

CELEBRATING OUR URBAN HERITAGE

GLOBALIZATION, URBAN HERITAGE, AND THE 21ST CENTURY ECONOMY

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Over two decades ago the North American urbanologist Jane Jacobs wrote, “all developing economic life depends on city economies...all expanding economic life depends on working links with cities.” Although her book — *Cities and the Wealth of Nations* — is still cited as a pivotal work in urban economics, the word *globalization* doesn’t even appear in Jacobs’ index. Today how could one ponder the role or the future of cities without considering globalization?

The question then becomes, “In a globalized economy does economic life still depend on city economies?” Urban economist Richard Knight in his book *Cities in a Global Society* seems to think so. He writes, “Now that development is being driven more by globalization than by nationalization, the role of cities is increasing. Power comes from global economies that are realized by integrating national economies into the global economy, and cities provide the strategic linkage functions.”

It is not my intention here to argue the merits of economic globalization aside from the following: 1) economic globalization is inevitable in the 21st century; 2) there are 1.2 billion people in the world living in poverty — most of them people of color — and the industrial world will never tax itself enough to end that hunger; 3) the only escape from poverty is the ability to sell goods and services around the world; and, 4) while there will be some places that choose to opt out of the world economy for reasons of provincial ideology, protectionist isolationism, or politics, the citizens of those places will be the losers. I also concur with Jacobs and Knight that the decisive role in a globalized economy will be played by cities and urban regions.

But there has been a misunderstanding of globalization by both its advocates and its critics. The misunderstanding is this: that *globalization* implies both economic globalization and cultural globalization. I will argue that those are two different phenomenon, that while interrelated, are not inexorably linked. Further, I suggest that while economic globalization has many positive effects, cultural globalization has few if any benefits but has significant adverse social and political consequences in the short term, and negative economic consequences in the long term.

If cities are to succeed in the challenge of economic globalization they will have to be competitive not only with other cities in their nation or region, but worldwide. However, their success will be measured not just by their ability to foster economic globalization, but equally in their ability to mitigate cultural globalization. In both cases a city’s historic built environment will play a central role.

As the world has quickly passed into the 21st century, the context and environment of local economic development is rapidly evolving. The purpose of this paper is to identify some of the realities of that evolving context, establish a set of principles that will underlie economic development in the 21st century, enumerate the “Five Senses” that each city will need to be competitive, and suggest that the preservation of the historic built environment, far from being detrimental to economic growth, can be a critical vehicle to foster increased prosperity. This paper is not intended to be an exhaustive discussion of any of these issues, rather it is meant to be a checklist of economic development components.

Realities of the 21st Century Economy

Before the role of the city can be understood, it is necessary to step back and understand the realities of this century's economy. Four such realities are already obvious.

First, the 21st century will be a globalized economy. This will affect every national economy regardless of political or economic system.

Second, the most significant impacts of the global economy will not be at the national or even the provincial level. The biggest impacts will be local. Akio Morita, founder of the Sony Corporation in Japan, called this "Global Localization". Harvard professor Michael Porter wrote in *The Competitive Advantage of Nations*, "The process of creating skills and the important influences on the rate of improvement and innovation are intensely local. Paradoxically, then, more open global competition makes the home base more, not less, important."

Third, there will be a rapidly growing demand for products worldwide. But the manufacture of those products will require fewer and fewer people. Likewise the need for agricultural products will only increase with world population growth, but fewer agricultural workers will be necessary to grow that food.

Fourth, the areas of the economy that will grow, both in output and in employment are these: services; ideas; one-of-a-kind products, individually produced; culture; entertainment; communications; travel; education. For each of these growth areas, quality and authenticity will be major variables in consumer choice.

Five principles for success

The cities and their citizens who will be successful in the 21st century's economic development will be those that recognize the four realities discussed above, and who respond by embracing five principles.

The first principle is globalization itself. To ignore the reality of a globalized economy, or to recognize it but not respond, will make many cities the victims rather than the beneficiaries of globalization. To adopt globalization as a principle allows a city the opportunity to identify which of its own characteristics can be competitive in the global marketplace and to establish measures that reduce the adverse impacts of a globalized economy. Even such a staunch globalist as Kenichi Ohmae writes, "As the borderless and interlinked economy develops, regional- and city-level interests come more and more into play."

The second principle is localization. The definition of what "economic development" means needs to be localized. It must be specific and measurable. Many local economic development yardsticks in the 21st century will be qualitative rather than quantitative. Localization will always necessitate identifying assets (human, natural, physical, locational, functional, cultural) that can be utilized to respond to globalization. Those assets must first be identified, then protected, and then enhanced. In his book *Post-Capitalist Society*, business guru Peter Drucker writes, "Tomorrow's educated person will have to be prepared for life in a global world. He or she must become a 'citizen of the world' – in vision, horizon, information. But he or she will also have to draw nourishment from their local roots and, in turn, enrich and nourish their own local culture."

Diversity is the third of these principles. Biologists were the first to understand the importance of diversity to a healthy ecological system. But the English words "ecology" and "economy" come from the same root, the Greek word *oikos*, which means "house." Economic development analysts — based on the models of the ecologists — have discovered that what is necessary to keep our

economic house in order is the same as what it takes to keep our ecological house in order, which is, in part, diversity.

The concept of diversity has three different facets in relation to economic development principles:

As populations are more mobile and more diverse — particularly in cities — there will need to be an accommodation of human diversity in economic development and an appreciation of the valuable alternative perspectives that diversity can provide in an economic context.

Cities must have a diverse local economy in order to provide protection from the volatile patterns of demand in the marketplace. Excessive reliance on a single source of employment, production, and economic activity will leave cities inordinately vulnerable.

With economic globalization as a given, the outcome is that potential customers for goods and services will be exceedingly diverse. Successful economic development will specialize and customize to meet the needs of diverse markets rather than standardize and homogenize.

The fourth principle of 21st century economic development is sustainability. Sustainability has for some time been recognized by resource-based industries because they find it necessary to pace extraction or renew resources to keep the economy sustainable over the long term. A broadened principle of sustainability recognizes the importance of the functional sustainability of public infrastructure, the fiscal sustainability of a local government, the physical sustainability of the built environment, and the cultural sustainability of local traditions, customs, and skills.

The final principle is responsibility. While in most parts of the world there will be provincial, national, and international resources that can occasionally be tapped for use in enhancing a city's economy, the vast majority of efforts will take place at the local level. This, then, requires that each city takes a large measure of responsibility for its own economic future. Certainly local government has a part to play in that process, but so does the private sector, non-governmental organizations (NGOs), and individual citizens. Each should recognize the responsibility at the local level to define and pursue citywide and metropolitan economic development strategies.

In the past the economic fate of a city was largely driven by locational and resource factors. Is it near a port? Is there timber to be cut? Is transportation available by waterway? Is there metal that can be mined? Certainly these and similar factors will continue to play a major role in the economic future for many locations. But in the 21st century there will be a shift from location economics to place economics. Many of the variables that will influence a city's economic opportunity will not be locationally driven. The most important variables will be qualitative and place-based rather than quantitative and location-based. These are referred to as the Five Senses of Competitive Cities and will, in the intermediate and long term, have considerable impact on the economic health of cities.

Five Senses of Competitive Cities

The first sense is the Sense of Place. Both the built and natural environment will need to be used to express the particularity of *this* place. There should be a feeling that this city is neither "anyplace" nor "no place" but "someplace," unduplicated anywhere. Four hundred years ago the Italian philosopher Giordano Bruno recognized that "Where there is no differentiation, there is no distinction of quality."

The second sense is the Sense of Identity. In economics it is the differentiated product that commands a monetary premium. A city that in the long term wants to be a “valuable place,” however that is defined, needs to identify the attributes that add to its differentiation from anywhere else. The cultural as well as the physical attributes of a city will be critical to that differentiation.

The third sense is the Sense of Evolution. Quality, living cities will neither be frozen in time as museum relics nor look like they were built yesterday. The physical fabric of a city should reflect its functional, cultural, aesthetic, and historical evolution. Writing in their book *Citistates*, Neal Pierce and Curtis Johnson emphasizes the need to “Reaffirm the critical importance of the citistate’s heart — its historic center city and neighborhoods...This means urban design, waterfront planning, streetscapes, and historic preservation are important issues for a citistate’s presentation to the world.”

The fourth sense of competitive cities is the Sense of Ownership. If there must be responsibility exercised at the local level to create and benefit from economic health, then there has to be a sense of ownership of the city by each of the sectors. This does not mean ownership in a legal or property sense, but ownership more broadly, or citizenship: a feeling of an individual stake arising from that particular place and fellow citizens. A former mayor, Daniel Kemmis — a US politician who is also a scholar — wrote in *The Good City and the Good Life*, “A good city has always been one that teaches citizenship, in the deepest sense of the word, and such cities are not only teachers, but are themselves always learning how to be better cities.”

Finally there is the Sense of Community. A sense of ownership acknowledges an individual benefit from, an individual stake in, and an individual responsibility for one’s place. A sense of community acknowledges the obligations to and interconnectedness with the other residents of that place. Robert Bellah has spent a career examining this amorphous concept of *community* around the world. He concluded in his book, *Habits of the Heart*, “Communities, in the sense in which we are using the term, have a history — in an important sense they are constituted by their past — and for this reason we can speak of a real community as a ‘community of memory’, one that does not forget its past.”

Historic Preservation-based Urban Economic Development Strategies

Cities, then, will need to respond to the principles of the 21st century economy — globalization, localization, sustainability, diversity, and responsibility. Competitive cities will cultivate and promote the five senses — sense of place, sense of identity, sense of evolution, sense of ownership, and sense of community.

This will be necessary both to foster economic globalization and to mitigate cultural globalization. For all of the potential benefits of a globalized economy, and there are many, it carries with it the substantial risk of a globalized culture, of which there are few if any benefits.

But it is not inherently necessary that a globalized economy leads to a globalized culture; in fact, it is crucial both for economic and cultural reasons that it does not do so. This will require decisions at the national and regional level but particularly at the city level to make sure a globalized local culture does not occur.

In parallel to the above, the “modernization” of urban communities in terms of infrastructure, public health, convenience, and quality of life *does not* necessitate the “westernization” of the built environment. A copy of the built environment from elsewhere will never be as good as the original. An imitative strategy for the built form quickly leads a city from being “someplace” to “anyplace”. And the distance from “anyplace” to “no place” is short indeed.

Heritage conservation has often been portrayed as the alternative to economic development. It is absolutely a false choice to assert that “either we have historic preservation, or we have economic growth.” Increasingly around the world, historic preservation is becoming a uniquely effective vehicle for economic growth.

Historic preservation has moved from being an end in itself — save old buildings in order to save old buildings — to becoming a vehicle for achieving broader ends: center city revitalization, job creation, cultural stewardship, small business incubation, housing, tourism, and others. Successful strategies utilizing historic preservation as a tool of economic development have several common denominators:

1. Major landmarks and monuments need to be identified and protected.
2. Historic resources are far more than monuments, and often are vernacular buildings.
3. Groups of buildings rather than individual structures are often what are most important.
4. The vast majority of buildings of “historic importance” are defined by their local significance, not national or international recognition.
5. Adaptive reuse of functionally obsolete buildings is central to effective heritage conservation as an economic development strategy.
6. Authenticity is an important element in sustainable historic preservation-based success.

By understanding these six common denominators, historic preservation-based urban economic development strategies generate numerous measurable benefits:

Job creation. The labor intensity of renovating buildings generally means that there is a greater local economic impact in jobs and income than with the same amount spent on new construction.

Job training and skills transfer. Local craftsmanship skills in the building process, which can become lost and forgotten over several generations due to lack of use, instead can be passed on through historic preservation, which both creates new jobs and enhances old skills.

Import substitution. A central strategy in building a sustainable local economy is import substitution — creating locally what otherwise would have to be purchased elsewhere. Almost by definition historic preservation is locally based, using expertise, labor, and materials from the local market. New construction is often the opposite, requiring the importation of expertise, materials, and sometimes even labor from elsewhere.

Compatibility with modernization. There are certainly many historic buildings that don’t currently meet today’s standards for comfort, convenience, and safety. But during the last two decades great strides have been made around the world in the methods of bringing historic buildings into compliance with modern demands, without harming their physical structure or their architectural character. Most components for modernization — water and sewer lines, telephone cables, electric wires, even high speed computer data transmission lines — can be put in place almost invisibly (e.g., underground) without

jeopardizing the individual historic resources or their important context and interrelationships.

Compatibility with evolution. Once there is an acknowledgement that effective historic preservation isn't just museums, and the policy of adaptive reuse is adopted, historic buildings will prove themselves to be remarkably versatile in responding to the demands of the widest imaginable range of uses.

Product differentiation. In economics, it is the differentiated product that commands a monetary value premium. If in the long run a city wants to attract capital investment, it must differentiate itself from anywhere else. It is the built environment that expresses, perhaps better than anything else, a city's diversity, identity, and individuality — in short, its differentiation.

Most effective venue for cultural goods and services. For communities that have cultural assets and crafts products that represent economic opportunity, historic buildings often constitute the most appropriate physical locations for the manufacture, sale, and display of goods and the presentation of products. The physical context of the historic building adds to the sense of authenticity, originality, and indigenousness of the art.

Natural business incubator for small enterprises. Regardless of a nation's overall economic or social system, entrepreneurship nearly always begins on a small scale — a one- or two-person operation. The size, location, character, and often pricing of historic buildings means that they frequently serve as natural incubators of emerging enterprises.

Opportunity for tourism. While tourism will be one of the fastest growing segments of the world's economy in the 21st century, not every city can or should look to tourism as a major portion of its economic base. There are cultural, economic, logistical, and sometimes even religious reasons why tourism isn't appropriate for every community. Further, it would be a mistake to only connect historic buildings with tourism — there are many more ways that historic buildings can be used as a local resource. In the US, for example, 99% of all of the historic resources in productive use have nothing whatsoever to do with tourism. At the same time, when tourism is identified locally as a component of an overall economic development strategy, the identification, protection, and enhancement of the city's historic resources will be vital for any successful tourism effort.

The nine elements listed above are heritage conservation's measurable benefits, but there are two other benefits that are perhaps even more important, albeit less directly measurable. Globalization, be it economic or cultural, means change — change at a pace that can be disruptive politically, economically, socially, and psychologically. The post-modern deconstructionist architect Bernard Tschumi writes, "Architecture's [ultimate] importance resides in its ability to accelerate society's transformation." Why is there a need to accelerate society's transformation? Its current pace is destabilizing enough. Adaptive reuse of the historic built environment can provide a touchstone, a sense of stability, and a sense of continuity for people and societies that helps to counteract the disruption and acceleration which contemporary deconstructionist architecture tends to exacerbate. This is a very important non-measurable benefit.

The second non-measurable benefit of reusing historic buildings lies in the philosophical examination of the relative significance of space versus the importance of place. Not long ago, with the creation of the internet, the growth of telecommunications, and the ability to work from one's home, there were predictions that the significance of one's physical workplace would diminish in importance. In fact the opposite has been true. The ability to work anywhere, the ability to communicate electronically everywhere, has increased our need to be somewhere —

somewhere in particular, somewhere differentiated. Thomas Friedman is surely one of the world's most articulate globalization advocates. However, in his book, *The Lexus and the Olive Tree*, he writes, "Yes, globalization and the internet can bring people together who have never communicated before...[but] can we build cybercommunities that replace real communities? I'm very dubious." The internet exists only in space; humans who use the internet need a real place, a place of both substance and quality. But as the sociologist E.V. Walter wrote in *Placeways*, "The quality of a place depends on a human context shaped by memories and expectations, by stories of real and imagined events — this is by the historical experience located there." Historic buildings are the physical manifestation of that historical experience.

Heritage conservation also has numerous attributes that warrant using preservation as an economic development tool from a public policy perspective.

Targeted areas. Historic buildings are usually located in areas that have already been designated as appropriate targets for public intervention to improve the economic environment, such as city centers, older neighborhoods, and rural villages.

Not a zero-sum game. Many approaches to economic development are essentially zero-sum games. That is to say, for city A to succeed, city B has to lose (for example, a factory recruited from A relocates to B). Because nearly every city has its own historic resources that can be used to house a variety of activities, for one city to benefit from the adaptive reuse of its historic structures in no way precludes another city from also benefiting from similar policies.

Geographically dispersed. Public officials and non-governmental organizations (NGOs) do not have to limit historic conservation strategies to a single geographic area. Because cities are geographically dispersed throughout a state or province, region, and nation, economic development strategies based on the use of historic resources can become broadly based geographically.

Range of project scales. A variety of factors affect the public sector's ability to implement plans on a large scale. Financial constraints, political conflicts, and environmental concerns are all reasons that large projects are often delayed or shelved. Historic preservation, however, can be done at virtually every scale, from the smallest shop building to the massive revitalization of areas in large metropolitan regions. Smaller projects can proceed while larger ones are still on the drawing board.

Counter-cyclical. One obvious result of globalization is that cities are no longer immune to the ups and downs of worldwide economic cycles. Because of their scale, cost, and labor intensity, heritage conservation projects are often possible even in down-cycle periods of economic recession, providing a measure of employment and income stability to a local economy.

Incremental change. Change itself does not inherently cause adverse impacts on urban economies and cultures. The damage comes from change that is rapid, massive, and beyond local control. Historic preservation by definition is an incremental strategy within the framework of an existing city, not an immediate and overwhelming type of change that often leads to feelings of powerlessness and a decline in the sense of community.

Good base to build NGOs. NGOs have proven themselves to be singularly effective in responding to serious issues on a grassroots level in every corner of the globe. They have tackled and solved problems that neither governments nor the private sector have been able to address effectively. In historic preservation in particular, civil society has been most effective in advocacy, education, and the creative reuse of historic buildings. The Aga Khan Trust for Culture has been especially effective in assisting and encouraging NGOs to promote heritage

conservation throughout the Arab world. If urban policymakers want to strengthen civil society, historic preservation activities can be an effective means of doing so.

Modernization without "westernization". Historic preservation as an active public policy is an effective way to allow for modernization to meet the public safety, comfort, and convenience needs of citizens without the "westernization" of the built environment and the concomitant loss of local character.

Historic preservation as an urban economic development strategy is consistent with all five principles of 21st century economic development: globalization, localization, diversity, sustainability, and responsibility.

Heritage conservation reinforces the five senses of quality communities: sense of place, sense of identity, sense of evolution, sense of ownership, and sense of community.

Historic preservation can meet the test of both quality and authenticity that will be critical elements of economic development in the 21st century.

The cultural assets of a city — dance, theater, music, visual arts, crafts, and others—are inherently influenced and enhanced by the physical context within which they were created and evolved over the centuries. If cultural resources are to become and remain an economic asset for a city, then the physical context that has always influenced their creation must be maintained. Otherwise, more than just the physical buildings are at risk; the quality, character, differentiation, and sustainability of the city's other assets are in jeopardy as well.

Historic preservation allows a city to participate in the positive benefits of a globalized economy while resisting the adverse impacts of a globalized culture. It also allows a city the opportunity to modernize without having to "westernize".

In the 21st century, only the unwise city will make the choice between historic preservation and economic development. The wise city will effectively utilize its historic built environment to meet the economic, social, and cultural needs of its citizens far into the future. Early in the 20th century Oswald Spengler wrote in *The Decline of the West*, "We cannot comprehend political and economic history at all unless we realize that the city...is the determinative form to which the course and sense of higher history generally conforms. World history is city history." In my view, the political and economic history of the world in the 21st century will be even more of an urban history than ever before.

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