

**Debating
Institutions
and Cities**

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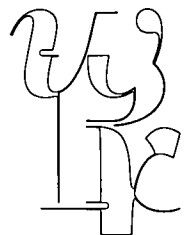
Proceedings of the
Anglo-Dutch Conference
on Urban Regeneration

1992

A.M.J. Kreukels and
W.G.M. Salet (eds.)

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Note from the editors

This volume contains the revised texts of lectures given at the plenary meetings of the Anglo-Dutch Conference on Urban Regeneration (24/25 March, 1992). Brief impressions of the leading topics that emerged in the discussions are also provided. The presentations by the British model project teams (given on the afternoon of the second day) have not been included.

Our aim in publishing the contributions is to make them available to a wider international audience. We hope that they convey the enthusiasm and inspiration that was shared by the participants in this conference.

A.M.J. Kreukels
W.G.M. Salet

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Preface

F.W. Rutten*

On 24 and 25 March 1992 the Anglo-Dutch Conference on Urban Regeneration was held in The Hague and organised by the British Embassy in the Netherlands and the Netherlands Scientific Council for Government Policy (WRR). Mr. R.F.M. Lubbers, Prime Minister of the Netherlands and Rt. Hon Michael Heseltine MP, Secretary of State for the Environment in Great Britain recommended the conference as members of the Honorary Committee.

At the conference tribute was paid to the importance of metropolitan regions in international economic and social relations. In addition to their major role within national economies, they have a nodal function in international networks as transfer points for goods, services and information. It is of vital national importance that metropolitan regions (and within them the core cities) are able to fulfil that nodal function effectively.

The main focus of this bilateral conference was on the changing relationship between public and private sectors on the urban scene. The programme covered a broad field of urban perspectives in the United Kingdom and the Netherlands, including economic and social policies, urban amenities (such as education and employment) and the financial and administrative role of cities.

British urban policy exhibits great dynamism. Many British cities have developed a new resilience in the eighties. The British government made concrete efforts to ensure that the economic revival was based on urban regeneration. The extensive Inner City Initiatives (*Action for Cities*) of 1987 and the recent programme *City Challenge* illustrate the dynamism of British urban politics.

The institutional context in which urban policy takes shape in Britain differs widely from that in the Netherlands and other countries in Europe. This is probably the main reason for focusing on the experience in Britain. One characteristic of the political and social system in Britain is that it provides far greater scope for abrupt swings in policy than is possible in the Netherlands, where, politically speaking, there is a tendency to seek common ground. As new developments in Britain are less 'filtered' than in the Netherlands, they serve to accentuate trends which are taking place at a far slower pace in the rest of Europe.

The point of reference for Dutch policies and prospects was found in the government programmes which have been developed in recent years (for example the 'Fourth Report on National Physical Planning' and the Programme on Urban Renewal). Special attention was paid to the recent Report to the Government by the Netherlands Scientific Council for Government Policy (WRR) *Institutions and Cities*. This report contains a comprehensive analysis of the economic, social and institutional position of the cities. The most important conclusion of the report is that centralized institutional structures do not provide sufficient incentive for the public and private sectors to invest in their own urban areas. The Report therefore advocates greater independence for cities, in particular where finances are concerned.

*] Professor Dr. F.W. Rutten is Chairman of the Netherlands Scientific Council for Government Policy.

A large group of academics, urban experts and businessmen from both countries participated in the conference. Not least thanks to the inspiring chairmanship of Professor A. van der Zwan and, on the second day, of Professor V. Hausner, the conference resulted in a particularly fruitful exchange of views between the participants. It gives me great pleasure to report that, as a direct result of the conference, a group of local government councillors and urban experts have already paid a very useful working visit to Birmingham, Sheffield, Manchester and Glasgow.

Review of the Anglo Dutch Conference



Fragmentation and order in the urban landscape

2

A.M.J. Kreukels and W.G.M. Salet*

2.1 Introduction

At the bilateral conference on 'Institutions and Cities' participants from Britain and the Netherlands discussed the development of metropolitan areas. The choice of a bilateral forum implicated a relatively narrow international horizon. An advantage, however, was that the narrow focus allowed a comprehensive examination of urban development in both countries. Attention was devoted to the economic and social perspectives in the cities, to the significance of urban amenities such as education, health care and employment services and to financial and administrative organization. This comprehensive formula could well provide a model for the study of urban development and policy in other countries.

In this review we shall first deal with a number of international trends which are proving a challenge for urban areas in general. We shall then examine the solutions with which the Netherlands and Britain have sought to stop the erosion of what was in the past the strategic position of large cities in society. We shall focus on the main issues involved and on innovations in the institutional context of urban development. We shall then assess the pros and cons of the new position of big cities in both countries. The review ends with a number of questions which arose at the conference and which will probably be on political and research agendas in the near future.

2.2 The new context of international urban development

Until the 1960s urban areas in most western countries were the natural nerve centres of society. Following a long period of urban growth, they had become a breeding ground for all manner of specialised economic and social activities and there was usually a heavy concentration of such specializations in the cities. As a result, the metropolitan areas found themselves at the centre of national and international communications networks.

While the metropolitan areas still have the potential to fulfil many of these functions, their position has in fact become far more fragmented and diffuse. The central position of cities in national and international developments is no longer self-evident. What was previously a matter of course is now perceived as a challenge. In practice there are now considerable differences in the positions of the various urban areas and some are even lagging behind in terms of development.

The change in the position of the metropolitan areas over the last 25 years has been described at great length in the literature and we shall therefore limit ourselves to a number of universal trends which have taken place in all western countries.

Professor A.M.J. Kreukels is a member and Mr. W.G.M. Salet a member of staff of the Netherlands Scientific Council for Government Policy (WRR). Mr. Kreukels is professor of Urban and Regional Planning at the University of Utrecht and, as a member of the WRR, he was chairman of the 'Institutions and Cities' project. Mr. Salet was responsible for the coordination of the project.

- a. The first category of changes is the result of the metamorphosis of the world economy. The processes of internationalization and structural reform in the pattern of economic activity have led to considerable changes in conditions in cities. Traditional economic activity had often been based in urban areas, as were new forms of economic activity, but to a lesser degree. This led to competition, not only between the cities themselves but increasingly between cities and their surrounding areas and what was formerly their 'Hinterland'.
- b. The second category of conditions which changed were those relating to the social profile of the cities. The growing mobility of the population has put most western cities under considerable pressure from migration. A distinction must be made here between domestic and foreign migration, but in both cases the change in the structure of the population is of a one-sided nature. This has resulted in many cities in the West now having a relatively weak social structure with large numbers of people who are unable to support themselves properly.
- c. The third category concerns the increasing physical spread of human activities. Commercial activities and the inhabitants of cities are spreading over increasingly large areas, so much so that in a number of cities the population has dropped by half. In Dutch cities the exodus of residents has been stopped but activities and people have nevertheless spread over far larger areas. This is a trend which is taking place in all western countries.

If we examine the scope for influencing the above trends through urban policy, it is clear that we are dealing primarily with external factors which can structurally alter the position of cities, but which, in the main, do not have their origins in a local context. Cities are located in a force field which imposes external conditions on their position. Although their position is thus largely predetermined, the effects of external conditions, which force cities to adapt and innovate, can be dealt with in various ways. This means that each city can develop and grow in its own particular way and would explain why cities subject to the same external conditions are in practice very different.

The institutional conditions in metropolitan areas are also undergoing considerable change. In almost all western countries the national government played a leading role in the organization of the postwar welfare state. This national tradition is now being eroded. National governments are engaged in a simultaneous process of both further centralization and decentralization such as has already taken place in the private sector. There is an extra dimension for the European countries in the form of proposals to create a new level of administration at European level.

Great Britain and the Netherlands are lagging behind on decentralization. In Scandinavia and countries such as Spain, Portugal and France, decentralization is taking place considerably faster. The national level is no longer the obvious point of departure for policy. In addition to these changes at government level, there are also more far-reaching changes taking place in the relationship between the public and private sectors. The traditional allocation of responsibility and policy tasks is being fundamentally reviewed in a large number of countries. The dominant role traditionally played by the government is gradually being handed over to the private sector. In this respect the United Kingdom is leading the field.

These were the developments underlying the discussions on British and Dutch urban policy. The conference dealt with the subject of what changes and innovations in urban policy have been implemented in response to the above-mentioned conditions. The consequences of the reallocation of responsibilities for urban development and the opportunities thus provided for interaction between the public and private sectors at urban level was also examined.

2.3 The framework for urban policy in the United Kingdom

During the past 15 years British urban policy has undergone turbulent development that has been closely related to changes in the political and social climate. If one is to understand the context in which urban development takes place, it is not sufficient merely to assess various specific urban programmes. We first have to review a number of structural variables which affect the ability of metropolitan areas to take action, before looking at the development of specific urban policy.

2.3.1 General policy conditions for cities in the United Kingdom

The primary effect of 1980s British government policy on urban development was an economic restructuring. Remarkably, the Conservative government put a great deal of effort into creating policy which would allow the cities to be part of, to re-enter and to stimulate the national economy. The economic recovery of the cities was seen as a precondition for the recovery of the national economy. As we shall explain later, the government's aim was a 'coalition' with the local private sector. In most cities Labour's socially-oriented policy was set aside. It was, however, expected that reinforcing the economic basis in the cities would stimulate the social aspects of local policy. In most cases problem areas were designated for economic revitalization.

The economic policy of the 1980s simply left obsolete sectors of industry to the workings of the market and stimulated promising new areas of economic activity. This market-oriented approach considerably accelerated the process of modernization taking place in the British economy. This was quite obvious in the prosperous South but also, remarkably, in many cities and even in peripheral regions. However, this policy also created new contradictions, with the gap between successful and less successful businesses widening even within the same sector (this was often related to their geographical location), as Parkinson clearly explains. Considerably less attention was paid at national level to social policy during this period with the social safety net being undermined in many respects. The results of this were felt most keenly in the large cities.

Another structural trend in the 1980s was the privatization of state-owned corporations, in particular public utilities. This led to economic growth in various facilities and to accelerated urban development. While the wave of privatization was seen by some as an incentive for new policy, local authorities were not given the opportunity to impose their own standards on the privatization process. As a result the standard of service provided by public utilities dropped in a number of cities (see Goddard and Stewart).

The degree to which cities are able to respond to changing circumstances is largely determined by the financial position of the local administration. There is probably no other factor which determines to such an extent the degree of local autonomy and the possibility of independent policy decisions being taken at local level. In the 1980s the British government sought to substantially increase the financial accountability of the local authorities, but did not succeed in doing so effectively. After the failure of the poll tax, a politically opportunistic and even more centralised solution was chosen. Stewart provides an apt description and analysis of this development.

2.3.2 Specific urban policy in the United Kingdom

There were three periods in urban policy programmes, each distinguished by new coalitions between the policy actors. The first period (1975-1979) included the 1977 Labour white paper entitled 'Policy for the Inner Cities' which provided the initial impetus for a comprehensive policy aimed at improving the

position of the big cities. For the first time a policy track for urban development was created in which social and economic policy themes were dealt with in an integrated manner. The backbone of this policy programme was the close coalition (including in a political sense) between central and local government. The private sector was not yet in the picture at all. In fact, urban policy consisted of a series of government schemes through which funding was channelled from central government to the local authorities and a number of quangos. The 'urban programme', which is still in existence, is the most striking urban policy instrument of this period.

The second period (1980-1986) commenced after the Conservatives came to power in 1979. They entrusted the spending of central government grants less and less to those in charge of the prevailing local social and political policy. After public disturbances in some inner cities, Michael Heseltine launched new policy programmes which took no account of municipal councils and other local institutions. Urban policy was given a distinctly economic emphasis. During this period a new coalition between central government and the private sector came into being, with urban policy becoming polarised. In a short time a series of new policy initiatives was tabled which were aimed directly at the private sector (free enterprise zones, city grants etc.). In many cases special organizations were created to develop special activities. Examples include the Urban Development Corporations, the City Task Forces and the Coordination Action Teams. This provided strong impetus from outside for urban development and made institutional relationships extremely complex.

The third period (1987-1992) came after the Conservative's position had been reinforced by the elections in 1987. The recovery of the urban economy had become a subject of national debate and urban policy was coordinated by the Prime Minister, Mrs. Thatcher. The policy programme 'Action for Cities' was aimed not so much at innovating urban policy as at extending existing initiatives to a large number of cities, while at the same time broadening and deepening this policy. For example, the Department of Trade and Industry was given a new coordinating role. In the meanwhile, however, conditions in the cities had changed considerably and a new coalition had gained the upper hand. What was inconceivable in 1980 was becoming quite normal in a growing number of cities: municipal councils were taking responsibility for stimulating the local economy and the business sector was cooperating closely with local authorities. In a large number of cities this led to a new coalition between local businesses and the local authorities. This local cooperation put those involved in a strong negotiating position in relation to central policy-makers which often resulted in adjustments to central policy frameworks. The 'City Challenge' policy programme emphasised this transition (see Jenkins). While in the original urban programmes central government bombarded the cities with new organizational forms, account was now taken of local cooperative frameworks.

It was thus only after two periods of polarization, in which first the private sector and then the local authorities were ignored, that a good basis for stable cooperation between the two was created. During the past five years an extensive network of public and private sector cooperation has been created in which development corporations and investment companies also play an active role (see Turlik and Aldridge). The close cooperation between the public and private sectors which has now taken root in many British cities can serve as an example for most urban areas in other European countries.

2.4 Framework for urban policy in the Netherlands

2.4.1 General policy conditions for Dutch cities

Urban development takes place in an even more centralised framework in the Netherlands than in the UK. Policy in the Netherlands does not differ to any significant extent from one municipality to another. The most important conditions determining economic and social development are set centrally and considerable care is taken to ensure that the principle of equality is adhered to in their application.

This centralised system means that few options are available at local level as regards the quantity and quality of facilities. As in the UK, there are a great many detailed rules, laid down centrally, concerning the running of and access to facilities. There are nevertheless considerable differences between the two countries. In Britain the trend towards further detailed centralization has been accompanied by privatization, both of public utilities (gas, electricity etc.) and social infrastructure (such as education and housing). In the Netherlands, however, privatization has not taken place on a large scale. What can be discerned in the Netherlands is a new trend towards delegation to lower tiers of government or to quangos, particularly with respect to the implementation of central policy. At present this decentralization is taking place at the instigation of the central decision-makers. At the level of individual towns and cities there are still remarkably few options available for the development of an individual profile. This subject is discussed effectively in In 't Veld's contribution on education and employment policy.

The Dutch system of funding is highly centralised. Municipalities have to raise only 10% of their income themselves. The need to increase this percentage is gradually being recognised but any attempt to do so would soon face opposition as a result of established patterns of behaviour, as has been seen in a number of European countries, not least in the UK. In Britain attempts at decentralization eventually resulted in greater centralization, an unexpected and contrary outcome which can only partially be attributed to the ill-conceived community charge, or poll tax. Given the centralised system in the Netherlands and the need for more financial responsibility at local level, it will be impossible to avoid the difficult choices financial decentralization will entail for much longer. For more on this subject, the reader is referred to Mrs. Stuiveling's contribution.

2.4.2 Specific urban policy in the Netherlands

The Netherlands occupies an unusual position as regards the national government's policy on the cities. In the mid-1970s an extremely forceful urban renewal policy was initiated which was pursued with equal conviction throughout the 1980s and will, according to recent policy proposals, continue unabated in the 1990s. Current plans are to end the policy in ten years' time. What is remarkable about this policy is not only its scope (relatively speaking, it is much more comprehensive than the equivalent programme in the UK) but also the fact that – unlike that in Britain – it has largely retained its original, social aims. Urban renewal in the Netherlands is still associated with run-down neighbourhoods and is primarily concerned with public housing and the environment in which people live.

To complement these priorities of urban renewal a second set of policies was developed in the 1980s in physical planning to emphasise in particular the physical development function of towns and cities (and within this framework of physical planning also the function of economic development). The Fourth Physical Planning Policy Document explicitly acknowledged the strategic

importance of urban centres in linking the national economy with international developments. Urban locations which fitted in with the plans of the major cities were designated for major economic development projects. The plans were given partial financial support by central government.

There is no intensive cooperation between the private and public sectors in Dutch metropolitan areas, though cooperative ventures between municipalities and project developers do sometimes take place. In the Rotterdam region a provisional consultative structure has also been set up and, nationwide, there are a number of organizations concerned with particular aspects of the economy, such as the Regional Institutes for Public Employment Service (RBA's). However, regional cooperation and development corporations such as those that have acted as a driving force in England, and even more in Wales, Northern Ireland and Scotland over the last decade simply do not exist in the Netherlands.

A recent development is the government's plan to increase investment in urban infrastructure. Considerable ground has been lost in the last fifteen years in this area (see the contributions of the State Secretary for Economic Affairs, Ms. Van Rooy, and of Van Soetekouw). The plans of the Ministry of Economic Affairs and the Ministry of Finance to allocate resources from gas profits to rectify this situation in the second half of the 1990s can be seen as an important breakthrough, although the initial sums concerned are unlikely to be targeted exclusively at the major cities.

2.5 Balance

It will be clear by now that the institutional contexts of the two countries differ considerably and it is therefore impossible simply to compare examples. However, it should also be evident that reactions to external threats to metropolitan areas are also very different. The differences are evident in the attitudes of both policy-makers at national level and the private and public sectors at local level.

As regards national policy, by European standards neither leads the field in the international trend towards decentralization, although there is a high level of centralization in both countries. Where decentralization has taken place, the direction is different in each country. In Britain, central government in the first instance links itself directly with the private sector. In the Netherlands decentralization is still regarded as the delegation of executive responsibility to lower tiers of government and quangos. In both countries financial centralization and central guidelines on facilities hinder local authorities' attempts to develop appropriate responses to outside threats. Local autonomy is seriously undermined.

There are considerable differences between the Netherlands and the UK where national urban policy is concerned. It is striking that the problem of inner cities is a clear part of national policy in Britain, where the last fifteen years have brought recognition of the importance of the economic position of urban areas to the national economy. Only the future can tell whether the attention the subject is currently receiving will be a permanent feature of policy, but it cannot be denied that in the 1980s the issue did become a national one.

It is against this background that the British government has developed a supra-sectoral urban programme in which a number of government departments are involved and which, in 1988, when the programme was at its height, was headed by the Prime Minister. The goal of economic revitalization has eclipsed other objectives in the British urban policy programme. For example, the programmes of the Department of the Environment have been increas-

ingly placed in an economic context. In addition, other departments became involved in the economic revitalization of the cities; the Treasury, for instance, introduced special tax allowances in free enterprise zones. The Department of Trade and Industry, the Department of Employment and the Department of Education and Science also played a part. Most set up special offices in the cities. In short, the British government committed itself to the cities.

In the Netherlands there is no such supra-sectoral government commitment to the future of the cities. The socially-oriented urban renewal policy is, after fifteen years, still by far the most important programme. Only recently did the new urban locations development policy get off the ground but it has already been made subject to stricter environmental targets. Towns and cities in the Netherlands are not yet fully recognised as potential sources of national prosperity and the Ministry of Economic Affairs is conspicuous by its absence from the field of Dutch urban policy. This situation may improve in the late 1990s when gas profits are invested in the infrastructure. The Ministry of Finance and the Ministry of Education and Science have equally failed to find any meaningful role for themselves in recent years in urban regeneration.

At local level, again there is close cooperation in British cities between the private and public sectors, though it has been a long time in coming. Cooperation is not restricted to special status projects but has become a regular feature of general local policy development in most places. In some instances the contribution of the private sector has even been given too much prominence. In the period of economic growth this sometimes resulted in explosive property development activities while during the recent recession it has put an additional brake on urban development. If left too much to its own devices the private sector cannot provide a stable basis for sustainable development. The London docklands are a good example of this vulnerability.

In the Netherlands there has not yet been any experimentation with urban areas as 'entrepreneurial cities', with the exception of Rotterdam, where the focus has largely been on real estate and infrastructure. Unlike in smaller towns, there is inadequate cooperation between the public and private sectors. Expectations and policy attitudes continue to be determined primarily by the opportunities created by central government. The mainstream programmes of the government are predominantly social; they are not concerned with development. In this context, Dutch cities have been given little incentive to counteract the weakening of their position.

Protected by the cloak of national policies, the social policy climate in Dutch cities continues to be much more favourable than in comparable cities in other countries. It is therefore not surprising that the British participants at the conference were most impressed by the high level of social provision in Dutch cities. By the same token, the Dutch participants stressed the need to increase the economic strength of the cities and to create more scope for market incentives.

2.6 Conclusion

By way of conclusion we might sum up the most important questions raised at the conference which are expected to feature on the political agenda in the years ahead.

1. Both the British and Dutch participants provided conclusive arguments for the need for further decentralization. In doing so they also devoted attention to the different roads decentralization has taken so far in the two countries (privatization in the UK and delegation of authority in the Netherlands). There was general agreement that in both countries central government still retains too much initiative as regards decentralization.

In practice, however, a strategy of fundamental decentralization faces considerable opposition. The problems as far as financial decentralization is concerned, for example, are legendary. Even advocates of decentralization are hesitant about introducing it consistently across the board. Parkinson mentions that there are bound to be winners and losers. Goddard fears that if local communities have to find their own way in a decentralised world, they are more likely to get what they deserve rather than what they actually need. Stewart and In 't Veld also advocate increased local autonomy while expressing some concern about local differences in the provision of facilities.

This mirrors a conflict of principles. The principle of equality and the principle of local autonomy are all too likely to collide. Different conditions, different opportunities and, not least, different choices can, in a decentralised context, lead only to different results. The delegation of authority therefore not only increases the possibility of 'local choice' but also that of 'local risk'. Local differentiation is not a mistake but rather the logical consequence of local autonomy and should be seen as a positive attribute. It is also an incentive to local actors to assume responsibility themselves.

At the same time, this debate makes it clear that local autonomy cannot be an absolute principle; it is subject to limitations. The limitations will have to be fixed anew for certain kinds of activity. Now that responsibility at the centre and the central organization of the welfare state have foundered, such relations must be redefined. It is crucial that this be done from the bottom up. It will be possible to shift the emphasis, particularly with regard to the many activities concerned with allocation, to the local level. As regards distributive policy, an increase in centrally-imposed conditions is to be expected.

2. Giving greater prominence to the process of decentralization does not detract from the fact that responsibility must be accepted at central level for the development of towns and cities. The activities concerned are largely those of promotion and development where national and international interests are at stake (culture, infrastructure, education and technology), but also include national programmes to support local authorities on the road to greater independence. To break through the vicious circles in local communities, many of which would at present be unable to stand on their own feet, support programmes are indispensable. Unlike in the past, however, such central support is not intended to cover up local inequalities; it should be seen more as a kind of 'development assistance' with the aim of facilitating greater independence.
3. One of the most radical developments in the institutional context of urban development is the transfer of policy tasks and responsibilities from the government to the private sector. Such transfers are taking place in all public utilities (gas, electricity etc.) and all public services (education, health and so on). The role of the government in this regard will evolve from traditional 'government' to 'governance' (see Goddard and other contributors).

This fundamental redeployment process can take many different forms and may involve a number of intermediate stages; it may regress before it can progress. In other words, it is difficult to subject to model analysis. What is already becoming clear in both countries is that the dominant trend is for the conditions for this process to be determined at national level. There are good reasons for the rough outlines to be established at this level, and possibly even at international level. However, increasing local autonomy and diversity mean that there is an urgent need for the necessary differentiation to be drawn up at local level. This fundamental requirement is not being met either in the UK or in the Netherlands.

4. As in many other countries, the question of (sub)regional administration is again the subject of debate in both the UK and the Netherlands. The dilemma faced here is that though new regional institutions – in all their diversity – have the greatest chance of success and social effectiveness if they have been established from the bottom up, local communities have generally developed insufficient autonomous power to give substance to such a process.

As a result, there is a risk that new (sub)regional structures will be able to serve as no more than a basis for the debunking of national bureaucracy because they are insufficiently in tune with local practices. Regionalization is thus not the same as decentralization. If regional structures are to be put in place successfully it is essential that fundamental decentralization should first have taken place. The various regional options then available would be based on the resulting decentralised structures. In this regard, after the oscillations of the last fifteen years, the institutional context of the metropolitan areas in the UK is generally more vital than in the Netherlands. In Britain too, central government retains too much control but the local publicprivate network in a number of places is now in a strong position to take over the initiative.

5. One of the most interesting questions to be raised during the conference concerned institutional responsibility for urban development in the future. The urban landscape has been fragmented. The institutional decomposition comprises both regional and local components. Quasi-autonomous agencies (often with a single purpose) have been created. The autonomy of non-profit-making organizations has increased. The private sector too is demanding a role in urban development. There is an enormous variety of horizontal contracts between organizations. It was against this background that the question was raised of where responsibility for the coordination and integration of these various facets should lie.

However, before addressing this question, there are other fundamental questions which should be answered. Is an urban polyarchy necessarily a bad thing? Is it conceivable or desirable that the above-mentioned strands should be bound together at a single point? Is not the very existence of overlapping 'disorder' an important precursor for innovation and creativity?

The exciting thing about these questions is that the answers cannot be coordinated. They will rather be tested out in the near future, in many different places, under widely divergent conditions and in a variety of guises, in the laboratory of urban practice.

The politics of urban regeneration



Y.C.M.T. van Rooy*

3.1 Introduction

I was very pleased to accept the invitation to address this conference. I am delighted with the renewed attention being given to cities. That fact also emerges clearly from the report by the Dutch Scientific Council for Government Policy, entitled 'Van de Stad en de Rand' – Institutions and Cities, you might say in English. International developments are becoming increasingly important factors determining the position of urban regions. That is also why I place great value on the fact that this conference has been jointly organized by the Dutch Scientific Council for Government Policy and the British Embassy. We can and must learn a lot from one another. That is precisely where the 'added value' lies of a conference such as this.

I consider the invitation to address you a recognition of the importance of economic factors. I will try to share with you some views on urban regeneration as seen from the economic angle and – given my position – the role of the central government to stimulate this process. The predominant factor when it comes to strengthening the location climate is the supply of public services. By that, I mean not only the physical infrastructure, but also the supply of education and training, research and development – the technological infrastructure. Then there is the quality of decision making and administration, which I see as forming part of the economic-administrative infrastructure. Both central government and local authorities in the urban areas are facing a complex set of problems. Public services can only be successfully improved by means of an integrated policy. It is impossible for the various individual components to operate as if they were totally independent of one another. International developments are compelling regions to stand increasingly on their own feet to function. The urban areas have an important responsibility of their own to ensure an effective working environment. But that does not alter the fact that the central government retains an important measure of responsibility.

The public service cannot do the job by itself, but it needs the market. In many cases, investment in the infrastructure (and other components of the supply of public services) is only possible in public-private partnership. In addition, the government must listen to the market even more closely – develop a greater sensitivity to the needs of the market. The policy should be one of accommodation: not directing but creating suitable conditions. Greater involvement of the market, coordination between different administrative levels: that means a growing importance of networks – networks both formal and informal.

I have started off rather abruptly, presenting a number of concepts. In the course of my presentation I want to make some observations on the following subjects:

1. the quality of the supply of public services is the decisive factor in the international competitive struggle. If we don't invest heavily now, we will lose that struggle;
2. improving the quality of decision-making process and speeding up decision-making is vital. Without drastic measures we will become bogged down in a web of procedures and circular reassessments;

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3. we as government need a trend break in our thinking about the role of the private sector. Not only when making plans, but also when implementing them, the government must have the courage to move together with the private sector in word and deed.

I shall look in detail at each of these propositions one by one. But I want to start by outlining the international context which determines more and more the position of urban areas.

3.2 International trends and the changed position of urban regions, which increasing by influence the position of cities

At the international level, a number of inter-related trends, which increasingly influence the position of cities, are taking place. These are receiving additional impulses from the process of European integration. I am referring to:

- scale enlargement and internationalization of enterprises;
 - the formation of regional clusters of activity in economic concentrations;
 - the development of new centres of growth, e.g. the cities in the south of France or Northern Germany;
 - the increasing importance of logistics;
- and so on.

Economic concentrations act as centres of gravity in the national economy. The main ports and other major urban areas lie at the crossroads of national and international dynamics.

What is the significance of those international trends for the environment in which enterprises operate?

Countries, and therefore regions used to compete primarily on the basis of general economic factors. For example, fiscal policy, monetary policy and the level of labour costs. Certainly within the European Community, these policies are moving closer and closer together, with the consequence that the quality of the supply of public services and other region-specific factors are growing in importance. They are determining the profile of competition to an increasing extent.

Another international trend is the process of urban economic regeneration. It is partly the result of the fact that towns are developing into transfer-points for knowledge. The Scientific Council in fact points to the function of towns as 'transfer points' for knowledge, goods, culture and other matters.

As a matter of fact, activities such as commerce, business services and distribution are becoming more prominent in urban areas. They are therefore contributing towards the revival of the cities. But does that mean that we are now living in a post-industrial society? Certainly not: industry and services are the warp and the weft of the same fabric. An urban economic enterprise culture depends on sufficient attention being paid to both industry and services.

3.3 Quality of the public services

I now come to the matter of quality of public services. Since the end of the 1970s, there has been a shift in the focus of economic policy, not only in the Netherlands, but virtually in all OECD-countries. The government is primarily responsible for creating sound economic conditions which are conducive to economic development. There is broad conviction about this. Within these conditions, it is then up to the market to determine its own course. The government, therefore, should in general not stimulate specific economic sectors. Governments do not determine which sectors are weak or strong – only the market itself can do that.

We do not, therefore, advocate a 'blueprint approach'; but nor do we favour dogmatic policies. In certain cases, it may be perfectly feasible to give a certain economic activity a push in the right direction. Especially when there are economies of scale to be gained. An example of this is the selection by the Rotterdam municipality to make substantial capital investments in the container industry. Another reason may be strong government involvement with very specific regulations or institutions. I would like to mention the efforts to boost Amsterdam as a financial centre.

The quality of public services and other region-specific factors is paramount. In its report 'Van de Stad en de Rand' the Scientific Council for Government Policy also calls for greater attention for the quality of public services supply. Which elements go to make up this set of services?

1. The physical infrastructure. First of all, the accessibility of the mainports and other major economic concentrations. Other elements are the telematics infrastructure, and well developed industrial and office locations;
 2. A good supply of educational and training facilities – the basic condition for a well qualified labour force;
 3. A high-grade climate for research and development, because the knowledge-intensity of our production will continue to increase;
 4. Good working- and living conditions.
- This investment in public services is essential to maintain our position in the international competitive struggle.

There is a fierce international policy competition when it comes to making improvements in public services. This international policy competition emerges in three areas:

1. in the investments made to expand and maintain public services supply;
2. the speed of implementing government actions;
3. in the degree in which the government succeeds in achieving cooperation with the market.

So, we cannot afford to lag behind. That is true for central government, but it also goes at least equally for regional governments.

3.4 The quality of decision taking and administration

To make investments in public services calls for cooperation between the various authorities and economic organizations. Here, I am thinking especially of:

- authorities responsible for the physical infrastructure, but also public transport companies and the Netherlands Railways;
- telecommunication companies;
- physical planning departments, development corporations, urban development agencies;
- organizations responsible for education and training;
- institutes of research and development;
- partners involved in Regional Institutes for Public Employment Service (RBA's).

The quality of the decision-making is often insufficient. What happens: caught in infinitely complicated procedures, we get trapped in the web of assessment followed by reassessment. Indecision or too slow decisionmaking is the result.

We need drastic measures in order to improve the quality of decisionmaking process, to speed up the implementation of plans.

One of the actions which has been taken is decentralization of resources and powers. The decisions should be taken at the level where the benefits and drawbacks can best be assessed. In this respect we apply the principle that the

responsibility should be placed at the lowest possible level, the so-called subsidiarity principle, well known from the treaty in the Political Union. There is a broadly shared conviction that further decentralization of resources and powers is possible for a number of policy areas. In the Netherlands we are currently making vigorous efforts in that direction.

Decentralization, however, is not a cure-all for each and every administrative issue. And that applies most certainly where decisions are concerned affecting large scale infrastructure of national importance. It is precisely in such matters that too frequently we get stuck in a vicious circle of assessments at various levels. Part of the problem is that the demarcation of tasks between the various levels is not defined sharply enough.

Decisions of national interest should in my view be taken by central government to a greater extent than they are at present. Regional governments have a role to play when these nationally set priorities are subsequently implemented. But at that stage the main lines of the policy should not be debated again. I do not regard that as an infringement of regional autonomy. On the contrary, I believe that the regions and urban areas are entitled to transparent decisions by central government where they affect the national infrastructure.

3.5 Formation of regional area authorities

What is the position of cities and urban areas in this respect? A spread of activities has taken place in the cities. The urban area has expanded far beyond the confines of the original town. Economic activities do not take very much notice of municipal frontiers. The administrative organization of the Netherlands, however, has not been readjusted to these extensive urban areas. In this country, an urban area consists of a large number of independent municipalities. Cooperation between these municipalities is usually based on a voluntary basis, limited to a few specific areas, and very time consuming, but with low productivity in terms of real decisions being taken.

This slow inefficient decision-making process is the Achilles-heel in the strengthening of the public service. Therefore the government has embarked on a new approach recently approved by Parliament: in the major urban regions, regional area authorities with far-reaching powers are going to be introduced. It is certainly not the objective to introduce a fourth level of local administration. The new regional area authorities should absorb the powers of existing ones. No more than three levels of government are desired.

3.6 Decision making procedures

It is not only a proper division of powers and tasks that is needed. The procedures themselves also need to be improved. In this country, series of interesting plans have been presented in recent years designed to reinforce public services – by central government, but also by provinces and by towns.

Internationally, we are performing quite well in this respect. This also emerged from a recent survey carried out for the Ministry of Economic Affairs. So, we have plenty of plans. Implementing these plans is the real challenge, but also the real problem. Fortunately there is a growing awareness that we in the Netherlands are in danger of losing our way in the forest of procedures. Of course, it remains essential for the various interests concerned to be carefully considered. But for major projects implementation of all the necessary procedures can take years. Stagnating decisions are in nobody's interest. If we want to create an adequate public service sector, the decision taking process will have to be speeded up and improved. For that reason, the government has

the Scientific Council for Government Policy to chart the problems and pitfalls in the decision taking procedures. In doing its work, the Council will also take a close look at procedures abroad.

3.7 Public-private co-operation

I have discussed the matter of quality of decision taking and administration. But we should guard against introspection. After all, it's not the government we are concerned about first of all, but conditions for the market.

We need a trend break in our line of thinking. We have taken initial steps down the following roads: application of the profit principle, public-private co-operation and privatization. In many areas this has yielded positive results. We must have the courage to go one step further and to involve the private sector in financing infrastructure. Without the market, we would be simply unable to afford a number of capital investment projects. A High-speed train (TGV) or a Channel Tunnel is no longer within a government's ability to finance. The government must have the nerve to involve the market intensively in preparing, financing and executing projects, to commit itself in longterm agreements.

It is not only necessary to involve the market at the planning stage. But the government can act as a market player in the execution of projects as well. That will mean real public-private partnership. The supply of public services is a responsibility of both government and the market. It can be, and can only be improved in a climate of co-operation and of mutual understanding. The government should also be willing to commit itself in long term contracts. I am convinced that the market will also be willing to co-finance investments. The government does not have a well-filled purse, but it can create the conditions for creating confidence. In many cases, that is the crucial condition for persuading the market to agree.

Another way of approaching the same matter is to promote the development of networking. Networking is communicating and being able to respond flexibly to new circumstances. When making plans, it is necessary to listen to the market. To really sense what moves the market, it is necessary to be constantly interactive. The concept of networking relates both to formal and informal structures.

Attracting new businesses often receives a good deal of attention in the cities. Rightly so, but I have also referred to the involvement of the existing business and industry. The first point for cities to look at in their economic competition policy is the potential for exploiting existing strengths. It is absolutely vital for cities to be willing to listen to their established businesses. Only then is it possible to find solutions to what are sometimes highly specific problems. Feedback is of essential importance.

Isn't a satisfied established business community in a city its best possible advertisement? I often hear this mentioned as being a decisive factor when deciding the choice of location for new businesses. It also fits in with the notion that primary policy should be of an accommodating nature. Not directing but guiding in response to signals from the market.

One example of this: Rotterdam is working hard on cultivating a 'civic culture', as the Scientific Council calls it. In a climate where citizens and businesses are directly involved, networks for urban decision taking can flourish. Rotterdam actively promotes the formation of networking organizations including representatives from business and industry, government, education and research. One of the organizations it has set up is ROTOR, the Rotterdam Ontwikkelingsraad (Rotterdam Development Council). ROTOR is made up of entrepreneurs and administrators, and representatives from the education and scientific communities.

Accessibility of technology is another crucial element in the location climate. Here, too, the message is that well-organized networks can give a region a decisive lead. A few years ago, the Ministry of Economic Affairs set up regional Innovation Centres throughout the country. The target group of these centres is regional business and industry, especially small and medium sized businesses. The objective is to bring together supply and demand sources on the technology market. That is to say, promotion of technology transfer, by advising firms, referring them to experts, and mediating in contacts amongst firms.

The Innovation Centres have now been operating for more than 2.5 years and the response is positive. They are well used not only by the smaller and medium sized business, but by larger firms as well. The Centres put these larger firms in touch with smaller firms: potential customers and partners. The regional Innovation Centres are governed by a board made up of people from their enterprise, scientific and education communities. In this way, the Centres are outstanding examples of successful network organizations. Oriented towards the market, close to firms therefore regionally structured and working together with organized business and industry. It is a good example of how regional business and industry can make use of government money to set their own priorities.

3.8 The government's contribution

To conclude with I should now like to inform you about two new tracks being taken by the central government in order to stimulate the quality of public services in the main urban areas.

The setting up of a new fund was recently announced: the Gas Revenues Fund. The money flowing into this fund is additional income from gas sales. This fund is in principle intended for an investment programme to catch up on arrears in the economic infrastructure. At present, the funds available are earmarked for supporting private funding for two projects that are of crucial importance for the accessibility of our two main ports, the principal economic concentrations. They are the High Speed Train from Paris to Amsterdam and Rotterdam, and the Betuwe Rail Link, a new freight line intended to improve the connection between the port of Rotterdam and the German hinterland. The Gas Revenues Fund will play a role here by attracting private investments in key elements of the economic infrastructure.

Secondly, I want to inform you about a new policy instrument employed by the Ministry of Economic Affairs: the so-called Business Environment Policy (Bedrijfsomgevingsbeleid). This is focused on the thirteen major urban economic concentrations. The instrument is specifically designed to strengthen the public services. With this instrument we hope to work along the lines I have already set out:

- where possible, decentralization of powers combined with co-operation between various levels of government;
- involving business and industry when setting up projects, and
- promoting networks for reinforcing the urban structure.

The Business Environment Policy works in a dual way. In the first place, my Ministry wants to act as a sounding board for the major urban economic concentrations and their regions. The main objective is regular consultation between the ministry and the urban authorities in order to speed up the completion of projects. Where necessary, it may also involve intervening with other parties concerned.

In addition, limited financial resources can be provided by the Business Environment Policy. These funds can be used for projects aimed at improving the climate for establishing internationally oriented businesses in their region.

I am thinking in particular of projects relating to improving the quality of locations for new businesses, infrastructure and facilities for businesses. The funds are specifically *not* intended for financing entire projects, but they have a 'booster or stimulation function', they work as 'seed money'. Or, in other words, they are intended to act as a catalyst. Attracting investments from private partners or other government authorities remains the prime objective. One of the criteria applied to provide urban centres with financial means is the level of participation of the private sector. In that way, we hope to achieve maximum effect for the Business Environment Policy with the limited financial resources available.

Urban regeneration: the British experience

4

Sir M. Jenkins KCMG

As you will have heard, our Minister for the Inner Cities, Michael Portillo, cannot be here today. He, and indeed every politician in my country, has a little matter of an election to fight. Mr. Portillo is of course most disappointed at not being able to participate in a conference which will be dealing with issues with which he has been closely involved. I know he was looking forward to addressing you as well as to hearing about the Dutch experience in this field. So the regrets and apologies for his absence which he has asked me to convey to you are, I know, really meant.

My Embassy has been closely involved in setting up today's conference and I am very pleased to see and welcome so many Dutch and British delegates directly involved in urban regeneration. I recognise that I am of course an inadequate substitute for a British Minister but I hope nonetheless that you will find my introductory remarks on the background to Britain's inner city problems and how the Government has been trying to tackle them, of some interest. I shall not, therefore, be talking about the prospects for city politics in Britain, but rather sketching the background and presenting some ideas for discussion.

As practitioners from both Holland and the UK you are all variously dealing with urban problems from your own different standpoints – either from the perspective of the central or local government, of public sector agencies, of the private sector or of members of local communities.

Change is common to all our cities and indeed is to be welcomed. But when the pace and scale of change exceeds the powers of cities to adapt that's when the difficulties arise. Shocks to the urban system can come from several directions, often at the same time.

In Britain such changes have been amplified by the effects of wider national and regional economic restructuring, the decline of traditional industries in the face of international competition; and the general distribution of both population and economic activity. Once started the process of urban decline can escalate into severe concentrations of multiple deprivation, for example:

- the more vulnerable are unable to adapt to economic changes – either unable to move elsewhere, or find new jobs locally;
- the exodus from declining city neighbourhoods of the younger, the more mobile and more adaptable results in a concentration of the disadvantaged;
- the dispersed ownership of land, which makes the parcelling of land both difficult and costly, while polluted and abandoned sites are not only unattractive to investors but also difficult and costly to develop;
- declining local tax bases, which prevent local authorities from maintaining facilities such as social services and education;
- and finally,
- worsening unemployment and poverty, which frustrate local communities from helping themselves.

* Sir M. Jenkins KCMG, British Ambassador to the Netherlands.

Variouly combined, trends such as these create a cycle of deprivation which undermines social cohesion. This can lead to increases in crime, and in extreme cases, to civil unrest.

One does not have to be an expert to appreciate that urban problems are of concern to us all and not just to those who are directly affected. We all have a stake in getting it right, either as politicians, public officials, businessmen, or, ultimately as citizens. It is now commonly accepted that remedies must be found in the form of coordinated action. We must not allow our individual perspective to cloud our contribution to a collective response. I think I can speak for both Britain and the Netherlands when I say that bearing in mind the problems to be discussed at this conference, it is a sobering thought that we have so much experience to exchange.

Now a word about the British experience. Experience in my country has been gained step by step as attempts have been made to understand what has been going wrong in our inner cities and trying to devise appropriate remedies. Needless to say we have had our share of successes and of failures. But while there may be important differences between the way things are done in the Netherlands and the UK there are also many points we have in common.

First, we both recognise the importance of attracting the private sector back into our inner cities. Without that there is no hope of lasting and self-sustaining regeneration. I am therefore glad to see here speakers and representatives from the world of business and commerce. Second, both countries can boast large and active voluntary sectors which need to be fully engaged in the regenerative process. This provides an additional vehicle for the participation of local communities in this process. Third, we share the view that the public sector has a right and proper role, and I am therefore pleased to see and welcome so many senior local authority representatives attending today.

It is clear that no one has yet found THE solution to the inner city problems, or there would be no need for conferences such as this. I am sure that as committed practitioners you will each readily recognise and identify with each others' problems and struggles to find effective solutions. Listening and learning are sometimes as important as saying and doing.

Let me now turn to Britain's own urban policy. The development of that policy in my country during the 1980s illustrates our own learning process. Increasingly during the past decade there has been a mutual recognition of the role and contribution of the various 'partners' involved in working on the problems. This period also witnessed a willingness to experiment, to try new approaches, to be open and receptive to new ideas. While practice differs in different parts of the United Kingdom, the main instruments are broadly similar.

The so-called **Urban Programme** represented one of our earliest policy measures. However, in recognition of the deep seated and complex nature of the problems, a range of additional and complementary initiatives were introduced during the 1980s, targeted at particularly run-down areas. Let me mention very briefly a few of these. There are the:

- **Urban Development Corporations**, bodies established by Government with the specific task of regenerating designated run-down areas;
- **The Enterprise Zones and Simplified Planning Zones**, designated areas where administrative and tax requirements have been relaxed to stimulate economic activity;
- **The Garden Festivals**, the rapid reclamation of large derelict sites by adapting the garden exhibition principle, as developed in Europe, to British inner cities;
- **City Grants**, support for private sector capital projects which benefit run-down urban areas by bridging the gap between the costs and the value of projects and

- allowing the developer to make a reasonable return on investment;
 - **Derelict Land Grants**, to help reclaim land whose nature reduces the attractiveness of an area as a place in which to live, work or invest;
 - **Estate Action**, which provides extra resources to help authorities apply new approaches to improving the physical fabric and the environment of run-down estates;
 - **Safer Cities**, an initiative to support local approaches to tackling crime and fear of crime.
- All these initiatives are supported firstly by:
- **City Action Teams**, which ensure that main government inner city programmes are effectively co-ordinated, and which encourage projects jointly developed by the public sector and others,
 - and secondly by
 - **Inner City Task Forces**.

These focus main Government programmes more closely within specified inner city neighbourhoods, by securing jobs for local people, encouraging local enterprise, supporting environmental and crime prevention initiatives.

Most recent of all a scheme known as **City Challenge** has been created. This provides additional resources for those local authorities who can put together, in partnership with local businesses, community groups and others, a convincing comprehensive action plan to regenerate their neighbourhoods.

All these schemes are seeking to address particular aspects of inner city problems. I hope you will have an opportunity to touch on them in more detail during your discussions. But one point is already clear. It has to be – and it has been recognised, that there is a need to address the multiple problems of inner city residents ‘in the round’ and that greater co-ordinated action is imperative.

May I end these brief remarks with a question. What have we in Britain learned so far from our experience? I should like to suggest that there have been three main lessons:

- first: we cannot rely on the public sector to act as our only problem solver – we need to engage others – the private sector, the voluntary sector, the churches and local communities;
- second: urban regeneration has to be across the board. There is little point in attempting physical regeneration if local people remain unskilled and unemployable. An integrated approach is needed;
- and third: there are no quick fixes. Urban regeneration requires a long-term commitment and a willingness to cooperate in partnership with others.

To sum up, no one has a monopoly of ideas or solutions in this complex and difficult field. Lessons have had to be learned and progress hard won. In the field of urban regeneration, as in other areas of policy, we must all continue to keep reappraising what we are trying to do. We must continue to learn from our own experience by monitoring and evaluating our respective efforts. BUT we must also remain open and receptive to new ideas and approaches and aware of the experiences of others. For me, that is what this conference is all about.

Part of the process entails disseminating information and good practice: sharing with others the lessons learned. As I have said, regeneration is a long-term task. In Britain we have gained much valuable experience which we wish to share with other countries and vice-versa. We need to exchange ideas and different experiences in order to keep our respective efforts well-informed.

And let me say lastly that this is a most appropriate event to mark the imminent completion of the Single European Market. The Single Market is intended to improve our prosperity, but this will be an empty achievement if

our urban industrial and living environment remains impoverished. If we can create wealth, let us ensure that a proportion of these new resources is properly targeted on policies operating where the need is greatest.

Economic regeneration of the cities



A private sector view on urban prospects

5

A London Docklands perspective

P. Turlik*

In leading off this session about economic regeneration, what I would like to do is:

- to share with you our experience of working closely with the private sector in the regeneration of London Docklands;
- to indicate to you the nature and extent of the private sectors' response over the last ten years to the challenge set by the British Government in 1981 for private and public agencies to work together in the renewal of our urban cities;
- finally, to share some views about future prospects for the continuing contribution of the private sector from a Docklands perspective.

In doing so it is helpful to first of all look at the past and the condition of London Docklands prior to the new urban policy initiatives brought in by Margaret Thatcher's Government at the beginning of the 1980s.

London Docklands stretches from under the shadow of Tower Bridge eastward for some 12 kilometres along the Thames; it offers a unique waterscape environment covering a total area of some 2250 hectares in all.

Its scale and location clearly convey a City dimension. Yet a number of factors conspired to leave Docklands as an area without coherence or stature. Historically and physically, the docks had been cut off from the mainstream of London life, hidden for centuries behind historic high brick walls and the area perceived as the back-yard of London, overshadowed by the achievements of the adjacent City of London and neglected in the general tendency of cities, to spread westwards.

The closure of the Docks in the late 1960s with the removal of port activity downstream, to a new container port at the mouth of the Thames estuary, traumatised the area, which at one time provided a unique economic lifestyle for most of the inhabitants, with some 30,000 people alone employed by the Port in the immediate post war years, a figure reduced today to just under 2000. In overall terms, some 150,000 jobs disappeared in the Docklands region during the period 1970 to 1980, and the population fell from 55,000 in 1976 to 39,000 in 1981.

Docklands in the 1970s had nearly 50% of its area, some 1,125 hectares mostly in public sector ownership, in a state of complete dereliction. Plans were prepared for the area in the 1970s by the Greater London Council and the five Dockland municipalities. These plans published in 1976, in the form of a Docklands master-plan, envisaged four 5 year phases of redevelopment, 20 years in all, and were heavily dependent on an investment of 1.2 billion, mostly from the public sector. The private sector in effect was excluded and was not seen to have a major role in the future redevelopment of the area. The plans and policies instead proposed the retention of shipping and related activities, such as ship repairs, heavy engineering, raw food processing, together with warehousing and distribution.

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The socio-political plans prepared in this way compounded the very reason why the area was declining, for the plans and the expectation they gave rise to were totally detached from the fundamental economic and technological changes taking place, not only in world shipping, but also in the world of business finance and investment. As a result, an almost complete economic void existed, which had to be filled by activity, independent of, and other than, Port related functions.

Because of the uncertainty regarding implementation of the plans, the property boom of the 1970s, which had expired in the first half of that decade, had completely bypassed Docklands – there were other reasons too: private investment had never been welcomed on any scale; there was little trust or confidence by the private sector in the ability of the local municipalities to finance programmes of new infrastructure, new transport and related schemes. Thus there was little credibility and confidence about the future prospects of the area, and thereby returns on investment.

Such a climate produced widespread cynicism and disbelief that anything could, or would actually happen, whichever agency was responsible.

An economic analysis carried out at the time, identified the poor environmental quality of the area; its sheer preponderance of public sector housing; the general absence of private housing and the poor quality of that which existed; the inadequacies of public transport and roads; and the poor quality of schooling, shopping and health facilities. All combined to deter private investment and relocation needed to abate the general economic decline, and to arrest the accelerating rate of physical decay and loss of amenities. Such were the circumstances which dictated the birth of an Urban Development Corporation.

The London Docklands Development Corporation was designated the managing body of the Docklands Urban Development Area on 2 July, 1981, by the Secretary of State for the Environment, Michael Heseltine, who said in Parliament:

‘the area displays more acutely and extensively than any other area in England, the physical decline of the Inner City and the need for urban area regeneration. It represents a major opportunity for the development that London needs over the last 20 years of the 20th Century; new housing, new environment, new industrial development, new facilities for recreation, new commercial development, new architecture, all calculated to bring these barren areas back into more valuable use. This transformation from decline to renewal, from a problem area to an opportunity one, can only be achieved by a level of public expenditure that only the Exchequer can afford. London Docklands can only be successfully regenerated by a single minded development agency.’

To enable us to set about our task, Central Government provided the Urban Development Corporation with unprecedented powers, unprecedented in that they were previously only exercised by Local Municipalities acting as elected bodies. We should recall that Urban Development Corporation were set up initially, on an experimental basis only, and as non-elected, but statutory bodies, responsible to Central Government alone. The Board of the Corporation, some 12 members in all is directly responsible to and appointed by the Secretary of State for Environment. Each member is personally appointed by the Secretary of State for a period of 3 years or so, and normally comes from the world of business and finance. A place is kept for each of the three local municipalities. The invitation to take up such a place, has not always been accepted.

The powers that Government gave us are as follows:

- *financial resources*, provided by Central Government Treasury, through the Department of Environment – initially an amount on average between 60-70 million per annum, which has grown to some 300 million per year;
- powers as a *single Planning Authority*, (in place of the three municipalities) enabling us to provide a ‘one stop service’ for investors and developers seeking advice and planning permission;
- *land acquisition powers*, with the ability to acquire land quickly from Public Sector Authorities, through special Parliamentary vesting procedures;
- powers as an *Enterprise Zone Authority* responsible for the Isle of Dogs Enterprise Zone, which was designated in April, 1982 with a 10 year life;
- finally, powers for marketing and promoting the Docklands area.

The Isle of Dogs Enterprise Zone, with its exemption for business from local taxes, with its tax allowances for developers and investors and relaxed planning regime, played a key and significant role in the early days of Docklands redevelopment, in stimulating the first cautious investment from the market place, and of changing the way in which investors perceived East London.

Operating within a complete new urban policy framework Docklands today is a total contrast – our use of these powers has enabled us to provide a sound economic future for the area and its residents. Regeneration has been spearheaded by over £ 8.5 billion of private sector investment. Over 1500 new companies have moved in and over 56.000 new jobs, mainly in the service sector, have been created; over 2.7 million square metres of commercial new floorspace has been completed. Furthermore, over 15.200 new homes have been built, with owner-occupation now nearing 44% compared to the 5% or so when we came into being. The population has grown to over 62.000 new residents. In all, land values have increased dramatically, resulting in a leverage ratio of 1:8 – for every £ 1 spent by the Corporation (£ 1.2 billion so far) the private sector has spent £ 8.

Nearly all of the UK’s newspapers have moved into the area, including The Times, Sunday Times, Guardian, Telegraph and Financial Times. Major organizations such as Reuters, Texaco, Morgan Stanley, Ogilvy and Mather, have also made Docklands their new home together with investment from Japan, Sweden, Kuwait, Holland and Denmark. What is interesting is that in total 2/3 of all commercial investment has come from abroad, reflecting a still cautious response from the domestic property market scarred from the battles of the 1970s.

Furthermore, Phase I of the largest single commercial development, at Canary Wharf by Olympia and York the Canadian developer, has now been completed. Despite current difficulties faced by the Company and its backers, created by adverse global trading conditions in the property market, it is hoped that the scheme will eventually total some 1.4 million square metres of international quality business space, providing the opportunity to create some 50.000 jobs.

The significance of private sector participation on such scale is that:

- such densities and future working populations help to justify financially and economically, investments in various forms of transport improvements;
- they provide opportunities for contributions to be made by the private sector, to the public cost of improving and enhancing transport systems, which would otherwise be entirely funded by the public purse;
- strategically such schemes provide London with a quantum of space of international quality that it would be difficult to provide within say the City of London, because of its medieval street pattern, complex structure of leases and ownership, and listed buildings. It therefore assists London to compete in the year 2000 with other global centres such as, New York and Tokyo and puts Docklands on the global map.

Our projections indicate that Docklands by the year 2000 will have a total population of 115.000 residents, working in some of the 200.000 new jobs which will have been created.

What have been the characteristics of this new relationship between public agency and private sector, a relationship made possible by the new urban policies initiated by the Government?

Our experience indicates that:

- in essence it has been about *partnership*, partnership between Central Government, local agencies and the private sector;
- it's been about turning problems into opportunities;
- it's been about using *limited* finance and powers, provided by Central Government, diligently, cost effectively, and positively;
- it's been about a public agency acting as an *initiator* and as a *catalyst*;
- it's been about *using private sector* resources, expertise and working in and through the market.

In broader terms, of course, all these factors combine and equate to a dramatic change in attitude, outlook, perception and approach that has been adopted by the Corporation, in contrast to our predecessors, in taking stock, in tackling our remit in the new climate laid down by the UK Government.

In looking back at this public/private relationship one can recall that the critical efforts were as follows:

- the successful projection of Docklands from our very first day as an area of immense opportunity – *an opportunity focus* replaced that of the *problem focus* of previous years – in other words from day one, we were concerned about creating awareness about Docklands in the investment/property market, both domestically and internationally;
- our decision backed by the private sector to retain all the remaining enclosed dock water areas in place of the previous practice of filling them, which usually involved demolishing superb old warehouses along the quayside – in our combined view these water areas offered a unique environmental and development asset, to go alongside, the then *unrecognised* locational significance of Docklands. Our architects and planners organised design competitions to attract development of quality to make full use of these assets, and actively assisted promoters to design and prepare proposals in accordance with development briefs prepared by us;
- the creation of the Enterprise Zone on the Isle of Dogs, and the direction of EZ benefits towards those sectors of the economy, which could best exploit them in the Docklands location and environment – the office, commercial and business development sectors. It was an exceptional opportunity to provide the type of fiscal benefits previously denied to these sectors, within the UK tax system. As a result, the *viability* of property investment in Docklands was transformed – Docklands became for the very first time a *significant choice in the London Property Market*;
- the Government's commitment at the end of 1982, to the construction of the *Docklands Light Railway* provided a *critical piece of development infrastructure* that gave further investment credibility to the opportunities presented by Docklands – this was of especial significance to the private sector following the indecisions of the 1970s;
- the pioneering commitment of the *private housebuilding sector* which led the way in transforming Docklands into 'the place to live' by providing housing, unrivalled in cost and range, and quality, compared to the rest of London for local municipal tenants, young couples who had previously left Docklands, young professionals, the new entrepreneurs;
- the commitment made by *building contractors and small scale developers*, who in the early years, recognised the opportunity provided by Docklands to combine a profitable return on direct property investment, whilst creating

work for themselves, and their workforce, at a time of general contraction in the UK construction industry.

The results validate our flexible and organic planning approach which is closely related to the realities of the market place.

We had, in effect, to create our own property market using volume housebuilders, building contractors and second division developers, to achieve the initial development breakthrough, in producing the first buildings for occupation and in producing the initial returns on our own investment, relating to land assembly and infrastructure provision. *Our initial land bank and early programme of infrastructure provision was the starting key to initiating the redevelopment process in partnership with the private sector.*

The response of the market was not on the basis of financial carrots or incentives, but rather on the quality and range of available opportunities.

From our experience of working with the private sector one can extract certain important principles:

- *project objectives are essential* – redevelopment of urban areas by its nature can be controversial – development opportunities and implementation of time-scales are greatly enhanced when there is a partnership between public and private sector goals;
- *the public sector input is at its most effective where it has a single remit, comprehensive powers, especially in relation to land acquisition and adequate funding, especially for infrastructure projects;*
- *operational flexibility in both parties is a key to early development;* the public body should seek to actively encourage and complement the greater operational flexibility of its private sector partners;
- *an operational plan is essential* – as an instrument to effect change, it should at minimum, have a development philosophy, a financial strategy and a phasing programme. The best plans are specific enough to provide a guiding framework for development while flexible enough to respond to dynamic factors, influencing project implementation and thus capable of adaptation to economic reality;
- *urban redevelopment is a lengthy process* – there must be certainty and a consistency of programme, especially for infrastructure provision and land acquisition – there must be real commitment by both parties; this provides credibility and leads to confidence, which itself leads to completion and thus success;
- *momentum of funding is vital to maintain confidence and a positive leverage ratio:* where it can be enhanced, the momentum of development and the pace of regeneration can be accelerated dramatically. The optimum returns in every sense of the word, are achieved by maintaining short term, high front end loading of finance, falling sharply into a very low level, of ongoing public funding support.

It is, of course, less easy to talk about the future than the past, but some lessons have been learned.

- The provision of good transport systems have already been referred to as being very important to private sector development and investment decisions. Such systems are expensive and politically contentious, especially within urban areas, but the social mobility which they unlock does empower the local society both of residents and businesses to make their own way more successfully in the world. From the property investors' point of view, good transport accesses both labour market and retail catchment areas and makes sustainable long term rental growth more likely. By integrating the local economy more efficiently with the wider world, a balance between demand for and supply of all types of development, including housing, will be easier to maintain: this reduces the developers' risk of being trapped by oversupply.

- The need to take a long term view of the regeneration process has become more apparent to the private sector, many of whom have suffered – they would say from the current severe recession – but in fact, some would argue from myopia during the preceding boom. All concerned can now see that the regeneration of the London docks, and even more so the much larger East Thames Corridor, will only be completed over a long timescale during which care must be taken to maintain balance between the supply of and demand for housing and commercial property – with demand being closely related to transport improvements.
- Lack of co-operation between the agencies of regeneration and the local communities and/or their local councils can create serious problems. The private sector, who supply most of the money which pays for regeneration, must be able to operate within a clear policy context which they can see will be maintained into the long term.

A.A. Soetekouw

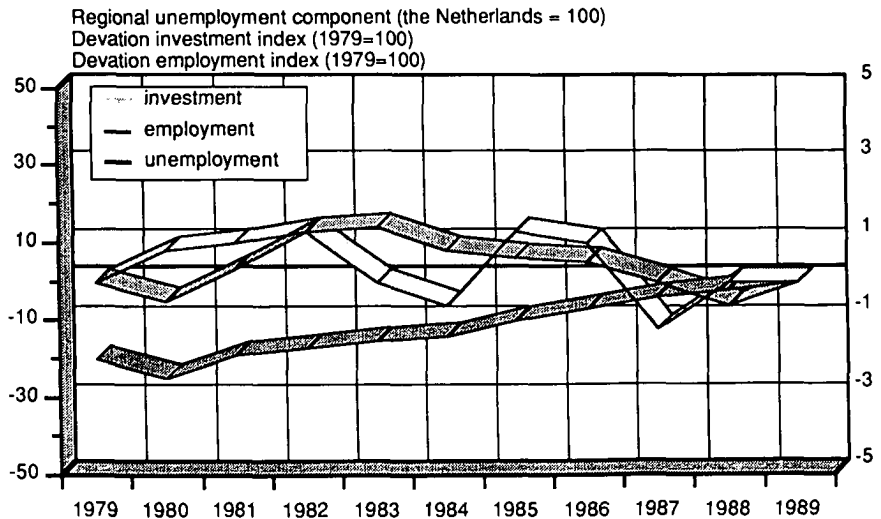
6.1 Introduction

I've been asked to talk about the private sector's assessment of the economic prospects for the cities. Have the cities been achieving healthy economic development in recent years and is the outlook for the future bright? The answer to both questions is obviously 'yes' – otherwise the Internationale Nederlanden Group wouldn't have invested in the cities and wouldn't be willing to continue investing in the cities. Nevertheless, as providers of capital and representatives of the private sector, we have to qualify that answer with a number of ifs and buts, based on the opinions and experience of people who are involved on a day-to-day basis with the business of Holland's urban areas. We also need to place in an international context the economic position and competitiveness of the Randstad conurbation, which embraces Amsterdam, The Hague, Rotterdam and Utrecht, to establish whether the Randstad needs to improve its competitive position. I'll conclude by outlining the prerequisites for the success of those efforts.

6.2 Economic prospects

In the past, the growth of the Randstad has played a more important part in Holland's overall economic development than any other of the country's regions (Figure 6.1).

Figuur 6.1 Percentage variance in growth, investment and employment between the West of the Netherlands and the national average



Sources: CBS/SZW and WRR.

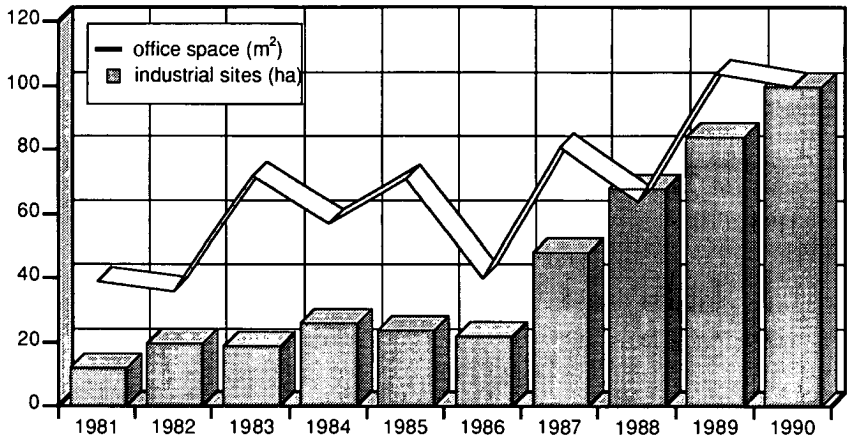
This is hardly surprising, considering that the main ports are located in the Randstad, it is the centre for business services and many multinationals have their headquarters here. The level of activity in the Randstad and its knock-on effects are a major influence on Dutch economic development. The four major

* Mr. A.A. Soetekouw is a member of the Board of Directors of the Internationale Nederlanden Groep, the Netherlands.

cities alone account for 30% of our Gross National Product and the three provinces making up the Randstad account for as much as 50% of GNP. The Randstad can therefore be seen as the engine of economic growth.

In the past decade the Randstad has witnessed explosive growth in economic activity. This is reflected, for example, in the new office space built here and the dramatic increase in the area of land released for commercial development (Figure 6.2). Housing construction and urban regeneration have also received a major boost.

Figure 6.2 Office construction (m²). Land released (ha)
Increase in completed office space and allotted industrial sites
index 1990=100



Sources: Annual reports published by Amsterdam, the Province of South Holland, Chambers of Commerce and Municipality of Utrecht.

With the growth in economic activity, the exodus from the major cities has been halted and there are even signs of modest population growth, particularly in Amsterdam and Rotterdam. The cities have shaken off their negative image of the 1970s and replaced it with a new metropolitan dynamic. There has been an urban revival. You only have to look at the new buildings on Leidscheplein (though you may not like them), the new commercial centres in Rotterdam and The Hague, the City Project in Utrecht, the integrated plan for the north of Amsterdam, the development of a new suburb in the east of Amsterdam and the development on the banks of the River IJ. Projects of this kind (whether current or planned) are signs of urban growth and renewal, signs of optimism. As behavioral scientists, economists know how essential optimism is.

Now that economic growth is losing momentum, the question is whether and, just as important, how we can place the process of urban regeneration on a more permanent footing.

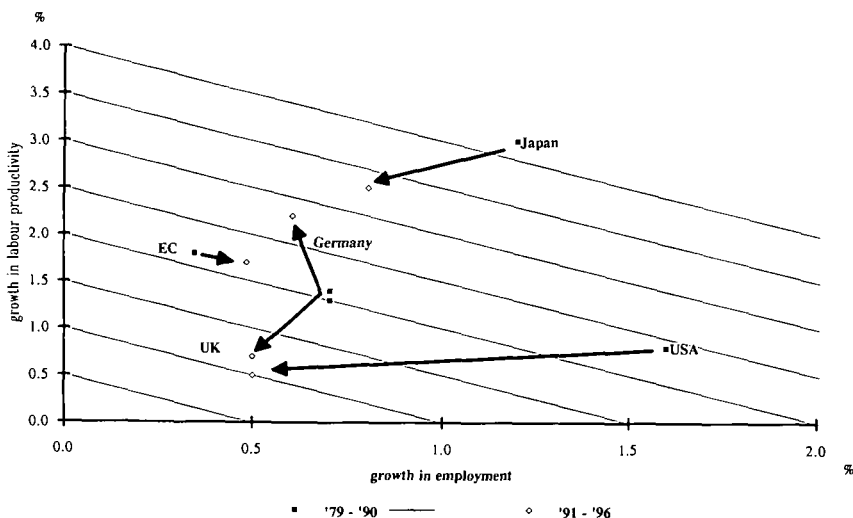
As I've said, the Randstad is a major influence on Holland's economic development. The economic prospects for the Dutch cities therefore reflect the outlook for the Dutch economy. We also know that Dutch economic development is largely dependent on developments abroad. Taking the static position, the Randstad's economic prospects coincide more or less with the outlook for the world economy. To add a dynamic dimension, we have to assess the trend in competitiveness of the Netherlands in general and the Randstad in particular. Let me briefly explain how I see the position.

6.3 Growth potential

To assess future economic growth, we need to evaluate many separate economic and political developments, such as the Uruguay round, European integration, the collapse of communism and the creation of free-trade zones. All these changes involve both risks and opportunities. This makes them very difficult to quantify, but we can at least assess which economies have the most potential for benefitting from the opportunities. That means looking not at the demand side, but at the supply side of the equation, because that gives a more solid basis for assessing future economic trends. To put it simply, the supply side of the economy is dictated by the quality and quantity of the labour, capital and technology employed in the production processes, though we mustn't of course underestimate the importance of the quality of management, as eastern Europe is learning. Our own research indicates that the medium-term growth prospects for the Netherlands and Europe are far from gloomy (Figure 6.3).

In contrast to the declining growth potential for Japan and the United States, Europe overall has the potential to achieve virtually the same rate of growth in the 1990s as it did in the past decade. Germany has the potential for even faster growth, through structural improvement in productivity. The indications are that Holland is in a relatively strong position to face the coming decade. The question is: will Holland be held back by its specialization in certain sectors, in other words, by its economic structure?

Figure 6.3 Growth potential of major economies
Growth factors of GDP 1979-1996 (averages)



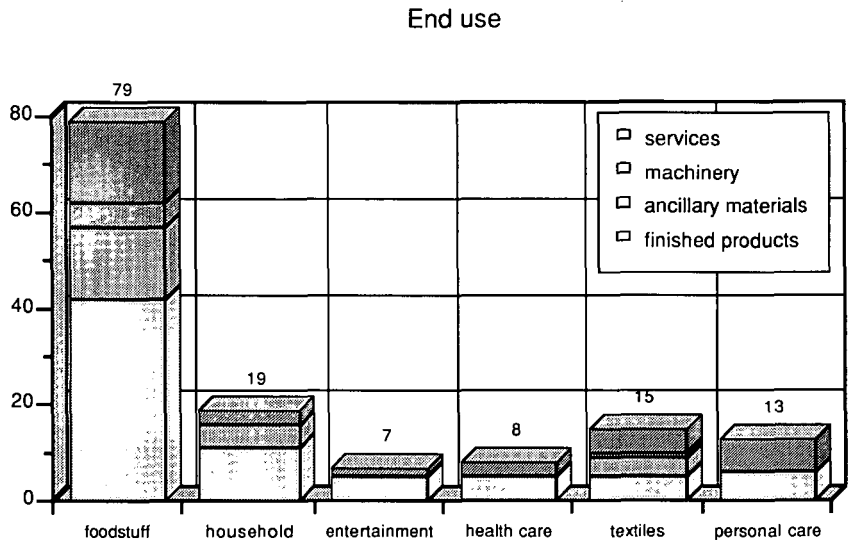
Source: NMB Postbank Group Corporate Economic Research Department.

6.4 Competitiveness

The present and future competitiveness of a country or region is subject to many variables: the list generally includes the factors of production, networks, physical infrastructure, knowledge infrastructure, technology and government policy. As several studies have shown (including the TNO's 'Holland's economic strength'), Holland is strong in the food and distribution/transport sectors and relatively strong in the petroleum/chemicals sector (Figure 6.4). These, together with all the support services such as storage and finance, are precisely the sectors in which the Randstad has specialised. Strangely, engineering hardly appears in this analysis of the strong points of Holland's economic structure.

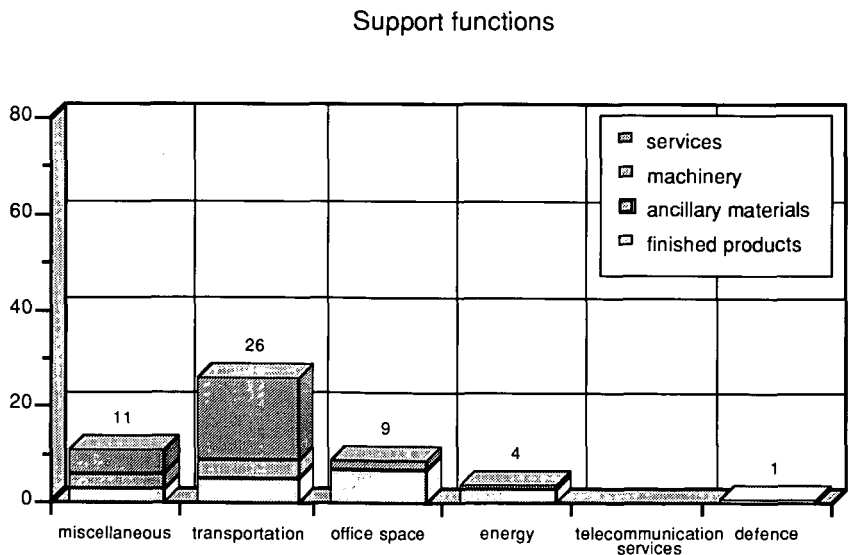
Looking to the future, we see that these strong sectors are facing a number of changes. The food sector in particular will come under increasing pressure from EC regulations and all our strong sectors are affected by environmental concerns (in that they are energy-intensive and cause pollution). The environmental pressures we rightly have to cope with have to be offset by other improvements, to ensure that the competitiveness of the Randstad, and hence of the country as a whole, does not deteriorate simply by virtue of our economic structure. So we mustn't just sit back and passively wait for these changes to happen.

Figure 6.4-a Holland's competitiveness as measured by the Porter method



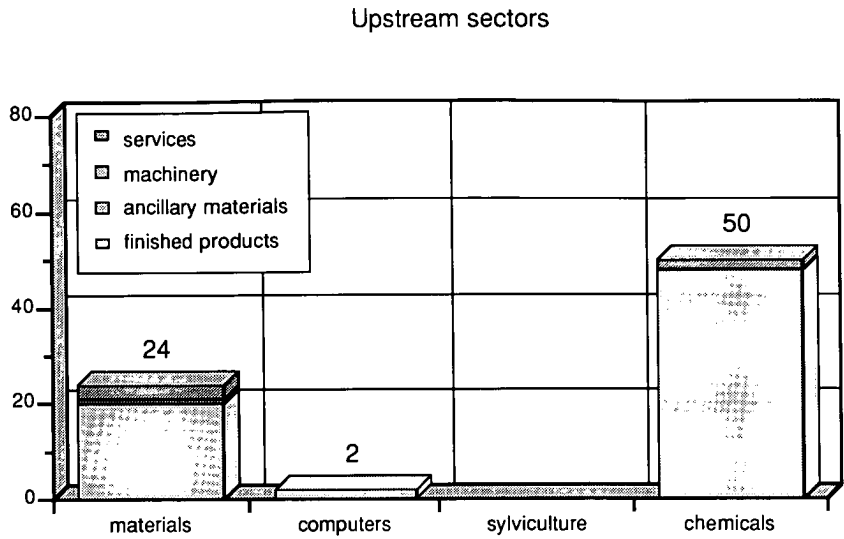
Source: TNO.

Figure 6.4-b Holland's competitiveness as measured by the Porter method



Source: TNO.

Figure 6.4-c Holland's competitiveness as measured by the Porter method



Source: TNO.

In my view, we need to look for those compensating improvements in cutting public spending, improving company profitability by eliminating bottlenecks in the physical infrastructure, improving the quality of products and services and investing more heavily in our country's knowledge infrastructure. This strategy also needs to include enhancing the attractiveness to new businesses of the country in general and, given its importance to the country's economic development, the Randstad in particular. This is easier said than done, but I'm sure it would be relatively simple to provide a major stimulus. First, however, we have to analyse the Randstad's competitiveness.

6.5 The Randstad's position in the western European league

The Randstad has to compete as a business location against other conurbations such as Greater London, Ile de France, the Rhine/Ruhr, Frankfurt and Antwerp/Ghent/Brussels. Before we can support and advance the Randstad's position in the international arena, we first have to identify the region's strengths and weaknesses.

6.6 Strengths: geographical position and standard of training

Research, most of it carried out by foreign organizations, indicates that the Randstad is in a relatively strong position. One strong point which is often mentioned is the high standard of education in Holland in general, in terms of the standard of training of the workforce, knowledge of languages, number of universities and quality of research (in contrast, however, the number of engineers employed in industry and the level of investment in research and development are lower). Another strong point, and one that is mentioned even more frequently, is that the Randstad is strongly oriented towards international trade (Rotterdam, Schiphol, many international companies; Figure 6.5).

Though perhaps largely an accident of history, it can do no harm to be consciously aware of this major asset. Our geographical position in the Rhine/Maas/Schelde delta gives us a differential advantage in international trade. This is one of the factors making the Randstad a good choice for location. Our other strengths, in such areas as languages, product knowledge and distribution, are a logical consequence of our strategic economic position.

Figure 6.5 Research in Europe. European ports



Source: Datar, Reclus.

It's important not to sacrifice any of this advantage. Given the current state of technology, what is important nowadays is not our geographical position, but our situation relative to other regions. In other words, position has become a relative concept. As the centres of economic activity shift within Europe, the advantages conferred by our position can no longer be taken for granted. If we fail to anticipate these changes, they will become dangers. Given Holland's economic structure, it is vital that we face these dangers by ensuring that our communications with the main markets remain competitive and that we maintain a good infrastructure within the Randstad. The Dutch government needs to focus its attention on communications, not only with Germany, but also with the Belgium/France/Spain axis, the Germany/Austria/Switzerland/Italy axis and with the markets in eastern Europe and Scandinavia. In view of the problems of congestion, the demands of the environment both in the Netherlands and in other countries, the constraints on space and the demands of safety, we need to be giving more thought to improving the rail infrastructure. In concrete terms, this means that projects such as the TGV and the Betuwe Line must be implemented as quickly as possible. It's also important to eliminate the main road traffic bottlenecks in the Randstad, by building new tunnels etc.

6.7 Strength: low inflation and property availability

Two other advantages that the Randstad enjoys over its competitors is the abundant supply of relatively cheap and good property and the standard and cost of living. These factors are often underrated, but both should be given full weight as strong points in determining the Randstad's future strategy. They should be treated as such, and the government is under an obligation to do so. In relation to the cost of living in particular, the government must be fully aware of its impact (cost of healthcare, VAT, excise duties, shifting the burden of taxation and social insurance onto the individual).

6.8 Strength: the Randstad's 'Green Heart'

To close the list of the Randstad's strong points, I'll include the region's 'green heart'. It means that people can spend their leisure time close to home and helps to make the Randstad an attractive place to live. This will increasingly give the Randstad an edge over other conurbations.

6.9 Weakness: infrastructure

One area in which the Randstad needs improvement is the infrastructure. The same applies equally to many other conurbations, but the Randstad has certain specific features which put it at a disadvantage.

Unlike most of the other centres of population, the Randstad has a number of separate nuclei. The widely spread and sparsely populated structure of the Randstad means that the relatively great distances between the four major cities and Schiphol have to be offset by relatively short journey times. The four major cities can be physically integrated by drastically shortening the journey times and thus reducing the distances in relative terms (the 'shrinking world' concept). A relative disadvantage can therefore be transformed into a relative advantage: ample space combined with short journey times. Of the existing modes of travel, this can only be achieved by public transport. If the Randstad is to function as a metropolis, the communications need to be greatly improved in terms of speed and frequency of services, despite the actual interregional distances between the nuclei.

Improving the infrastructure will bring many benefits and is therefore highly desirable, in the interests of the government, the public and the business world. Better public transport may, however, translate into greater mobility. This will tend to increase energy consumption and is therefore potentially bad for the environment. It might be offset by the substitution of better, faster and more frequent public transport services. Information technology, bringing home, work and recreation closer together, and other factors affecting mobility, such as car pooling, will also help to ease the burden on the environment.

6.10 Weakness: telecommunications

Another of the Randstad's weaknesses compared with the competitors is telecommunications, and in particular the relatively high cost of the services. Government investment in telecommunications has to stand up to international comparison and action on this point is essential. Incidentally, although high priority is being given to the infrastructure, I feel that insufficient attention is paid to the other elements which are susceptible to improvement or influence (such as information technology, the tax climate for businesses located here, inflation and control of the supply side of the office market). These elements too need strengthening.

6.11 Barriers to the Randstad's further development

Like a number of its strong points, the Randstad's weaknesses can also be affected by policy decisions. Both the government and the business community (especially the financial sector) recognise this and are heavily committed to improving the situation, particularly with regard to the infrastructure. I myself don't feel that the results of these efforts are always as good as they could be. Drawing on practical experience, I'd like now to look at the obstacles to the Randstad's continuing development and suggest ways of removing them. These are the 'ifs and buts' I want to deal with.

6.12 Finance

A recent study by the NEI indicated that many of the infrastructure and development projects are by no means firm and many are still at the planning stage. This contrasts sharply with the Randstad's main competitor: the Ile de France (Paris) (Figure 6.6). The study expressly refers to the financing of the projects as the main stumbling-block. As a banker, I have my own views on this problem.

The required level of investment, both in the Randstad and in the main transport axes, are primarily decisions for the Dutch government. Everyone knows that the government's financial resources are constrained by the policy targets for the budget deficit and the national debt. The options for raising the funding by making cuts elsewhere in the budget are subject to political constraints, given the scale of the projects already undertaken, those yet to be implemented and the clear signs of 'austerity fatigue'. Although directing greater financial effort towards the infrastructure may compromise the borrowing target, government funding of infrastructure projects is usually the cheapest way (the government is, after all, a 'triple A' debtor). Given the importance attached to achieving the targets for the budget deficit and national debt against the background of European Monetary Union, this is not a practical option.

Figure 6.6 Infrastructure projects by region

Regions	Infrastructure projects		
	number and size	hardness	time span
Antwerp-Ghent-Brussels	fairly large	limited	long
Hamburg	fairly large	fairly large	fairly long
Frankfurt	limited	reasonable	long
Rhine/Ruhr	reasonable	reasonable	fairly long
Ile de France	large	large	fairly short
Greater London	large	limited	fairly long
Randstad conurbation area, the Netherlands	large	limited	long

Source: NEI

That leaves the government with two options for making essential investments. First, it can spread the cost of the investment over time by leasing or 'hire-purchase'. Second, it can reduce the total investment cost by transferring part of it to a privately financed management company, for example. Despite its lack of resources, the government can still take either of these routes to the implementation of essential projects.

In practice, the second option is more often chosen, notably in the form of public/private-sector co-operation (PPS). PPS serves three purposes. It can be seen as a way of improving the quality of city planning, which is a more general aim. It is also a way of boosting investment volume when financial resources are limited, which is highly desirable given the nature and scale of the projects being contemplated and the financial constraints to which the public sector is subject. Co-operation of this kind also means that a market return can be achieved on part of the project. Judging by the time it took to construct the tunnel under the Noord canal, one of the first PPS projects, it can also speed up project execution.

The first option, that of using other financial instruments such as leasing, is less popular, but this less traditional form of funding is becoming more widely

accepted by the public sector. One example is the co-operation agreement with the Government Department of Housing and Construction for financing Ministry of Justice buildings. To expedite its ambitious construction programme, the government has abandoned its deep-rooted conviction that it must own the buildings it uses. Internationale Nederlanden Groep, in conjunction with a major institutional investor, is conducting a feasibility study to establish whether the development, construction and eventual management of court buildings, with the Government Department as tenant rather than owner-occupier, is a practical possibility.

6.13 Administrative organization

Despite all the plans jointly developed under PPS arrangements, covenants with the government and agreements to carry out joint studies, the actual development process has stalled. From making declarations of mutual intent to strengthen the Randstad's competitive position to actually signing contracts for project execution is clearly a big step. That's not really so surprising. Hardly any experience has been gained with substantial projects to be built in existing urban areas, in which the risks are shared by the public and private sectors. Major projects are not unknown in Holland (think of the Delta project and the draining of the Zuiderzee), but major projects undertaken as joint ventures in existing urban areas, such as the development of the banks of the River IJ in Amsterdam, demand a quite different decision-making procedure. I'd like to talk for a moment about the main elements in that decision-making process and the experience gained so far. This will help us to identify the root causes of the lack of development momentum and may even suggest solutions.

6.14 Conflicts of interest

There are bound to be conflicts of interest between parties to any joint venture, often in the form of a difference of opinion on power sharing. The larger the project, the greater the likelihood of conflict. This is quite natural and need not impede the progress of the project, provided it's handled rationally and objectively. But inexperience, on both sides, is an obstacle here.

Another dimension to the problem is the administrative fragmentation of the public sector. Local, provincial and national authorities are not always driven by the same motives when considering the need for and implementation of major projects. This is a much more intractable problem. Accusations that the public sector agencies make unreliable partners are quite groundless. Most of the time, they are extremely consistent. The problem is that the actions of the various authorities aren't always informed by the same views. This is clear from the NEI study I referred to just now. And, to be honest, the same can also be said of certain parties in the private sector.

6.15 Inexperience and lack of empathy

I've already mentioned the problem of lack of experience with collaborative projects on this kind of scale, but inexperience is not the only cause of the impasse. In many cases, the partners co-operating on the project employ different working methods and have different insights into particular elements of the project. They lack knowledge of each other's capabilities and working methods, too, and in some cases are unable to empathise with their partner's position. As more PPS projects are initiated, this problem will become less important and we are optimistic on this score.

6.16 Process errors

Lastly, we can identify a number of errors in the process. The most serious of these is that the mutual objectives are not always clearly defined. This is partly due to the scale of the projects, but conflicts of interest may also play a role. Nevertheless, it is essential to formulate these shared objectives, to prevent the parties putting off committing themselves indefinitely or changing their minds before they start.

Another serious process error is the shortage of management capacity within the co-operative process. The need for management experience as well as technical expertise on projects of this kind is not always fully appreciated.

6.17 Prerequisites for the Randstad's further development

Having considered the economic climate, the Randstad's competitive position and the policy initiatives being undertaken to improve it, it's time to draw up the balance sheet and define the prerequisites for success.

As we have seen, the Randstad's economic situation is by no means unfavourable, although there are a number of challenges that have to be met. General economic policy (public spending, taxation, control of inflation) can help here. It's also important to consider the policy-sensitive elements in the Randstad's business environment: I have already mentioned the distribution axes outside the Randstad, the infrastructure within the Randstad, the supply of office space and telecommunications. While many infrastructure projects have been initiated, the other elements also merit attention. The infrastructure projects are running into problems in the execution phase. Essentially, these constraints on the development of the Randstad are a combination of problems of scale and problems of management, compounded by a lack of experience. These problems can, in my view, be resolved relatively easily.

6.18 Subdivision of the Master Plan

The problem of scale can be eliminated by subdividing the master plan, both physically and over time, so that the decision-making process can be split into phases. Agreement can be reached on each individual section and phase, clearly defining the objectives and mutual obligations. This will ensure greater commitment, while making major projects easier to handle. But it is still essential to ensure compatibility with the master plan and evaluate each phase in the light of the criteria it lays down.

6.19 Defining objectives

One of the most serious management problems can be tackled by defining the main objectives at a very early stage in the negotiations (establishing the actual purpose served by the plan). An evenly balanced project organization is then needed to prepare and implement the sections and phases of the project.

6.20 Communauté urbaine

Another management problem stems from the fragmentation of the administrative organization. It's often very difficult to obtain consistent answers at Randstad level, making it difficult to manage projects effectively. Following the example of France and the United Kingdom, we should seriously consider the creation of a '*communauté urbaine*', as recommended by the Montijn Committee. In this context, priority also needs to be given to streamlining decision-making within government (such as the routing legislation now being prepared).

6.21 Respect for one another's social function

Lastly, there is the process of familiarization. For the various parties concerned, familiarization means identifying the problems and the differences in working methods and making allowance for them. For the private sector, this will above all mean taking more care to achieve broad public support for the projects. The public sector in turn must appreciate that providers of capital and property developers have to see profit potential in the project. And lastly, both parties have to get used to relinquishing control. Co-operation doesn't mean one party taking full control. Mutual respect for one another's role within society is the key to the success of co-operative financial operations.

If decision-making along these lines can be achieved in the present economic context and given the present state of public-sector finances, the Randstad's future as a business location will depend on the success of the PPS projects now in progress. If they prove successful, the future for Holland's major cities looks bright.

Forum on policy and practice of urban regeneration

7

A. van der Zwan (chairman), P. Unwin, R. den Dunnen,
A.A. Soetekouw, P. Turlik*

The chairman invites Mr. P. Unwin and Mr. R. den Dunnen to give their opening statements.

Mr. Unwin: I would like to focus briefly on two issues:

1. The issue of *organization* and *decision-making* in urban regeneration. I was fascinated to hear what Mrs. Van Rooy said this morning about the issues you are facing in Holland on decision-making at different levels of government. We face similar issues in the UK, and, whichever party wins our general election, there will be changes in the structure of local government. Who speaks for cities, and what decisions are taken by whom? These questions will be crucial for those changes. Also on organizations we have a major issue of coordination between central government departments. If regeneration is to be successful, it must be comprehensive. We must tackle the physical, the social and the economic problems of an area in one go. So we need the Department of the Environment, the Department for Housing, the Home Office to tackle crime and drugs, the Education Department, the Department of Trade and Industry for enterprise, etc. All of those are vital. But bringing them all together in a way that provides comprehensive regeneration is easier said than done.
2. The second issue I want to mention is one that we have not heard a lot of so far: the *community*. This morning we have heard a lot of the involvement of the private sector. But I think there is also an awareness that successful and permanent regeneration needs to involve the local community. That again is much easier to say than to actually define or to do. The first question is always: what is the community? It is very much the exception that there is a clear community in a regeneration area, which speaks with one voice. More often it is desperate: there are many different voices, saying different things. Which one to listen to? One of the features of an area which has gone downhill is often that successful people leave. Those are the people who can exercise choice. How do you listen to their voice when they in a sense are no longer part of the community? This is one of the difficult questions for both central and local government to tackle. These are the two issues I hope we will come on to later.

Mr. Den Dunnen: to keep it short, I also want to make just two statements. The first statement is on the economy and cities. My previous job taught me one important lesson: the city economy has to do with *all* aspects of the city. More than 75% of the working force in Northern European cities have a job in the so-called tertiary and quaternary sectors of the economy. Nowadays modern industries are much more footloose than those of the old days; they ask for different locational factors. Besides a market, skilled labour and accessibility, they want good accommodation, safety and an interesting cultural climate. I wish to stress that the biggest sector nowadays, world-wide, is culture. Things like education, recreation and sporting events are quite important for the

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Mr. A.A. Soetekouw is a member of the Board of Directors of the Internationale Nederlanden Groep.
Mr. P. Turlik is Director of Strategic Affairs, London Docklands Development Corporation.

economy of a city. So it has to be taken into account that improving the city economy literally affects all aspects of the city.

The second statement concerns an *innovative* climate. It is an absolute necessity if the city is to be improved on a local or regional scale. I can distinguish five factors which constitute such a climate:

1. some kind of regional consciousness: there should be some group focus on economic growth, shared by all parties concerned;
2. exchange of information between leadership groups;
3. autonomy. This refers to the possibility of taking effective economic decisions, to the availability of power, funding, etcetera in a regional community;
4. innovative propensity, or the willingness to change and improve;
5. organizational capacity.

When one observes the London Docklands project, one must conclude that one of the reasons for its 'success' is that all these factors are in play. I think they are essential for the development of any economy.

The chairman invites the members of the audience to join the discussion.

Mr. Sequerra (Kirklees Metropolitan Council): I am a bit disappointed about the fact that this conference so far haven't had the opportunity to learn from the opinions and experiences of local authorities, those agencies right in the inner cities. I think we owe our colleagues in Holland the opportunity of hearing a rounded view. The Audit Commission in their report in 1989 gave a very fair reflection of British urban regeneration policy. It has been very much dominated by central government during the last ten years. The Commission concluded that urban regeneration at best is incoherent, and at worst rather damaging for the prospects of regenerating particularly our run-down Northern industrial cities. I share this view.

About the list of schemes we heard this morning; we local bureaucrats understand only too well that some of them are cosmetic, and some of them can bring some benefits. But all of them have to be seen against the background of disinvestment in public services and of a real run-down in some of our better public services like health, housing and rail. This is not at all the basis for sound economic and industrial growth. Prospects are bad.

The experiments of the early and middle eighties have given way to more sober judgments about what is needed in urban regeneration. Though I have my reservations, I personally welcome Mr. Heseltine's City Challenge initiative for two reasons:

1. for the first time in twelve years, Mr. Heseltine has challenged the local government and the local communities to be at the centre of the regeneration effort. For too long we have been bypassed by having agencies imposed upon us;
2. the other element in Mr. Heseltine's approach is his concentration on the social side. Regeneration without bringing benefits to the local communities (and that is absent in London Docklands!), will not have any lasting effect.

The chairman asks for reactions to this contribution, which he outlines as follows: urban regeneration, even if it is meant to be economic regeneration, should also pay attention to local and social benefits. Is there a good balance between economic regeneration on the one hand, and local social benefits on the other hand?

Mr. Turlik: no, one has to be frank. Using our physical regenerative powers in London Docklands, we created an enormous impetus for activity. But we were only given physical powers. What government did in 1981 was to try to provide a catalyst, hoping that the prime agencies (the education authorities, the local health authorities, etc.) would be able to maintain and look after their own

particular functions. What we certainly found as the years passed by is that we had to start taking over. The issue is: should we have also been given all those other powers at that time? There was enough agitation as it was in parliament, when we were created as a non-elected organization with just these physical powers. Influenced by the new wave of Urban Development Corporations after 1987, in the meantime a much more pragmatic relationship and understanding has grown up between those organizations and the prime agencies. Also in London Docklands there is a much more pragmatic understanding between the local authorities and ourselves these days.

Chairman: the complication in debates like this is that for a long time economic regeneration took the lead over the argument of local and social benefit. The question of whether the balance should be restored has to be addressed.

Mr. Den Dunnen: if the local or regional administration authority has enough power and abilities, a kind of contract is possible with the national level. If this authority does not have enough powers, and you choose not to give it a certain level of funding, a special agency like London Docklands can be created. In the Netherlands we are on the road to giving more responsibilities to regional authorities, so that we can put into action public-public contracts and public-private contracts on a regional scale.

Mr. Unwin: it is easy to criticize urban regeneration for being an incoherent set of different policies. The reality is that problems in different cities are different, and on occasions you need different policies to tackle them. I think City Challenge is the sort of legal agreement between central and local government that Mr. Sequerra referred to. It is an agreement where the local government in conjunction with the private sector and the community can come up with proposals and a plan. They are given the responsibility to deliver it.

A British participant from the audience: once upon a time in Britain we used to have democratically elected metropolitan strategic authorities, which the British government systematically abolished in 1986. Today we heard much about partnership between public and private sector. What about a partnership between different levels of government? The British government clearly does not believe in it.

Mr. Kane (Glasgow Development Agency): what you have heard today from the English experience in urban policy is about a policy which is totally fragmented at the urban level, which replaced partnership between the local authorities and the local private sector. It has been replaced with central government intervention and a very property-led approach to urban regeneration. I think the model that members of the audience from Dutch local authorities should be looking to is a very successful Scottish urban policy. It is operated quite differently; there is a much greater pragmatism and co-operation, not only between the private and the public sector, but also within the public sector, notwithstanding great political differences at the local and national level. I think in Glasgow we have the example of urban regeneration par excellence in the UK.

Mr. Inkin (Urban Development Corporation, Cardiff): Mr. Kane is absolutely right that in Scotland and in Wales there is this pragmatism between local authorities and central government. We don't really worry in Wales about the colour of central government as long as the money flows. We get on in a single focused way in conjunction with the local authorities in a way that England in many cases could well follow. The point is: if you do not have a body which is single-focused and has confidence in the development policy of the private sector and of local authorities and of central government, you have a major problem.

A related technical point is that this body should be capable of assembling land. Lastly, and perhaps most important of all for a long-term process: if it is successfully managed, it uses the surplus profits of the development for public gain at the end of that process.

Mr. Goddard (University of Newcastle): I'd liked to address a question to the panel. On the Dutch side we have a great deal of discussion on the question of the competitiveness of cities. The primary attention on the British side was on something called urban regeneration, with a great emphasis on the problems of cities, as distinct perhaps from the opportunities. I would like a response from the British side of the panel about where they see urban policy fitting in with the theme of competitiveness of both the urban and the national economy. From the Dutch side I would like to hear where their emphasis on the economic role of cities fits into their concern with social issues. I am aware that there are quite severe social problems in some Dutch cities.

Mr. Soetekouw: a striking difficulty here is how to measure success. What are our quantitative references? These should be identified in order to make clear the relationship between economic growth and its benefits in terms of better housing, better education, better employment, etc.

Mr. Den Dunnen: as I said in my second statement one can only speak of economic success if all other aspects, like housing, accommodation, recreation, etc. are also taken into account. If those are not up to standard, in the long run the economy will collapse as well.

Chairman: it was well observed that the focus of the Dutch presentations is the competitive positioning of urban economies, while on the British side it is urban regeneration. What is the background to this difference, and what can be learnt from it?

Mr. Turlik: certainly Docklands today has moved in terms of its scale of development. What started off as an urban regeneration project to plug an economic hole in a part of London is now growing much larger into something which is on a truly global scale. Today it is very much seen as providing London, a bit like La Défense does for Paris. In the approach to the next ten years of the scheme, it is all about international competition between cities, and also about competing and attracting international investment. We are now in a sort of inter-city competitive situation.

Mr. Unwin: the question whether urban policy is about opportunity or deprivation is a fascinating one. Simply tackling deprivation without some vision of opportunity brings the danger that one will be back again in ten or twenty years to tackle the same problem.

Chairman: I wish to invite participants from the floor for a last round in this discussion.

Mr. Boeckhout (Erasmus University, Rotterdam): we have been talking a lot about economic and large-scale investments. We should not forget to look at the economic effects of those investments. The evaluation of a lot of the large-scale projects shows that they generally come down to investment in new office space. This new space is replacing older offices, which keep on falling into disrepair. Meanwhile there is job creation for suburbans, but not for the inhabitants of the older areas of the cities. In the London Docklands for example, the net effects for employment growth turned out to be less than zero.

Mr. Soetekouw: we should be very careful indeed to undertake this type of endeavour not only for prestige, but for real socio-economic growth. If jobs have been created for a larger region it is not bad at all, though for the city itself the contribution perhaps has limited meaning. In the project for the banks of the River IJ, we are trying to develop an approach which avoids such a situation.

Chairman: but isn't it a real drawback that we have enormous lead-heads in investment and then end up in a situation of excess capacity? Are there realistic means to avoid such a situation?

Mr. Soetekouw: this is why I advocated at least a regional, but perhaps also a national policy; a policy to create scarcity where it is necessary. I referred to the danger that the sum total of the local developments in the four major cities in Holland could be abundance of supply. At the same time we lack high-ranking expensive office supply. In spite of the remarks I heard about autonomy, local powers to execute plans, etc., I wish to refer to what Mrs. Van Rooy said this morning: in Holland we need some planning on a macro-level in order to avoid these dangers.

Mr. Bartels (Consultancy agency, Netherlands): I have some difficulty with what Mr. Soetekouw just said. As a user of office space I am glad about the low prices, and about the fact that we have an adequate supply and sufficient financing.

To turn to another point, I heard from the British that it has been important to work with enterprise zones. Is the instrument of tax-policy, tax-innovation important in attracting financial resources? From the Docklands we can maybe hear about the importance of the Dutch financial sector for British Development. On the other hand: how important can Great Britain be for the developments in our country?

Mr. Soetekouw: referring to the abundance of office supply and the fact that you are happy with the quality and price level, I would like to remind you that indicative comparison tells us that the quality of Dutch office space is below average. The availability of high-quality office space is important if we are to attract international companies to our country. Local authorities have issued lands at relatively high prices to all kinds of project developers who, because of the high land price component, were only able to develop mediocre office space. My organization carried out an experiment in the south of Amsterdam, building high quality office space and doubling the rents. It worked. Companies are willing to pay higher rents for much better quality. It is not of course an unlimited market, and this should only be done in selected locations. We need to have contracts in order to ensure that we do not offer too much office space at once in the different parts of our country.

Mr. Turlik: I can certainly confirm that we are delighted to see Dutch finance in Docklands. On the housing side there was a Dutch developer who actually set the quality standard which we were then able to present to our UK competitors.

Mr. Unwin: I shall just briefly pick up the point of enterprise zones. Our experience is that they have been successful but relatively speaking they are quite an expensive way of getting in jobs. I think it is a question of balance. Private developers are particularly keen on clear tax incentives where they know at the start precisely what they are going to get. Government prefers grants though.

Chairman' in conclusion: I think this panel discussion gave us what could be expected: a wide variety of opinions and experiences. I am very grateful to the participants. As I mentioned earlier, a good observation was made about the

difference in focus between the Dutch approach to urban regeneration, which merely stressed the competitive aspects, and the British preoccupation with the social side of it. The background for this difference could be that in our country social programmes have been more preserved and the consensus for having a social system is much more general than in Great Britain. A second observation to be made about this interesting exchange of ideas is the importance of the next question. Should *public-private* partnership and co-operation be given the number one priority, or should this priority rather be given to *local-national* coordination between authorities? This is a very fascinating question, and I hope we shall be able to tackle it in the afternoon session.

Leadership and urban regeneration: Britain and the rise of the 'entrepreneurial' European city

8

M. Parkinson*

8.1 Economic restructuring, political competition and urban marketing

Britain, like many European countries, has undergone a profound urban transformation during the past two decades. The restructuring of the international economy, the emergence of highly mobile finance capital, the decline of manufacturing industry and its export to low wage economies, the rise of the service sector with its dual labour market has created in Britain, as in other advanced economies, a pattern of intensely uneven urban development. The impact of this unevenness upon different social and economic groups and segments of the labour force is well known – growing regional and individual economic inequality, the emergence of core and peripheral workers, the marginalization of particular social groups. Governments at all levels – European, national, regional and urban – face many challenges as a consequence of these trends.

In particular, the problems, and opportunities, confronting cities are high on the political agenda of every European government, as the publication of 'Institutions and Cities' which underlies this conference so vividly demonstrates.

Cities are undergoing a wave of crucial and occasionally dramatic economic and social changes. The restructuring of the international economy has undermined the Victorian urban hierarchy and is creating new patterns of exchange and dominance. All cities are seeking, and some are finding, new economic niches as local, national and international capital discovers that profit once again can be made in some, if not all, parts of cities. New actors, especially in the financial, construction and property development sectors are taking the lead in regeneration. Governments are creating new institutional and fiscal mechanisms to encourage, control or contain the rapid changes that are taking place. A variety of new political alliances between the public and private sectors are emerging to steer this uneven process of urban regeneration. For cities, in Britain as elsewhere in the 1980s was the decade of entrepreneurial urban mercantilism and aggressive place marketing.

Not all cities can successfully compete in this economic race. Some are simply unable to compete in this rapidly changing world and are falling behind. Many individuals, firms and communities find it equally hard to survive in the abrasive competition. But some regions, cities and parts of cities are able to respond to and exploit the changes. However, even where 'successful' regeneration is taking place different economic groups and neighbourhoods benefit from, or lose out, in the process. Paradoxically, urban regeneration is occurring at the same time, often in the same place, as is decline. But regardless whether cities are succeeding or failing, the economic and social consequences are highly uneven. Each process has different winners and losers.

The result of these changes is that the map of urban Europe is diverse containing not only cities grappling with economic, social and environmental

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problems but many who are more successfully coping with such difficulties. Part of that diversity has been determined by the impact upon cities of the structural economic changes that have occurred in the international economy. However, part of the diversity in cities' circumstances has been created by the reactions within individual cities to those changes. In particular part of the economic growth and recovery that occurred in some cities during the second part of the 1980s was a consequence of strategic responses made by city leaders.

In this context, this paper attempts to do two things. First it discusses national policy responses in Britain to these larger urban changes. Second it attempts to place the British experience in a wider European context. In particular it assesses the emergence and impact of the 'entrepreneurial' city in Europe in response to the growing economic competition between cities that emerged during the 1980s – a process which will become even more intense with increased market liberalization after the advent of the Single Market.**

It explores the dynamics and significance of strategic policy decisions made by leaders in different European cities during the 1980s. It discusses the extent to which cities have been able to shape their economic trajectories or have been constrained by wider structural change. It examines the factors that encouraged the emergence of more activist and entrepreneurial European city leaderships. The paper identifies the strategies cities developed to address economic change and the institutional mechanisms they created to implement them, in particular the role of public-private partnerships in urban regeneration. It illustrates this discussion with the experience of a number of representative cities who have had different degrees of success in responding to the problems of change. It ends with a discussion of the factors that may underlie the different economic potential of cities in the Community during the 1990s.

8.2 The British response to urban change – the rise of privatism and entrepreneurialism

The first section of this paper explores British government responses to the related themes of economic change, urban decline and the prospect of urban regeneration during the 1980s. Two broad trends are visible – the centralization and privatization of power. Although the economic problems facing British cities may have intensified during the 1980s, they did not substantially change their nature. But a decade of Conservative control dramatically changed the way in which government responded to those problems. During the 1980s there was a sea change in the way British cities were governed. Markets replaced politics as the primary response to urban decline; the values of urban entrepreneurialism replaced those of municipal collectivism; private sector leadership replaced public intervention; investment in physical capital displaced investment in social capital; wealth creation replaced the distribution of welfare; most ironically, a government committed to decentralising power in fact weakened alternative local power bases.

From the late 1960s when a Labour government 'rediscovered' the problem of the inner cities, until the Conservative government's accession to power in 1979, government policy under both political parties rested on two shared assumptions. First, policy was as much designed to provide social and welfare support services to the victims of economic change in urban areas as it was to create wealth in those areas. Secondly, since disinvestment by the private sector was seen as the cause of many cities' economic decline, the public sector,

** Mr. Parkinson coordinated on behalf of the Directorate General (XVI) for Regional Policy, a research team that analysed in a comparative way a selection of European cities. The final results have been published in: M. Parkinson e.a., 'Urbanization and the Function of Cities in the European Community', European Institute of Urban Affairs, Liverpool/John Moores University, April 1992.

was regarded as the natural agency to lead urban reconstruction. In the 1980s, however, national government increasingly defined the public sector as the cause of inner cities' problems and the private sector as the solution. Apart from morally exhorting the private sector to increase its involvement in the inner cities, the government introduced a wide range of initiatives designed to give the private sector a lead role in urban policy: city action teams; task forces; enterprise zones; freeports; urban development grants; urban regeneration grants; city grants; urban development corporations and most recently City Challenge. In the late 1980s urban 'regeneration' became the government's goal, as wealth creation replaced the distribution of welfare as the primary aim of urban policy. Equally important, the government decided that local authorities were unable to lead the economic regeneration of their areas and gradually reduced many of their traditional powers and resources.

The government's effort to restructure urban policy must be seen in a larger context – its attempt to create an enterprise culture and replace state action with market forces. This desire to roll back the frontiers of the state underpinned the government's efforts: to cut public spending, taxation and employment; to substitute private for public provision; to increase individual choice in the provision and consumption of collective services and to charge consumers the full economic price for those services. The effort was not confined to urban policy narrowly defined, but extended to a wide range of other policy arenas which have a decisive impact upon cities' fortunes: planning, education, housing, welfare, finance, transportation.

One of the sources of the government's inspiration for the choice of market mechanisms rather than public intervention to regenerate its cities was the United States. The apparent economic renaissance of many American cities as the revitalised centres of service sector economies had a powerful attraction for a government having to respond to the restructuring of the international economic order and the rapid decline of its older, industrial urban areas. The apparent success of such cities in restructuring their economies attracted the government to an American reliance upon the market-place, with its relaxed planning regime, extensive use of fiscal incentives to attract private investment, focus upon the small firm sector and the privatization of service provision. The government was also attracted by the model of the 'entrepreneurial' city which responded to economic adversity by creating new political arrangements, especially public-private partnerships, to develop regeneration strategies.

The centralization of power which took place during the 1980s was something of a paradox. The government's original strategy for urban regeneration involved a major redistribution in political power – but not centralization. One element of the strategy was to decentralise power and shift control of policy from central to local level. The second strand was to use private markets to break the control of monopoly public suppliers at local level and liberate consumers. Producer groups – central government, local government, their employees and their trade unions were to lose power. Consumers – voters, rate payers, tenants, parents and pupils, welfare clients, as well as the voluntary and private sectors – were to gain. Much of this occurred. But the need to control public expenditure throughout the 1980's led the government to increase, rather than reduce, central control of local decision-making. In particular, spending by local governments became a prime target during the 1980s.

Central government used three methods to reduce local authority powers. The most direct was to impose limits on their revenue and capital expenditure. A second method was to privatise or deregulate many local services either by requiring the sale of assets or by opening up the supply of local services to

increased competition from private suppliers. The third method was to audit local authorities more extensively and make more information about their performance available in the hope that better informed local tax payers would, through the ballot box, curtail local authority spending.

The impact of these measures was large. The government radically restructured and restricted the way in which central government financed local authorities. It abolished cities' source of income, the rates, and replaced it with a Community Charge and subsequently a Council tax, along with a centrally determined and assigned Uniform Business Rate on nondomestic properties. In the six largest urban areas in England the government eliminated the Metropolitan County Councils – a complete tier of elected government. Tenants in public housing and parents of children in state schools were given the right to vote to leave the local government sector and choose private provision, which was at least partially funded by central government.

If the institutions to deliver urban programmes changed, so did the policy priorities. The priorities of the Urban Programme, the government's primary area based response to urban decline, were substantially changed as the government encouraged expenditure on projects which had an economic rather than a broader social focus. Resources were also targeted upon capital rather than revenue projects, since the latter tended to increase the numbers of local government employees a trend opposed by the government. The private sector were given a larger role in the choice of urban programme priorities.

The government introduced a variety of initiatives designed to introduce their own priorities into urban policy. Enterprise Zones were created in over twenty urban areas, resting on the premise that local economic development was prevented by bureaucratic planning and high local taxation imposed by local authorities. By eliminating physical and financial controls in specific parts of cities, government argued, enterprise, investment and new jobs would be created. Hence in the zones land use controls and occupational safety regulations were relaxed. Firms locating in them were given exemption from local property taxes for ten years and 100 per cent capital allowances on commercial and industrial buildings.

Although in 1988 the government announced no new zones would be created, the principle of loosening city control over planning was extended in the Simplified Planning Zone system. Even they did not provide financial benefits to private developers, these zones reduced local government control and increased that of the private sector and central government over development. In this way, government amended the planning process so there was a routine presumption in favour of development.

The fiscal initiatives for urban redevelopment introduced during the 1980s – urban development, urban regeneration and city grants – displayed similar features, providing increased incentives for local authorities to collaborate with the private sector in development projects. The government created City Action Teams in the six largest cities which were intended to give national government a lead role in guiding and coordinating redevelopment. Task Forces, consisting of small teams of officials from central government departments, bolstered by representatives from the private sector, were set up in twelve areas to encourage redevelopment projects. Although the resources of such teams were modest, the intention was to put central government and the private sector at the leading edge of redevelopment.

8.3 Urban development corporations

One of the most important illustration of the Conservative government's vision of urban regeneration in the 1980s were the Urban Development Corporations (UDCs). The first two were created in London and Liverpool in 1981, but eight more were established during the decade in the core of economically stressed cities mainly outside the (then) booming south east. Development corporations were designated, empowered, financed by, and were directly accountable to, central government with substantial powers to regenerate their areas. They were appointed rather than elected bodies intended to eliminate the political uncertainty produced by local democracy which the government regarded as a major deterrent to private investment. Government financial support for the development corporations increased throughout the 1980s just as its support for other parts of the urban programme as well as main local authority services – education, housing and transportation – was reduced. UDCs were given extensive powers over land acquisition, finance and planning. Local authorities lost their customary powers to control development and decide planning applications within UDC areas. The boards of UDCs typically had heavy representation from local business, especially construction interests. Local politicians were invited to be members, but not as official representatives of their local authorities. The UDCs had substantial budgets which in keeping with government strategy, were primarily intended to provide incentives to private sector investment in the inner cities by reducing their costs and risks.

UDCs adopted a different redevelopment strategy from local government, emphasising a property led form of urban regeneration which diluted wider social goals of urban policy. They also adopted a more relaxed, entrepreneurial approach to planning in contrast to the allegedly bureaucratic, local authority style with its traditional emphasis upon planning as development control. In keeping with the property led model of regeneration, major emphasis was placed upon immediate action and visible results, often prestige 'flagship' redevelopment projects, which were intended to improve the environment and image of an area and generate the confidence needed to attract private sector investment.

The significance of the UDCs lay less in their scale than in their policy implications. Their experience raised broad three questions about their efficiency, accountability and equity. How successful were they in creating private sector investment and jobs in the inner cities? How accountable were they to their surrounding communities? To what extent were the benefits of regeneration equitably shared?

The records of the first two UDCs designated in the 1980s were mixed. Both used their extensive powers and privilege – direct access to central government resources and freedom from local political accountability – to achieve many of the goals the government set them. In particular both did a great deal to physically regenerate their docklands areas. Substantial public pump-priming in the form of major infrastructure investment transformed the London and Liverpool docklands from derelict areas to desirable environments in which to invest, live and work.

However, on the equity and accountability criteria, their records were more uneven. The benefits of much of regeneration – the new jobs, houses and environmental improvements – did not always go to the original low income communities. Instead the jobs were created at the top end of the labour market in the skilled services sector – just as the houses were built at the top end of the private housing market.

However, at the end of the 1980s the UDCs found that physical regeneration required major social infrastructure and investment in human capital and turned their attention to the provision of low income housing, community

facilities, education and training programmes. UDCs realised that if they did not make such provision, it would be difficult to attract workers who were sufficiently trained to take the new service sector jobs or who could afford to live in the regenerated areas.

8.4 1991 The emergence of City Challenge

The most recent government urban initiative, builds on the urban entrepreneurialism of the 1980s but also recognises some of its limitations. During the past year the government has introduced an innovative method of defining urban priorities and of providing financial support. A limited number of cities with major problems were invited to propose innovative regeneration projects in their cities which brought key players into local partnerships. These were judged by the government and a selection were given for financial support. In the first year, eleven of fifteen applicants were successful. Another wave of applications is currently being considered. The city challenge initiative has attracted two major criticisms. First it has been argued that a competition for limited resources between cities is divisive, as well as an arbitrary way of identifying urban priorities. It has also been argued that the funding for the programme is not additional but is taken from Urban Programme funds which would have gone to other cities.

Despite these criticisms, it can be argued that the city challenge initiative adopts a wider vision of regeneration, going beyond many of its predecessors of the 1980s. The initiative is intended to commit all government departments to the programme, not only the Department of the Environment. The early evidence suggests that the strategies adopted by cities are more coherent, better targeted and better integrated. The strategy more obviously emphasises partnerships between local public and private institutions and negotiation between cities and the government, than its predecessors did. The community is given a more important role in defining urban regeneration. A larger emphasis is placed upon the creation of human, as well as, physical capital in Britain's cities. And the initiative has brought forward a series of innovative projects for regeneration in many cities. But the strategy remains to be tested. Only time will tell whether it constitutes a break with the 1980s and a wider vision of regeneration for Britain's cities.

8.5 Urban policy in Britain: an assessment and a prognosis

What was the impact of the shift in urban policies and priorities during the past decade? Which groups benefited and which lost? What does it tell us about the future regeneration of Britain's cities? During the 1980s the government restructured state power. It enhanced the role of the private sector in urban policy. It encouraged initiatives which provided increased incentives for entrepreneurial behaviour by individuals, local authorities and regions. As one consequence substantial physical renewal occurred in many of Britain's inner cities areas. But in this process local authorities lost power over economic development. The major gainers were the private sector and central government. There was less evidence that the government's economic development policies during the decade helped the urban underprivileged. There was little targeting of programmes which would specifically aid vulnerable groups.

Indeed, one effect of the government's strategy was to reinforce or increase unevenness in the distribution of economic rewards, between regions, cities and individuals. Many specific area-based initiatives like the development corporations, enterprise zones or potentially city challenge brought regeneration to limited parts of cities but left other parts unimproved. In some cases the policies produced very uneven benefits for different social groups – the underprivileged lost out at the expense of the affluent. This tendency underlined a

larger point about government strategy. By the end of the decade many were arguing that urban regeneration required a wider vision and a broader package of programmes for finance, education, training, enterprise development and social provision than agencies devoted to physical regeneration of a narrowly defined area could achieve.

The record of the 1980s raises a series of questions about urban strategy that must be addressed during the next decade in Britain. Is investment in physical, as opposed to human, capital the best way of ensuring urban regeneration? Can the market and the private sector address issues of equity and fairness, as well as those of efficiency and wealth creation? What will be the consequence of the growing centralization of government power, the rise of appointed development agencies and the loss of direct local accountability? Are the public-private partnerships which are growing in some cities mechanisms which can genuinely share as well as help create the benefits of growth in cities? Is competition between cities and the ethic of urban entrepreneurialism the best response to urban change? This raises a final question that leads us to the second concern of this paper: where do British cities stand in a changing European context?

8.6 Urban change in Europe

Urban Europe has undergone a series of dramatic transformations during recent decades. However, the economic and demographic changes which were most important in transforming the European urban system during the past three decades have slowed considerably in recent years. Despite the continued economic restructuring associated with the creation of the single market and the uncertain impact of potentially-enlarged EC membership, the European macro urban system is likely to be more stable in the period to 2000 than it has been in the last three decades. The shift from agriculture or manufacturing to the service sector as the dominant employment base within urban economies has now largely taken place and continues at a slower rate. The rural-urban migration which characterised underdeveloped southern Europe and Eire has dwindled. Birth rates in those regions are converging rapidly with those of mature industrial northern Europe, limiting the likelihood of rapid urban population growth in the medium term. Employment-led migration from non-European areas and the less developed European regions to Europe's economic core, despite current and potential migration from eastern Europe and the Maghreb, is now less pronounced than in the boom period from the 1950s to the mid-70s.

With more stable patterns of employment, internal migration and fertility, the European urban system will be subject to less upheaval than elsewhere. There clearly will not be urban growth within Europe on a scale comparable to the explosive urbanization that is still occurring in Asia, Africa and Latin America. Despite this degree of relative stability, however, changes which appear marginal at the European wide level will continue to present decision-makers in European cities with significant dilemmas and opportunities. The economic upheavals of the 1970s and '80s have bequeathed a particular legacy to each European urban area depending on its historical development pattern, its functions in the public or market sectors, and the local effects of wider economic change. Many cities are still adjusting to these economic processes and the adjustment will continue to be more painful in some European cities than in others.

In addition to those factors, which are primarily the consequence of decisions about employment locations, others will be no less important in generating demand for the provision of public and private urban services. For example, long-run suburbanization, the ageing of the European population and

resulting changing age structures within cities, the feminization of the workforce, the outmoding of traditional skills, changes in household structures, increased leisure time and purchasing power and growing concern over the urban environment will have complex impacts on cities. They will continue to throw up challenges for the provision of services in fields as diverse as housing, transport, social welfare, education, childcare, training and environment. The way in which public and private sector providers respond to these challenges will, in turn, trigger further changes in the way in which the physical capital of cities – land, buildings and infrastructures – are used. Cities will also be constrained by wider forces – the performance of the international and European economy, the investment decisions of multi-national corporations, the policies adopted by national governments and the European Commission, developments in eastern European economies and pressures of migration from outside the European Community.

During the 1990s, despite the overall stability of the European urban system, changes will take place both between and within European cities since the spatial impact of economic change remains highly uneven. In many cities there has been growing economic, social and political dynamism which has created increased prosperity. In others there has been continuing economic decline. Equally different parts of cities and different groups within them have been affected differentially by change. Some have clearly benefited while others have been less able to do so. During the 1980s in many cities in all the regions of the European Community there have been growing spatial inequities, increased social and economic disparities between groups and growing marginalization of vulnerable groups. This is especially true of ethnic minorities, where racial discrimination has compounded lack of skills making it difficult to enter the upper reaches of Europe's expanding service sector economy. The uneven distribution of public and private goods and services leading in extreme cases to segregation and marginalization of groups and areas within cities have been and will remain major issues in Europe.

8.7 The rise of the 'entrepreneurial' European city

Cities have historically been the source of much of the creativity, as well as the tensions, in Europe generating much of its economic, social and cultural dynamism. Their economic and political significance has however, varied in recent periods. During the 1980s cities have emerged on the European agenda, not only as a source of major problems or as recipients of substantial public assistance, but as important economic and political actors in an emerging European wide urban economic system as they assumed greater powers and more interventionist roles in responding to change. The emergence of the entrepreneurial city in Europe during the 1980s was driven by many different factors: the impact of economic restructuring; political and administrative decentralization; the failures of traditional regional policy; the renaissance of interest in urban living; and the awareness of increasing economic competition between cities after the creation of the Single European Market in 1992.

The primary driving force in the emergence of more interventionist, 'entrepreneurial' city regimes was the dramatic economic changes that have been occurring within Europe in recent decades. By the 1980s the full impact of the international recessions of 1973 and 1979 had been experienced by many cities and had left them facing severe economic and social problems. In these circumstances city decision-makers in many member states decided they could not rely solely on national governments policies to alleviate the impact of economic restructuring but had to develop their own strategic responses.

Cities were also encouraged to develop local solutions to their economic difficulties as the limits of traditional regional policies became increasingly obvious

during the 1980s. In many member states the regional policies of the 1960s and 1970s failed to create regional prosperity, spread their resources too thinly or simply failed to address the problems and needs of cities which are not identical with those of their larger regions. In the 1980s many cities recognised the need to develop local economic strategies which more specifically addressed their economic problems.

The trend was encouraged by many national governments in Europe, not only those controlled by right of centre political parties, who reacted against the perceived failure of centralised policy making and delivery systems that had characterised much of the post war period. Growing dissatisfaction with national institutions and policies created a growing interest in local institutions providing local solutions to local problems. In many states this led to reduced national intervention and public expenditure and a shift in the balance of power between national and local governments as substantial responsibilities, if not always resources, were delegated to regional and/or local governments. This decentralization provided local institutions with greater policy responsibilities but also created new political space which encouraged local decision-makers to play a larger role in developing strategic responses to their cities' changing circumstances.

The process was most marked in countries which had traditionally been more economically, administratively and politically centralised. France and Spain were particularly visible examples of this trend as major decentralization reforms at the beginning of the decade changed the traditional internal balance of power and led to the emergence of activist and entrepreneurial regional and local governments and administrations. However, the trend to increased regional and local autonomy was also found in traditionally less centralised countries like Germany, Italy, Belgium, Denmark and Holland. Britain, Greece and Ireland were exceptions to this process of decentralization. However, even in Britain, cities were encouraged by national government to behave in more dynamic, entrepreneurial fashion and in particular to form new alliances with private sector interests.

At the same time growing interest in cities in Europe was encouraged by the larger processes of economic restructuring as new activities in the service sector replaced traditional economic activities. Throughout the 1980s cities in the north of Europe in particular continued to shed their 19th century role as centres of manufacturing and reverted to older preindustrial notions of cities as places of meeting, demography, communication, exchange, leisure and worship. This had some important demographic consequences. Although many cities continued to lose population during the 1980s at the same time there was a process of reurbanization as particular groups, frequently younger professional people or older people whose children had left home, moved into the centres of cities to take service sector jobs or to enjoy the cultural and life style advantages of cities.

The numbers moving in did not generally compensate for those who were leaving. But the impact of this often higher income group upon specific central areas of cities created a sense of renaissance in many cities. Despite the conflicts that process often created and despite continuing structural decline in many cities, the process of selective reurbanization contributed to the image of cities as assets rather than liabilities entering public debate during the 1980s and created renewed political interest in the role and future of cities.

The emergence of more interventionist, entrepreneurial urban leaderships was also encouraged by the challenge of the single European market after 1992. By threatening to encourage the rate of economic change, it made city leaderships anxious to avoid falling even further behind the already economi-

cally successful cities in the EC and keen to emulate their strategies. In part this contributed to the growth of many kinds of networks between European cities during the 1980s as cities attempted to share their experiences of responding to economic change.

The prospect of 1992 also had a major impact upon national decisionmakers, making them increasingly conscious of the need to increase national economic competitiveness. This had an indirect impact upon cities, since in many states the response was to identify the cities with the greatest economic potential as the dynamos of the national economy and to adopt strategies which would favour their growth.

In some cases the capital city was identified as the key players – most obviously in the case of Paris and London. Restrictions upon the growth of both were relaxed in the 1980s and were accompanied by population expansion after an earlier period of economic and demographic decline. But a growing awareness on the part of national decision-makers of the national economic significance of their major cities and an attempt to encourage their economic revival can be identified in Denmark with Copenhagen, in Belgium with Brussels, in Holland with Rotterdam and Amsterdam, in Italy with Rome, in Spain with the cities of Seville and Barcelona as well as Madrid. Despite the degree of political and administrative decentralization that occurred in many member states during the decade of the 1980s and the autonomy that provided for many entrepreneurial city leaders, there also appeared to be a contradictory trend – a growing concentration of economic activity in a limited number of cities which may lead to the emergence of an elite of powerful cities within each member state.

8.8 Public-private partnerships in cities

These diverse factors combined to place cities more centrally on the European policy agenda in the 1980s and 1990s. As well as a greater recognition of the problems cities faced, there emerged more activist, entrepreneurial city leaderships who sought new strategies and mechanisms to encourage local economic development.

These developments meant that after the economic crisis of the 1970s and early 1980s many cities in the Community were prepared not only to review the economic development strategies adopted in their cities but also the institutional and administrative mechanisms through which those economic strategies were developed. In particular many responded to the economic problems they faced by creating new institutional mechanisms – in particular innovative and creative public-private partnerships – in an effort to generate and implement new economic strategies. During the 1980s the process occurred in a variety of different kinds of cities in the old core, new core and periphery of Europe, including: Hamburg and Dortmund in Germany; Rennes, Lyon and Montpellier in France; Glasgow, in Britain; Rotterdam in Holland; Milan in Italy; Barcelona in Spain.

The process of creating public-private partnerships in these cities was initiated by different institutions in different ways. Often elected leaders, typically powerful Mayors, took the initiative by creating a review process involving a wide variety of groups in the city – government, business, the community and the universities – to review traditional policies, identify their weaknesses and propose alternative ones. The specific institutional relations of the partnership varied in composition, organization and degrees of formality. In some cities, like Montpellier, Milan, Glasgow, Hamburg, Rennes there was a relatively formal alliance between public and private sectors and an organised partnership with limited membership, administrative capacity and specific policy goals. In others like Barcelona or Dortmund a new institutional framework did

not emerge; rather the process of public consultation, policy review and strategic development was crucial. Frequently a public document emerged identifying the city's future long-term strategy.

Underpinning all of these initiatives was an attempt to replace internal conflict with agreement over long term goals and to generate local consensus amongst public and private actors on the development strategy the city should adopt and the resources that should be devoted to it. These alliances did not prevent all internal conflict. Nor were they a sufficient condition for economic success. However, during the 1980s the cities that developed such institutional relations were more often associated with the generation of dynamic development strategies than cities which were unable to create such alliances.

8.9 New economic development strategies

The growth of these new institutional arrangements was accompanied by the development of new economic strategies. These varied according to the economic and social problems cities faced as well as to the resources that were available to city leaders. These resources included, for example: the strength of its public and private economic sectors; its human resources including their educational, skill and entrepreneurial levels; its social class relations; its environmental and locational advantages; its cultural assets; leaders' access to national resources and ability to influence policy makers at higher levels of government.

The strategies cities adopted varied; however they were not mutually exclusive but rather complementary. Cities rarely adopted a single strategy, although some were more common in particular regions of Europe. In many cities like Hamburg, Dortmund, Rotterdam, Glasgow, the strategic focus was upon the diversification and restructuring of traditional economic sectors like steel, coal or ship building. Although not confined to them, cities without the problems of that traditional inheritance like Montpellier, Rennes, Bari or Valencia could focus upon the development and exploitation of high technology, where the development of good working links between government, business the research industry was crucial.

In some cities, like Seville, and Barcelona the focus was upon prestige redevelopment projects like waterfront redevelopment or major events to give a strategic focus to economic and urban modernization. Many cities like Frankfurt developed new economic niches for themselves, in culture or tourism and leisure. In some cities like Montpellier, Barcelona, Birmingham, Glasgow, Lyon decision-makers made conscious efforts to develop a wider role in the European economy by playing leading parts in European wide organizations, developing economic and cultural links with European cities and fully exploiting European Community programmes and funding.

In most cases the strategy attempted to move the focus of the city's economic strategy from traditional to modern sectors and to diversify the economic base. Not all strategies had the same economic potential or impact. The development of cultural policies, the capturing of prestige projects, the development of international strategies or city marketing were not a substitute for, but a complement to, the development of core economic activities in the high value added sectors of the manufacturing and service economy. But they provided an indication of entrepreneurial and innovative behaviour which characterises many of the most dynamic cities in the Community.

The following section illustrates this discussion by examining a number of cities whose experiences exemplify the range of problems and responses found during the 1980s in the old core, new core and periphery of Europe. The old core

consists of Britain, northern France, Belgium, Holland and northern Germany the regions which industrialised and urbanised first in Europe. The 'new core' covers the traditionally less industrialised regions of south eastern France, southern Germany, northern Italy and north eastern Spain which have benefited from recent economic growth in more advanced economic sectors. The periphery consisting of Greece, southern Italy southern Spain, Portugal, western France and Eire which are characterised by poor infrastructure, limited inward investment and a reliance on technologically underdeveloped, vulnerable indigenous enterprises.

Some of the problems faced by cities were common to all regions. However others were specific to particular regions: the decline of traditional industries in the old core, the aftermath of rapid urbanization in the periphery. Leaders in some cities were more successful than others in coping with change. The experience of the successful restructuring of urban economies in the old core of Europe will be illustrated with a discussion of Hamburg, Rotterdam and Dortmund. Montpellier in France will be examined as an example of rapid economic growth in the new core. Seville is examined as an example of a city which is more successfully responding to peripherality. The experience of Liverpool in the old core, Marseilles in the new core and Naples, Dublin and Thessaloniki in the periphery of Europe are also briefly discussed as examples of cities who experienced greater difficulty in responding to economic change.

8.10 Responding successfully to urban change in the old core

Cities in the old core of Europe faced problems from the result of the rapid decline of traditional sectors like manufacturing, steel and coal production and port related activities particularly during the international recessions of the mid-1970s and early 1980s. The more successful cities moved to modernise those traditional sectors but also to develop new ones. The experiences of Rotterdam, Hamburg and Dortmund are clear examples of the process. In each case economic crisis in the early 1980s triggered a political response from city leaders, which led to the abandonment of existing strategies and the implementation of new ones, which was accompanied by the creation of a new coalition and consensus in favour of change.

Their experience, although different in detail, exemplifies several important points about urban Europe. (1) Those cities do have the economic and social resources to respond to problems by restructuring and diversifying their economic base. (2) Their capacity to recover from the economic crisis of the 1980s has reasserted the traditional regional balance of power in Europe. The traditional economic dominance of northern Europe has not been wholly undermined by the economic success of cities in the new core or periphery of Europe. (3) The strategic choices made by public and private leadership groups can affect the economic trajectory of cities and partnership between them can be an important factor in regeneration. (4) The successful restructuring of urban economies does not guarantee that all groups in the city equally share the benefits.

8.11 Urban growth in the new European core

The pattern of economic regeneration in old core cities based on the modernization of traditional industries and renewal of outdated physical infrastructure is different from the pattern of economic growth in cities in the new core of Europe. Such cities in northern Italy, southern Germany and south east France have substantial assets – freedom from industrial dereliction, expanding higher education institutions and qualified personnel, attractive locations and environment – which has allowed them to be amongst the most dynamic centres of Europe during the 1980s. Even though some cities in the north have

recovered economically during the same period, the region remains an extraordinary success which has given rise to dynamic cities and entrepreneurial leaders who have aggressively exploited their natural assets with sophisticated economic development strategies.

8.12 Montpellier – European technopole

Montpellier in South east France is a model example of economic growth in Europe's new core. During the 1980s Montpellier's leaders aggressively pursued an economic development strategy which emphasised modernism, innovation, excellence and internationalism. They developed a science park, or 'technopole' strategy, expanded its cultural assets, undertook architectural and environmental projects of European significance, formed political alliances with other regional actors and adopted an internationalist pro-European strategy European cause. In 1962 Montpellier was the 22nd largest city in France; in 1990 it was the 8th. Between 1975 and 1987 it experienced the highest employment growth of France's 22 regional capitals with 23%, ahead of Rennes' 19%. During the 1980s it attracted 60% of all the 300.000 jobs created in its region, attracting immigrants not only from the surrounding regions but also from Paris. By 1990 Montpellier was one of the most dynamic cities in France. But in the mid-1960s this was entirely unexpected.

The growth of Montpellier was triggered by the location of a major IBM factory in the city in 1965 which stimulated the growth of many small and medium-sized companies in robotics, electronics and communication, pharmaceuticals, and agronomy linked to the university research sector. But Montpellier's growth has been sustained by its ability to promote indigenous economic development. As in northern cities a point can be identified at which the changes in local strategies occurred. In Montpellier it was not economic crisis but a change in political direction in 1977 after the election of the socialist Mayor George Freche.

Before 1977 Montpellier had doubled its population in 20 years but its strategic responses to growth had been inadequate. The city's redevelopment had been of poor architectural and environmental quality with the proliferation of public housing programmes, an inadequate city centre and extensive suburbanization. Under Freche Montpellier pursued a comprehensive social, architectural, cultural and economic renewal strategy. It redeveloped the city centre, provided collective services to outlying areas, improved public transportation to the city, renovated public housing and provided social and cultural and sporting facilities throughout the neighbourhoods. It developed major architectural projects of offices, housing and public spaces which was regarded as one of the most prestigious in France intended to link the city by river to the Mediterranean seven kilometres away. It opened a Conference centre and Opera house comparable with the Bastille in Paris. It supported an opera, symphony and schools of dance and drama and contemporary music of national and international standing.

This physical, social and cultural redevelopment strategy was underwritten by the city's economic performance during the 1980s. Particularly crucial was its technopole strategy. In 1985 the city created a public-private partnership LR Technopole to guide its strategy which developed into a major local economic development agency bringing together politicians, entrepreneurs researchers, and academics in one of the most successful local public-private partnerships in France. The company created 5 technopoles which commercially exploit research in medicine, computer technology, agronomic research, communications and tourism and leisure. It encouraged links between industry and research, marketed the city nationally and internationally and attracted inward investment.

Montpellier adopted a coherent internationalization strategy forging economic and cultural links with other cities in its region and beyond. It is an active member of the Eurocities group and the International Association of Science Parks. The city council especially pursued the European theme. It was intimately involved in the development of the Integrated Mediterranean Programme and received substantial EC funding for its major development projects and from its science and technology programmes.

Montpellier's attractive environment and climate, the major port in Marseilles-Fos, its wide range of tertiary and industrial activities, its 60.000 university students in a population of 300.000, continuing immigration and dynamic local leadership indicates that the city should remain at the centre of a major successful urban region in Europe linking Toulon, Avignon, Aix and Marseilles with strong cross-national links to Barcelona and a model of the pattern of growth that can be expected in the 1990s in the new European economic core.

8.13 Economic growth in the periphery of Europe

The cities in the periphery of Europe clearly suffer different economic, social and physical problems from those in the old or new core. Located in Greece, southern Italy, Spain, Portugal, western France and Ireland they are often characterised by inadequate infrastructure, limited inward investment and dependence on technologically underdeveloped industries. Their regions lag considerably behind those of the European core and the cities face intractable problems caused by late urbanization – inadequate housing, education, transport, social services, planning and physical infrastructure. But during the past decade many cities in the periphery have begun to successfully address the problems of peripherality. The experience of cities like Seville, Valencia, Opporto, or Bari demonstrates that peripherality remains a major constraint on both economic development and social balance. Nevertheless the success they have experienced in adopting new development strategies underlines the dynamism found in many peripheral cities and regions.

8.14 Seville – regeneration and the prestige project

Seville in Andalusia is an excellent example of economic development in the European periphery. During the 1980s after the introduction of democracy and the creation of regional government Spanish cities implemented more coherent physical social and economic strategies which are beginning to bear fruit. However, the particular significance of Seville lies in its strategic exploitation of a prestige redevelopment project – the Worlds Fair Expo 92 – as a way of providing a sustained focus for urban development.

During the late 1980s Seville economy had been on an upward trajectory. Inward investment was growing, unemployment was falling, high rates of economic growth continue. However the city retained key characteristics of underdevelopment – levels of technology in indigenous industries were low, the skill levels of the workforce were underdeveloped and the communications systems were inadequate and fragmented. Decision-makers in Seville and the regional government of Andalusia strategically chose to use a major redevelopment project, the Worlds Fair Expo 92, to address those three problems. The event acted as a catalyst for the comprehensive modernization of Seville's physical and telecommunication infrastructure and laid the foundations for a major science and technology complex in the city on the Expo site after the fair has ended.

Expo 92 was intended to: physically transform a major neglected area of the city; attract a very large number of high quality architectural projects; stage a wide variety of international conferences on science and culture; develop

cultural, sporting and leisure facilities, and host a major cultural festival which will be broadcast by satellite around the world. By 1990 Expo had helped transform the city's physical and telecommunication infrastructure and would eventually give it a regenerated city centre and improved road, rail and air links making it far more integrated into the Spanish and the wider European economy.

After the fair the site will be developed into a science and technology park to upgrade technological skills and capacity in the Andalusian economy. The park will specialise in sectors where the region is already strong – agriculture, food, fisheries and tourism – but also encourage growth in aerospace industry, car components, medium tech tele-communications equipment, micro-electronics and computers. It is intended to serve as the core of a wider regional network of advanced technology centres which will unite scientific institutions, educational and research centres and innovative companies which will not only be a source of technology transfer within the region but an international resource for technological transfer and co-operation between the industrialised and developing worlds.

Seville is at a critical juncture. It is rapidly modernising but retains many of the characteristics and problems of an under-developed society. However, its use of a major prestige project to modernise its infrastructure, and attract international attention should allow it to remain a successful regional capital and may attract the international investment to make it a more important player in the national and European economy.

However, the city's experience raises important issues about economic development in the periphery of Europe. There is a danger that the benefits will be spatially concentrated and that Seville will benefit more than Andalusia from the economic growth. Equally there is a risk that the economic, social and physical costs of modernization will be borne by the majority of the local population but that only a minority will benefit from employment or housing opportunities. The city still has an unemployment rate of 30% and a youth unemployment rate nearer 50%. The city's prestige redevelopment projects played an important strategic role in Seville's modernization programme. But its success underlined the need which is apparent in similar projects for strategies which will upgrade their human capital, as well as the physical infrastructure of peripheral cities if they are to succeed in the long term.

8.15 Barcelona

The use of the prestige project to lead urban growth is equally well illustrated by Barcelona. Although Barcelona originally developed as an industrial city in the 19th century, during the 1950s, 60s and 70s it experienced rapid urbanization fuelled by extensive rural immigration and unregulated economic and physical planning which overwhelmed its ability to provide collective services.

Barcelona used a successful campaign to attract the symbolic project of the Olympic games in 1992 to provide a focus for the physical and economic development of the city and to unite local politicians, business and labour around a common goal. The Games were used strategically to generate the political and financial resources to undertake major redevelopment of the city's strangulated road system, inadequate airport, inaccessible waterfront, public housing, transportation and physical infrastructure. This substantially improved the legacy of the unregulated development of the city during the post war period, which had long been required but for which there had been inadequate support.

The political gains from the Olympic success were widened into the development of the 1988 strategic plan for the city of Barcelona, which through the development of communications, technology and social and cultural programmes intended to make Barcelona a major European city. Building upon the earlier mobilization of public opinion the plan was constructed through an elaborate process of extensive consultations with all groups in the city – business, labour, neighbourhoods, the universities and government. This was not a public private partnership in the narrowly defined sense. But the principle of participation to generate maximum local consensus in support for the long term development strategy was crucial in Barcelona as in many dynamic European cities. Strategic exploitation of a prestige project and the creation of a local consensus around it brought the city substantial gains.

8.16 Coping with economic change – institutional and economic failure

Although there are examples of cities successfully adjusting to change in the old and new core as well as the periphery of Europe, there are also cities in those regions which still experience acute economic problems. In many respects they present the mirror image of successful cities. In part their problems reflect a city's lack of resources. But in part they reflect the inability of local decision-makers to mobilise their existing resources in a strategic fashion. The problems were of both institutional and strategic failure. Cities which had most difficulty adjusting to economic change in the 1980s, for example Liverpool in the old core, Marseilles in the new core or Naples in the periphery, had similar difficulties in creating stable institutional alliances which could generate long-term political support for a coherent regeneration strategy.

8.17 Liverpool – problems in the old core

Liverpool is an example of a city in the old core whose traditionally port-dominated economic structure, low skill base, location and internal politics prevented it from successfully adjusting to change during the 1980s. The city experienced profound economic decline in its port based and manufacturing sectors without being able to replace them with high value added service sector activities. Its manufacturing industry was dominated by large employers many externally controlled and it possessed a relatively small indigenous business class. The population declined by almost 50% in 40 years and led to a loss of skilled workforce. Unemployment remained consistently high and a substantial minority of the city's population was increasingly dependent upon state benefits. Its peripheral location on the west coast became inappropriate for trade with the continent of Europe after Britain's entry into the European Community and it remained distant from the economic centre of Europe with relatively underdeveloped air, rail or road with an underdeveloped airport.

Most crucial the emergence of increasingly severe economic and social problems during the 1970s and 1980s was accompanied by political and administrative instability, which caused internal conflicts as well conflicts with national government. The consequence was that the city during the 1980s was unable to construct the alliances between national and local politicians, business, labour, the trade unions and the universities that emerged to give a constructive response to the similar problems of economic decline in Hamburg, Rotterdam, Dortmund or Glasgow.

The experience of Glasgow was a marked contrast to that of Liverpool. In many respects it endured very similar economic problems in recent decades. However, the crucial difference was that during the 1980s Glasgow had the political stability to construct a coalition of government and business interests which identified and mobilised around a regeneration strategy which concentrated on the revitalization of the city centre and the development of its

cultural assets. The consistent pursuit of that strategy during the 1980s meant that although continuing to experience substantial problems associated with economic restructuring and to some degree peripherality, Glasgow's leaders achieved clear progress in its economic strategy during the 1980s. Liverpool's business and political leaders had begun that process a decade later in the 1990s but the initiative remains fragile.

8.18 Marseilles – a problem city in the new European core

Marseilles is located in Europe's new economic core the dynamic Mediterranean crescent but suffers many of the problems of old core cities. In addition, during the 1980s it shared with Liverpool the political instability which prevented the city sharing in its wider regional prosperity. Marseille experienced the decline familiar in northern European ports during the mid-1970s. However, it was less successful in adjusting to those changes. The city's economic social and fiscal problems worsened during the 1980s. And the presence of a substantial North African immigrant population gave rise to the racist National Front party of Le Pen which created political instability in the city.

In part Marseilles difficulty stemmed from its location. The city was surrounded by successful dynamic cities of Montpellier, Aix, Toulon, Sophia Antipolis which offered good opportunities for the development of typical new core economic activities in less degraded environments. In addition much traditional economic activity had relocated from Marseilles to surrounding areas as a result of government policy during the 1960s. Also the decentralization reforms of 1981 created a strong regional administration whose economic interests often conflicted with those of the city.

During the 1970s the city's traditional political leadership failed to identify the nature of Marseille's decline as had happened in the northern port cities. However, when in the 1980s cities like Hamburg, Rotterdam or Dortmund began the process of strategic rethinking for their cities Marseille's political institutions went into crisis. The emergence of the Le Pen movement in the city's politics initially diverted attention from Marseilles' economic problems. The death of its leader in 1986 undermined the traditional machine which had governed the city for forty years. It created the political instability which, as in Liverpool, prevented the emergence of a coherent redevelopment strategy. Marseilles has a number of assets as a port and as a centre of technological institutions. However in contrast to for example Barcelona which occupies a similar location, the city does not have sufficient political capacity to mobilise its advantages. Marseilles risks becoming an extreme case of regional inequality, an economic failure isolated at the centre of one of Europe's most dynamic regions.

8.19 Dublin, Naples and Thessaloniki – problems in the periphery

Peripheral cities in the community suffer from particular locational, economic, and social disadvantages as we have seen. Although some cities have adjusted to those difficulties others like Naples, Dublin and Thessaloniki illustrate the constraints of peripherality. Thessaloniki's inadequate road, rail, sea, air and telecommunication facilities and links to the outside world are a major barrier to integration in the European community especially as it is divided from the community by nonmember states which do not provide reliable or growing markets for its products. Its economic future is highly dependent upon the Balkan region, which is neither economically or politically stable. Dublin is separated from the mainland of Europe by two seas and is severely disadvantaged by the quality of rail links through England and Wales to the south and east coast ports and eventually the Channel Tunnel. Naples airport is inadequate for large planes as well as being dangerously near to the city.

Its ports have fallen behind their mediterranean and Middle east competitors and are in a critical state because of lack of investment, poor strategic planning and managerial inefficiencies. Naples' road links are inadequate and the rail network slow, requiring ten hours to reach Milan, the most economically dynamic city in Italy.

Such locational problems compound the economic problems of these cities which have failed to develop the skills and traditions to sustain successful, indigenous, economies in the high value added sectors. Dublin for example attracts considerable external investment of international corporations who simply transfer profits back to the parent company rather than feeding them into the local economy. It also suffers from problems of human capital as it endures rural migration to the city but the loss of its substantial university educated young population who migrate to successful economies within the EC and beyond.

In Thessaloniki the traditional food processing and textile industries are unable to sustain their share of the market as they compete with either more sophisticated goods from richer countries or more cheaply produced goods from poorer countries. Naples suffers from a legacy of historic under-development central to the history of the Italian state. Its economy is deindustrializing. It is dominated by an inflated, unproductive service sector, a massive but unstable public construction sector a myriad of unskilled small firms and externally controlled large firms. But it lacks medium sized manufacturing firms. All three cities, but especially Naples and Thessaloniki experience inadequate physical and social infrastructure because of their legacy of unregulated development. They indicate the gap that continues to exist within Europe between its leading and lagging cities.

8.20 The economic potential of Europe's cities in the 1990

This review of the experience of a range of cities has made clear there is no single route to economic success in the 1990s. Decision-makers in different cities have pursued different strategies incorporating high technology, research and development, financial services, modern manufacturing, transport distribution and communication, public sector services, retail, tourism, leisure and culture. Equally location in the three regions of the community – old core, new core or periphery – is neither a guarantee of success or failure. Cities in all three regions have experienced different economic trajectories during the past decade. Nevertheless, there are growing and declining sectors in the European economy. The cities which can develop a mix of growing rather than declining sectors are more likely to improve their economic performance in the 1990s than those cities which are dominated by a single economic sector.

The cities with the greatest economic potential in the 1990s will be those which have:

1. a diverse economic base in a range of service and manufacturing sectors, particularly the high value added sectors;
2. the human capital to develop and exploit commercially advances in high technology sectors;
3. the knowledge based institutions to develop a flow of skilled workers for those advanced sectors of the economy;
4. the quality of life – cultural and environmental – to attract and retain a highly skilled and potentially mobile workforce;
5. good physical and telecommunication links with the most dynamic areas of the community's economy;
6. the local institutional capacity to identify a development strategy and generate the political, financial and personnel resources to successfully implement it.

8.2| City choices – city futures

The final point about institutional capacity and decision-making is important. Cities clearly differ in the extent to which they possess the characteristics associated with high economic potential. The problems of cities which suffer from peripheral location, a degraded physical environment, dependence upon declining sectors of the economy, an under skilled workforce or a legacy of local conflict cannot be understated. Nor can they be overcome without difficulty or in a short time scale. However, the challenge for city decision-makers seeking economic growth is to attempt to develop those conditions, given their own cities social, economic, and physical resources.

This contribution has demonstrated that cities which face common problems have responded to them differently. In particular some have developed strategies designed to minimise their problems and exploit their strengths. The creation of local coalitions and alliances between different sectors and the development of a strategic economic development plan has characterised the most successful and dynamic cities of Europe during the second part of the 1980s. Decision-makers in cities as diverse as Glasgow, Birmingham, Rotterdam, Hamburg, Dortmund, Lyon, Rennes, Montpellier, Milan, Valencia, Seville and Barcelona in the old core, new core and periphery of the community have adopted remarkably similar approaches in response to the problems created by economic change and restructuring.

Although such cities stand at different points on their economic trajectory with different degrees of economic potential, they appear to be moving in the same forward direction. By contrast, the cities which have been unable to mobilise the political resources to address their problems of economic decline find their recoveries restricted. The internal institutional, cultural and political dynamics of cities remain a crucial dimension of their potential economic development. Cities are constrained by structural forces – but not completely. City leaders do have choices to make about their futures.

The choices faced by European leaders during the next decade and beyond are complex. As the preceding discussion has made clear much of the energy of city leaders during the past decade has been invested in seeking economic growth or regeneration. However, many of the problems faced in their cities are essentially social problems. Even the successful pursuit of economic growth has not always addressed those issues. Indeed with some exceptions the politics of growth has generally increased inequalities in European cities. The pursuit of growth has also brought environmental problems and a loss of architectural and environmental amenity. There is evidence that many cities are now questioning the virtue of that strategy. In particular the costs of the internationalization strategy that has been pursued are entering the public debate in cities as diverse as Copenhagen, Hamburg, Lyon or Brussels or Glasgow. City leaders will face difficult dilemmas in reconciling growth with environmental balance and social equity during the 1990s. Cities are important to Europe not only as engines of economic growth but as examples of civilised, living. In many cities there is a developing belief that the pursuit of the former threatens the realization of the latter.

R.J. In 't Veld*

9.1 Summary

A number of beautiful fairy-tales, told again and again, concerns the striking importance of education for the welfare and well-being of mankind. In the real world however other priorities exist; education is too often a backward region in the political domain. The relations between education and the labour market in many respects are deficient; the interconnections between different sub-systems in the educational realm show waste and slack; the willingness on behalf of the tax-payer to contribute to education is insufficient to maintain a flourishing educational public system.

Potential explanations for these unsatisfactory circumstances are:

- the extreme complexity of the educational system itself, defined as an immense collection of life-long trajectories for learning, prohibits any rational central steering;
- the governmental structure for education in today's Netherlands does not fit any longer the necessary networking between public and private actors;
- the traditional arguments in favour of public policy-making and public financing of education have jaundiced and lack convincing power; therefore:
- advanced steering concepts should be developed in order to master complexity; these concepts will rely on 'invisible hand mechanisms' and on self-regulation, whereby central authorities concentrate on meta-steering;
- decentralization should be furthered considerably although the constitutional basis of Dutch educational legislation demands extreme care in making preparations for that purpose;
- a general revision of the principles underlying the financing systems of education is necessary in order to restore public support and trust;
- the initial entry of young people on the labour market should be furthered by the gradual creation of co-makship between schools and enterprises of curricula in vocational education and a sandwich principle of gradual entrance into jobs;
- strong semi-autonomous 'colleges' should be created in order to rationalise the post-initial education;
- the relationships between education and the labour market should be revised completely; public authorities with sufficient integrating potential should emerge from the ongoing dialogue on the reconstruction of the Dutch public sector.

In many national societies cities play a predominant role in the design and/or the implementation of educational policies. In the Netherlands the position of regional and local government in general and of city governments in particular in relation to education and employment is unnecessarily weak. This is particularly relevant as the education-labour market bottle necks in the larger cities are extremely serious. This is illustrated in various manners in the WRR-study 'Van de stad en de rand' (SDU, 1990). The prescriptive part of my contribution will give support to the main theme of this conference as I will advocate a stronger position of regional public authorities in order to give the regeneration of the cities a chance.

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9.2 Diagnosis

The specific historical evolution of the Dutch educational system within our pillarised national society is based upon a peculiar political compromise called the pacification. Here the private schools from the twenties on got equal rights on financing as the public ones, while they kept a number of liberties as far as the acceptance of pupils, the appointment of teachers and the contents of the curriculum were concerned. These rights according to the policy-makers of the first half of this century could only be guaranteed by very centralistic national legislation according to which the allocation of resources to schools was decided upon in a (so-called) objective manner, while at the same time accepting the consequences of the discretionary decisions of the individual schools within their realm of liberty. Individual schools have considerable autonomy in the acceptance of pupils, the appointment of teachers and headmasters, the structure as well as the contents of the curriculum. But national authorities decide on the size of the class rooms, the allowed maintenance costs, the salaries and other labour conditions. So for instance labour conditions for teachers are completely fixed on the national level through legislative relations between age and salary, and at the same time the allocating ministry accepts the budgetary consequences of the appointment decisions of each individual school. So the allocating agency accepts afterwards the financial consequences of the management practice of schools. This causes of course open-endedness of the financing practices to a considerable degree.

If you reflect a little bit upon the main consequences of this system, it is clear that it will not allow any liberties or discretion – other than the ones stipulated in national legislation- either to other public agencies or to the individual school. So a city government will not be allowed to spend its own money specifically into the direction of public schools or any other specific category of schools. Once it spends one extra guilder at a public school, it is enforced by law to allocate the same amount to any private school. So a city willing to spend its own money for extra provisions for its own schools has to multiply the expenditures by a factor three, as about twothirds of our schools are private on the average. So the price paid for ideological and religious autonomy of schools was and is an extreme degree of centralization and rigidity of financial educational policies.

The cities till now however bear responsibility for public education directly in so far as they govern it. Headmasters are chosen by city councils, as well as investment decisions concerning school buildings are made by the same councils, etcetera. The cities combine this specific administrative responsibility with a more general mission concerning the local educational system as a whole.

Recently a lot of criticism has been brought forward concerning the existing and potential tensions between the position of city governments as an administrator of public education on one hand and its political responsibility for education in general on the other hand. The most popular ideas to dissolve this tension nowadays relate to the creation of intermediate agencies, either of a public or of a private legal character, that would from now on have to accept the administrative responsibilities as to public education. The cities then could concentrate on their role as policy-makers (additional to national authorities) for education in general.

The general consequences of this system of governance described so far for the qualitative aspects of education itself cannot be summarised easily. International analytical studies suggest that a comparative view shows that this system has produced egalitarian positions as far as the performance of schools is concerned: there exist less bad schools than elsewhere, but also less excellent ones. It is hard to prove however that this situation is causally related to our

specific system of governance. It could also be closely linked with predominant characteristics of Dutch national culture in general. OECD statistics show that the percentage of national income publicly spent on higher education in the Netherlands belongs to the highest ones, that Dutch children on the average spend a longer period of time at school than any other nation, and that the drop-out rate is relatively high already in secondary education. This might be the outcome of the nature of Dutch educational policies, where the existing heavy accent on regulation of inputs has long prohibited the penetration of insights related to output-oriented budgeting or performance-oriented evaluation.

It is clear however that the centralist character of Dutch educational policies was and is not fit to accommodate fast and disproportional change. And exactly this type of change has occurred as the Netherlands started to move into the direction of a multi-cultural society. As everywhere else minorities have been concentrating in the larger cities. The Dutch lenient system of social security does not produce relatively strong incentives for unemployed to qualify themselves in any way for the labour market. The unemployment figures of minorities in our country are extremely high, in comparison both to other groups in Dutch society and to other European countries. The inequality in educational opportunities between majority and several minority groups is also very extreme. Minorities – with a clear exception for specific smaller groups like Chinese – hardly penetrate into higher education for instance.

The reaction of Dutch national policy-makers to the relatively recent and new minority problem has been typical: in the national allocation formula's, according to which individual schools receive resources, changes were realised so that the relative weight of minority children increased. As a consequence the school with relatively many minority children received more resources than other ones. But again, neither a city government nor any other intermediate actor has received any authority to design specific policies and to accommodate the allocation of resources in accordance with such policies!

More in general it seems fair to conclude that the educational province has developed in a rather isolated manner in relation to its immediate surroundings as a consequence of centralistic national legislation. That conclusion is also extremely relevant as we will consider the relations between education and employment. As the labour market has changed in a profound way during the most recent decades, the comparative rigidity of Dutch educational policies has proved to be a major disadvantage. The specific structure of public governance of Dutch education has more or less prohibited the development of a dual character of professional education. As a consequence the entrance to the labour market has become very difficult for young people who have left general education or vocational schools without a final diploma. Their opportunities on the labour market are rather gloomy. And again, local authorities do not have the means to regulate or even influence considerably the structure or performance of the official educational system in their most immediate environment, in order to contribute to the solution of this type of problems.

9.3 The demand for post-initial education and training

Life-long learning is an ideology, a prophecy and partially reality on some professional pathways. The concept of life-long learning depends on the adagium, being formulated by Sir Eric Ashby: 'knowledge keeps no longer than fish'. The main determining factors may be that the rate of accumulation of scientific knowledge has accelerated, that new technologies are conquering the world, and that therefore it has become necessary to depreciate on existing human talent, not only by hiring new people but also by reschooling and retraining existing manpower.

It is clear that employers have gradually accepted to a considerable degree responsibility for the guidance of these learning paths of their employees. Moreover social security agencies gradually have accepted an attitude through which their willingness to aim at an educational reorientation of unemployed people has increased considerably. The creation of the tri-partite national and regional Institutes for Public Employment Service (CBA and RBA) has accelerated the availability of public training budgets. As a consequence nowadays public money to an annual amount of 1,5 to 2 billion guilders is available for training purposes of unemployed people. This amount may either be spent on further training in already existing skills or in more or less fundamental educational reorientation.

The market for post-initial training, including training within firms, has now reached a size of 7 to 12 billion guilders annually in toto. Nobody has exact figures, but if one adds estimates from our main employers federation VNO to the already mentioned available budgets for training activities for unemployed, this considerable amount seems to be a reasonable approach of reality. This would mean however that the size of the post-initial educational industry is already larger than the officially regulated educational system for vocational and higher education, consisting of schools, colleges and universities. It is very visible development that besides the 'regular' educational system a flourishing market-oriented educational industry of considerable size has developed. On these markets the official higher vocational institutions and universities operate as suppliers of educational services. So they gradually develop into partially market-oriented organisms. Also in secondary vocational education this same development has made a start.

It may seem clear that the relationships between the official publicly regulated educational system and the educational market-oriented industry will result into considerable tensions. For the educational industry is not subject to all the rigidities of the governance of the official system. City governments and social security as well as labour provision agencies can contract freely with suppliers on the educational marketplace. In the long run this will erode the position of the official system.

So it is necessary to reflect upon possibilities to strengthen the vitality and the relevance of the system of governance of the publicly financed educational system. It is clear to me that it will be necessary to decentralize the governance considerably in order to be able to solve the specific problems caused by the necessity for the emancipation of minorities, the wish for optimization of the transition from initial education to the labour market and the gradual realization of life-long learning. Public governance and the market will have to go hand in hand here. The two main items on this agenda of educational reconstruction are:

- the erection of an equivalent of community colleges in order to solve the problems of post-initial education;
- the creation of a consistent structure of regional and local public authority concerning the governance of education.

9.4 Economic effects of the educational sector itself

Nations and cities deliver many efforts in order to influence the decisions of new educational institutions concerning the choice of the location of their headquarters and of their other plants of operations. It seems simple and reasonable to accept, that the economic effects of schools, universities and research institutes are in general very favourable. Of course professors, teachers and research fellows belong to the upper-middle class, have a far below average crime rate, and therefore are generally welcome as citizens. Of course the knowledge-infrastructure of a country, region or city is furthered by the

presence of educational institutions too. New enterprises may decide in large amounts to situate themselves in the neighbourhood of advanced scientific institutions in order to profit from the existing sources concerning their needs for scientific expertise and/or advanced technologies. Many science parks have done well for that reason.

But one may also detect less favourable effects. A university brings many thousands relatively of poor young citizens into a local community. Does local government bear that burden? It depends heavily on the structures of and interactions between a social security system, a possible subsidizing system for housing, and a student finance system whether the public budget of a city is charged with a heavy burden in this respect or not. Sometimes the majority of faculty is living in the suburbs that profit from the cultural infrastructure of the city without contributing sufficiently, while the students dominate the inner city population. This may lead to a disequilibrium in the long run. Moreover a large university in a medium-large city is in many cases a dominating factor in the physical planning decisions, while it demands relatively low prices of physical space and while it does not contribute very much to public life.

So broader cost-benefit analyses will be necessary then to reach clear results and to produce clear indications for public physical planning decisions to be made. Here also the scale on which those decisions will have to be made is of specific relevance. A regional authority will calculate the joint effects of an educational establishment all over the region while a city authority clearly will have a more restricted scope. Although a well-balanced view will in many cases produce a favourable opinion on the presence of educational establishments in a local or regional community, one should not close one's eyes for the negative side-effects of their presence. Public authorities should look for options to compensate those disadvantages. In the past especially smaller cities have sometimes suffered under the weight of a relatively large university instead of having profited from it.

9.5 Community college

In a very recent study: 'The Way We Are; The Community College as American Thermometer' (US Department of Education, february 1992) Clifford Adelman describes on the basis of a longitudinal study of the high school class of 1972 the community college in a fascinating way:

'The students whose records we see in this archive are adults, and their choices to use a particular institution for a particular purpose at a particular time in their lives are intentional, even if the purpose is 'milling around'. What the community college does is to canonize and formalize the many decisions we make as adults to engage in learning for either limited, highly focused purposes or for general purposes. The community college is thus neither a 'terminal' institution (Karabel, 1972) nor a transfer institution. Beyond the 'value' of learning (the normative aspect of its existence), its purpose and role is not so easily fixed (Zwerling, 1986). The same can be said of other institutions, for example, churches and museums, that speak a language of values (the normative), but that serve us in very practical, utilitarian ways.

A second version of this theme (and it is qualitatively different from the first) is that the community college functions as an intermediary institution: a half-way station or stepping stone or gap-filler for individuals in transit from one status to another. For example, adolescent labour market and baccalaureate education, however complex, have far more definite boundaries, rules, and expectations in the lives of individuals than does the community college. While

it is hard to infer student motivation from transcript data, it appears that students in all attendance patterns (including 'Incidental') knew that the community college would do something for them, would help them get from here to there. Even if they were constrained by geography, family circumstances, poor academic preparation, or socioeconomic status, they seemed to make of the community college what they wanted to make of it. They used the institution for a time, and then moved on.

A third version of this theme casts the community college in the role of 'testing ground'. That is, the institution provides individuals with the chance to test their tolerance for and interest in postsecondary education. More than half of those whose educational aspirations as high school seniors were limited to the high school diploma eventually attended community colleges, but a third of those people decided that post secondary education was not for them, and became incidental students.'

Having characterized the functions of the community college in this manner he later on summarizes his findings putting the question 'What is the way we are?':

'First, that we use major normative institutions for utilitarian purposes, and that our relationships with those institutions are more occasional and *ad hoc* than otherwise. We recognize the value of education, but once schooling ceases to be compulsory, we tend to go to school only on our own terms.

Second, that we are more interested in learning, in acquiring new skills, and in completing our basic general education than in advanced credentials, even if those credentials yield greater economic rewards. At the same time, to the extent to which we acquired strong academic backgrounds in the course of our compulsory schooling, we are more likely to complete postcompulsory schooling of any kind, academic or occupational.

Third, while we are genuinely committed to lifelong learning, we nonetheless concentrate formal learning at early stages of our lives. We are children of time and its conventions. We do not easily break from cultural traditions of when to do what. Perhaps we know that the more distant we are from formal education, the more difficult it is to recapture both knowledge and the discipline of schooling.

Fourth, our general knowledge is just that-general and introductory. The time we typically allow for schooling does not permit depth. So we grasp for something particular, something we perceive as related to current or future work. The result is that we may know more about what we do for a living, but are less adaptable to changes in the conditions or opportunities of work. If there is a just complaint about what community colleges allow us to do, it lies here (Pincus, 1986).'

These quotations to my mind illustrate very well the deficiencies in our Dutch system of post-initial education: as a consequence of the rigidity of our regular educational system an educational market for post-secondary education has developed in a quite fragmented way. It is regulated more by labour provision agencies than by inner strength; it has not produced so far 'normative institutions'. In the long run however this fragmentation will prove to be a major disadvantage. What we need is a set of strong and vital community colleges in our urban communities. They should have considerable autonomy but also strong links to the regional and local public authorities. They should cooperate very closely with the private sector in the regional environment. They should play a central role in the improvement of the education-employment relationships.

Elsewhere in Europe experiences have been collected with partial developments of community colleges. In some of the largest cities in the Netherlands initiatives have been taken to stimulate the accomplishment of comparable institutional phenomena. Of course one would have to take in account here that community colleges should have a federative structure as they would serve as umbrella- organizations for already existing educational enterprises. This development could fit well as we would like to accept the general principle that post-initial education should be self sufficient, that is, it is to be financed by customers, employers and/or social security and labour provision agencies.

9.6 Towards a satisfactory regional governmental structure

Our largest cities have not only insufficient authority, but also an insufficient scale to solve the above-mentioned problems concerning the relations between education and employment. The two main causes of these problems are the recent entry of minorities as well as the profound changes of the structure of the labour market. Although minorities in the Netherlands concentrate in the inner cities, city governments themselves lack sufficient resources in order to offer definite solutions. For it is clear that housing facilities and educational opportunities are intertwined. So according to some experts at least definite solutions would demand spreading minority groups over larger territories. In general cities are surrounded by suburbs with a quite different sociological structure and an in general richer population which would not voluntarily accept a considerable influx either on their schools or in their housing environments. So if the experts are right we would need a regional authority with the necessary power to bring about satisfactory decisions, and to follow a sufficiently integrated approach. This approach would encompass not only housing and educational policy decisions but also decisions to be made in the realm of labour provision. Therefore the inevitable conclusion must be that the recently installed tripartite Regional Institutes for Public Employment Service (RBA's) should be integrated with the regional government.

Strategic policy concepts should be formulated on the regional level. That leaves no choice space any longer for autonomous city governments. So the latter category should disappear for this policy domain. Such a development would solve yet another problem. City governments without strategic authority could very well present leadership to local public education, so that it would not be necessary any longer to come up with ideas concerning the creation of new intermediary organizations in order to administer public education.

I present a small digression on recent developments in the region of Rotterdam in order to illustrate the line of argumentation just presented. Recently the city government of Rotterdam has adopted a plan to split itself up in ten or so smaller local communities in order to further the realization of a strong and democratic regional government which would consist of the former territory of Rotterdam, the surrounding suburbs and closely connected other cities and villages. This regional government will concentrate on strategic planning concerning interrelated policy domains. The sacrifice of the lamb 'larger-city government' will possibly enable the accomplishment of consensus concerning the desirability of strong regional government.

Of course we have not solved in this way the constitutional constraints on decentralization of educational policy making. We would like to formulate a plea for very careful cooperation between regional authorities and the pillarised intermediary 'koepel'-organizations by covenants in the field of special policies concerning the creation of acceptable opportunities for education for minorities. We have the opinion that the recent advice produced on this

type of questions by the Advisory Council for the Interior Administration (RBB) is far too optimistic concerning the possibilities for decentralization of educational policy-making without consensus between all parties concerned.

9.7 Closing remarks

My closing remarks concentrate on problems of strategies for change. One should wonder how to bring about the major changes in educational policies described so far. If one would design strategies mainly consisting of legislative measures, the lead-time of change would be far too long, as the duration of legislative processes in the Netherlands has to be measured in decades in most cases. Therefore we are in favour of transitional processes in the shape of experiments of a specific nature. In the recent Rauwenhoff report (with respect to the linkages between education and industry) the creation of so called Free Markets for these experimental exercises with new patterns of co-operations between public authorities and enterprises is recommended. These Free Markets are characterised by the fact that national government has waved (the validity of) national regulations for some territory and for some aspects for a certain period of time. In the region of Rotterdam again in this manner a 'Free Harbour' for vocational education is already operational. In this way variety can be created temporarily in order to collect sufficient experience for later, more definite solutions. The Free Market concept thus can contribute to sustainable growth of our educational realm and therefore to urban regeneration.

Financial decentralization and government relations



Financial decentralization and government relations

10

J.D. Stewart*

The system of finance for city government should be determined by the role and responsibilities sought rather than the system of finance determine those roles and responsibilities. The starting point for any consideration of finance must therefore be the need for city government.

10.1 The need for city government

Cities and towns are the product of economic and social forces, but depend for their existence, for their maintenance and for their growth upon processes of government. Those processes are written into the workings of cities, in their infrastructure of communication, for their basic services, in social welfare and in the maintenance of law and order.

In the collective life of the city, government must balance the many different interests and interactions of individual citizens, groups and industry and commerce – that make up the communities that constitute the city. It provides the means of resolving the conflicts inherent in the pressures of city life. The government of cities is therefore necessarily involved in the changing city, both responding to change and leading it. Cities are dynamic and have to change if they are to retain their strength and renew their vitality.

Each city has its own economy, its own physical structure and its own way of life. Government has to respond to and encourage the diversity which results. Local government has grown to meet that need. It is no accident that it is in the cities that local government historically gained its first and its greatest strength. Local government meets the needs of the city both in the processes that underlie its way of life and in the dynamism of change and growth.

10.2 The new transformation of cities

Over the years the role of cities has changed and it will continue to change. In many British cities the industries on which their original prosperity depended have lost their dominance and no longer guarantee growth and vitality. There is a search for new economic roles, for new manufacturing industry and for service industry. But it is not just this, a wider transformation is required.

- The city has lost its former meaning for some social groups. Transport has transformed patterns of living for many who work in the city, leading them to live outside the city. The city as a shopping centre is challenged by the growth and the development of towns. A role is sought that will give the city a new significance.
- The inheritance of the past has left problems of decay and dereliction. Environmental concerns focus on the pollution of yesterday's and today's industries and on noise and congestion. The building of large flatted estates has too often produced an alien and hostile environment. A new environment with a high quality of life is sought.
- The city has lost and gained population. People have moved to the suburbs but the city has drawn in immigrants to meet the needs of its economy. We have

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built the multi-ethnic city and yet still have to realise its full potential.

- The changes of the economy of the city have been accompanied by changes in its social conditions. Both have had their costs which have been borne by the unskilled, the unemployed and the dependent in our society. Urban deprivation presents a deep challenge. The city has to find the means to resolve the inequities that deny opportunities to many who live within it.
- The city and those who live within it depend upon transport. The opportunities of increased mobility are many, but growth in ownership of the private car can overreach capacity. Ready access which should be the condition of city life requires the means that enable the flow of communication throughout urban life. A declining public transport requires re-invigoration.

Together these needs pose a challenge and an agenda of issues for the 1990s and beyond. The challenges mean new roles are sought for the city.

- The global city as the centre of a network of international contacts and communications (but few can aspire to that role).
- The regional city building on the service industries and provision that city life make possible and creating a centre which provides opportunities not merely for its own inhabitants but for those who live around it.
- The new industrial city building on new technologies and new opportunities.
- The local city as a place to live where there is satisfaction and quality of life for those who live within it, combined with a new urban balance, etc.

10.3 Meeting the challenge

To deal with the processes of transformation in our cities in establishing a new economic role and in resolving the deep social, environmental and communication problems necessarily involves many individuals, firms and organizations as well as the formal agencies of government. There is thus a need for a perspective to be built that can comprehend the complex interactions, resolve conflicts and, in the final resort, make choices on the direction for the city and its future. Such choices cannot be imposed; they have to be made through community leadership, which must be a leadership exercised with and through the many communities and interests that make up a city.

What is being argued is that the institutional framework of urban government:

- should have the capacity to guide and support the processes of urban transformation;
- should have the capacity to respond to the diversity of the urban condition;
- should enable many organizations and individuals to contribute to the processes required;
- should be capable of learning from, responding to, and involving the diverse communities of urban life;
- should be accountable to those who live and work within the towns and cities.

Community leadership must come from local leadership. It is a task for government but cannot be fulfilled by the national government although national government can support the development of that leadership. Each city faces its own problems and has to set directions for its own future. Such a role cannot be played either by the separate public agencies that make up the network of community government since none is constituted to provide a wider perspective on the city, but only for a perspective on particular problems. Nor can it be played by appointed boards, since local choice and local voice require the legitimacy given by elections.

The local authority is structured for this role because:

- it is locally based with a potential capacity for local choice and local voice;
- it is an elected body directly accountable to local people;

- it is a multi-purposed organization not concerned merely with particular functions, but with the balance between;
- it has powers of local taxation reinforcing local accountability for the choices made.

The argument is that because of these characteristics the local authority is a critical element in building an institutional framework of urban government, capable of guiding and supporting the processes of urban transformation that are required in Britain.

Yet if local authorities are to play the key role, they have to change their way of working as they are learning to do. They have to see their primary role as a strategic one. Theirs is the responsibility for the government of the city as a whole, enabling its transformation, releasing initiative, exposing choices, expressing needs and setting direction in response. They will continue to provide services, directly and indirectly, but whereas this may have come to be seen as the main rationale for existence, the challenge must be how to adapt a range of roles. Underlying their approach must be the ability to understand the trends and changes affecting their communities which call for new and different solutions and which are unlikely to be met simply by adjusting past practice.

This means that the local authority has to understand the changed nature of city government. The uncertainties require a high capacity for learning and innovation. The need is to seek ways of empowering and involving the public as the public seek greater choice and greater voice for themselves. This must be paralleled by learning to work with and through other agencies and organizations to ensure that the network that is the reality of city government plays its full role in the transformation of the city.

Change is required from local authorities, but even with that change local authorities will not be able to play this wider role in city government without the powers and resources to do so. Successful transformation cannot take place without leverage and that requires:

- the means to achieve with and through others the strategies required for urban transformation;
- a capacity for local choice not least on the resources required for public action and on the use of those resources, and accountability for those choices to local communities.

10.4 Institutions and Cities

The argument set out above complements the argument in 'Institutions and Cities', based as it is on the principle that 'all elements of the local community – including, but without primacy, the local authority – have a responsibility for developments within that community' it advocates that the financial and administrative relationships between central and local government needs to be decentralised and makes proposals for increasing the extent to which local authorities are funded from local revenue sources. Indeed this issue is seen as critical to the report's emphasis on the need for a new urban administrative culture in which different elements work together for metropolitan development.

'We have a lively local voluntarism in this country, but local authorities and communities do not bear sufficient responsibility for maintaining the sources of their income. Most services are supplied by central government, as are most revenues. In this now familiar (but in international terms very unusual) administrative framework there has developed in the Netherlands an urban administrative culture best described as a 'culture of expectations'. Changing it is the main aim of our report.'

Many British local government officers and councillors would support this aim, but would be surprised at the suggestion at various points in the report that British experience, particularly in the 1980s, was a model to be followed. Many would for example be surprised at the statement that it was central government that had taken the lead in the process of urban transformation, pointing to many initiatives taken by local authorities in economic development. They would however be even more surprised by the statement that

‘Cities in Britain, for example, suffered harder blows but the institutional conditions for urban policy have since been radically revised and starting from a lower level of affluence than their Dutch counterparts many are now well equipped to face international challenges.’

This contribution will argue that the institutional conditions for urban policy and in particular the financial conditions have indeed been radically revised but in ways that reduce rather than increase the capacity of the system of urban government to meet the challenges faced and to build the administrative culture sought in the report on ‘Institutions and Cities’.

It will be argued that the changes that have taken place in Britain in the 1980s have led to:

- a reduction in the local choice and in the local accountability that can support urban transformation grounded in local understanding;
- an increasing fragmentation of urban government without a countervailing emphasis on integrative mechanisms necessary for the development of strategies of urban transformation.

The paper will illustrate these points by an examination of changes in urban government finance, not because the changes are limited to finance but to provide a focus for discussion.

10.5 The reduction in local choices

The period since 1979 has been marked by a series of changes which far from following the direction set out in ‘Institutions and Cities’ have reduced the capacity for local choice. This reduction has been greatest and is best illustrated by the changes in local government finance.

Under the Conservative government there have been frequent changes in local government finance. There have been at least ten major pieces of legislation. The traditional form of local authority taxation – the rates or property tax – was abolished to be replaced by a new tax called the community charge in the legislation, but generally known as the poll tax. It, in turn, has been replaced by a new form of property tax – the council tax by the same Parliament that introduced the community charge. These changes are themselves merely one element in a wider series of changes which have reduced very significantly the percentage of local government expenditure borne by local taxation and set limits to the extent to which local authorities can determine their own level of taxation. At the same time the relative importance of specific as opposed to general grants has increased. These changes have meant that, in effect, the institutional framework has developed in the opposite direction to that recommended in ‘Institutions and Cities’.

It would be only a cause of confusion if this contribution were to detail all the changes that have taken place in local government finance since 1979 although the number of such changes continuing right up to 1992 created a condition of instability that undermines the capacity of urban government to play its role in urban transformation. The extent of the changes can best be illustrated not by detailed descriptions of those changes, some of which have reversed each other, but by comparing the position in 1979 with the position in 1992, although given

the rapidity of change there is always the possibility that it may change yet again between the writing of this contribution and its presentation at the conference!

In 1979/1980, 61% of local government revenue expenditure in England and Wales (net of fees and charges) was met by central government grant. Of that grant 16% was made up of specific grants and the remainder by a general grant. 39% of local government revenue expenditure was met by local authority taxation, which consisted of a tax on property (both domestic and non-domestic) called the rates. Central government had no direct control over revenue expenditure, although they controlled borrowing for capital expenditure. Although the amount of grant was determined by central government, local authorities were free to determine their own level of taxation and hence their level of expenditure. Central government could influence that expenditure through the general level of grant but could not control it or even alter the level of grant to influence particular authorities since grant was determined by a formula applicable to all authorities.

In effect the level of expenditure and the level of local taxation on which it depended were treated as a matter for local choice for which the local authority was accountable to its local electorate. That decision could be influenced by central government through processes of consultation with the local authority associations or through changes in the level of grant, but in the final resort it was a matter for the local authority.

Much has changed since then. In 1992/1993, 79% of local government expenditure (net of fees and charges) in England will come from central government. The main cause of this change was that the government had, at the time of the introduction of the community charge to replace the domestic rates, maintained the non-domestic rate but as a nationally determined tax called the unified business rate, whose proceeds were redistributed to local authorities according to population. From being a local tax, it became in effect a grant. In addition measures to reduce the burden of the community charge by £ 140 per head in 1991 resulted in a further substantial increase in local government expenditure borne by national taxation.

The high percentage of local government expenditure derived from central government has an important gearing effect on local taxation because it is the main variable source of income. A relatively small percentage increase in expenditure has a much greater percentage effect on the local tax because it all has to be borne on that source of income. At present on average a 5% increase in expenditure would lead to 22.5% increase in the local tax constituting a massive deterrent, which distorts the process of local choice.

However not only are local authorities increasingly dependent on central government grant, but they are now no longer free to determine their own level of expenditure. The Government has taken powers to limit or 'cap' the expenditure of all individual local authorities, which since it announces beforehand the basis on which it will use those powers, means effectively that most local authorities cap themselves by setting the budgets at the capping level. This power is being retained by the Government under the new council tax. In effect the introduction of capping has eliminated local choice over the level of expenditure and to a large extent over local taxation. Local authorities are limited to a level of expenditure determined by central government.

Even though the majority of its expenditure comes from grant, the local authority still retains choice over the allocation of that expenditure so long as that expenditure comes from general grant. That is still the case for the majority of local government expenditure, but there are a number of tendencies in the reverse direction.

There is a tendency for the amount paid in specific grants to grow. Whereas in 1979/90 the amount of local government expenditure borne by specific grants was 16% it is now 25%. Some of this expenditure is covered by the urban programme which can be regarded as of special relevance to this conference.

One further recent tendency as illustrated by City Challenge is for grants to be made the subject of competition between authorities, a process designed to encourage local authorities to work with the private sector, other agencies and organizations and with local communities in meeting the problems of particular inner city areas. The decision on the proposals rests with the Secretary of State for the Environment, who has shown interest in extending the principle of competition for grants to other fields, raising important issues about the basis on which such competitions are to be judged, which may well be seen as unfair by those responsible at local level. Clearly that decision can neither be seen as the exercise of local choice or as the allocation of resources in relation to needs judged locally.

The overall effect of the changes in local government finance has been to reduce local choice and also local accountability. Local choice has been reduced both by the increasing dependence of local authorities on revenue from central government and by the universal introduction of capping. Local accountability has been weakened because accountability is not so much for local choices but for conformity to choices made by national government. Far from building the urban administrative culture for development sought by 'Institutions and Cities', a culture of dependency is being established.

10.6 The fragmentation of urban government

The major increase in specific grants has been not so much in grants to local authorities, but in grants to newly created agencies and organizations. These grants have been given not to support local authorities role in the system of urban government but rather to by-pass them, for most of these grants have been given for functions, which previously were or would have been given to local authorities or at the very least been co-ordinated by them.

For one of the most important developments in the structure of urban government has been the removal of functions and resources from the local authority as an elected multi-purpose institution accountable locally to appointed special-purpose institutions accountable nationally as well as the development of various forms of grant paid directly to private enterprise or to voluntary organization.

An indication of the extent of this development can be shown by setting out some of the resources involved.

Expenditure (England)	1991/1992 estimated outturn
Urban Development Corporation	£ 501.5 million
City Action Teams	£ 7.7 million
Private Sector Urban Grant (Central Governments own expenditure)	£ 50.7 million
Derelict Land Expenditure (Central Governments own expenditure)	£ 8.0 million

In addition Training and Enterprise Councils will, once fully established, have an expenditure in 1992/1993 in England and Wales of about £ 1750 million on current plans. Resources of over £ 2 million will be given through a funding council to colleges of further education, while grant-maintained schools will receive their funding direct from central government.

The extent of the financial resources involved is perhaps less significant than the fact that most of these resources would previously have been allocated to or through local authorities. It shows the extent of the fragmentation of the structure of urban government indicated. The 1980s has seen the creation of Urban Development Corporations and Training and Enterprise Councils each charged with major responsibilities in urban government. Other developments such as Housing Action Trusts have been planned. It could be argued that a series of further developments increase the differentiation and hence the fragmentation within the system of urban government. The option given to schools to become grant-maintained outside the control of local authorities and the legislation to remove colleges of further education from local authority control are examples of a much wider trend.

From the perspective of central government, the increasing fragmentation is justified by the possibility of direct control, although this necessarily limits local choice. The fragmentation is justified by the differentiation of tasks. By giving each agency a clear and defined task and structuring the agency for that task, an organizational focus is gained which, it is assumed, makes achievement of that task more certain, than for example, in a local authority structured as a multi-purpose organization capable of local choice.

Finance highlights the issues involved. Whereas a general government grant to local authorities and local authorities' own power of taxation provides scope for local choice on the allocation of resources in response to local needs and aspiration, the allocation of resources to special purpose agencies by central government is like specific grants in determining the allocation of resources and limiting local choice. The fragmentation of financial resources in this way secures those resources are spent as central government requires, but limit the ability to mobilise resources in accordance with the locally felt needs and aspirations of local community.

The perceived benefits of differentiation in both the financial framework and the institutional arrangements have led to a fragmentation of the system of urban government. What is then at issue is whether that differentiation needs to be balanced by new means of integration. The differentiation of urban government rests upon a certainty of tasks that is belied in the changing reality of urban conditions. A differentiation of urban government predetermined by central government presumes a certainty set nationally, rather than a learning process in response to local needs and aspirations.

The differentiation within the financial and institutional framework of urban government poses the issue of integrative mechanism. It raises the issue of the inter-relationships within that framework and how strategies for urban transformation can be developed. If the argument set out earlier is right it poses the issue of the role of local authorities.

10.7 The challenge for local authorities

To effectively pursue its strategic potential the local authority has to recognise it has to:

- understand the problems and issues facing the city, posing the choices and setting directions in a renewal of civic leadership and providing a framework for community government;

- involve in this process the many communities and interests that make up the city;
- enable individuals and organizations in the public, voluntary and private sector to help resolve the problems faced by the communities and to achieve new directions;
- ensure that services and activities are responsive to local and individual needs;
- enable the network of organizations and agencies to play their part in these processes.

To do its job properly the local authority will have to balance learning for change with the maintenance of the fabric of community life, the involvement of others with its own internal processes, direct provision with indirect action, strategic purpose with responsive service and city government with effective service delivery.

For central government the test is to recognise that the local authority cannot play this wider enabling role in city government without the powers and resources to do so. Successful transformation cannot take place without leverage and that requires powers and resource and a capacity for local choice for the development of community leadership that the above analysis has shown has been reduced over recent years in Britain.

Financial responsibility of the city



S.J. Stuiveling*

Each one of us is used to taking care of his or her own financial affairs, which we all do relatively sensibly. We all earn our own income and we ourselves determine our consumption and savings patterns. If we feel that our needs surpass our financial means, we will think of ways to increase our income – we design a strategy for ourselves. We shall take up extra courses, try to get a better paid job, we shall move to cheaper accommodation etcetera. In short, the majority of the people in our countries are in one way or another capable of making ends meet in a decent way.

One of the charms of this model in an international context is that each of us will directly recognize the underlying social- financial-economic pattern. Unfortunately this is in contrast with the subject that I was asked to address for you today: the financial position of cities in the Netherlands.

If there is such a thing as organizing something in a typically Dutch way – contra to internationally conventional models – it must be the way in which we here have organized the finances of the municipalities. And we have done it this way for quite some time now.

Until almost a hundred and thirty years ago, 1865 to be precise, the Dutch central government and the municipalities used to have their own and separate areas of taxation. No significant flows of money existed between central government and the municipality. Municipalities obtained income through levying excises. Trade contacts between municipalities were, however, increasingly hampered by this system. Besides, there was great disparity in the various tax burdens between municipalities, eventually leading to some small-scale tax evasion by moving to another municipality. Apparently, the passing of centuries hasn't brought much change on this point as we can see today by the small number of fiscal refugees across our national border in for instance Belgium.

As I said, in 1865, central government and municipalities abandoned the system of separated finances and adopted a statutory arrangement which hence formed the basis of the financial relations between these two types of administration. The main components of the arrangement were as follows: the central government collected all taxes, remitting 80% of the total collected mainly capital levy within the municipality as a compensation for having been deprived of the right to collect their own taxes.

Ever since, both the fundamentals and calculation methods, as well as the procedures which together determine the financial relation between these two levels of administration, have been the subject of almost constant discussion.

After the efforts made by a number of central government commissions and the introduction of major amendments of the law in the field of the financial relation between central government and municipalities, the situation in the Netherlands is as follows: when allocating funds to municipalities, it is the explicit aim of the national policy that (under certain conditions) methods of payment are:

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- a. to provide an immediate relation between purpose and expenses (direct benefit principle);
- b. to allow municipalities maximum elbow-room in both determining the level of available funds and the way in which they are used;
- c. to minimize overheads for central government and municipality.

On the basis of these three criteria, together with a view on different methods of payment, the central government has a preferential order of payment for the tasks and activities of municipalities.

1. Own revenues (the preferential order within this category is: tariffs, consumers' contributions and taxes).
2. General grants from the Municipalities Fund.
3. Specific grants.

In view of the explicit preference for the order: own municipal revenues, grants from the Municipalities Fund and specific grants, it is to be expected that these three sources of revenue would so weighted in terms of volume for municipalities. The opposite applies.

At 63%, the total of specific grants constitutes the most important source of revenue for Dutch municipalities. At 27%, the General grants from the Municipalities Fund lie in the middle; while own revenues come last with 10%. It is striking that even the preferential order of the central government is actually reversed when the category of municipalities 'own revenues' is considered: two-thirds of the 10% share are from local taxes and one-third from charges and fees.

Apparently, the actual position of the revenue of municipalities is diametrically opposed to central governments policy. In fact, I have to go back some thirty years, to find a situation where revenue from the Municipalities Fund and specific grants each comprised 50% of total municipal income. Since 1960, the total of specific grants has always and increasingly outbalanced Grants from the Municipalities Fund. In the meantime, the situation has recovered slightly in favour of the Municipalities Fund, but revenues from specific grants are still about 2.5 times those from the Municipalities Fund.

I have started this address with the simple example of family finances. As I demonstrated, an income generating strategy must be developed if a person has the need for more money. And that is just what the municipalities did. In their relations with the central government, main source of their income, municipalities have been developing income generating strategies individually and collectively. With respect to the share of their income from the Municipalities Fund, a distinction can be made between two strategies: the first strategy aims at sustaining the volume of allocations from the Municipalities Fund. The Municipalities Fund receives a share in the revenues of nearly all taxes: income tax, corporation tax, etcetera. This share is not a fixed percentage. It is set each year together with the national budget. Over the last thirty years, it has fluctuated between approximately 12.5% and 15.3%. Ever since 1984, it has continuously declined, down to a current 10.39%. At the level of central government, this debate is very difficult to win. The national budget is in deficit and all of the central government's energy is dedicated to bring down the national deficit. And as the Fund is not part of the national budget and is not available for apportionment to the various departments, from a departmental point of view, this is 'lost' money. In the past, there was an underlying revenue/expenditure idea regarding the volume of General Grants, but it has disappeared into the background. The General Grants have long ago been intended to compensate municipalities for expenses made to fulfil obligations compelled by central government policies, which reduced local manoeuv-

ering room to practically zero. A clear vision on this relation between the central government and the municipalities has become opaque. In the present situation, the collective of municipalities are compelled to bargain in a multitude of ways to substantiate the amount of money they believe they need and it is through negotiations that the final amount is eventually fixed. It is only then that the corresponding statutory percentage is calculated. There is no relation with the origin of tax revenues whatsoever, the discussion is entirely geared to spending.

The second strategy aims at the apportionment mechanism of the Municipalities Fund. In this case, too, there is no relation to the origin of these financial resources. A given volume of the Municipalities Fund has to be apportioned to all Dutch municipalities. Where the municipalities can collectively position themselves with respect to the volume of the Fund, apportioning it brings about the situation where municipalities have competing interests. The basis-system for apportioning is as objective as possible (in the past the number of inhabitants and size of the territory used to be criteria, today it is mainly the urban building density), but there is always the pressure to favour big cities because of the increasing problems that they face. As it is, big cities are constantly adjusting their strategy towards these problems and to make a favourable impression they are forced to emphasize the necessary higher spendings that they have incurred. In this discussion which is geared to spending like the others, their counterparts are the other municipalities and the central government.

Municipalities are accountable for the allocation of the General Grants in the city council. There is no departmental accountability. Only with regard to the volume of the Fund and the apportionment the Ministries of Home Affairs and Finance are accountable.

The discussions about the General Fund are parallel to those of the specific grants, which form the largest part of municipal income. Specific grants are direct financial 'goal grants', made from the respective budgetary chapters of the various governmental departments and the municipalities are accountable to the relevant department. The discussion between department and municipality is purely oriented on allocation. The origin of the resources is of no relevance: they have become mere financial posts on the budget of the department and, as such, have been subjected to economy measures. In their efforts to obtain funds from the central government, municipalities are forced to comply with central government policies and subsequently compete with other municipalities. There is a relatively small local influence on the decision making process, while the room for maneuvering by the municipality is practically non-existent.

It seems to me that we have reached in the Netherlands on the one hand the outer boundaries of these central government-oriented strategies, while at the same time cities have become very reserved in further forcing up their only other revenue: their own resources, which account for about 10% of their total revenue. What I have tried to demonstrate, apart from a short introduction on the Dutch situation, is that 'income' has a different meaning for municipalities than in policy making or the market-place. Naturally, the characteristics of a municipality – its economic and demographical structure, and all other relevant topics related to policy making which have been discussed widely today – are carefully considered in the municipal policy for allocation. It is only right to assess carefully which investments are required to become more robust in the future. Today, this subject has been duly discussed.

Nevertheless, the method of acquiring income is of a completely different order. It deals with different motives and relations of power. One side of the

comparison bears little relation to the other. It is a curious detail to know, for example, that around 60% of relevant tax revenues levied by the central government can be directly allocated by the central government, while 40% is allocated through the Municipalities Fund or specific grants. It is impossible to say whether these relations represent the relative performances of the state on the one hand and the municipalities on the other hand. The reason is that there is no data available on the subject, nor has it been collected, partly as a result of the administrative relations which have developed over more than a century.

Let me try to explain this. The municipal economic development, the contribution of a given area to the national income-tax revenues collected within a municipality for public funds, are so far completely irrelevant to the bargaining discussion process between the two levels of government. At best, municipal territory is being considered (in a wide definition) as a 'profit centre' for the Netherlands as a whole. Even if some regions are acknowledged as such, this will in no way affect their municipal budget, let alone have a favourable effect on allocation of funds to them. There is no shared integrated view on the cities as 'profit centre' on the one hand and 'spending department' on the other.

Despite this bleak picture there is a general consensus that the hum of the economic engine is better heard in cities than anywhere else. Yet, central government and municipalities completely lack evidence to translate the direct benefit principle (the relation between what is invested from the budget in an area and what it yields) into practical, workable terms.

This day has provided me with an opportunity to try to put these things into perspective and collect some data. I'm afraid I failed. All four cities have grabbed the opportunity to provide me with figures concerning their economic activities to substantiate the fact that they contribute relatively large proportions to the national income. With the exception of a few sidelines and some graphics, the majority of the brochures and documents which I received try to demonstrate the relatively favourable position of the city as a future location for specific economic activities, the conditions to further this position and the problems encountered in realizing future goals. What is mostly lacking, however, is exact information about the relation between the city and the national economic development, or it is covered by a minor sideline or statistic in an internal paper of one or other research unit within the municipal organization. More notably lacking in the material I received were precise data about the relation between the contribution of a specific region to the national tax revenue.

The latter figure is, so I have learned in the mean time, irretrievable for a municipality because the tax authorities are not in the habit of recording it. This is perfectly understandable since there is no need for this figure on a national level. Tax regions in the Netherlands do not coincide with municipalities and even if national tax figures could be linked somehow to specific urban areas, there would still be a whole range of interpretations before any conclusions could be reached. For example: the tax authorities in the Netherlands deploy the term 'fiscal unit'. It means that the head office of a company in one place and its branches in others together form one tax unit. The location of the head office promotes the 'score' of the host city.

I believe that the weak position of municipalities in negotiations with the central government is directly linked to the impossibility of comparing the added value contributed by the urban areas to the national budget with the allocation of funds from the national budget to municipalities, whether this happens through either General Grants from the Municipalities Fund or the total of specific grants.

In my opinion, none of the propositions which were made by various parties to

improve the situation of the cities will successfully break through the existing relationships in favour of the cities.

The report by the Netherlands Scientific Council for Government Policy, one of the subjects of this conference, proposes to increase the own revenue of municipalities. It has been suggested to raise this level to for instance, 25%. The same proposal, voiced differently, was made late last year by Forum for Urban Renewal presenting the results of a conference, whose president is presiding here today.

Following my own line of arguing this afternoon in my message to the cities is: relocate your strategy to your own territory in order to create once again within the city limits a relation between local revenues and its allocation in the city. Try to get a local response.

With due respect to these ideas this can only be applied in the Netherlands with an eye on the special administrative-financial relations as they exist in this country. I believe that the proposed strategy of increasing local revenue can only succeed simultaneously with a profound change in the previously outlined relations between the central government and the municipalities. Municipalities will only then be able to dehospitalize themselves from the influence of the central government if a renovation occurs in the character of the relations between these two. To me this means, amongst others, an investigation into the question how cities will be capable of incorporating arguments on the income effects from their own territories into the national budget as part of their central government oriented strategies. Once this has been determined it would be recommendable to make an assessment of income generating aspects of municipal territories on the one hand and apportionment on the other hand.

All of this remains, of course, hypothetical – because of the previously mentioned lack of data to support this thesis – but if it is correct that cities form the engine of the Dutch economy, then it may become apparent that the present re-allocation of funds favours the remaining municipalities. This is in contrast with the prevailing notion that the big cities would have so many needs that they are constantly supplied with all sorts of extras at the expense of the rest of the country.

Understanding the relationship between tax payment and the municipal revenues generated by it, one might assess of yet another idea which has been launched: the linkage – calculated over a number of years – between the input of the Municipalities Fund and the total volume of the national income. No doubt a lot of discussion will be generated in deciding what percentage to use. Data on each relative contribution that is now lacking would then, however, be included in the allocation of funds from the Municipalities Funds over the various cities. This would help stabilize the discussion: apart from information on the municipality as a 'spending department', relevant political information on the municipal territory as a 'profit centre' would be available. Once the results of these investigations are taken into account when apportioning funds, municipalities will have a direct interest in the growth of their local economy and a relation will be established between a city's policy and its income.

To summarize, I believe that cities have the following responsibilities:

- a. the design of newly fashioned central government-oriented, income generating strategies and, correspondingly;
- b. developing realistic and sustainable income generating strategies aimed at the city's own territory.

The present central government policy is no obstacle to achieve the latter point (b.), but whether it will meet with local approval remains to be seen. The opposite applies to the former point (a.) I believe that this fact alone pleads for cautious steps towards integrally engineering the total concept of city income generating strategies.

A. van der Zwan (chairman), J.B. Goddard, V. Hausner,
J.D. Stewart, S.J. Stuiveling*

The chairman introduces the members of the forum. Mr. Goddard is invited to start the discussion.

Mr. Goddard: I would like to start the discussion with a question. We developed a system of urban government which was very much related to the needs of the economy as it existed in most European countries in the fifties and sixties. There has been a great deal of change in the economy since then. Do the changes concerning the economic restructuring of the cities imply that we need to have some changes in the way in which we govern territory? Perhaps there are lessons for urban government to be taken from the developments in the corporate sector. I wish to mention three characteristics:

1. there has been a shift from hierarchy to market (vertical to more horizontal);
2. there has been a trend of both centralization and decentralization (big firms have been both strategically centralizing and decentralizing);
3. there have been locational trends of globalization, but also localization ('Think Globally, Act Locally').

More and more institutions and actors have a stake in the urban arena. We are getting a debate about *local government* versus *territorial governance*. We also have the debate about competition or collaboration in urban governance. How can different agencies both collaborate and at the same time compete within the urban area? Or are we in a situation where there always has to be some agency in a dominant position?

Another couplet I would introduce to the debate is integration and fragmentation. Traditionally the role of government was that of a territorial integrator. In the eighties we have seen happening a series of fragmentations, institutional fragmentation and territorial fragmentation within the city. We should perhaps address the issue of whether there is a case now for seeing how we can put the pieces back together again. We will probably put them back together in a way different from local government as we knew it in the sixties.

Chairman: Mr. Hausner, have we been terrorized by businessmen telling us how to run our urban affairs? Should we go on accepting this?

Mr. Hausner: to the extent that businessmen are approaching cities to make a more supportive environment for economic activity, there is no terrorism. There is the reality of an environment in which businesses are mobile, in which they make judgments regarding profitability and competitiveness which are difficult in areas that stay stationary. Urban areas must be concerned about it in that sense. The commitment of urban authorities to economic development has been undermined by a break in the link between its financial benefits and physical wellbeing.

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Mr. J.D. Stewart is Professor of Local Government Studies (University of Birmingham).

Mrs. S.J. Stuiveling is a member of the Netherlands General Audit Office (The Hague).

Chairman: the suggestion is that during the eighties governments made a mess of things, and that in order to solve governmental problems and public affairs, we should look to modes being applied by businesses.

Mr. Hausner: one comment I want to make about the general and, I think, unhelpful use of public private partnerships is that it has been 'mistaken use'. It has become rampant, and is rapidly becoming a useless concept. The fact is that the private sector does not want to run the public sector's affairs. Using public resources to influence the investment partners of the private sector is one thing, but if we ask the private sector to adopt a role in the management of public services, then we will not get it. The private sector itself doesn't think it has the answers, nor does it wish to exchange places with government and run the public sector. One thing which is crucial to the involvement between public and private sectors is the creation of some intermediary bodies that can facilitate appropriate collaboration. Here, there is an issue for Mr. Goddard on governance.

Mr. Aldridge (Marks and Spencer plc, UK): I think Mr. Hausner is getting to the kernel of the truth. We, coming from the private sector, do not want to take over the functions of local government. Equally, we don't like the way local government is currently doing things. We are not very keen on local government finance going into vastly inefficient organizations, which spend money on which we have no vote. Frankly, we are happier to see central government controlling the purse strings and trying to make local government structures more efficient.

Chairman: there is a striking feature in your remarks, which has a more general meaning. Once you start criticizing government and public sector, you regard yourself as an outsider. But the thing is that we (businessmen) make part of the public case; we are the public sector.

Mr. Aldridge: absolutely. But the difference is, that we don't have a vote. There is only the tax bill. We do pay taxes, and our request is that the public sector's purse be managed reasonably efficiently. Frankly, many private sector organizations are happier to see central government controlling purse strings and trying to make local government structures more efficient.

Mr. Hausner: but the problem with this is that it undermines the possibility to ever get the local authority to be more circumspect in its attention to financial matters. If they have nothing to lose or to gain, they abandon their commitment. I agree with Mr. Goddard that it would be better if we had local responsibility and responsiveness without needing the central government to come to your defence. The question is: how do we restore accountability in the local government?

Chairman: let us turn to the two related concepts of responsibility and accountability.

Mr. Burger (Utrecht City Council, the Netherlands): I have a question about this concept of public private co-operation. We have the Utrecht City Project, in which local government and private enterprise are restructuring the city centre. I agree that local government must take the opportunity of co-operation with private investors because local government cannot do it on its own. But often the process is a one-sided one, there is no equal contribution of expenses and income. Private investors co-operate in return for very high profits, while the profits for local government are very limited. One can only work in a kind of fair balance, if from the very beginning local government gets an equal share in profits.

Mr. Sequerra (Kirklees Metropolitan Council, UK): Britain has moved on from the debates about the public and the private, I think. Both sectors have been heavily criticized for watching the demise of our cities and doing very little about it. But since 1985 there have been changes in this attitude: there is much public spirit and by dialogue the private sector can be unlocked at the local level. In Britain we can offer three examples of good practice:

1. one is developing forward-thinking strategies at city level;
2. we are looking for institutional arrangements to find the right form of dialogue between the public and private sector; partnerships in terms of real projects that both sectors can contribute to;
3. we are looking for creative financial arrangements, which give both sectors an investment in regeneration that can bring back prosperity. Not just for the investors, but also for the people that live in the areas.

Mr. Wilmer (Ministry of Transport, Public Works and Water Management, the Netherlands): I would like to evoke some answers from the panel on the matter of decentralization. If the panel members regard decentralization as useful, what is its impetus and what instruments can be used to promote it?

Mr. Hausner: this question touches upon another problem I don't think we have satisfactorily dealt with today. It is fair to say that cities have a key economic role to play in national development and competitiveness. But I do not think that we have adequately addressed the question of whether cities could actually carry out the policies which would contribute to competitiveness. In the USA the level where this has been taking place is really regional or state level. The combination of social and physical problems is so severe at the city level that their ability to run an economic strategy with a view to strengthening the national economy is very limited. Decentralization for the purpose of national economic growth and competitiveness may have to focus on a level other than the city itself. It partly raises the issue of city-regions. We can talk about decentralization to the local authorities, if we are dealing with some of the socio-economic problems of cities and some of the service delivery issues. So we have to distinguish between different types of decentralization.

Then we come to the issue of the need to tailor government resources to actual local problems and conditions. I think we are making some progress in finding a different way of managing national resources by trying to influence the output instead of controlling the input (City Challenge). In this way the management of central government resources can be decentralized, and allow for tailoring and flexibility at the local level in the use of those resources. What is also missing in the UK is some method for accounting the results, as Mrs. Stuiveling said.

Chairman: we still have to answer the question of the equitableness of investment and return on investment.

Mr. Goddard: the problem in a decentralized system is how to actually allocate the resources. But by what formula? If the public sector goes into a competitive mode of bidding for resources, the problem is how to maintain the redistributive element within it. We have no methodology to do this accounting.

Chairman: so Utrecht has to solve its problem on its own?

Mr. Hausner: I think it is possible for the city of Utrecht to calculate what the best return is for their investment. The calculation will be different from that of a private company, because you may want to count it in terms of jobs or improved incomes. It is important to develop some calculus for your investment strategies.

Chairman: but if a golf-course is involved in the private investment, as indicated, then you have all kinds of indirect effects; by providing golf courses you attract entrepreneurs and by attracting entrepreneurs you attract business. Here you are.

Mr. Hausner: that is exactly what the city must calculate: are the direct and indirect effects worth the cost? If you cannot do that, you must not get into negotiation. There are cities which do this, there is some technology for it.

Mrs. Stuiveling: turning to the subject of decentralization I wish to mention that in the Netherlands during the sixties and seventies there was in fact a tendency towards centralization. In the debate about decentralization, attempting to make explicit which task should be carried out where, more of them went central than ever before. At the moment there is still this debate about division of tasks. But still it is the money which is the decisive factor, big amounts going to specific grants. The process is not really getting anywhere.

Mr. Stewart: I want to emphasise two points about decentralization. In thinking about organizations we often tend to see them as being absolute. The result is that you swing backwards and forwards from one to the other. You cannot actually think about decentralization without at the same time thinking about centralization. The way to improve decentralization in a political sense is to develop much more effective ways of accountability at local level (compare Mr. Hausner's words). That accountability at the moment rests in my country upon elections every four years, in which few people take part. We have to work towards more continuing processes of accountability. By the way, I was surprised to hear somebody ask for a business vote. I thought business would have a vote. What actually has been asked for, I think, is for the businessfirms to have two votes.

Chairman: you mentioned the point that in many political fields Britain has a reputation for implementing stop-go policies. What is the explanation for this?

Mr. Goddard: it is partly due to the concept of pragmatism. In public policy in Britain there is a tradition of 'action'; 'we must get on and do something', whereas on the continent you find the more intellectual debate: 'let's try and understand the nature of the problem'. Well, the more you attempt to understand the nature of the problem, the less you actually intervene.

Chairman: it never occurred to us that the reason is that the British are over-active.

Mr. Vonk (INRO-TNO, Delft, the Netherlands): Mr. Hausner spoke about a role for intermediary bodies in urban policy-making, being helpful in setting strategies between the public and the private sector. What conditions are required for such intermediary bodies to be successful?

Mr. Hausner: the first problem here is that of political accountability, which enables the mobilization of a broad range of resources to support development efforts. Another point to be recognized is that neither public nor private sector officials have the time or capability necessary to carry out some of the intermediary functions. One of the characteristics of successful USA examples is the creation of institutions that have a professional underpinning of public and private skills to make the intermediary structure work. One of the difficulties in the UK is that we lack that professional capability. A third element is that you need active support from the private and public sector to make the intermediary body successfully carry out its functions.

The chairman asks for one last question to ring in a last round in this discussion.

Mr. Van Weesep (Department of Geography, University of Utrecht, the Netherlands): where should urban policy emanate from – the local or regional level? In Holland we are moving in the direction of formalizing voluntary arrangements at the regional level into metropolitan-wide governments. In Britain you have the experience of metropolitan governments, but in fact you abolished them. Is there a lesson in this for Holland?

Mr. Goddard: the question you probably face in Holland is: are you going down to a situation of creating metropolitan *government*, or are you rather creating institutional structures to achieve metropolitan *governance*? I would argue that you should go for the last. But if you do so, you need professional expertise to go into all the various actors and agencies. We do need the people, it does not matter in what sector, who really understand the dynamics of urban development and urban regeneration. We need to devote resources to training people who really professionally support. In Britain we abolished metropolitan governments and moved into trying to get public private partnerships, and all sorts of institutions refilling that gap. But we did not devote any resources to institutional capacity building.

Mrs. Stuiveling: what I have learnt today about the British system is that it is growing into our system. The British central government is taking away all scope for local authorities' own initiative, the system holds many disadvantages for the authorities on municipal level. I feel we are a stage further than Britain on this point. Secondly: my Dutch experience teaches me to be cynical about Mr. Aldridges' remarks earlier in the discussion as to where he trusts central government more than the municipality in running local affairs.

Mr. Stewart: in Britain we are now in the process of restructuring our fabric of local government. But we suffer from the structural fallacy that we change structure too readily. We are not sure *why* we are changing it; it is like asking an architect to design a building without telling him what the building is actually for. We should work out what the processes of government we want to achieve are. I would like to turn to the point now of what the public sector can learn from the private sector in management. Our government has been urging local authorities to adopt the model of management from the private sector. I think this is naive. You cannot actually manage a conveyable sector the same way as you manage a service industry. Though we rigorously need management thinking in the public sector we cannot just take a marketing approach, because:

1. in the public sector there is not *one* customer, the idea is to balance customers;
2. the public sector is concerned with need, not with demand;
3. the public sector is not merely customers, it is also citizens.

Mr. Hausner: in my final remark I want to switch back to a debate we had this morning. We did not satisfactorily deal then with the crucial question of equity and efficiency. Urban regeneration and improving competitiveness are not in fact the same, as was suggested. In the US we have the most horrendous examples of poverty-ridden district areas, nearby the most modern city centres. In many ways our cities are becoming unlivable as a result of our inability to address the social issue. This is largely the case in the UK as well. We must address social issues. By that we do not mean amenities and culture: what we do mean is equity and the serious and intense problems of poverty which are going to destabilize the cities, and make the potential for development almost nil. I hope, chairman, that in tomorrow's session we return to this question of what we can really do to address that social question, and talk about the serious failures to get any grip whatsoever on the substantial part of the population which has been left behind. What I have seen from US statistics lately undermines any faith in progress.

Chairman: there is a profound truth, Mr. Hausner, in what you said. This panel discussion brought us very serious questions and profound answers.

Closing statement on the first day 13

A.M.J. Kreukels*

13.1 Introduction

At the end of this first day of the Anglo-Dutch Conference I would like to make a number of observations. These will centre on the contributions to the conference and the analysis and recommendations of the WRR report 'Institutions and Cities'.

First of all, I shall focus on the issue of financial autonomy, a prerequisite for the institutional freedom of cities, and reflected in responsibility and accountability at local level. A plea for financial autonomy is a plea for a pronounced interdependency between government and the governed at local level. This financial interdependency is the most powerful impetus for the necessary interplay at the local level with regard to challenges and threats. In the present and probable future dynamics of cities in a wider world this capacity for acting at the local level must be seen as decisive. This is the main item in the report 'Institutions and Cities'. Entitled 'Financial Decentralization and Governmental Relations', it formed the subject of the second part of this afternoon's session.

From this central theme of rebalancing, especially in financial terms, I shall move on to a number of dimensions of urban regeneration and thereby to this morning's topics: 'Politics of Urban Regeneration' and 'Economic Regeneration of the Cities' and to the subject dealt with in the first part of this afternoon's programme: 'Social Policy and Urban Amenities'. This will also involve a comparison between today's statements and the analysis and recommendations in 'Institutions and Cities'.

13.2 Financial decentralization and governmental relations

'Local choice' – as Mr. John Stewart calls it – forms the central issue of 'Institutions and Cities'. It refers primarily to a highly decentralised financial system for cities, with local authorities and the private sector closely intertwined at city level. Following today's debate, a warning against adopting a biased view of this autonomy would seem appropriate. The proposed shift in the balance between central and local institutions in favour of the latter does not imply that national government and national institutions become less important. The reinforcement of local administration in financial terms is paralleled among other things by a national government which has to concentrate, more than ever before, on strategic urban issues (especially in the light of international competition) and which continues to guarantee at least a nationwide minimum standard for individuals, firms and organizations.

The debate about rebalancing, favouring financial responsibility and accountability within cities, is characteristic of the eighties and nineties. In the sixties and seventies this was not a central issue at all, in neither right nor left wing circles, in neither Britain nor the Netherlands. The increasing emphasis on financial policy in relation to economic and social regeneration in cities originated from the fiscal austerity of the late seventies, as Professor Michael Parkinson also noted in his contribution.

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However, with regard to financial decentralization the spectrum of differences between European countries is pronounced. There are centralistic countries, like France and Spain, with emergent financially active local governments. There are also centralistic countries which so far have not even discussed financial decentralization for municipalities, paying lip service in the meantime to administrative decentralization in favour of municipalities and regions, like the Netherlands. There are decentralised countries, like Germany and Austria, where a number of cities recently expressed annoyance about an insidious financial centralization which had been developing since the late seventies. Britain, which seemed to be middle-of-the-road with respect to administrative and financial centralization in the sixties and seventies, displayed a pronounced form of financial centralization in the eighties, as Mr John Stewart clearly described for us in his contribution. However, the urban regeneration programme of the central government at that time, which took the form of direct involvement on the part of the private sector, must be considered an impressive example of 'half-way decentralization'. Even if this programme passed by the local administration and even if it was sometimes in reality centralistic, it nevertheless formed from that time onwards the foundation of an increasing involvement by local enterprises and institutions in the functioning of cities. In this respect Britain is in my opinion clearly distinguishable from other European countries, especially the Netherlands.

In assessing the various experiences of the countries of Europe, one has to be aware of common features and differences, and – most importantly – of the necessity to spell out decentralization in terms of the financial central/local relations as these relate to generic policies or specific policies geared to economic development, social problems and so on. If one does so, the apparent inconsistency which Professor John Stewart sees in the reference in 'Institutions and Cities' to Britain as a marvellous example of decentralization disappears. For an overall assessment of the institutional freedom of cities it is crucial, in terms of this Dutch report, not only to focus on the generically financial aspects but to broaden the analysis and assessment to include other domains: economic and social policies and the investments related to the physical fabric and infrastructure.

For a more precise assessment of the lessons to be learnt from Britain and the Netherlands one must also be aware of the specific dynamics in each country. Financial centralization illustrates this clearly. In the sixties and seventies (under a Labour government) Britain was already undergoing a process of financial centralization. However, this was lowprofile in comparison with the Netherlands (see the facts and figures for 1979/1980 in Professor Stewart's presentation). For Western Europe, the Netherlands was already extremely centralised during the sixties and seventies as described in 'Institutions and Cities'. Under the Conservatives in the eighties, Britain experienced a higher degree of financial centralization**. One can therefore speak of a process of convergence between Britain and our country in the eighties. At the moment, both countries represent the more centralised financial model, although the Netherlands continues to lead the field (compare UK facts and figures for the nineties with those for the Netherlands in Professor Stewart's presentation).

From the eighties onwards a more general tendency towards financial centralization in all West European countries (Germany, Sweden and so on) can clearly

** If I understand this correctly, the Conservative doctrine on local administration and the related tax system do not only show centralistic tendencies. The aim of restoring in the local tax system a direct relationship between the demand for and supply of collective goods and services illustrates this. The huge controversy regarding the community charge (poll tax), partly as a result of its specific form and the approach it takes, seems to neglect the driving force behind the proposals for a new local tax system: the achievement of a closer relationship between supply and demand in the collective sphere.

be detected. This tendency seems to be relatively independent of the dominant political complexion of each individual country. One may conclude that there is a discrepancy between this tendency towards financial centralization and a growing awareness of the fact that our cities, in particular, now need more financial autonomy. If this assessment is correct, one cannot automatically expect to see a process of financial decentralization favouring the cities even under a different administration, for instance a Labour government in Britain, following the election.

Given the relevance of financial decentralization and the tendency nowadays to restrict it, one has to regret that it is still primarily the concern of a small circle of specialists within politics and academia. However, in the United Kingdom, as in the Netherlands – given the unprecedented tension between a centralistic reality and a manifest need to decentralise in the direction of the cities – this circle does seem to have widened somehow over the past few years. One can conclude that Mr Stewart's succinct analysis and that of 'Institutions and Cities' are both parallel contributions, offering an analysis, a rationale and recommendations for 'local choice', mirrored by financial responsibility and accountability. However, this conference today again illustrated the hesitations, the obstacles and the limited input of technical expertise one is confronted with (with regard to the latter I refer to the contribution of Mrs. Stuiveling), if one wants to move in that direction.

13.3 Dimensions of urban regeneration.

Relative financial autonomy as the basis of a strong local administration is – as a general institutional safety net for 'local choice' – a *sine qua non* for urban regeneration in a wider sense. The most important impact of this relative autonomy at the local level is the capacity to optimise interrelations between the different dimensions of urban regeneration – the economy, social problems, urban amenities – within the cities, instead of the fragmentation caused by the separate departmental policies emanating from central government. A more powerful, and at the same time responsible, city administration has the capacity to respond in an adequate and flexible manner to the diverse problems and challenges in cities.

However, as mentioned before, one cannot reduce this 'multi-faceted' urban regeneration to this core financial and administrative system. Economic policy, social policy, urban amenities such as health, education and employment, are all institutional worlds in their own right. In 'Institutions and Cities' these domains are presented as strategic categories of city politics. One has to pay attention to them as demarcated complexes with their own characteristics and conditions. During this first day of the conference, we have presented these 'worlds' in a quite compact way: a) generic politics of urban regeneration; b) the economy of urban regeneration; c) social policy and urban amenities such as education, health, and employment.

I would now like first of all to make a few observations on the 'Generic Politics of Urban Regeneration'. Even if one is aware of the problems related to the interplay of the Conservative government and the city councils, which are often Labour-controlled, Britain's image as a champion of generic urban politics (see the sequence of programmes related to inner cities from the 1970s onwards) has, in my opinion, easily survived this first day. This profile was reflected in 'Institutions and Cities' and prompted this Anglo-Dutch Conference. In the search for an explicit and multi-faceted national urban policy, whose impact is consequently felt within the cities themselves and which serves to stimulate new urban initiatives, the British experience is well worth looking at. Britain offers a rich source of experience and insight with regard to explicit ways of reactivating cities and urban areas by way of a generic urban

policy. It also provides lessons on the subsequent translation of ideas into specific policies for economic and social regeneration, not to mention urban amenities like education, health, and employment.

Michael Parkinson offers us in his written presentation a detailed profile of that policy programme and its effects and impact within the perspective of a period extending as far back as the sixties. He sets this against a background of comparable evolution in a number of West European countries. With respect to this programme, I am more inclined than he is to stress traces and examples of real decentralization in Britain and a broader range of targets in the physical and social spheres (especially those related to education and training and employment), additional to the prime mover in British cities: economic reinvestment.

The various programmes, from 'Action for Cities' to the latest 'City Challenge' and the different coalitions such as 'Business in the Community' (BICs) all serve to illustrate this differentiated impulse to involve individuals, firms and organizations in regenerating the city within its broader social and economic environment and stimulating public-private interrelations. This forefront position contrasts with the situation today in Dutch cities. It was indicative that Mr. Soetekouw as representative of the Dutch private sector had to talk about the Dutch cities in terms of a desirable strategy of public/private interrelations.

Britain's pioneering role in this respect has to do with: 1) the active role of the private sector and the joint projects involving the private and public sector; 2) the competitive element within governmental policy (especially in the recent 'City Challenge' programme; 3) the sharpening of the audit mechanism that stimulates the accountability of private and public partners. For those of you participating in the second day of this conference, tomorrow will bring more concrete examples, especially in the presentations by British Projects, each demonstrating the really 'entrepreneurial' experiments aimed not only at pure economic regeneration, which have been carried out in a number of British cities since the eighties.

However, after today's presentations and debate one also has to be aware of the vulnerability and the temporary character of such a multi-faceted generic urban policy in modern complex nation states. The commitment of the British cabinet, and the Prime Minister in particular, to this policy, the necessary balance in relations between government departments (for instance between the Department of the Environment and the Department of Trade and Industry) and in relation to the local scene (local councils and private firms and organizations) apparently become less stable in the course of time. They have certainly not yet become structural elements. What is applicable to the United Kingdom applies even more to countries like the Netherlands, where the traditional physical planning approach is still the dominant factor in urban politics at national level.

The 'vulnerability' of a multi-faceted urban policy refers more than anything else to the necessity for a new leadership and political culture, not only at the national level but also, and particularly, within the cities. Instead of placing too much emphasis on the contrast between the desire for the autonomy of cities and the role of the national administration, an approach whereby both the national and the city administration complement and tie in with each other, is needed. In his overview of European experiences, Michael Parkinson noted surprising examples of this (Barcelona, Hamburg, Montpellier, Lille). France in particular seems to me to be at the forefront of this powerful administrative dual leadership: the national government and city administration coalition, the two combining to strengthen the position of the cities and urban

areas in international competition. This dual leadership serves to amplify the interests of individuals, firms and organizations within the cities. In that sense the public-private partnership takes on a broader meaning than can be detected at the moment, especially associated as it is with the world of enterprise and economic regeneration in the United Kingdom, and with the world of real estate in the Netherlands.

'Institutions and Cities' concludes that the primary economic regeneration of cities in relation to social policy and urban amenities is the formula in which Britain excelled in the eighties. In the presentations and discussions today you may have noticed some element of doubt. The picture is indeed sharper and shows more gradations than 'Institutions and Cities' reflected at the time. One should take particular care to do justice to the differences between the two countries in terms of the national standards and the safety net with regard to social problems. This first conference day has also offered us more information about the latest progress and experiences in Britain and the Netherlands. However, for me at least the overall positive assessment of the British urban programmes in the eighties with regard to economic regeneration and its spin-off to social problems remains intact, as does the programmes' exemplary value for urban politics in another Western European countries.

The core of this positive assessment is related to the fact that the economic programmes acted as a driving force behind social policy and physical development-related initiatives. One can register its real live impact when one listens to people in British cities in the private sector, the semi-private sector, and the local authorities. I am referring here to contacts in 1987 and 1991 in connection with 'Institutions and Cities' in London (London Docklands Development Corporation (LDDC), the London Docklands Redevelopment; the Borough of Wandsworth privatization programme; London Enterprise Agency (LENTA) with a number of projects relating to enterprise initiatives and training, such as the London Compact), Liverpool (Merseyside Development Corporation (MDC): the redevelopment of the Liverpool docklands; the Eldonian Housing Project; the Wavertree Park Development), Birmingham (the City Centre Reconstruction; the Heartlands Project), Newcastle (The NewCastle Initiative (TNI) with a number of projects and programmes; the Northern Development Company (NDC): the regional development programme), and Glasgow (the Scottish Development Agency (SDA): the Glasgow East Area Redevelopment (GEAR)). These examples are among many which illustrate the diverse economic, social, and physical elements that form part of the task of reactivating cities, involving a broad range of individuals, firms and organizations. Successes and progress in the eighties become manifest in these examples.

In conclusion, I believe that today's contributions can be seen as underlining the rich experience of Britain and as providing additional insight into it, even if one is aware of the problems and limitations in national-local relations, which to no a small extent are a product of the party politics of the Conservatives and Labour.

I am pleased to announce that there will be a follow-up to this conference in the form of a visit by representatives of the major Dutch cities to Britain this year.

The institutional framework of urban policies in the Netherlands

VI

The institutional framework of urban policies in the Netherlands

14

W.G.M. Salet*

14.1 Introduction

The institutional framework of the cities is determined by the transition from a centrally-organised welfare state to a dynamic society. We are now in the middle of this transition and the question of how this process develops will largely decide the fate of the cities. Firstly, this article gives a brief overview of the current position of Dutch major cities. Then, I will discuss the changes of the institutional framework in three stages. I distinguish between:

- the centrally organised society;
- the process of decentralization;
- the dynamic order.

14.2 Current position of Dutch major cities

At first sight the Randstad (West Netherlands conurbation including the four major cities Amsterdam, Rotterdam, The Hague, Utrecht) is doing well. International comparative studies have been very complimentary about the position of the Randstad, and that of the Amsterdam region in particular. We can cite consecutive studies by Hall and Hay (1980) and Cheshire and Hay (1988) and recent material from Dutch researchers¹.

Despite the slow pace of infrastructural renewal, the Randstad remains internationally competitive as well as a highly attractive site for (re)location. Its geographical situation in relation to the German economy is very favourable. Moreover, municipal services and housing are both of a relatively high standard. Ghettos are unknown in the Netherlands.

However, large variations go behind this broad, regional picture. The cities themselves are economically less successful than their surrounding areas. They have not only lost their traditional industries, but they are also far from being automatic locations for the business service sector. We are fortunate that one of the important magnets of the national economy, the potential mainport Schiphol, lies between our four large cities, at least geographically. But the economy is blooming in the green parts of our 'green heart metropolis', and increasingly beyond, rather than in the cities. Only in the last few years has the situation in the cities themselves actually started to improve a little.

In a social sense the differences between city and urban periphery are even greater. In the cities we find particularly severe unemployment, persisting at these high levels after 1983, in contrast to the rest of the Netherlands. The urban population has less work experience. Levels of education are generally

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¹ P. Hall and D. Hay, *Growth Centres in the European Urban System*; London, Heinemann Educational Books, 1980. P. Cheshire, D. Hay et. al., *Urban problems and regional policy in the European Community*; Luxembourg, Office for Official Publications of the European Communities, 1988.

An overview of recent Dutch studies is provided in this volume by A.A. Soetekouw, *Urban IF's and BUT's*.

lower in the cities, once correction is made for the concentration of higher education there. The number of early school leavers is markedly higher. More health problems are experienced by residents. The housing stock consists largely of rented dwellings: between 80% and 90% of accommodation in Amsterdam and Rotterdam is rented. Rents are lower than in the urban periphery, a situation unparalleled in Europe².

In short, the differences between city and periphery are significant in both economic and social terms. Behind the relatively prosperous appearance of the cities lie major problems. This was not always the case. The differences have only reached such proportions in the past ten or twenty years. Until the sixties the social and economic structure of Dutch cities was still solid. Their profiles already differed significantly from those of the surrounding areas at that stage but the city still held a number of strong cards. Then the selective exodus began.

Urban problems of cities are not unique to the Netherlands. Cities throughout the West have had to contend with external threats over the past twenty years. Selective migration is taking place across the board, the restructuring of the international economy has taken its toll on cities everywhere and geographical deconcentration is the order of the day. This is a phenomenon with many common features internationally, but there are differences too. Differences which became particularly marked when reactions to the emergence of urban deprivation are compared.

Most striking about the response from Dutch cities was the lack of activity. Elsewhere, cities were forced into full policy overhauls by the threat of bankruptcy. A number of American cities faced this situation as early as 1975. In most European countries this readjustment took place some time during the 1980s. The change was often painful. Social policy was rationalised, civil servants were made redundant. On the other hand, there were also positive results to report. For example the links between public and private sectors were strengthened. In Dutch cities both sides of this process took a long time to gather momentum. The paradox of the Dutch cities is that the *erosion* of their economic and social base was long able to remain coupled with a *rise* of expectations.

In recent years this situation has improved, but it would still be rather premature to speak of dynamic cities. I don't blame the cities for this policy inertia. Not yet. The analysis of responsibility has several dimensions. However, I do detect a situation in which nobody appears responsible for the health of the urban structure. It seems that nobody is directly exposed to the consequences of his own actions or of his non-actions. The urban conflict has been neutralised.

In its report *Institutions and Cities* the Netherlands Scientific Council for Government Policy (WRR) pointed to this as the central problem facing the cities. The Council regretted the minimal responsiveness, the lack of urban dynamism and the absence of incentives for action and for creative solutions³.

²] Ministry of Housing, Physical Planning and Environment, *Statistics on Housing in the European Community*, Publication by the Dutch Ministry of Housing, Physical Planning and Environment, The Hague, August 1991.

³] Netherlands Scientific Council for Government Policy, *Institutions and Cities; the Dutch experience*, Reports to the Government nr. 37, The Hague, Staatsuitgeverij 1991.

14.3 The institutional structure

Let me now turn to the institutional context of urban development. The time when cities could be seen as independent units has long passed. The fate of the cities has for some time been linked to that of the national welfare state and now the open borders of the economy have revealed still wider, international horizons. At the same time a new general trend of decentralization is becoming felt. These simultaneous trends of centralization and decentralization turn the familiar picture of the national welfare state on its head.

This brings me to the heart of my argument. The institutional framework of the cities is determined by the transition from a centrally-organised welfare state to a dynamic society. We are now in the middle of this transition and the question of how this process develops will largely decide the fate of the cities. In the Netherlands this question carries extra significance due to the centralised structure of post-war society. Even the British system is less centralised than ours.

I will discuss the changes of the institutional framework in three stages. I distinguish between:

1. the centrally organised society;
2. the process of decentralization;
3. the dynamic order.

I would add in advance that institutional arrangements for the Dutch cities are currently moving from the first to the second stage. In Great Britain this process is rather more advanced. The British are – if I read the situation correctly – already moving to the third stage. But – strange enough – they seem at the same time to want to remain at the first stage as well!

14.4 Stage one: centrally organised society

One of the notable features of the centrally organised system in the Netherlands was that it was built up from *below*. In most cases central government did not unilaterally assume new responsibilities but had those tasks thrust upon it by other parties. For a long period after the war the tendency was for an expansion of central policymaking, driven by non-governmental organizations and by the municipalities (with the big cities leading the way!). The centralised control of policy areas such as social assistance, housing or public transport would simply have been unthinkable without persistent pressure from below.

There were two important reasons for this transfer of responsibilities:

- firstly, the prevailing principle of equality barely left room for large differences between local communities and between social groups;
- secondly, when the public sector was expanding, central government policy largely took the form of subsidies. All kinds of occupational groups tried to increase government funding for their 'field'. The consequent increase in central government regulations was a price that seemed worth paying. The less attractive face of centralization did not become visible until central government contributions began to dry up.

Certain features of the institutional environment help to explain the particular character of the Dutch welfare state ⁴.

1. The interests of central government and organizations within society became closely intertwined, directed at the supply of services. This vision of the welfare state excluded the demand side, the users.

⁴] L.A. Geelhoed, *De interveniërende staat*, Staatsuitgeverij, Den Haag, 1983.

2. The mixture of private and public law is pronounced. The second striking feature is that several institutions, while retaining their position under private law (they were not nationalised in the Netherlands), in practice became subject to public law guidelines to an ever greater extent. The entrepreneurial spirit in employment offices, housing associations, health insurance funds and schools was thus gradually undermined. They declined to the status of implementing agencies for central guidelines.
3. A third characteristic is that economic competition did not apply to these private institutions. Their functions were closely controlled by the government.

This manner of societal organization resulted in a top-heavy centre, not only in the sphere of expenditure but also in that of regulation and organization. It became ever more difficult to pursue an effective policy in this bureaucratic setting. At the same time, dependence at local level was increasing. Local initiatives were more likely to be discouraged than stimulated by this structure.

This explains the delayed response of the cities to the erosion of their structures. Urban policy was shielded from local economic and social developments. The major costs, such as the high price of social policy, were largely met by central funding. Income from local investment also flew and still flows to the central coffers: the municipalities are only required to generate 10% of their own incomes. In the running of services such as public transport, health, labour market policy and housing, this dependence grew in much the same way. At municipal level little room remains for the development of differentiated policy profiles in these fields.

14.5 The second stage: decentralization

This institutional framework of the cities has started to shift significantly over recent years. The drive towards decentralization has been felt in such policy areas as housing and health care, followed at some distance by labour market policy. Infrastructure, education and social security have yet to get beyond proposals. For the first time it is starting to look as though the trend towards decentralization will broaden in the next years.

It is noteworthy that the current wave of decentralization is being orchestrated from the *centre*. Decentralization is not growing because of irresistible pressure from below, rather it is being steered from above. Its source lies not in an increased desire for freedom on the part of local parties but in the ossification of the central government apparatus. The most important impulse for this decentralization drive can be traced to a desire to ease the administrative burden on central government.

A feature of this mode of decentralization is that the new local autonomy is based on a form of central delegation. The actors at local level are entrusted with greater responsibility for carrying out central government objectives. The centre is slimming down but remains the initiator – the *subject* – of the moves. Local parties are becoming more involved but are still – partly at least – the *object* of the moves.

The broad pattern of decentralization is as follows:

- the government remains the most important source of finance for decentralised policy;
- the central government continues to set the policy objectives (be they less detailed than previously and focused more on output than on input);
- the government determines the new organization for local responsibilities (this debate has so far concentrated mainly on the question whether decen-

tralization should be organised along territorial lines to (municipalities and regional levels) or along functional lines (to non-profit organizations)).

The resilience of the cities has increased by leaps and bounds in this second stage of institutional change. The policy potential of the municipalities can now increase greatly. Also the autonomy by the functional parties (the employment offices, housing associations, schools, etc.) has increased in a short space of time.

All the same, this is still 'in-between' stage. Major problems could arise if the road is not followed to its end. As I have mentioned before, dependence on central subsidies and central guidelines has remained, with all the uncertainties this entails. Moreover, in this situation one may expect the local players to keep their gaze fixed on the division of central grants rather than be inspired to exploit local opportunities.

Another big risk associated with a broad transfer of planning tasks to regional level is that the central administrative burden is not eliminated but merely shifted elsewhere. This fear is far from theoretical in areas requiring far-reaching coordination, such as physical planning and transport.

Similar risks exist along functional lines such as functional decentralization of policy aimed at job creation. The chance of top-heavy, regional policy spheres growing at the interface between training, job finding and social security is certainly not far-fetched. Experience makes it clear that we cannot rely on such massive structures to be able to reach the long-term unemployed.

Another, more general but still fundamental problem is attached to functional decentralization. Greater autonomy for the suppliers of services soon leads to new concentrations of power for institutions which are no longer subject to central control. These institutions acquire greater freedom to formulate and implement their own policy in matters of price, quality and accessibility of services. But the result is a control deficit. The first experiences with decentralization (in the fields of housing and health policy) have revealed these consequences already. After all, the government acted to cede control. At the same time, however, market control cannot suffice, because competition between suppliers is minimal and the consumers of the services which society provided are often not (yet) real players in market terms.

14.6 The third stage: the dynamic order

All these problems point the way to the third stage, which I have called the 'dynamic order'. In this stage the problems and risks set out above are approached from a very different angle. The emphasis shifts to direct social interplay between people and organizations, whose positions are not 'delegated' by central government. What we are talking about here is the way social entities interrelate as *subjects* instead of objects. Both local and higher-level authorities will have to adjust their positions to this changed context.

Thus the institutional blueprint of the welfare state is, as it were, turned on its head. Instead of being organised at the top, the primary responsibilities are placed with local actors. The direct exchange between users and suppliers will assume primary importance. The local government will take its own responsibilities in this new context. Based on a sound financial accountability the local government will be able to empower and to facilitate these social processes.

This institutional change is supposed to lead to a new, much more dynamic relationship between the private and the public sector. The aim is to create more local responsiveness. Moreover there will be new opportunities to create

different policy mixes and thus different economic and social goals can emerge. And also new direct links could be created such as contracts between schools and enterprises or between schools and cultural institutions.

Will this development clear the ground for the 'free interplay of forces'? Certainly not. Indeed, this is not desirable, since the government needs to set normative guidelines to safeguard the common interest. Besides, market conditions are in general inadequate in the whole field of semi-public, semi-private services. Government will have to distance itself from its familiar role as the central provider of social service policy. On the other hand, it would assume new, active responsibilities with the goal of promoting social exchange, ranging from initiatives to facilitate and promote services to the laying down of a framework for social development.

The most important new role lies in the creation of balanced relationships between supply and demand, and in the creation of additional checks and balances. Let us call this the 'order creating responsibility'. For the municipalities this means an entirely new and fundamental responsibility. This role used to be reserved exclusively to central government. But it will have to be decentralised partially because of the increasing local autonomy and diversity⁵.

However, as long as the municipalities will not curtail their traditional role of programming facilities, they will not be able to meet this order creating responsibility. This dilemma is already visible in the double role of municipalities in education policy and recently in health policy. In education policy the general responsibility of municipalities for education clashes with that of the competent authorities for publicly-maintained schools. Another example concerns health policy. For years municipalities tried to take over the planning of services in this field but that is no longer the case. However, in the next years they will have to assume another role. I believe they will have to arrange new countervailing powers in order to resist the formation of local and regional *cartels*. The spheres of housing and public transport also throw up examples of problems caused by the municipal double role. The trend is for public utilities to be sold off or granted autonomous status and for municipalities to create the rules and additional conditions for their game and for the role of the users.

I expect this debate about the new 'order creating responsibility' to reach full intensity in the next few years.

14.7 Conclusions

Before closing my statement I must first stress that I have discussed the process of decentralization from one side only. It would be unfair to suggest from this analysis that central government can cast off its own responsibility for urban development. I am not advocating local autarchy. For many sectors of urban policy with particular national and international importance the necessity of central policy remains and has to be felt even stronger (for example for infrastructure on a large scale). The coming years will see various types of policy requiring more centralization. Nonetheless, it was a conscious decision on my part which led me to draw attention to the process of decentralization with this article. After all, the revitalization of a city must begin with the optimization of its own potential.

⁵] This point has been stated firstly and in a fundamental way by Robert L. Bish and Robert Warren, 'Scale and Monopoly Problems in Urban Government Services', in: *Urban Affairs Annual Reviews*, Vol. 8, September 1972, pp. 97-122.

We have explored a few stages of the route which leads from a centralised welfare state to a dynamic society. It is remarkable that the centralism of the first stage was driven by the non-central parties. Conversely, the decentralization of the second stage is being directed from the centre. I have stated the hope that by the third stage the initiative will come to lie more and more with the direct relationships between responsible local actors.

P. Kalma*

In my contribution to this conference I intend to emphasize the role of politics in the process of urban regeneration. Vigorous urban policies are an essential prerequisite for this regeneration, but create tensions at the same time. We shall have to face up to these tensions between economic and political modernization, and deal with them, instead of repressing them.

1. I share the view of the Netherlands Scientific Council for Government Policy (as expressed in the report 'Institutions and Cities') that the Netherlands lacks a 'responsive governmental culture' at urban level, and that we can learn from England and the United States in this respect. Decentralization is not enough; what is needed is a redistribution of responsibility between public and private actors. Public-private partnership, in the broad sense of the term, is a key concept here. A direct exchange of interests between social groups must be encouraged. This requires:
 - a financial and policy structure which 'forces parties together'. Cities in the Netherlands must accept greater responsibility for their own economic position. The report advocates in this connection a partial shift from national to local taxation;
 - a balance between economic and political forces. The report argues that urban policies may not be unilaterally determined by economic interests, as is the case in many American (and, I might add, perhaps English) cities. The so-called 'electoral mechanism' must give these groups a voice which would otherwise not be sufficiently heard. A broad consideration of interests is then possible. The question is now: how forceful is the electoral mechanism at urban level? How vigorous is local democracy – in the Netherlands and the UK? On this point I take a different view from that of the report, which speaks of a 'lively', 'vigorous' democracy, and concentrates for this reason on financial and administrative structures. I would argue, contrary to this view, that local democracy, at least in the Netherlands, has considerable problems – and therefore requires a great deal more attention (including institutional attention).

What are these problems? A Dutch investigator in this field (P. Tops, writing in the NRC Handelsblad of 19 March 1992) summarized the problems as follows. Urban politics is, in the eyes of many citizens:

- too featureless. There hardly seem to be any differences between political parties;
- too inaccessible. Politicians are not very interested in the problems and opinions of citizens and non-governmental organizations;
- too ineffective. Urban government is not very forceful.

A great deal of attention has recently been focused on these problems, as a result of the low turn-out by voters for the 1990 local authority elections. But the problems existed before this. They can be traced back to the traditionally 'apolitical' character of local authorities in our country. Representation of all major parties on local councils (with no opposition force in urban politics), the appointment rather than election of mayors – these are characteristics of a depoliticized governmental culture, in which it is not political rivalry but 'the municipal interest' that dominates. The centralist character of the Dutch

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welfare state, including the method of taxation, also contributes to the featureless aspect of local politics. The power issue is largely absent from local elections. They are principally 'national' elections, which government parties at national level can use to measure their popularity between general elections.

2. For there to be a balanced consideration of interests, local political democracy will have to gain in vigour. The administrative and financial reforms argued for in the report can of course contribute here. Some decentralization of income sources and authority will increase the stakes of local elections. But this is not enough. There will also have to be changes in terms of electoral politics. I am thinking mainly here of:
 - administrative reforms, aimed at reducing the distance between politicians and voters. These could take the form of a referendum (such as the ill-conceived one on traffic which is being held today in Amsterdam), more weight for priority votes in elections, and election (rather than appointment) of mayors;
 - more attention to those population groups who are mainly or solely dependent on the ballot box for any exercise of power. These groups are greatly distanced from politics, national and local. They feel poorly represented, and are inclined not to vote, or to make a protest vote. Restoring these groups' confidence in local government administration is an important policy task. No democracy – in the words of Dahrendorf – can afford permanently to alienate a large section of the population.

The vigour of local politics is thus a challenge, not a fact. But if moves to revitalize local political life do succeed, this does not mean that local politics will automatically support the process of urban regeneration that is central to this conference. 'Politicization' of local politics, with increased differences of opinion and sharper articulation of social interests, could clash with the pursuit of economic recovery – and the associated climate favourable to business. This kind of conflict could manifest itself in areas such as local taxation policy. Should there be low rates for higher income brackets, to draw such people to the city and bind them to the city? Or the opposite: high rates for higher income brackets, motivated by a sense of social justice and/or because public expenditure in major towns and cities is by definition higher? Here we encounter a paradox. An apolitical local governmental culture, in which political parties and interest groups rally behind the banner of 'municipal interest', may well be more in line with the pursuit of economic recovery, than a vigorous, and therefore politicized political scene, for which supporters of a 'responsive administrative culture' are rightly calling.

The now frequent call for active citizenship and social self-regulation is not without its problems either. Both active citizenship and social self-regulation can reinforce political democracy and foster the process of economic recovery. But they can also create tensions:

- in terms of political democracy: energetic citizens are also troublesome, self-willed citizens for local politicians as well;
 - in terms of economic recovery, because energetic citizens will take a firm line in areas such as the environment and may attempt to block infrastructural projects (for example airport expansion and road building).
- An extra complication is that it will not be possible to find the solution for such conflicts at exclusively local level.
3. My conclusion: revitalization of local politics and economic recovery in the major cities are processes which presuppose each other, but which may also clash. The conflicts they create are not irreconcilable. The chances of reconciliation increase as soon as:
 - the inevitability, sometimes even the desirability, of such conflicts is recognized;
 - the exchange towards which conflicts of interest are driving is as immediate

and visible as possible. Only when people at urban level, or in particular neighbourhoods, are able directly to observe the social advantages of economic regeneration will their scepticism towards the new alliance of business and politics, and towards politicians who behave like managers, be reduced.

Plenary discussion on public-private dynamics in the Netherlands

16

V. Hausner (chairman), W.G.M. Salet, D.A. Regenboog, P. Kalma*

The Chairman opens the discussion.

Mr. Regenboog: my statement concerns the problems with which we are confronted in the Netherlands these days. During the last thirty years there have been a lot of scattered projects in the Netherlands, and hardly any large urban projects. There was no legal framework to manage such projects, and they were not politically desirable. As a result there is a lack of knowledge of how to tackle the problems discussed at this conference. There are no long-term strategies in either the public or the private sector. The population is therefore inclined to think in the short term, which spells even more a disaster for the years to come.

There is a need for a structural and dynamic approach, there is a need for public private partnership, and a need for knowledge and strategic power in the public and private sector. On both sides there are non-profit-making organizations, which will change into private organizations the coming years. My statement for this discussion is: although developers (including non-profit-making organizations) should play a crucial role in the regeneration process, they are not capable of participating in long-term restructuring projects because of their strategic power and financial position.

Chairman (reflecting in the first instance on the statement by Mr. Kalma): the paradox you referred to is a major one for those who have been concerned with the development of cities. I would like to encourage your Dutch colleagues to comment on your views about reinvigorating Dutch local politics.

Mr. Salet: I agree with Mr. Kalma's statement that the urban conflict has to be made visible. But we must realize that by creating more local responsibilities we are not creating a *new* conflict; there has been an enormous conflict in our cities for the last twenty years. Unfortunately, it has been neutralized; central government has covered all problems of our cities.

Mr. Regenboog: as long as there is a gap between economic and political renewal, there will be a gap between electors and government. I think it is possible for these to come together without conflicts, but more strategic power from local government is badly needed.

Chairman: the issue is how to encourage a strategic view at the local level among local constituents. Is it not precisely the job of local political leadership to actually adopt a view on the strategic health of the community?

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The most successful of the US cities are those which have got a long-term leadership with political strength to put the long-term development issues to the population, and to win support for them. Capable political leadership is a crucial dimension of effective development in cities.

Mr. Needham (University of Nijmegen, Netherlands): I am disturbed by the picture that has been presented by the Dutch at this conference; they are being too modest. They concentrate on their problems. But compared to British cities and politics I think they should be proud of their achievements. In a lot of British cities you have wild political changes, leading to no progress at all. I think the Dutch should be pleased that they have got stability and non-elected mayors. They should also be pleased with the fact that their municipalities do not provide housing, education etc. This is much more in the direction of the dynamic society Mr. Salet was talking about, than a situation in which you have a lot of these services provided by the municipality. A second comment related to this is that the Dutch are in a good position to learn from the British experience how you can be extremely inventive if the need arises. In the British political and cultural situation you have got to be exceedingly inventive, and hence we see a stream of stop-go initiatives, a constant searching for new ways of achieving things. The Dutch can use those as experiments. They mostly do not need such wild searching because their system and institutions work on the whole very well.

Mr. Kolthek (Municipality of Dordrecht): I got a bit confused this morning hearing that we are a very centralized country. I think that our cities have a very strong management, with strong ideas. The ideas of urban renewal, social renewal and the revitalization of the cities are all born within the cities, not in central government. In fact, I would say we have a poor central government which often fails to help us to create a better situation for a lot of people in this country.

Mr. Salet: Obviously, as Dutch we might be inclined to blame our own position, but as a researcher I was rather glad to find the real problems of the cities. Now we know where we have to look for solutions. I agree with Mr. Kolthek that Dutch cities have a strong management. However, I believe the crucial problem of our cities is an institutional problem. Yesterday Mr. Goddard mentioned a transition from urban *government* to urban *governance*. That is very important: we need a strong local authority but it should act differently. Our cities are strong – perhaps even stronger than the British cities – in the sense of government. But they will have to take a new role in the sense of governance. In the future local authorities will have to create facilities and support social initiatives more on the basis of their own income. Furthermore, it will have to create new rules for the game, under which social exchange might get a chance and more responsiveness will be created.

Mr. Kolthek: in some places we are already working quite hard to achieve this. We try to involve people in what we are doing. Municipalities try to create relationships with education and the private sector, to start job programmes, educational programmes to improve the connection between private sector and school-leavers, etc.

Mr. Salet: in the report 'Institutions and Cities' we did *not* differentiate between cities. There are differences though. The transition is probably less difficult and complex in smaller cities. Our major cities have not yet reached this stage.

Mr. Kalma: of course politicians should take responsibility and develop ideas about how to link economic and political modernization. But there is a big problem. A part of the explanation for the low turn-out at local elections is that

many people associate politicians with big economic projects. These projects are central to our economic regeneration, but people do not see them as in their interests. Secondly, there is of course a vigorous tradition of local government in Holland. But this is not necessarily a vigorous political democracy at the local level.

Mr. De Kok (Urbanistics' Consultancy): why did Mr. Regenboog say that Dutch developers lack the strategic power and financial structure to handle public-private sector dynamics? I see a reality in the big cities of investments in many large-scale and impressive projects, with powerful private partners.

Mr. Regenboog: the big projects that are on the table in Holland represent investments in the range of two to five billion guilders on average. Our Dutch developers (with one exception) do not have the financial structure to manage such big projects. I wish to remind you that our pension funds do not want to play the role of developer.

Mr. Hulsbergen (Technical University of Delft): our central government is very poor at problem definition at the moment. It behaves like a father who one day finds out that he has no more money for his children and says: now you have to be independent. The reason for this behaviour is not as positive as it could be. In the beginning of the eighties there was also a lot of very easy and poor theorizing on city problems. How much better is it at the moment? And how easily made is today's call for more participation at the local level? My main question is: for whom does the present system work, and for whom does it fail? If you look at the most problematic communities, it is clear that there the problem of local non-participation is the most severe. In this respect we must conclude that decentralization will not work.

Mr. Kalma: I agree, especially with this last remark. If there is no balanced participation at the local level, the system will not work as well as it should.

Chairman: one of the problems of the areas that are bidding and have a need, is a lack of capacity to compete for the money. What responsibilities does central government have for strengthening the capability of those in need, so that they can both effectively compete and effectively manage the resources and assistance that they might get? This discussion is very important for the policy-making process in the UK.

But another side of that question indeed is the community issue. What is true of local government is triply true of the disadvantaged communities. How do we develop the participation and capability of the community to effectively participate in the process of regeneration? With this very difficult question I shall bring this session to close.

The institutional framework of urban policies in Britain

VII

The institutional framework of urban policies in Britain

17

J.B. Goddard*

17.1 Economic change and institutions in the post-modern city

Any discussion of the evolution of urban policy in Britain in the past fifteen years needs to be placed in the context of shifts in the structure of the economies of cities in all advanced industrial nations and changes in the governance of territory that have been associated with these structural changes. In the economic sphere the changes can be captured by such phrases as ‘the globalization and localization’ of economic activity and the shift from the ‘industrial to the post-industrial city’. In the sphere of governance key changes are reflected in such notions as the shift from the ‘managed to the entrepreneurial city’ and from the local state as direct provider of services to a more enabling role. Indeed the word ‘governance’ rather than ‘local government’ better describes how cities are now being managed.

These economic and regulatory trends, when taken together, have been described by many commentators as a transformation from the fordist or modern city to the post-fordist or post-modern city. In the former the emphasis was on ‘mass’ production, consumption and communication; public and private services and service areas were organised in the form of nested hierarchies; and land uses were segregated and controlled by the actions of a single all-embracing planning authority. In contrast the post-fordist city could be characterised by flexible production, highly differentiated patterns of consumption and a multiplicity of modes of communication; within the city the territorial structure might embrace many non-local providers operating in a more selective manner; and a diversity of public and private institutions, actors and agencies might be competing and collaborating in the process of territorial management. One consequence of these economic and regulatory changes has been the heightened differentiation of cities with areas of economic success integrated into the world economy juxtaposed to areas of economic decline and deprivation by-passed by the economic main stream.

17.2 The British experience

With a very open national economy it is not surprising that UK cities have been very much influenced by global economic restructuring. At the same time politically determined regulatory changes during the 1980s have deliberately sought to curtail the powers of the local state and to introduce market criteria into most corners of urban public life, thus ensuring that economic change and shifts in the governance of cities have proceeded hand in hand. Critical economic changes have included the deindustrialization of the early 1980s, the de-regulation of financial markets, the privatization of public utilities and the encouragement of foreign direct investment. These changes have had differential impacts on cities. De-industrialization particularly affected the largest northern cities; financial de-regulation unleashed a financial services and property boom in London; privatised public utilities became major players in the urban property market; foreign manufacturing investment clustered in a few cities whilst others were shunned.

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The economic changes have been paralleled by institutional change, notably in the role of local government as the principle agent responsible for territorial management. In addition to the curtailing of the tax raising and economic development powers of local government, including the abolition of metropolitan councils, the 1980s have witnessed the creation of a host of new agencies; a key feature of these is that they have stakes in only parts of the city or particular functions. Agencies include Urban Development Corporation, Enterprise Agencies, Training and Enterprise Councils and Business Leadership Teams.

The introduction of market criteria into public services such as health, education, broadcasting, telecommunications and transport has inevitably changed the nature of institutional and territorial relationships within cities. For example, schools and hospitals which have opted out of local control are now no longer locally accountable; many contracted out local government services are also provided from outwith the city. At the same time the new agencies have drawn the local private sector more fully into the governance of the city: for example, private utilities can clearly see the relationship between their revenues and the health of the urban economy and many multi-national corporations, encouraged to think globally and act locally by the management gurus have clearly appreciated the importance of the quality of the local environment to the success of their businesses.

The net effect of these many changes has been to create a much more complex urban structure in both geographical and institutional terms. Most British cities are now covered by a network of overlapping initiatives with no clear hierarchy of regulatory responsibilities. Although central government can be directly involved with very localised initiatives, in many cities no single public body, either local or central, is likely to have a strategic oversight of the economic and social wellbeing of the urban area as a whole. This institutional fragmentation therefore parallels a territorial fragmentation in which hot-spots of economic growth can be set in a sea of decay.

The intellectual challenge for the 1990s is to establish whether some form of territorial and functional re-integration is necessary to improve the quality of urban life; if this proves to be the case the policy challenge is to build the institutional structure that facilitates putting the pieces together again. The Government's recently launched City Challenge programme, with its emphasis on a three-way partnership between central and local government and the local community, suggests that such an institutional structure will certainly look different from that which characterised the fordist city institutionally dominated by the local authority.

17.3 Urban policy in the 1980s

It is against this background of economic restructuring and institutional change that urban policy in Britain has to be assessed. Many commentators have suggested that to focus on urban policy is to ignore the impact of a wide range of other non-spatial policies on cities. The preceding discussion should have indicated several of these policy areas; additional ones might include defence procurement, general support for small businesses and mortgage tax relief. Whilst these impacts might suggest benign neglect, it is also true that the urban policy arena has been the focus for some of the most far reaching economic and institutional changes that have occurred in Britain during the 1980s. As Mrs. Thatcher said in the aftermath of the 1987 election those 'Inner Cities' presented the ultimate challenge to the establishment of a new way of ordering public affairs in Britain. Although intervention in the market could not be justified in other policy dimensions – regional policy for example, was redefined from an economic policy to a social policy in 1984 – in the case of cities

it was possible to point to market failure as a justification for intervention, for example, to ensure that public land was brought back into productive use.

It is not possible to provide here a comprehensive account of the institutional dimension to the multitude of the urban policy initiatives. However, certain common themes relevant to the themes of territorial and institutional fragmentation can be identified. These are, first the spatial targeting of policies, second the creation of many new single purpose agencies and third competition and collaboration between agencies within cities.

17.4 Spatial targeting

Within Britain targeting can be identified at a variety of scale. Targeting reflects the fact that Britain does not have a national urban policy which recognises the contribution of cities to economic development; rather it has a policy which aims to assist certain cities or parts of them adjust to changing economic circumstances. Although something of a misnomer in a spatial sense this targeting occurs under the general rubric of 'Inner City Policy'.

At the national scale 87 Local Authorities with particularly acute socioeconomic problems have been selected for assistance. Within these authorities areas of high deprivation have been identified for intervention. Although these areas have been selected on indicators of social deprivation the guidelines as to the kinds of projects that central government would support has shifted from the social to economic. Economic policies have been pursued in these areas in the anticipation that benefits will 'trickle down' to the local deprived residents through the operation of the labour market.

Regional industrial policy has also been reduced in its spatial coverage from embracing 40% of the working population in 1979 to include a focus on cities. Like the urban programme it has also concentrated economic assistance on areas with relatively low economic potential within the wider region.

The most sharply targeted form of urban policy have been Enterprise Zones. Nine Enterprise Zones were designated in 1981 and a further 13 in 1983. Additional zones have been introduced in 1991/92 to counteract the affects of ship-building and steel closures. Enterprise Zone status brings significant tax and deregulation benefits to developers of land and occupiers of space in run-down small areas of no more than 1000 acres.

Whilst there is an obvious logic in targeting scarce resources on areas of greatest need, a growing body of evidence from evaluations of the impact of this approach is pointing to its lack of effectiveness, particularly in city regions where the demand for labour overall is much less than the supply. In such situations the jobs that are brought forward through public assistance are not filled by the most needy but by the best qualified, often from outwith the inner city. A substantial amount of targeted job creation, for example through Enterprise Zones, has been shown to be simply moving the pieces around the urban chessboard. In short, what has been missing from the approach has been strategies to increase the competitiveness of the urban economy as a whole.

17.5 New agencies

Whilst the urban programme, regional policy and Enterprise Zones have been operated by existing institutions, a key aspect of much of urban policy has been the creation of a number of new single purpose agencies. The most significant of these are the 15 Urban Development Corporations. These also cover relatively small areas of cities but operate outside of the control of local authorities within whose territories they are located. Urban Development Corporations

have a limited range of responsibilities – basically to bring under-utilised land back into productive use. UDC's are funded directly by central government and overseen by Boards chiefly composed of local businessmen appointed by the Minister.

Given the emphasis on land development as a key policy instrument it is not surprising that UDC's come under the aegis of the Department of the Environment. However a number of other central government departments also have a policy interest in 'the Inner City', most notably the Departments of Employment and Trade and Industry with responsibility for training, small business development and industry support. To co-ordinate the action of these departments within individual cities, a number of City Action Teams have been established. In addition a number of Central Government interdepartmental Inner City Task Forces have moved into individual local authority areas to take charge of particularly intractable problems of urban development where the local institutions have been making little progress. City Action teams and Task Forces have limited budgets – their main role has been to 'bend' main programmes towards the Inner City and stimulate action by other agencies, including local authorities and the private sector.

The experience of these teams has revealed that Central Government departments have different capacities and means of acting in the urban arena. As the principle paymaster of local government, the Department of the Environment has traditionally been able to use local authorities as a delivery mechanism for its policies. More recently the creation of the Training and Enterprise Councils, (TEC's), public companies funded by central government to oversee training programmes and enterprise development in 57 areas covering the whole country, has given the Department of Employment its own delivery mechanism. Although without a specific urban policy remit, TEC's are supporting a number of inner city initiatives. Like UDC they are controlled by Central Government appointed boards whose members are drawn largely from the private sector. Now only the Department of Trade and Industry lacks a local mechanism for the delivery of its policies within the urban arena.

A final group of agencies are the plethora of private sector led groups goaded by the Government to become engaged in urban regeneration. These include Enterprise Agencies focusing on small business development, umbrella organizations like Business in the Community and Business Leadership Teams focusing on property led urban regeneration. To these must be added the voluntary sector focusing on meeting the needs of the most deprived sections of the urban community. The voluntary sector has expanded in importance with the general cut-backs in directly provided local and central government social services and income support during the 1980s; nevertheless, much of the activity of the voluntary sector has depended indirectly on public funding. The emergence of these groups partly reflects a generally accepted belief that during the 1970s local authorities in Britain failed to engage different sections of the community in the urban development process.

From this description it should be clear that there have been processes of institutional centralization and de-centralization within British Cities. Central government has become more directly involved in the selective ways; at the same time the local business community and other groups have entered into areas which were previously the preserve of the local authority. However, much of this community involvement has been at the behest of and supported by central government, so, on balance the centripetal forces have outweighed the centrifugal.

176 Competition and collaboration in urban policy

This leads to the last general theme, namely collaboration and competition in urban policies. Whereas one of the shortcomings of local government in the 1970s had been its failure to adopt a corporate approach to urban development both in terms of interdepartmental relationship. For example, industrial development, estates, planning, education and social services departments often pursued independent policies. The 1980s has seen this failure of co-ordination transferred to and multiplied within the inter-agency domain. As a result many ad hoc arrangements have been necessary to facilitate co-ordination but with varying degrees of success. While there has been collaboration there has also been competition for ascendancy.

Competition has also intensified between cities with, for example, UDC's competing heavily through advertising to attract mobile investment. Although some 'vision' statements have been drawn up setting out urban futures, the absence of a strategic development framework for a city as a whole together with an emphasis on individual project funding supported through numerous programmes has served to underpin what the Government's own Audit Commission has called a 'patchwork quilt of idiosyncrasy' in the arena of urban economic development.

Set against this judgement is an alternative interpretation which sees British cities as a hot-house of policy innovation, innovations which mirror the diversity of institutional forms such as joint ventures that have come to characterise a private corporate sector which has been shifting away from the monolithic structure of the fordist era. Just as the emphasis in the corporate sector has moved from hierarchies to markets so it could be argued that the hierarchy of central government has been replaced by the 'networked local state'.

177 Conclusion – City Challenge and urban governance

The Government's City Challenge Initiative for 1993/1994 takes this process of policy innovation, collaboration and competition one stage further. After experiments in the financial year 1992/1993, 57 'urban priority' local authorities have been invited to compete for funds for urban regeneration to be undertaken within limited areas. The aims of the City Challenge competition are

'to enable local authorities *and* those that have a stake in the areas of winning bids to bring about their vision of transforming areas of urban deprivation within our cities and benefitting residents. Government is therefore looking for ambitious imaginative, but realistic plans for bringing about economic renewal, improvement in the opportunities available to people and to their quality of life, and lasting change to such areas. The competition is also about encouraging innovative ways of delivering these strategies; that demonstrate clear leadership, competent management of the resources, manpower and finance, available to the areas selected; an effective partnership between local authorities, central government and public sector agencies, business and commerce, voluntary sector agencies and local communities'

The key message from this statement is its emphasis on building institutional capacity capable of managing urban development in a way which extends beyond the boundaries of a single institution, in this case the local authority. It implies an attempt to put back together some of the fragments created during the 1980s with the local authority having a leading but not exclusive role.

If City Challenge is to succeed, Central Government will have to steer a very difficult path between reinforcing the success of those cities where it has been possible to establish a capacity for inter-institutional working and others where structures have remained ossified and innovation has not been forth-

coming. This difficult choice reflects the essential difference between the old mode of local government and an emerging new model of territorial governance. In the former the nation state redistributed resources on the basis of some objectively defined criteria of need whilst in the latter redistribution, insofar as it occurs, is based on some subjective indications of capacity to make use of the resources. Those urban areas where the private sector is *in* the city but not *of* it or where the political or professional culture of local government has discouraged networking will find it difficult to put together successful City Challenge bids. Similar problems are beginning to emerge with Training and Enterprise Councils where competitive bidding is being introduced; here there are dangers that localities will get the training resources they deserve rather than what they need.

City Challenge is predicated on the belief that a crock of gold (even if it is taken from another pot that would have otherwise been transferred to local government) will of its own stimulate innovation and the building of new institutional capacity. This cannot, however, be a substitute for long term strategies of institution building and the shorter term creation of professional skills capable of supporting these new modes of working.

To take the second of these first, it is quite remarkable how few resources have been devoted to professional training in the field of urban development within the UK. Planning and management consultants have had a prosperous decade but the skills created have been ephemeral and few have been permanently captured or institutionalised. There has been some limited adjustment in the training of Town Planners and Architects but crash programmes of professional skills enhancement in urban economic and social development and related project management are needed if the agencies expected to engage in initiatives like City Challenge are to be professionally supported.

As to institution building itself, one voluntary initiative is worthy of note. A number of cities have established community leadership building programmes under the generic title 'Common Purpose'. Annually a cohort of potential leaders from a wide variety of fields – private industry, commerce, education, criminal justice, religion, etc., are brought together for extended deliberations on the implications of a range of national issues for their city. Graduates of these year long programmes return to their normal occupations much more aware of the inter-relationships between different sectors within the city; through the programmes they have established a network of contacts that can be drawn upon in a way that can ensure the greater embeddedness of their own organizations within the life of the city. More initiatives of this type will be needed if British cities are to have the institutional capacity to cope with the highly fluid 1990s.

The relationship between public and private sector

18

R. Aldridge*

Urban regeneration is a multi-faceted process and over the last day and a half we have heard only *some* of the issues involved. My task is to examine the relationships between public and private sector and between national and local levels, in the United Kingdom: a tall order in five pages. I believe there are now two strands of urban regeneration. The one we are all familiar with is the 'official process' of public sector initiatives, increasingly based on public/private partnerships and, fortunately, now focused on deliverable schemes which can benefit the communities who live and work in an area.

Urban regeneration has been running for more than a decade and the early phases were driven by local authorities either on their own or assisted by central government. These early attempts were not too successful, perhaps because at first there was too much emphasis on physical reconstruction and too little, if any, attention to social regeneration. What's more, the amounts of money which central and local government of any political persuasion could throw at the problem would never be enough – even if money alone was the answer, which it is not.

The next phase was to understand that the most effective use of scarce public funds is for pump priming and infrastructure investment to leverage private sector investment. This approach makes sure that public funds go further and that the private sector, with its expertise and access to funds, becomes involved. It was partially successful: many private sector organizations did participate and the pump-priming approach leveraged many times its outlay.

What was not initially recognised is that the two parties were working to different agendas. The public sector sought physical and social regeneration and jobs for locals. The private sector sought the most profitable form of development. This was not necessarily compatible with the objectives of either the public sector or the local community who, not surprisingly resented rather than appreciated the new office blocks being built in the heart of their community which created employment for others but not for them.

We have come a long way in understanding that the community must have a major stake in the regeneration process: it is after all for them that we seek a better quality of life and work, nor for handsome new buildings. Latest attempts, including City Challenge, look better placed to succeed because they are based on true partnership, a single shared agenda, and an understanding of what each partner can bring to the table.

Throughout this period of evolution the government of the day tried to reinforce, through its actions and public statements, two separate but related themes:

- that the proper role of the public sector is that of 'Enabler', with skills and legal powers, which facilitate development by others;
- that once the public sector has created a climate in which the private sector can prosper and create wealth, and supported this with a grant regime, the private sector has a responsibility to give something back to the disadvantaged sectors of society.

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Interestingly, the private sector appears to have gone through a cultural metamorphosis. It is learning to accept and operate within the government's framework, albeit still seeking to improve it. When inner city decline and urban regeneration first came onto the scene, the private sector, with few exceptions, took the view that this was a government/public sector problem. After all what did they pay rates and taxes for? But many large companies within the private sector are now committed at both national and local level to the community and to regeneration. This can take the form of seconding people, participating in enter-prise agencies or financial support, all aimed at supporting public and voluntary sector initiatives.

The private sector undertook a great deal of development in and around inner cities particularly in the boom years without any public sector encouragement or assistance based upon market demand and opportunities for profit. Only the major financial institutions seemed reluctant to participate. We are now even starting to see private sector 'self help' initiative to address market failure or perceived gaps in public sector provision.

My own company was increasingly unhappy at the standards of hygiene and amenity offered in some of the town centres in which we traded in Great Britain by comparison to standards of the many modern, purpose-built shopping centres developed over the last decade. For years we protested and pleaded with local authorities to try to get them to improve standards, to reflect the aspirations of modern consumers and to allow the traditional town centre to compete effectively with purpose-built schemes.

Our efforts met with little success. Local authorities don't see the town centre through the eyes of a customer so they don't always understand our concerns. And since the town centre is often the healthiest part of their domain it assumes a low priority for spending. Eventually we realised that if we were to secure change we had to involve ourselves constructively.

We decided to promote the concept of town centre management ourselves and to back this up with funds and the participation of our local store management. We got the local Chamber of Trade interested in cleaning up town centres and then, with the Chamber, we went to the local authority with constructive suggestions and the offer of partnership and financial support.

The results have been much more encouraging than we had hoped. Apart from the 50 or so new initiatives which resulted, we have got other businesses involved in doing something about their towns. And these new partners will in turn involve others.

Many private sector organizations have decided that positive action achieves more than complaint. These initiatives, are extremely small in relation to the overall problem, but they highlight the extent to which private sector attitudes have changed.

Turning to the relationship between local and national levels, let me explain that my own organization involves itself with both national and local government. But we try, as far as possible, to make sure that local initiatives in the towns where we have stores are undertaken through our local management teams who are encouraged to play an active part in the community. Where appropriate we work through the Chamber of Commerce so that others become involved. Head Office is there to help and provide funds when appropriate.

The criteria are simple:

- Is it worthwhile?
- Will it contribute to the long term health of the community?

- Are others in the private sector playing their part? – our own form of leverage.
- Can we afford it?

In the public sector it is much more difficult. Democracy demands the justification of every proposal and item of expenditure either to a fickle electorate or to the Audit Commission. This, coupled with the split in responsibility between local and central government, leads to lengthy and complex decision making.

Furthermore, there are tensions between central and local government over the absolute level of public expenditure available and who should hold the purse strings – at present this is still central government.

I have tried to describe the way in which the relationship between public and private sectors has changed over recent years, in my view, for the better, with the private sector accepting responsibility in the urban regeneration process. I believe that this will continue and grow. I would like to finish however, by stressing that such a trend depends on the private sector having confidence that its own increasing participation will not lead to *withdrawal* by the public sector. On the contrary, I hope that greater participation by the private sector will lead to increased commitment and funding from the public sector.

A decade ago urban regeneration was a public sector problem. The private sector discharged its responsibilities through taxation. Nowadays, there is an acceptance that the private sector must participate not only through the cheque book but also through active involvement wherever it can make a contribution in line with its long term corporate objectives.

I do not wish to suggest that everything is perfect. There needs to be more partnership between public and private sectors. More involvement of major financial institutions to access finance, and more understanding of how to deliver real benefits for the community. The fact that all of the parties accept that they have a responsibility is an excellent foundation to start building upon.

Plenary discussion on public-private dynamics in Britain

19

V. Hausner (chairman), J.B. Goddard, R. Aldridge, M. Parkinson*

The Chairman opens the discussion with a short introduction. During the conference two themes have been developing:

- the theme of institutional and organizational barriers to development activities;
- the continued dual purpose in urban policy, with emphasis on deprivation issues on the one hand, and attention for international economic competitiveness on the other.

Mr. Parkinson: what is new about City Challenge? I wish to stress that to a certain level we can be exaggerating the extent to which it is a novelty. The problems are not new either. All European cities have processes of spatial segregation, economic marginalization, social paralyzation. I think City Challenge is a very good thing, but we should keep in mind that it is an area-by-area strategy which can function as part of a much wider field of resources and policies; we do not want City Challenge to take on the burden of fixing cities. A crucial problem I see in both Holland and Britain is that there is lot of delegation of responsibilities from central to local level, without the corresponding resource delegation to address the problems.

On the theme of change, I can say that in Britain we have had too much of it. What is crucial is stability. We do not have to be dashing around finding things; our colleague from Scotland rightly pointed out that a different model of regeneration is possible. For fifteen years the Scottish model has been based upon sound stability, and its achievements are better than those in the rest of Britain.

Finally I wish to stress three issues we learnt about public-private partnerships during the last five years:

1. it must be about the community;
2. partnerships are as strong as the weakest link. It may come as no surprise to you that not all local authorities in Britain are terrific, and that communities are very divided. The same variation can be found in the private sector. In the highly centralized British economy, the private sector in many cities – at the local level – is actually very feeble;
3. there is the assumption that a partnership is a very nice thing. I wish to warn here: it is a very nice thing, but it is not a very easy thing. Within cities there are conflicts and tensions. A big issue is: is there a unitary interest in cities, and is economic development the unitary interest? I wish to remind you that all good partnerships are based upon two things: trust and understanding ('they do not understand us, and we do not trust them').

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Mr. R. Aldridge is Property Manager at Marks and Spencer PLC, UK.

Mr. M. Parkinson is Professor of Urban Studies, University of Liverpool, UK.

The Chairman invites the audience to join the discussion.

Mr. Siersma (Stichting Noordzij, Amsterdam): I am involved in a project for public participation in urban renewal in Amsterdam. During the discussions it was stressed repeatedly that the benefits of urban regeneration should also come to the really deprived. I think some guarantees are needed in order to make sure that these interests are indeed taken into account. The best guarantee would be to give the people who have an interest a very specific position in the decision-making process, and maybe also in the organizations that are concerned with regeneration. This has to be organized. How is this being done in the British situation? Do organizations of unemployed, neighbourhood organizations, etc. have a clear position?

Chairman: this is an important question. One of the points I tried to make about the City Challenge programme is that it requires participation by the community in the management and decision-making process. This means community participation not only in the representational role. This is sometimes politically difficult for the community representatives, because then they appear to be co-opted by the system, which they don't like. There are tensions in the community about this. In Newcastle we were confronted lately in another way with this issue. One of the community leaders wished to accept a participating role, and rightly made a plea for resources to be able to pay for it. The city's response was to start thinking about possibilities for empowering this person, financially, but also with respect to staffing. One of the potentials of City Challenge is that this issue is now on the table.

Mr. Goddard: in my experience there are intense problems about this. How do you select community participants (they have not gone through any political process), and how do you give them resources? How can you develop and sustain these community groups? To really build this community capacity is a matter of many years, and needs a huge amount of public and private resources in terms of time and money. A characteristic of regeneration areas is, moreover, that they are unstable communities; people come and go. As soon as the potential leaders individually emerge and begin to do well, they get out.

Mr. Sequerra: reacting to Mr. Aldridge's speech I wish to stress that people in local governments are really committed to working out common agendas nowadays. There is also fresh air in local governments in terms of turning the authorities to partnership with their communities. This is important, because trying to dream up answers from right here will bring no success anywhere. There has been a neglect of the communities from both national and local level, which has created much of the disadvantage we see in our urban areas. No quick fix will overcome that, but there are things which you can do:

- empowerment: giving people a voice;
- developing mechanisms to transfer some of the benefits directly into facilities people can see.

Secondly, I wish to comment on the notion that people want to drift away from the communities. My experience demonstrates the contrary: actually many people want to stick in there and fight for better conditions. They wish to build something they can be proud of. We should empower them more and give them more resources, and we can demonstrate that some of the benefits can flow back to the communities.

Chairman: as City Challenge also shows, is that being really serious about community involvement needs time, it brings the necessity to bear higher costs, and it is necessary to alter the criteria for management.

Mr. Kane: the real city challenge I think is actually a challenge for central government in England, to start co-ordinating the different departments that affect the performance of cities. An important difference with the Scottish situation is that in Scotland there is better coordination through the Scottish Office, and also at the local level. In England there has been a political unwillingness to recognize that local authorities are involved in development and conscious of what the private sector wants. Decentralization in England has been decentralization done to individual units. This feature of England's urban policy over the eighties holds many lessons for the Dutch, but not all of them positive.

Mr. Palmer (Department of Trade and Industry, Inner Cities Unit, England): in looking at the English and the Dutch experience there is the danger of drawing a conclusion on the basis of a comparison between apples and pears. Mr. Goddard said that we do not have an urban policy, but that we have in fact a rather fragmented urban deprivation policy. What he did not say is that we have a regional policy. The Dutch plainly have a cities policy, which in fact embraces many of the sorts of programmes that are being done in London under the regional umbrella.

Mr. Goddard: I wish I had confidence in UK regional policy. Regional policy in Britain focuses on firms, it tries to give incentives to firms to locate in particular areas. But it is not concerned with the development and management of territories. And it certainly does not apply to all cities.

It is necessary to look seriously at the relation between city-based policies and regional policy, with regard to industrial competitiveness. This relationship, between attempting to strengthen a broad regional economy and the investments you are putting into the city, is nowhere fully articulated and developed. We have a long way to go. French and Japanese experience tells us how important these connections are; cities are the very key to regional economic development.

Mr. Melief (Dutch Institute for Social Services Research): as I understood, in British urban policy there is a high emphasis on competition for resources. What is being done in the area of fair distribution of wealth, etc. what about the losers?

Mr. Goddard: taking the example of City Challenge: there will be cities that win City Challenge funding. There is a real danger that the resources go to those that have the capacity, where also the private sector is strong. On the one hand this is important: one wants competition to produce innovation and new approaches. But what does government do about those that do not win?

One way to cope with this problem of redistribution is to create a special policy which attempts to get losers to the starting gate. I think that a sort of graduation policy has to be developed, distinguishing between three types of cities: those that would do well anyway, the next good category of 'the walking wounded', and 'the legless', which need a totally different set of policies. This is not really being thought through. In social policy resources can be distributed on the basis of unemployment levels, which is to some degree done already. But moving them towards reinforcing the competitiveness of the economy will inevitably mean that the resources go to the areas that do not need it most. The key dilemma of the changes in Britain in the eighties is how to reconcile the notion of the central state in its redistributive role and the desire to stimulate innovation. I don't have the answers.

Chairman: it is important to make a distinction between equality at the starting gate and the inequality which is going to come in the outcomes.

We have two different issues here. One is the ability of the organized public and private structures to compete in terms of bids. The other is that not all areas will become the growth centres of the national economy. In this respect you have to be quite clear about your social welfare and other policies. What we do know, though, is that communities anyhow have better alternative economic features if they can get their acts together than if they don't.

Mr. Aldridge: one of the benefits that comes out of the formation of partnerships to bid for City Challenge is that the failed bidders do not just vanish. They try to start the process of regeneration and partnership without the benefit of the funds. It is not all lost. I do agree though, that for some areas there needs to be some form of pain relief mechanism. This is a matter of managing decline.

Mr. De Kok: I wish to underline what Mr. Parkinson said before: we have to recognize that the public and private sector and the community have to do it together in urban regeneration. They have to use the small margins there are. In doing so one should not only look to winners, but try and work together with a positive attitude towards this emerging new culture of co-operation.

Mr. Parkinson: if one is talking about losers in the wider social and economic race, one is then looking at really mainstream programmes. The benefits which will come out of initiatives like City Challenge are very welcome, but they are relatively modest. With respect to the wider context, Mr. Goddard is right to ask who should have responsibility for redistributive policies. The question of redistribution as well as competition is the issue. Which levels of government will accept responsibility for which tasks? Here you cannot have national abdication.

Mr. Rose (Birmingham Heartland Ltd.): it is very much the community dimension that I will come forward on. In a statement this morning there was the suggestion of political apathy in the communities. Is that actually apathy, or is it mistrust? I might say that it is not their problem, it is our problem, we created it. We are government, professionals, the private sector. Communities are not in this room today. But they are the sharp end. Can we go back to them now and say: 'we are the problem, but we are also the solution, because we have held a conference, without you'? I would remind you that we announced repeatedly that at the next session we would address this fundamental issue, and that we still have not.

Chairman: on this note we will bring this session to an end. I think the discussion has been very successful. What has become clear is the breadth of the issues we are concerned with. The range is enormous: issues about governance at the local level, about strategic economic transformation in the nation and its regions and cities, about community involvement at the sharp end. It will be a hard effort to make new notions about public private partnership and leverage, community involvement and governance apply to the effective handling of crucial issues about the success of our cities and nations.

Closing statement on the second day

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A.M.J. Kreukels*

Cities in the nineties: Strategic choices with regard to British and Dutch cities

At the end of this part of the conference, with its focus on the contributions of urban specialists, I would like to present three statements representative of crucial elements in strategic choices in urban policies of the nineties.

They will, I hope, help to stimulate the discussion which follows this conference. If I may remind you, 'Institutions and Cities' did not approach the city primarily in terms of its physical elements or its morphology, but more as a vehicle of societal and political dynamics.

Statement 1: there is clear evidence that city politics do matter and do make a difference and that a city is not determined solely by a given location and position in a wider network of cities.

The first maxim of 'Institutions and Cities' is that – even when one is aware of those factors and conditions relevant to today's urban dynamics which cannot be manipulated locally, regionally, nationally, or even internationally – politics do matter and make a difference, especially the politics of the city itself. But that is not all. The strong coalition between city administration and regional and national government is also important.

The discussions of the past two days regarding the British and Dutch experience served to reaffirm this conclusion. The analysis in 'Institutions and Cities' and today's debate clearly demonstrated how responsibility and accountability and a more detailed analysis of these prerequisites can offer more precise insights into the decisive factors allowing cities to successfully control their own destiny, be it in a favourable or unfavourable situation, against a background of advantageous or disadvantageous dynamics.

The research project on European cities in the eighties, which was carried out on behalf of the European Commission by Michael Parkinson and his staff, confirms that general conclusion in an empirical way, with its focus on leadership in relation to the involvement within the city of individuals, firms and organizations. The variation between successful and unsuccessful cities in the old core, the new core and the periphery of Western Europe, each of these areas differing with regard to opportunities and threats, can largely be ascribed to these kinds of qualities. Montpellier, Hamburg and Glasgow score high whilst Marseille, Liverpool score low¹. This provides European support for the findings of Terry Clark and Lyn Ferguson in their work in the USA on the relationship between city leadership and the phenomenon of successful cities within the frost belt and unsuccessful cities in the sun belt during the early eighties. These findings deviated quite considerably from what one would have expected².

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¹] Institutions and Cities; The Dutch Experience (Van de Stad en de Rand), Scientific Council for Government Policy, Report no. 37 to the Dutch Government, Sdu uitgeverij, The Hague, 1990; Michael Parkinson, see chapter 8 of this volume.

²] Terry N. Clark, Lyn Ferguson, City Money; Political processes, fiscal strain, and retrenchment, Chicago, University of Chicago Press, 1983.

*Statement 2: the key issue of strengthening the institutional basis of cities in the period ahead involves a combination of two kinds of autonomy: a) the relative autonomy of the city and city administration vis-à-vis the regional and national administration (the national government becoming more and more a coalition partner, giving strategic support to cities in the international sphere and continuing to guarantee minimum standards for individuals, firms and organizations on a nationwide scale) and at the same time b) the strategic autonomy, which means a decisive role for local authorities in the general interests of the city, in making it possible for many to contribute and in conditioning – if necessary – the impact of individuals, firms and organizations within the city. However, before developing this strategic autonomy, one has first to restore the potential and actual contribution of the private sector and strengthen public/private coalitions*³.

Traces of this combined strategy of relative and strategic autonomy are manifest in British and Dutch cities. However, progress in this direction is still limited, given traditional institutional relations. Both countries are only half way towards relative autonomy vis-à-vis national government. This is largely related to the financial centralization which has characterised both countries (as well as a number of other European countries) since the seventies and eighties, and to a creeping centralization of particular national agencies. With regard to the strategic autonomy of the city administration vis-à-vis its community, one must first – as mentioned in the statement – invest in real public/ private interrelations. British cities have been more successful in this respect than their Dutch counterparts. The necessary subsequent genesis of strategic autonomy of the city administration was emphasised in 'Institutions and Cities' with respect to urban amenities in particular: education, health and employment. At the same time, it appeared very difficult for the city councils to exert effective influence in these areas, given the strength of the relationship of the agencies in these domains within the cities and regions and the national government. The situation in both countries remains unclear. In Britain, the city councils lost a great deal of their influence as a result of the particular forms of privatization, particularly in the fields of education and health. In the Netherlands, the decentralization of health and education has not yet given the city administration any real influence⁴. I refer here to the contribution of Professor Roel in 't Veld about education and employment in Dutch cities in yesterday's conference programme.

There is evidence to suggest that this option of greater autonomy in favour of strengthening cities conflicts with new style forms of centralistic and bureaucratic planning. This is manifest particularly in intergovernmental relations. Centralistic and bureaucratic planning concepts are evident in the regionalization of a number of national policy fields. An example of this reactivated 'central rule approach' is manifest in the tendency to coordinate various national policy fields via integration at regional level. In the Netherlands, the Ministry of Home Affairs, the Ministry of Housing, Planning and Environment, and the Ministry of Transport manifest themselves as gatekeepers of this kind of top-down regionalization. This contrasts with an approach in which regionalization is derived primarily from the city-region itself: bottom-up instead of top-down. Given the pronounced dynamics of today's cities, an effective anti-fragmentation effort can only be successful if it proceeds first of all from the local to

^{3]} See for the concepts of relative autonomy and strategic autonomy: Anton Kreukels and Tejo Spit, Fiscal retrenchment and the relations between national government and local administration in the Netherlands, in: Susan E. Clarke (ed.), *Urban Innovation and Autonomy: Political Implications of policy change*, Newbury Park, London, New Delhi, Sage Publications, pp. 153-181.

See for a concise analysis of relative autonomy in relation to strategic autonomy and its impacts on financial relations between local and central administration: Paul E. Peterson, *City Limits*, Chicago, University of Chicago Press, 1981.

^{4]} Willem G.M. Salet, see chapter 14 of this volume.

the regional level and subsequently shows awareness of the relationships between these regionally interrelated local units and the regionalization of central government. I refer you to the report 'Institutions and Cities' for recommendations based on this principle. I would remind you that this option of real decentralization was powerfully underlined by Professor John Stewart and Professor Roel in 't Veld in their presentations yesterday and that of Professor John Goddard today ⁵.

In the same way one detects the new style centralistic and bureaucratic approach in the new metropolitan administrative structures, such as those currently put forward in the Netherlands for Amsterdam and Rotterdam among others. Here one sees proposals for strong unitary administration at the city-regional level, without sufficient guarantees for competition, besides cooperation, between the municipalities within the cityregion. That these unitary and relatively rigid structures are not the solution will be clear from a viewpoint of institutional decomposition in relation to the dynamics in the world of today. In the conference programme of yesterday John Goddard characterised that with the motto: governance instead of government.

Statement 3: In the real-world cities of yesterday, today and tomorrow one has to recognise discrepancies, differences, dilemmas, ambiguities, conflicts, tensions and frictions. In investing socially, economically or otherwise in cities one should take this multi-dimensionality, these inconsistencies and imperfections seriously, especially being aware of the intertwinement of cities with regard to the regional, national and international setting.

This maxim is central to the comprehensive Dutch report 'Institutions and Cities' in paying tribute to the intrinsic contradictions and ambivalence in cities and city politics. In this way cities mirror real life and modern complex and dynamic society.

In a strategic approach to cities from the perspective of these wider societal and political dynamics, i.e. in institutional terms, one must depart from this ambivalence and this multi-dimensional reality. Edward Banfield expressed this in the title of a book that was really controversial in the sixties: 'The Unheavenly City'. Banfield's book was a reaction to the simplistic assumptions underlying the urban programmes of the U.S. Federal Administration after the riots in a number of metropolitan centres at that time ⁶. There is a tendency in each pronounced programme towards strengthening the city, be it in social terms (as in the sixties and seventies) or in economic and cultural terms (as in the eighties) to suggest a 'heavenly city' and to be able to realize this by investment particularly in only one or two dimensions. Banfield warns us of such dangerous pretensions and advocates a realistic approach, which does not neglect the existing pattern of strong and weak positions of citizens, firms and organizations but links in with it. With regard to the one-dimensional policy over a sustained period he shows us the pronounced negative consequences, referring to the Great Society programme of the federal administration with regard to the Northern American cities. Cities, like Liverpool during the eighties, Hamburg in the early eighties, and Dutch cities such as Amsterdam and Rotterdam during the eighties, all demonstrate the risks of such a structural one-sidedness over a longer period, in this case related to a predominantly social orientation. One should be aware of the fact that this tendency to one-sidedness over too long a period often has its origins in programmes developed in strong coalitions of research, planning and politics, focusing on a 'heavenly city', be it in social, economic, cultural, or ecological terms. This is

⁵] John Stewart, see chapter 10 of this volume.

⁶] Edward Banfield, *The Unheavenly City*, Boston, Mass. Little, Brown, 1968.

always at the expense of the rich and varied forms of the real-world city. It has never gone unpunished, as the recent history of Western cities illustrates.

None of this precludes a step-by-step evolution in subsequent periods (from the sixties to the nineties), in which first the social, followed by the economic, then the cultural, and finally the ecological issues are central in politics and result step-by-step in progress in each of these dimensions. As the recent history of Western cities also illustrates, this is generally rewarded.

The Council has published the following Reports to the Government

First term of office

- 1 Europese Unie (European Union), 1974.
- 2 Structuur van de Nederlandse economie (Structure of the Netherlands Economy), 1974.
- 3 Energiebeleid op langere termijn (Long-term Energy Policy), 1974. Reports 1 to 3 are published in one volume.
- 4 Milieubeleid (Environment Policy), 1974.
- 5 Bevolkingsprognoses (Population Forecasis), 1974.
- 6 De organisatie van het openbaar bestuur (The Organization of Publics Administration), 1975.
- 7 Buitenlandse invloeden op Nederland: Internationale migratie (Foreign Influence on the Netherlands: International Migration), 1976.
- 8 Buitenlandse invloeden op Nederland: Beschikbaarheid van wetenschappelijke en technische kennis (Foreign Influence on the Netherlands: Availability of Scientific and Technical Knowledge), 1976.
- 9 Commentaar op de Discussienota Sectorraden Wetenschapsbeleid (Comments on the discussion Paper on Sectoral Council of Science Policy), 1976.
- 10 Commentaar op de nota Contouren van een toekomstig onderwijsbestel (Comments on the White Paper on the Contours of the Future Education System), 1976.
- 11 Overzicht externe adviesorganen van de centrale overheid (Survey of external Advisory Bodies of the Central Government), 1976.
- 12 Externe adviesorganen van de centrale overheid, beschrijving, ontwikkelingen, aanbevelingen (External Advisory Bodies of the Central Government: Description, Developments, Recommendations), 1977.
- 13 'Maken wij er werk van?' Verkenningen omtrent de verhouding tussen actieven en niet-actieven 'Do we make Work our Business?' An Exploratory Study of the Relations between Economically Active and Inactive Persons), 1977.
- 14 Overzicht interne adviesorganen van de centrale overheid (Survey of Internal Advisory Bodies of the Central Government), 1977.
- 15 De komende vijfentwintig jaar, een toekomstverkenning voor Nederland (The Next Twenty-Five Years: a Survey of Future Developments in the Netherlands), 1977.
- 16 Over sociale ongelijkheid, een beleidsgerichte probleemverkenning (On Social Inequality: a Policy-oriented Study), 1977.

Second term of office

- 17 Etnische minderheden – A. Rapport aan de regering; B. Naar een algemeen etnisch minderhedenbeleid? (Ethnic minorities – A. Report to the Government; B. Towards on Overall Ethnic Minorities Policy?), 1979.
- 18 Plaats en toekomst van de Nederlandse industrie (Industry in the Netherlands: its Place and Future), 1980.
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Reports nos. 13, 15, 17, 18, 28, 31 and 32 have been translated into English; English summaries are available of Reports nos. 16, 18, 19, 20, 25, 26, 27, 29, 30, 33, 34, 37 and 38; Report no 23 has been translated into German.

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Second term of office

- V 7 J.J.C. Voorhoeve, Internationale Macht en Interne Autonomie International Power and Internal Autonomy) (1978)
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