

CITIES - PATHWAYS TO PROSPERITY

A presentation by Edward Glaeser



Edward Glaeser is the world's leading urban economist. He is the Fred and Eleanor Glimp Professor of Economics at Harvard University. His research has made a powerful case for cities as the path out of poverty and key to any nation's growth.

His latest book, Triumph of the City: how our greatest invention makes us richer, smarter, greener, healthier and happier, explains how cities spur innovation, attract talent and sharpen it through competition, encourage entrepreneurship, and allow for social and economic mobility. The Economist magazine calls it "an enthusiastic guide to the blessings of human proximity". CDE invited Professor Edward Glaeser to South Africa for a series of well attended events on Monday 21 June and Tuesday 22 June 2015. Professor Glaeser presented his arguments in favour of urbanisation, and then, in numerous question and answer sessions, engaged with South Africans ranging from National Treasury officials and the CEOs of public companies, to diplomats, academics and representatives of civil society organisations.

CDE and cities: Ann Bernstein, CDE executive director

In the 1990s and early 2000s, the Centre for Development and Enterprise (CDE) produced a series of reports on South Africa's cities as centres of economic growth and opportunity in a globalizing world. In many ways these reports were ahead of their time. Cities have not featured as strongly as they should have as part of the national agenda during the past two decades. But a focus on urbanization and cities is vital if South Africa is to generate the jobs and growth we need to meet our current challenges. Cities account for over 80% of global economic output. In South Africa, four city-regions (Gauteng, Cape Town, eThekweni, and Nelson Mandela Bay) account for 42% of South Africa's population and 57% of formal economic activity. Between 1996 and 2013, the metro economies grew at nearly twice the pace of the rest of the country. Per capita income in the metros is about

40% higher than in the rest of the country, and residents of the largest cities are significantly more productive than secondary cities, towns or rural areas. Importantly, the rate of employment growth in the metros between 1996 and 2012 was more than twice that of everywhere else.

It is encouraging that some important people in government are starting to take cities more seriously. But South Africa needs to go further. Cities - and how they are governed and managed - must be at the heart of the national economic growth and jobs debate. If we are to have any hope of reaching the NDP growth and employment targets, our cities will need to grow at much faster rates for the next 15 years than ever before. Adopting a 'business as usual' approach to cities is a strategy South African cannot afford.

The country's future prosperity will be urban-led and this must be based on unleashing market forces in urban environments. The role of the state is crucial in this. Governments, at both the national and the local level, must enable cities to strengthen and improve their roles as engines for economic growth, mass employment, innovation and more vibrant, dynamic entrepreneurship.

Presentation: Professor Edward Glaeser

Gandhi famously regarded the growth of cities as "an evil thing, unfortunate for mankind and the world." With all due respect to the great man, I think he got this one completely wrong. The transformation taking place in India is not happening in the village economies he championed. It's happening in places like Bangalore, Mumbai, Kolkata, and Delhi. It's happening in cities that are providing pathways out of poverty into prosperity, that are providing conduits across civilisations and across continents, and that are enabling the flow of knowledge and ideas that are the most important wellspring for economic success in the 21st century.

The benefits of city living

In 2007, humanity crossed an important threshold: more than 50% of us now live in cities. When we compare those countries that are more than 50% urbanised to those countries that are less than 50% urbanised, the more urbanised countries have, on average, incomes that are five times as high and infant mortality levels that are less than a third.

If you look at countries that had per capita incomes below \$5,000 in 1960, those countries that were already highly urbanised at that point subsequently all experienced positive per capita GDP growth between 1960 and 2010. Some of them at spectacular rates. At the same time, those countries that were not particularly highly urbanised in 1960 did not do so well subsequently. This includes a host of African countries such as the Democratic Republic of the Congo, Zimbabwe, Niger, Burundi, Sierra Leone, Senegal, Zambia, Central African Republic, and Ghana. In other words, countries that were poor with relatively low levels of urbanisation in 1960, stayed poor.

What this tells you is that, contrary to Gandhi's claim, there is no future in rural poverty. Of course, this is not to suggest that governments should force their citizenry out of rural areas and into cities

or arbitrarily tax rural areas to subsidise city life. At the very least, though, governments should aim to create a level playing field for cities. Human progress is largely based on our ability to learn from one another, and cities have been making this happen since Socrates and Plato first bickered on an Athenian street corner. Governments should encourage this process wherever possible or at least never arbitrarily prevent it from occurring or flourishing.

Presumably Gandhi wasn't talking just about the supposed economic disadvantages of cities but also about some loss of soul, some loss of satisfaction that comes with urbanisation. This view is not Gandhi's alone but is also reflected in the Anglo-Saxon tradition from Jefferson to Wordsworth, which often elevates rural life over city living. Given the poor quality of water and sanitation in 18th century cities this was, in some ways, a sensible view to hold.

However, it is equally true that modern rural India is not a Wordsworth poem. Modern, rural India is not in any sense a bucolic existence and the empirical data on health and wellbeing show that life there is hard. On balance there is far more hope in urban slums than in the rural poverty that has persisted for millennia without delivering the change, the promise, the hope that continues to exist on city streets.

When we move from income to self-reported life satisfaction, the central message is reinforced. Among rich countries there is no clear pattern of urbanisation making you happier. Some countries' respondents are a little happier when they are living in cities (e.g. Sweden and Finland) and some are a little happier when they are living in the countryside (e.g. Italy and New Zealand). In fact, the data suggest New Zealand has some very happy rural dwellers indeed.

However, the difference is marked when you look at poorer countries. The gap between urban and rural happiness in India is the highest in the world. And the gap between rural and urban happiness is also prominent in Rwanda, Mali, Ghana, and South Africa where city dwellers are much happier than rural respondents.

No matter how you look at it, Gandhi was wrong.

Why are cities so important to human prosperity and happiness?

Three elements lie at the heart of effective cities.

- *The magic of economic interaction:* Cities exist to connect us and to enable us to learn from one another, trade with one another, and take advantage of economic opportunities. That explains why cities have become more, not less, vital with the rise of information and communication technologies. These technologies have flattened the world in a variety of ways and have enabled us to perform certain tasks from a distance; they have also radically increased the returns to being smart. We become smarter by being around other smart people. Humans are intellectual magnifiers: we pick up knowledge from other people around us and use it and transform it into something better. This is how human creativity has always worked. And it is why the most technologically-oriented firms such

as Google no longer allow their employees to work from home. Instead they built the Googleplex which facilitates interaction among employees. And the more complicated the world becomes, the easier it is for ideas to get lost in translation and the more valuable it becomes for us to be able to communicate with each other directly.

- *Combatting the demons of density:* There are downsides to human interaction that invariably emerge when a lot of human beings occupy a small amount of space together. If two people are close enough to exchange an idea face to face they are also close enough to exchange a contagious disease. And if someone is close enough to sell you a newspaper then he is close enough to mug you. This is the nature of cities. But it does not mean that we should halt the urbanisation process and keep people in rural areas for fear of subjecting them to the demons of density. What it does mean is that government becomes much more valuable in an urban context. We need to focus our attention on combating the disadvantages of density on providing clean water, safe neighbourhoods, and uncongested roads. To accomplish these things requires a smart public sector; a government that focusses on fighting crime, reducing congestion, enforcing the rule of law, and creating the preconditions for innovation and creativity to flourish.
- *People and the physical city:* The buildings and the infrastructure of the city are important. But we must not confuse the physical city with the real city. Johannesburg's real city is not the skyline; it's not the Hillbrow Tower or the Carlton Centre or Ponte. It's the humanity that is in the city. It is the people who are connected by proximity that make the city what it is, not the structures that they inhabit. Of course, the buildings and infrastructure matter, in the sense that they could facilitate human interaction more or less efficiently. But they are always only means to ends and never ends in themselves.

Skills matter

When one looks at the difference in the performance between cities, one need look no further than skills as a key predictor of urban success. If you look at per capita GDP in 2010 across major US metropolitan areas and the share of adults in those areas with college degrees in 2000 there is a reasonably strong, positive relationship. The higher the share of adults with college degrees in a metropolitan area in 2000, the higher the per capita GDP of that metropolitan area in 2010. This is not just about your skills making you more productive, it's about your neighbours' skills making you more productive. Holding years of schooling constant, as the share of adults in your metropolitan area with college degrees goes up by 10 per cent, your wages go up by 8 per cent. This study has been replicated in many countries, including India and China, and the results always support the advantage of having skilled neighbours. Quite often the relationship in the developing world is much stronger than it is in the developed world.

And, this relationship becomes more critical and powerful as density levels increase. In fact, density and skills are complements. This was particularly evident in the US during the great recession. What saved some metropolitan areas from having high unemployment rates was having a strong

skills base because having skilled neighbours not only makes you smarter but also means having a neighbour who is a potential entrepreneur who might give you a job. So human capital is really the starting point for a city's success.

What this means is that when you think about underperforming cities, don't think infrastructure first, think skills first.

Entrepreneurship and the city

Of course, the skills that really matter are those that are learnt on the job and there is no skill that is more valuable to the long-run health of a city than the talent and inclination to become an entrepreneur.

Fifty years ago, New York's great industry – and the largest industrial cluster in the United States in the 1950s – was garment production. This was an industry with very few barriers to entry, with very few returns to scale, one in which anyone with a good idea and a couple of sewing machines could get started. As a result, it was a spur to entrepreneurship. Thousands of people came to New York and started working for small garment producers or set up their own business. And because entrepreneurial skills can be transferred from one industry to another, New York's garment entrepreneurs went off in search of new opportunities in other industries as opportunities changed. They went on to start film studios, to build skyscrapers, and to do amazing things for America.

By contrast Pittsburgh, which was built upon the coalmines around the city, was heavily reliant on one very large corporation – US Steel. Steel manufacture is an industry with vast returns to scale, and US Steel was a tremendously productive company. But it certainly did not leave a residue of entrepreneurial capital in the city. US Steel trained company men and when US Steel faltered those company men were not as adept at seeking out new business opportunities as the garment entrepreneurs of New York.

Our measures of entrepreneurship are generally weak and imprecise. However, one way of seeing whether entrepreneurship levels are high is by looking at average establishment size. And, in this regard, there is a strikingly strong relationship between how quickly American cities grow and how big the average firm is: cities with lots and lots of small firms tend to grow more quickly than cities in which the economy is dominated by larger firms. In fact, cities with the smallest firms on average (and which can be said to have higher than average levels of entrepreneurship), have also seen much faster employment growth. This is true across different regions of the US and the results are enormously robust.

The harder question here is: if we believe in the power of entrepreneurship, what is the government supposed to do about it? Is it possible to do more to train people to do entrepreneurial things? Is it possible to implement reforms that will make it easier for people start out as entrepreneurs? Perhaps the answer is no for the first question and yes for the second. One of the most entrepreneurial places in the world is Mumbai's Dharavi slum. It is filled with unbelievable Indian talent doing things one

would never think would be lucrative. But the water isn't safe to drink and the electricity is (at best) intermittent. It reminds us of how critical the public function is because it is not that India lacks entrepreneurial zeal but it lacks an effective public sector that is able to deal with the downsides of density.

Managing cities: some policy considerations

- *Engineering versus economics:* Urban water supply is primarily about engineering. For governments, the overriding objective is to make sure you bring clean water into the city and dirty water is taken out of the city, so it doesn't make sense to obsess too much about water charges for poor people in Africa or anywhere else. However, when it comes to something like transport the behavioural response is critical and hence engineering solutions are only part of the answer. If you build more roads, more people will drive on them. Studies have shown that vehicle miles travelled increase roughly one-for-one with roads built. Road building, when not accompanied by pricing, is simply a recipe for more traffic, which is why people need to be charged for the social cost of their actions. Singapore is one of the densest areas on the planet and yet it has roads on which traffic moves effortlessly because the government charges people to use them.
- *Bus versus train:* Many cities tend to underestimate the value of the bus relative to the train. In fact, there is very little that you can do with a train in an urban context that you can't do with a bus, especially one on a dedicated lane. However, when it comes to the bus, we shouldn't just be thinking about bus rapid transit. We should be thinking about minibus taxis too and how to integrate them into the urban public transport system. Minibuses are cheap, flexible and well-tailored to cities with medium densities such as those found in South Africa. The challenge is how to use public funds to upgrade the minibus experience: to shorten the wait, to make them safer, and to serve the needs of the city and the wider country better over time. In many cases, it makes most sense to think about services and systems that are currently in place, and about how to upgrade them incrementally and to make continuous improvements to them over time.

One of the reasons why trains became popular in the United States was that they were sold as vehicles for the regeneration of declining cities. But the hallmark of declining cities in the US is that they were built for a much larger population and therefore have an abundance of structures and infrastructure relative to the level of demand in their post-decline situation. In the case of Detroit, the US government confused the real city with the physical city: engaging in urban renewal projects and building public monorails that would somehow magically entice people to come back to the city. In the end, the result was a colossal waste of money. The poor people in Detroit did not need a monorail. They needed better schools, they needed public safety. In short, they needed investments that actually made a difference to their lives.

- *Help poor people, not poor places:* Public policy must focus on delivering services for people, not places. There is no need to ensure that economic activity occurs in every place in the

United States. There is no reason why the government should be subsidising people to locate their businesses in the foothills of the Rockies or for that matter subsidising them to locate in Detroit. However, the government does have an obligation to make sure that the children who grow up in Detroit have the tools, especially the education, to make a brighter future for themselves.

- *Safety*: New York's regeneration was partly about the emergence of the financial services industry in the city. But a key factor was improving the rule of law and making the streets of the city safer for its inhabitants. You can argue about the methods used by the city – Boston's community-based approach to crime prevention is a very good counter-example – but the lesson is clear: Since attracting and keeping smart people is so fundamental to a city's long-run success, ensuring public safety is one of the most critical investments a city can make. I often tell city leaders in the US that the right economic development strategy is to attract and train smart people and then, more or less, get out of their way. In the 1970s no one in their right mind would have wanted to live in New York and work somewhere else. Today, this is all the rage and it would not have been possible without safer streets.
- *NIMBYism vs. Monumentalism*: Policies influenced either by NIMBYism or by monumentalism are both dangerous. NIMBYism (Not-In-My-Backyard-ism) often results in knee-jerk opposition to new building development. Until very recently, Mumbai had, for 40 years, a limit on building above one and quarter stories in the central city. Pushed in part by an adherence to British town and country planning ideals, but also by public officials who didn't want Mumbai to grow, the result was a low, sprawling metropolitan area. With the exception of a few new skyscrapers, typically surrounded by big empty fields to meet the floor to area ratio requirement, Mumbai grew out instead of up, effectively making pedestrian transit impossible. As such, Mumbai is an object lesson in the overregulation of city building. In contrast, monumentalism, which essentially amounts to building structures or grand buildings for their own sake, is equally problematic. Monumentalism repeats the error of focusing on the buildings rather than the people who may or may not need those buildings. Somehow a balance needs to be struck that allows for city growth without building for buildings' sake.

Density and the environment

One of the reasons why it is important to allow cities to build up rather than out is that it is good for the environment. When countries become more prosperous they consume more energy, which means they consume more carbon. For a given increase in GDP, countries can consume less energy by building up relative to building out. People who live in the city instead of outside it typically use far less carbon because they use public transport, they drive shorter distances, and they occupy smaller apartments.

If the great growing economies of India and China on their own, keeping their populations constant, see their per capita emissions rise to the levels seen in the sprawling United States, then global carbon emissions are forecast to rise by 130%. If they stop at the levels seen in wealthy but hyper-

dense Hong Kong, global carbon emissions go up by less than 30%. We therefore all have a lot to gain if India and China build up rather than build out. We need to recognise that low density, suburban living on the city edges, is a recipe for increased carbon emissions.

Conclusion

I am an economist. I believe in freedom. I believe in choices. I do not believe that people shouldn't have the right to live surrounded by nature if they want to live surrounded by nature. I know that part of my talk could be construed as saying that I think everyone should live in a city. I am not anti-rural. However, I am in favour of a level playing field. We should recognise the importance of cities for growth, for jobs, for prosperity and we should allow people to exercise choice and move to cities to take advantage of the incredible opportunities that they provide.

Phenomenal things have happened when humanity has worked together in cities. Our ability to solve problems collectively is simply incredible. That will not change. That is not going to go away. And as such I cannot but have a tremendous amount of hope that, in fact, South Africa will continue to grow, will continue to be a better place because of the magical things that happen in cities like Johannesburg.

Embracing urbanisation and committing to solving its problems is the only path for humanity to take in the 21st century. Urbanisation brings with it enormous challenges but the right response is to meet those challenges and make sure our cities are as liveable and comfortable as possible so that they continue to serve as generators of growth, prosperity, creativity and promise.

Discussion

Each of the CDE organised events in which Professor Edward Glaeser participated was marked by extensive audience participation, with Professor Glaeser providing detailed responses to questions. Key issues that emerged and a summary of the responses are provided below:

Q: *Local autonomy and accountability?*

Decentralisation is important because it facilitates experimentation. In many cases no one really knows what the best policy is. We are not exactly sure of the right way to deliver entrepreneurial training or which vocational skills are exactly right. The answers will emerge if cities become laboratories of experimentation. Accountability can also be increased if autonomy is conditional. In the US, if a local authority is underperforming, it can lose its mandates. For example, Detroit lost its mandate to perform a lot of functions because it went bankrupt. That is an important check, but, at the same time, some degree of local autonomy is crucial.

Q: *Who should city governments be accountable to?*

City governments should firstly and primarily be accountable to their residents. I could not be a bigger fan of Indian human capital and of Indian talent. Yet, Indian governments are rarely put forward as

models to be emulated. I know of no country in which the cities are more controlled by agriculturally-dominated state governments than India. Mumbai is dominated by Maharashtra and Bangalore is dominated by Karnataka. In every case, the rural residents are overrepresented, sometimes by as much as ten to one, in the state legislatures. So city governments are deeply constrained and essentially run by state governments that view the cities as resources to be exploited for their rural constituents. The one exception is of course Delhi, which governs itself as an autonomous district.

Q: *In South Africa the rural areas are quite urbanized and there is a lot of sprawl in our cities. Is there an economic model in which the current sprawl in South Africa's can be seen as an asset?*

Rural urbanisation and the growth of cities are a related but not an identical phenomenon. We want to be thinking about how to lift up the main cities because, after a while, they lift surrounding areas up. We should also be reflecting on the fact that many of the urban townships are congested. The legacy of sprawling townships could, in fact, become an asset if they become centres of interaction and entrepreneurship. I am not sure that even if South Africa had the ability to redesign townships and the urban layout from scratch, that it would be a good idea to do that. It is preferable to do the best with what you have got rather than invent insurmountable planning problems.

Further, in new urban areas it is best to proceed incrementally rather than copy the monumentalism of a place like Dubai. It is better when planning a new town or a suburb, that you grid it, meaning you lay down street spaces over the entire area of settlements and that you create and maintain the legal authority to protect that grid. That means you'll have a space to pave even if you're not ready to pave now; the space to put down pipes, even if you're not ready to put down pipes now. Protecting the grid allows you to develop slowly, providing services as the need for those arises.

Q: *Should government implement policies to encourage densification?*

My view about this comes back to choice. It is never a good idea to force anyone to live in a skyscraper. What I am in favour of is reducing the regulations on developers who want to build taller towers in places where that makes sense. I am in favour of deregulating. At the same time, one has to be careful that deregulation does not impose unwarranted costs on the public sector. Up to a point, people have to bear the costs of the decisions they make. So it may be the case that a developer has the right to build a housing complex on the very edge of a city, but that developer cannot then argue that the public sector is necessarily obligated to pay for the infrastructure that would make such a housing development economically viable. I do not think that is, in any sense, what deregulation means.

Q: *Must government be the provider of public goods like education?*

I'm a big advocate of the public responsibility for ensuring that children get educated. However, I'm not an advocate for the public being the only provider of education. Certainly, in the US, many of our greatest educational successes have been in the form of charter schools, which are typically not-for-profit, non-public entities. They randomise who gets in and those children who are offered

a place often experience enormous benefits. I am not in favour of replacing a robust, competitive urban market of schools with a public monopoly. Some of America's public school problems can be summed up by the following analogy: imagine if New York City replaced all of its restaurants with a single, large public canteen. One can imagine what would happen to the quality of the food. That is exactly what New York City did to its public school roster. That being said, I would never dilute public responsibility for schools. Every child is a public responsibility. The public needs to figure out the right way to provide quality schooling, which usually implies a combination of private and public provision.

Q: *Should government undertake mega-city projects to provide housing for the poor?*

Let me be unequivocal on this – backyard shacks, yes, mega cities, no. Certainly the track record, both in the US and in Latin America, of tearing up existing small-scale barrios or favela-type neighbourhoods and replacing them with large-scale projects outside the cities has not worked and bad things have often happened. People are removed from jobs; a lot of poverty becomes concentrated in one area, and existing structures are disturbed. These types of interventions tend to replace existing landlords – who have been taking care of the areas for which they are responsible – and put a large responsibility on the public sector in their place. The public sector rarely takes on this responsibility in any kind of effective way. I think this is a very bad model, and the model in which current land-holders rent out backyard shacks to incoming migrants is preferable. It also facilitates entrepreneurship in the poorer parts of the city. As the city gets richer, shacks will be upgraded and replaced with better housing units over time.

Q: *What is the role of the city when it comes to immigration policies?*

I believe very strongly that immigrants are good for cities, and cities are good for immigrants. When you examine the phenomenon of immigrant entrepreneurs in the US, both historically and more recently, the share of American patents that are being created by people who are not originally American is huge. It's not that immigrants are crowding out jobs. Instead, they more often create jobs through their initiative and creativity.

Q: *Should South Africa seek to attract large multinationals into our cities, or is it better to promote smaller, home-grown entrepreneurship?*

It is not the case that big companies, like the mining companies that have often invested in South Africa, are unimportant. They bring in global skills and link into global activities, and those roles are important. At the same time Johannesburg needs to cherish its smallest entrepreneurs in a variety of different ways to make sure that they have opportunities to invest and grow. What I am suggesting is that whatever is done to promote larger-scale firms is coupled with a passion for the smaller scale as well. Ideally, many of the people who get training from an incoming multinational will one day be able to start their own firm in a similar field.

An agenda for growing local entrepreneurship must be widely communicated. Some of those who are selling apples right now might be selling something bigger tomorrow. They might be the next big thing once mining stops. The history of natural resource-based economies is that the resources don't last indefinitely so the key is to invest the wealth generated from those resources into things that do last - like human capital and infrastructure. Human capital is not just about education. It is also about expanding entrepreneurial capabilities and other difficult to define skills. However I don't think any of us know how to teach entrepreneurship very well. It's a very hard thing to teach.

Q: *What are the right taxes for financing cities?*

There is a lot to be said for local property or land taxes, and it is not unreasonable to tax prime downtown real estate. In areas where rights are poorly defined it is very difficult to impose these types of taxes, though.

One of my favourite models is to finance infrastructure by charging for the property development opportunities that emerge around the rail or roads that are publicly built. MTR, the Hong Kong Rail System, allowed private developers to build very big skyscrapers on top of their transit systems, and the resulting revenues have been enough to pay for the whole service.

In general, thinking about creative ways to finance development is important, but getting as close as possible to a beneficiary-pays model is a good idea. If the beneficiary is the property owner, then it is a good thing. If the beneficiary is the car driver, it is also a good idea to make her pay.

Q: *How can we create and nurture innovation platforms?*

I believe there are lots of creative ways in which we share information. Bostonians have a "Where's my bus app." They have several that they can use, which will tell them where there buses are. The reason they have these apps is not that the city government paid for some private producer to do it, but because people went out there themselves and developed this system. Within two weeks, there were three competing apps telling you when your bus is going to show up and someone figured out how to monetise this innovation through advertising. These software developers were not completely altruistic, but it reminds us that there are lots of interesting ways of getting things done, other than a public official saying: "I am going to write you a big cheque to solve this problem for me."

This is part of what makes cities so important - a lot of peer-to-peer exchanges of information take place. A lot of the knowledge generated in cities emerges spontaneously, in a decentralised way, driven by markets and private incentives. Cities have always been good at permitting the free flow of ideas.

Q: *Which developing world cities provide the best lessons for South Africa?*

Different cities provide different lessons. If you want to look at infrastructure, Shanghai looks very impressive, but it's also incredibly expensive and often very poorly aligned with the needs of its citizens. It may be better to look at cities like Santiago in Chile, where infrastructure was designed in a

way that was much more human-centred. Santiago is also a place where public private partnerships have worked well, which has not always been the case in other cities.

For crime prevention, it is worth looking at Medellin, which went from being the murder capital of the western hemisphere to being a safe and pleasant city. Medellin has also been the place which has a remarkably innovative building community. High-end plastic products, mass-produced, that are then potentially stackable are used to help with housing. One can add an extra floor to a house in a shanty town area without causing major disruptions.

The traffic congestion pricing in Singapore is incredibly efficient, ensuring that the second densest country on the planet has roads that move effortlessly during rush hour. This works because they have time-of-day tolling. The second thing to learn from Singapore, is that large concrete public housing projects can work. But you must also remember that these have been an abject failure in almost every other country where they have been tried. Singapore has only been able to pull this off because it is such a remarkably well-run place. This is the reason why learning best practice from Singapore is dangerous - it is a place with enormous wealth and enormous governmental capacity, vastly more than in my own country, the US. If you're borrowing something from Singapore, you must make sure that it is something that you have the income and the governmental capacity to pull off.

Concluding remarks: Ann Bernstein

South Africa faces two vital challenges in dealing with its appalling unemployment figure. These are how to get to higher growth, and how to make that growth much more labour intensive. Many economists are thinking about growing the national economy, but they do not think enough about where that growth takes place.

The best opportunities for increased growth and employment in South Africa are to be found in her cities. Cities are South Africa's future.

Growth needs to come through urban-led development, in which both the private and public sector have an important role to play. There is no future in rural poverty. All over the world, people have moved to cities to take up the better set of opportunities these urban environments offer. It is a choice we want to create for the millions of poor South Africans that are stuck in places where there are no jobs and no prospects.

That does not mean we ignore the rural areas. South Africa has never had an economic strategy for the rural areas and it's about time we did. But unless there is an economic reason for why a region or town should grow and create jobs, we should ensure good education and health and then enable people to move closer to where the economic opportunities are. And developing a clear strategy on how government is going to maximise the economic future of people in rural areas is very different from telling people what to do.

Cities are going to get a lot bigger, mostly from natural growth and partly from urbanisation and immigration. South Africa needs all the foreign skills we can get. This human form of foreign direct investment will help us build our cities, provide more entrepreneurial talent, help train more and more people so that we can maximise the enormous energy and potential of urban growth. We have seen what can happen when perception and policies on migration and urban development go wrong – the terrible violence earlier this year and previously demonstrates that the consequences for individuals, families, small firms and the local economy are terrible. CDE has done a lot of work on making very practical proposals on how South Africa should improve our migration and refugee policies. This process can be enormously beneficial for the country but it needs effective and enthusiastic management.

Cities are places where lots of things come together. It's where you have to think about human capital and who holds the responsibility and accountability for making sure that more and more South Africans get a better education and learn more skills. Combining effective urban management, with skills development, innovation and less regulation will allow South Africa's cities to lead the country in its quest for growth and provide pathways out of poverty and unemployment.

Published in September 2015 by The Centre for Development and Enterprise
5 Eton Road, Parktown, Johannesburg 2193, South Africa
P O Box 1936, Johannesburg 2000, South Africa
Tel +27 11 482 5140 • Fax +27 11 482 5089 • info@cde.org.za • www.cde.org.za

BOARD

L Dippenaar (chairman), A Bernstein (executive director), A Ball, E Bradley, C Coovadia, B Figaji, M Le Roux, S Maseko,
I Mkhabela, W Nkuhlu, S Pityana, S Ridley, A Sangqu

INTERNATIONAL ASSOCIATE

Professor Peter L Berger

© The Centre for Development and Enterprise

All rights reserved. This publication may not be reproduced, stored, or transmitted without the express permission of the publisher. It may be quoted, and short extracts used, provided the source is fully acknowledged.