Chapter one

Urban life cycle: a theory of growth and decline

1.1 Introduction

This chapter will first illustrate one theory of urban dynamics, the urban life-cycle theory, which describes urban development according to a certain cyclical pattern. This theory has been developed in the 1980s by several important and independent studies (see among others Hall and Hay 1980, Van den Berg et al. 1982, Klaassen et al. 1981) that remarked the influence of economic and social change on the dynamics of urban systems, identifying a common pattern of successive stages of urban development in the observed Western European cities. According to the authors specific exogenous variables, namely fundamental developments, influence the evolution of cities. Their identification helps to characterise the new urban environment.

The final implication of the fundamental developments is that cities increasingly need to find out how best to cope with those developments and, as a
final result, to behave in a logic of competition but without neglecting the social dimension of urban development. As concerns this last aspect, a balanced social distribution of the positive effects of any reurbanisation process and more community participation are progressively recognised as desirable and of absolute importance conditions supporting any urban renewal policy.

Moreover, a microeconomic foundation of residential mobility will be presented with a simple model.

1.2 European urban dynamics: a general theory of urban development

In Urban Europe: A Study of Growth and Decline (Van den Berg et al.1982) it has been stated that urban systems evolve according to a cyclical pattern. The basic assumption underlying the theory of the dynamics of urban regions is that urban systems rise and fall according to the spatial behaviour of urban actors, who are motivated by successive combinations of changing exogenous variables, such as demographies, politics, social values and technology.

Studying a sample of functional urban regions (FURs) in the period 1950-1975, the authors identify four stages of development.
The first one, called *urbanisation*, is a stage of spatial concentration in which the growth of the core dominates that of the ring, and the whole agglomeration is impressively growing. The stage of urbanisation runs parallel to the process of industrialisation that gave the strongest impulse to urban growth, drawing masses of migrants coming from rural areas in search of jobs to the cities. High priority for economic growth, location of large-scale industries and development of local public transport are the main features of this stage. Urban functions, such as residential, working, shopping and transport, are all concentrated in the core. However this concentration in the long term has a negative impact on the location and welfare potential of the city core that increasingly becomes less attractive for residents as a place to live in and for companies as a location for their businesses.

At the next stage, namely *suburbanisation*, or urban sprawl, the main feature is that of spatial deconcentration with the ring’s growth dominating that of the core. This stage is basically a period in which the suburban municipalities find their population growing fast, while the core is losing inhabitants, although a strong link between the formers and the latter remains because job are still in the core. The main characteristics of this stage are the rise in prosperity due to economic growth, the increasing car-
ownership and the strong expansion of transport infrastructure put into action by government policy.

At this stage huge commuter flows between suburbs and the core – especially during peak hours - occur as a result of such development, leading to a situation in which the increasing unprofitability of public transport represents a relevant urban problem, very difficult to be solved. Moreover migrants continue to be oriented to the core not only for work, but they also rely on it for the higher-order services such as hospitals, theatres, cinemas, etc. With the progressive separation of residences and workplaces, the ensuing unbalanced traffic flows, congestion in the inner cities, increasing unprofitability of public transport and the inclination of service companies to leave the congested town centres, large towns enter in a less favourable position with respect to the smaller ones, because the latter are preferred location for residential and tertiary activities. The consequence of such unpleasant phenomena is that the large agglomerations tumble from the suburbanisation stage experiencing a new trend called disurbanisation.

At this third stage, the entire metropolitan area is losing population and employment because of rapid out-migration mostly to the smaller municipalities located at some distance away. The main cause of the occurring of this stage is that congestion makes all
kinds of workplace and central provisions in the city less accessible and because of lack of space, higher rents and living costs make the minor towns relatively more attractive.

The agglomerations that disurbanised not only lose their inhabitants and activities, but also face the problems and consequences of rising unemployment, deteriorating facilities and services, social disease and exclusion and, particularly in the central cities, public deficits created by their shrinking tax bases.

In other words the disurbanising large agglomeration bears the effects of the increased attractivity of medium-size agglomerations further away. Therefore the competitive position of the original agglomeration falls down in favour of the smaller towns. One of the main reason of the ‘success’ of the smaller agglomerations is that there has been a great increase in the appreciation for the quality of life, i.e. for an attractive, safe and socially balanced living and working climate. As a result of urban decay, urban regions have been increasingly compelled to behave in a logic of competition to avoid the reaching of a situation of permanent decline. Nevertheless there exist some variables - defined for instance in Urban Systems in a Dynamic Society (Van den Berg, 1987) - that reverse the process of urban decline boosting a renewal growth, according to the cyclical pattern of urban development.
This is the fourth and last stage distinguished in the pattern of urban development and it is called *reurbanisation*.

In this stage the revitalisation of cities strongly depends on the ability of local government to develop and implement a new policy able to attract back the people who previously left for the suburbs or minor towns. This has to be done not through the exploitation of given locational advantages, such as capital and natural endowment, but rather with an appropriate local policy capable to improve the quality of life of their cities and their accessibility and thus capable to raise the urban competitiveness.

By adopting a policy of urban revitalisation, local governments try to upgrade their city’s attraction for the ‘market parties’, i.e. for inhabitants, business companies, visitors and investors. To this extent, such a policy must be developed in close cooperation with those market parties and with an eye to their various preferences\(^1\). It is important that cities do not just follow the trend, but rather are able to anticipate it so as to manage it in the most proper way.

\(\text{\footnotesize 1}\) For a thorough analysis of the subject see Van den Berg, *Urban Systems in a Dynamic Society*, Rotterdam, 1987
Fig 1.1 - Population size of the core, ring, and functional urban region (FUR) in different stages of urban development

*Source: Urban Europe: A Study of Growth and Decline, Van den Berg et al., 1982*

Generally speaking reurbanisation occurs when the shares of the population and employment in the core with respect to those in the entire agglomeration increase again. Nevertheless this must not lead to a misunderstanding of the very characteristics of this stage. The possible improved competitive position of the core is not likely to lead to a population explosion, because today’s high demands on housing and environment preclude high population densities for the obvious reason of the increased appreciation for the quality of the living and working environment. Thus
large cities cannot become as large as they used to be in the past, and therefore core population and employment will only show modest quantitative growth. What reurbanisation really means is primarily the recovery of the large core, i.e. new flows of financial means, new opportunities of employment and the fact that people converge there again. Because the growth of population and employment will be limited, the reurbanisation of large towns does little to reverse the trend of spatial deconcentration, which will continue in the medium term anyway. Revitalisation and deconcentration can go side by side, and are not mutually exclusive. It is the rapid development of higher-order service-sector activities and the improvement of the quality of the living and working environment and the consequent attraction and return of higher-income groups that in turn boost further creation or preservation of high-grade facilities, which will make the core even more attractive to these groups.

The improvement of the quality of the city’s environment has to be undertaken through the rehabilitation of the existing house stock, improving the traffic situation with a redesigned road system, off-street parking facilities, creating pedestrian precincts are zones and upgrading the social infrastructures.

The renovation of a city was formerly considered by local governments just as a matter of improvement
of the local housing quality in such a way to stem the massive outflows from cities. However, it soon become clear that this type of renovation offered no relief for the economic crises that many European cities have been confronted with in the past several decades. It was finally understood that restoring the urban economy was at least as much important and urgent as improving the housing situation in old town quarters.

The economic recovery of the city was claiming for the availability of well-educated, high-skilled personnel, as well as first-class locations, i.e. for those who first left the city because the only group enjoying the greatest freedom in choosing their residential locations. Thus in the city centres, revitalisation has accelerated the growth of employment for well-trained individuals, far outpacing the job opportunities for the unskilled and low-skilled. As a result of the latter, those who concentrates in the inner cities, hardly profit from the revitalisation measures.

So far in this chapter, revitalisation policy has been dealt just as matter of improvement of the city’s appeal as a location for businesses, well-educated and high-skilled staff and, implicitly, as a magnet for real estate investors and visitors. Of course a city that fails to attract investors and developers will hardly reach the renovation it needs.
As on the whole real investors are free to choose an investment project as well as the country or region to invest in, within the same country, a ‘rational’ choice will prefer high-return, low-risk projects given by the investment climate of individual cities. This in turn depends, among other factors, on the diversification of the urban economy, the town’s market potential and the quality of the living environment\(^2\).

At the same time, cities that lack appeal to visitors cannot profit from the strong expansion of the tourist sector, which increasingly, and for a growing number of cities, is becoming a pillar of the local economy.

Finally, cities that are unpleasant places to live lack a foundation for future economic growth.

However, as much as these types of policy may have been too much oriented to the economy (of the ‘uppers’), neglecting their dangerous social implications, in turn, they have lead to a progressive erosion of the residential function, and the widening gap between rich and poor. Extreme and unrestrained wealth and bitter poverty and social exclusion are often found side by side in such cities. As a final result, serious social tensions have been unavoidable. Facing such contradictory developments, a revitalisation

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policy cannot meet but a loss of societal support and finally be doomed to fail.

As far as a local government is really and seriously concerned about the welfare of its own citizens, it should prefer an urban policy pursuing the achievement of economic revival in a socially equitable manner, that is a policy designed in such a way to have a balanced social distribution of the effects.

Indeed not only higher-income groups are involved in the development of strategy of revitalisation, but on the contrary each strategy is useless without societal support. Local government must negotiate with, and consider the needs of the entire local population.

1.3 Which revitalisation without societal support?

As already put in evidence above, societal support is of eminent importance in every revitalisation process. To this extent, however, it is necessary by local government to gain trust by all the actors involved in the urban renovation process by creating a structure for the development of community participation programmes applicable to the urban environment. Community participation has here to be considered as a process designed to create conditions of economic and
social progress for the whole community with its active participation.

To fully understand community participation it is necessary to understand its relationship with the wider political, economic and social urban environment in a structured way.

In fact to induce a particular development, a local government may be tempted to comply in fully with the wishes of one market party, that is not likely to be that of the inhabitants; whether such a policy really furthers municipal welfare, not only in the short run but in the long run, is questionable.

At this point a problem arises. It concerns with the possibility for a local government to enhance the well being of its citizens without heeding the ambitions of the market parties: since most of them will be little inclined to cooperate with a local government, such a policy certainly cannot contribute to a maximum growth of municipal welfare.

The following question is therefore immediate: how to establish trust ties among the citizens in order to make the disposition to support the urban policy sustainable? I cannot but remember what Arrow said in a well-known essay appeared a few years ago talking about economic development: "one can plausibly maintain that most of the world’s backwardness can be
explained by the lack of mutual trust”\(^3\). The assumption underlying this proposition is simply that development, and urban development do not surely make an exception, requires high levels of cooperation and this, in turn, implies deep trust ties among economic agents as well as with these and the political authority.

A convincing perspective for the establishment of trust networks, is that of promoting the appropriate conditions acting on constraints and incentives through political action. In order to promote trust generalisation several different actions can be taken, all of which appear to be connected, one way or another, with the achievement of a more equitable society. Without rules governing the urban renovation process, without confidence based on the rule of democracy, without an overall sense of direction and a fair degree of equity and transparency, there could be no well-functioning market forces driving a real uncontaminated process of reurbanisation towards the ‘harmonious’ city.

Reurbanisation, if it is to flourish, must also work from shared norms and objectives providing the basis for a common understanding.

For instance, one cannot hope to generalise trust if social inequality tends to increase or become

\(^3\) K. Arrow, “Gifts and exchanges”, in Philosophy and Public Affairs, 1972, p.343
endemic. Decreasing inequalities are a necessary condition for generating trust. If the aim to be pursued is also equity viewed as the equality of citizens’ fundamental capabilities, the unequal distribution of opportunities and income, and the unequal accumulation of wealth are not the appropriate starting points for a successful urban policy.

Trust generalisation likewise implies, on the one hand, higher technical competence levels upon which trust certification is based - this being the key-role of the professions and of light urban bureaucracy – and, on the other hand, that ethic codes adopted by corporations should reach that critical threshold beyond which the market can act also as a reputation control device.

To sum up, the winning strategy to reach an equitable reurbanisation with generalised trust is to favour the creation of a new economic space in the urban development process, that of the civil economy which is the only mean to get the urban competition being civilised.

The promotion of the civil economy sphere in the urban renovation process has here to be intended as the promotion of the involvement of the growing non-profit organisations and cooperatives in the urban renewal process.
In short an urban policy aimed to let the city be reurbanised has thus to pursue:

- high economic potential: the creation of a satisfactory amount of jobs and income is of absolute importance;

- improvements in quality of the living/working environment;

- better accessibility of the city in terms of market potentials;

- a balanced social distribution of the effects;

- community participation.

1.4 A microeconomic foundation for residential mobility

Much of the theoretical analysis of urban dynamics, which pay explicit attention to both time and space, has been attempted only recently. The dynamic urban process is indeed quite complex. It involves dynamic changes in a number of key variables such as population, capital, and labour in the urban economy, and analysing such changes even at an aggregate level is difficult enough.