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GLOBAL CITIES: A SHORT HISTORY

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Welcome:

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Conversation:

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P R O C E E D I N G S

MR. BERUBE: All right, good evening. Is my mic working? Yeah, okay, we're good. Sorry, it's a Trump joke. (Laughter)

My name is Alan Berube. I'm a deputy director here at the Metropolitan Policy Program. It's my pleasure to welcome you to Brookings. We're delighted that so many of you have come out tonight for this Brookings Book Club event.

There are a couple of competing theories as to why this event has generated so much interest. One theory is it could be the very compelling subject matter, a short history of global cities, and we'll have a lot more to say about that in a moment. Or it could be that our featured guests, Greg Clark and Ed Luce, offer us an erudite British contrast to the two Americans we watched yelling at one another last night on stage. (Laughter) And perhaps also need a drink to forget all of that, as well, and that will be available afterwards.

Whatever the reason, we're glad that you're all here. A very special thanks go to our colleagues at The Brookings Institution Press for their help in planning this event.

So the book that we're here to discuss tonight, *Global Cities: A Short History*, represents the happy confluence of two initiatives at Brookings. The first is that 2016 marks Brookings' 100th year. And in celebration of our centenary, Brookings Press has commissioned a series of short histories of topics that shape how we think about contemporary public policy, from inequality to corruption, to I think the next book is on marijuana actually.

Second is that 2016 marks the five-year anniversary of the Global Cities Initiative, which is Brookings' joint project with JPMorgan Chase. GCI, as we call it, aims to help leaders in U.S. metropolitan areas reorient their economies toward greater

engagement in the global marketplace. And so this week is a significant one for GCI. Tomorrow and Wednesday -- no, tomorrow is Wednesday, so it's tomorrow and Thursday we'll gather with leaders from nearly 40 cities around the United States and around the world here in Washington to review lessons from the first five years of the initiative and to consider priorities for Global Cities' future growth and prosperity. So this Book Club event really represents the perfect kickoff for the next 48 hours.

The other happy aspect of this event comes in the form of the two individuals who are joining us on stage tonight. To my immediate right is Greg Clark. Greg is one of the leading global authorities on cities and as a nonresident senior fellow at the Metro Program, he's been a critical advisor to us on the Global Cities Initiative. So when Valentina Kalk and her colleagues at the Press approached us with the idea of penning a short history of global cities, it took us about 15 seconds to decide that Greg was the best person for the job, and we're immensely grateful that he accepted the challenge.

Greg supports and guides Metropolitan's strategic plans as an associate for LSE Cities at the London School of Economics, as a senior fellow at the Urban Land Institute, among other affiliations. He's also a writer and a commentator on city and metropolitan development who has led and moderated more than 100 conference and strategic events on cities. He is a great friend to Brookings, despite being an Arsenal supporter. (Laughter)

We're also very pleased that Edward Luce is here, who will lead this conversation with Greg. Ed is the chief Washington columnist and commentator for the *Financial Times*. He writes a weekly column, *FT's* leaders and editorials on American politics and the economy, and other articles, as well. Ed's worked for the *FT* since 1995 as a Philippines correspondent, capital markets editor, South Asia bureau chief in New

Delhi, and Washington bureau chief between 2006 and 2011.

So for purposes of tonight's conversation, Ed's global background makes him really, I think, the perfect interlocutor. And if you read his weekly column, you know that his slight British detachment from our reality show U.S. democratic process makes for very entertaining and very enlightening reading.

So, speaking of reading, I think you're in for a treat. I've worked on city issues for most of my professional career and I think probably many of you here in the room tonight have, as well. And it's only in reading Greg's manuscript that I really began to see how the arc of the global economy and that of its great cities have been intertwined throughout history. As Greg persuasively argues in the book, that history can help us make sense not only of today's global cities, but where those cities may be headed in the years and decades to come.

So I'm looking forward to a really lively discussion. Greg and Ed will spend about 35 to 40 minutes discussing the book, then we'll open it up for audience Q&A for the last 20 minutes. And books will be sold out front of the auditorium during the post-discussion cocktails, where I'm told Greg would be happy to sign your copy if it's not signed already.

So without further ado, would you please join me in welcoming Greg Clark and Ed Luce? (Applause)

MR. LUCE: Thank you, Alan. Thanks a lot. I've learned a lot from the Metro Program over the years about global cities, so it's always a great pleasure to be invited to participate in any of your events. I've learned a lot from Amy, I've learned a lot from you, Bruce Katz, so thank you.

Now, I have to sort of make one slight disclosure because I'm covering this election and it's all-enveloping nature, this presidential election. I have sped-read

Greg's excellent book rather than read it in close detail, but sped-read it enough to know I will read it in close detail after November the 8th. (Laughter) And it's a very good, pithy -- pithy is a great thing -- to have a history of global cities this short and with this much wisdom packed in is a great feat, so I'd recommend it.

That having also been said, I can promise you that I'm better prepared for this session than Donald Trump was at the debate last night. (Laughter) This is going to be fantastic, unbelievable. (Laughter)

So, Greg, why a history of global cities and why now?

MR. CLARK: Well, firstly, let me just be polite and say thank you to you for being here. Thank you to colleagues in the Metro Program. And, Valentina, thank you to you and everybody at Brookings Press.

And when I was asked to write this book, I was told that it was part of a series in which there would also be other short histories, and one would be about marijuana and another one would be about corruption. And supposedly the marijuana one was going to come first, but that seems to have gone very slowly for some reason. (Laughter) And the one about corruption has disappeared. (Laughter) So I was a little bit sort of put off by that, but, nevertheless, delighted to do this.

There isn't a short history of global cities out there, Ed. And as the book tries to explain, we've got a 4,000-year history here of cities engaging in trade and exchange, attracting entrepreneurial diverse populations, creating connectivity, innovating, taking advantage of geopolitical opportunities, and being the sorts of places that the next cycle of the economy is created in. But we don't have a history.

And the term "global cities" is really a theoretical concept. I was thinking how to explain this to the audience today. You know, the term "global cities" was really invented by urban theorists and now cities use it to describe themselves. So it's a bit like

a rich person walking down the street saying, you know, I'm a significant net worth individual. (Laughter) It's an analytical term that's been turned into a brand.

So when the invitation came, I thought this is a great thing to do and we should do it. And now is a good time because we're into a new cycle in which, as the book explains and I'll be happy to expound, we will have more global cities than we've ever had before. They will be doing different things than they ever did before. They will be pursuing specific niches. They will be different from one another. But at the same time, we're entering a cycle where the nation state is let's say at least facing the dilemmas of how to manage and engage with the globalizing city.

MR. LUCE: So what is it that links, other than size and concentration, what is it that links Babylon in the ancient world to Chicago today?

MR. CLARK: Well, I think it's -- you know, we've tried not to write a definition, but I think five things are really observable. The first one is the trade and connectivity. Cities get the impulse to go global because they become involved in trade. Trade forces them to become better connected, but trade also forces them to attract people from all over the world. It forces them to innovate in the ways things are done, whether it's boat-building or it's inventing the wheel or it's creating insurance or it's digitizing transactions. That leads them to pursue new markets. And then when the time comes, that means that they're ready to take opportunities. When empires collapse or when recessions occur or when dictatorships end these cities are there ready to do things.

So it's these five things that connect Babylon with Chicago. It's also those five things that connect, you know, the ancient Phoenician cities with the emerging cities of ASEAN now.

MR. LUCE: So, I mean, you can get a little bit more into the history with

some of the questions I ask, but I want to focus mostly on the present age of rising global cities.

MR. CLARK: Sure.

MR. LUCE: The U.N., I can't remember which year, but it was two or three years ago, announced that year was the first year in history that our species had become majority urban.

MR. CLARK: Yeah.

MR. LUCE: And they also project that by 2050 the majority of humanity will live in global cities. So how do you tell the difference? What's a distinction between an ordinary city and a global city? How precise is that definition?

MR. CLARK: Well, the first thing I would say is that we're about one-third of the way through a 100-year cycle in which the process you describe is happening, but that is also synchronized with the human population level leveling off. So what happens in the next 30 years as these cities develop will actually set in train a pattern of urban formation and infrastructure that will probably last for 100, 150, 200 years that follow. So the moment you're describing is a very important one, not just because of this 50 percent thing.

Now, all cities, I would say, are in processes of globalizing, so there's no city that's completely globalized and there's no city that's untouched by globalization. All the cities that we think of as global cities -- the Londons, the New Yorks, the Hong Kongs, the Singapores -- they're also local and regional cities. They play other roles. They're manufacturing centers. They provide food and services. They're administrative centers for local populations.

So there's no city that's totally global, but there are many cities or whom globalization has proved simply to be a threat or a risk and they've not been able to

participate in globally traded activity. They've not been able to link with global communities around the world. They're not touched by global capital. So if you like, they're influenced by globalization, but only in a negative way.

So I think this is the difference, whether the engagement with processes of globalization is positive in terms of growth, development, jobs, incomes, connectivity or whether it's negative in the sense that it's bypassed. Globalization has losers and winners, as we know.

MR. LUCE: And so, I mean, I presume if you were to have a spectrum of more global-less global, Pyongyang would be one end --

MR. CLARK: Yes.

MR. LUCE: -- and New York, London would be at the other end.

MR. CLARK: Sure.

MR. LUCE: But is there a cutoff point? I mean, is a city less than a million not a global city? I mean, I supposed the U.N. have their own definition.

MR. CLARK: Yeah.

MR. LUCE: Urban theorists and practitioners, such as yourself, might have another.

MR. CLARK: Sure.

MR. LUCE: Can you be more specific about what it is exactly that defines a global city?

MR. CLARK: Sure. Let's do that right away. So firstly, in the book there's a page where we list the seven different definitions of a global city. And people will enjoy reading that. I think it's page 66, but you'll have to check that. No, here it is, it's, excuse me, page 106.

And the final one of those, Ed, says global cities are simply whatever we

researchers define global cities to be, which is a tremendously helpful thing. (Laughter)
But this comes on the back of all of the other definitions.

So let's just pick up one of them. So, "World cities are particular post-industrial production sites where innovations and corporate services in finance have been integral to the recent restructuring of the world economy, now widely known as globalization." So that's a 1999 definition.

MR. LUCE: And it's easy to remember it. (Laughter)

MR. CLARK: And it's easy to remember, yeah, yeah, yeah. And here we've got John Rennie Short in 2004, "Globalizing cities are both global cities seeking to maintain their position and non-global cities seeking to become global cities." So I think that's nearer the mark for me.

So what do we really mean? We mean that those cities have captured a position in a value chain of economic activity which is globally integrating. Right? That might mean that they're a headquarters function for a finance or professional services thing. They might be an R&D function for a software cluster. They might well be involved in experimental research around new earth sciences or life sciences. Or they might be a visitor destination that becomes a location for decision-making, for summits, for conferences and congresses. They have to become a strategic location in a globalizing value chain. That would be the first thing.

The second thing is because of that, I believe then that they attract improved connectivity. With improved connectivity comes a more diverse population. As a more diverse population comes, so the lifestyle becomes more cosmopolitan. As the lifestyle becomes more cosmopolitan, that reinforces the whole visitor economy thing. And then all of this works together in a self-reinforcing way. That's what we mean by a global city.

But as I was trying to stress right at the start, there are different paths to becoming a global city and different ways of being global, so that the central idea of the book is that the globalization of cities happens in cycles. Those cycles are synchronized with big geopolitical events and big technological changes. And in each cycle you get a wave of cities, a group of cities, who, in a sense, globalize together and they learn from one another and they trade with one another. And you can see that happening in today's new world cities, but you could see it with the Phoenician cities or the Silk Roads or the Hanseatic League or any of them.

And then the third idea is that there are specific paths. So if you come to the present moment, I think we could observe three different kinds of globalizing city. Very quickly, the ones you know -- London, New York, Tokyo, Hong Kong, Singapore, Paris -- what we call the established global cities, soon to be joined perhaps by Seoul, by Singapore -- sorry, by Seoul, by Sydney, by Toronto. So this is a group of headquarters cities, finance and business services. They're in command and control positions in those global value chains.

The second group of cities, what we might call the emerging global cities -- the Shanghais, the Beijings, Mumbai, Delhi, Sao Paulo -- the cities that are the biggest cities in the most rapidly developing economies, where they're playing gateway functions for that national economy, capital flows, talent flows, deals coming in and out of that city, and their ability to produce the globalizing activity is key for them.

And then the third group, and perhaps the most exciting, is what we would call the new global cities. This is a group of cities, now coming to your questions about size, that are much smaller on the whole than the 10 million London and New York or the 20 million Shanghai and Sao Paulo. These are often cities of 2-, 3-, 4 million people where they have a critical mass of specialization in one or two newly globalizing

sectors: digital industries, life sciences, maybe software, maybe medical sciences, maybe energy. They have a critical mass in that. They're able to trade that globally and they're able to combine that with a very high quality of life in a kind of managed metropolis.

And I think that for the established world cities it's the competition from these new world cities which, of course, are very attractive not just to young, talented workers who are seeking somewhere that's cleaner and easier than a London or a New York or a Hong Kong to live in, they're also attractive to capital that wants to invest in infrastructure and real estate, but doesn't want to pay the inflated prices of a Tokyo or a Singapore.

MR. LUCE: So it's clear that, you know, most cities are aspiring to globalize, those that haven't, and so the trajectory and the ambition is obvious. Which cities are de-globalizing? Which are actually failing in this respect?

MR. CLARK: This is a really good question because, of course, the recent history in the U.S. and Northern Europe is of a large number of cities de-globalizing, you know. If you think of the Liverpools and the Glasgows, the Pittsburghs and the Baltimores, just to take some examples. Of course, many of them have found a new path, but de-globalization was part of their experience of de-industrialization.

But because of the competition that's happening currently with the growth of cities in the South and the West, there are a number of cities that 20 years ago you or I would have considered very prominent cities that are, in a sense, losing their position. In Europe, the obvious city to talk about is Milan. Twenty-five years ago, if you asked anyone in Europe what are the top three cities in Europe, London, Paris, Milan would have been the answer. If you ask that question today, you'll go through a string of other cities, including Frankfurt and Munich and Hamburg and Stockholm and Barcelona

and many others before you get to Milan. So Milan somehow has not just fallen down in a global league, it's fallen down relative to the rest of Europe.

Now, if you look at North America, I haven't done a detailed study of Chicago, but I would say looking at Chicago's position formerly identified as a great global city, a great global node in America, it's still, of course, a hugely competitive and attractive city in all sorts of ways, but has it achieved that distinctive locus in a global value chain that it used to have?

MR. LUCE: It's dropping down your ranks, right?

MR. CLARK: It's dropping down the rankings all of the time relatively speaking in comparison to others. Now, very good work's being done to reposition Chicago, but I think you have to say that it hasn't got the prowess it had 25 years ago, just like Milan.

MR. LUCE: So I'm glad you mentioned Chicago because that sort of segues well on to a broader question about cities and their hinterlands. You know, a lot of talk amongst urban theorists and the sort of big booster-ish, sort of more extravagant urban global city crowd talks of contacts, connections between cities.

MR. CLARK: Yeah, the rise of the city state.

MR. LUCE: The rise of the city state.

MR. CLARK: Yeah.

MR. LUCE: Now, if you look at what Chicago was 100 years ago, it was a locomotive for its hinterland, for the Midwest. It slaughtered its hogs, it imported its corn, it turned it into products. It had the freight trains and the connections. If you look at the successful side of Chicago today, of downtown Chicago, it's not got much connection to its hinterland except maybe a parasitic one as opposed to a symbiotic one in that it creams off the best from Peoria or wherever.

MR. CLARK: Yeah.

MR. LUCE: It's connection to the economy is via O'Hare Airport and via the Internet. Now, bearing in mind we're both from London, one of the top global cities, and bearing in mind just three months ago the hinterland of London, namely the rest of Great Britain, vetoed London's interests in the Brexit referendum, vetoed its future and overrode its desires, shouldn't urban theorists be paying more attention to the links between cities and their hinterlands and less to the links between global cities?

MR. CLARK: Well, I can't agree with you more, Ed, and I don't want to be unpolite about anybody else's work, but I don't --

MR. LUCE: Oh, go on. (Laughter)

MR. CLARK: I don't accept the thesis that we're living in a universe of new city states. I think what we do see is that we see this phenomena of many more cities globalizing and the story I've just told you about the new global cities and their ability to specialize in these different new sectors and new technologies. I think all of that's true.

I don't think that is in any sense accompanied by the creation of states-like apparatus in those cities so that they're becoming politically, fiscally, civically autonomous from their nation states.

I think the path for all of these cities is that they have to acquire these new roles with wisdom. They have to do it in ways that are thoughtful. They have to consider the relationships with the rest of their region, their state, their nation state. They have to focus on balancing the centrifugal with the centripetal, if you like, so that they push out opportunities, they become a great customer for their hinterlands, not just that they suck in all of the resources and the opportunity.

And I think all of these cities have to carefully negotiate their

relationships with state governments, provincial governments, and national governments. And I think part of the story of the next 25 years is the evolution of the skill of that negotiation, so that the deals that the globalizing cities will do with their higher tier governments will be ones that are seen to be of mutual benefit.

If that doesn't happen, then the understandable revolt against globalization that you saw in the Brexit vote, and you might see in other kinds of votes in plebiscites all around the developed world, will continue because there are too many people and too many places who feel that they don't participate and they don't benefit from globalization.

MR. LUCE: So, I mean, that's a very interesting answer. Who is doing this well? I mean, you can evaluate Chicago or mention other examples, but which cities are navigating their relationship with the sort of rural surroundings and the nation states that host them? Which ones are exemplary in your view?

MR. CLARK: Well, there are many we could mention, but why don't we start with the far-flung corner of the world and just talk about Auckland and New Zealand for a few minutes? Because this is a very interesting city because it's a small nation, traditionally, obviously, a very strong agricultural economy; a nation for whom globalization is substantially experienced as a threat; and, you know, talent leaving New Zealand to move to Australia, and eventually to move to the rest of the world. And yet the realization by the Australia government, particularly the prime minister, John Key, that if they could have a global city, if they could have a hub of innovation, if they could have a place that would be a higher education magnet, if they could have a place that could lead their country's engagement with globalization, that could be good for the whole nation.

And, therefore, there's been, over the last 10 years, a negotiated approach to building up the capability and the competence of Auckland in the national

interest. That's been coupled by building a network of New Zealand cities that work with Auckland. They've thought about the complementarity of the different cities. They've thought about how to improve connectivity. They've developed, I think, a very good model.

And you would see the same thing, I believe, largely in Denmark. You'll see something similar emerging now in Oslo and in Sweden. You'll see the same thing in the relationship between Vienna and Austria.

Now, these things are not always happy deals and there's often a different social complexion, the multicultural, cosmopolitan, big city versus the rather more let's say national identity of the hinterland. But I think in many environments those things can coexist if it's managed correctly and the benefits are seen on both sides of the equation.

MR. LUCE: So we've talked a bit about cities and their hinterland, but within cities themselves, of course, you have tales of two cities.

MR. CLARK: Sure.

MR. LUCE: And Chicago, again, being a very good example of that.

MR. CLARK: Yeah.

MR. LUCE: Now, if you're Mayor Rahm Emanuel or Sadiq Khan in London or Bill De Blasio, whoever you choose, you've got a great dilemma, haven't you? Because you need to generate the revenues to have the good schools, the good infrastructure, and the good quality of life that enables everybody in the city to participate in that city, but also that makes an attractive place to live in. But if you raise those revenues by taxing business, you're going to deter the very employers that make it a global city. And I think, again, Chicago faces a pretty acute dilemma on this front right now, more so than most global cities.

MR. CLARK: Yeah.

MR. LUCE: How do you resolve that fiscal paradox, as it were? How do you raise that revenue without chasing business away?

MR. CLARK: Well, firstly, it's a big challenge and you're right to raise it. In the book I talk about the three big challenges facing global cities in the future. The third one is the one we just discussed, the relationship with the nation state. The first one is actually the challenge of learning how to compete, which is no simple challenge learning how to compete well on the right things.

But the second one is the one you're raising now, which essentially I think that the way I like to understand this is that as cities globalize and they create jobs and they attract investment and they attract population, what's revealed is a series of unintended consequences or what you might call externalities: inflation in the housing market, stress in the infrastructure, contested uses of land, competition for social services and public services. Obviously increased immigration is partly a driver of all of this.

You find competition for land uses amongst different kinds of businesses; the problems of maintaining an ecosystem that supports a corporate economy and also an ecosystem that supports an innovation economy. These are all big challenges. And the more a city becomes prominent, the more it attracts people and business and capital and interest, the more the problems of inflation and infrastructure stress and inequality on public services arise. So it's a kind of huge irony that success breeds very deep unintended externalities that cities have to be able to deal with.

That's why we've dedicated Chapter 7 of the book to issues of leadership and governance and investment. Your question goes exactly to the right point there.

So within the framework of doing a deal with a nation state or a regional state or a province, obviously the city just can't raise taxation. So the frontier of

innovation for most of these cities now is around new forms of public-private partnership, new forms of joint venture, new sources of investment. So typically speaking, you will not find an infrastructure project in any one of these globalizing cities that isn't substantially paid for through value capture finance, that isn't substantially paid for by dedicated additional business revenues. You will not find a public space in any of these cities that isn't somehow curated by a civic institution of one kind or another, a university or a museum or someone else. You will not find in any of these cities a city center that isn't substantially managed by business interests.

In other words, the work of the public realm is shifting much more towards public and private innovations and partnerships for the reason that you've said. Firstly, the global city has to pay its way in the nation and has to be a net contributor to the fiscus. And secondly, you can't raise taxes in ways that make you uncompetitive. So it's the ability of leadership and governance to foster these kinds of solutions that's key.

MR. LUCE: I like the word "fiscus." Is that an academic term?

MR. CLARK: Well, the public money.

MR. LUCE: Also, I love your blue shoes.

MR. CLARK: Oh, thank you very much.

MR. LUCE: I should have mentioned that at the beginning. (Laughter)

Which of are the star pupils for that? And also, should nation states, when cities are getting too big, too preponderant, as you could argue London is with the UK or Seoul is with Korea or Buenos Aires with Argentina, should they intervene and distribute urban activities to other cities?

MR. CLARK: So there's two different questions there.

MR. LUCE: Yes, sorry.

MR. CLARK: And they're both really good ones. So who are the stars?

Well, to understand who the stars are I think you've got to begin with -- I just want to draw a spectrum for you. We have this thermometer that we draw and at the top of this thermometer there's Singapore: collects 100 percent of the tax, spends 100 percent of the tax. It's a totally insulated fiscus. Down at the bottom --

MR. LUCE: That word again.

MR. CLARK: Again.

MR. LUCE: I like it.

MR. CLARK: Down at the bottom you might have a city like let's say Dublin or a city, perhaps a Tehran or an Albania, where they only control about 2 or 3 percent of the taxes that are collected. So all cities exist somewhere on this spectrum between high levels of fiscal self-reliance and very low levels of fiscal self-reliance. What constitutes innovation depends on where you are in that spectrum.

So if you're high up on that spectrum, like Hamburg is, a Hanseatic city state government with high levels of capacity to use their own money, change taxes, you do very long-term investment and very long-term stewardship of your land and you use land to generate capital for public services. And Hamburg is probably the best in class at doing that.

But if you're right down at the bottom in that scenario and you don't have that kind of resource and you can't do it that way, like Dublin is, then you have to engage in a very high level of negotiated public-private partnerships, where, in a sense, you persuade the business community to pay for things that they need, recognizing that you don't have the fiscal capability to do it yourselves.

MR. LUCE: Which Ireland's done pretty well.

MR. CLARK: Ireland has done it pretty well. I mean, the infrastructure is not world class, but when you consider the caliber of the business community that's

hosted in Dublin, which is a pretty small capital city, it's incredible what they've managed to achieve.

So you can be a global city in different ways. Your financial strategy has to fit your status, you know, the tools that you have. And, of course, you have to be good at making the case for the reforms that you need.

MR. LUCE: So I've heard it rumored that Ireland could collect even higher corporate taxes. I don't know where I got that.

MR. CLARK: I don't know where you heard that. (Laughter) There's a second question which we didn't answer, though, wasn't there?

MR. LUCE: There is, about a nation state (inaudible) you've become overbearingly predominant.

MR. CLARK: Oh, yeah, too big. Yeah.

MR. LUCE: I mean, should we actually redistribute urban centralization to second tier cities in a nation?

MR. CLARK: Well, I think the first thing to say is that in most nations actually the dominant city has become so, let me use the word advisedly, so concentrated with capital and talent and people that, in a sense, the market is doing this anyway. So in the UK, you know, Deutsche Bank and HSBC are moving to Birmingham, as you probably know.

MR. LUCE: And Berlin.

MR. CLARK: Yeah.

MR. LUCE: Yeah.

MR. CLARK: Right.

MR. LUCE: And Frankfurt.

MR. CLARK: Well, let's come back to that because I think there might

be some different cities that will have different strategies around what happens. I mean, the en passant is the interesting thing about Brexit, in a sense, is what happens in the UK, but it's also what impact it has on the rest of the European city system. We'll come back to that.

So with these big cities, the market is taking the decision anyway. So if you talk to any one of 100 sovereign wealth funds, institutional investors, pension funds, they will say how do we pick the right second tier cities? Which are the second tier cities we need? What's the underlying fundamentals? And they all pursue good demographics, youthful populations, knowledge-intensive organizations. They love university towns. They love places that have a high quality of life and have good connectivity. And it's those sorts of places that are going to find the talent goes there and the capital goes there and it'll happen.

Now, do governments need to do anything? Well, I think in certain circumstances they do. And what I think you're going to see is another wave of governments thinking about how can we help the globalizing city and help the other cities by removing some of the public assets that we have in the globalizing cities that don't absolutely need to be there and relocating them instead elsewhere. And you see this beginning to happen with museums, with stadiums, with broadcasting companies, obviously with theater companies, things like that.

So I think we will see national governments, where they have those kinds of powers, it's less obvious in a federal system, more where you've got a unified nation state, where they will start to move things around more.

MR. LUCE: So in a minute I'm going to go to questions, but let me ask one more before I do. We've alluded earlier in the conversation to the more extravagant end of urban theorists talking about global cities transcending the nation state as it were.

And I've always been a little bit skeptical of a city's ability to do this if they don't, like Singapore, have their own army, their own currency, and their own visa control.

MR. CLARK: Yeah.

MR. LUCE: And since most cities aren't city states I think this is a little bit overblown. Do you share that skepticism of the more extravagant global city boosterism?

MR. CLARK: Totally. I totally share that skepticism. But I share it perhaps for a slightly different reason, which is that I'm completely preoccupied with the need for global cities to develop a constructive and effective dialogue with their national governments and with their other cities and regions in their nations. And the problem I think with that argument is that it just tells every global city that the only partner they need to have is every other global city.

MR. LUCE: Right.

MR. CLARK: And I think that's a distraction from the core business of making the nation work by having a global city.

MR. LUCE: Thank you. Well, I think we've got about 15 to 20 minutes for questions, so please, I think we've got a couple of mics. State your name and make it a question, please.

You second and then the lady over -- well, you've got the mic, you first and lady second. Sorry.

MR. VON SCHIRACH: Yes, thank you very much. First of all, very interesting overview. My name is Paolo von Schirach, president of the Global Policy Institute.

Just one small part of your initial explanation was also about cities reborn, in a sense. You mentioned Pittsburgh in passing. And I would be interested if

you could elaborate a little bit, not just Pittsburgh itself, but other cities that had their heyday in, you know, like in the case of Pittsburgh with the steel industry, dead completely, reborn under completely auspices. And in particular, in the case of Pittsburgh, you could say the role of higher education institutions as magnets for reconnecting a dead place essentially, a dead manufacturing place.

Anyway, are there other interesting stories, not just in the U.S., but globally that you can tell us about and, in particular, the winning recipes? In other words, if a city wants to engineer a turnaround what do you need to do? I'm sure there are many ways, but what are the most successful formulas?

Many thanks.

MR. CLARK: What a great question. Well, very quickly, I'd say there's a group of cities that are featured quite strongly in the book which are re-globalizing cities: Vienna, Istanbul, Guangzhou. All of these are cities that had a global heyday at some point in the past and are now finding a new path back to global prominence. So let's not talk about them because maybe I'll get people to read the book if we leave that.

(Laughter)

But this business of turnaround cities in general I think is very interesting. And, of course, North America and Western Europe and indeed Eastern Europe now have gone through a very big process of cities losing their whole economic rationale and needing to reinvent them.

You ask what's the magic or what's the secret? I think the secret is great leaders. It's always about leadership. It's always about understanding what's happened, recognizing that you still have assets, thinking about how you can validate those assets, turning disadvantage to advantage and disadvantage is often that, you know, prices have gone to rock bottom. There's ways of thinking about a city as a kind of balance sheet

that needs to be managed for the long term. And if you happened to take over at a point when things are really bad, actually the only way is up. And if you develop the right kind of strategies it can work.

So, of course, we've seen this happen in Bilbao, in Turin. We've seen it happen, of course, in places like Malmo, as well as what we've seen in Baltimore and Philadelphia and Pittsburgh over here. Oakland, I guess, would be another.

Connectivity to other places, understanding your assets, creating a fresh livability equation and really attracting people and going after them, organizing around the things that really help you to develop a dynamic city center, so usually these cities have to attract hospitals and universities back into downtown; usually they have to get a strong residential community living downtown that stabilizes the central place. That then has a positive effect in developing new energies and waves of enthusiasm for the place.

So there's lots of ingredients and much has been written about these turnaround cities, but there are many of them. We see them, also, of course, in Japan with Kitakyushu. We see them in Australia with Newcastle and New South Wales. We see them, of course, in South Africa, as well, with Cape Town and Joburg. So there's many other examples.

MR. LUCE: The lady just with the mic.

MS. KURGANOVA: Thank you. Olga Kurganova, a consultant for the World Bank. The question is about I saw only one page in your book yet, but you mentioned there that in Europe the global cities are London, Paris, Istanbul, and Moscow. The question is about what is the connection and do you think the impact of the authoritarian regimes on the fate of global cities, talking about Istanbul and Moscow?

MR. CLARK: Yes, thank you very much. So that point in the book what we're talking about is the future city system of Europe. Something that I was mentioning

to Ed is when we think about Brexit, let's think about what it means for the rest of Europe, not just what it means for the UK. So I'm very interested in whether, indeed, it will be Paris, Brussels, and Frankfurt that benefit or whether it will be Amsterdam, Zurich, and Dublin. And we can have a very interesting conversation about that.

We mentioned those four cities because other things being equal those are the four cities -- Paris, London, Moscow, Istanbul -- that have the potential to be the great global cities of the integrated greater Europe. But it's undoubtedly the case that totalitarian regimes, both in Russia and depending on your definition maybe in other countries, will prevent globalization from really succeeding.

So at the heart of this kind of global city you have freedom of thought, freedom of association, freedom of organization, freedom of political ideals. That underpinning idea is what creates the fiber for diverse populations with different views being entrepreneurial, being innovative, being creative. You can't really have a global city without the civic freedoms that go with it. That's just part of what we learned looking back at the deep history. What began in Athens and went to Alexandria and carried on in a certain extent into Rome was that these political and democratic freedoms provided the environment in which people could think and act freely, and that was the environment in which innovation could take hold. So I'm very skeptical about whether that can occur.

I'd also point you to rather obvious points, whether we're thinking about, you know, the Spanish cities after Franco or we're thinking about Colombo in Sri Lanka after the civil war or we're thinking about what's happened in Brazilian cities following the dictatorship. But it's generally at the end of totalitarian regimes that this thirst for globalization really flourishes.

So I'm afraid it's a very liberal answer from me, but I actually believe this, that this is, in a sense, the argument for democracy is somehow an argument about

innovation and creativity that flows from it.

I happened to have done a lot of work in Moscow, as well, so we can talk about Moscow in more detail if you want to.

MR. LUCE: The lady in blue.

MS. RASHEED: Hi. My name is Sithara Rasheed. I'm a grad student from Yale University.

My question is about the fact that we moved from studying cities as regions with physical boundaries and we've started using the term "urban spaces" when we talk about cities in general. This means that there's a new kind of identity formation, new kinds of politics and political actors who are now emerging in the scene. So my question has two parts.

Firstly, do you think national governments are recognizing the asymmetric impact their responses to challenges or conflicts have on cities? So we see that things like war, things like climate change, these have differential impacts on cities now. Do you think national governments are doing enough to recognize that?

And secondly, how do you think national governments should respond to, say, the resurgence of urban law? Cities have taken it upon themselves to frame their own laws on immigration, frame their own laws on environment. So how do you think the national governments should be reacting to this?

Thank you.

MR. CLARK: Well, that's, again, a fantastic question. I guess I would start by saying I don't believe any of us are doing enough about climate change, inequality, or any of the other issues that you spoke about. So national governments are not doing enough about it and city governments are not and universities are not and think tanks are not. We're behind on our agenda.

Are national governments cognizant of the new social movements, the new communities, the new communities of interest that are emerging? I think they are, but I don't think that all national governments are on the same page with them. If you spend much time in Scandinavia or in Central Europe, you'll find national politicians that are very attuned to these things. If you spend much time in certain other parts of the world you won't.

City leaders tend to be more in tune because they're more on the streets, they're more having to manage whole urban systems. They're more engaged in what you might call tactical urbanism, lots of experiments engaging citizens in different ways. So city leaders on the whole are better at that. I believe in a good flow of people between city leadership and national leadership is always a good thing.

But this point about urban laws, we're back in the conversation that Ed and I were having about the negotiated space between the national state or the state or provincial government and the city state. I'm not particularly in favor of encouraging cities, in a sense, to make pronouncements about we now have a law on this if they actually don't have the competence to do that because that's back to our Global Parliament of Mayors idea, which for all the reasons I explained I'm not particularly in favor of.

What I am completely I favor of is leadership and experimentation. And I think city leaders have a primary responsibility to innovate, to create deregulated spaces, to change the rules, to make things flexible, to create environments where citizens can experiment on how to do things differently. The obvious example of this is public space and transportation, where you see all over the world at the moment these tactical urbanist experiments being hugely successful. And all city leaders have to do, in a sense, is create the environment and move away. Participatory democracy and, you know,

citizens budgeting and all of that is really taking off.

So I think what we should be doing is backing these experiments, these positions of leadership that city leaders are taking to create a bigger space in which citizens share the leadership of the city with them. And that's the way I would go and I'm not sure if that's the same as creating a new law. I think it's experiments and leadership that matter.

MR. LUCE: The gentleman in the middle row, in the aisle.

SPEAKER: I'd just like to ask the question about sustaining these global cities, like Washington, D.C., is having serious problems sustaining the infrastructure to keep the city growing, particularly with its transportation system and potentially its water supply system. What sort of problem is that as a city continues to try and sustain itself as a global city, the cost of doing those things?

MR. CLARK: Yes, thank you very much. I think Ed and I spoke about this a bit during our conversation where I was saying that for all of these global cities, especially where growth is the defining phenomena, then accommodating growth is the defining challenge. There's no way to accommodate growth without investing in housing and public services and infrastructure and all of the things you've talked about.

And I start from the premise that the choice is not between having growth or not having growth. If you don't have growth, you tend to be in a position of decline. That's much less sustainable than having growth. So I'm a person who believes that having growth is a good start. The question is then whether you're able to manage it or not with investment.

And that leads us back to the conversation that Ed and I were having about new forms of financing, new ways of using the growth and value that's created by the city to invest in its need.

If you ask me for a one quick answer about this, I'd tell you that my conversations with the World Bank and the Inter-American Development Bank and with the Asia Development Bank, well, everybody ends up saying the same thing. Problem number one is that cities are not as bankable as they need to be for the reasons we explained, Ed. Too many of them are locked in a low financial capacity scenario. And the problem of that is not the revenue account, but the difficulty they have in then borrowing for the long term. So if you want a general improvement it's to increase the financial and fiscal capability of cities, what's called financial decentralization or financial empowerment.

The second bit is that because so many of these cities are locked in a low investment, low return equilibrium, very few of them have been able to develop what I would call long-term investment readiness. Cities don't have the natural habit of thinking what's my balance sheet? How do I use this land to get that railway line? How do I relocate this hospital in order to get that university? How do I get rid of this stadium and all this car parking in order to get the public space that I want? They don't have the habit of thinking in these tactical ways about balance sheet management and, as it were, whole cycles.

So I think we need to raise the financial capabilities that they have. They should be allowed to levy more taxes and keep more taxes because that's key to capitalization. And they should acquire the skills of balance sheet management.

MR. LUCE: We've got time for one more question, I think. The lady in the middle row.

MS. SOLOMON: Hello. My name is Sara Solomon. I work for the EPA. I am interested in how you foresee climate change, sea level rise, and other impacts affecting the rise or fall of global cities.

MR. CLARK: Well, it's a fact that I expect you know, Sara, that a huge proportion of the cities that have globalized are coastal cities, obviously. And, therefore, they're very sensitive to sea level rises, in particular, but they're also sensitive to extreme weather events, they're sensitive to other kinds of environmental hazards and difficulties. All cities are.

I think that what cities are on a journey of doing is what we call in general urban resilience, which you will understand very well, but not everybody in the room may know, which is essentially about tackling your city systems -- the energy system, the water system, the infrastructure system, the land use planning system -- and seeking to make it more resilient to the kinds of long-term changes and short-term shocks that you might get. Investing in that is very difficult, it's expensive, and it's back to the answer I gave to the gentleman just before.

On the other hand, again, as people in the room will know, cities more than national governments, as we were saying before, are leading the way on trying to tackle the root cause of climate change, which is, of course, carbon emissions. And so in any city you care to mention, on average 50 percent of the emissions come from vehicle transport, 25 percent of the emissions come from the built environment. If we can do something about those two things, we can do a lot about climate change.

So this is why I think you see many city governments reversing the trends of 100 years and pushing for investment in public transport, which is less carbon concentrated, as you know, and also thinking much more about how we can take large generations of building, public buildings and private buildings, and make them much more energy efficient. As you know, as well, many cities are investing in alternative sources of energy.

So I think all of that is part of the story of global cities. And actually, it's

in the most global cities where many of these experiments, I think, are leading the way. So I don't see a tension between becoming a global city and investing in resilience and sustainability. What I do see is that many of these cities are in locations where these issues become really urgent.

MR. LUCE: Let me take the prerogative of being here to slip in a final quick question.

MR. CLARK: Sure.

MR. LUCE: Somebody mentioned Pittsburgh. Pittsburgh is, of course, the experimental city for Google self-driving cars right now.

MR. CLARK: Yeah.

MR. LUCE: Just imagine forward 10, 20 years, if we do have a system of self-driving cars, how will that transform the cityscape?

MR. CLARK: Well, 25 percent of your land use will no longer need to be taken up with car parking. So suddenly, you've got an asset that you didn't know you were going to have. Think of the public space that can produce. Think of the affordable housing you can put on there. Think of the way you can relocate the assets back into the city center.

I think just thinking about what would we do if we had another 25 percent of space in our city that we don't have at the moment, that's what I think automated vehicles will do in terms of releasing space from car parking. And that's really an exciting side of this, Ed, I think.

MR. LUCE: Wonderful. Well, on that optimistic note, thank you very much, indeed, for a very enlightening talk.

MR. CLARK: Thank you. (Applause)

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