social and economic interests should all be part of the land strategy for any metropolitan area. Endless debates about growth boundaries are a sign that a planning culture and a political debate no longer really understand the issues that their cities face.

A new partnership or a new agency for any metropolitan area has to engage with housing and has to modernise its meaning of planning if it is to both compete in global markets and to capture gains for communities. It is important to recognise at the outset that it is, in the main, labour market success and mainstream policies (health, welfare, and education) which often have the greatest transformative effect in poorer places. Property, infrastructure and housing policies may matter more in other localities (in growth areas for instance). It is vital to see the core of spatial or urban management policies (the special spatial dimension) not as extra money for jobs, health, housing, schools etc, but as the coordination, prioritisation and delivery mechanisms to align main sectoral programmes outcomes to meet local challenges.

This is not just about government boundaries, nor about planning boundaries, nor economic development viewed in isolation, but about the purposive design of systems and vehicles to deliver best performing land and housing systems to achieve the big goals.

Building a New Approach

Moving from palliative single sector policies for ‘places’ and away from isolated land use planning to more complex place policies requires at least six major strands of policy reform and capacity development: people, prosperity, prioritisation, planning, partnership, and property. Specifically, these are:

- People policies, set in ‘place’ contexts, that deal with health, education etc,
- Prosperity programmes, that link poorer people neighbourhoods to labour market opportunities, and
- Prioritisation measures that recognise that not everything can be done everywhere and that there may be an efficient sequence in the way places are changed.

These first three issues of people, prosperity and prioritisation policies are not pursued here as the focus of this paper is on land and housing systems. Within that ambit of interest the three key themes are:

- Planning evolved to multi-objective and multi instrument land, market strategy
- Partnership and vehicles developed at metropolitan and local scales, and
- Property (including housing) gains used as a basis for funding and leveraging development.

These three themes are now examined in more detail.

5. Planning, Property and Partnerships

Planning Evolved

The previous section drew extensively on European and UK experience in developing city policy. And it was noted that the UK had recently reviewed the planning process and its relationships to housing market change and economic competitiveness. The Barker Reviews exposed very clearly the disconnections between land-use planning and economic policy thinking at sub-national levels. Whether around London or Edinburgh the growth problems and opportunities that arise from being successful places with tight markets in housing and developable land are all too evident. However in this section of the paper reference is made more to land planning experience in cities with a less cluttered spatial policy landscape. Toronto and Melbourne, for example would be closer parallels to the context of Auckland.

Melbourne is one of the great and well planned cities of the last century. Like Vancouver, it has made a long term series of strategic, well connected and well thought through investments in transport, homes, parks and other cultural infrastructure. They are both cities that work and that consistently rate in any global top ten of city quality. But to visit Melbourne now you would have to listen hard, above the din of protest by citizens and politicians, for any words of comfort to its planners. However it would take little to restore the public's confidence in Melbourne management and for politicians to stop beating themselves up over minimal changes in red tape. Planning delays are not the real issue (nor are they particularly serious) nor indeed is the growth boundary, or Melbourne 2030. Their problem, and it is for Auckland to avoid, was to construct an excellent starting spatial plan and then do little more about urban management. Planning was not linked to 'place' and prosperity policies; it did not evolve from design to delivery.

In the context of Melbourne a number of key difficulties have been:

- The nature and spirit of the strategy for the city were not 'sold' adequately to the public; the public needs to know that new and different choices about how and where to live will be required if Melbourne is to house another million people over the next 20 years. That explanation should have offered new choices in very specific terms and not just a growth boundary; rising land and property prices. Rising fuel prices and looming carbon taxes governments should lead governments to emphasise less their powers of regulation and explain more the kinds of higher density (non-high rise) choices that households can pursue. Governments need to present more comprehensive land management strategies as measures to help people for the future and not to impose enduring boundaries upon them.
- The strength of the initial Melbourne 2030 plan was such that in some circles it became regarded as a blueprint that could not be changed; but such approaches belong in the past of planning and a plan for a city cannot be a fixed target. The land-use plan for any city is not a solution, but it is simply the starting spatial manifestation of the multi-sector land-use strategy that the city should embrace. The worst thing a city can do is not have a land use plan. And the second worst thing is to stick to it come what may. The land use strategy for a metropolis should be a framework to give coherence to government action and more certainty to developers, but it is no more than a statement of initial best intent.

- In a competitive environment, and not neglecting social and environmental aims, the land use plan must be part of the economic strategy statement for a city rather than some isolated and ex cathedra statement about land use; it is primarily market activity, and not government spending, tax incentives and regulatory devices that will shape Melbourne by 2030. Land use strategies need to be continually strategically revised - after listening to communities and industry, considering the hard evidence, and taking the learnings from implementation.
- At the same time those who desire ‘more speed and certainty in planning’ , or even no planning at all, simply fail to understand the world we now have to plan for! It would be folly to simply disregard the future, eschew strategic behaviour and allow waves of short term development thinking to dominate the future shape of the city. There are important and demonstrable market failures in the ways in which land is assembled and developed and in developing a changing mix and types of housing to meet demands arising from changing incomes and tastes. Cities can suffer from a tyranny of small decisions. And they equally suffer from small minds that extrapolate the past.
- Victoria has a significant land value gain capture vehicle in Vicurban, see further below, but there is no coherent understanding of the economics of gain capture and how it might be used more widely in the land planning system for the state; potentially major opportunities to reduce dependence on taxation of sales and incomes are being lost by the neglect of gain capture and inclusionary zoning considerations.
- Melbourne’s problem, that with its still outstanding successes it can quickly rectify, is to move sharply from “The Plan” to a spatial development framework with better prioritisation, governance and delivery arrangements.

The lessons for Auckland in land strategy substance, the development of a delivery framework substance and presentation are all too evident.

Partnerships and Vehicles For Change

The previous section of the paper stressed how important ‘place’ policies, and partnerships and delivery vehicles, had become in better integration of city policy actions. European experience suggests that for partnerships to be acceptable to local stakeholders that it is also desirable to have a

- A commitment to private sector involvement in visioning and governance as well as delivery
- The presence of ‘community’ representatives on key partnership boards
- The development of local, often not-for-profit, delivery vehicles.

It was also emphasised that ‘two-level’ partnership or action structures required active local delivery vehicles. In creating a new framework for Auckland government may simply create a new partnership, extended in the ways suggested here, and then rely on existing delivery vehicles. A more appropriate approach may be to create a high level, metro-region wide partnership of all the strategically relevant sectors and players to set a strategic vision and programme for the area. Aside from the integration the activities of individual partners the Metro Partnership would also fashion two kinds, or scales, of delivery vehicle. The first would be a single metropolitan-wide economy-land-environment-housing-infrastructure entity. The second would be a mix of more locally oriented non-profits and urban renewal companies commissioned to address the issues specific smaller localities.

A metropolitan wide strategic development entity should have at least six desirable features

- Its core objectives and purpose would be to progress big outcomes concerned with metro competitiveness, sustainability and cohesion
- It should be the top level economic development strategy entity for the region
- Economic development strategy should embrace innovation, business development, training and skills, but also land strategy and management
- In the area of land policy it should have the power to assemble land and either control or have a key influence on plan making across local boundaries
- It should have the aim and power to capture development values and where possible the ability to raise large scale long term funding
- The Urban Development Agency (UDA) should have transparency and accountability

The ownership of the UDA is an important issue. In the UK the most powerful Agency option is the New Town Corporation or Urban Development Corporation (UDC). However there is also much merit in considering the UDA as being owned by the metro-region partnership rather than central government.

At more local scales both non-profit housing entities with stronger management and wider remits than are typical in Australasia may be required as well as Urban Renewal Companies to deal with other specific local issues that are not housing based.

This sense of ‘creative’, multi-sectoral, two-level (but nested) delivery of city change is not apparent in present approaches to urban management for Auckland, nor indeed Melbourne. In Scotland, for instance, the major Cities have all had high profile and active partnerships that have formed a locus for local government (now the partnership leaders) to align decisions with key sectors (the private sector, not-for-profits, universities etc) as well as the key agencies and Departments of Scottish level government.. Smaller, regional towns also had (appropriately scoped) partnerships. And the Scottish government previously had an agency responsible for supporting neighbourhood partnerships, funding community learning and community economic development programmes as well as housing renewal. That responsibility (in 2008) has now passed, with experience to local authorities.

There are important issues in creating effective partnerships (leadership, staffing, culture change, resource incentives etc) but these are second order considerations in this discussion.

Extracting Gains

In the major economies of Western Europe, with large non-market housing sectors, as much as a quarter of new affordable housing provision is put in place without government subsidy expenditures. In some instances this arises from existing non-profits with large existing asset bases providing units that are cross-subsidised from their own stock (or in some ways past government expenditures are recycled). But significant volumes of affordable rental homes and low cost home ownership are now provided through the extraction of planning gain, often simultaneously promoting income and age mixes within new housing developments.

In London, for instance, since 2000 the Mayor’s Office have required that 50 percent of homes on city sites are ‘affordable’ and non-profits have been much involved with private developers in achieving these goals. In other rising housing markets such as Edinburgh, gains have been extracted in some locations of the city but not in others. Gain extraction has been significant but patchy. In Australia the existence of significant State land renewal companies has also provide some affordable homes.

Vicurban is an excellent example of the potential of such a company. However to the middle of this decade the State have given Vicurban limited roles in land assembly and renewal and though outstanding, the remaking of Melbourne's docklands has had a limited impact in the priority areas for change and development outside of the city centre. In broad terms the thrust of activity has been to raise resources for the State Treasury rather than promote affordable housing partnerships with 'not-for-profits', though there is now scope for this to change. The basic working philosophy of the Australian companies essentially underpinned the development of English Partnerships, but with all gains recaptured being recycled back into land and homes, which has had an outstanding few years in the volume and variety of low cost home ownership that it have produced in a raft of effective partnerships. Brisbane is, arguably, now leading the way in pursuing these methods in city development in the southern hemisphere. Of course, inclusionary zoning, is a widely practised planning technique in the USA though it remains remarkably little used in Canada.

It can be argued ,in principle, that using gain capture, either from general land value uplifts or from the implementation of infrastructure or renewal programmes, is a less efficient form of gain capture than taxing property value uplifts,. However few governments have the appetite for taxing either land or housing in line with basic economic principles. With no general land or housing gain tax then extracting planning and development gain has some merit, it focuses on those who earn significant economic rents. And, of course, it is right in principle that gain capture should not necessarily be earmarked for housing. The reality of urban housing markets however is that housing shortages are pervasive, so earmarked gain capture has wide appeal.

The issue then arises as to how best capture gain within a metropolitan area. The problem of capture via the standard planning process runs into two difficulties. First, if there is more than one planning authority within the metropolitan area there is scope for differences in competences or policies leading to different 'development tax' rates. Second, planners have a range of professional skills but bargaining is not necessarily one of them, nor indeed has been knowledge of land market trading values. It makes sense, in a metropolitan area such as Auckland, to have a single entity with specialised staff to take a lead role in extracting the land value gains from major projects. That entity could be either a freestanding 'company' as in the Australian model or it could be a significant division of an urban development corporation.

Either the land renewal company model or a UDC, allied to revitalised local 'not-for-profits', could make a great difference to the capture of growth gains for Auckland. They have the capacity to address housing affordability issues and neighbourhood income segregation in ways that a policy that ignores land gains will simply waste tax revenue raised from business and citizens by deft capture of planning gain.

6. New Zealand: Facing the Global Challenge for Cities

This paper started from concern with a specific sector, housing, and with a local focus. That local focus was not adopted ,to use small issues, but to argue for wider frameworks of city policy action to influence the bigger ambitions of competitiveness, sustainability and cohesion. The paper has tried to make the case that better metro-city performance on these goals comes from integrations of understandings, strategies and actions. The difficult issues

that cities now face lie well beyond the divided agendas and capacities of typical economic development strategies, city planning and service and tax policy.

City region strategies need the synergies of all of these activities if they are to succeed. There needs to be internal connection and flexibility to cope with externally driven transformative change. The really dominant success factors for cities lie in the capacity to adapt core competences to capture or adjust to change driven from elsewhere. How cities react and are flexible is generally more significant than how they lead innovation.

The Government of New Zealand has recently announced important, modern housing policy measures. The prospect of urban development agencies has been raised. Developing that policy confronts the government with a number of challenges.

- Are major new urban initiatives part of a broader national spatial development strategy or focused on a more limited number of places, and if so why and for how long?
- What kinds of geographies should new development partnerships have?
- Should metropolitan development partnerships be created?
- How can they be created effectively?
- Should they, or the government, 'own' the development vehicles?
- Can a 'super-economy-environment-social' agent operate metropolitan wide with more local partnerships?
- What capacities do non-profits and communities have to have to be effective in these new arrangements?
- What new roles and cultures does each level of government have to develop?
- Can land and housing policy be better linked to economic development and, above all, can land value gains be better captured to address difficulties?
- Can New Zealand devise models whereby the unearned gains from globalisation address the unsought inequalities?

The actions are local, the challenges are global.

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