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COMMENTARY

We are neglecting our cities at our peril

Cities are the fundamental drivers of entrepreneurial innovation and economic growth. So why does Ottawa insist on ignoring them?

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The Greater Toronto Area accounts for 18.5 per cent of Canada’s GDP, compared to greater New York’s 8.5 per cent share of America’s economic output.

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The Harper Shift is a month-long look at how Canada has changed over a decade of Conservative government — and at what kind of country we want to become. Here Richard Florida considers the consequences of Ottawa's neglect of our metropolitan areas.

During the 2008 crisis, Canada's stable banks, strong currency, and resilient economy were sources of national pride. Now declining oil prices, a plummeting currency, and lacklustre growth have cast a pall. Pundits are quick to point out that Canada suffers from lagging innovation and productivity and an over-reliance on natural resources. While some of that is true, it's worth remembering that Canada still ranks fourth globally on our Martin Prosperity Institute's ranking of global creative competitiveness and fifth in the world on high-tech venture capital startups.

But Canada could be doing so much better. The real problem is this nation's near complete neglect of its great cities and metropolitan areas, which are the fundamental drivers of its entrepreneurial innovations and economic growth.

Canadians like to think of their nation as a suburban or even rural one, with abundant natural resources, green forests, sparking lakes, rivers and streams. But the reality is that the heart of Canada's economy — and the best hope for its future — is in its cities. Canada's five largest metro areas generate roughly half of its economic output (the five largest metros in the U.S., in contrast, generate just 20 per cent of national economic output). The Greater Toronto Area alone accounts for 18.5 per cent of Canada's GDP, compared to greater New York's 8.5 per cent share of America's economic output. While it is true that Vancouver and Toronto typically rank highly on lists of the world's most livable cities, a decade of neglect has handicapped them from achieving their full economic potential.

After 2008, Canadian policy-makers patted themselves on the back for keeping interest rates low, while relying on the strength of the resource economy to see the nation through the crisis. Naively or cynically, they believed that the runaway growth out west was something that would go on forever. Taking cities for granted, they failed to make the investments in urban infrastructure like transit and rail that were needed to ensure that they continued to grow and prosper. As a result, Canada's largest cities are hopelessly gridlocked by traffic congestion, a dead-weight cost on economic growth.

Worse still, they are plagued by a whole set of new problems that go with economic success. As companies and people have streamed back into urban centres, housing prices have been pushed up to astronomical levels. Affluent new urbanites have crowded into the most amenity-rich neighbourhoods, pushing working class and less-advantaged residents to the peripheries. As class inequality has grown, class mobility has diminished — people's chances of moving up the economic ladder are limited by where they are forced to live.

It's easy to blame Stephen Harper and his Conservatives for this — and it is undeniable that their government has neglected the nation's urban growth poles. But the deeper reality is that this anti-urban (and by implication anti-innovation, anti-productivity, and anti-growth) bias is built into the deep structures of Canadian political life and governance.

To overcome it, Canada needs a new economic growth strategy that puts cities and urban areas at its centre. Suburban sprawl and westward expansion are no longer enough for sustainable, widely shared prosperity — the nation needs a more intensive growth model, that turns on the dense development of cities and walkable, close-in suburbs.

To get there, Canada's cities and metro areas need new governance structures that will allow them to forge a new partnership with the feds and the provinces, and at the same time grant them the autonomy and the means to address their challenges and improve their competitiveness. This has nothing to do with partisanship or ideology. The government in the United Kingdom is Conservative and the Mayor of London is as well. Nonetheless, they are devolving key economic functions to their cities and creating new and more powerful forms of metropolitan government.

Though our federal policy-makers don't seem to understand this, there is reason for optimism. The electoral makeup of Canada is changing. The redrawn federal riding boundaries added 30 new seats to the House of Commons, many of them in urban areas. As mid-sized cities like Edmonton, Winnipeg, and Ottawa and what were once thought as outlying suburbs like Mississauga grow bigger and denser, they too are shifting to more of an urban agenda.

Whoever wins the election next October must put cities at the top of their agenda. They can start by calling the nation's mayors and urban leaders together to chart a path to a new urban-powered economy. Step one should be the establishment of the world's first federal Department of Cities, with a mandate to empower cities, forge new partnerships across all levels of government, invest in badly needed infrastructure, and address worsening housing affordability and mounting urban inequality head-on.

Canada's economy is urban and we can't afford to waste another decade pretending that it's not. Making our cities stronger will benefit all Canadians, no matter where they live.

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