

## NARROW OUR ECONOMIC DISPARITIES TO STAY COMPETITIVE

### Pity the tri-city Toronto

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For decades we've heard that new transport and communication technologies - from the street car to the Internet - would make geography and place irrelevant. We could all spread out and locate wherever we liked. The suburbs would boom, edge cities would predominate and the urban core would fade away into irrelevance. Some told us that the future of the centre of cities was to become little more than a "sandbox" or "reservation" - a holding pen for the urban poor.

It turns out that these prognostications were dead wrong. A close look at the real data shows that the world is quite spiky, defined by surging mega-regions, declining hills (like the Cleveland and St. Louises of the world) and sinking valleys (the poor mega-cities and even poorer rural areas of the emerging economies and developing world).

Now a landmark study by my University of Toronto colleague J. David Hulchanski of the Centre for Urban and Community Studies, "The Three Cities within Toronto: Income Polarization among Toronto Neighbourhoods, 1970-2000," shows that Toronto is not only far from immune from these trends but also that its position as a centre for the global creative economy comes with a level of spikiness and economic polarization that are deep cause for concern.

The study shows how, from 1970 to 2000, our city of neighbourhoods has been transformed into three separate cities, defined by their economic differences. Toronto may well be a thriving multicultural, ethnic mosaic of the sort Michael Adams' Unlikely Utopia proudly identifies, but it is one where ethnic diversity is overlaid by growing class division.

Some time ago, in his classic studies of the black-white divide in urban American, the sociologist William Julius Wilson wrote of the declining significance of race - meaning that racial division in the United States had given way to a new and more potent divide based on economic class. This divide has ultimately produced a class-polarized America - a divide that underpins and motivates declining social cohesion, a frightening culture war and an increasingly dysfunctional political system.

The authors of the U of T report rightly note the intersection of race, ethnicity and class in the emergence of a new, more stratified Toronto, but they also make clear that this class divide has grown glaringly worse in the past couple of decades.

The three Torontos are defined by an increasingly rich and advantaged core, a shrinking middleclass zone, and low-income earners and immigrants at the outskirts. In some ways this is a good thing: Toronto is the opposite of hollowed-out American cities like Detroit and Cleveland. And the pattern is strikingly similar to what is happening in places that are becoming the epicentres of the creative economy. The gentrification of the urban core, with out-of-sight housing prices, is occurring in London, New York, San Francisco, even in Washington, D.C.

What we are witnessing in Toronto is the rise of a new set of economic, demographic and social patterns being set in motion by the global creative economy. There is a mass migration of highly educated and highly skilled people to a smaller and smaller number of cities. Harvard economist Edward Glaeser has documented the sorting of highly educated, high human-capital households in the United States.

Thirty years ago, most cities had a similar proportion of educated and less educated people; now highly educated people are concentrated in just a handful of major metropolitan regions like New York, Washington, San Francisco and Seattle.

They have gravitated to the cores of these metros to take advantage of clustered work, gain access to amenities, and reduce their time costs spent on travel. In the five-year period from 2000 to 2005, New York City took in 285,000 recent college graduates - a number roughly equivalent to the entire population of the city of Buffalo. Driving this is the benefits of economic clustering long ago identified by Jane Jacobs. It is the clustering of people, even more so than the clustering of business and industry, that today is the motor force of economic growth.

Left to its own devices, this clustering is causing the sorting of people by economic class. Not just across cities but within them, as the U of T report demonstrates. This is also similar to what is happening in the United States. Kevin Stolarick of the Martin Prosperity Institute has shown that the leading U.S. creative regions (San Francisco, Austin, the North Carolina Research Triangle, and Washington) also have the highest levels of income inequality. While not quite in this league, Toronto is beginning to see a similar trend of economic and social polarization.

We need to understand the tremendous economic and social polarization produced by the shift to a global creative economy. The same things happened with the Industrial Revolution. It took the leading nations of the world 50 or more years to understand it - a period punctuated by depression, epic class struggles, and two world wars - and finally

for progressive leaders to enact new deals that would spread the productive capacity of the industrial engine and allow working people to benefit from the productivity improvements their work helped create.

It's time to wake up and act on these striking new realities. The key task of our time is to build new institutions to spread the gains of the creative economy. If not, it will continue to concentrate those gains geographically and socially.

This is Toronto's and Canada's great opportunity. It's also a major part of the reason why I moved to Toronto. Absent a major miracle, the level of economic and social polarization is so deep in the United States that it may well prohibit the kind of concerted action required to overcome that class divide and build a more cohesive and shared creative economy.

In my view there are at best three economies worldwide that have the social capacity to navigate and lead in this change. Canada is one, Australia another, the Scandinavian nations still another. And that leadership, given the absence of awareness of these issues at the national level, will have to come from the major cities in these nations.

Toronto, despite its worsening economic polarization, or perhaps because of it, is perhaps in the best position worldwide to lead here. It should put aside its dream of becoming another New York, London or, in some quarters, another high-tech Silicon Valley. Those are yesterday's models - thriving commercial cores and growing polarization and poverty. Toronto must break the mould and strive to deal with the spikiness and polarization that its improved position in the global creative economy has brought with it.

As I have seen for myself, despite this polarization, Toronto remains a cohesive community. Even as that cohesion is stressed, the city remains the unlikely utopia Mr. Adams identified. In contrast to the U.S., where there is open class warfare, moves to restrict immigration and lashing out against gays and lesbians, Toronto has what it takes to bridge the class divide. My conversations assure me that economic and business leaders are aware of this; at a recent meeting with Mayor David Miller and key political leaders, this was the central topic of discussion.

But we need to move quickly in light of what this landmark U of T study shows us. We need to develop strategies to close the gap. We need to make sure immigrants have a chance to see their full skills be rewarded. We need to make sure all Torontonians can use their creative capabilities and as such contribute even more fully to economic growth.

And we need to upgrade the service economy as a key part of our strategy for the future. Low paying service jobs are analogous to what blue-collar jobs were in the industrial age. Just as unionization and collective bargaining made once-low-paying blue-collar jobs into well-paying ones that could support families, Toronto - and Canada - must do something analogous to improve work in the service economy.

Caught today between the twin pillars of economic growth and widening social and economic polarization, Toronto has the opportunity to become a model of the prosperous, sustainable and inclusive region - one where each and every person can fully develop their talents, find work that fulfills their dreams, and connect the further development of human creative capabilities to future economic prosperity.

The three Torontos can become one Toronto. The time to act is now.

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*The next one will be published on Dec. 29.*

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