The challenge of this conference is to find the effective ways by which Canada can renew itself to provide a standard of living and a quality of life commensurate with its highest aspirations. This paper contends that one of the most important routes for such renewal lies in the recognition that Canada is now essentially an urban county, but one whose governance structures, political culture and sense of self still reflects our earlier rural and small town origins. A major repositioning of the role and status of Canada’s big cities provides an essential component of the reinvention of the country to meet the challenges of the 21st century. Those national challenges – to stimulate globally-competitive innovation and productivity, to assure a resilient and relevant cultural identity, to foster an inclusive, tolerant society and to promote a sustainable and beautiful physical environment – will all be resolved primarily within our big cities, places now barely acknowledged in our confederation.

1. Canada’s population and economic growth is heavily concentrated in urban areas.

The primary reason for a focus on Canada’s big cities is because that’s where Canadians live. Canada is urbanizing at a rapid rate. The four largest urban regions alone – Greater Montreal, Greater Toronto and the Extended Golden Horseshoe, the Calgary-Edmonton corridor and the Lower Mainland and Southern Vancouver Island – now comprise 51 percent of Canada’s population. A full 79 percent of Canadians live in cities but the largest of these are taking the lion’s share of current and projected population growth. Canada is right at the big city tipping point.
A significant differential is opening up between the rates of economic growth in our big cities compared with the rest of Canada. Rates of real GDP growth in the big cities have out-paced those for the rest of Canada consistently over the past ten years by a full percentage point and by two points over Canada’s non-urban areas.

These trends reflect a global economy dominated more and more by big cities, a result not only of international trade liberalization trends which have diminished national powers but also of the shift away from resource-based economies into information-based economies. Resources, the ever devaluing mainstay of the traditional economy, are found where they lie. Information, the essential and ever appreciating factor of the new economy, lives in big cities.
2. **Canada’s big cities are rapidly developing a very distinctive character**

The rate of economic and population growth and of immigration being experienced by Canada’s big cities is propelling their evolution into places very distinct from the rest of the country. The big cities are characterized by populations that are significantly younger, better educated and better paid than rural and small town Canada. The fundamental distinction however is clearly that of the rapidly increasing immigrant character of the big cities. In most of the cities, the percentage of those born outside the country is approaching a majority, as is the percentage of visible minorities, and this level of concentration of immigration in the big cities shows no sign of abating. Almost 80 percent of new immigrants are destined for the big four cities, more than half of them to Toronto, next to none to the small towns and rural areas, whose percentage of immigrant population rests in the single digits.
As a way of illustrating the dramatic impact of immigration on big cities, we identified the most common names in the Toronto phone book from the 1940s onward. The city of Smith and Brown, MacLean and Cohen is rapidly disappearing in a dazzling rainbow of new names, suggesting a city – and thus a country - of the future significantly different from that of the past.
It is to the country’s great credit that this extraordinary transformation has occurred so successfully. What is less appreciated is the crucial role of the big cities in mediating this transition and the essential function of all urban institutions – the school, the neighbourhood, the ESL class, the public health and welfare systems and so on – in providing the crucial mechanisms of support, contact and settlement for new arrivals.

The result is a level of civil peace remarkable in the face of such changes. To take but one indicator, despite dramatic reductions in the crime rates of U.S. cities, Canadian cities are significantly safer. In the U.K. and Europe, crime rates have started rising ominously; in part because of the difficulties those societies are experiencing in accommodating their new immigrant populations.

Maintenance of this supportive civic culture and of those essential mediating institutions is vital for Canada; without it the process of attracting new immigrants to meet our economic needs could turn from the urban joy it is today to the grudging burden
characteristic of European attitudes. There is already substantial evidence of slippage, as recent reports on increasing poverty in Toronto highlights. During the 1990s, families in the City of Toronto went from being better off as compared to all Canadians to being worse off. Alarming concentrations of poverty and disadvantage are opening up, particularly for children, in our major cities. The public school and immigrant settlement programs are badly stressed and in retreat.

New immigrants to Toronto, who every year inject such diversity and talent into the city, are now faring worse than Canadian-born people. More troubling is the fact that recent immigrants are faring worse economically than previous waves of immigrants, despite their being more likely to be in their prime working years, having higher than average skills and being more skilled than previous generations. It is essential for the future of the country that this central, country-building process of settlement be resolved successfully.

We are creating something entirely new in the world in our cities. In Canada, as the travel writer Pico Iyer comments, we are grappling with Act III of a global drama that is in the rest of the world only in its prologue, creating an urban mongrel magic without precedent. We should be proud, and solicitous.

3. **Canada’s new economy is increasingly structured in north-south corridors.**

The new course being charted by urban Canada is directed not only by the dramatic changes in immigration policy initiated by the Federal Government in the late sixties but also by the radical restructuring of the country’s terms of trade stemming from the NAFTA accord two decades later. The Canada reflected in its existing governmental, economic and cultural structures is an east-west country, the triumph of history over geography. The new economy of Canada is increasingly at odds with that vision, consisting more of a number of north-south multi-national economic cells, each anchored in Canada by a major urban area.
Provincial trade graphs showing the post-NAFTA trends of international versus domestic exports demonstrate this shift dramatically. The graphs for Québec, Ontario, Alberta and British Columbia - home to our biggest cities - all show in their characteristic post-NAFTA ‘hockey stick’ curve a pattern of international exports rising much more sharply than exports to the rest of Canada. For Atlantic Canada and the Prairie provinces however, the trade graphs show a much smaller divergence between the trend of international and inter-provincial exports, their reliance on traditional Canadian markets and relative dislocation from the new economy reflecting the absence of globally significant cities in these regions.

Figures 4 & 5: Provincial Trade graphs
The essentially urban character of the new economy and the North Americanization of the continent have profound impacts for our cities’ (and thus our country’s) competitiveness. While Montreal, Toronto, Calgary/Edmonton and Vancouver were economically primarily Canadian cities, their competitive edge vis-à-vis U.S. or European cities was of little immediate importance. As each independently becomes a North American city, the behaviour and resources of their direct competitors create the environment in which they will succeed or fail.
The significance of this new pattern of north/south urban connections extends well beyond economic relations. You don’t have to be an old-fashioned Marxist to know that such fundamental substructural changes are bound to have huge implications for the governmental and cultural superstructure of the nation. It is that disquieting sense of growing disconnection between the new world of north/south and the old world of east/west that is one of the reasons for this conference.

4. **Canada’s cities face fierce competition from adjacent North American cities.**
Canada’s big cities, which once easily dominated their protected hinterlands, now suddenly find themselves very close to dozens of competitors. Big, powerful places like Boston, New York, Philadelphia, Cleveland, Pittsburgh, Detroit and Chicago are at Toronto and Montreal’s doorstep. Minneapolis, Denver, Seattle, Portland and San Francisco stand as formidable challenges to Vancouver and Calgary/Edmonton. We no longer sit comfortably in the middle of our economic world; we perch on the upper edge of the North American economy, with nothing but the bush at our backs.

5. **Canada’s cities have to compete not only in North America but also in the world.**

While Canada’s trade patterns are dominantly – excessively – with the U.S., our cities must also perform in a much broader global environment if Canada is to compete successfully. A widely-accepted world city ranking identifies only two of the country’s
cities as having sufficient clusters of economic activity of global reach in a range of
different areas (finance, advertising, bio-medical etc) to merit inclusion on the list.
Toronto ranks in the top of the second division of world cites and Montreal in the third.
Such rankings – or rather the economic reality behind them – are significant because it is
only in such big city clusters that large parts of the new economy take place. If you don’t
have a big city, you don’t participate in those economic activities. Such a reality is most
clearly observable in the financial services sector, but is no less compelling in other areas
of the new economy, from media to bio-tech.

It is significant in this regard that Canada is the only G-7 country without a first rank
‘alpha’ city, something that ought to be of concern in terms of communicating the
nation’s unique qualities to the world. Big cities are the megaphones of a country;
without one a nation will struggle to be heard above the global urban babble.

There is only one urban region in Canada that has a chance of maintaining a high global
ranking, and that is the one centered on Toronto. Already by far the biggest urban area in
the country, it will in little over a decade surpass Chicago to become the third largest
agglomeration in North America. It already plays a unique economic and cultural role in
the country – its airport, financial institutions, cultural and entertainment venues and
media providing not only much of the heft behind the national community but also acting
as its gateway to the wider world. In the old Canada the need to foster the importance of
Toronto as a city of true global stature would have been an absurd notion; in the new, in
concert with the other big cities, it might provide the only viable foundation for an
enduring national sovereignty.
6. Canada’s cities are ill equipped to compete financially and governmentally.

Canadian municipalities, at the bottom of the governmental food chain, are ill equipped to compete financially and administratively on a global scale, nor are they able to cope effectively with their ever-increasing responsibilities. When compared with our competitor cities in the U.S. or Europe, Canada’s cities have a very limited fiscal toolbox. 49.5 percent of municipal revenue in Canada is drawn from the property tax, a tax with a very indirect connection to economic activity or quality of life, whereas in the largest U.S. cities, property tax accounts for only 21 percent of municipal revenue.

As a result, Canadian cities are unable to seize the initiative to improve their economic, social and physical environment in the ways becoming increasingly characteristic of the great cities of the world. Canadian city governments look anaemic in comparison, set in
a culture of begging, budget cutting and blaming others, beset by cronyism and petty populisms, badly in need of re-invention. The models, in use in U.S. and European cities, are easy to identify.

Figure 9: Sources of Municipal Revenue: Canada, USA, Europe

There is a lot of evidence to suggest that relative to their economic importance in the country, the provincial and federal governments have been chronically under-investing in Canadian cities, treating them rather as huge and passive cash cows for the settlement of national accounts. Indeed the big cities play this role admirably, the biggest most of all. For the year 2000, it is estimated that the federal government collected $20 billion from Toronto and spent $12.4 billion, for a net contribution to the federal government of $7.6 billion; doubtless the other big cities contributed equivalent amounts. Lost in the an-urban politics of the country is the fact that non-big-city Canada operates at an enormous deficit. While we wouldn’t be Canadians without subscribing to some level of income
redistribution, the economic and social wisdom of this scale of exploitation of the urban tax resource has to be questioned.

The level of under-investment in Canadian cities is apparent when we compare the urban reinvestment programs available with those available in the U.S. and the United Kingdom. It is important to appreciate that Canada is very much the exception in having so few such programs. While the objectives and effectiveness of any new deal for Canada’s cities should be rigorously tested, it does appear that the rest of the world has come to a realisation of the importance of proper funding for cities that has so far eluded our national decision makers. Everything we know about the direction of the new world economy makes it hard to conclude that those countries are wrong. In Canada, only Montreal, with the active support of its Provincial government and sporadic intervention of the Federal, begins to receive the level of senior government attention characteristic of other world cities.
7. Canada’s cities are under-represented electorally.

Why this curious and unproductive treatment of the country’s big cities? A word search on the debates in the most recent Parliament, which sat from January 2001 to June 2002, compared the frequency of mention of rural interests and big city interests, revealing a stark imbalance. Agricultural, fishery and resource issues overwhelm any urban concerns. Homelessness, a leading urban issue, came up in the House of Commons half as often as did discussions concerning beef. The transportation of grain was discussed twice as often as the public transportation of people. While they totally dominate House of Commons debates, it is important to remember that the agricultural, fishery and resource sectors together constitute only three percent of national economic activity and are probably the least productive. Nonetheless, despite the overwhelming parliamentary concern over the ‘farm income crisis’, in the past five years farm incomes have risen on average five
percent per year. In the same period Nortel lost 45,000 jobs and high-tech got 6 mentions. Despite 172 mentions, there have been no cases of foot and mouth disease. By way of contrast, over 2100 people tested positive for HIV last year yet HIV/AIDS was mentioned only 50 times.

Why do important urban issues fail to appear on the federal agenda? Perhaps the answer can be found in our exquisitely gerrymandered electoral system. The average Member of Parliament represents 99,691 people in Canada. However the average population for big city ridings increases to 118,835 and shrinks to 86,463 in the rest of Canada. One urban vote, therefore, is effectively worth only 73% of a non-urban vote, an electoral

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A country will pay a high price for having a political system so comprehensively irrelevant to its future challenges.
devaluation that will steadily increase with the dynamic growth of urban areas. This widening gap between the value of urban and rural votes violates two fundamental democratic premises – one person, one vote, and no taxation without representation. It is also deeply offensive to basic Canadian values, because it discriminates against the groups who live in cities, with their higher numbers of immigrants, visible minorities and those in deepest need in the country.

Moving to redress this imbalance could provide a powerful lever to ensure the primacy of cities in the growing debate about the re-interpretation of our unique national goals.

8. If Canada’s big cities matter so much, what should be done?

A national debate is underway about the future of Canada’s cities, initiated by a flurry of recent papers, most notably those from TD Economics and from the Prime Minister’s Task Force headed by Judy Sgro M.P. What is important is to ensure that the debate is about national goals and national priorities and the role cities have to play in the re-invention of the country, and not about some pre-established municipal agenda. To that end the following principles might be helpful in structuring the discussion.

- **Provide cities with the necessary financial resources**

The current financial emaciation of the big cities serves no one, particularly not the majority of the country’s citizens who live in them. The TD Economics report sets out a reasoned approach to the provision of a new financial structure for cities commensurate with their responsibilities that provides a solid basis for policy development.

In striking this new financial deal it is important that governments do not simply respond to municipalities’ limitless demands for funding, but reallocate Federal and Provincial financial resources in ways that encourage a new and innovative civic culture in service delivery, infrastructure provision and urban management. In particular they must,
through the transfer of real powers and responsibilities, affect the creation of strong, strategic urban governance.

- **Funding should be provided at the scale of the problem to promote effective solutions**

A new deal for cities should be a new deal for Canada’s urban regions, not a bail-out for existing municipalities, with their problematic boundaries and jurisdictions. Much urban funding for transportation and physical and social regeneration in the U.S. and the U.K. is cleverly targeted at overall urban regions, rather than at existing municipal governments.

Similarly, most of those programs insist on a highly market-based, public/private implementation structure, rather than the opportunistic grant culture that frustrates real urban maturation in Canada. In general, user-pay and tax-based solutions are to be preferred over grant programs, because of their relative freedom from political interference. At the risk of singling out one revenue source that has the scale and effectiveness to make a positive difference to urban life, the senior levels should be facilitating the introduction of highway road pricing as a means of erasing the enormous urban transportation infrastructure deficit and of promoting environmentally sustainable movement behaviour.

- **The new urban economy rests on highly distinctive drivers**

Any new deal for cities should be focussed on the fundamental drivers of the urban economy, drivers which have their own distinctive urban edge. The leading analyst of the new urban economy, Richard Florida, has observed that successful cities are characterized by state of the art urban communications technology, a culture of fostering creative talent and an atmosphere of tolerance, all within a unique sense of place. Senior government program and policy support for that kind of urban environment will have a very different flavour from that characteristic of previous industrial or regional development initiatives or the ‘per project’ mentality characteristic of much municipal thinking. Education and training at all levels is the vital urban concern. Seeding creativity and cultural energy provides the necessary edge. Provoking environments of beauty and delight establishes the key modality for urban economic development.
Cultivating civil harmony engenders the essential context. Smart, vibrant, beautiful, inclusive cities are the factories of the modern economy.

There are reasons for optimism about the outcome of the debate on the role of the big cities in the future of confederation. Our cities, by world standards, are in good shape and their shortcomings are only now starting to show. Their extraordinary rates of growth provide, if properly harnessed, a dynamic for improvement that is not available to much of the rest of the developed world, many of whose cities are coping with the problems of stagnation and decline. The prescription of technology, talent and tolerance is one that fits well with basic national values and with a society more and more characterized by welcoming newcomers to the country. We should set for ourselves a very high goal in this debate, one that is in fact achievable – to foster the most liveable, lively, sustainable, peaceful, prosperous and delightful cities of the modern world. That would be a country!

To reach for that goal requires a paradigm shift in governance philosophy; almost an inversion of the dysfunctional pyramid on which it now precariously rests. Such thinking requires a replacement of the sweet-sad, tired, colonial/provincial, forest, grain and fish, vision of Rockies and Prairies that has too long been the mental map of the nation; a replacement with something altogether more characteristic of the unique, new urban world we are building. The cities have to capture the flag.
Works Consulted


London Metropolitan Police. www.met.police.uk/crimestatistics/index.htm


United Way of Greater Toronto and Canadian Council on Social Development. A Decade of Decline: poverty and inequality in the City of Toronto in the 1990s.