

THE DEVELOPMENT CONTEXT: CHANGES AND CHALLENGES

The Prologue of this report presented a view of globalization as a process with positive as well as negative implications. It stressed that the distribution of the benefits and costs of globalization is neither even nor random. Building on these observations, Chapter 1 offers a review of trends that are a cause of alarm in cities worldwide. It provides evidence for widespread and growing poverty and pervasive patterns of worsening inequality, producing trends of heightened polarization with wealth and access to resources becoming more concentrated. It also describes several ways in which modern information and communication technologies (ICTs) tend to deepen existing economic and social divisions. However, while ICTs are an essential element of globalization, they do not predetermine its goals. Later parts of this report include a variety of examples showing how ICTs can also be used for more beneficial results. The trends of growing poverty and polarization form an essential perspective for gaining a better understanding of the implications of globalization for urban settlements, which is the subject of Chapter 2. It is in urban centres that global interests focus their activities and whence their influences on surrounding regions originate. Therefore, the second chapter examines implications of globalization more specifically for cities.

Human settlements are not powerless in the face of globalization, but, through good governance and in effective partnerships, can play an important part in mediating and directing its consequences for economic and human development in positive ways. The challenge is to develop and implement policies that support not only the function of cities as engines of economic growth, but also their role as agents of social change.

During the 1990s, a series of World Conferences held under the aegis of the United Nations helped to galvanize support for goals of social justice and environmental sustainability. These summits led to Programmes of Action that stressed rights-based approaches and democratic decision-making processes, and which gave special attention to the situation of women, children, the elderly, people living in poverty, minorities and others at risk. Chapter 3 concludes Part I of this report with a brief overview and assessment of the human settlement aspects of these action plans, including the Habitat Agenda in particular.

These agendas provide the outlines of a normative framework to guide the implementation of development policies that take advantage of the potential of globalization to eradicate poverty, reduce inequality and improve the liveability of human settlements.

DEVELOPMENT CONTRASTS IN HUMAN SETTLEMENTS

Highlights

Contrasts in urbanization patterns

The world population is becoming predominantly urban.¹ While the population of industrialized countries is already largely urban, urbanization processes are still acute in developing countries. Today, 40 per cent of the population of developing countries already lives in cities. By 2020, that figure will have risen to 52 per cent. Latin America and the Caribbean already has 75 per cent city dwellers, while in contrast, only one-third of the population of Africa and Asia live in urban areas. The greatest challenge will present itself in Africa and Asia, where an explosive demographic change is expected in the next quarter century. By 2015, 153 of the world's 358 cities with more than one million inhabitants will be in Asia. Of the 27 'megacities' with more than 10 million inhabitants, 15 will be in Asia. There are even indications of forthcoming megacities with 20 or even 30 million inhabitants; urban agglomerations of a size never known before in human history, most of which will be in the developing countries.

Currently, three-quarters of global population growth occurs in the *urban areas* of developing countries, causing hypergrowth in the cities least capable of catering for such growth. The present decade's average annual population increase in developing countries' cities is estimated at 64 million, or 175,000 persons per day. Half of this increase is caused by natural population growth within these cities. Additionally, urbanization processes in the South do not merely recapitulate the past experience of the developed nations. Contemporary urban growth and rural-urban shifts in the South are occurring in a context of far higher absolute population growth, at much lower income levels, with much less institutional and financial capacity, and with considerably fewer opportunities to expand into new frontiers, foreign or domestic.

Contrasts in the wealth of cities

The urbanization contrasts described above are accompanied by significant increases in the scale of poverty of urban populations. While urban poverty exists and is indeed growing in all cities of the world it characterizes aspects of the rapidly growing cities in the developing countries. There, urban poverty disproportionately affects women and children; fuels ethnic and racial tensions; and

Box 1.1 En-gendering poverty

According to a World Bank estimate, in 2000 there were 1500 million people living below the international poverty line of US\$1 a day. A majority of them are women.ⁱ Although a large majority of people living in poverty is found in countries with developing economies, countries with a high GNP have not eliminated poverty among women. Over the last five years, the number of women in poverty increased in the US.ⁱⁱ In Canada, 19 per cent of adult women are poor, a figure that has been climbing steadily since 1980; 56 per cent of women heading single-parent households are poor.ⁱⁱⁱ Clearly, strong economic performance is not sufficient.

Further, surveys of household expenditure tend to underestimate poverty among women because such studies are usually based on assumptions about per capita income without considering the (unequal) distribution of resources within households. Focusing on monetary income also excludes other aspects of poverty, such as women's roles in public and private decision-making, their access to food, education, health care, credit, transportation and jobs, and their rights to own and inherit housing and land.^{iv}

Preoccupation with the incidence of poverty has outstripped consideration of a far more important question, namely *how* – through what social and institutional mechanisms – people slide into poverty and stay there. The gender analysis of poverty needs to explain how these mechanisms differ among men and women.^v In addition, policy approaches must recognize and support the important work of international women's movements and empower women to participate fully in the development of their local communities.^{vi}

Notes: i This is acknowledged even by critics of the oft-cited figure of 70 per cent; see Marcoux, 1998. ii US Women Connect (www.uswc.org/reportcards.html), 14 September 2000. iii Townson, 2000. iv See, for example, Kenworthy and Malami, 1999; Razavi, 2000; Beall, 1996; Tinker and Summerfield, 1999. v Razavi, 1999a. For a useful discussion of the feminization of poverty, see www.olin.wustl.edu/macarthur/working%20papers/wp-mclanahan3.htm#top. vi Noteworthy is, for example, the work of the Huairou Commission and the Gender Unit of UNCHS. See also the discussion of The Alliance in Chapter 14 and the Platform for Action adopted by the Fourth World Conference on Women, held in Beijing in 1995.

condemns large sections, and sometimes the majority, of urban dwellers to a downward spiral of marginalization, social and economic exclusion and unhealthy living environments. All of the above contribute directly or indirectly to increases in social unrest and urban violence. This situation also fuels aspirations to seek economic opportunity outside national borders. Thus, the 'urbanization of poverty' is one of the most challenging problems facing the world today.

Contrasts in competitiveness

As a result of fading distinctions between traditional political spheres and other components of society, human settlements, and large cities in particular, have come out as a considerable actor in the global political economy arena. In response to this change, shifts have taken place in attitudes to urban governance: cities are now increasingly

viewed as a product to be marketed at a regional and global scale. Information and communication technology (ICT) allows for internationalization of footloose investment funding, resulting in vast increases in the volume and speed of international capital flows of all types; ranging from foreign direct investment (FDI) to short-term banking activities. In such an environment, cities often have no option but to compete on a global stage for these investments, exploiting whatever comparative advantages they may have; at times even to their own detriment. This development has created a downward spiral of increased subjugation of domestic, economic and social needs to international competitiveness; an often painful phase after the massive socio-economic transformations that characterized the entire 20th century.

Globalization has thus placed human settlements in a highly competitive framework of inter-city linkages and networks with a geographical context limited only by planetary boundaries. This new constellation of globally networked cities is sometimes referred to as 'the urban archipelago'. It implies that a city may have more relations with some faraway place than with its hinterland and that such cities act as energy nodes in a global force field. These are processes with considerable potential, and the urban strategies of many governments are now gravitating towards providing an enabling environment for human settlements to compete on the international stage. Many cities now acknowledge that the current nature of funding flows and investment capital demands an international urban orientation over and above managing local issues. Since the supply of international investment funding is often driven by profit optimization through the identification of areas with lower labour costs and standards, and regulations that are more favourable for business, cities in the developing world risk becoming transient points of destination of predatory capital, with little or no prospects for a sustainable future.

Contrasts in opportunities

Until recently, the success, decline and stagnation of cities and other settlements were strongly and often uniquely linked to territorial, geographic, resource or political features. This is the case of settlements at the intersection of important communication corridors, or facing waterways and harbours, or grown around the processing and/or commercialization of agricultural products or mining resources. In a globalizing economy, these factors are no longer the exclusive driving forces of urban economic growth. There are no classic locational factors that can explain the meteorical rise in prominence of 'e-regions' like Silicon Valley and Seattle in the United States, or Bangalore in India. The point is that location is not destiny. But an important corollary is that all booming regions require a minimum package of enabling conditions to develop and sustain themselves. These conditions, whether directly or indirectly, are shaped by the actions of central and local government. This mix will vary from place to place, but it is likely to contain incentives, tax expenditures, high-level

educational facilities, research centres and universities, coupled with well-functioning infrastructure and urban services, availability of housing, excellent communications, and efficient transport systems. All these factors are, of course, the foundation, the essential purpose and the product of good governance.

Although the paradigm of the urban archipelago reflects a very real urban evolution at the global level, the relationships between rural and urban areas still include a host of factors that do not necessarily depend on the international level. It is not simply the linkage to faraway places that defines the nature of the urban archipelago, but rather individual cities' ability to make efficient use of newly available links to resources and markets offered by networks of cities. Therefore, cities' responses to globalization are not to control this global phenomenon, but rather to manage their own resources within a new global context, including traditional links with the hinterland. Thus, good governance is not simply a desirable goal; it is a key prerequisite for taking advantage of new economic unfolding for all cities and urban regions.

Contrasts in local and global priorities

As indicated in the Prologue, globalization is the end of territorialism: the condition whereby socio-economic and political space is reducible solely to territorial coordinates. It has created an apparent paradox whereby polity – the condition of civil order – is simultaneously becoming more global *and* more local. This concept captures the notion that the economic and information features of globalization are penetrating even the remotest corners of Earth and that each locality is now forced to participate in the new globalized world, while, at the same time, local concerns increasingly spring to the foreground as major social and political issues.²

On a more positive note, the world is no longer only a community of states, but also an increasingly borderless network of interconnected cities where power is being shared more evenly and where governance is becoming more democratic. Promising partnerships are evolving between the public sector, the private sector and civil society. There is a growing awareness of the needs and rights of women, the indivisibility of human rights and the need for participation and for social, economic and environmental stewardship.

In many localities, people are overwhelmed by changes in their traditional cultural, spiritual and social values and norms and by the introduction of a cult of consumerism intrinsic to the process of globalization. In the rebound, many localities have rediscovered the 'culture of place' by stressing their *own* identity, their *own* roots, their *own* culture and values and the importance of their *own* neighbourhood, area, vicinity or town. In political terms this has translated into demands for self-government, for effective participation in decisions affecting the community, and in locally led initiatives to improve the livelihoods for all. By this process, begun in the last decade but markedly apparent since Habitat II, civil society has become

important in recasting national and local politics as a third-sector actor – distinct from state and market – shaping policies, norms and social structures. As is the case of all transformation processes, some deal better with these issues than others.

Contrasts within countries and regions

A major impact of globalization has been the reinforcement of old socio-economic, and the emergence of new technology-based disparities within countries. Even nations whose economies are doing well, such as the United States, the UK and China, recognize growing disparities in economic performance and quality of life between booming regions and lagging regions, prosperous urban centres and cities in decline. This suggests a direct correlation between globalization and responses to urbanization processes. Most booming regions, such as those along the western seaboard of the United States, the south of England or the southeast coast of China, are the ones that have seized the opportunities provided by globalization and are indeed driving it. Invariably, and this is the crucial point in terms of human settlements development, they are also the regions that have invested most in physical infrastructure, environmental protection, housing markets, educational and health facilities and communication networks. The question of which factor drives the other may be the subject of a fascinating debate, but the close interconnection between investment in human settlements development and the opportunities offered by globalization, particularly in terms of economic growth, is incontestable.

Contrasts within urban areas

One clearly manifest feature of growing disparity is the 'divided city'. Within cities in all regions of the world we almost invariably see the growth of disparities between the affluent and the dispossessed, exemplified by the coexistence of thriving business districts, affluent neighbourhoods and slums (in the case of most developing countries) or 'distressed neighbourhoods' and derelict quarters (in more affluent countries). This is the most visible trait of the divided city. What is equally disturbing is the presence of invisible barriers within the divided city. It is entirely possible for a modern business executive to spend months in any of today's 'world cities', as well as in the capital of a developing country, without ever coming into visual contact with a slum or a derelict neighbourhood. Similarly, affluent residents of virtually any city can spend years without ever needing to, not to mention wanting to, come into contact with less palatable sections of the city or their inhabitants.³

The remaining two parts of this chapter explore in more detail the issues raised above. First, as indicated in the Prologue, ICTs are important instruments used to advance globalization. It is important to be curious about how ICTs can help to reduce and eliminate the problems of poverty and inequality, especially within cities. Future approaches to urban development will be more effective when they are

informed by lessons that enable us to avoid mistakes from the past. Therefore, it is also important to develop a keen awareness of the role that ICTs can play in worsening current conditions. This is the subject of the next section of this chapter.

Second, it is clear that human settlements are a product of broader socio-economic and political processes at the international, national and local levels, while being at the same time a source of some of these processes. When these processes manifest themselves in the physical structure of cities and towns, they reflect both successes and failures of the socio-economic and political strategies pursued by different countries. Thus, in order to develop a well-grounded understanding of conditions and processes in human settlements in general, and within cities in particular, it is necessary to gain insight into relevant trends in these broader contexts. Salient in this regard are changes in the extent and patterns of poverty, inequity and polarization in society at large. These changes are reviewed in the second half of the remainder of this chapter.

Uneven Development: Impacts of Information and Communication Technologies on Human Settlements⁴

ICTs are often presented as 'liberating'; emancipating society from spatial constraints imposed by the limitations of yesterday's technologies. They enable businesses to develop global markets and allow people to form communities of interest ('Netvilles') that are based on shared values.⁵ However, while ICTs bring enrichment to some, they leave others impoverished. Those who lack access are left behind. The following section of this report takes a closer look at how ICTs often worsen existing inequalities and patterns of uneven development. Subsequent parts of this report examine the positive potential of ICTs to help to eliminate poverty and reduce inequality.

ICTs and contemporary urbanization: a critical nexus

Two major trends help to define contemporary human settlement development. The first is the most momentous process of urbanization in human history. The second is the extraordinarily rapid but highly uneven application of digital information and communications technologies; these technologies diffuse to connect growing portions of urban economies, societies and cultures 'on-line' and in 'real time'.⁶

Closer inspection reveals that these two trends are closely interrelated. Against the widespread assumption that electronic communications will undermine large metropolitan regions, evidence suggests that the two are in fact mutually supporting. Both are constitutive elements of modern industrialization and globalization. In the developed North and the developing South, as well as in

newly industrializing and post-communist states, the application of ICTs within and between cities, while an intensely uneven process, constitutes a critical nexus in the current development of human settlements.

ICTs are intensifying global urbanization in three major ways. First, ICTs allow specialist urban centres, with their high value-added services and manufacturing, to extend their powers, markets and control over ever-more distant regional, national, international and even global hinterlands. ICTs support the accelerating and spiralling contacts, transactions, communication flows and interactions that help bind, integrate and add economic dynamism to the vast, extended and multi-centred urban settlements, corridors and regions of our age. Second, in a volatile global economy, the growing speed, complexity and riskiness of innovation in all sectors – even those that can theoretically be developed entirely on-line – seems to demand a parallel concentration in the cities with the assets and ‘innovative milieux’ to sustain on-going competitiveness. This explains why the greatest planning problem in many emerging ‘multimedia clusters’ and digital growth centres in cities of the North and South is transportation and car parking. Workers still need to move their physical bodies to be ‘in the thick of’ the digital innovation process, even though their products are then instantaneously sent on-line to distant markets. Third, demand for ICTs – mobile and land line phones, satellite TVs, computer networks, electronic commerce, internet services – is overwhelmingly driven by the growth of metropolitan markets. Large ‘global’ cities, especially, are of disproportionate importance in driving ICT investment and innovation.⁷ This is because of cities’ cultures of modernization, their concentrations of capital, their relatively high disposable incomes and their concentrations of internationally oriented firms and institutions. As the economic product base of cities becomes increasingly mediated by flows of electronic information, with the progressive digitization of money, services, media, information, education and logistics, this critical nexus between cities and ICTs will only strengthen.

The complex intersection of human settlements and ICTs is helping to forge new landscapes of innovation, economic development, cultural interactions, political dynamics and social inequalities within cities and urban regions

The complex intersection of human settlements and ICTs, defined as the dialectic between the ‘space of flows’ and the ‘space of places’, is helping to forge new landscapes of innovation, economic development, cultural interactions, political dynamics and social inequalities within cities and urban regions.⁸ Traditional monocentric cities are giving way to an ‘all-pervasive and ever-present urbanization’ and urban culture, strung together by vast complexes of technological and communications systems.⁹ The fabric of many cities and human settlements is now becoming so intertwined with ICTs and other technological systems that some now characterize them as ‘cyborg cities’.¹⁰ Others talk of the ‘infinite city’ made up of transnational urban corridors.

However, the societal diffusion of ICTs remains very uneven at all scales. It is in the contemporary city that this unevenness is starkest. Enclaves of ‘superconnected’ people, firms and institutions, with their increasingly broadband connections to elsewhere via the internet, mobile phones and satellite TVs and their easy access to information services, often exist cheek-by-jowl with much larger numbers of people with at most rudimentary access to modern communication technologies and electronic information. These spatial disparities are described more fully in the next chapter. The social and economic cores and peripheries of the global information ‘age’ are not only continents apart, but can now also be found geographically adjacent to each other within individual cities. Often, they are just a short distance apart, but separated by gates, walls and greatly unequal access to the crucial portals supporting participation in electronic domains. Thus, while dominant parts of the economic, social and cultural fabric of the world are now being mediated with ICTs at an astonishing pace, 80 per cent of the world has never made a phone call. And, while it is growing very rapidly, the internet remains the preserve of an elite of between 2 and 5 per cent of the global population.

● Challenges for urban analysis

The complex interconnections between cities and ICTs are evolving within a broader context set by political and economic liberalization, fast technological change, the changing nature of nation states and an internationalizing political economy. Together, these processes of change create enormous challenges to traditional ways of understanding cities. They particularly challenge customary views concerning land use, physical form, urban design and transportation; ways of thinking about industrial-age cities that have long neglected the importance of electronic communications and technologies in urban life.¹¹

In response to such challenges, urban research on ICTs is beginning to grow rapidly.¹² Still, many questions at the intersection of ICTs and human settlements remain largely unaddressed by urban researchers. How, for example, do digitally mediated economic flows articulate with city economies and urban systems in different places and sectors within developed, developing, newly industrializing and post-communist economies? What are the relationships between the application of ICTs and broader processes of social and geographical polarization, discussed earlier in this chapter? How can urban analysis and policy making grapple meaningfully with invisible and intangible domains of electronic flow and real-time exchanges at multiple geographical scales? And how can the policy worlds of the city be brought together with those of cyberspace and ICTs to foster creative policy initiatives that harness the power of new technologies for positive urban social and economic development?

Far from ushering us towards societies of reduced inequality, ICTs often support new extremes of social and geographical unevenness within and between human settlements, in both the North and the South

The remainder of this chapter demonstrates that dominant trends in ICT development, far from ushering us toward societies of reduced inequality, often support new extremes of social and geographical unevenness within and between human settlements, in both the North and the South. Other parts of this report will explore the prospects that such stark ‘urban digital divides’ might be ameliorated through progressive and innovative policy initiatives. Boxes 4.3, 4.4, 14.6 and 17.5 provide a range of examples in a variety of contexts.

Not the ‘death of distance’: why the dominant logic of ICT-based development supports urban polarization

Why is the application of ICTs supporting social and geographical polarization within and between the world’s cities and human settlements? At first sight, it might appear that new computing and communications technologies offer tantalizing possibilities for transcending traditional social and geographical barriers. Advertisements and magazine articles endlessly suggest this, with their portrayals of ICTs, and especially the internet, as a value-free technological panacea offering instant, limitless access to some entirely separate and disembodied on-line world. In this ‘death of distance’ or ‘end of geography’ scenario, an intrinsically equitable, decentralized and democratic world is seen to be emerging. Within this, everything within the global economic, cultural and social space becomes equally accessible or ‘one click away’.¹³ ‘Cyberspace’ is cast as a single, unitary and intrinsically unifying electronic space. It is a space, moreover, that has somehow overcome in our ‘collective imagery’, the familiar social, economic, cultural and geographical segmentations and inequalities of the ‘off-line’, urbanizing world.

The reality, however, is very different and quite alarming; there is growing evidence that the main trends surrounding the application of ICTs support processes and practices that intensify urban polarization. This is occurring at every scale across the globe. The dominant logic of ICT-based change seems to reinforce urban polarization, the ‘disembedding’ of dominant economic, social and cultural activities, and the social and technological distancing of the powerful from the less powerful. There are four reasons why this is so. ICTs, as currently applied, tend to:

- 1 extend the reach of the powerful;
- 2 underpin intensified unevenness through tying together international divisions of labour;
- 3 allow socio-economically affluent groups to selectively bypass their local environment; and
- 4 be culturally and economically biased, especially in terms of the wider development of the emerging ‘international information marketplace’.

● New technologies tend to extend the reach of the economically and culturally powerful

The explosion in the use of ICTs overwhelmingly represents an extraordinary extension in the social, economic, cultural

and geographical powers of those groups and organizations that are best connected, most highly skilled and most able to organize and configure the on-line shift to their own advantage. It is those particular groups, organizations and places that are orchestrating the instantaneous and often international mediation of money, work, service distribution, transport, leisure and media access. So far, they are the key beneficiaries of the so-called ‘information revolution’. Far from being a universally liberating stampede on-line, ‘the changed mobility and, hence, power patterns’ associated with new information technologies ‘may negatively affect the control over place of some while extending the control and power of others’.¹⁴

● Urban polarization and the internet

A case in point is the relationship between the extraordinary growth of the internet and global urban polarization. The internet is the fastest diffusing medium in history. But the UNDP still characterizes it as a ‘global ghetto’ encompassing only 2 per cent, or 250 million, of the most privileged and powerful individuals of the global population, over 80 per cent of whom live in Organisation for Economic Co-operation and Development (OECD) nations.¹⁵ In 1999, this global 2 per cent tended to be wealthy: 90 per cent of users in Latin America came from upper income brackets; 30 per cent in the UK had salaries over US\$60,000. They were highly educated: globally 30 per cent had at least one university degree; in China the respective figure was 60 per cent, in Mexico 67 per cent and in Ireland almost 70 per cent. Male users dominate: 62 per cent in the US, 75 per cent in Brazil, 84 per cent in Russia, 93 per cent in China and 94 per cent in the Arab States. Internet users also tend to be young: under 30 as an average age in the UK and China, 36 in the US. Finally, dominant ethnic groups lead internet use, as do English speakers: in 1999, 80 per cent of all global web sites were in English while only 10 per cent of the world’s population spoke the language.¹⁶

The internet tends to extend the power of the already powerful while further marginalizing the less powerful within the same geographical areas – a logic of growing polarization. As the UNDP observes:

‘The Internet is creating parallel communications systems: one for those with income, education and – literally – connections, giving plentiful information at low costs and high speed; the other for those without connections, blocked by high barriers of time, cost and uncertainty and dependent on out-dated information. With people in these two systems living and competing side-by-side, the advantages of connection are overpowering. The voices and concerns of people already living in human poverty – lacking incomes, education and access to public institutions – are being increasingly marginalized.’¹⁷

More concretely, the global majority not connected to the internet is disadvantaged by not having access to the services and applications that depend on it. This is especially so as electronic means of access to services are growing progressively more dominant, leading to the

downgrading or curtailment of traditional, face-to-face, physical or paper-based ways of delivering them. People without internet access can therefore face extra costs and barriers. They tend to lack the skills, knowledge, equipment, infrastructure access, capital, money, electricity and telephone access necessary to access and fully exploit the on-line resources. Even when the internet service itself is 'free' – as is often the case these days in developed nations – users still need a phone line, a computer, a modem, electricity supply, software, skills and money to pay for phone and electricity.

Urban societies are becoming more separated into the 'on-line' and the 'off-line' in complex tapestries of inclusion and exclusion. Such trends are multiple, superimposed and complex. They are clearly starting to affect the physical, technological, social and economic structures of human settlements in very important ways. Consider, for example:

- The position of people who remain stranded in the worlds of physical cash or the informal economy, while dominant service providers and consumers in many cities migrate into electronic forms of conducting transactions (often withdrawing or restructuring their physical offices and service-points in the process).
- The ways in which some roads in cities such as Toronto, Melbourne and Singapore have become commodified, rendering them accessible only to those who have electronic transponders in their cars.
- The landscapes of booming high-tech cities in the South, such as Bangalore (India) and Bintan Island (Indonesia). In such cities, huge efforts are being made to configure industrial and technology parks and elite housing areas with the best possible infrastructural connections to distant places. At the same time, many nearby informal settlements struggle to access payphones, paved roads, sewerage or electricity.

● The internet and the restructuring of US cities

In the cities of the North, it tends to be low-income and ethnic minority communities that are most excluded from the internet.¹⁸ In the US, for example, in 1997, 24 per cent of whites had on-line access in major cities whereas only 7 per cent of blacks did. Fifty per cent of city residents earning over US\$75,000 a year had internet access but only 6 per cent of those earning less than US\$10,000 did so.¹⁹ It should be remembered that telephone access, too, remains highly uneven, even in the US. Only 50 per cent of female-headed households living at or below the poverty line, and 43.5 per cent of families who depend totally on public assistance, have access to even this basic technology.²⁰

It has been estimated that at present 60 per cent of US jobs require skills with technology and that 75 per cent of all transactions between individuals and the government – including such government aid services as delivery of food stamps, social security benefits and Medicaid information – take place electronically. Increasingly, people without technology skills or access to electronic communications will be at a disadvantage.²¹

It is certain that 'the rich are going to be getting richer in terms of information'; the concern is that 'the information poor will become more impoverished because government bodies, community organizations, and corporations are displacing resources from their ordinary channels of communication on to electronic ones'.²² Inner-city communities, especially, face a concentration of poverty and the deconcentration of opportunity; that is, there is a ghettoization of non-connected groups within central cities at the same time that ICTs are helping to support the decentralization of growing information industries to 'edge cities'.

The internet is therefore much more than an unevenly diffused medium of communication and expression. In a complex relation of reciprocal dynamics, it now plays a direct role in the restructuring of the same cities that support its development. Certain urban areas, especially in 'world cities' of the North, are emerging as dominant powerhouses of global internet production: New York, San Francisco and London to name but three.²³ A new type of economic enclave is emerging in such cities: the gentrifying 'cyber' district. Such areas now propel the production of internet services, web sites and the digitization of design, architecture, gaming, CD-ROMs and music.

San Francisco's so-called 'Multimedia Gulch' district is a prototypical example. It is a fast-growing media and internet cluster in the City's 'SOMA' area. Here, downtown neighbourhoods have been refurbished to sustain the clustering demands of interlocking micro-, small- and medium-sized firms in digital design, advertising, gaming, publishing, fashion, music, multimedia, computing and communications. Over 2200 such firms now provide over 56,000 jobs in these sectors, up by 105 per cent between 1996 and 1998, as capital has moved north from Silicon Valley.²⁴ This development set off a spiral of gentrification, attracting investment from restaurants, retailers, property firms, 'loft' developers and infrastructure companies, leading to escalating rents and the eviction, displacement and exclusion of lower income groups from this new 'high-end' area. Somewhat ironically for an industry whose products can be sent on-line anywhere on Earth, parking shortages have become critical.

Urban social and political conflicts have emerged as 'dot.commers', with their extraordinary wealth, along with real estate speculators, have colonized selected districts. Under the banner 'The Internet Killed San Francisco', one description lists the following 'symptoms': commercial real estate rates went up 42 per cent between 1997 and 1999; the median price apartment was US\$410,000 by August 1999; median rental for an apartment was US\$2000 per month; and homelessness rates were rising fast.²⁵ Landlords, backed by the relaxation of rent controls and tenant protection laws by the City Council in the 1990s, have instigated a steep rise in evictions. The result is a severe housing crisis, the expulsion of poorer people from downtown, and accentuated landscapes of social and geographical polarization, with pockets of the city being repackaged as places of work, leisure or living for internet-based businesses and entrepreneurs.²⁶

● ICTs as supports to the restructuring of human settlements: integrating international divisions of labour

*Digital capitalism is now free to physically transcend territorial boundaries and, more importantly, to take economic advantage of the sudden absence of geopolitical constraints on its development.*²⁷

There is a close connection between ICTs, global urban polarization and the power of transnational corporations to shape urban development. Against the rhetoric that 'cyberspace' is a purely virtual and disembodied world, the radical growth of ICTs is closely related to the restructuring of real places at all geographical scales.²⁸

ICT networks and the exploitation of geographical differences. ICTs offer unparalleled choice and flexibility to mobile firms and socio-economic groups, enabling them to exploit differences between places. This is done through the construction of highly elaborate divisions of labour, which can then be integrated in 'real time' through ICTs. Currently, international telecommunications tariffs are collapsing, technological capabilities are growing exponentially and mergers, alliances and acquisitions in telecom and media industries are beginning to allow firms to offer global 'one-stop shops' for international corporate ICT users.

Current trends enhance the capability of international firms to separate their manufacturing, financing, marketing and other operations, locating them in cities and towns across the world according to the most advantageous local environmental regulations, tax laws, labour conditions and costs, while maintaining overall control

These trends enhance the ability of corporations to separate out the various functions within their operations (eg finance, manufacturing, marketing) to cities and towns across the world, while maintaining close control and coordination. Transnational corporations and their affiliates can thus now benefit from the seamless and instant integration of plants located in globally spread networks of specialized and very different urban sites, with very different environmental regulations, tax laws, labour conditions and costs. Broadly, ICTs are being used to tie together:

- research and development centres in suburban technopôles of the North and, to a lesser extent, South;²⁹
- corporate headquarters and financial service houses in select 'global' cities;³⁰
- cultural, media and multimedia sectors in the emerging 'digital clusters' of some Northern and a few Southern cities;³¹
- cheap, mobile manufacturing plants on the peripheries of Northern cities and in the newly industrializing cities of the South;³²
- decentralized call centres, data processing and e-commerce management centres in newly emerging

e-commerce enclaves across the world (including the Caribbean, Philippines, Ireland, India, northern and western UK);³³

- electronically integrated resource extraction activities in minerals, forests, oil and fisheries; and
- the logistics, seaport and airport hubs that serve as the point-of-transfer and export processing zones that 'lubricate' internationalization.

The construction of ICT systems to support intensifying divisions of labour is further supported by the growth of local efforts to 'package' areas and zones with subsidies, labour forces, infrastructures, services and security to tempt mobile investment. Urban development agencies strive entrepreneurially to configure their spaces with the right local-global (or 'glocal') infrastructural connections to allow them to emerge as a valued node in international corporate networks. These efforts create a close nexus between the local production of infrastructure and urban space and globalizing networks of electronic and physical flow (see, for example, Boxes 2.1, 2.2 and 2.3 on Sydney, Singapore and London).

The global liberalization of telecommunications and the 'cherry picking' of urban markets.

Mosaics of growing inequality mark city regions, as providers seek to 'cherry pick' only the most lucrative business and professional customers from across the urban landscape

In the most liberalized telecommunications regimes, such as the US and UK, city regions are marked by mosaics of growing inequality, as providers seek to 'cherry pick' only the most lucrative business and professional customers from across the urban landscape.³⁴ Upper income areas and buildings with high computer ownership and communications expenditures are targets of vast, competitive, investment in broadband infrastructure and services. In mid-1999 about 86 per cent of all broadband internet delivery capacity in the US was concentrated in the prosperous suburbs and business areas of the 20 largest cities.³⁵ It is becoming clear that:

*The private sector builds where the high volume and the money is. In most communities the fibre-optic rings circle the business district. If you're in a poor suburban neighbourhood or the inner city, you're at risk. What's more, providers that have spent years building their infrastructures don't come back and fill in the underserved neighbourhoods. That may be a shrewd financial strategy. But the social impact could be devastating.*³⁶

Such dualization is underpinned by the widespread shift from standardized marketing by emerging telecom and media conglomerates, to marketing targeted precisely at socio-economically affluent groups and areas. AT&T, for example, has recognized that it makes 80 per cent of its US\$6000 million annual profits from 20 per cent of its

customers.³⁷ This targeting of innovation and investment towards richer groups and areas is also supported by the attempts of cross-media alliances to take advantage of technological ‘synergies’ in offering high-value customers whole baskets of services on a single contract.³⁸ In the US, for example, the CEO of MCI recently stated that ‘we’re going to change our focus from being omnipresent to the entire market to talking to the top third of the consumer market that represents opportunities in cellular, Internet and entertainment’.³⁹

As profit-driven mergers between telecommunications and media transnationals direct the global roll-out of ICT infrastructure, investment concentrates on the market ‘hot spots’: the downtown business districts, high-tech areas, media clusters and upper income residential districts of prosperous, internationally oriented and ‘global’ cities. The concentration of information, communications and knowledge infrastructures and industries creates a very strong demand in the business cores of such cities: in 1999, both New York and Tokyo had more telephones than the whole of Africa (14 million).⁴⁰ This focused demand drives a frenzy of competitive activity and investment by communication and media suppliers. The centres of global cities like New York and London now have six or more separate fibre-optic grids, offering the most capable, reliable, competitive and cost-effective electronic connections anywhere.

Driven by new start-ups that do not seek to serve whole cities, regions or nations, many of these new city-level fibre networks are limited to demand-rich parts of the main business cities. Such networks are connected seamlessly to each other via new transoceanic and transcontinental fibre and satellite networks, creating a global-local logic that bypasses both poorer parts of global cities and the areas between them.

Reflecting and reinforcing the ‘global archipelago’ of city cores, small high-capacity networks can mediate large portions of global economic flows. For example, in 1998, the WorldCom/MCI metropolitan network in London had only 180 km of fibre. But it had already secured fully 20 per cent of the whole of the UK’s international telecommunications traffic.⁴¹ Building similar networks in the major cities of the US, Europe, Asia and Latin America, along with dedicated transoceanic lines to connect them, WorldCom/MCI and similar firms are able to bypass incumbent carriers.⁴²

Developing cities such as Mexico City, Beijing and São Paulo often face a competitive disadvantage in global telecommunications links. They tend to be more dependent on monopolistic, state-owned providers that are more expensive, less innovative and offer a more limited bundle of services. Global liberalization is changing this situation and cities like Mexico City are rapidly, but unevenly, being wired by Western telecommunications firms.⁴³

Meanwhile, poorer parts of cities of the North – for example low-income, African American and blue-collar neighbourhoods in US cities – suffer from underinvestment and deteriorating service quality, and are being disproportionately affected by the rising relative costs of local

communications.⁴⁴ Within the context of liberalized markets and entrepreneurial planning and with the withdrawal of local monopolies, infrastructure providers do not target new investment, marketing and innovation in poor communities and marginalized neighbourhoods; places that already tend to face exclusion from formal financial services, insurance, retailing investment and other utilities.⁴⁵

Marketing and infrastructure development strategies reflect the patchwork geographies of fragmented cities. The situation of Bell Atlantic in New Jersey is typical. By 1997, it had rolled out high-capacity fibre-optic links and broadband internet services to ‘suburban business parks and large corporations’ and ‘set a schedule for suburban neighbourhoods’. But it had ‘not yet made specific plans for the thousands of poor people who live in the state’s largest cities’. Nor had it wired the Enterprise Zones that the New Jersey City Council was developing in the hope of attracting new corporate investment. Worse still, it had ‘let its network deteriorate in parts of Brooklyn and the Bronx, where corroded wires led to scratchy lines and service outages’.⁴⁶ Physical offices, used by many poor people without bank accounts to pay bills, have also been routinely closed by US telecommunications firms, while rates for directory assistance and local call charges have been dramatically hiked to reflect ‘cost-reflective pricing’ and the withdrawal of social cross-subsidies.⁴⁷ In a context where bandwidth and connectivity are the lifeline of many businesses, these practices prevent new on-line and e-commerce-oriented small enterprises from competing within less prosperous, peripheral towns and marginalized inner-city areas.⁴⁸

● ICTs, urban polarization and restructuring in developing cities

*New communication technologies and a metropolitan transportation system allow people to stay selectively in touch with those individuals/groups that they want to, while disconnecting from the city at large.*⁴⁹

ICTs allow affluent urban groups to overcome the barriers of local geography by extending their access to distant places and resources. Increasingly, such groups also use ICTs to avoid real or perceived urban nuisances and dangers; for example, traffic congestion and crime. ICTs like the internet help their users to connect, without risk or fear, to people, services and resources across local, national or international boundaries. At the same time, ICTs make possible the selective dissociation of affluent groups from exposure to differences arising from social mixing in more traditional streets and neighbourhoods. Other phenomena, like the car, the mobile phone, the CCTV system, the privatized shopping mall and the gated community, discussed in the next chapter, further reinforce this fragmentation.⁵⁰

ICTs thus facilitate a global economic system whose dominant logic has had a fracturing and polarizing effect on human settlements and cities. As Manuel Castells has demonstrated, intensifying global connections between the

valued and powerful parts of cities, and the groups and organizations who control and inhabit them, are combined with a growing partitioning and disconnection at the local scale within cities.⁵¹

The uneven growth of ICTs and 'cyberspace' thus has important implications for the restructuring of real urban space. Walls, ramparts, security fences, electric fences, armed guards and defensive urban design are the physical manifestations of this urban restructuring in both Northern and Southern cities. Once again, ICTs support the formation of enclaves through 'smart' home technologies, intelligent utility metering, electronic finance and consumption systems, and help to secure their safety through CCTV systems, electronic alarms, movement and face-recognition sensors, electronic gates and electronically tolled 'smart' highways that filter out the vehicles of the poor.

Cities are not only sources of innovation and the transactional hubs of the modern, knowledge-based economy. They are also the places where the contradictions of ICT-mediated change are most salient. The rapid expansion of cyberspace liberates the privileged to take advantage of globalization. At the same time, it reinforces the stark reality of spatial barriers for those left behind

As cities across the world are restructured in this manner, the common development model of the South – high-value enclaves surrounded by landscapes of marginalization – is re-emerging in the North.⁵² Cities, then, are not only sources of innovation and transactional hubs of the modern, knowledge-based economy. They are also the places where the contradictions of ICT-mediated economic, social and cultural change are most salient. The rapid expansion of cyberspace liberates the privileged to take advantage of globalization. At the same time, it reinforces the stark reality of geographical barriers for those left behind.

Telecommunications and restructuring in developing cities. A similar logic of global connection and local disconnection is evident in developing, newly industrializing and post-communist cities, where personal internet and telephone access is much more limited than in cities in the North. In the near future at least, such personal connections are likely to remain beyond the reach of a large majority of households in the developing world. Infrastructure networks, too, are much less well developed, with many national phone systems falling into a state of disrepair and obsolescence. Even in late 1998 in over 70 developing nations, no internet access existed at all. In many others, text messages were the limit of the systems; multimedia and even Web access were impossible.⁵³

When services do exist, they tend to be much more expensive than in the North. In Lima, for example, despite increased diffusion after the liberalization of telecommunications in 1990, less than half of all households have a telephone and less than a fifth of the poorest 20 per cent of the city's households have access to a phone.⁵⁴ When it comes to computer access, the average is 7 per cent, with

large differences between the richest fifth (50 per cent) and poorest fifth (1 per cent) of households. With internet costs at over US\$40 a month, the diffusion of the internet is restricted to the very rich. Thus, the issue of public internet booths becomes critical.

In many developing cities, high-quality ICT infrastructures are being packaged through entrepreneurial planning, public subsidies and defensive urban design, into industrial parks for international firms and 'Euro-American' style gated residential enclaves for social and economic elites

In many developing cities, high-quality ICT infrastructures are being packaged through entrepreneurial planning, public subsidies and defensive urban design, into industrial parks for international firms and 'Euro-American' style gated residential enclaves for socio-economic elites. Consider the following examples:

- In Thailand – a rapidly developing nation which has more cellular telephones than the whole of Africa⁵⁵ – the installation of fibre optics in the so-called 'intelligent corridor' along the major arterial ring road of Bangkok is reinforcing the linear expansion of the city into exurban areas.⁵⁶ A 'leap frog' strategy 'provides households and firms with fibre-optic services in high-income and high-value industrial areas' at the expense of the wider city.⁵⁷
- In São Paulo, Brazil, patterns of investment in advanced telecommunications are starkly uneven. Fortified enclaves around the Murumbi district of the city are designed to meet the demand of growing middle- and upper-income groups for perceived security, thus supporting their withdrawal from their surroundings.⁵⁸ Offering integrated areas for residence, work and consumption, these inward-looking, insular communities turn their backs on the public street while relying on veritable armies of service personnel, the automobile, dedicated energy and water connections and the most sophisticated telecommunications links available in Brazil. Such enclaves have benefited from investment strategies that have concentrated on the 'supply of sophisticated infrastructural services for top income groups in São Paulo',⁵⁹ while the collapse of public planning for energy, water and telecommunications infrastructure, and the concomitant withdrawal of cross-subsidies has left households of lesser means in situations of disadvantage or worse.
- In the export-oriented 'flagship' manufacturing enclaves of Johor (Malaysia) and the Riau islands of Batam and Bintan (Indonesia), Singaporean capital is equipping each new development with the requisite packages of infrastructural connections. The parks are 'conceived of as self-contained industrial townships'; 'each of these investment enclaves offers linkage to the Singaporean economy while minimizing dependence on the wider Indonesian

environment'.⁶⁰ For example, direct lines connect into Singapore's state-of-the-art telecommunications infrastructure, completely bypassing Indonesia's poor-quality telecommunications infrastructure. As a result, telephone calls from these enclaves across the national border to Singapore are classed as 'local'; those beyond the enclave walls to the rest of Indonesia, however, are classed as 'international'.

- The US\$20,000 million Multimedia Super Corridor (MSC) in Malaysia is a giant among the emerging urban planning initiatives that engineer new industrial and multimedia areas. Here, at the heart of the Association of Southeast Asian Nations (ASEAN) block in Southeast Asia, a whole national development strategy has been condensed into a single plan for a vast new urban corridor. The aim of the MSC is nothing less than to replace Malaysia's manufacturing-dominated economy with a booming constellation of services, IT, media and communications industries by turning a vast stretch of rainforest and rubber plantations into 'Asia's technology hub' by the year 2020. The MSC starts at the centre of the capital, Kuala Lumpur, and ends 30 miles south at an immense new international airport, strategically placed on the routes to Singapore. As well as tax incentives, favourable cost structures and high-quality made-to-order infrastructure, Malaysia has developed custom-tailored laws for the MSC. Incoming transnational firms will have free in-migration for 'knowledge workers' from all over the world. A special set of 'cyber laws' surrounding intellectual property rights has also been created to ensure that firms can recoup their on-line investment costs.

However, there are dangers that the MSC will result in a two-tier society with the workers providing the low-value added support for sealed-off corporate zones operating in global networks. There are also major questions over the fate of peripheral regions and Kuala Lumpur's marginalized urban areas, outside the MSC. The prevailing discourse implies that the whole country will benefit equally. However, the construction of the MSC is displacing plantation communities while developing new communities for the corporate elite and their families, able to afford the new, privately developed 'wired' homes. Low-skill, low-wage service staff – cleaners, security guards, gardeners – are being brought in from outside the corridor. These disparities have prompted criticism in the national press.

- Within Bangalore – 'India's Silicon Valley'⁶¹ – the heightened wealth inequalities associated with high-tech growth have created a highly fragmented and polarized urban structure. This situation reflects 'participation in the information-intensive global economy by a core elite, and non-participation by the masses'.⁶² At the Electronics City complex, for example, three-quarters of a mile from the centre of Bangalore, several hundred acres of 'offshore' technology campus have been configured to house companies like Texas Instruments, IBM, 3-M and

Motorola. The Indian firm Wipro, another major presence, exploits advanced communications as it uses India's low-wage software programmers to service computers worldwide remotely from Bangalore. All these firms 'are insulated from the outside world by power generators, by the leasing of special telephone lines, and by an international-style work environment'.⁶³

Singaporean capital has also constructed an Information Technology Park on the outskirts of Bangalore, equipped with dedicated satellite ground stations, broadband telecommunications, uninterrupted power supplies, back-up generators and private water, sanitation and waste-disposal services. Because of the poor quality of the regional telecommunications infrastructure, the park also serves as a regional hub link to global markets: 'companies within 30 km of the park can simply point their microwave antennae and connect by satellite to clients anywhere in the world'.⁶⁴ The park is integrated with highly luxurious residential and leisure facilities, setting it even further apart from the poverty in the shanty towns that house most of the city's migrant population, over 50 per cent of whom are illiterate.⁶⁵

Initiatives like Bangalore's technology parks compound the polarization caused by the gradual withdrawal of social and geographical cross-subsidies used by public telephone monopolies.⁶⁶ The present trend towards privatization appears to be ending all such subsidies. In the absence of effective regulation, privatization will likely result in efficiency gains and better service for those who already have or who can afford to get connected to the existing services. The urban poor, however, will be further marginalized.⁶⁷

While most public infrastructural investment in Bangalore focuses on securing the new parks locally and linking them globally, the municipality has bulldozed 'illegal', self-built housing in the name of a civic modernization 'clean-up' programme. Conditions in the shanty town are deteriorating and many residents have no or very limited access to piped water, communications, energy, paved roads and motorized transport; a sharp contrast to the modern landscapes of the new technopolis parks, right in their midst. Indeed, a broader infrastructure crisis is emerging for the poor: power outages are common and a water shortage is looming. Thus, it is clear that 'the recent internationalization of Bangalore has had a negative impact on the poor'.⁶⁸

● Cultural and economic biases of the international information marketplace

Dominant applications of ICTs are heavily biased culturally. Electronic power is being concentrated by a small number of people, institutions and places, which dominate global flows of technology, capital, infrastructure and intellectual property rights, transcending the traditional authority of nation states.⁶⁹

This process raises questions about geo-political relationships, accountability, democracy, global citizenship, the ownership of information and the means of cultural

expression. This is especially important given the extreme asymmetries of North–South relations. In many developing nations and cities, TV and internet media provide an overwhelmingly Anglo-Saxon content as US culture in particular is extended through the growth of electronic connections.⁷⁰ The United States, as the world’s ‘information super power’, aims to extend and intensify its supremacy in telecommunications, internet backbone infrastructure, e-commerce, multimedia, biotechnology, education, research and development and digital content: an industrial development strategy that has been called ‘bandwidth colonialism’.⁷¹ Many nations now have better and lower cost internet connections to the US than to adjacent nations and regions.

The capital, technology, skills and finance of the North thus play a dominant role in supporting the liberalization and consolidation of telecommunications, media and technology. Encouraged by the WTO and similar organizations, these processes are meant to ‘open up’ and integrate international trade and finance systems. They are also going hand-in-hand with the creeping privatization of scientific research, allowing corporations to control intellectual property rights over matters ranging from media content through software, information and knowledge, to human genetic sequences and bio-engineered life forms.

This trend has caused concerns that ‘the dynamic of the economic model of globalization may lead to a ‘ghettoized’ world organized around a few megacities in the North, but occasionally in the South, serving as the nerve centres of worldwide markets and flow.’⁷² A further worry is that a few media giants are structuring ICTs towards commercial consumption in ways that hamper other applications. Users are relatively powerless in the configuration and roll-out of digital media and communications systems. ‘Vertical’ communications back to the supplier and the associated e-commerce affiliates tend to outweigh opportunities for engaging in ‘horizontal’ communication within the community, and beyond, in support of ‘digital democracy’.⁷³

Bridging the urban digital divide

The preceding discussion has reviewed how dominant applications of ICTs tend to worsen urban polarization. These trends are important. They provide useful insights for efforts to use ICTs in support of equitable urban development. However, the picture is by no means all gloomy. ICTs are *inherently flexible* technologies. The ways in which they are configured, diffused and applied are not set in stone. The remarkable powers of ICTs for supporting new types of information flow, communication, transaction and cultural experience can be mobilized and shaped in ways to greatly benefit people’s quality of life. ‘It is this enabling capacity of ICTs – the fact that they allow the user, whether individual or community, to take advantage of them in ways that the individual or community chooses – that gives these technologies their democratic and empowering potential’.⁷⁴

The history of communications is not a history of machines but a history of the ways in which new media help to reconfigure systems of power and networks of

social relations. Communications technologies are certainly produced within particular centres of power and deployed with particular purposes in mind but, once in play, they often have unintended and contradictory consequences.⁷⁵

Beyond the dominant application of ICTs, many efforts are now emerging at the local, urban, regional, national and international levels, which seek to exploit these capabilities in support of development models that are more equitable, democratic and sustainable. As diffusion of ICTs widens, many more efforts to work ‘against the grain’ of commodification and polarization become possible. Given the linkage between places and information flows, social diversity, with its plurality of values and interests, is transforming the logic of the ‘space of flows’, making it a contested space – a plural and diversified space, with a blossoming of initiatives.⁷⁶ These progressive initiatives in, and political contestation of, urban space are taken up in subsequent parts of this report.

Human Settlements in a Polarizing World: Poverty and Inequity

There are many reasons why inequity and poverty occupy centre stage in this 2001 issue of the *Global Report on Human Settlements*. One of them is that poverty has increasingly become the focus of multilateral and bilateral development organizations, as well as of United Nations member states. But there is one reason that is uniquely important to people living in human settlements and cities. This reason is strikingly simple: Today, poverty is more central than ever to the human settlements discourse, for the plain fact that decent housing and basic services are no more provided by the public sector, but have increasingly become a commodity to be accessed in the marketplace. Hence, people’s (in)ability to pay market prices is absolutely crucial.

In today’s world, globalization is the most significant socio-economic phenomenon, shaping the economic fortunes of both nations and cities. In spite of globalization, and sometimes because of it, extreme poverty has persisted and inequality deepened in many countries. In such countries, globalization has tended to fragment production processes, labour markets, political entities and societies. The main features of poverty today include falling incomes, rising costs of living, especially within urban areas, and inadequate access to basic services such as water and sanitation. Poverty is also increasingly becoming an urban phenomenon. The increase in the number of the world’s poor has been accompanied by rising inequality and polarization, between nations, within nations and within cities. Most of these features of poverty are not limited to the developing world, but also apply to more developed countries.

Decreases in income and increases in cost of living

In recent years, the number of poor people has risen worldwide. In some regions, the proportion of the poor has also risen. The total number of people subsisting below the

international poverty line of less than US\$1 a day has risen from 1200 million in 1987 to 1500 million in 2000 and is projected to grow to 1900 million in 2015. These increases have taken place particularly in Latin America, South Asia, the Middle East and North Africa.⁷⁷ In many countries, low-wage earners have experienced declines in real disposable income.

'Millions are experiencing globalization not as an opportunity, but as a force of disruption or destruction: as an assault on their material standards of living, or on their traditional way of life. And those who feel marginalized in this way are growing more and more numerous' – Kofi Annan, Address to the General Assembly, New York, 21 September 1998

World Bank estimates of poverty show that very little progress has been made in reducing income poverty levels over the last decade. The Asian financial crisis partially undid improvements made in East Asia and, compared with 1993, conditions have worsened in Eastern Europe, Central Asia, Latin America, the Caribbean, South Asia, sub-Saharan Africa, the Middle East and North Africa. Indeed, in the aftermath of the crisis, the number of people living on less than US\$1 a day has risen. The new figures in Tables 1.1 and 1.2 show that:

- The decline in the numbers of the poor in Asia is almost exclusively due to a reduction in the number of poor people in East Asia, most notably in China. But progress was partly reversed by the crisis, and stalled in China.
- In South Asia, the incidence of poverty (the share of the population living in poverty) did decline moderately through the 1990s but not sufficiently to reduce the absolute number of the poor. The actual number of poor people in the region has been rising steadily since 1987.
- In Africa, the percentage of people living in poverty declined but the actual numbers increased. The new estimates indicate that Africa is now the region with the largest share of people living below US\$1 a day.
- In Latin America the share of poor people remained roughly constant over the period, but the numbers increased.

- In the countries of the former Soviet bloc, poverty rose markedly – both the share and the numbers of poor people increased.

At the same time, the costs of living have increased as subsidies on basic goods have been reduced or eliminated and interests rates have risen.

In many countries, real incomes have fallen, the costs of living have gone up, and the number of poor households has grown, especially in cities

Further, the spread of user fees means that the poor now frequently have to pay for services, including health care and education, that previously were provided for free or at nominal cost. It is important to recognize that women and children disproportionately bear the burdens of poverty (see Box 1.1).

The urbanization of poverty

Poverty should not be seen narrowly in terms of income in relation to costs of living. The ability to maintain a minimum standard of living also depends on access to basic services such as health care, safe drinking water, garbage collection and sewerage. About 220 million urban dwellers, 13 per cent of the world's urban population, do not have access to safe drinking water, and about twice this number lack even the simplest of latrines.⁷⁸ Women suffer the most from these deficiencies (see Chapter 10). Conceptualized in terms of security by the Human Development Report 1999,⁷⁹ poverty also includes exposure to contaminated environments and being at risk of criminal victimization (Chapter 17). Poverty is closely linked to the wide spread of preventable diseases and health risks in urban areas, labelled as an 'urban penalty' (Chapter 9). Further, within policy frameworks aimed at 'enabling', being poor means the lack of options, the absence of opportunities for meaningful participation and inadequate support for capacity development by low-income communities.⁸⁰

Relevant as well is the concept of 'housing poverty', introduced by UNCHS (Habitat) *Global Report on Human Settlements 1996*, that is '...individuals and households who lack safe, secure and healthy shelter with basic infrastructure such as piped water and adequate provision for sanitation, drainage and the removal of household waste'. The shortage of affordable housing for low-income urban household in developing countries has resulted in a proliferation of slums and squatter settlements. One-quarter of the urban housing stock consists of non-permanent structures, while more than a third does not comply with local building regulations. Large numbers of people live in unsafe housing. In addition, hunger is increasingly becoming an urban problem, and the supply and distribution of food is placing higher demands on cities (see Box 1.2). However, urban housing poverty, food insecurity and malnourishment are not restricted to the developing world. Indeed, it is important to recognize that economic growth and prosperity do not guarantee their elimination: several

Table 1.1

Population living on less than US\$1 per day in developing and transitional economies, selected years, 1987–1998

Region	Number of people (million)						
	1987	1990	1993	1996	1998 (est)		
East Asia and the Pacific			417.5	452.4	431.9	265.1	278.3
(excluding China)			114.1	92.0	83.5	55.1	65.1
Eastern Europe/Central Asia			1.1	7.1	18.3	23.8	24.0
Latin America/Caribbean			63.7	73.8	70.8	76.0	78.2
Middle East/North Africa			9.3	5.7	5.0	5.0	5.5
South Asia			474.4	495.1	505.1	531.7	522.0
Sub-Saharan Africa			217.2	242.3	273.3	289.0	290.9
Total			1,183.2	1,276.4	1,304.3	1,190.6	1,198.9
(excluding China)			879.8	915.9	955.9	980.5	985.7
Number of poor at \$2 per day			2,549.0	2,718.4	2,784.8	2,724.1	2,801.0

Source: The World Bank; Poverty Fact Sheets. Accessed on 31 May 2000, at www.worldbank.org/html/extdr/pb/pbpoverty.htm.

million people are homeless in Europe and North America (see Chapter 16).

All of these poverty-related problems tend to be more prevalent in urban areas than rural areas.

More and more people in the developing world are living in the cities. By 2020, the number of people living in developing countries will grow from 4900 million to 6800 million. Ninety per cent of this increase will be in rapidly expanding cities and towns. More than half the population of Africa and Asia will live in urban areas by 2020. Already more than three-quarters of the poor in Latin America live in cities.⁸¹ In short, in the years to come, policy makers need to reckon with an urbanization and feminization of poverty whose extent and severity should not be underestimated (see Box 1.3).

Inequality and polarization

Although absolute poverty is bad enough, it is worse when it occurs amid conditions of plenty. Relative poverty mirrors inequalities that raise important questions of equitable access to rights and resources. Polarization happens when these inequalities worsen over time and inequities become accentuated and magnified. Inequality across nations has steadily increased since 1980. The widening gap between rich and poor countries is easily seen in the coefficient of variation of per capita gross domestic product (GDP), shown in Table 1.3.

The growing inter-country inequalities that hinder development and human settlement planning are compounded by serious disparities that exist within countries. Research has revealed a close relationship between the degree of domestic inequality and the prospect of eliminating poverty.

Region	Percentage of poor						
	1987	1990	1993	1996	1998 (est)		
East Asia and the Pacific			26.6	27.6	25.2	14.9	15.3
(excluding China)			23.9	18.5	15.9	10.0	11.3
Eastern Europe/Central Asia			0.2	1.6	4.0	5.1	5.1
Latin America/Caribbean			15.3	16.8	15.3	15.6	15.6
Middle East/North Africa			4.3	2.4	1.9	1.8	1.9
South Asia			44.9	44.0	42.4	42.3	40.0
Sub-Saharan Africa			46.6	47.7	49.7	48.5	46.3
Total			28.3	29.0	28.1	24.5	24.0
(excluding China)			28.5	28.1	27.7	27.0	26.2
Percentage of poor at \$2 per day			61.0	61.7	60.1	56.1	56.0

Source: The World Bank; Poverty Fact Sheets. Accessed on 31 May 2000, at www.worldbank.org/html/extdr/pb/pbpoverty.htm.

Research shows that decreasing income inequality can have as much impact on reducing poverty as does increasing economic growth

Over the past decade, the amount of poverty reduction resulting from a given rate of national economic growth has varied in step with national income distribution.

Decreasing income inequality can have as much impact on reducing poverty as does increasing economic growth. Analysis of data for the 1990s shows that, on average, an economic growth rate of 10 per cent reduced the percentage of people living on less than US\$1 a day by 9 per cent in countries where income was fairly evenly distributed. However, in countries where income was more unequally distributed, a growth rate of 10 per cent reduced the poverty headcount by only 3 per cent.⁸²

Some of the greatest domestic inequality exists in the less developed and transitional economies of, respectively, Latin America and Eastern Europe, impeding

Table 1.2

Percentage of people living on less than US\$1 per day in developing and transitional economies, selected years, 1987–1998

Box 1.2 Feeding the cities: urban food supply and distribution

Urban expansion and issues of food supply and distribution to and in the cities have four major consequences for urban food security. The first is the competition between demands for land needed for housing, industry and infrastructure and land needed for agricultural production within and around cities. Agriculturally productive lands are likely to be lost in this competition.

The second consequence is the increasing quantities of food that must be brought into cities and distributed within the expanding urban areas (see table). This means more trucks coming into cities, contributing to traffic congestion and air pollution. It also means additional stress on existing food distribution infrastructure and facilities, most of which are already inefficient, unhygienic and environmentally unfriendly.

The third consequence is the modification of consumption habits and food purchasing behaviours. Consumers in urban areas – who generally pay up to 30 per cent more for their food compared with their rural counterparts – have less time to spend preparing food. Therefore, the demand for more convenience and processed meals

Expected level of food consumption in selected cities, 2000 and 2010 (1000 t)

City	2000	2010
Yaoundé	3,030	5,752
Nairobi	4,805	7,984
Isfahan	13,000	20,500
Karachi	41,800	63,900
Lima	19,276	24,567
Port-au-Prince	2,934	4,450
Managua	2,782	4,075

Source: Food and Agriculture Organization of the United Nations, FAOSTAT and Food into Cities (2000).

Note: Data are based on national food consumption averages.

increases, raising issues of food quality and safety in terms of the use of appropriate inputs, particularly safe water, in food processing.

The final consequence for urban food security is the likelihood that low-income urban households will reside further and further away from food markets, often in slums that do not have water, roads or electricity. Since these households are also less likely to have refrigerators, they face additional time and transport costs in accessing food daily.

As urban expansion continues apace, the overall cost of supplying, distributing and accessing food is likely to increase further and, with it, the number of urban households that are food-insecure. The challenge of feeding cities therefore lies in facilitating consumer access to food and ensuring that required investments are forthcoming for increasing food production, processing and distribution capacities and services under hygienic, healthy and environmentally sound conditions.

Source: from a publication of the International Food Policy Research Institute (IFPRI) 2020 Vision for Food, Agriculture, and the Environment (www.ifpri.org/2020/welcome.htm) – an initiative to feed the world, reduce poverty and protect the environment (Argenti, 2000).

Box 1.3 The underestimation of the scale and nature of urban poverty

Most national and international estimates of the scale of poverty underestimate the scale and depth of urban poverty, because of unrealistic assumptions about the income level that urban inhabitants need to avoid poverty. Most estimates for the number of 'poor' people or people living in poverty are based on defining a poverty line (an income level that is said to be sufficient to meet a household's consumption needs) and then seeing how many households have incomes below this line. Thus the number of 'poor' people is greatly influenced by the income level at which the poverty line is set and governments and international agencies can increase or decrease the number of 'poor' people by changing this income level.

Many nations still have one poverty line that is applied to all areas within the nation. This assumes that the income needed to avoid poverty is the same everywhere, whether it is in rural areas, small urban centres or large cities. But in many urban settings, especially in the larger or more prosperous cities, the income needed by an individual or household to avoid poverty is higher than in most rural areas or in less prosperous smaller centres, especially where official provision for water, sanitation, education, health care and public transport are very inadequate and where the cost of buying, building or renting housing is particularly high (which is often linked to bureaucratic constraints on increased supply of land for housing).

The criteria used to define the poverty line often also fail to recognize the income needed to pay for *non-food* items. Income-based poverty lines are generally based on estimates of the cost of an 'adequate' diet with some minor additional amount added for non-food expenditures (for instance a 20 to 30 per cent upward adjustment from the cost of a 'food-basket' which is considered to constitute an adequate diet). This greatly underestimates the income needed to avoid many of the deprivations that are part of poverty including the income needed for secure and adequate quality accommodation with adequate provision for water, sanitation and garbage collection and also to meet the costs of transport, health care and keeping children at school. In many cities, renting a room takes 20–30 per cent of poor households' income, even though the quality of the accommodation may be inadequate. For city households who seek to keep down housing costs and live in informal settlements in peripheral locations, fares on public transport can take up 10–20 per cent of their income. Many households have such inadequate access to water and sanitation that paying vendors and paying for 'pay as you use' toilets takes up 5–20 per cent of income.

Most poverty lines also do not recognize the income needed to cover costs of education and health care. They often make no allowance for these costs, since they assume that there is free public provision. Yet keeping children at school can represent a high cost for low-income households; for instance having to pay for private provision when there is no public provision; or the payments that have to be made even when entry into a government school is free; for instance the cost of uniforms, school meals, school books and exam fees; or the informal payments often required from parents because public school funding is inadequate. Costs of access to health care and medicines can take up a significant proportion of low-income households' income, especially where public provision of health care is non-existent or of poor quality. And perhaps not surprisingly, poverty lines do not take into account the income needed for the bribes that so many low-income households have to pay to prevent their houses from being demolished or the goods they are selling on the street or in informal (illegal) stores being confiscated.

International poverty lines – such as the World Bank's US\$1 a day poverty line – are even more misleading in that these imply that the income needed to avoid poverty is not only the same in all locations within a country but also the same across countries. This leads to a large underestimation as to the scale of 'income-poverty' since the income level needed to avoid poverty is much higher than US\$1 a day in most large and/or prosperous cities.

A reliance only on income-based poverty lines to measure poverty also means that many other aspects of urban deprivation get missed or underestimated, including the following:

- *Inadequate, unstable or risky asset bases* (although with a recognition that there are different kinds of assets that help people to avoid poverty or its effects including assets that are important for generating or maintaining income, assets that help low-income people to cope with economic shocks or natural disasters – and avoid the need to take on onerous debt burdens – and assets that are important for limiting environmental hazards that can have serious health and economic costs).
- *Limited or no right to make demands within the political system or to get a fair response: 'voicelessness and powerlessness'* (often within a framework that does not guarantee civil and political rights – for instance the right to have representative government, the right to organize and to make demands and to get a fair response, the right to justice – which includes protection against forced eviction and corruption).
- *Poor quality/insecure housing and lack of basic infrastructure* including insecure tenure and inadequate provision for safe and sufficient water, sanitation and drainage (with the immense health burden that this imposes and the high economic and other costs this also brings); although higher incomes generally allow households to find more secure and better quality accommodation.
- *Inadequate basic services* including good quality education, health care, emergency services and protection from crime and violence.
- *Discrimination* in, for instance, labour markets and access to services, political representation and justice. This includes the discrimination that women face in labour markets and access to property, credit and services. It also includes the discrimination faced by certain groups based on their race or caste.

Source: Satterthwaite, background paper.

Notes: See for example Kanji, 1995; Pryer, 1993.

economic growth and the reduction of poverty. Table 1.4 summarizes information from the World Bank Development Indicators. The Gini Index is a commonly used indicator of inequality.⁸³ Although it presents an overall picture, it is less effective in conveying what is happening at the extremes of the distribution. Therefore, additional information is provided by figures showing the proportion of income received by the highest and lowest deciles of the population.

The indicators in Table 1.4 confirm the generally high levels of inequality found in countries in Latin

America and the Caribbean. Inequality is high, as well, in many African nations and in the Russian Federation. In so far as data permit, the next section further examines trends observed in various world regions.

● The developing countries

Data on poverty and inequality trends in the developing world are scarce and incomplete. However, the information that is available indicates, on the whole, little improvement or worsening of conditions. A recent study of the distributional effects of IMF programmes in 39 developing

countries found a significant sharpening of income inequality and a deterioration of incomes of the poor in the countries most in need of external financing to address prior balance of payments problems.⁸⁴

In Latin America, a quarter of all national income is received by a mere 5 per cent of the population, and the top 10 per cent own 40 per cent of the wealth. Income distribution, which had become more equal during the 1970s, worsened considerably in the 1980s and remained stagnant in the 1990s, despite positive growth rates throughout the decade.⁸⁵ The region's income distribution is the most inequitable in the world, with the poorest 20 per cent earning a mere 3.5 per cent of total income. The figure is 5.2 per cent in Africa and 8.8 per cent in Eastern Europe and Southeast Asia.⁸⁶ Data from the United Nations Economic Council for Latin America (UNECLA) show that while the proportion of the urban poor in Latin America and the Caribbean fell during the 1990s, in 1997 the proportion of urban households in poverty and in extreme poverty was still higher than it was in 1980 and the absolute number of poor people living in cities increased. Over the last 20 years, the number of the poor has risen by 40 million to 180 million, equalling 36 per cent of the population. Of those, 78 million live in extreme poverty, unable to afford even a basic daily diet. The poverty rate is 80 per cent among the region's 30 million indigenous people, who are concentrated in Bolivia, Ecuador, Guatemala, Mexico and Peru.⁸⁷ During the 1990s, the Gini coefficient for urban household income inequality increased in 12 Latin American countries and declined only in Bolivia, Honduras and Uruguay.⁸⁸

Many African countries are also characterized by very high levels of inequality. The continent faces difficult development challenges. It is the poorest region in the world, with an average income per capita of US\$315 in 1997.⁸⁹ More than 40 per cent of Africa's 600 million people live below the internationally recognized poverty line of US\$1 per day.⁹⁰ Deteriorating economic conditions during the 1970s brought about declines in urban incomes. Subsequent Structural Adjustment Policies (SAPs) served to further impoverish a majority of urban households and to newly impoverish a new class of junior public sector employees. At the end of the 1990s, African output per capita was lower than it was 30 years before.⁹¹ During this period, its share of world trade fell to just 2 per cent. Most African countries are still exporters of primary commodities and are deeply indebted, with foreign debt representing more than 80 per cent of GDP in 1997.⁹² Investment and savings per capita have declined since 1970, averaging 30 per cent of GDP in the 1990s.⁹³ Declining wage levels and increasing prices of food and services have combined to result in a widespread deterioration in standards of living. However, the pattern is not uniform across Africa. Broadly speaking, the countries of tropical sub-Saharan Africa have experienced the severest declines, but in some of these countries, drought and wars have been as or more important than economic policies. About one in five Africans live in countries formally at war or severely disrupted by conflict.⁹⁴ The mortality rate is increasing and now stands at 165 per 100,000, compared with 107 in 1970.⁹⁵ AIDS is

Year	Coefficient of variation
1980	0.7575
1985	0.7867
1990	0.8083
1995	0.8291
1996	0.8294
1980s	0.7789
1990s	0.8210

Source: Kanbur and Lustig, 1999.

expected to reduce life expectancy by up to 20 years in the most affected countries.⁹⁶ Recession and adjustment seem to have had less dramatic effects on Northern and Southern African countries.⁹⁷

Recent data on income distribution in Asian countries are scarce. An IMF study of trends in selected countries from the early 1970s through the early 1990s showed some improvement in Indonesia, the Philippines and Malaysia, but found considerable increases in income inequality in Sri Lanka, Bangladesh, India, Singapore, Thailand and Pakistan.⁹⁸ A recent analysis of the impacts of structural adjustment reforms in Pakistan reveals persistent poverty and inequality and moribund social safety nets.⁹⁹ These findings pre-date the Asian financial crisis at the end of the 1990s, which has thrown existing inequalities into sharper relief.

Since 1978, China has implemented influential economic reforms. For example, export firms were allowed to retain a proportion of foreign exchanges, which were previously entirely controlled by the central government. After 1980, Foreign Direct Investment (FDI) grew about 35 per cent per annum, making China in 1996 the second largest recipient of FDI, after the United States. In 1998, China's foreign exchange reserve was more than US\$140,000 million, second only to that of Japan. The export-oriented development strategy articulated by Deng Xiaoping led to rapid economic growth. GDP more than quadrupled. Per capita disposable incomes more than tripled in the cities and almost quadrupled in the rural areas.

However, rapid economic growth also brought about growing income inequality, which slowed down poverty reduction. Before the economic reforms that started with the open-door policy in 1978, China was one of the most egalitarian economies in the world.¹⁰⁰ But between 1981 and 1995, the Gini coefficient, a widely used measure of inequality, increased from 28.8 to 38.8.

● The countries with economies in transition

In the formerly centrally planned economies, ownership of assets was concentrated in the state, earnings inequality in the dominant state sector was low and public policies were designed to limit income differences.¹⁰¹ Inequality did exist, based not on market dynamics but as a function of differentially privileged positioning in channels of bureaucratic resource allocation; the party cadre, the leading intelligentsia, the upper echelon of the military and top security officers, managers of large state enterprises and elite

Table 1.3

Coefficient of variation of GDP per capita across countries

Country	Gini Index	Lowest 10%	Highest 10%	Survey year
Slovakia	19.5	5.1	18.2	1992c,d
Belarus	21.7	5.1	20.0	1998a,b
Austria	23.1	4.4	19.3	1987c,d
Denmark	24.7	3.6	20.5	1992c,d
Japan	24.9	4.8	21.7	1993c,d
Belgium	25.0	3.7	20.2	1992c,d
Sweden	25.0	3.7	20.1	1992c,d
Czech Republic	25.4	4.3	22.4	1996c,d
Finland	25.6	4.2	21.6	1991c,d
Norway	25.8	4.1	21.8	1995c,d
Croatia	26.8	4.0	21.6	1998a,b
Slovenia	26.8	3.2	20.7	1995c,d
Luxembourg	26.9	4.0	22.0	1994c,d
Italy	27.3	3.5	21.8	1995c,d
Romania	28.2	3.7	22.7	1994c,d
Bulgaria	28.3	3.4	22.5	1995a,b
Egypt	28.9	4.4	25.0	1995a,b
Rwanda	28.9	4.2	24.2	1983–85a,b
Germany	30.0	3.3	23.7	1994c,d
Lao PDR	30.4	4.2	26.4	1992a,b
Hungary	30.8	3.9	24.8	1996c,d
Pakistan	31.2	4.1	27.6	1996–97a,b
Canada	31.5	2.8	23.8	1994c,d
Korea, Republic of	31.6	2.9	24.3	1993a,b
Latvia	32.4	2.9	25.9	1998c,d
Lithuania	32.4	3.1	25.6	1996a,b
Spain	32.5	2.8	25.2	1990c,d
Ukraine	32.5	3.9	26.4	1996a,b
The Netherlands	32.6	2.8	25.1	1994
France	32.7	2.8	25.1	1995c,d
Ghana	32.7	3.6	26.1	1997a,b
Greece	32.7	3.0	25.3	1993c,d
Poland	32.9	3.0	26.3	1996c,d
Switzerland	33.1	2.6	25.2	1992c,d
Mongolia	33.2	2.9	24.5	1995a,b
Burundi	33.3	3.4	26.6	1992a,b
Uzbekistan	33.3	3.1	25.2	1993c,d
Bangladesh	33.6	3.9	28.6	1995–96a,b
Republic of Moldova	34.4	2.7	25.8	1992c,d
Sri Lanka	34.4	3.5	28.0	1995a,b
Australia	35.2	2.0	25.4	1994c,d
Algeria	35.3	2.8	26.8	1995a,b
Estonia	35.4	2.2	26.2	1995c,d
Kazakhstan	35.4	2.7	26.3	1996a,b
Israel	35.5	2.8	26.9	1992c,d
Portugal	35.6	3.1	28.4	1994–95c,d
Ireland	35.9	2.5	27.4	1987c,d
United Kingdom	36.1	2.6	27.3	1991c,d
Viet Nam	36.1	3.6	29.9	1998a,b
Jamaica	36.4	2.9	28.9	1996a,b
Jordan	36.4	3.3	29.8	1997a,b
Indonesia	36.5	3.6	30.3	1996c,d
Côte d'Ivoire	36.7	3.1	28.8	1995a,b
Nepal	36.7	3.2	29.8	1995–96a,b
India	37.8	3.5	33.5	1997a,b
United Republic of Tanzania	38.2	2.8	30.1	1993a,b
Mauritania	38.9	2.3	29.9	1995a,b
Uganda	39.2	2.6	31.2	1992–93a,b

Country	Gini Index	Lowest 10%	Highest 10%	Survey year
Morocco	39.5	2.6	30.9	1998–99a,b
Yemen	39.5	2.3	30.8	1992a,b
Mozambique	39.6	2.5	31.7	1996–97a,b
Ethiopia	40.0	3.0	33.7	1995a,b
Guyana	40.2	2.4	32.0	1993a,b
Tunisia	40.2	2.3	30.7	1990a,b
Trinidad and Tobago	40.3	2.1	29.9	1992c,d
China	40.3	2.4	30.4	1998c,d
Guinea	40.3	2.6	32.0	1994a,b
Cambodia	40.4	2.9	33.8	1997a,b
Kyrgyzstan	40.5	2.7	31.7	1997c,d
Turkmenistan	40.8	2.6	31.7	1998a,b
United States	40.8	1.8	30.5	1997c,d
Senegal	41.3	2.6	33.5	1995a,b
Thailand	41.4	2.8	32.4	1998a,b
Turkey	41.5	2.3	32.3	1994a,b
Bolivia	42.0	2.3	31.7	1990c,d
Uruguay	42.3	2.1	32.7	1989c,d
Saint Lucia	42.6	2.0	32.5	1995c,d
Ecuador	43.7	2.2	33.8	1995a,b
New Zealand	43.9	0.3	29.8	1991c,d
Kenya	44.5	1.8	34.9	1994a,b
Madagascar	46.0	1.9	36.7	1993a,b
Peru	46.2	1.6	35.4	1996c,d
Philippines	46.2	2.3	36.6	1997a,b
Costa Rica	47.0	1.3	34.7	1996c,d
Gambia	47.8	1.5	37.6	1992a,b
Burkina Faso	48.2	2.2	39.5	1994a,b
Malaysia	48.5	1.8	37.9	1995c,d
Panama	48.5	1.2	35.7	1997a,b
Dominican Republic	48.7	1.7	37.8	1996c,d
Russian Federation	48.7	1.7	38.7	1998a,b
Venezuela	48.8	1.3	37.0	1996c,d
Zambia	49.8	1.6	39.2	1996a,b
Nicaragua	50.3	1.6	39.8	1993a,b
Mali	50.5	1.8	40.4	1994a,b
Niger	50.5	0.8	35.4	1995a,b
Nigeria	50.6	1.6	40.8	1996–97a,b
Papua New Guinea	50.9	1.7	40.5	1996a,b
El Salvador	52.3	1.2	40.5	1996c,d
Honduras	53.7	1.2	42.1	1996c,d
Mexico	53.7	1.4	42.8	1995c,d
Lesotho	56.0	0.9	43.4	1986–87a,b
Guinea-Bissau	56.2	0.5	42.2	1991a,b
Chile	56.5	1.4	46.1	1994c,d
Zimbabwe	56.8	1.8	46.9	1990–91a,b
Colombia	57.1	1.1	46.1	1996c,d
Paraguay	59.1	0.7	46.6	1995c,d
South Africa	59.3	1.1	45.9	1993–94a,b
Guatemala	59.6	0.6	46.6	1989c,d
Brazil	60.0	0.9	47.6	1996c,d
Swaziland	60.9	1.0	50.2	1994c,d
Central African Republic	61.3	0.7	47.7	1993a,b
Sierra Leone	62.9	0.5	43.6	1989a,b

Source: Data selected from World Bank Development Indicators 2000. Countries not shown were excluded for lack of data.

Notes: a Expenditure shares by percentiles of population. b Ranked by per capita expenditure. c Income shares by percentiles of population. d Ranked by per capita income.

Table 1.4
Income inequality by country

athletes were known to receive preferential treatment.¹⁰² However, levels of income inequality were significantly lower than in OECD countries.¹⁰³ Given the initial conditions at the start of the transition, it is not surprising that liberalization and the introduction of market processes

would lead to greater income inequality.¹⁰⁴ However, not all countries follow the same trend.

The transition economies in Central and Eastern Europe have experienced contrasting outcomes regarding income distribution since the late 1980s. Some, like

Slovakia, have maintained the relatively equal income distributions that were present at the beginning of the transition with government policies offsetting unevenness in wages. Others, like Russia, have seen dramatic increases in income inequality, which have combined with declines in total output to raise poverty rates sharply.¹⁰⁵ Causes of growing inequality include:

- asset redistribution, chiefly through privatization;
- liberalization of prices and, in some contexts, redistribution resulting from inflation tax and macroeconomic instability;
- liberalization of wage setting, tolerance of unemployment and changes in labour market institutions;
- shifts in the level and structure of public spending, including spending on transfers, education and health;
- tax reforms, generally a reduction of tax rates, aimed at raising incentives for firms and individuals; and
- trade liberalization, exposing technological obsolescence and associated lack of skills among workers.¹⁰⁶

Recent studies of transition economies found that income inequality is positively correlated with the share of output in the informal economy, although the causality of this relationship may operate in both directions. An increasingly large informal economy may contribute to greater inequality due to weakened social safety nets eroded by falling tax revenues. This greater inequality wears away solidarity and trust, which may lead people to hide formal economic activities from the government to avoid onerous regulations, evade taxes, to engage in bribery, or other criminal activities that undermine the legitimacy and functioning of the system.¹⁰⁷ At the same time, trade liberalization and technological change have affected the relative demand for types of labour. In this light, policies aimed at increasing adaptability – for example, improving skills acquisition and the quality of the educational system – become more important in dampening wage inequality. However, developments in the Central and Eastern European States (CEES) are in the opposite direction, pointing to the probability of persistent inequality in the future.¹⁰⁸

● The industrialized countries

A comparison of wage inequality in OECD countries during the 1980s and 1990s shows divergent patterns. The US and the UK experienced sharp increases in inequality. There was also a pronounced increase in inequality in New Zealand, following substantial deregulation of that country's product and labour markets. There were modest rises in inequality in Canada and Japan and declines in Sweden and Germany.¹⁰⁹ Various studies indicate that inequality in earnings income among Australian households increased during the 1980s and 1990s. However, research also suggests that these increases in inequality in the distribution of market income over this period were fully offset by increases in the progressivity in the tax/transfer system.¹¹⁰

The pattern of demand shifts for more skilled workers appears to be relatively similar in more developed

economies, although not all OECD nations have experienced sharp increases in wage dispersion and educational wage differentials similar to the US since the end of the 1970s. Declines in the growth of relative skill supplies have been more pronounced in countries with the largest increases in educational wage differentials and overall wage inequality (the US and the UK). Differences in labour market institutions have also influenced the recent pattern of wage inequality changes in OECD countries.¹¹¹ Countries where unions, employer federations and government agencies play a larger role in wage determination had smaller increases in inequality than the US. A comparison with Canada is instructive because the labour market impacts from changes in trade and technology have probably been similar to those in the US. The decline of relative skill supply in the US, but not in Canada, offers a partial explanation for the larger increases in wage inequality seen in the former. In addition, the US has experienced much more deunionization. The relationship between the decreasing influence of wage-setting institutions and increasing wage inequality is also apparent in the UK (declining unionization in the 1980s), Sweden (shift from peak-level bargaining to more company- and industry-based settlement in the mid-1980s), and Italy (end of government intervention in wage setting through the *scala mobil*, ensuring automatic cost-of-living adjustments, in the early 1990s).¹¹²

The reason for the rise in inequality in the developed countries is not a simple one. In general, there has been an increase in the demand for skilled labour, relative to unskilled labour. The underlying cause of this shift involves aspects of globalization and technological change. In this connection, greater opening up of trade can lead to greater disparities. Many traded goods are intermediate inputs that substitute for unskilled labour more readily than for skilled labour, so that when trade lowers their prices, the demand for unskilled workers falls relative to that for skilled workers. Inequality is also increased by technological change that raises the quality of capital goods and the complementary need for skilled labour.¹¹³

*The Human Development Report 1999*¹¹⁴ ranks Canada first among 174 countries included in its Human Development Index,¹¹⁵ while the US is tied for second place.¹¹⁶

During the recent period, the US and Canada have experienced strong economic growth. However, this economic growth happened at the same time that poverty increased and existing inequalities deepened

Both countries fare very well according to most indicators used to calculate the index. During the recent period, both countries have experienced strong economic growth. However, this economic growth happened at the same time that poverty increased and existing inequalities deepened.¹¹⁷ Thus, both countries are also examples of how aggregate numbers may reveal little and obscure much about large differences underlying the summary statistics. Because the US strongly influences the policies of other countries, it is of interest to examine its own domestic situation in some detail.

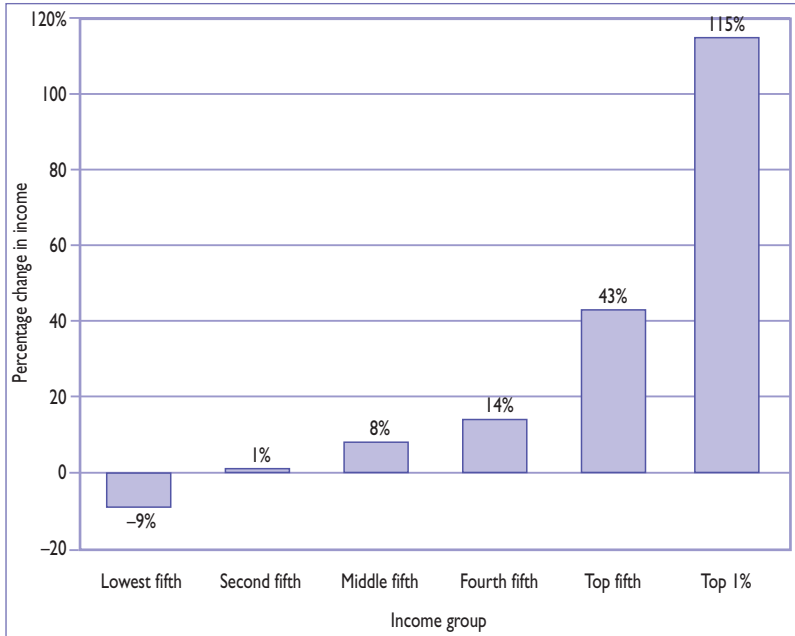


Figure 1.1
Percentage change in after-tax income, 1977–1999 (US)

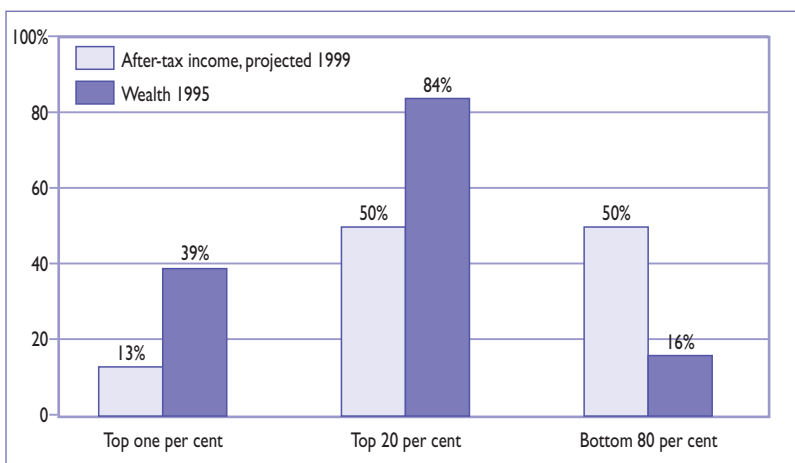
Source: CBPP Analysis of CBO Data. 1999 data are projections

The Center on Budget and Policy Priorities¹¹⁸ is a leading non-partisan research organization and policy institute that conducts studies of a range of government policies and programmes in the US, with an emphasis on those affecting low- and moderate-income households. In a recent report, *The Widening Income Gulf*,¹¹⁹ analysing data from the Congressional Budget Office (CBO),¹²⁰ the Center observes that the after-tax income gaps between those with the highest incomes and other households have widened sharply since 1977 and reached the widest point in recent decades (Figure 1.1).¹²¹ The average after-tax income of the richest 1 per cent of the population more than doubled between 1977 and 1999, rising 115 per cent after adjusting for inflation. But the average after-tax income for households in the middle of the income scale increased by only 8 per cent over this 22-year period, an average real gain of less than 0.5 per cent per year, while the average income of the poorest fifth of all households fell. The analysis found that the richest 1 per cent of households had as much after-tax income in 1999 as the 38 per cent with the lowest incomes.

The report also examined data on wealth in US society and found that its distribution is even more skewed than that of income.¹²² For example:

Figure 1.2
Shares of after-tax income versus shares of wealth (US)

Source: Wolff wealth data and CBPP analysis of CBO after-tax income data



- In 1995, the wealthiest 1 per cent of households owned 39 per cent of the nation’s wealth. By contrast, 1 per cent of US households with the highest incomes received about 13 per cent of the nation’s after-tax income. The share of the nation’s wealth possessed by the top 1 per cent is thus three times as large as their already large share of national income.
- The wealthiest 20 per cent of households owned 84 per cent of the nation’s wealth in 1995. By comparison, the 20 per cent of households with the highest incomes receive a little more than 50 per cent of the national after-tax income.
- The bottom 80 per cent of households owned only 16 per cent of the nation’s wealth, significantly less than half of what the wealthiest 1 per cent of the population possessed.
- Wealth was more concentrated among the top 1 per cent and top 20 per cent of households in 1995 than at any time since the Depression.

The concentration of wealth and after-tax income is shown in Figure 1.2.

Data from different sources produce similar findings on income and wealth inequality, including a study by the US Congress’s Joint Committee on Taxation,¹²³ and from two recent reports by the nonprofit organization ‘United for a Fair Economy’¹²⁴ entitled *Shifting Fortunes: The Perils of the Growing American Wealth Gap*¹²⁵ and *Divided Decade: Economic Disparity at the Century’s Turn*.¹²⁶

What is noteworthy about the US situation is that a strong economic expansion has gone hand-in-hand with persistent poverty as well as widening economic disparities. This is significant in that the US is greatly influential in shaping international approaches to development. It is of interest to review recent Canadian trends, which show several similarities, but also important differences compared with the developments in the US.

Falling Behind: The State of Working Canada 2000,¹²⁷ a report by the Canadian Centre for Policy Alternatives,¹²⁸ highlights the following long-term socio-economic trends in Canadian society, ranked first in the United Nations Human Development Index.¹²⁹

- Real, personal, disposable (after tax) income per person fell by an average of 0.33 per cent per year in the 1990s; in 1999, real, personal, disposable income per Canadian was 3.3 per cent lower than in 1989.
- Between 1981 and 1995, only the top 10 per cent of male earners experienced any increase at all in their real annual earnings (up 6.2 per cent over the entire period). The real annual earnings of the bottom 90 per cent of men fell, and they fell the most for lower earners, with the real annual earnings of the bottom 10 per cent of men falling by 31.7 per cent.
- Between 1980 and 1996, because of flat or falling wages and rising unemployment, lower income families came to rely more on transfer payments from governments (unemployment insurance, social assistance, public pensions, etc.). Transfer payments

made up 59 per cent of the income of the lowest income 20 per cent of Canadian families in 1996, up from 46 per cent in 1980; and 25 per cent of the income of the next 20 per cent of families in 1996, compared with 14 per cent in 1980.

- Transfer payments make a huge difference to income inequality. In 1997, the most affluent 20 per cent of Canadian families had 21 times the income of the bottom 20 per cent when only pre-tax 'market' income (wages, salaries and investment income) is considered, but just five times as much income after taxes and transfers had redistributed income.
- The overall poverty rate in Canada rose from 16 per cent in 1980 to 17.5 per cent in 1997. However, this was the combined result of declining rates of poverty among the elderly (down from 34 per cent to 19 per cent) because of improvements to public pensions, and of increasing poverty rates for younger families with heads aged 25 to 34 (up from 12 per cent to 19 per cent). As a result, the child poverty rate also rose, from 16 per cent to 20 per cent. Child poverty rates have remained stubbornly high even during the 1990s recovery because of deep cuts to social assistance and unemployment insurance benefits.
- Job growth in the 1990s was, until very late in the decade, heavily tilted towards 'precarious' jobs. Between 1989 and 1998, the total number of self-employed workers grew by 40 per cent, part-time paid jobs grew by 16 per cent, and full-time paid jobs grew by just 2 per cent; 70 per cent of the increase in self-employment was in 'own account' businesses with no employees.
- Between 1989 and 1997, the average 'market' income of Canadian families from wages, salaries, self-employment earnings and investments (adjusted for inflation) fell from Can\$53,937 to Can\$50,672, and average family income after taxes and government transfers fell by 5.6 per cent from Can\$48,311 to Can\$45,605. Poorer families experienced the most serious decline in both market and after-tax/transfer incomes. The real after-tax/transfer incomes of the least well-off 40 per cent of families with children fell by 12 per cent over this period.
- Between 1990 and 1998, private health care spending per person rose by 19.6 per cent to Can\$733, while public health care spending per person fell by 5.1 per cent to Can\$1680. As a result, the private share of all health care spending rose from 24 per cent to 30 per cent. Over the same period, undergraduate tuition fees rose by 126 per cent.

Box 1.4 United for a fair economy and responsible wealth

The richest 1 per cent of the US population now own more personal wealth than the bottom 95 per cent combined. Responsible Wealth is a network of over 450 business people, professionals, investors and other affluent top income earners and asset holders, affiliated with United for a Fair Economy, a nonprofit organization concerned about growing inequality. In 1997, they pledged the proceeds of their capital gains tax cut to support groups working for a fairer tax system and economic justice and developing initiatives that improve access to health care and education as well as programmes to help low-income households build assets that will enable them to own a home or small business.

Since 1990, average worker pay increased 28 per cent, just slightly above inflation, while CEO pay rose 481 per cent. In 1999 alone, average CEO compensation jumped 23 per cent, while average, full-time worker pay increased a mere 3 per cent. Members of Responsible Wealth have also embarked on a campaign filing shareholder resolutions to bring about a fairer distribution of wages:

- Linking CEO and average worker pay according to a maximum ratio to reduce growing disparities.
- Freezing CEO pay during periods of downsizing and cost cutting.
- Conducting pay equity audits to identify and correct violations of pay equity legislation, exposing discriminators to adverse publicity and legal liabilities.
- Broadening ownership by increasing the number of shares held by employees, which has been associated with both faster economic growth and lower worker turnover, and which will help bridge the wage gap.
- Reforming corporate governance by holding real elections with multiple candidates for board positions, including representatives from employees and the community.
- Publishing corporate lobbying expenses and listing political contributions in order to respect the shareholders' right to know how their money is spent.
- Disclosing corporate welfare by reporting the extent and ways that a company's profits are tied to tax abatements, below-market financing and other government subsidies.

Source: Responsible Wealth (www.responsiblewealth.org), a project of United for a Fair Economy (www.ufenet.org/).

As can be seen from Table 1.5, unlike in the US, the rise in Canadian family income inequality is not due to an increase in the earnings of the highest paid, but reflects a sharp drop in incomes among the lowest quintile.

Table 1.6 presents a comparison of the overall distribution of disposable (after-tax and transfer) income for a number of advanced industrialized countries for the most recent years for which data are available.¹³⁰ The US clearly emerges as the most unequal society, with the top decile of households having incomes almost six times greater than the bottom decile. By this same measure, the Scandinavian and Benelux countries stand at the high-equality end of a wide income distribution spectrum, with the UK and the US standing at the other end. The US and the UK also have a relatively much less well-off middle class. Further, the table shows similar dramatic differences in the child poverty rate, ranging from 2.7 per cent in Sweden to 22.7 per cent in the US.

	1973 \$	1984 \$	1990 \$	1996 \$	% change 1973-90	% change 1990-96
Bottom 5th						
Decile 1	5204	2062	2760	435	-47	-84
Decile 2	19,562	14,930	16,599	11,535	+15	+31
Top 5th						
Decile 9	71,611	79,628	88,426	86,497	+23	-2
Decile 10	107,253	123,752	134,539	136,737	+25	+2

Source: Statistics Canada Survey of Consumer Finance data from Armine Yalnizyan, The Growing Gap, Centre for Social Justice, October, 1998.

Table 1.5

Average Canadian family income before transfers, 1973-1996; families with children (Can\$1996)

	Top/bottom decile	Bottom as % middle	Top as % middle	Child poverty rate (%)
US	6.44	34	219	22.7
Canada	3.93	47	185	13.9
UK	4.56	46	210	17.9
Germany (W)	3.84	46	177	8.7
France	4.11	45	185	7.5
The Netherlands	3.05	57	173	4.1
Sweden	2.78	57	159	2.7
Industrial country average	3.53	52	181	na

Source: Luxembourg Income Study data in Timothy Smeeding, 'Income Inequality: Is Canada Different or Just Behind the Times?' Paper presented to the 1999 meeting of the Canadian Economics Association.

Table 1.6
National income distributions compared

The distribution of income and poverty in countries is determined by two main forces: the primary distribution of income by the market and the subsequent reshaping of this distribution by governments through taxes and income transfers. Table 1.7 provides an indication of the different roles played by the tax/transfer system in different countries. It shows the proportion of the population who fall below the poverty line, defined as half the median income, before and after transfers. In the US, the poverty rate of all households is reduced by less than one-third. However, in Canada, the poverty rate is cut in half by transfers, from 22.9 per cent to 11.2 per cent. In Germany, France and Sweden, the transfers are even more significant, reducing poverty rates by 75–80 per cent. Similar or more striking reductions occur in families with children (Table 1.7). The pattern of rising wage inequality in the US is not offset by changes in non-wage compensation favouring low-wage workers.¹³¹

Assessment of trends

The data just presented are important. They illustrate a key point: public policies can produce quite different living conditions.

The record shows that different public policies produce different living conditions in countries with similar experiences of globalization and technological change

All of the countries considered above operate in similar contexts of globalization, including increased capital mobility, competition and trade liberalization. They all experience more or less the same pattern of technological change. Yet, as societies, they have created very different outcomes for their citizens. Clearly, globalization is not a mechanistic

Table 1.7
National poverty rates: before and after the impact of transfers

	All households		Two-adult working families with children	
	Before	After	Before	After
US	25.3	17.7	15.4	12.7
Canada	22.9	11.2	12.6	6.4
Germany	22.1	5.5	3.1	1.5
France	34.5	8.2	18.7	2.1
Sweden	33.9	6.5	9.6	1.4

Source: OECD Economics Department Working Paper 189 Income Distribution and Poverty in Selected OECD Countries (1998), Tables 5.4, 5.7. Poverty defined as income less than half median.

process with predetermined consequences. Greater inequality is not a foregone conclusion. Our task is to channel the potential of globalization towards the elimination of poverty, the reduction of inequality and the protection of our natural environment. To date, market-led approaches have failed to attain these goals. Elsewhere in this report, reasoned arguments make clear that the prospect that markets will be effective in the future is bleak at best.

New forms of governance must take advantage of the combined capabilities and strengths of governments at various levels, market mechanisms and civil society networks. Such governance will not pit the poor against the rich, but develop the unrealized productive potential of the poor and recognize that policies supporting people living in poverty also benefit the rest of society

What we need, instead, are new forms of governance that take advantage of the combined capabilities and strengths of governments at various levels, market mechanisms and civil society networks. Such governance will use strategies that do not pit the poor against the rich, but that develop the unrealized productive potential of the poor and recognize that policies supporting people living in poverty also benefit the rest of society. People living in poverty have shown that they have the capacity to establish their priorities, mobilize resources and negotiate the terms and direction of local development with external public and private interests. Our first priority must be to support this capacity, especially by strengthening poor people's security of land and housing, assisting them in mobilizing these assets, and by improving their access to basic services such as safe water supply and sanitation.¹³²

The World Bank estimates that the economies of developing countries will grow at 4 per cent per capita per annum until 2015. What are the implications of this growth rate for meeting the OECD's Development Assistance Committee (DAC) income-poverty target? As Figure 1.3 shows, if the 4 per cent growth rate is accompanied by low income inequality then the DAC target is easily met, and poverty is halved by 2006. If, on the other hand, high income inequality accompanies growth then the DAC target is not achieved. The 4 per cent growth rate forecast is optimistic to begin with.¹³³

Higher rates of growth help, but only to a limited extent. The same figure shows that shifting from a high inequality to a low inequality growth path has a greater effect on poverty reduction than adding an extra 1 per cent to the growth rate. In fact, in the high-income inequality scenario it would require an extra 5 per cent growth (to make a total rate of 9 per cent) per capita per annum to meet the target. This growth rate would be without historical precedent. Even the Southeast Asian economies only grew 5.5 per cent per annum between 1965 and 1997.¹³⁴

Recent econometric studies also appear to invert the conventional wisdom that inequality is good for growth. A review of this research develops the argument that inequality is bad for growth for three reasons. To begin with,

conditions of inequality restrict the opportunities for productive investment by the poor, especially in human capital, more than they increase such opportunities for the rich. Inequality also discourages effort by poor borrowers. Finally, it creates credit cycles that amplify macroeconomic volatility.¹³⁵ The same viewpoint was recently expressed by World Bank president James Wolfensohn who stated that:

*'Growth did not reduce poverty (in Latin America and the Caribbean), and had little impact on inequality. High inequality sustains poverty, as smaller shares of total income reach those at the bottom. Inequality weakens the impact of growth on fighting poverty.'*¹³⁶

'High inequality sustains poverty, as smaller shares of total income reach those at the bottom. Inequality weakens the impact of growth on fighting poverty' – James Wolfensohn, Address to Western Hemisphere Finance Ministers Meeting, Cancun, 3 February 2000

Chapter 15 in Part V discusses approaches to fight poverty and inequality. However, it is important here to make several observations to set the stage for later discussions. These observations include the incontrovertible facts that

- today, large numbers of people live in abject poverty and squalor;
- unprecedented economic growth has done little to reduce their number; and
- in many places, inequalities have sharply increased.

We cannot continue with business as usual if we are serious about tackling the root causes of poverty and inequality.

We cannot continue with business as usual if we are serious about tackling the root causes of poverty and inequality. For the development of human settlements, the implication is that we must broaden our view of cities as engines of economic growth to include and emphasize a perspective that sees cities as agents of social change

The preceding discussion has been concerned with providing a general socio-economic background within which to situate the more urban-focused analyses of subsequent chapters. It identified a number of significant trends relevant to poverty within cities which are highlighted by the following points:

- In many countries, real incomes have fallen, the costs of living have gone up and the number of poor households has grown, especially in cities. It is clear that future urbanization in developing countries will

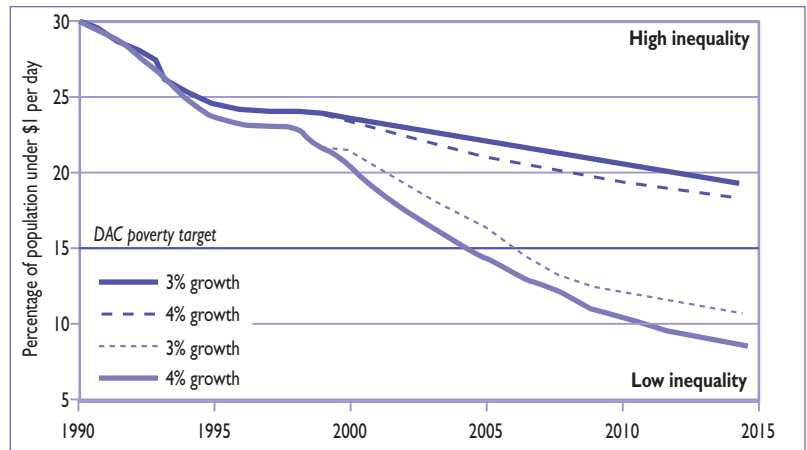


Figure 1.3

Global poverty in 2015: effects of growth and inequality

Source: Maxwell and Hammer, 1999

be accompanied by a shift in the concentration of poverty from rural to urban areas, a phenomenon which has been described as the 'urbanization of poverty'. Already, more than three-quarters of the poor in Latin America live in cities; other developing world regions are likely to follow the same path.

- Poverty should not be seen narrowly in terms of income in relation to costs of living. The ability to maintain a minimum standard of living also depends on access to basic services such as safe drinking water, sanitation and waste collection and disposal, all of which have important effects on health. Millions of urban dwellers do not have access to these services. In view of this, it is clear that the effectiveness with which urban infrastructure and services, and human settlements in general, are managed has significant implications for poverty eradication.
- Urban poverty, including food insecurity and malnourishment, are not restricted to the developing world. Therefore, it is important to stress that economic growth does not guarantee their elimination. Despite a booming economy, hunger and homelessness in the US have increased. Research has shown that decreasing income inequality can have as much impact on reducing poverty as increasing economic growth.

For the development of human settlements, the implication of the above trends is that we must broaden our view of cities as simply engines of economic growth to include and emphasize a perspective that sees cities as agents of social change. Such a perspective entails first the articulation of appropriate new normative agendas. The United Nations world conferences of the 1990s, reviewed in Chapter 3, were an important catalyst in this regard. Now is the time for *implementation* of these agendas.

Notes

- 1 Today, more than 47 per cent of the world's population lives in cities. The actual transition to 50 per cent urban is expected to occur in 2007, while projections show that 56 per cent of the global population will be urban by 2020. Figures from United Nations, Population Division, 2000, pp 1–3 and Table A.2.
- 2 A detailed critique of this assumption is contained in the second part of this chapter.
- 3 For a detailed treatment of the impact of ICTs on the divided city, see further on in this same chapter.
- 4 The following section draws on a paper prepared by Stephen Graham, University of Newcastle (see Background Papers).
- 5 See Wellman, 1999.
- 6 Castells, 1999a.
- 7 Graham and Marvin, 1996.
- 8 Castells, 1996; 1998; 1999a.
- 9 Skeates, 1997.
- 10 Picon, 1998.
- 11 See Graham and Marvin, 1996, Chapter 2.
- 12 See, for example, the recent synthesis by Wheeler et al, 2000.
- 13 Graham, 1998.
- 14 Swyngedouw, 1992, p 322.
- 15 UNDP, 1999, p 63
- 16 Ibid, p 62.
- 17 Ibid, p 62.
- 18 Goslee, 1998.
- 19 NTIA, 1999.
- 20 Ibid.
- 21 Goslee, 1998.
- 22 Cited in Goslee, 1998.
- 23 See Braczyk et al, 1999.
- 24 Rothstein, 1998.
- 25 Borsook, 1999.
- 26 Concerns about the impacts of the growth of high-tech businesses are not restricted to San Francisco. See, for example, Boxall, 2000.
- 27 Schiller, 1999, p 205.
- 28 See Sussman and Lent, 1998.
- 29 Castells and Hall, 1994
- 30 Graham, 1999
- 31 Graham and Marvin, 2001
- 32 Sussman and Lent, 1998
- 33 See Wilson 1998.
- 34 Woodbury and Thompson, 1999.
- 35 Lieberman, 1999.
- 36 Ibid.
- 37 Schiller, 1999, p 54.
- 38 Including, for example, land line phone, mobile phone, cable TV, broadband internet, and corporate networks.
- 39 Such consumers or 'power users' have been described as 'high value residential customers who spend lavishly on a basket of telecommunications and information services, typically including (on an annualized basis) US\$650 on cellular; US\$500 on local wireline phone service; US\$400 on long distance telephony; US\$375 on cable, pay-per-view and video-on-demand; US\$250 on paging; as well as hundreds of additional dollars on online access, newspapers, magazines, and fiction'. (Schiller, 1999, p 54).
- 40 Smith, 1999.
- 41 Finnie, 1998.
- 42 'On both sides of the Atlantic, newly established transatlantic submarine cable facilities and urban business networks will allow MCI/Worldcom to link directly some 4,000 business buildings in Europe with 27,000 such buildings in the United States' (Schiller, 1999, p 63).
- 43 Finnie, 1998.
- 44 Schiller, 1999, p 55.
- 45 See Speak and Graham, 1999 'Many communities and areas are not perceived as having a large enough customer base to attract a [telecommunications or internet] company to offer a service, let alone multiple companies' (Hallgren, 1999, p 1).
- 46 Schiller, 1999, p 56.
- 47 Schiller, 1999, p 57.
- 48 Woodbury and Thompson, 1999.
- 49 Castells, 1999a, p 15
- 50 Graham and Marvin, 2001.
- 51 Castells, 1996; 1998.
- 52 Chomsky, 1993
- 53 Everard, 1999, p 33.
- 54 Fernandez-Maldonado, 1999.
- 55 UNDP, 1999, p 62.
- 56 Hack, 1997, p 11.
- 57 Kaothien et al, 1997, p 14.
- 58 Caldeira, 1996b.
- 59 Ramos-Schiffer, 1997, p 10.
- 60 Grundy-Warr et al, 1999, p 310. See also Box 2.2 for a fuller detailing of Singapore's ICT-based development strategy.
- 61 Wetzler, 2000
- 62 Madon, 1998, p 232.
- 63 Madon, 1998, p 234.
- 64 Rapaport, 1996, p 105.
- 65 Unlike the rags-to-riches 'luck-and-pluck' stories from popular juvenile literature of days gone by, 'You won't see many Horatio Algiers leaping from the shanty towns to work stations in Bangalore's infotech firms' (Wetzler, 2000, p 166).
- 66 Schiller, 1999.
- 67 Kalbermatten 1999, p 15.
- 68 Madon, 1998, p 236.
- 69 Everard, 1999.
- 70 In a telling example, 'it is far easier for a Russian language speaker with a computer to download the works of Dostoyevsky translated into English to read than it is for him to get the original in his own language'. Cited in Everard, 1999, p 38.
- 71 Neil, 1999.
- 72 Mattelart 1996, p 304. Ricardo Petrella, an ex-EU commissioner, is even more pessimistic. To him, current logic on the centralization of wealth and power on key cities in the technological core of the global economy risks a 'new Hanseatic phase in the world economy, ridden by a stark techno-apartheid' (Petrella, 1993).
- 73 Calabrese and Borchert, 1996.
- 74 Souter, 1999, p 412.
- 75 Murdock, 1993, p 536
- 76 Castells, 1999a, p 301.
- 77 See World Bank, 1999a.
- 78 See World Bank, 1999a.
- 79 See www.undp.org/hdro/99.htm
- 80 A simple monetary definition of poverty is problematic for several other reasons. For example, it tends to overestimate poverty in rural areas, where the economy is less monetarized, and it underestimates urban poverty because in cities the costs of food and services tend to be higher (see, eg, UNCHS (Habitat), 1999). A reliance on household income also makes questionable assumptions about equal intra-household distribution of and access to resources. The literature provides full discussion of these and other aspects of poverty (see, eg, Hill, 1999; Razavi, 1999; Zheng, 1997; UNCHS (Habitat), 1999). See also Box 1.1 on the gender-related aspects of poverty measurement methods. For excellent coverage of the characteristics, causes and consequences of urban poverty, see the special issue of *Environment and Urbanization* 7(1) April, 1995.
- 81 Address by James Wolfensohn, World Bank President (Wolfensohn, 2000).
- 82 See Maxwell and Hammer, 1999.
- 83 The coefficient measures the percentage of area under a Lorenz curve of perfect equality that lies between it and the actual Lorenz curve of a society, with higher Gini coefficients indicating greater inequality (Rosser et al, 2000).
- 84 See Garuda, 2000.
- 85 See Karl, 2000.
- 86 Address by James Wolfensohn, World Bank President (Wolfensohn, 2000). See also Londoño and Székely, 1997.
- 87 Address by James Wolfensohn, World Bank President (Wolfensohn, 2000).
- 88 UNECLA, 1998, pp 285–286. See also Tardanico and Menjivar, 1997.
- 89 World Bank, 2000, p 7.
- 90 Ibid, p 10.
- 91 Ibid, p 8.
- 92 Ibid, p 9. One striking comparative example of the continent's lagging development: in 1965, income and exports per capita were higher in Ghana than in Korea. Korea's exports overtook Ghana's in 1972 and its income overtook Ghana's in 1976. Korea's exports increased by 400 times between 1965 and 1995, whereas Ghana's increased only four times.
- 93 World Bank, 2000, p 9.
- 94 Chapter 14 documents the human impacts of armed conflict across the world, including homelessness; the data show that Africa's population is most heavily affected.
- 95 World Bank, 2000, p 10.
- 96 World Bank, 2000, p 11.
- 97 See Jamal and Weeks, 1993; Potts, 1997.
- 98 Ke-young Chu et al, 2000.
- 99 Zaidi, 1999, pp 2943–2951.
- 100 As measured by the Gini coefficient (28.8). At the regional level, only Eastern Europe was more egalitarian (25.0). The highest level of inequality was found in Latin America and the Caribbean (49.8). See Yao, 1999.
- 101 Aghion and Commander, 1999.
- 102 See, for example, Szelenyi, 1983; Daniel, 1985; Alexeev, 1999. Cf. Fung, 1987 for China.
- 103 See Atkinson and Micklewright, 1992.
- 104 See Nee and Peng, 1996.
- 105 See Rosser et al, 2000; Forster and Toth, 1997; Speder, 1998.
- 106 See Aghion and Commander, 1999, pp 277–278.
- 107 See Rosser et al, 2000, pp 157–158.
- 108 See Aghion and Commander, 1999; Alexeev, 1999; Commander, Tolstopiatenko and Yemtsov, 1999; Milanovic, 1999.
- 109 See Katz and Autor, 1999.
- 110 See Harding, 1997b; Johnson, Manning and Hellwig, 1998. Nonetheless, this trend is expected to have important consequences for skill acquisition in the labour force and to put pressure on the social security system (Borland, 1999).
- 111 See Katz and Autor, 1999.

- 112 For a fuller discussion, see Katz and Autor, 1999.
- 113 Aghion and Williamson, 1998.
- 114 See www.undp.org/hdro/99.htm
- 115 The Human Development Index (HDI) has been constructed every year since 1990 to measure average achievements in basic human development in one simple composite index and to produce a ranking of countries. It includes indicators of life expectancy, educational attainment, and income. The Gender-related Development Index (GDI) and Gender Empowerment Measure (GEM) are composite measures introduced in 1995 to capture changes in gender inequalities in human development at the national level.
- 116 See UNDP, 1999, pp 134–137.
- 117 Although economic growth and monetary income can be an important indicator of living standards, it fails to include important aspects of well-being. There have been attempts to develop alternative and additional measures, not captured by Gross Domestic Product. Examples are the Genuine Progress Indicator (GPI), the Index of Social Health, and the Index of Economic Well Being (Jackson et al, 2000). Broader measures of well-being include the level of poverty and inequality, conditions of work, the level of security, quality of housing and community life, availability of services, and environmental sustainability. See also Sen, 1999.
- 118 See www.cbpp.org/
- 119 See www.cbpp.org/9-4-99tax-rep.htm
- 120 The data, which cover every other year from 1977 to 1995 and include CBO projections for 1999, are generally regarded as the most reliable and comprehensive data available on the distribution of after-tax income in the United States. They include various forms of income that standard Census Bureau data miss, such as capital gains income and income from the Earned Income Tax Credit.
- 121 See Shapiro and Greenstein, 1999. See also Morris and Western, 1999 for a more historical analysis showing a decline in median income over the past three decades and a marked increase in the inequality of income distribution in the United States. See Waters and Eschbach, 1995 for a review of the ethnic and racial aspects of US inequality.
- 122 Findings reported by Wolff, 1995, based on Federal Reserve Board Surveys of Consumer Finances.
- 123 See Shapiro and Greenstein, 1999.
- 124 See www.ufenet.org/
- 125 See Collins, Wright and Sklar, 1999b.
- 126 See Collins, Hartman and Sklar, 1999a, www.ufenet.org/press/divided_decade.html
- 127 See Jackson et al, 2000.
- 128 See www.policyalternatives.ca/
- 129 See UNDP, 1999, pp 134–137.
- 130 The data are from the Luxembourg Income Study and have been adjusted to account for differences in family composition and other factors.
- 131 See Katz and Autor, 1999, p 1468.
- 132 This perspective is a basic tenet of the Recife Declaration of 1996, which resulted from a meeting that brought together 128 participants from governments, United Nations agencies, municipalities, foundations, NGOs and CBOs from 35 countries of all regions of the world. The gathering produced a set of recommendations for fighting urban poverty in preparation for the Habitat II Conference held in Istanbul later that year (see www.unchs.org/unchs/english/suphone/finalrec.htm). Chapter 17 elaborates commensurate strategic approaches.
- 133 See Maxwell and Hammer, 1999.
- 134 Ibid
- 135 See Aghion and Williamson, 1998. Further analysis in a related vein points to the replacement of physical capital accumulation by human capital accumulation as a prime engine of economic growth. In the present situation, given conditions of credit constraints, equality enhances economic growth and the adoption of skill-biased technologies increases the return on human capital, further reinforcing economic growth. (Galor, in press; Galor and Moav, 2000.)
- 136 Address by James Wolfensohn, World Bank President (Wolfensohn, 2000).

URBAN IMPACTS OF GLOBALIZATION

Globalization, Urban Planning and Democracy¹

There are two strands to the argument regarding the relationship between economic globalization and urban planning. First, decision-makers in cities take a view of globalization in which they see cities as competing for globally footloose investment and hence requiring particular priorities in urban policy. Second, their response results in a concentration of power in a city elite and a lack of local democracy. As argued in this report, a less deterministic approach to globalization will provide better opportunities for greater local political choice and participation, leading to a wider discussion of priorities in urban planning.

Globalization is a contested concept. The view that has provided the dominant paradigm over the last decade, and the context for much thinking about urban policy, is sometimes referred to as the 'hyperglobalist' perspective.² Those holding this view, largely informed by management and business schools, tend to believe that the increasing globalization of the economy is inevitable. They also consider that globalization is beneficial and that it will eventually have advantages for all parts of the world. This is the 'trickle down' concept on a global scale. In this scenario, the nation state is seen as losing its role in a world that chiefly involves interactions between transnational business and city or regional governance. Economic globalization is seen as a natural process and city government should ensure that its citizens derive the maximum benefit from it. Cities should adapt their policies to conform to the imperatives that the process demands.

However, there are other views of globalization. Some see the concept as an ideological construct to give neo-liberalism greater spatial dominance, and consider that there is nothing fundamentally new in the way that the world economy operates. This perspective provides a useful corrective in stressing the ideological potential of the 'hyperglobalist' stance, although it underplays the changes in both intensity and spatial penetration that have taken place in the world economy.

There is a third view that accepts such changes but does not agree that they have a natural, inevitable, dynamic of their own.³ In this third view, it is claimed that there are choices to be made about whether to enhance, block or mediate these global economic forces. The nation state is considered still to have some role in determining policy

over such matters. However, the nation state itself is seen as undergoing restructuring as part of the globalization process. Some of its functions are moving upwards to supranational regional levels (eg the European Union), while others are decentralizing to subnational regions or cities. The result can be described as a multilayered system of governance, which interacts in different ways with the processes of economic globalization, which is itself multifaceted. This more complex interpretation allows local variation in the response of the different political actors to broadly shared global contexts.

In many places, there has been a shift in the attitudes of urban government from a managerial approach to entrepreneurialism. This entrepreneurial stance views the city as a product that needs to be marketed. This marketing approach, and the emphasis on restructuring the city so that it appeals to global business, has led to the dominance of economic interests in the decision-making process of urban planning

In recent years, city governments have been adapting to their new global environment. For example, in Sydney, Singapore and London (three cities that are examined in Boxes 2.1, 2.2 and 2.3), it has been assumed that to gain comparative advantage it is necessary to beat their competitors in the game of attracting investment from the leading sectors of the new globalized economy. In many places, there has been a shift in the attitudes of urban government from a managerial approach to entrepreneurialism.⁴ This entrepreneurial stance views the city as a product that needs to be marketed. For economically advanced cities, this marketing effort is aimed at attracting the headquarters or regional branches of international companies, particularly in the financial sector. This city marketing approach adopts the 'hyperglobalist' view of the globalization process, accepting its imperatives and adapting city policy in order to compete and survive. This results in several consequences: a particular form of city decision-making, specific urban planning priorities and projects, and social polarization.

This marketing approach, and the emphasis on restructuring the city so that it appeals to global business, has led to the dominance of economic interests in the decision-making process of urban planning. A coalition

Box 2.1 Globalization in a regional capital: Sydney

The major cities of Australia have a long history of competing with each other. This tradition has provided a foundation for the wider geographical competition of recent years. Sydney has now established itself as the leading Australian city. It is the major international air hub and the most important financial centre in the country. During the growth in Asian economies, it has extended its role to become a location for many transnational corporations wanting to service Southeast Asia. The State of New South Wales undertakes the strategic planning of the Sydney metropolitan region.

In 1988, a Liberal–National coalition won the state election. It formed a government with an ideology of limited government, cuts in state finances and privatization. The new state government was keen to attract global activities to Sydney but found it difficult to provide infrastructure and tax concessions, as the main revenue-raising powers were held by the Federal Government. As a result, the major tools available to the state government to attract global investment were its land holdings and urban planning and development powers. In 1995, the state government produced a new metropolitan strategy called *Cities for the 21st Century*. It was heralded as a new approach to strategic planning that was more broadly based and more flexible: ‘as we move into an age of more rapid change and diverse global influences, a metropolitan planning strategy needs to be dynamic rather than rigid’.ⁱ One of its policies was ‘the promotion, nationally and internationally, of central Sydney as a corporate headquarters and financial centre and also as a tourism centre, and the development of planning and management in support of these roles’.ⁱⁱ

Thus by the mid-1990s, Sydney was orienting its land use strategy towards a global market, orchestrated by the state government. Part of this strategy involved the identification of key sites for world city functions. However, the state met reaction from the local authority level, which was not always happy to accept such decisions. The City of Sydney was subject to local community pressures and opposed many of the ideas for the development of the CBD, particularly when this involved the demolition of buildings with heritage value. It is, therefore, interesting to see how the state government sought to implement its globally oriented policy in the face of adverse local views.

The first important tool at its disposal was the planning power to intervene in any development decision that had strategic significance. The state used this power on numerous occasions during the 1980s and 1990s. In some cases, it contravened the controls agreed in the local plans of the City of Sydney. In order to try and circumvent these democratically formulated local plans, a special Central Sydney Planning Committee was established in 1988, dominated by state appointees. This committee had responsibility for the preparation of local plans for the City and for decisions on all developments with a value of over Aus\$50 million. Another ploy adopted by the state was to change the boundary of the City of Sydney to try and ensure a local council sympathetic to global city development. A further example of the bypassing of local opposition took place around the state’s decision in the early 1980s to develop Darling Harbour as a major recreation and convention centre with a linked mono-rail. This had to be built in time for the 1988 bicentennial year, but the requirement to conduct an environmental impact assessment created an obstacle in this tight timetable. So, the state passed a special act of parliament to give planning powers to a new Darling Harbour Authority that would not be subject to local council controls or planning laws. When professional and community opposition developed over the proposed mono-rail, these special powers were extended to also cover this aspect of the project.

In 1995, the Labor Party returned to control the state. It judged that the *Cities for the 21st Century* strategy did not sufficiently explore the international context and so it commissioned a new study. In the foreword to the study report, entitled *Sydney as a Global City*, the Minister for State and Regional Development says ‘we must ensure that planning for Sydney supports a competitive and efficient economy ... planning for new and efficient road and rail networks, supporting existing employment locations and providing a continuing supply of sensibly located land are key elements in this focus’.ⁱⁱⁱ The report presents a thorough analysis of the factors that influence Sydney’s potential as a world city and the implications for planning. In 1997, the state produced a new review of strategic planning, called *A Framework for Growth and Change*.^{iv} It adopted many of the approaches of the previous plan and had an expanded section on fostering a competitive and adaptable economy, drawing on the work in *Sydney as a Global City*. New roads and airport expansion were proposed. *A Framework for Growth and Change* pointed out that the state would continue to use its powers to make decisions over major projects as this helped to attract major inward investment and ‘encouraged major companies to locate regional headquarters and facilities in the region’.^v

In 1997, a new body was established called The Committee for Sydney, officially launched by the Premier of New South Wales. It comprised business and community leaders and was chaired by the director of the successful Olympic bid. Its major aim was to give Sydney a higher international profile and it argued that ‘we have to think smarter, work harder and plan better if we are to build a viable future for our city in an intensely and increasingly competitive regional and world economy’.^{vi} It placed considerable emphasis on the need for a plan or vision and said that ‘many of the world’s major cities – such as Barcelona, Berlin, London, Paris, Rome and Venice – are showing the way, having developed clear visions of their future and applying long-term strategic plans to realise them’.^{vii} It clearly implied that Sydney was falling behind in the competitive urban development game and that existing strategic plans were not sufficient. So it was no surprise that, in 1998, they commissioned a study entitled *Sydney 2020* to ‘determine what is needed to develop and enhance Sydney’s future as a world city’.^{viii}

The main instigator of the planning strategy in this example has been not the City of Sydney, but the State of New South Wales. The collaboration between the state and the Committee for Sydney with its strong business representation has strengthened the global orientation. Changes in political party have had no effect on the direction of the strategy. Meanwhile, the resultant projects, in the shape of new office developments in central Sydney and the conference- and casino- oriented Darling Harbour development, met with local opposition. To deal with this, the state used a number of instruments to bypass the local democratic process. The Sydney example shows how important the global environment has become in the strategic planning of the city. Competition, not only with other cities in the same country, but with cities across the world, has become the motivating force.

Source: Thornley, 2000.

Notes: i Department of Urban Affairs and Planning, 1995, p12; ii Ibid, p92; iii Searle, 1996, pv; iv Department of Urban Affairs and Planning, 1997; v Ibid, p59; vi Committee for Sydney, 1997, pp1–2; vii Ibid, p 5; viii Committee for Sydney, 1998.

Box 2.2 Globalization in a city-state: Singapore

The British founded Singapore as a trading post early in the 19th century. Until its independence in 1965, these trading interests dominated the government of the city. In 1965, the new state was cut off from its hinterland and set about pursuing a survival strategy. Communication based on trade provided a useful foundation. It was decided that industry needed to be developed to secure a sound economic future. The state took the lead in organizing this economic strategy. New institutions such as the Development Bank of Singapore were created to facilitate, develop and control the foreign direct investment. The Jurong Town Corporation developed the new industrial estates. Further, one of the most important bodies was the Economic Development Board (EDB), an arm of government that developed strategies to attract potential investors. Thus, from this early period, the Singapore government was actively involved in deciding the city's economic role and promoting it.

By the 1980s, the limits on the size of the work force and the restricted land area, made the government realize that it was becoming increasingly uncompetitive in labour-intensive industry. An Economic Committee was established to advise the government on a new direction. It concluded that Singapore should focus on developing as a service centre and seek to attract company headquarters to serve Southeast Asia, develop tourism, banking and offshore-based activities. The government set up a specific initiative, the Operational Headquarters Program, to attract regional offices of multinational corporations.

In 1990, the Deputy Prime Minister stated that 'Singapore seeks to be a hub city for the region and the world in a growing interdependent global economy'. The land provision for this new orientation had already started in the early 1970s when the government realized that it lacked the banking infrastructure for a modern economy. A new banking and corporate district, known as the 'Golden Shoe', was planned, incorporating the historic commercial area.¹ This became the location for the major international companies and various government financial agencies. Major expansion has also taken place at the airport to make it one of the hubs of world air traffic. Recently, the government has seen its neighbouring cities, such as Jakarta and Kuala Lumpur, develop as financial and office centres. It believes it needs to keep one step ahead of trends and is now promoting Singapore as the 'intelligent island' with a focus on computer and telecommunication technology. Thus, since independence, the economic role of Singapore has been very consciously planned.

The centrally planned state economic strategy is closely linked to land use and development planning. The EDB has a key influence on the strategic land use plans that are prepared by another arm of government, the Urban Redevelopment Authority (URA). The private sector is also involved in the planning process. It is invited to give its opinions in the committees set up to advise these government boards. In preparing its plans, the URA responds to the views of the various advisory committees and the boards and ministries of government, in which the EDB plays an important agenda setting role. The URA translates these discussions into land use and development terms through its preparation of the Concept Plan, a strategic plan for the whole island.

The latest Concept Plan, completed in 1991, is clearly and openly oriented towards the attraction of business. It seeks continued economic growth through 'restructuring the city', ensuring that the facilities needed by future business are planned; this includes transport and telecommunication infrastructure, land and environmental quality. After conducting studies of other world cities, a major extension of the existing financial district is planned through a land reclamation scheme. This attempts to replicate the vitality of other cities with waterside central areas such as Sydney and San Francisco. Part of this area has already been developed as a conference and exhibition zone and the rest will be used for CBD expansion, housing and entertainment.

One of the new features of the latest plan is a broader conception of what contributes to economic success. This conception includes high quality residential areas, a good environment, leisure facilities and exciting city life. Thus, there is more provision for low-density housing, often in waterfront communities linked to beaches and recreational facilities. Another major land reclamation scheme is planned for these functions, stretching from the CBD to the airport. The environmental policy is oriented to the 'beautification' of Singapore; for example, creating green zones between settlements and along transport corridors. It is linked to the prime objective of assisting in attracting business through the provision of golf courses, beaches and pleasant setting for luxury housing. As a one-party city-state, Singapore has a particular ability to take a positive and coordinated approach to city planning. A major role of government has been to determine the economic strategy for the city, which has moved from industry through regional office headquarters and financial services to computing and technology. Throughout, these strategies have been formulated within a conscious understanding of the city's relationship with the rest of the world. Global communications and networking have been a central feature. This dominant role by state government has been supported by strong interaction with the business community through various advisory mechanisms.

Once the economic vision has been established, the land use and development strategy is expected to translate this into physical reality by creating the necessary sites and infrastructure. Local democracy has not played a major part in this decision-making approach. Rather, the support of citizens is sought through high quality, subsidized, social provisions, such as in housing, public transport and health. A majority of people live in housing built by the state but privately owned. This combination allows the state to determine the nature of the housing and its allocation while generating the stakeholding characteristic of ownership. The state's control of allocation has been used to bring about ethnic and social mix in each housing area, thus avoiding social polarization and gentrification, but also impeding the formation of shared interest groups, with the potential of mobilizing dissenting voices. In so far as integration has been achieved, it has happened not through local democracy, but through the provision by a benevolent state of high-quality material and social conditions. An interesting question for the future will be whether this approach can be maintained with the growing stress on quality of life, individual choice, limited low-density housing, and an economy built on education and the 'information age'.

Source: Thornley, 2000.

Note: i Chua, 1989.

Box 2.3 Globalization in a world city: London

London was a relative latecomer to the business of city promotion, handicapped by its lack of any city-wide government after the abolition of the Greater London Council (GLC) in 1986. The only strategic policy for London after the GLC was produced by national government. In tune with the non-interventionist ideology of the Thatcher period, the central government strategic guidance for London in 1989 was only a few pages long and merely set out the main parameters, such as supporting the private sector, within which the local authorities should operate.

As a result of the ideology of neo-liberalism and institutional fragmentation, very little London-wide thinking took place. The 33 local authorities within London had a joint committee, the London Planning Advisory Committee (LPAC), which produced strategic policies, but these had a very limited impact on central government.

Earlier, in 1980, central government had established the London Dockland Development Corporation to undertake the regeneration of a large area of land left unused after the move downstream of the London Docks. The Corporation was a body appointed by central government and it took over the responsibility for the area from the local authorities. The communities living in that area therefore lost their local democratic procedures, producing considerable local resentment. The Corporation was given the brief to promote the area and attract investment from the private sector. It took over land that previously belonged to the local authorities and was given the finances to provide infrastructure. Tax breaks were offered and planning constraints removed. One of the results of this approach was the development of the Canary Wharf office project.

However, from the early 1990s there was increasing pressure for a more concerted approach. The City of London, a small local authority covering the financial district and having unique institutional arrangements based on a medieval charter that privileged the business community, had been active in commissioning reports. One of the conclusions of such work was that London needed a single voice in order to promote itself. A similar conclusion was expressed in a consultant's report entitled *London: World City Moving into the 21st Century*, which surveyed leading international business opinion on how London could retain its competitive position.

In 1992, central government set up the London Forum to promote the capital, which, the following year, merged with London First, a similar body set up by the private sector. This set the pattern of private sector leadership with central government backing that was to dominate strategic thinking in London over the next five years. In 1994, the central government announced another initiative, London Pride, involving the orchestrating of a vision for London that would help the city to be more successful in its competition with other world cities, and the preparation of a prospectus of future priorities and action to coordinate the public, private and voluntary sectors. Its aim was the consolidation of London's position as the only world city in Europe. It sought to achieve this through three interrelated missions: a robust and sustainable economy drawing on a world-class workforce; greater social cohesion; and a high-quality provision of infrastructure, services and good environment. The main emphasis was on measures to support business and attract inward investment, such as adequate provision of good sites, telecommunication facilities, a suitably trained labour force, promotional activity, improved access to the airports and better public transport.

Meanwhile, central government had become more directly involved in strategic planning for the city, as the problems of fragmentation continued. It established a Minister for London, a Cabinet Sub-Committee for the capital, the Government Office for London which coordinated the different Ministries with interests in London, and produced a new enhanced *Strategic Guidance for London Authorities* that extended to 75 pages.ⁱ In 1995, it also established the Joint London Advisory Panel to advise the Cabinet Sub-Committee. This new body consisted of the same membership as the London Pride Partnership, and was again led by London First. This arrangement illustrates once more the close working relationship between central government and the private sector. The priorities of the partnership had a significant influence on central government thinking through the Joint London Advisory Panel and its input into the revised strategic guidance for London. This new guidance stated that 'the promotion of London as a capital of world city status is fundamental to government policy'. It warned that rival cities such as Paris, Frankfurt, Barcelona and Berlin were 'fighting harder than ever to attract investment and business opportunities'.ⁱⁱ

The London case shows that the fragmentation of decision-making that was a feature of the neo-liberal policies of the 1980s meant that London was poorly placed to promote itself in the globalized economy. This led to pressure, particularly from the business world and local authorities representing strategic development locations, to create some kind of leadership to promote the city. Many suggestions were made at the time but in the end the lead was taken by central government in partnership with the business-led London First organization. The London Pride Partnership created a vision document and the local authorities and training agencies were drawn into this, as the implementers. This vision then influenced central government's strategic guidance for London and local authorities were statutorily obliged to follow it.

However, in 1997 a major change took place in British politics when the Labour Party under Tony Blair won the national election after 18 years of Conservative rule. This outcome had a significant impact on the institutional context for strategic planning in London. A completely new political arrangement, the Greater London Authority, was devised. For the first time in history, this included an elected mayor for the whole of London. The elections for the mayor and a Greater London Assembly took place in May 2000.

A major theme for the new authority is the coordination and integration of policy. It is responsible for drawing up a new plan for the coordination of land use and development across the whole city. It is also required to produce an integrated transport strategy, an air quality management strategic plan, a waste management strategy, regular state of the environment reports, a strategy for culture, media and leisure, and an economic development strategy. This economic development strategy, the focus for promoting competitiveness and attracting inward investment, will be produced by the new London Development Agency.

A second theme of the new authority is to foster transparency of decision-making. This will be achieved through the elected mayor, the debates in the Assembly and an annual public hearing. It remains to be seen how this new arrangement, with its greater local democracy, will affect the priorities for the planning of the city. Previously, these were dominated by a coalition between central government and the private sector in an institutional environment that was highly complex and difficult to penetrate. In theory, the new situation should generate debate and discussion as the various strategies are formulated. The priority to pursue competitiveness and inward investment will be advocated by the London Development Agency but this will be one voice among many within the purview of the mayor. A more open debate could occur with opportunities for citizens to express their opinions. The result may be a less deterministic reaction to the imperatives of globalization.

Source: Thornley, 2000.

Notes: i Government Office for London, 1996; ii Ibid, p3.

develops between externally oriented economic interests and elements of city government that benefit from the attraction of 'world city' functions. The economic interests include international companies, financial organizations and sectors with a global reach such as computing or tourism, while the government elements represent strategic locations such as the central business district (CBD), new areas with potential for 'world city' functions or airports. These interests can be viewed as forming a new kind of elite dominating the agenda of city governance. The concept of the 'growth machine' has been developed to designate a particular coalition of economic interests dominating city governance in the US.⁵ Such coalitions centre on real estate owners but may also include city politicians, media, utility companies and academia. Over the years, this concept has been further developed, particularly through cross-national research, and made more sophisticated, for example in 'regime theory'.⁶ If we extend this work and broaden the economic interests in the coalition accordingly, focusing on those with global concerns, many aspects of the growth machine formulation retain their relevance. The overriding push for growth still provides the stimulus for the coalition, the highly focused goal leads to the formulation of a sympathetic elite, and the other agencies are drawn in because of the need for infrastructure and legitimacy.

However, as suggested by recent 'regime theory' literature and shown in the case studies of Sidney, Singapore and London, city governance is not confined to the local level. Higher level political actors also play a significant role in this new 'global growth coalition'. This role becomes particularly relevant when, as in Sydney, the political boundaries hinder the development of consensus behind the coalition. The importance of supra-city politics supports the third view of globalization, which suggests that, in our global world, governance is undergoing a process of restructuring in which the distinction between the previous political levels is becoming more complex. It runs counter to the 'hyperglobalist' view, which suggests that the nation state is becoming redundant.

The 'global growth coalition' will seek to push the policies of the city in a particular direction. This will be given legitimacy by arguing that the forces of globalization are inevitable and that the city, if it is to survive in an environment of competition with other cities, has to create a strategy to maximize its ability to benefit from global economic forces. This approach usually involves the formulation and propagation of some kind of 'vision' for the future of the city, oriented to reassuring potential investors that their needs will be met. The aim is to ensure that this vision informs other policies of the city, including the strategic land use plan, and expenditure priorities.

The global city's orientation places much emphasis on communications, including airport expansion and links to strategic office locations. The desire to attract global companies leads to the provision of attractive, well-serviced and favourably located sites for state-of-the-art office development. In the top world cities, this approach has produced New York's Battery Park, London's Canary Wharf and

Tokyo's Waterfront. Smaller versions can be seen in many cities around the world. Luxury housing, dining establishments, and entertainment amenities are also required to attract the professional personnel for these global activities. Tourism, whether for business or pleasure, and leisure have also become major economic growth sectors in the global economy. As a result, many of the recent urban projects have included trade centres, conference centres, hotels, casinos, urban theme parks and sports complexes. Development projects oriented to these global activities not only provide physical needs, but also contribute to the 'image' of the city. This is important in marketing any product and can help in advertising and making the product visible. In the case of a city, an exciting and dynamic impression can be given through the use of spectacular architecture. The Sydney Opera House provided an early example. In more recent years, there has been a proliferation of eye-catching buildings from the Guggenheim Museum in Bilbao⁷ to London's Millennium Dome.⁸

Evidence suggests that global cities around the world have become increasingly polarized in recent years. The 'Dual City' label has been used to describe the disparities between rich and poor. As shown later in this chapter, contemporary social dynamics are more complex than such a bi-polar division and the variations in the social programmes of local and national states also generate diversity. Nevertheless, a great deal of research links the processes of economic globalization to social polarization.⁹

The influx of global organizations into a city can create a highly paid workforce whose standard of living and salary levels are determined by global comparisons. On the other hand, the workers who service them through such activities as cleaning, providing food or routine office work, are typically poorly paid

The influx of global organizations into a city tends to create a highly paid workforce whose standard of living and salary levels are determined by global comparisons. On the other hand, the workers who service this workforce through such activities as cleaning, providing food or routine office work, are typically poorly paid. Government hopes for the higher productivity and efficiency of foreign-owned companies to 'rub off' on local industries have been questioned by research. For example, a recent study based on data from UK companies in the first half of the 1990s found that on average there were no wage and productivity spillovers to domestic firms as a result of foreign presence, seriously calling into doubt one of the justifications for the huge packages of financial assistance and tax breaks that have been offered by successive British governments.¹⁰

These economic and social differences have a geographical dimension and concentrations of rich and poor have become increasingly evident. The process of gentrification is much in evidence, as the wealthy look for distinctive urban locations, often displacing existing residents. Such disparities can produce resentment, social instability and conflict. The kind of projects described above can also

generate alienation, as many local people find little for themselves in luxury shopping centres, casinos and convention centres. Indeed, many of the new projects may worsen the city residents' quality of life through increased noise or congestion, or the loss of the opportunity to use the limited supply of key urban sites for other uses. Scarce public resources may be allocated in support of mega-projects intended to project a positive city image but with little value in the residents' daily lives. In many cases, the projects create islands of activity, oriented to those of means, surrounded by areas of poverty. This phenomenon has been called the 'bubble effect'.¹¹ Many of the people who visit these sites are tourists or visitors from wealthier residential areas, often in the suburbs. In a related vein, growth promoters put pressure on and support cities to host international mega-events with uncertain benefits at best for a majority of the urban population.¹²

New projects may worsen the city residents' quality of life through increased noise or congestion, or the loss of opportunity to use the limited supply of key urban sites for other uses. Scarce public resources may be allocated in support of mega-projects intended to project a positive city image but with little value in people's daily lives

A recent review of such hallmark spectacles suggests that displacement of poor households should be viewed as an expected result of this form of urban restructuring as these glamorous events are used to bring new people, new facilities, and new money to cities at a rapid pace; these goals are rarely evaluated in an open, democratic manner.¹³

There is considerable debate over the causal factors behind social processes. Cities have always contained rich and poor areas. A case can be made, as with globalization more generally, that the speed of change, its pervasiveness, and greater public awareness, now create a situation significantly different from the past. However, the important point is that globalization, and the response of city government, can have variable impacts on different groups of citizens. Urban decisions are highly political.

If a consequence of the local response to globalization is to restrict the determination of priorities to a small elite, then there is little opportunity for the political issues to be discussed and decided through local democracy

An important message of this report is that there are encouraging examples of countervailing trends that reveal cities as active agents, attentive to concerns of social justice and environmental sustainability

If a consequence of the local response to globalization is to restrict the determination of priorities to a small elite, then there is little opportunity for the political issues to be discussed and decided through local democracy, as illustrated by the case studies of Sydney, Singapore and

Box 2.4 Globalization of land and housing markets: the Mexican experience

Most studies have linked the 'global' real estate cycle of the late 1980s to the source of net capital outflows in developed countries (especially Japan) and an international switching of portfolio investment that has targeted real estate investment in the US, Europe and Australia.ⁱ While the 'emerging markets' of Latin American finance have become closely tied to the global economy, there are insufficient data for a definitive assessment of how Latin American countries have been drawn into this cycle; no research has systematically looked into how Latin America's major cities are linked to international property markets.

However, data on the destination of foreign direct investment (FDI) flows to Mexico show that only 1.1 per cent is destined for the construction sector, suggesting that 'deterritorialization' of land and housing markets may still be some way off. Nevertheless, closer linkages are signalled by new workings of the real estate markets.

The peso crisis of 1994–1995 and its 'solution' provide the first insight into the globalization of real estate in Mexico. The devaluation of the peso against the US dollar, caused by the inability of the Salinas administration to allow the value of the peso to slide in an election year, with an economy vulnerable to foreign portfolio investment and rapid credit expansion, was occasioned by a loss of confidence among institutional investors.ⁱⁱ In order to prevent currency free-fall, domestic interest rates were sharply increased. As the Salinas reforms had sought to develop a secondary mortgage market and pension-based financial instruments, and middle-income households had borrowed large sums over the previous few years and invested in real estate, the results were catastrophic.ⁱⁱⁱ Some reports had households attempting to give property away rather than service the debt. Prices and turnover in the formal segment of the market appear to be increasingly sensitive to events on the 'domestic' stock markets and to fluctuations in real interest rates, which are themselves more sensitive to events in New York and London.

Source: Gareth Jones, 2000 (see Background Papers).

Note: i see Renaud, 1997; ii see Burki and Edwards, 1996. Portfolio investment was negative during the 1980s but rose sharply to account for about 80 per cent of foreign investment during the 1990s, becoming negative US\$10,000 million in 1995. FDI has increased more steadily; iii In 1994 there was a glut of secondary and prime property in Mexico City and prices had reached a plateau from a threefold increase in dollar prices from 1989. A number of stock-real estate funds that could have smoothed for fluctuations in one market had only just been set up.

London. In the longer term, this lack of accountability can be a threat to the social sustainability of the city. An important message of this report is that there are encouraging examples of countervailing trends that reveal cities as active agents, participating in processes of globalization while attentive to concerns of social justice and environmental sustainability.

Physical Reflections of Globalization¹⁵

The changing relationship between manufacturing and service sector activities is sometimes taken as a hallmark of globalization. Its impact on settlement patterns is obvious and profound: cities that had been the hub of bustling manufacturing enterprises in the period of rapid urbanization have been losing their industrial employment base, and instead are becoming the seats of concentrated clusters of commercial financial and management activities; FIRE, finance, insurance and real estate are prominent among them. Manufacturing plants have been moved to the suburbs, sometimes to rural regions, and to a significant extent away from older, industrially more developed countries to less developed ones. Where the move has been to less developed economies, the direction of development

Box 2.5 Globalization, real estate markets and the drug trade

Among the lesser-known impacts of globalization on real estate markets has been the inflow of funds from the global drug trade. This is most clearly the case for Colombia where the repatriation of drug money has been laundered through real estate markets and as a 'legitimate' investment thereafter. In Medellín, for example, a rapid influx of drug funds in the late 1980s sparked a boom in the construction industry, raising local employment by 28 per cent in six months and causing severe inflationary pressure in the materials sub-sector. Drug funds have created a parallel finance system, making the relationship between the volume of mortgage finance and the quantity of new construction highly inconsistent. In Mexico, drug money is associated with a number of high-profile construction projects on the border; the dollarization and dramatic increase in land prices in cities such as Guadalajara, and the appearance of 'narco architecture' in Baja California Sur. It is unclear whether the inflationary impacts of drug funds have affected the ability of low-income households to acquire land, or whether the segmentation of land and housing markets can mitigate such pressure.

is ultimately often similar to that in older countries: São Paulo, for instance, the relocation target of major automobile plants 50 years ago, is now seeing them leave for regions in the interior of Brazil and instead is watching its cluster of internationally oriented commercial high-rise office buildings proliferate. The Asian Tigers (for example, Hong Kong, Singapore and South Korea) are similarly facing competition for industrial labour from other less developed Asian economies and are seeking to maintain their position by shifting towards higher tech production as a matter of deliberate policy to develop human capital reservoirs as a means for propelling economic growth (for example, see the case of Singapore, described in Box 2.2).

The shift from manufacturing to services only in part represents technological progress. The total amount of manufacturing activity in the world is increasing, not decreasing, whether measured in value or in employment

These developments are not the simple consequences of technological advances. They are in large part determined by changes in the organization and concentration of wealth and the policies of government, which in turn determine how (and where) new technology will be used. The shift from manufacturing to services, for instance, only in part represents technological progress. The total amount of manufacturing activity in the world is *increasing*, not *decreasing*, whether measured in value or in employment. Its relocation from older cities – often the locus of past worker organizing efforts, strong trade unions and high wages – to other areas where greater profits can be made with a cheaper work force and less restrictive regulations is not a function of technology, but of the quest for higher profits. Advances in communications technology facilitate, but do not mandate, centralization of command functions. The particular constellation of power dictates the use of these technologies, rather than something inherent in these technologies themselves.¹⁶

It is the complex intertwining of technological capabilities, economic resources and political power that produces the consequences of globalization

It is the complex intertwining of technological capabilities, economic resources and political power that produces the consequences of globalization that this report identifies as important concerns. On the other hand, these factors also provide the potential for positive outcomes brought about by processes of democratic governance informed by our accumulating knowledge of constructive models of urban development.¹⁷

Cross-border activities can have unfavourable effects that are easily seen. The impact of increased air traffic, for instance, is one of the most visible consequences of globalization. It has resulted in serious noise and air pollution in those cities near airports. Where airports are further from the city, as in New York City or London, problems of traffic congestion are heightened. Equally important are the implications of the growth of air commerce on regional forms of habitation. The clusters of 'airport cities' that have sprung up around major hubs, such as Frankfurt or Dallas/Fort Worth, have siphoned off business activity, and with it commercial life, from many downtown areas and severed connections of these activities from the fabric of urban life. The ability to develop mega-projects, such as the skyscrapers that are becoming an essential component of the image of any city that wishes to call itself global, would not be possible in most cases without cross-border financing.¹⁸ In further pursuit of that image, many cities produce a uniform architecture, aspiring to a standard of international stature but often more characterized by plushness and pretentiousness than by its aesthetic quality.

Inequality and the quartering of urban space

The previous chapter documented the deepening inequality associated with current globalization. The process leading from globalization to inequality is clear; it results from the use of advanced communications and transportation technology to enable the concentration of wealth in the hands of a few, to the comparative, and often absolute, detriment of most. The increasing mobility of capital, and the increasing span of control that is newly possible, have resulted in an increasing concentration of wealth at the top, and an increasing gap between the holders of that wealth and the poor of the world. The poorest 20 per cent of the world's population has seen its share of global income decline from 2.3 per cent to 1.4 per cent in the past 30 years, while the share of the richest 20 per cent increased from 70 per cent to 85 per cent.¹⁹ Social welfare policies significantly affect the level of inequality; thus the states traditionally associated with such policies, from Sweden and The Netherlands to Singapore, show lower levels of inequality than more market-based societies, but even in these countries the gap between rich and poor is increasing.

These two major aspects of globalization, the restructuring of manufacturing and services, and widening inequality or polarization, have their reflections in the shape of cities and the activities they harbour. An especially striking urban concomitant of globalization is the expression of inequality in patterns of segregation of people and land uses. The most fundamental of these is in the quartering of urban space.

Box 2.6 Planning to prevent 'unbalanced' development in Manila's mega-urban region

In Southeast Asia, much developmental effort has been focused on establishing attractive venues for foreign direct investment in manufacturing, services and infrastructure. Global capital flows, however, tend to concentrate within national core regions, mainly in and around capital cities that represent the principal nodes of connectivity between national and global economic spaces.

One result of this spatially differentiated integration into the global economy has been the reworking of urban cores, as office towers and middle-class landscapes of consumption emerge according to globally recognizable templates. A second consequence has been the development of extended metropolitan regions. Dense populations in wet-rice cultivating areas preclude the need for urban agglomerations to provide labour supply and market access. Studies of these mega-urban zones areas have emphasized their dynamism as the key engines of national economic growth.

Recent research in the extended region around Manila, however, suggests that tensions exist within such landscapes, creating a dynamic that leads to the domination of urban land uses over residual agriculture, rather than their juxtaposition and co-existence. Like other Asian cities, Manila and its surrounding regions command the lion's share of global investment in the national economy.

The consequence of this pattern of investment is that much of the Philippines' national economic dynamism in the last decade has been focused on the urbanizing region around Manila, creating exactly the mixed-use landscape described elsewhere in Southeast Asia. In particular, the landscape of neighbouring provinces is becoming a patchwork of residential subdivisions, industrial estates, commercial developments, golf courses and theme parks, all existing within what was, until recently, an almost exclusively agricultural economy.

Planning frameworks for the greater Manila region have tended to emphasize the need to maintain agricultural activities alongside industrial development, for reasons of both food security and the relatively universal access to employment in farming sectors. Planning documents too have aimed to foster 'balanced' agricultural and industrial growth.

While such goals are laudable, the social dynamics of development in mega-urban regions suggest that residential and industrial land uses and their associated socio-cultural implications are in conflict with agricultural production and rural life. Four sources of tension can be identified: economic, environmental, social and political.

- Economic tensions arise due to changes in labour and land markets in urbanizing contexts. The absorption of labour by urban and industrial activities has pushed up agricultural wages to a point where rice farming becomes barely profitable. Frequently, agricultural labour demand can only be met through engaging migrant bands of workers from other provinces. Land conversion, meanwhile, has presented tenant farmers with tempting compensation packages to entice them to surrender their tenancy rights.
- Environmental conflicts arise around issues of water supply and waste disposal. Irrigation canals may be silted up by eroded soil from nearby construction sites. After construction is completed, where waste disposal from new residential estates is inadequate, household refuse frequently finds its way into irrigation channels, again blocking and contaminating the water supply to remaining farmland.
- Social changes in urbanizing contexts present the perennial problem of keeping the younger generation 'down on the farm'. New employment opportunities arise in factories, offices and even overseas. There is often little interest in following the parents' footsteps in agricultural employment even when they are without work. Furthermore, because of household cash incomes boosted by waged employment or overseas remittances from other family members, there is less necessity to take such 'undesirable' work.
- All of the circumstances above encourage farmers to get out of agriculture and sell their tenancy rights. While legislation is designed to prevent fertile irrigated farmland from being lost in this way, local politics frequently facilitates the circumvention of such legal provisions. At one level, pressure from the owner to sell the land is difficult for tenant farmers to resist. In a broader sense, the vested interest of local politicians in land conversion means that zoning and planning regulations are frequently circumvented.

Thus residual farmland is placed under great pressure from advancing urbanization in the extended metropolitan region. For individual farmers there is little incentive to continue cultivating when economic, environmental, social and political pressures are all pushing towards the conversion of land. Indeed, such conversion often occurs well ahead of actual demand for residential or industrial land, as landowners seek to remove tenant farmers and secure convertible land for speculative purposes.

The corollary on the regional scale is that unless careful planning and zoning rules are implemented, the extended metropolitan region will not remain a mixture of agricultural and urban land uses, and will instead see the gradual 'squeezing out' of agriculture and the creation of a diffuse urban agglomeration. Retaining agricultural activities on the other hand would provide for a diversified economic base and labour market at a local level in urbanizing villages and, at a national scale, ensure food security for urban populations.

Source: Kelly, 2000a.

Note: For additional references, see Kelly, 1999; 2000b.

The link between inequality and urban space is not so much the division of society into two simple parts, that of the rich and that of the poor, as in the 19th century, but the quartered, divided or partitioned city of today. It is the indirect, but essential, product of current globalization. Inequality, in this broader sense, has been extensively documented as a worldwide phenomenon known as polar-

ization.²⁰ It has four distinct aspects: an increase in the relative numbers of those who are rich and those who are poor; an increase in the financial distance between them; a greater differentiation among the groups between the richest and the poorest, so that one may speak of a four- or five-part division of classes rather than a simple division into two; and sharper differentiation among the groups from each other.

The four aspects of this process of polarization are reflected in the physical space of cities, particularly in the partitioning of the residential areas of cities, in a pattern we may call quartering. The *enclave*, whether as citadel of power, gentrified neighbourhood, exclusive suburb or immigrant quarter, is the most typical form of quartering. Harking back to the origin of the term in the enclaves of the imperial powers in the colonies, the enclaves accompanying globalization similarly represent the effort to wall some in and keep others out.

There is growing evidence of five, increasingly separate residential cities – one mobile, four in separate quarters – each with a parallel city of business and work

The resulting residential pattern consists of five *residential cities*: one is 'non-spatial' in the sense that it floats freely²¹ in multiple locations in and outside the city; the other four are based on traditional neighbourhood quarters. Each residential city has its source in a parallel (although not always congruent) *city of business and work*. This economic differentiation is induced by globalization, and each type of city has its own form of separation from the others, and its own dynamics of development. For business, the spatial patterns include areas in which people of many occupations, classes and levels of status live in many different residential areas, but work in close proximity. These five formations of parallel residential and business cities include:

- the luxury city and the controlling city;
- the gentrified city and the city of advanced services;
- the suburban city and the city of direct production;
- the tenement city and the city of unskilled work;
- the abandoned city and the residual city.

● Mobile citadels of wealth and business

The *luxury areas of the city*, the residences of the wealthy, while located in clearly defined residential areas, are at the same time not tied to any quarter of the city. For the wealthy, the city is less important as a residential location than as a location of power and profit. The restructuring of cities has led to an increased profitability of real estate, from which the already wealthy disproportionately benefit. They profit from the activities conducted in the city or from the real estate values created by those activities; they may also enjoy living in the city, but have many other options. If they reside in the city, it is in a world largely insulated from contact with non-members of their class, with leisure time and satisfactions carefully placed and protected. Some 75 per cent of the chief executives of corporations with their headquarters in New York City have been estimated to live outside the city.²² This pattern is repeated throughout the world.

The *controlling city*, the city of big decisions, includes a network of high-rise offices, brownstones (three-storey, upper middle class townhouses) in prestigious locations and old colonial mansions of the imperial powers in developing

countries. It includes yachts for some, the back seats of stretch limousines for others, aeroplanes and scattered residences for most. It is less and less locationally circumscribed, but it is not spatially rootless. Its activities take place somewhere, secured by walls, barriers and conditions to entry.

The controlling city tends to be located in the high-rise centres of advanced services, because those at the top of the chain of command wish to have at least those who work below them close at hand and responsive. Citibank in New York City wants its next level of professionals directly accessible to its top decision-makers; credit card data entry operations may move to South Dakota but not banking activities that require the exercise of discretion. Those locations, wherever they may be, are crucially tied together by communication and transportation channels which permit an existence insulated from all other parts of the city.

The controlling city parallels the luxury areas of the residential city in many ways, but not necessarily in physical proximity. When together, they form an age-old phenomenon, now in its market incarnation: the citadel. In the citadel, the mobile luxury residential city and the controlling city of business come together in space. Here also the phenomenon of walling (in and out) is at its most extreme.

The citadel is where those at the top of the economic hierarchy live, work, consume and recreate in protected spaces of their own

The citadel²³ is where those at the top of the economic hierarchy live, work, consume and recreate in protected spaces of their own. For many years its residents have sought to protect their separate space in the city by public instruments such as zoning.²⁴ Today, private, high-rise condominiums all have their own security, and elsewhere real walls and gates protect the enclaves of the rich from intrusion. A growing number of such citadels are found from New York City to Tokyo, Vancouver to Shanghai, Johannesburg to London and Paris to Moscow.

● The quarter of gentrification

The *gentrified city*²⁵ serves professionals, managers, technicians, yuppies in their 20s and college professors in their 60s: those who may be doing well themselves, yet work for others.

Gentrified areas are chosen for their environmental or social amenities, for their quiet or bustle, their history or fashion and their access to white-collar jobs

The frustrated pseudo-creativity²⁶ of their actions leads to a quest for other satisfactions, more related to consumption of specific forms of 'urban' culture, devoid of original historical content, than to intellectual productivity or political freedom.²⁷ The residential areas they occupy are chosen for environmental or social amenities, for their quiet or bustle, their history or fashion, their access to white-collar

jobs; gentrified working class neighbourhoods, older middle class areas and new developments with modern and well furnished apartments, all serve their needs. Locations close to work are important because of long and unpredictable work schedules, the density of contacts and the availability of services and contacts they permit.

The *city of advanced services* parallels the characteristics of the gentrified residential city. It consists of professional offices tightly clustered in downtown areas, with many ancillary services internalized in high-rise office towers, and is heavily enmeshed in a wide and technologically advanced communications network. It is the most rapidly growing quarter of cities on an international level. The skyscraper centre is the stereotypical form. It is located at the edge of the city centre, as in Frankfurt/Main; outside the city, as in Paris at La Defense, outside Rome or the Docklands in London; or scattered both inside and outside a city with good transportation and communications, as in Amsterdam. Social, 'image' factors also play a role; the 'address' as well as the location is important for business. Whether in only one location or in several in a given city, there will be strong clustering, and the city of advanced services will be recognizable at a glance.

● Suburbanization inside and outside the city

The *suburban city* of the traditional family, suburban in tone if not in structure or location, is sought out by better paid workers, blue and white collar employees, the 'lower middle class' and the petite bourgeoisie. It provides stability, security and the comfortable world of consumption. Most prefer owner-occupancy of a single family dwellings (depending on age, gender and household composition), but cooperative, condominium or rental apartments can be adequate, particularly if subsidized and/or located close to transport. The home as a symbol of self, exclusion of those of lower status, physical security against intrusion, political conservatism, comfort and escape from the work-a-day world (thus often incorporating substantial spatial separation from work) are characteristic. Because the home functions as financial security and inheritance as well as residence, the protection of residential property values is important.

The *city of direct production* parallels, but is not congruent with, in either space or time, the residential suburban city. It includes not only manufacturing but also the production aspect of advanced services, government offices and the back offices of major firms, located in clusters and with significant agglomerations, in varied locations within a metropolitan area. These locations are not arbitrary or chaotic; they are positioned to enable clients to be in quick and easy contact, preferably in inner-city locations. Examples in New York City include the industrial valley between Midtown Manhattan and the Financial District for the printing industry, or between Chinatown and the Garment District for textile production.

For mass production, locations will be different. Here the pattern has changed dramatically since the beginning of the Industrial Revolution. At first, factories were near the centre of the city; indeed, to a large extent they led to the

growth of the city around them, as in the industrial cities of England or the manufacturing cities of New England. But more modern manufacturing methods require vastly more single-storey space, with parking for automotive access rather than paths for workers coming on foot, and many more operations are internalized. Land costs have become more important than local agglomeration economies, and suburban or rural locations are preferred.

● The old working class quarter and the immigrant enclave

The *tenement city* serves as home for lower paid workers, workers earning the minimum wage or little more, who often have irregular employment, few benefits, little job security and no chance of advancement. Their city is much less protective or insular than the suburban, gentrified and luxury cities. In earlier days, the residents of these so-called slum neighbourhoods were perceived as unruly and undisciplined; they often were the victims of slum clearance and 'urban renewal'. Today, they experience abandonment, displacement, service cuts, deterioration of public facilities, and political neglect.

Because low-paid workers are needed for the functioning of the city as a whole, they have some ability to exert political pressure

However, because they are needed for the functioning of the city as a whole, they have some ability to exert political pressure to get public protections: for example, rent regulation and public housing exist largely because of their activities. However, when their quarters are wanted for 'higher uses', they are frequently moved out, by urban renewal or by gentrification. The fight against displacement, under the banner of protecting their neighbourhoods, has given rise to some of the most militant social movements of our time. Urban protests in Paris in the 1960s received broad recognition, and anti-displacement activities, whether in San Francisco, New York City, Toronto, Frankfurt, Capetown or Hong Kong, have been worldwide. They were a major focus of attention at Habitat II in Istanbul in 1996 and a concern included in the current UNCHS Global Campaign for Secure Tenure. Relatedly, 'Cities Without Slums' is an ambitious initiative to improve the living conditions of millions of people living in poverty through a joint effort of UNCHS (Habitat) and the World Bank in partnership with cities and major development organizations.²⁸

The *city of unskilled work* includes the informal economy, small-scale manufacturing, warehousing, sweatshops, technically unskilled consumer services and immigrant industries. These are closely intertwined with the cities of production and advanced services and thus located near them, but separately and in scattered clusters.²⁹ Their locations are determined in part by economic relations, and in part by the patterns of the residential city. Because the nature of the labour supply determines the profitability of these activities, the residential location of workers willing to do low-paid and unskilled

work has a major influence. Thus, in New York City sweatshops locate in Chinatown or the Dominican areas of Washington Heights, in Miami in the Cuban enclave, and generally in the slums of cities throughout the world.

The economic city of unskilled work parallels the tenement city. In the more industrialized countries, residence is separate from work. For older 'smokestack' industries, that is also true in developing countries. Major automobile plants in Brazil and China draw on pools of workers from various residential areas, often from large informal settlements and squatter colonies, located near the factories. For other types of work, such as textiles and forms of light manufacturing, home work is again coming into vogue as a cheap and flexible form of production, combining place of residence with place of work and avoiding the necessity of investing in a separate workplace entirely.³⁰ The ensuing separation of such workers from the core of the city is thereby further accentuated.

● Abandonment and the new ghetto of exclusion

The *abandoned city* is the place for the very poor, the excluded, the never employed and permanently unemployed and the homeless. In older industrialized countries, it will have a crumbling infrastructure and deteriorating housing. The domination by outside impersonal forces, direct street-level exploitation, racial and ethnic discrimination and segregation and the harassment of women are everyday reality. The spatial concentration of the poor in such areas is often reinforced by public policy. For example, public housing becomes more and more targeted at the poorest of the poor, turning into ghettoized housing of last resort. In some countries, they are the worst units, left after the better part of the stock has been privatized. Drugs and crime are concentrated here, education and public services neglected. In less industrialized countries, the excluded live on the fringe of the city, often in informal accommodations. They often lack proper sewerage, water supply or other basic infrastructure, and often subsist without protected legal tenure.

Whether in developed or less developed countries, the residential areas of the excluded are abandoned by the formal structures of government and denied the public services considered normal in other parts of the city

Whether in developed or less developed countries, the residential areas of the excluded are abandoned by the formal structures of government and denied the public services considered normal in other parts of the city.

Here is also, in economic terms, the *residual city*, the city of the less legal portions of the informal economy. In the developing countries, it will overlap with the abandoned city: its residents derive income from marginal and illegal work. In industrialized countries, it is the city of storage where otherwise undesired facilities, such as manufacturing buildings are located. Many of the most polluting and environmentally detrimental components of the urban infrastructure, necessary for its economic survival

but not directly tied to any one economic activity, are located here: sewage treatment plants, incinerators, bus garages, AIDS residences, shelters for the homeless, juvenile detention centres, jails. Recognition of the resulting equity problems is evident in the adoption by several cities and regions of so-called fair share regulations to help ensure a more equitable distribution of what has been described by various acronyms: LULUS (locally unwanted land uses), TOADS (temporarily obsolete and derelict sites), NIMBY (not in my back yard), BANANA (build absolutely nothing anywhere near anyone) and NIMTOO (not in my term of office). Although a step forward, the enforcement of such regulations leaves considerable room for improvement.

Social exclusion is a characteristic of the abandoned and residual city in more industrialized countries. The excluded ghetto is widespread in the US.³¹ Two separate streams of analysis have contributed to the discussion, differing in their starting points and emphases, but not necessarily inconsistent with each other. One places the central emphasis on race, the other on economic change and class. The former has been developed, logically enough, in the US;³² the latter has greater linkages to European experience. The term 'underclass' stresses the role of economic change and its relationship to class; however, the structural underpinnings of this concept have been weakened by the imputing of behavioural connotations. Substitution of the term (new) 'ghetto poor' for 'underclass'³³ suggests the linkage between race and class and their spatial components.³⁴

The ostracized marginal settlements and the apartheid township are the older parallels in the developing economies. The presence or absence of the excluded ghetto, or the apartheid township, is in significant part a function of the social and economic policies of government. Thus, although residents from the former Dutch colony of Surinam tend to cluster in certain areas in Amsterdam, and distinct immigrant quarters exist in Stockholm, while Turkish is the dominant language in certain sections of Frankfurt, the local and national policies in these countries preclude the type of ghettoization found in the US,³⁵ which strongly isolates poor, inner-city African Americans.³⁶ The Index of Similarity in European cities will hover around 0.35, whereas in the US this measure of isolation more typically is in the 0.5-and-up range. Census data show an ID of 0.68 for Hispanics in Newark, New Jersey, for example, and 0.83 for African Americans in Milwaukee, Wisconsin. The dangers of this pattern are visible around the globe, but they are recognized and countered with much greater will and effort in some countries than in others.

Putting the lines of residential and business division together, a general pattern emerges in which the lines of separation are more or less congruent, and the social, economic, political and cultural divisions largely (but not completely) overlap. One may thus speak of five distinct cities co-existing within the single 'city' of municipal boundaries.

The lines of separation in this five-part division are complex. In the less desirable areas, both in the residential city and the economic city, there is a disproportionately

large number of immigrants and households headed by women whose access to better areas is closed off because of discrimination or costs.

Urban patterns of residential differentiation are not simply a function of 'lifestyle' preferences or 'special needs', but reflect positions in a hierarchy of power and wealth in which some decide and others are decided for

Race, class, ethnicity and gender create overlapping patterns of differentiation: invidious differentiation, for there is no doubt that the differences are not simply a function of 'lifestyle' preferences or 'special needs', but reflect positions in a hierarchy of power and wealth in which some decide and others are decided for. The lines of division, and the spatial and physical reflection of economic polarization, are sharpest and most visible at the two extremes of the scale: the citadel and the ghetto. For example, in São Paulo, the separation of citadels of business into high-rise clusters connected by helicopter to the gated and patrolled residential communities both within and increasingly far outside the city, and the favelas of the poor confined to the far outskirts of town and to little ghettos within it, increasingly characterize a partitioned city.³⁷ In Shanghai, the shining international skyscrapers of Pudong, designed by and housing global firms, stand in stark contrast to the small ground-level homes of the poor local households that are being replaced. How sharp and how visible such lines of division become in cities around the world will depend both on the intensity of the impact of globalization and on the extent to which the various actors, in government and without, move to counter their negative features.

● Walls between the quarters

The poor are walled in by social convention – the stigmatization of their neighbourhoods, often subsidized housing, which has become more and more housing of last resort for the very poor. In large cities around the world, the rich wall themselves in, forming gated communities and walled enclaves in high-tech protected high-rises in security zones in the central cities.³⁸ For the poor, the demarcation of boundaries may be along the lines of streets, slopes of hills, freeways or open (usually deserted or undermaintained) spaces; they may be artificial or natural barriers (highways or railroad tracks, hills or rivers), or architectural barriers and indicators (the forms of housing, the placement of public facilities). The meaning of the walls of both the wealthy and the poor are recognized by all sides.

In between, the residents of the enclaves of the gentry, the middle class and the working class of the formal labour market also seek to separate themselves out from 'the others', each from those below them, and all from the very poor and excluded. In the US, gated communities and (aptly called) Common Interest Developments (CIDs) for affluent households now constitute the fastest growing segment of the housing market.

By imposing fines and attaching liens to residents' homes, the governments of 'privatopias' enforce restrictions regarding property and codes of conduct that are rigid and often repressive. They seek to eradicate any behaviour that might conceivably pose a threat to property values, creating regulatory nightmares

These 'privatopias' house more than 32 million people in more than 150,000 such projects across the country. Their residents are required to belong to homeowner associations, pay monthly fees and live under the rule of private residential governments. These governments perform functions that are ordinarily the province of local government: police protection, waste collection, street maintenance, snow removal, landscaping and lighting. By imposing fines and attaching liens to residents' homes, they enforce restrictions regarding property and codes of conduct that are rigid and often repressive. These private governments can regulate people's daily lives in great and personal detail. They are known to have banned spouses below a certain age, pets above a specified weight and children altogether. They have cited a grandmother for kissing a friend goodbye at her front door and ordered a family to stop using their back door because they were wearing an unsightly path. They have forbidden children from playing with metal toys because the rules prescribed wood and they have levied fines for displaying election signs (although this was overruled by the Supreme Court). Appeals are heard by boards whose members may be the very same people who report the alleged violations; a blending of prosecutor and judge unacceptable in democratic society. Although the US constitution protects individuals against state action, the court views homeowner associations as voluntary, private organizations. In this vacuum, they seek to eradicate any behaviour that might conceivably pose a threat to property values, and they have become regulatory nightmares.

A recent study of these types of privatized quarters warns of the residents' diminished sense of civil responsibility to the larger community. Thus residents have organized as interest groups demanding tax refunds from local and state government on the grounds that they are already paying for the privately provided services. These developments further accentuate existing patterns of segregation.³⁹

The new architecture of shopping malls, skywalks, and policed pedestrian malls is an additional striking physical mirror of social separation. Downtown skywalks, for instance, symbolically and physically permit the men and women of business and shoppers with money to spend to walk over the heads of the poor.⁴⁰ The market serves as the desired stratifying force. Thus retailing is geared to the different market levels of each quarter, and public services such as schools also reflect the characteristics of their locale. For example, schools in locally funded districts with higher revenue bases can purchase better equipment (eg computers), offer enriched curricula and attract more and higher qualified staff by paying higher salaries. However created and walled, the movement towards the hardening of

boundaries between the quarters of the city is visible everywhere and can be mapped; for example in newspaper accounts showing the curfew lines after the civil unrest in Los Angeles or in ads showing the security zone around the office clusters in the centre of Johannesburg.

The awareness of this process has led several governments to attempt counter-measures, sometimes with significant success. In The Netherlands, the upgrading of areas with high concentrations of poverty has been a deliberate policy, as it has in other welfare states in Western Europe. The danger, of course, is that the upgrading may lead to gentrification and its concomitant displacement. This concern now pervades Harlem in New York, for example, where the goal – neither ghetto nor gentrified enclave – remains elusive.

The debasing of the urban cultural environment

The particular historic character of a city often gets submerged in the direct and overt quest for an international image and international business. Local identity becomes an ornament, a public relations artefact designed to aid marketing

The particular historic character of a city often gets submerged in the direct and overt quest for an international image and international business. From Shanghai to Johannesburg, from Buenos Aires to Melbourne, from Hanoi to St Petersburg, an international business class fashions downtown offices, stores, hotels, resorts and condominiums in its own image. Local identity becomes an ornament, a public relations artefact designed to aid marketing. Authenticity is paid for, encapsulated, mummified, located and displayed to attract tourists rather than to shelter continuities of tradition or the lives of its historic creators. Cultural critics speak of the international ‘Disneyfication’ of entertainment and recreation, but the process affects the built form of cities as well. Ubiquitous fast food franchises with their trademark architecture, malls of greater and greater scale, chain stores and international franchises dot the urban landscape, in the suburbs as well as downtown areas.⁴¹ In fact, there is convergence in the cultural suburbanization of the central areas of cities, proceeding in parallel with the urbanization of the periphery, to change regional form from concentric to multi-centric to shapeless, while remaining dependent on a single centre for key financial, governmental and control functions.

Such developments have both favourable and unfavourable sides. The favourable ones are perhaps more obvious: McDonald’s brings fast food and pleasure to many people, and the success of the Disney stores indicates a market for what they sell. The unfavourable aspects are found in what is lost by this addition to the range of choice: a submergence of identity, a loss of cultural traditions, and a feeling of powerlessness that has contributed to the growth of ‘identity politics’ around the world.⁴² The line between reclaiming identity and separatism akin to tribalism is a thin one.

Local governments must seek a meaningful multi-culturalism between submergence of identity in assimilation to the majority, on the one hand, and primacy of separate identity in enclavization, on the other

Many governments recognize this, and there is an ongoing quest for a meaningful multi-culturalism between submergence of identity in assimilation to the majority, on the one hand, and primacy of separate identity in enclavization on the other. Several decades ago, the Indian government sought to present the new town of Chandigarh as a showcase to the world, worthy of foreign investment. ‘Unfettered by traditions of the past’, in Nehru’s words, it built a modern city planned by Western experts. But something went wrong. Neighbourhoods planned to be self-contained with one of each of different kinds of stores now have many stores carrying the same merchandise because residents in Chandigarh like to do comparative shopping and bargain; cattle lounge in the middle of the streets, even though it is illegal for most residents to own them; sidewalk vending is outlawed, yet you cannot walk on one without stumbling over peanut vendors, shoe repairmen and turban washers; and there is an expansive park, called ‘Leisure Valley’, yet few people take their leisure there.⁴³ In a more recent example of the relationships between local cultural aspects and larger economic considerations, in Ho Chi Minh City, blighted tracts within the inner city were unwelcome sights because it was feared that they would deter international investment by undermining the image of an economically strong and healthy modern city that officials wished to project.⁴⁴ A recent case study of two communities in Viet Nam and China offers further insight into peri-urban development under the influence of economic globalization.⁴⁵

The declining public orientation of the state and the distortions of land use by the market

While the economic aspects of globalization explain a great deal of the patterns just described, these developments could not happen without the support of state policies which reflect the political balance of power that influences as well as mediates globalization.

The emphasis on the ‘competitiveness of cities’ has the effect of apotheosizing the private market

The emphasis on the ‘competitiveness of cities’ (as if a ‘city’ were competitive, rather than just particular businesses and other stakeholders), that is taken as essential for a city’s ability to thrive in a global age, has the effect of apotheosizing the private market. The private market will naturally segregate; it abandons brownfield sites, wastes land in speculation, pollutes, sprawls, builds four petrol stations at one road junction, creates deserted malls all over and dead centres in the middle. Only with effective govern-

ment action can such wasteful results be avoided. It takes public action to produce a measure of equality in the use of urban space, but public policy working in that direction is less and less evident. This was shown in the case studies of Sydney, Singapore and London, presented earlier.

What is controversial is not urban planning, per se, but rather the *direction* of local governmental activity. Should it be directed solely at efficiency, reinforcing the current distributions of wealth and power, or should it play a redistributive role, creating a minimum standard for quality of life for *all* of its residents?

The extent of government's role in shaping cities is an ideologically controversial topic. The fact that without a very active governmental role, cities could not exist is hardly in issue: traffic could not move, the danger of fires would be uncontrolled, health hazards would multiply, cities would be unliveable. What is controversial is rather the *direction* of local government activity: whether it should be directed solely at efficiency, reinforcing the current distributions of wealth and power, or whether it should play a redistributive role, creating a minimum standard for quality of life for *all* of its residents. Attacks on public planning, epitomized by the policies of the Thatcher and Reagan administrations, often question the redistributive aspects of such planning, rather than the planning itself.

In response, the tendency is to call for the separation of planning from (potentially redistributive) politics, to technocratize it, place it in the jurisdiction of a specialized bureaucracy and remove it from public scrutiny. There are planners who resist this trend, individually or collaboratively, and seek to occupy a professional crossroads to mediate the global and the local.⁴⁶ However, the matter is first of all a political one. It is important to recognize local and community-based protest in the name of equality and of democracy, with varying effect depending on the issues involved in different countries. The move to greater local initiative and greater local participation, strongly encouraged by Habitat, in general supports the redistributive direction of governmental action. It is critical that this role of government is also explicitly emphasized in models of good practice identified by Habitat.

The residualization of social housing

In no country in the world does the market provide adequate housing for those unable to make payments for it at the prevailing rates of return; nor would the market be expected to do so

The place of social housing in cities may be taken as a litmus test for the extent of inequality in its residential structure. In no country in the world does the market provide adequate housing for those unable to make payments for it at the prevailing rates of return; nor would the market be expected to do so. This is true regardless of globalization. However, globalization has added to the

Box 2.7 The conservation of historic centres: for whom?

From a total of 552 World Heritage Sites recognized by UNESCO (April 1998), 71 are in Latin America and 24 of these are historic centres. Most countries have had legislation to protect these centres for many decades, largely without being able to prevent deterioration. But in the last few years coordinated efforts have been made at conservation. In Bogotá, Cartagena, Havana, Mexico City, Puebla and other cities, dedicated agencies have been established to either conduct conservation work or to draw in private finance through fiscal incentives, suspension of urban regulations and technical assistance. These agencies have been supported by international organizations such as the Getty Conservation Institute, Junta de Andalucía and PACT-ARIM. In Quito, the Inter-American Development Bank has committed US\$41 million to set up a joint venture company to 'commercialize' the conservation process within a discrete zone.

In terms of the architectural conservation of 'public' space, notably monuments, religious buildings, museums and squares the results of these efforts have been impressive. But, the private sector has been reluctant to invest until measures are in place to remove street traders, food markets, bus depots and red light districts. If done, there is evidence of growing private sector investment. In cities such as Cartagena, where the conservation of a large property can cost upward of US\$500,000, 'new money' has moved in. More commonly, middle-class groups have been reluctant to commit themselves to residence as understood by the gentrification process in the United States, Canada or Europe. Rather, the preference is to 'reconquer' the centre for the display of cultural tastes through prominence of cafes, antiques shops, art centres and private universities. This need to reassert a middle-class identity may be linked to the economic crises of the 1980s and a fear of 'Americanization'. Regeneration has not been limited to physical space therefore but to symbolic spaces and images, including Spanish rather than indigenous or *mestizo* associations. The result is 'historic centres' that may be socially, and ethnically, more exclusionary than in the past.

Source: Bromley and Jones, 1999; Jones and Varley, 1999.

perennial problem of translating need into demand: an increase of inequality and a process of exclusion have made the plight of those at the bottom of the economic ladder even more difficult. Governmental action is thus needed to protect those the market does not serve. In the years immediately following the Second World War, most governments took energetic action to secure adequate housing for their populations, the extent varying with resource availability. Whether for returning war veterans or in devastated communities, the need was dire, and acknowledged. In many countries, the dominant force in housing construction was public, and broad sections of the population were eligible for government supported housing. Today, that situation is still true only in a handful of countries. The pattern is rather that of privatization of social housing, the reduction of government's role in housing provision. This trend is most strikingly evident in the formerly state socialist countries of Eastern Europe, where the income gap is also growing rapidly, but it can be seen as well in most other countries. The result has been a residualization of social housing in the developed countries and a stratification of its occupants in less developed countries. The unwillingness to subsidize 'unproductive' investment in housing is a consequence, at least in part, of the pressures felt by governmental leaders from perceived global competition; it has led to heightened segregation and inequality in housing provision around the world.

In summary, major unfavourable urban impacts of globalization include an increase in inequality, and its reflection and reinforcement in the quartering of the spatial

structure of cities. Alongside this rise in spatial separation are other unfavourable consequences: the restructuring of central business districts, creating mismatches between job and housing markets; the debasing of older cultures with homogenization of new culture; and the residualization of social housing, as part of the general movement away from the use of government in a socially redistributive capacity towards a more technocratic and efficiency-oriented mode. However, there are also countervailing trends.

Countervailing Favourable Trends

The democratization of decision-making

The single greatest positive feature of the development of cities in the last 30 years has been the increasing participation of their residents in decisions concerning their future

The single greatest positive feature of the development of cities in the last 30 years has been the increasing participation of their residents in decisions concerning their future. Citizen participation in planning and local government has been on the increase almost everywhere in the world. It has rightly been a major thrust of Habitat's efforts over the years. Participation, of course, is not necessarily the same thing as influence, and certainly not the same thing as decision-making; yet it is an essential element in each. How far participation will develop to change decision-making depends on the existing relationships of power, which, in many ways, globalization has served to reinforce. But the movement is undeniably there.

Decentralization of powers from national governments to cities, a characteristic policy of many countries, is ambiguous in this regard: since the resource base of national economies is not effectively tapped at the local level, if responsibility is devolved without a parallel devolution of resources, decentralization may increase inequality more than reduce it.

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The impact of globalization on resident participation is still unclear. Two opposite tendencies can be discerned. On the one hand, the domination of a mass media, increasingly multinational in its ownership, homogeneous in its content and centralized in its control, permits a manipulation of popular opinion that the established holders of power are well able to exploit. On the other hand, the speed and ubiquity of communications technology facilitates the organization of social movements, helps citizens' groups to hammer out agendas, makes possible better coordination of protests and, above all, enables the

distribution of the information necessary for effective action. By the same token, while the mobility of capital far exceeds that of labour, the internet has provided a channel of communication worldwide that has allowed local groups, organized around particular local problems, to share information with other groups having encountered similar problems. It also permits citizens' protest to be organized on a global basis, and a global public opinion to be formed that may exert a countervailing influence to globally organized established power. A case in point is the successful mobilization of support for the boycott of cargo originating from Liverpool by dockworkers in ports around the world, acting in solidarity with British colleagues. The Liverpool dockworkers were on strike to protest against deregulation and the introduction of more casual and less secure working conditions by Mersey Docks and Harbour Company, who were seeking an edge over global competitors.⁴⁷ Another example is the effective collaboration of activists in India and the US in opposition to the opening of a DuPont Nylon factory, resulting in the project being scrapped after disclosure of shortcomings in its environmental record.⁴⁸

Three social movements go well beyond individual cities, but have strong local implications. The women's movement, movements of ethnic groups organized around issues of civil rights and environmental movements, all have supra-urban bases but important impacts on cities. The women's movement has put in the forefront the question of the impact of urban developments of globalization generally on human welfare, with disproportionately negative implications for women. Not only are women's pay scales still substantially below those of men for equal work, and not only is much of women's work still entirely unpaid and unrecognized, but also, in the distribution of public facilities and urban services, women's needs tend to be subordinated to those of the business community and the men who dominate it. Issues of child care, of security in the streets, of accessibility – of rights to the city – have all been effectively raised by women.

Globalization heightens the salience of urban identity politics, alluded to above. An important factor is the flow of immigrants into cities, which is expected to continue given labour market requirements and demographic trends and augmented by refugees requesting political asylum. These urban influxes often comprise minority populations without citizenship rights. Because inequality in income, education and political power is so often directly related to ethnicity and race, campaigns against discrimination are in general also campaigns for greater equality. Affirmative action, long a progressive slogan in the US, may be on the defensive there, but elsewhere it is increasingly recognized as a necessary accompaniment to efforts to reduce inequality. The forms it should take are matters of discussion in most of these places, but it involves explicit recognition of ethnicity and race as bases of inequality.

The environmental movement has probably most explicitly dealt with the unfavourable consequences of globalization, both in natural areas and in cities. Environmental quality and human equality are closely

connected: pollution, lack of clean water, inadequate sewage disposal, polluting industries and lack of green space are all more typically characteristics of poor communities. The escape of the rich to environmentally more friendly suburbs in protected enclaves only reinforces the inequality in the distribution and location of environmental detriments and benefits. This relationship between environmental concerns and inequality has been clearly brought into focus, on a global basis, by various international meetings, including the Habitat conferences in 1976 and 1996. Figure 2.1 illustrates the role of these events in bringing these issues to the fore.⁴⁸

The figure shows how the number of legal publications concerned with environmental justice increased significantly after the United Nations Conference on Environment and Development (UNCED), held in Rio de Janeiro. The legal output on environmental justice then dropped off, only to rise again after UNCED+5.

Although these data are but a limited indicator of impact, they seem to signal that the United Nations global summit meetings help to crystallize and concentrate professional awareness and activity on selected key issues.

United Nations global summit meetings help to crystallize and concentrate professional awareness and activity on selected key issues

The advance of knowledge

At the beginning of the third millennium, the technical knowledge exists to deal with the unfavourable urban manifestations of globalization that have been described above. The social knowledge to put that technical knowledge into practice also exists. We have the scientific knowledge to avoid and to control environmental degradation; we have the planning competence to improve housing, to plan cities well, to equalize educational opportunity and to open the doors to a better quality of life for all of the residents of cities throughout the world.

Globalization has significantly increased both our technical and our social know-how. More and more, this knowledge is being shared, allowing learning about, if not transfer of, successful policies and programmes. Habitat has provided the lead in the documentation of best practices.⁵⁰

Best practices often illustrate only the best that can be done under existing national policies and decision-making processes; what is further needed is a set of 'best policies' and 'best decision-making processes' for wide dissemination. Elaboration of normative 'first' principles will allow 'audits' or assessments of how well practices conform to stated goals and how they might be improved

The development of such databases produces valuable resources that help to build a cumulative body of knowl-

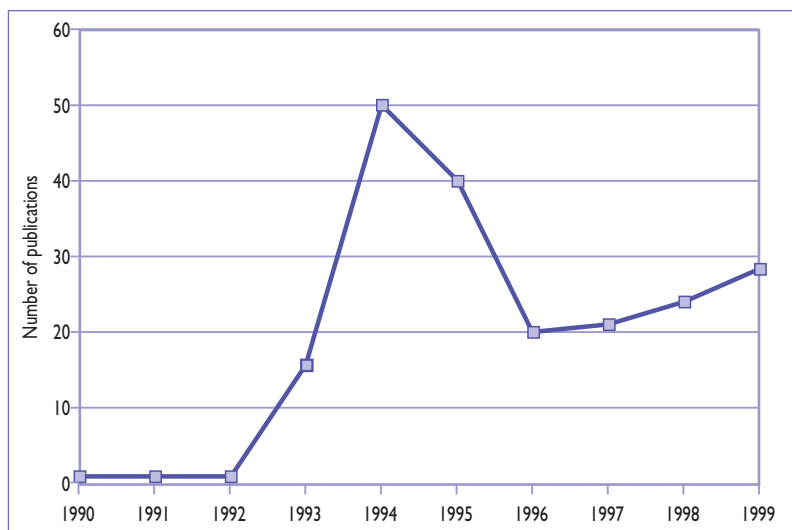


Figure 2.1

Legal publications on environmental justice, 1990–1999

edge. But best practices often illustrate only the best that can be done under existing national policies and decision-making processes; what is further needed is a set of 'best policies' and 'best decision-making processes' for wide dissemination. Elaboration of normative 'first' principles will also allow 'audits' or assessments of how well practices conform to stated goals and how they might be improved. In a related vein, with private and public sector support, UNCHS (Habitat) has established the Global Urban Observatory Programme⁵¹ to put in place a reporting system for urban indicators meant to assist in the monitoring of policy implementation. However, inequalities of power, magnified by contemporary globalization, hamper the uses of that knowledge and information for beneficial public purposes. In more cases than not, interests favouring accumulation of private wealth prevail over groups that give greater priority to social justice and environmental sustainability. Fortunately, there are encouraging examples of more positive outcomes.⁵¹

Globalization has significantly increased both our technical and our social know-how. More and more, this knowledge is being shared, allowing learning about, if not transfer of, successful policies and programmes. However, inequalities of power, magnified by contemporary globalization, hamper the uses of that knowledge for beneficial public purposes. It is important to identify ways to channel globalization into alternative and more positive forms

Although it is important to start this report by recognizing the pressing problems of human settlements associated with current globalization, it is equally important to identify ways for channelling globalization into alternative and more positive forms. Doing so will help to inform and guide the future development of our cities around the world. It is to this task that the remainder of this report now turns.

Notes

- 1 This section is adapted from 'Globalization, Urban Planning and Local Democracy', a paper prepared by Andrew Thornley, London School of Economics.
- 2 See, for example, Held, 1999.
- 3 See, for example, Giddens, 1990; 2000.
- 4 See Harvey, 1989.
- 5 See especially Molotch, 1993; Ferman, 1996; Jonas and Wilson, 1999.
- 6 For a good account of this work, see Judge, 1995.
- 7 See Plaza, 1999; McNeill, 2000.
- 8 The ill-starred dome venture, with its slavish start-up budget, was pushed past a sceptical cabinet and treasury opposition, and has become a political albatross (*Sunday Times*, 2000).
- 9 These developments have been documented in many analyses, notably in the work of Saskia Sassen, for example: Sassen, 1998; 2000a, b.
- 10 It cost the equivalent of £19,000 per employee to attract Samsung, the South Korean electronics company, and £30,000 to attract Germany's Siemens to build plants in north-east England (Adams, 1999).
- 11 See, for example, Judd, 1999.
- 12 For example, for the World Soccer Championships in 1998 France spent \$US500 million on the Stade de France (not counting the cost of such extras as new subway and commuter rail stations), a state of the art sports stadium located in what has been described as the most disadvantaged district of France with an unemployment rate of 15 per cent among a largely immigrant population living in deteriorated housing, lacking public services and facing multiple, serious neighbourhood problems (Le Figaro, 1998, pp 1, 8, 9; see also Swardson, 1998, p C6). Toronto's bid for the 2008 Olympic Games has caused concern among a coalition of groups, aptly named Bread Not Circuses (<http://www.breadnotcircuses.org/home.html>).
- 13 See Olds, 1998.
- 14 The following section is drawn from Jones, 2000.
- 15 The following discussion is drawn from 'Implications of Globalization for Cities', a background paper prepared by Peter Marcuse, Columbia University.
- 16 The greater facility at creating forms of entertainment and distributing them widely could as well be used to support a proliferation of diverse cultural experiments as a homogenization of culture; however, as an example, the domination of US movies on international television is not a function of the medium, but of the messengers.
- 17 Significant in this regard is the development of best practices databases and research on policy transfer, see www.bestpractices.org
- 18 See Olds, 1998.
- 19 From UNDP, 1996a.
- 20 See, for example, Demissie, 1998; Ha, 1998; Lee and Murie, 1999; Murdie and Borgegard, 1998; Musterd et al, 1999; Withers, 1997; Ayero, 1999; Caldeira, 1996a. A recent special issue of *Progress in Planning* 52 (1999) includes an examination of divided cities from an historical perspective. See also Harris, 1984.
- 21 Manuel Castells (1996) has coined the phrase 'space of flows' as non-place based spaces. However, as Saskia Sassen (1994) has pointed out, those spaces need to be based in specific places (she argues global cities, but all cities are to some extent globalizing) and what we here call the luxury city and its business correlate, the city of control, are among those places. Possible locations are limited, but the mobility available to them is far more extensive than for the activities in other parts of the city.
- 22 Steven Brint, in Mollenkopf and Castells, 1991, p 155.
- 23 The term was first used in this context by John Friedmann 30 years ago.
- 24 Toll, 1969.
- 25 The term is used here, not in its narrower sense, as a portion of the city in which higher class groups have displaced lower class (see definitions in Marcuse, 1985), but in the broader sense of areas occupied by, or intended for, the professionals, managers and technicians, and thus may include newly constructed housing as well as housing 'gentrified' in the narrower sense of the word.
- 26 The reference here is not to creative artists, to what in earlier days would have been called Bohemians, who cannot generally afford the prices of the gentrified city, and are more likely to live somewhere between the abandoned and the tenement city. To the extent that they tend to congregate in specific neighbourhoods, they may serve as precursors of gentrification (see Rose, 1984, who differentiates sharply among different categories of gentrifiers).
- 27 Häusermann and Siebel, 1987. See also Marcuse, 1991.
- 28 See www.worldbank.org/html/fpd/urban/cws/cwoslums.htm.
- 29 See, for instance, Sassen, 1989, with brief but provocative comments on intra-city spatial aspects of these trends.
- 30 See, for example, the CARDO International Project on home-based enterprises at <http://buildnet.csir.co.za/hbe/Default.htm>
- 31 For a recent discussion, see Marcuse, 1996.
- 32 See Massey and Denton, 1993. See also Goldsmith and Blakeley, 1992; Bullard et al, 1994.
- 33 Wilson, 1991.
- 34 Waquant and Gans have recently argued that overuse of the term 'ghetto' has made it a conceptual passepartout that insufficiently differentiates between the types of situations it originally denoted and the conditions described by its more recent usage.
- 35 See Burgers, 1996 for a study of undocumented immigrant workers in The Netherlands. See also the recent special issue of *Urban Studies* ((1999), 14(5)) on 'Divided Cities' in Europe.
- 36 See, for example, Massey and Denton, 1993; Goering et al 1997.
- 37 See also Caldeira, 1996a.
- 38 See intimidating walls at Chacara Flora in São Paulo, and walls at Courtyard Village, Rua Conde D'Eu, of Coelho da Fonseca. Even the name gives it away.
- 39 For an in-depth study of these privatopias, see McKenzie, 1994. See also Ross, 1999, for a study of Celebration, Florida, the new town owned and run by the Disney Corporation.
- 40 See Marcuse, 1988; Barnett, 1989.
- 41 Several US (small) towns have passed or are discussing enactment of local ordinances (a Community Vitality Act) prohibiting the opening of new commercial establishments that are part of (inter)national chains, such as certain fast food outlets, coffee shops, clothing and do-it-yourself stores. Proponents argue that this measure helps to retain local revenue and preserves local character; detractors oppose it on the grounds that it unfairly restricts competition, allowing local business to charge higher prices.
- 42 See, for example, McNeill, 2000, for a study of the tension between Basque national identity and globalization represented by the establishment of the Guggenheim museum in Bilbao, Spain.
- 43 See Brolin, 1972.
- 44 International Development Research Centre and Hanoi Architectural University, 1997.
- 45 See Leaf, 2000.
- 46 See, for example, Wright, 1998.
- 47 See Lavalette and Kennedy, 1996, for a vivid account. In brief, the dispute started when five dockworkers were sacked in a disagreement about overtime. Eighty of their co-workers responded by setting up a picket line to protest against the dismissals. The dispute intensified when 400 dockers employed by the MDHC refused to cross the picket line and were fired en masse. MDHC was able to take advantage of Britain's Thatcherite labour laws designed to prohibit traditional forms of working class resistance such as secondary strikes, also making it possible to sack workers without any right of redress and to replace them with casual, scab labour. British port employers engaged in a concerted drive to employ workforces that would be fully utilized, low cost and available on a just-in-time or 'as needed' basis. They wanted to employ only atomized workers who were isolated from each other, competed with each other for work and could be called to the docks at short notice, a system allowed by deregulation and facilitated by modern information and communication technologies. However, the strikers used the same technologies to mobilize support among fellow dockworkers around the world who recognized the similarity between their respective struggles. Detailed information on the emergence of the international dockworkers movement and their effective use of modern communication technologies can be found on the web at www.labournet.net/docks2/other/dockhome.htm
- 48 See Jenkins and Goetz, 1999.
- 49 Articles from legal journals, yearbooks, institutes, bar association organs, law reviews and government publications originating in the US, Canada, the UK, Ireland, Australia and New Zealand. Available through Online Computer Library Center (OCLC) at www.oclc.org/oclc/menu/home1.htm, used by over 36,000 libraries in 74 countries.
- 50 See <http://www.bestpractices.org/>.
- 51 See <http://www.urbanobservatory.org/>.
- 52 See, for example, Evans et al, 2001 for a series of fine case studies of struggles for progress.

FRAMING NORMATIVE POLICY PLATFORMS

‘Ultimately, global society will be judged on how well – or how poorly – it treats its weakest and most disadvantaged. With one-tenth of humanity living at the margin of survival, our record is not one that can be celebrated. We must change it. We must act collectively and decisively to bring about this change’ – Kofi Annan, Address to the Eighth Annual Ministerial Meeting of the Least Developed Countries, New York, 28 September 1998

The troubling trends reviewed in the preceding two chapters have elicited responses from United Nations organizations. A number of them held summit meetings during the 1990s, and each resulted in political consensus on, and adoption of, a global plan of action. Table 3.1 lists those conferences whose themes are significant in relation to human settlements and which are reviewed in subsequent sections of this chapter.

What emerged from these conferences are the contours of a normative framework for development policies that take advantage of the potential of globalization as a tool to attain goals of social justice and environmental sustainability. The crucial question now is: How can this potential be better realized?

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Antecedents and Context

The normative frameworks that the global conferences of the 1990s helped to establish did not come about in a vacuum. A brief background of the historical antecedents and context of the emergence of these new norms is of more than just passing historical interest. Insights and understanding in this regard will assist us in their implementation in the future.

Global conferences were not unique to the 1990s. Indeed, many of the subjects addressed – human rights, population, women – had been the subject of international conferences during previous decades. These precursors

offered valuable fora to discuss and search for global accommodation and consensus when the two superpowers had stopped meaningful communication with each other for extended periods. Although these earlier conferences helped to spread new ideas, their momentum dissipated during ‘the lost decade’ of the 1980s, overshadowed, if not hamstrung, by the Cold War, structural adjustment policies and conservative political realignments, as pursued by the Reagan and Thatcher administrations. Also, notwithstanding important progress, further advances stagnated, as participating countries remained mired in blocs.

The Helsinki Accords of 1975 were followed by a period of detente during which many Western Europeans travelled to the Eastern Bloc, realizing there was no threat of a communist invasion but also seeing first-hand evidence of Soviet denial of human rights and the oppression of dissent. NATO’s decision to deploy a new generation of nuclear missiles in Europe in the early 1980s met with popular protests on a massive scale.

These unprecedented public actions stressed the link between peace, democracy and human rights. Millions took to the streets of the capital cities and signed the European Nuclear Disarmament (END) Appeal, which called on its signatories not to ‘be loyal to East or West, but to each other’. The end of the Cold War signalled new opportunities to engage major issues of the time by collaboration across national boundaries. Willingness to create and use those opportunities was stimulated by forms of transnational civil society that had emerged from a dialogue between peace movements in Western Europe and human rights movements in Eastern Europe.¹

The global conferences of the 1990s were qualitatively different from their predecessors. These recent summits were truer world conferences in the sense that they were driven more by awareness of a single world that shared pervasive common problems. These later conferences helped to promote global cooperation on a less confrontational basis and yielded frameworks for problem solving based more on principles of joint responsibility.²

In the aftermath of the Cold War, the international community began to reconceptualize security more in terms of security of people, and less of states

After its civil war, in 1952, Costa Rica redefined its national security as it abolished its army, deciding that the best interests of its population would be better secured by

Table 3.1

Characteristics of selected United Nations conferences, 1990–1996

Year	Title	Location	Participating governments	NGO presence	Principal themes	Resulting documents
1990	World Summit for Children	New York, USA	159	45	Goals for the year 2000 for children's health, nutrition, education, and access to safe water and sanitation	World Declaration and Plan of Action on the Survival, Protection and Development of Children
1992	United Nations Conference on Environment and Development	Rio de Janeiro, Brazil	172	2400	Environment and sustainable development	Agenda 21, the Rio Declaration on Environment and Development, the Statement of Forest Principles, the United Nations Framework Convention on Climate Change and the United Nations Convention on Biological Diversity
1993	World Conference on Human Rights	Vienna, Austria	171	>800	The promotion and protection of human rights	The Vienna Declaration and Programme of Action
1994	International Conference on Population and Development	Cairo, Egypt	179	1500	Population, sustained economic growth and sustainable development	Programme of Action of the ICPD
1995	World Summit for Social Development	Copenhagen, Denmark	186	4500	Social development with three core issues: eradication of poverty, expansion of productive employment and reduction of unemployment, and social integration	Copenhagen Declaration on Social Development and Programme of Action
1995	Fourth World Conference on Women	Beijing, China	189	2100	The advancement and empowerment of women in relation to women's human rights, women and poverty, women and decision-making, the girl-child, violence against women, and other areas of concern	The Beijing Declaration and Platform for Action
1996	Second United Nations Conference on Human Settlements	Istanbul, Turkey	171	2400	Sustainable human settlements development in an urbanizing world; adequate shelter for all	Habitat Agenda, Istanbul Declaration on Human Settlements

Source: United Nations Department of Public Information, 1997.

investments in national health care and education than by military expenditures. Similarly, in the aftermath of the Cold War, the international community began to reconceptualize security more in terms of security of people, and less of states, acknowledging that there were also many people at risk in secure states. Although the North–South divide remained as salient as before, there was an increased realization that characteristics of the South are also found in the North, and vice versa. There are sections in New York with child mortality rates worse than in many developing nations, homeless people in London unable even to afford the cheapest local housing, and in Latin America, where poverty is widespread and increasing, there are people who rank among the world's most affluent elite.³

The emergence of global norms through the United Nations summits cannot be traced to a single factor. It involved the mobilization of civil society, the political will of governments and the initiative of private sector interests; not necessarily agreeing on the contents of the norms, but jointly moving in the *direction* of greater global discourse and action. This movement was facilitated by the same information and communication technologies used by owners of capital to enlarge their wealth. The process entailed negotiations that did not proceed without interruption. Certainly, progress was slow and non-linear, and results did not happen overnight.

The articulation and implementation of new global norms is a slow and long-term process, involving contestation by multiple actors in governments, civil society and the private sector

The articulation of new global norms involves contestation and claims by multiple stakeholders, and their implementation advances through disputes and arguments. And just as the evolution of norms is a long-term process, their implementation will also take time. These realizations about past developments can help to inform future approaches.

The rest of this chapter develops a fuller understanding of this background, the more substantive aspects of which are elaborated in Parts II, III and IV. The insights thus provided guide the discussion of prospective developments and policy options in Parts V and VI. Before considering the priorities and outcomes of selected United Nations summits during the 1990s in relation to human settlement development, it is appropriate first to review briefly a major prior UNCHS initiative, developed during the 1980s: The Global Strategy for Shelter to the Year 2000.

Global Strategy for Shelter to the Year 2000⁴

In 1988, the United Nations General Assembly adopted the Global Strategy for Shelter to the Year 2000 (GSS).⁵ This action marked a major shift in housing-related policies of the United Nations as well as those of other multilateral and bilateral development assistance organizations. By the end of the 1970s, it had become clear to housing policy makers that simple replication of model projects did not work, and that they had to seek new ways to increase the scale in the provision of housing, whether through public or private sector efforts or some new combination of the two. What became the new policy focus and why was there a change?

Before the 1980s, human settlement policies almost exclusively focused on providing housing for the poor. Most international aid agencies and national governments concentrated on squatter settlement upgrading, and sites and services programmes to help the poor obtain housing. According to nearly all accounts, the 'housing-for-the-poor' strategy had not worked. Administrative and financial problems had thwarted the widespread replication of squatter settlement upgrading programmes. Sites and services programmes had fared no better, with only a few examples for which the output of the programmes had come close to matching the housing needs of the poor. Problems with replicability and implementation, as well as the sheer scale of housing needs of the poor, had revealed the limitations of the housing-for-the-poor strategy.⁶ The GSS called for a scaling up of housing programmes, going beyond the traditional pilot project approach.⁷ It further noted that investments in housing sector development are important productive contributions to economic growth.⁸

The GSS replaced sites and services and squatter upgrading policies with the 'enabling approach', focused on reforms to improve the efficiency and effectiveness of housing markets

The GSS replaced sites and services and squatter upgrading policies with a totally different policy initiative referred to as the 'enabling approach'. This new directive, articulated by the United Nations, the World Bank and other multilateral and bilateral agencies concerned with housing, focused on implementing reforms to improve the overall efficiency and effectiveness of housing markets. Instead of direct interventions to improve squatter housing conditions or provide sites and services, the enabling approach was introduced to revise or eliminate policies or regulations that impeded the provision of housing. Overly restrictive land and housing development regulations were seen to prevent housing supply from responding to demand pressures. It was argued that many land use planners did not consider the cost and affordability implications of the master plans, zoning ordinances and subdivision development controls. If standards were set too high, low- and middle-income households would be forced into the informal housing sector, where housing development is unregulated.

According to the GSS, as the basis of a workable housing strategy, governments should review existing legislation and regulations and their impact on shelter production and improvement, and remove those that clearly appeared to be pointless and largely unenforceable. Governments should deploy their own resources in strategic areas such as the provision of trunk infrastructure, the development of land, the regulation of construction and the promotion of a variety of housing finance institutions.⁹ GSS placed greater reliance on private and individual initiatives to produce housing. It also argued for integration of women's needs and roles in housing and human settlement development.¹⁰ As a result, international development assistance agencies began to concentrate on providing technical assistance and policy-based lending to developing countries aimed at enabling housing markets to work better.

For example, in sub-Saharan Africa and parts of Latin America, land titling and land registration systems are often absent or non-functioning, making it extremely difficult and expensive to obtain land with secure title. Without secure titles, owners cannot obtain financing for the construction or upgrading of housing and are reluctant to invest personal resources. Also, without a well-developed housing finance system, it is difficult for housing markets to work efficiently. In response to these policy and institutional impediments, the GSS encouraged governments in developing countries to undertake a range of institutional reforms, including:

- Clarifying and strengthening property rights related to the ownership and transfer of land and real property.
- Developing housing and construction finance institutions to mobilize and disperse capital for housing construction and purchase.
- Rationalizing subsidies for housing and infrastructure to make them more transparent, better targeted and affordable.
- Improving the provision of infrastructure by better coordinating service delivery, rationalizing financing and cost recovery, and targeting service delivery to underused and vacant parcels in existing urban areas.
- Reforming land and housing development regulations to better balance costs and benefits.
- Promoting competition in the housing construction and building materials industry.
- Developing a market-oriented institutional framework for implementing enabling reforms that combine public, private and non-governmental actors.

The main objective of GSS was to facilitate adequate shelter for all by the year 2000, a target date chosen to be close enough to command immediate action but also sufficiently far away to allow enough time for the implementation of necessary changes and reforms.¹¹ The United Nations General Assembly designated UNCHS (Habitat) as the agency responsible for the coordination of implementation of GSS. UNCHS was to monitor progress on a continuing basis according to rigorous global indicators. Although progress has been made, as later chapters of this report make clear, many millions remain without adequate shelter or lack any shelter at all.

The enabling approach represented an important shift in international housing policy. It stressed the role of the market, not the government, in housing delivery, and it focused on regulatory and institutional reform, not on direct housing production. Current strategies have introduced more rights-based approaches

The enabling approach characteristic of the Global Strategy for Shelter to the Year 2000 represented an important shift in international housing policy. It emphasized the role of the market, not the government, in housing delivery, and it focused interventions on regulatory and institutional

reform, not on direct housing production. It sought a blend of state and private sector roles in housing provision oriented to deregulation so as to enable markets to work and to enhance market efficiency.¹² Its genesis, and more so its implementation, were linked to liberal development approaches geared to opening markets, such as those advocated by the World Bank and the IMF in their Structural Adjustment Policies, and were part of the dominant orientation of economic globalization, discussed in the Prologue of this report.

In comparison, current strategies, as advocated in this report, favour more rights-based approaches, while taking advantage of the potential of housing markets. This new strategy, as stated in a recent report of the Secretary General, promotes globally relevant norms and standards on secure land tenure and adequate housing and services, using an integrated approach of complementary action of research on norms and standards, capacity building, and direct intervention through field projects at the national and local levels.¹³ These elements receive attention in subsequent parts of this report. This chapter now turns to a brief discussion of the major United Nations conferences of the 1990s, concluding with Habitat II in Istanbul in 1996.

Human Settlements Policy Issues in United Nations Development Agendas in the 1990s

The United Nations development agendas of the 1990s have direct and indirect implications for the development of human settlements. These implications are reflected in the declarations and plans of action endorsed by summits and world conferences, which were held with active and wide participation of governments and non-governmental organizations (Table 3.1). In relation to the central concerns with human settlements in this report, two themes are especially pertinent. They focus on the urgency of eradicating poverty and reducing inequality, and the articulation of new policy approaches based on human rights to develop solutions to these problems. In addition, the summits centred attention on related issues of empowerment and gender equality.¹⁴

The focus on poverty and human rights

Poverty and inequality were important in all of the United Nations conferences of the 1990s. The first of these, the *World Summit on Children*, held in 1990, focused on children, who represent not only a significant proportion of the overall population, but make up more than 50 per cent of the population in many of the world's poorest communities and are at greater risk from the adverse effects of poverty, such as those resulting from malnourishment, inadequate sanitation, unsafe water, environmental contamination and homelessness.¹⁵ The first to specify measurable goals for the next decade, this summit adopted the Declaration on the Survival, Protection and Development of Children and a Plan of Action with goals for improving child survival;

protection from disease, death, unsanitary conditions and exploitation; and development. Its precursor, the 1989 Convention on the Rights of the Child is 'the world's most rapidly and widely ratified human rights instrument'.¹⁶ The principles contained in this Convention directly relate to human settlements, offering the world 'a vision of ... children and adolescents living in stable and nurturing homes and communities where, with adult guidance and protection, they have ample opportunities to develop the fullness of their strengths and talents, and where their human rights are respected'.¹⁷ The Convention stressed equal rights and opportunities for all children, including street children.¹⁸

The *United Nations Conference on Environment and Development* of 1992 adopted Agenda 21 as 'a wide-ranging blueprint for action to achieve sustainable development worldwide'.¹⁹ It included a chapter on combating poverty, which noted that 'the eradication of poverty and hunger, greater equity in income distribution and human resource development remain major challenges everywhere' (para 3.1). It set broad goals for action, many of which emphasize local-level action to enable the poor to achieve sustainable livelihoods. Despite the noble objectives, Agenda 21's five-year review concluded that poverty was increasing in many places and that poverty eradication had to be understood as an overriding goal. It stated that 'The enormity and complexity of the poverty issue could endanger the social fabric, undermine economic development and the environment and threaten political stability in many countries' and it established several goals related to human settlements:

- 1 Improving access to sustainable livelihoods, entrepreneurial opportunities and productive resources.
- 2 Providing universal access to basic social services.
- 3 Progressively developing social protection systems to support those who cannot support themselves.
- 4 Empowering people living in poverty and their organizations.
- 5 Addressing the disproportionate impact of poverty on women.²⁰

The Vienna Declaration that came out of the *World Conference on Human Rights* of 1993, recognizes that human settlements provide a context in which human rights are both exercised and abused. Part I relates the physical environment of human settlements to human rights when it states that the dumping of toxic and dangerous products and waste threatens the rights to health and to life (para.11). It also invokes social aspects of human settlements in its condemnation of extreme poverty as inhibiting the enjoyment of human rights (para. 14,25,30). It further urges states to cease any measures that impede the realization of human rights, 'in particular the rights of everyone to a standard of living adequate for their health and well-being, including food and medical care, housing and necessary social services' (para 31).

In the aftermath of the Vienna Conference, some officials expressed disappointment with the Vienna Declaration and Programme of Action (VDPA), which failed to specify the right to housing. In particular, the Special

Rapporteur on housing rights, appointed by the Commission on Human Rights, stated that

'as fundamental as housing is in any society to the well-being of citizens, to the security and health of the population as a whole and even to the economy, very often housing rights are forgotten within the human rights domain'.²¹

The NGO forum that accompanied the World Conference issued a report that dealt extensively with the human right to housing and the practice of forced evictions.²² Five years later, the follow-up review did mention protection of the right to adequate housing (para. 32).²³ It also condemned an 'economic growth-centred approach to development' (Part IV, para. 29), and noted the risk for many of being marginalized and effectively excluded from the benefits of globalization (Part IV, para. 29).

The Programme of Action adopted at the *International Conference on Population and Development* (ICPD) of 1994 offered a number of recommendations concerning poverty with implications for human settlements, including steps to promote the integration of the urban poor into the formal economy (para. 9.15) and the financing of infrastructure and service provision in an equitable manner (para. 9.16).²⁴ It also praised the work of local community-based organizations, which 'are rooted in and interact with constituencies that are poorly served' (para. 15.2). It advocated that grassroots movements be given greater recognition, including at the local level, as valuable partners for implementing the programme of action (para. 15.4). Consistent with these recommendations, the five-year follow-up review of 1999 urged governments to improve service delivery and to ensure adequate financial resources for meeting the needs of all citizens, including the urban poor, while continuing to promote collaboration with community-based organizations.²⁵

The eradication of poverty was one of the core issues at the *World Summit for Social Development* of 1995. Its Programme of Action observed that:

'urban poverty is rapidly increasing in pace with overall urbanization. It is a growing phenomenon in all countries and regions, and often poses special problems, such as overcrowding, contaminated water and bad sanitation, unsafe shelter, crime and additional social problems' (Chapter 2, para. 21).

Government leaders committed to focusing on the root causes of poverty and ensuring that the poor have equal access to productive resources, including credit, land, education and training, technology, knowledge and information, as well as to public services, and the opportunity to participate in decision-making. The summit's policy recommendations expressed support for community development projects, and the involvement of the poor in setting the goals, implementing and assessing such projects (paras. 26h, 28a, 28f). Recommendations also stressed the importance of establishing and strengthening financial and technical assistance for community development projects, and the local groups who undertake them (28f, 31f).

Additional recommendations urged actions to increase the quality and availability of transport, communication and energy in poor communities, especially in isolated or marginalized settlements; improve opportunities for productivity and income generation (31a); promote public and private investment in housing, water and sanitation; and improve the supply of affordable and adequate shelter (34c, 36m). The report also identified several distinct populations of the urban poor whose needs should be addressed, including the displaced, the homeless, street children, single mothers, people with disabilities and older persons (34h, 39e) and encouraged cooperation by a range of actors in urban planning and development (34g).

Critics of the Summit's outcomes rejected its endorsement of free market forces, the priority it accorded to economic growth, the undemocratic nature of structural adjustment policies, and the failure to recognize the primacy of human rights.²⁶ Various international NGOs and activist networks drafted the Copenhagen Alternative Declaration,²⁷ which criticized the official Declaration, pointing out the contradictions of its underlying agenda and suggesting alternatives that they considered more equitable.²⁸

The official Declaration resulting from the follow-up in 1999 re-affirmed the anti-poverty objectives stated five years earlier and pledged to halve extreme poverty by 2015. However, critics pointed to the lack of firm commitments and argued that support for a market-led development model, as advocated by the IMF and the World Bank, would benefit wealthy elites and multinational corporations rather than ensure provision of basic services for the poor. United Nations Secretary-General Kofi Annan warned that 'a backlash against globalization' would emerge 'if the needs of people in developing countries are not addressed'.²⁹

The *Fourth World Conference on Women* of 1995 focused on gender-related issues in 12 areas of concern, with the feminization of poverty foremost among them. It extensively and explicitly considered the causes and types of poverty among women, including unequal access to resources and discriminatory rules, laws and practices regarding property. Although giving little attention to specific aspects of housing and human settlements, the Platform for Action produced numerous recommendations for ameliorative policies and programmes.³⁰

The emphasis on empowerment and gender equality

The emphasis that the summits of the 1990s placed on rights-based approaches to problems of poverty brings into focus the importance of participatory processes. This significance is evident in official documents:

- *The World Summit for Children* portrayed children as 'active and involved bearers of rights' rather than 'passive recipients of protection'.³¹
- *The United Nations Conference on Environment and Development* led to the goal of 'empowering people living in poverty'.³²
- *The World Conference on Human Rights* emphasized the critical role of NGO and grassroots organizations in

- implementation of the right to development.³³
- *The International Conference on Population and Development* heralded the work of community-based organizations and grassroots movements and urged governments to integrate these partners in their decision-making.³⁴
- *The World Summit for Social Development* expressed support for community development projects and the involvement of the poor in setting the goals for implementing and assessing such projects.³⁵
- *The Fourth World Conference on Women* built on a series of prior declarations to re-affirm women's equal rights to resources, including access to housing, land, inheritance, credit and technical assistance.³⁶

The summits of the 1990s also considered the gender-related aspects of the issues that were taken up. At times, mention of women seems perfunctory, listing them as one of a larger number of population groups meriting 'special' attention, including 'children, minorities, the disabled, the poor, and the elderly'. Nonetheless, there was increased recognition of the implications of intra-household dynamics for measuring poverty; the feminization of poverty; the seriousness of violence against women, from domestic assault to international trafficking in women and prostitution of girls; and the significance of women's roles in family functioning, community development and governance. International women's movements were instrumental in gaining a place for these issues on the conference agendas.

Almost needless to say, there are significant disparities between the words that emanated from the world conferences and the actions that have followed them. The rhetoric has often fallen far short of the deeds. None the less, the agreed-upon language contains elements that, over time, have begun to cohere as a narrative that shows the outlines of a new normative policy platform. This platform builds on core commitments to eradicate poverty and reduce inequality; it also highlights problem-solving approaches that are based on human rights and that empower people living in poverty as full participants, while recognizing and supporting women as equal partners.

The new normative policy platform, emerging from the United Nations summits of the 1990s, builds on core commitments to eradicate poverty and reduce inequality; it also highlights problem-solving approaches that are based on human rights and that empower people living in poverty as full participants, while recognizing and supporting women as equal partners

A consistent theme throughout the declarations and programmes of action, adopted at the summits, has been an acknowledgement that the scale and severity of extant problems exceed governments' capabilities and resources. This acknowledgement has prompted calls for the development of enabling policies, capacity building and broad-based partnerships with the private sector and civil society.

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These elements were shown in the Key Issues and Messages and Prologue in this report and characterize the main conclusions emerging from the chapters that follow. They also form the background for the final section of this chapter, which briefly reviews the lead-up to the United Nations Conference on Human Settlements of 1996, describes some distinguishing aspects of the event itself, and evaluates the Istanbul Declaration and Habitat Agenda it produced.

United Nations Conference on Human Settlements (Habitat II) (Istanbul, 1996)³⁷

The Habitat I (Vancouver) Conference of 1976 achieved nominal consensus in five areas: land, water, transport, shelter and institutions. The main principles then articulated concerned equity, social justice and solidarity. The Deputy Secretary-General of that Conference stressed the need for a radical change in local government structure and in the system of flows of resources and services between different levels of government. He also emphasized the importance of participation to mobilize human resources.

The idealism that characterized the Vancouver Conference in 1976 was subsequently tempered by world events and field experience with shelter and urban development programmes over two decades. Despite the discussion of important issues at Habitat I, the level of governments' commitment to its recommendations for national action was minimal.

In 1996, the Secretary-General of the Habitat II Conference recalled the principles on human settlements that came out of the Vancouver conference and noted that there was little that unified them. Most were prescriptive and patronizing in tone. They resulted from a 'vigorous negotiating process which may be inimical to the very idea of globality', reflecting less than universal values.³⁸

It is perhaps not surprising, therefore, that in the intervening 20 years, the principles adopted at Habitat I did not lead to decisive policy action. No country had an explicit national policy on human settlements and none could be expected to endorse one, given that policies respond to the interests of economic and political power and given the 'grotesque contrasts between extremes of wealth and poverty, between concentrated power and repression'.³⁹

After the Vancouver Conference of 1976, human settlements problems not only remained but also multiplied

manifold in size and scope. In an attempt to progress beyond past inadequacies, Habitat II framed the issues differently, with draft declarations and platforms featuring civil engagement, sustainability and equity.

Habitat II took place in Istanbul, Turkey, on 3–14 June 1996. In addition to representatives from 171 governments and some 2400 NGOs attending the conference, the parallel NGO Forum attracted about 8000 people. Also known informally as The City Summit, the event was the last in the series of major United Nations conferences held during the 1990s. It brought together many of the main themes taken up in these conferences in a blueprint for future policies and practices concerning human settlements. The Habitat Agenda, resulting from the summit, was meant to provide not just a vision for sustainable human settlement development but a practical roadmap for the years ahead, taking into account linkages with the natural environment, human rights, social development, demographic trends, population groups at risk and other issues.

The Habitat Agenda was meant to offer a vision and a practical roadmap for sustainable human settlement, taking into account linkages with the natural environment, human rights, social development, demographic trends and population groups at risk

Innovations

Habitat II presented several innovations in its format. While most of the earlier summits gave NGOs access to the conference process, Habitat II also involved NGOs, local authorities, the private sector and other groups in the deliberations for the eventual plan of action. Negotiations in the Conference Committee among national governments received recommendations from the ‘Partnership Committee’ which considered reports from more than 500 mayors and key municipal leaders (organized in the World Assembly of Cities and Local Authorities), as well as input from the World Business Forum, the Professionals and Researchers Forum, the Parliamentarians Forum, the Labour Unions Forum and the Forum on Human Solidarity, among others.

Habitat II also stressed the importance of building cumulative experience with problem-solving approaches by providing opportunities for exchanging information. In particular, it showcased ‘best practices’: initiatives and programmes that had proved to be effective in areas such as poverty eradication, managing the urban environment and providing access to land, shelter, finance and community infrastructure and services.

The Istanbul Declaration and Habitat Agenda

Two documents resulted from the Conference. In the first, the Istanbul Declaration on Human Settlements, governments agreed to address seven priorities:⁴⁰

- 1 unsustainable consumption and production patterns, particularly in industrialized countries;
- 2 unsustainable population changes;
- 3 homelessness;
- 4 unemployment;
- 5 lack of basic infrastructure and services;
- 6 growing insecurity and violence;
- 7 increased vulnerability to disasters.

Although expressing concern about the deteriorating situation of human settlements in most parts of the world, governments subscribed to the widely embraced view that cities and towns are centres of civilization, generating economic development and social, cultural, spiritual and scientific advancement. They acknowledged the need for concerted action in development financing, external debt, international trade and transfer of technology and agreed to strengthen the institutional and financial capacity of local authorities to implement the Habitat Agenda. They also agreed to seek the participation of public, private and non-governmental partners to ensure legal security of tenure, protection from discrimination and equal access to housing, and called for urban policies that expand the supply of affordable housing by enabling markets to perform efficiently in a socially and environmentally responsible way.⁴¹

The second document, the Habitat Agenda,⁴² was intended as a call for action at all levels. It contains a statement of goals and principles, a set of commitments to be undertaken by governments and strategies for implementation.

● Goals and principles

The goals and principles cover a broad spectrum of issues related to human settlements. They interface significantly with concerns addressed at the earlier world conferences:

- equitable human settlements where all have equal access to housing, open space, health services and education, among others;
- poverty eradication in the context of sustainable development;
- the importance to quality of life of physical conditions and spatial characteristics of villages, towns and cities;
- the need to strengthen the family as the basic unit of society;
- citizens’ rights and responsibilities;
- partnerships among all countries and among all sectors within countries;
- solidarity with disadvantaged and vulnerable groups;
- increased financial resources;
- health care, including reproductive health care and services to improve quality of life.

● Commitments

The conference resulted in over 200 commitments organized into the following categories:⁴³

- 1 *Adequate shelter for all.* Within the overall context of the enabling framework, this includes governments' obligation to take appropriate action in order to promote, protect and ensure the full and progressive realization of the right to adequate housing (para 61). Adequate, in this connection, means more than a roof over one's head: it also includes adequacy regarding privacy, space, physical accessibility, safety, security of tenure, structural stability and durability, lighting, heating and ventilation, basic infrastructure such as water supply, sanitation and waste management facilities, environmental quality, health-related factors and location with respect to work and basic facilities, all of which should be available at affordable cost (para 60).
 - 2 *Sustainable human settlements.* The high density of urban life worsens environmental threats to the quality of air and water and problems of waste disposal. Recognizing these problems, governments committed themselves to objectives that combined concerns regarding the carrying capacity of natural ecosystems and stimulating economic growth. The latter would require job creation and better access to work and services by improved public transport.
 - 3 *Enablement and participation.* This commitment includes the goals of democratic rule, effective governance, decentralization of authority and resources, and ensuring availability of education.
 - 4 *Gender equality.* Governments agreed to integrate gender perspectives in human settlement legislation, policies and programmes, and to strengthen policies and practices to promote the full and equal participation of women in human settlements planning and decision-making.
 - 5 *Financing human settlements.* Based on the recognition that housing is a productive sector of the economy, governments committed themselves to developing innovative approaches for strengthening financial management at all levels and promoting equal access to credit for all people.
 - 6 *International cooperation.* This commitment includes participating in multilateral, bilateral and regional programmes to further the goals of the Agenda; promoting exchange of appropriate technology; striving to fulfil the agreed target of 0.7 per cent of GDP of the developed countries for official development assistance to developing countries; and promoting international cooperation between public, private, non-profit, non-governmental and community organizations.
 - 7 *Assessing progress.* Governments agreed to monitor progress towards attaining the Agenda's goals in their countries.
- *Adequate shelter for all.* The cornerstones of this are policies that enable effective and efficient shelter delivery systems, interdependent with macroeconomic, environmental and social development systems. While having to address increasing demand for housing and infrastructure, such policies should also emphasize increased use and maintenance of the existing housing stock through ownership, rental and other tenure options; encourage and support people who individually or collectively act as producers of housing; and respond to the diverse needs of disadvantaged and vulnerable groups (paras 60–98).
 - *Sustainable human settlements in an urbanizing world.* Broad-based strategies are required, aimed at 'economic buoyancy, social vibrancy, and environmental soundness' (para 101). These include planning for sustainable land uses based on social and environmental impact analyses; eradication of poverty, creation of productive employment and social integration; consideration of the implications of demographic developments for sustainable human settlement development; elimination of unhealthy living conditions; prevention of environmental degradation and mitigation of the effects of disasters, among others (paras 99–176).
 - *Capacity building and institutional development.* Strategies in this category are seen to be interrelated with those in other areas and refer, for example, to decentralization; combating corruption; establishment of systems for effective information sharing and frameworks for cooperative actions; popular participation and civic engagement; and human settlements management training programmes (paras 177–193).
 - *International development and cooperation.* This requires an enabling context with additional financial resources and higher priority for human settlement issues, especially in the developing countries; promotion of technology transfer and information exchange; and greater technical and institutional cooperation (paras 194–211).
 - *Implementation and follow-up.* It is recognized that the impact of the commitments made by governments will depend on action at all levels. Performance evaluation will require regular monitoring based on appropriate indicators and documentation of best practices. The United Nations Centre for Human Settlements was assigned responsibility for providing assistance with the development of guidelines for monitoring and evaluating the implementation. Capabilities for the collection and analysis of data were to be strengthened, especially at the local level (paras 212–241).

● Strategies

The Agenda describes several strategies to attain the agreed goals and commitments. They fall into the following categories:

Evaluation

The official follow-up review and appraisal of progress in implementation of the Habitat Agenda will occur during a

Special Session of the United Nations General Assembly scheduled in June 2001. Country reports have been prepared according to a universal format developed by UNCHS (Habitat). In advance of the overall review, a comprehensive assessment is not possible but several observations can be made.

To begin with, among the positive contributions of Habitat II is a broad conceptualization of the issues, attentive to their interrelationships and wider context, rejecting the narrow sectoral perspectives that have proven to be unproductive in the past. The Summit also stressed the importance of decentralized and democratic decision-making; the need to put priority on vulnerable population groups; the need for coordinated action involving broad-based partnerships; and the potential of information and communication technologies. It came out in favour of the right to adequate housing and highlighted questions of poverty and inequity across gender, race, ethnicity, economic status, age and other relevant dimensions. The conference produced recommendations for action towards a wide range of goals. It set out a comprehensive and very ambitious agenda.

The Habitat Agenda presented a broad conceptualization of the issues and recommended a range of actions that stressed the importance of decentralized and democratic decision-making, promoted coordinated action, highlighted the needs of vulnerable groups and the potential of ICTs, while reaffirming the right to housing

There is great value in the bold conceptualization of goals and the proposing of innovative means towards achieving those goals. Indeed, official declarations aside, Habitat II succeeded admirably in bringing together important stakeholders, opening up communication channels and encouraging partnerships among them, and suggesting a cooperative vision of future urban development that combines mediation and negotiation with the use of technical expertise guided by norms resulting from democratic and inclusive discourse. Its presentation of 'best practices' was a valuable stimulus to foster learning about problem-solving experiences. All this was no small feat. However, the same comprehensiveness and ambitiousness of the Habitat Agenda, by their very nature, inevitably raise some issues that are controversial and that, therefore, were largely skirted at the Summit in the interest of attaining consensus.

Further steps must be based on more explicit recognition that human settlement development is not a 'grab-bag' of goodies. The Agenda repeatedly states that human settlements must be 'economically buoyant, socially vibrant, and environmentally sound'; few will disagree. However, when seeking to translate these and other lofty goals into specific actions, decision-makers often face the need to make hard choices between competing options. Their task is not helped by the internal inconsistency of a dominant paradigm that favours competition in the economic realm but does not welcome as readily the political contestation

of alternative goals through democratic processes. The tenor of prevailing policy outlooks favours a kind of openness that paradoxically is mostly closed to open discourse on competing normative frameworks for development. This situation is conducive to ambiguity from which the Habitat Agenda cannot escape.

For example, the Agenda supports public transport as a means of decreasing pollution, conserving environmental resources and increasing people's access to jobs and services. What the Agenda does not engage, however, is the implications of this stance for changes in policies affecting investments in systems that are currently greatly dependent on the production and use of private cars (see Chapter 11).

In a similar vein, the Agenda champions the cause of decentralization, recommending 16 actions in paragraph 180, all of them relevant but none of them addressing basic questions of resource transfer. If it is important to advocate appropriate devolution of authority and democratic decision-making, then it is inevitably important that the next step involves a concern with the resources required to carry out the responsibilities for which authority is being devolved. Decentralization must proceed within an agreed normative framework, as proposed by the draft World Charter of Local Government, discussed in Chapter 14.

Likewise, the Agenda identifies the needs of population groups at risk as high priorities. In this connection it notes that 'vulnerability and disadvantage are mainly caused by *circumstance*, rather than inherent characteristics' (para 93, emphasis added). This is a very important observation to prevent bad policies that, based on false *a priori* assumptions, reinforce the perception of certain population groups as reified categories, whereas in fact, it is specific structures and processes in society that create them. The Agenda does not, however, take the next step to pursue an analysis of what these abstract 'circumstances' are and how they come about, an exercise bound to be somewhat controversial. As well, the Agenda urges the stepping up of efforts to combat discrimination, but it does so without probing the aetiology and dynamics of market-based and institutional discriminatory practices.

In short, the Agenda does address urgent problems, but its coverage more often offers extensive description of the manifestation of these problems than trenchant analysis of their causes and resolute prescription for their solutions. The suggested way forward is characteristically seen to arise from a perspective of enlightenment, based on the assumption that progress follows first from eliminating ignorance; whether due to biases of, unequal access to or the absence of information. When properly enlightened, policy makers would become concerned enough to propose and implement rational actions to redress bad situations. The root causes of problems are usually couched in notional categories. The Agenda is perceptive in its description of what 'is;' it is also forward-looking in its articulation of what 'ought to be;' but it did not sufficiently realize opportunities for greater specification of ways to get from the former to the latter. Hence, the ensuing recommendations remain chiefly limited to referencing necessary but insufficient ameliorative actions. The Agenda did not focus on,

but leaves room for, demonstrating future leadership in evolving approaches that give more attention to the potential of communicative and related planning methods to arrive at decisions and action on development scenarios that can emerge as negotiated outcomes through informed and broad-based participatory processes.

'You have succeeded brilliantly in encouraging States to accept new norms of international behaviour. Now we need to see those norms implemented' – Kofi Annan, Keynote Address to the Millennium Forum, 22 May 2000

Formulation of the Habitat Agenda was a noteworthy accomplishment. However, in the end, its value stands or falls with its implementation. In this regard, progress is hampered by three constraints. First, the commitments made by governments are non-binding. There are no implications of failure to make satisfactory progress towards the agreed goals. In fact, in many cases, it has been difficult even to obtain national reports on implementation of the Habitat Agenda. We need to guard against the danger that follow-up activities, institutionalized through the +5 and +10 processes, will become inconsequential routines and pro forma rituals that merely drain resources and create inertia, when the challenges facing us demand daring and dynamic approaches.

Second, the absence of a mandate and mechanism for enforcement of the Habitat Agenda is made worse by the lack of adequate provisions to ensure critical evaluation of reported progress. Certainly, the emphasis on monitoring and best practices is a significant step in the right direction. However, no matter how good, best practices are still limited in the sense of never being more than a reflection of what is possible under the current circumstances. What are also needed are *assessments* of best practices against criteria derived from normative frameworks that include goals with measurable benchmarks projected into the future. Indicators facilitate but do not guarantee such evaluations; their application has remained largely restricted to use as a descriptive tool. This should be expanded so they can also serve as an aid in analysis and assessment. Broadening the scope of best practices to include good policies, legislation, and plans of action will help as well.

No matter how good, best practices are never more than a reflection of what is possible under the current circumstances. We also need assessments of best practices against criteria derived from normative frameworks that include goals with measurable benchmarks

Finally, implementation of the Habitat Agenda has been impeded by the lack of an effective institutionalized arrangement to ensure coordinated actions. Such coordination is crucial, between United Nations agencies and with other relevant partners, because the issues are multi-sectoral: the right to an adequate standard of living and right to development; access to basic services; social integra-

tion and social equity; gender and equality; and environmental sustainability.⁴⁴ These issues cut across the jurisdictional boundaries of established organizations and go beyond existing governmental arrangements. This cross-cutting becomes amplified through globalization. In the words of United Nations Secretary-General, Kofi Annan, 'problems without passports require blueprints without borders'.⁴⁵ Just as today's issues are shaped in new ways, so also must our approaches be innovative. Fresh challenges demand creative approaches. Effective strategies will require more extensive cooperation and new forms of governance.

In today's globalizing world, problems without passports require blueprints without borders

The point is not to criticize current approaches, but to build on recognition of their limitations in order to establish the structures and processes necessary for the implementation of stated policy goals. Part IV of this report returns to these important points when it takes up questions of cooperative frameworks and emerging forms of governance.

Implementation of the Habitat Agenda will require an effective institutionalized arrangement to ensure coordinated actions

The Habitat Agenda in broader context

It is essential to consider human settlements as a crucial context for the principles and goals formulated at the United Nations conferences of the 1990s. The Habitat Agenda offers the potential for integrating their diverse but interrelated elements

Situating the Habitat Agenda vis-à-vis the sequence of United Nations conferences and their broader background is important for three reasons. First, human settlements are the necessary environments for people's day-to-day lives – where they socialize, play, work and teach – in homes, streets, markets and other public spaces, factories and sweatshops, schools and clinics, offices and shops. Human settlements provide the stage where these lives are enacted and where problems become apparent. They also form a very important context that shapes attempts to solve these problems. The thematic frameworks of the United Nations conferences of the 1990s guided the formulation of many principles and goals that concern human settlements but without due consideration of their interrelationships in this essential context.

Second, the Habitat II Conference of 1996, the year that concluded the series of United Nations world conferences begun in 1990,⁴⁶ was to provide an opportunity for actions to improve living conditions in human settlements across sectoral lines and was seen as a vehicle for turning many of the principles and resolutions that emerged from these conferences into reality.⁴⁷ Habitat II and its Plan of Action thus provide the potential to help to integrate the

contributions of the global conferences whose significance is seen to arise from:

- increasing public awareness of pressing problems shared by countries around the world;
- mobilizing national and local governments and non-governmental organizations to take action on major global problems;
- establishing international standards and guidelines for national policy;
- serving as a forum where new proposals can be debated and consensus sought;
- promoting the development of long-term frameworks for international cooperation;
- setting in motion a process whereby governments make commitments and report back regularly to the United Nations.

'A normative agenda is probably the best protection that the United Nations can offer the urban poor' – Klaus Töpfer, First Substantive Session, Preparatory Committee Istanbul + 5, Nairobi, 8 May 2000

Third, a key theme on the Habitat Agenda, adequate shelter for all, is essentially founded on governments' commitment to the full and progressive realization of the right to adequate housing and official recognition of governments' obligations in this regard. This rights-based approach

reflects the globalization and growing influence of the values and practices espoused by human rights movements. It also resonates with the emphasis on human rights permeating other United Nations summits.⁴⁸ Further, it is consistent with Habitat's mandate for setting normative standards.⁴⁹ The Global Campaign for Secure Tenure is Habitat's strategic angle on fulfilment of the right to adequate housing.

The other major initiative of the UNCHS, the Global Campaign for Urban Governance, is likewise anchored in the Habitat Agenda and is closely linked to a continuing worldwide push for decentralization, democratization and more participatory forms of urban governance; goals that also feature prominently in the Programmes for Action emanating from the other world conferences held under the aegis of other United Nations organizations. Habitat II thus helped to crystallize important themes cross-cutting the other summits and brought into focus the critical need to develop normative frameworks and strategic foci for coordinated policies and actions.

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Notes

- Contributing to these movements in Eastern Europe were Solidarity, and Freedom and Peace in Poland, Charter 77 and the Independent Peace Association in Czechoslovakia, Democratic Opposition and the West-East dialogue group in Hungary, and Swords into Ploughshares in East Germany.
- See Deutsche Stiftung für Internationale Entwicklung, 1996.
- United Nations Research Institute for Social Development, 1995.
- The following section draws on Dowall, 1998, Pugh, 1994a, b, and United Nations Centre for Human Settlements (Habitat), 1990.
- Global Strategy For Shelter To The Year 2000; 43rd Session, December 20, Agenda Item 12; Document Number: A/RES/43/181.
- Dowall, 1998.
- UNCHS (Habitat), 1990, p 12.
- UNCHS (Habitat), 1990, pp 18–19. See also Pugh, 1994a, b.
- UNCHS (Habitat), 1990, p 13.
- UNCHS (Habitat), 1990, p 9.
- UNCHS (Habitat), 1990, pp 4, 7.
- It also contained elements that have become more prominent in recent years, including the mainstreaming of gender and the promoting of tenure security.
- See United Nations General Assembly, 2000, p 7.
- The foci selected here are not the only ones relevant to human settlements. For example, the Summits also brought threats to environmental sustainability and the pervasiveness of violence to the fore as major urban issues, as well as health, the provision of infrastructure, and local capacity building. Various of these issues are taken up in different parts of this Report, where they are linked to aspects of poverty and inequality.
- See UNICEF/Carol Bellamy, 1999.
- By 1996, 187 governments had ratified the Convention. United Nations, 1997c.
- UNICEF, 2000.
- See Chawla, 2000; Bartlett et al, 1999.
- United Nations, 1997a.
- United Nations, Economic and Social Development, 1999.
- Hulchanski and Leckie, 2000.
- Hulchanski and Leckie, 2000.
- United Nations High Commissioner for Human Rights, 1998.
- Report of the International Conference on Population and Development.
- Proposals for key actions for the further implementation of the Programme of Action of the International Conference on Population and Development, May 1999.
- See United Nations Research Institute for Social Development, 1995, pp 17–19.
- Critics included Third World Network, the International People's Health Council, Development Alternatives with Women for a New Era, and Environmental Development Action in the Third World, among others. The alternative declaration is available at www.millenniumforum.org/html/docs/Copenhagen_Alternative_Declaration.htm and www.globalsolidarity.npaid.org/altngo.html.
- One-quarter of the participating NGOs signed the alternative declaration in Copenhagen; within nine weeks their number had grown to nearly 10,000 organizations from nearly every country in the world, sending a powerful message from the world's civil society; see United Nations Research Institute for Social Development, 1995, pp 17–19.
- Poverty issues dividing the Summit were symbolized when the leader of Malawi declared he could not afford to attend a conference about poverty alleviation. See D Todd, 1995.
- Social Summit +5: Advancing the Social Development Agenda, Geneva Press Kit, Release 1. www.un.org/esa/socdev/geneva2000/media.
- See the background paper prepared by Ann Schlyter (2000).
- The World Summit for Children of 1990 followed adoption of the Convention on the Rights of the Child by the United Nations

- General Assembly in 1989. The wording quoted here is taken from the language of the Convention.
- 32 United Nations, Economic and Social Development, 1999.
- 33 United Nations High Commissioner for Human Rights, 1995.
- 34 Report of the International Conference on Population and Development.
- 35 Programme of Action, paragraphs 26h, 28a, and 28f.
- 36 See the background paper prepared by Ann Schlyter (2000).
- 37 Background literature for the following sections is available in the following sources: Cohen, 1996; Garau, 1996; Leaf, 1997; Leaf and Pamuk, 1997; Okpala, 1996; Pugh, 1997a; 1997b; Strassmann, 1997; Tosics, 1997; Wakeley, 1996.
- 38 Preparatory Committee for the United Nations Conference on Human Settlements (Habitat II), 1995.
- 39 Preparatory Committee for the United Nations Conference on Human Settlements (Habitat II), 1995.
- 40 See paragraph 4; the full text of the declaration is available at www.unchs.org/unchs/english/hagenda/ist-dec.htm
- 41 United Nations Department of Public Information, 1997.
- 42 See www.undp.org/un/habitat/agenda/.
- 43 See Habitat Agenda, Chapter III, available at www.unchs.org/unchs/english/hagenda/index.htm.
- 44 See United Nations General Assembly, 2000, p 7.
- 45 Keynote address to the Millennium Forum, 22 May 2000; SG/SM/7411 GA/9710.
- 46 As is apparent from the review in this chapter, there is an institutionalized process for follow-up of the initial summits at five- and ten-year intervals to appraise progress in implementation of the agreed plans of action.
- 47 Preparatory Committee for the United Nations Conference on Human Settlements (Habitat II), 1995.
- 48 The Children's Summit of 1990, following the adoption of the Convention of the Rights of the Child in the previous year; the Human Rights Conference of 1993; the exercise of reproductive rights at the Population Conference of 1994; the rights to an adequate standard of living and development at the Social Summit of 1995; women's rights as human rights at the Beijing Conference of 1995; the right to housing at the City Summit of 1996; and the right to adequate food at the World Food Summit of 1996.
- 49 See United Nations General Assembly, 2000, p 6.