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**Article**

## Urban economy

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*Editorial*

## Urban Economy

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In a call for papers, for the special issue to be devoted to “Urban Economy” late in 2015, that the *Economies* editors issued recently, I noted the increased attention that has been given to urban economies during the past quarter century. This is concomitant with the increased importance and role in policy that cities have attained. This is, in part, due to the diminished capacity of national and sub-national governments to find the funds needed for urban projects and services, and in part to the understanding that cities are the key to the economies and societies of most if not all nations.

At first there was a fascination with the phenomenon of the largest of our cities—world cities, global cities, and most recently mega-cities and mega-city regions. Peter Taylor, Saskia Sassen, and a host of other researchers have gained prominence through their study and analysis of cities with populations in excess of 10 million. Partly, they were celebrated because of their roles as command centers or corporate headquarters centers or just their astonishing size. Much was made of agglomeration economies that are gained only through largeness. These large cities have airport hubs, collections of major universities, multiple clusters of technology-intensive production, and impressive collections of cultural institutions. They are also attractive to young, educated, technology savvy, and highly mobile workers who are the key element in any future urban economy. In bench-marking studies they were always at the head of the table of competitive cities, and so forth.

Recently, however, questions were raised about the efficiency and viability of these largest of our cities. Were mega-cities beginning to look more like dinosaurs and less like lions? Were agglomeration economies turning into diseconomies, with increased congestion, pollution, and social marginalization? In regression analysis studies there was no positive correlation found between city size and competitiveness. Being well connected is not the same as being competitive. These concerns have shifted some of the attention of researchers from mega-cities to smaller cities, to cities with a population of 1–5 million or even to those with just hundreds of thousands of residents. Are smaller cities more agile, are they more pleasant places to raise a family, are they more efficient places to work in collaboration with other workers or firms? Smaller cities find that they can gain some of the benefits of location in a very large city through networking with other cities in similar economic and geographic situations; this is also true for many of the firms that are situated in them.

Attention has turned to other smaller cities, such as what one writer, Joel Kotkin, has referred to as “nerdistans”—Austin, Raleigh-Durham, Boulder, and other university towns of not more than 1 million residents that are attractive to technology firms and younger workers due to their ambience and recreational and entertainment assets. Another phenomenon is the slow death of older inner suburbs of major cities and the growth of an outer ring of residential and production areas, Joel Garreau’s “Edge Cities” of an earlier era, while at the same time the city center in many places is becoming more vibrant and populated with seniors and younger people who have disposable income and time for cultural and other activities that are the key to city life. Thus, the “hole in the donut” concern has been replaced by that of the “vacating of the inner ring”. Finally, there is increased attention being given to smaller cities and towns that are situated in congenial places in proximity to recreation, and natural beauty. This gives us a far richer set of cities for our research, and recognizes the attractiveness of cities other than the very largest as locations for economic activities that will be important in future decades.

Another change that is beginning to have its impact on cities, especially on those in North America and in the European Union, is the return of manufacturing activity to the places that were abandoned two or three decades ago. Changes in the technologies of production are reducing the need for low-skilled labor, wages in Asia are beginning to rise, proximity to final markets is becoming more important for many producers, and availability of production sites and labor with the required skills are generating a reverse movement of production from low-cost sites in Asia and elsewhere back to sites in the “industrial world”. In the US, cities such as Cleveland, Buffalo, Chicago, and Pittsburgh are all having revivals of manufacturing activity. City leaders throughout the older industrial areas should be aware of changes such as this and to position their area so as to capture the potential benefits from this.

During the most recent four decades one phenomenon has advanced seemingly inexorably—that of growing income inequality, and its resulting social marginalization and exclusion. These concerns have increased as we went from the manufacturing to the service to the technology economy. The ratio of incomes of corporate heads and workers has increased from a few tens to a few hundreds. Thomas Piketty has charted this development. Statistically this is not specifically a phenomenon of our largest cities. Clearly the most notable congregations of super wealthy people are in places like New York and London, but these cities have even larger percentages of their residents who are living in poverty.

There are many other fascinating issues that arise when we consider our cities. Sustainability, spatial relations and structures, architecture, demography with the concerns about the aging of the population and the necessity of attracting young and skilled workers, effective governance, urban strategic economic planning, and urban competitiveness are examples of these issues. Clearly, far too many to be discussed in this brief editorial comment. However, nonetheless, issues of great import that will, hopefully, be analyzed and discussed in the pages of this journal.