Foreword

The world's cities are a precious resource. They are engines of economic prosperity and founts of cultural innovation. They provide pathways from poverty into prosperity, and bring together the crowds that can topple dictatorships.

But it is somewhat remarkable that our cities have been so successful despite the many shortcomings of urban politics and government. These shortcomings appear in rich and poor countries. The cities of the developing world often lack the basics – clean water and safe streets. The successful cities of the west perpetuate policy errors that make housing too expensive and commuting too time-consuming. Our poor urban policies are too often prisoners of overly conventional thinking that has stymied innovation.

In this bold, exciting and eminently readable volume, Paul Cheshire, Max Nathan and Henry Overman illustrate the insights that economic research brings to urbanism. Cities do not belong to a single discipline. Architects provide new visions of urban form. Engineers construct that infrastructure that makes density durable. Public health experts fight the contagious disease that can move so readily across crowded streets.

But economists have spent centuries thinking about how policies impact complex social structures, and how good policymaking anticipates behavioural responses. Since cities are themselves so complicated, it is impossible to implement wise policies without anticipating how those policies will alter human behaviour.

The problem of congestion provides a classic example of how behaviour responses can either amplify or undo a policy intervention. The naïve approach to traffic congestion is to build more roads. After all, the conventional logic goes, if we provide more open asphalt to a fixed number of drivers, then traffic speeds really do improve. But when we build more roads, the number of drivers increases – behaviour responds to policy. The empirical work of Gilles Duranton and Matthew Turner finds the vehicle miles travelled increase roughly one-for-one with highway miles built. The onrush of new drivers means that building new highways does not eliminate urban traffic jams, it only encourages an even more car-oriented society.

By contrast, London's congestion charge – implemented by Mayor Ken Livingstone, but first envisioned by the economist Willion Vickrey – works by anticipating the behavioural response. Instead of spending billions on new highways, a congestion charge pushes drivers to use the existing highways more efficiently by charging them for the social costs of their driving. Every important urban policy elicits a significant behavioural response and that is why the tools of the economist – so amply displayed in this book – are so vital.

The three core themes stressed by this book are both enduring and timely. Market forces are enormously powerful and they rarely lead to an even distribution of economic activity over space. America has spent 50 unsuccessful years trying to reverse the trend from the Midwestern Rustbelt to the cities of sunshine in the south and west. The result of all that work is that Detroit has entered into bankruptcy.

If my own country had only shown more realism and respect for the power of economic forces, I believe that much of the worst suffering might have been avoided. America's declining manufacturing cities should have focused more on providing their children with the skills that are so central for urban and personal success, instead of evicting families to erect new highly mechanized, manufacturing plants. They should have planned for decline, funding future retirement obligations during flush times, rather than leaving terrible debts to future, smaller city populations. They should have recognized that the hallmark of declining places is an abundance of structures and infrastructure relative to the level of demand: building a monorail to glide over empty streets is pure folly.

The plight of Britain's older industrial cities is not as dire as those in the US. The English population is less mobile, and the distances are shorter. Manchester and Liverpool face no climactic disadvantage, relative to London, comparable to those that bedevil Cleveland and Detroit. Still, the first step in Britain as in the US in providing sensible urban policy is to respect and understand the powerful economic forces that shape our changing urban geographies. The first chapters of this book help us to understand why economic growth has emerged so unevenly across space.

The second step is, as they write, to recognize the ineffectiveness of many current urban policies. Attempts to restrict urban growth, whether in London, Boston or Mumbai, can have terrible, unforeseen consequences. When we make it hard for an attractive city to enlarge its housing stock, that city becomes expensive and risks turning into an overpriced theme park for the global rich. I, too, love London and would never wish to see its historic beauty demolished, but we must never forget that any time we say 'no' to new building, whether in the city centre or on the edge, we are saying 'no' to families that want to experience the magic of urban life. We also ensure that every other family that lives in the city is paying more for their own homes.

Cities that build become more affordable. Chicago's magnificent lakefront real estate is priced reasonably, precisely because the city's leaders unleashed the cranes. One of the reasons why the American Sunbelt has grown so much is that it has done an exceptional job of providing massive amounts of affordable housing – through private construction, not public subsidy – for middle-income Americans. The authors are dead right in urging a reconsideration of Britain's urban planning policies.

But their third theme is the most important, and in many ways the most revolutionary. All policies need to be judged by the impact on people, not places. I have seen too many American mayors cheer at the opening of some sparkly downtown skyscraper and declare that their city has come back. But their city's people never needed that skyscraper and did not benefit from its construction. A shiny new museum in a declining industrial town may make a neighbourhood glossier, but unless it materially improves the lives of the city's residents, it is a waste of public funds.

The real city is never its skyline. The real city is the humanity that populates the structures. Those people do need good buildings and decent transportation, but every investment needs to be evaluated by its impact on humanity. That is, ultimately, the most important insight of Adam Smith's *The Wealth of Nations*, economics' seminal tome. Smith knew that the real wealth of nations was not the gold possessed by its sovereign, but the prosperity shared by its citizenry. That humanistic orientation is the finest aspect of economics, and it is the most important contribution that this book makes to the ongoing debate about urban policy.

I have learned much over the years from the work of these authors. They are exceptional urban economists who combine excellent empirical skills with incisive economic theory and a profound grasp of the realities of urban life. I am delighted that they have put together this splendid analysis of urban policy, and honoured to have been asked to write this foreword.

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