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- 1 Peter Kresl is Professor of Economics and International Relations in the Department of Economics at Bucknell University. His fields of research and teaching interests are economics of integration, the European Union, U.S./Canada relations, urban economies and globalization, and culture policy and trade conflict. His recent publications focus on the effects of globalization on urban economies and on the impact of NAFTA on Canadian and Quebec culture. He has done work for the Organization for Economic Cooperation and Development and the United Nations' Habitat II project. He is a past-President of the Association for Canadian Studies in the U.S. and member of the editorial boards of both journals, *The American Review of Canadian Studies*, and *Quebec Studies*.

Diane-Gabrielle Tremblay (DGT): Peter Kresl, how do you see the knowledge economy, or the evolution of North America large cities or medium cities?

Peter Kresl (PK): Well, everybody, of course, is on the bandwagon of knowledge, high-skilled labour and so forth. What I think is interesting is these days, in the old economy, if you had steel or automobiles, there were only 2 or 3 cities that could do that. You have Detroit, you have Chicago, or a few other cities. Steel was Pittsburgh, Buffalo and Chicago and so forth. But when you're looking at biopharmaceutical, there's so many little niches in it that 30 or 50 cities can all have strategic focus on biopharmaceutical or information technologies. There's so many different aspects of those industries that it's reasonable, although it doesn't seem that way immediately, for every city would be saying we want to have a high-tech economy with biopharmaceutical, information, communication technology. So it's possible and it does make a certain amount of sense, we all understand the transition from agricultural to manufacturer service and from muscle to brain and so on and what we do here.

But I think we should not get too carried away, I think there will always be manufacturing in Montreal or Chicago, there will always be services and mixed economies. One thing that stroke me a couple of weeks ago was a report by the OECD, which said between 70 and 90 % of the educated elite of many third world developing countries are outside the country. They're working in Canada, US, Western Europe.

And that's in large part due to this functionally economies and political systems that are unstable, coups every couple of years, and brutal regimes and educated people said "heck with that, I'm just going to walk away." Now, if those economies get stabilized politically and they start to get an economy that makes sense, I suspect that a lot of those people, we all have attachment to place where we grew up ; I suspect a lot of those people will go back. So we shouldn't think the third world countries don't have educated people and high-skilled labour, they're all in the developed world, right now. But they can all go back. So this could change around with some structural changes there.

I think another thing that makes it a little less clear is we know that financial companies are hiring MBAs in India to do a lot of financial analysis. We know that people in hospitals are sending diagnostic reports to India or Brazil for analysis and they get sent back : telecommunications. And we know that people are going to places like Cuba, or India, for medical procedures, for surgical vacations. So there's a lot of activities of a high-tech nature that already get done in third world countries and I think there's potential for that to grow. So I don't think we should think that we're all going to be in Canada, USA, Western Europe, like what Robert Reich, the past labour secretary under Clinton, said symbolic analysts, that is we deal with numbers with plans, with ideas, with concepts and other people deal with metal, wood and plastic. It's not that clear. I think what's going to happen is that we'll find the differences between our economies and other countries will be diminishing, so that we will have to find certain things in the high-tech, high-skilled, knowledge area that we can do best and clearly, there'll be other things that they can do elsewhere.

America tends to think that all that all the pharmaceutical advances are in the USA. But they forget that the things been in Korea, Japan, stem research in Korea, for example, and Brazil and other parts of the world. So we have this notion that we have all the high-skilled, high-tech stuff and the others don't and that's just not true. I think we'll have a comparative advantage in many areas of high-skilled, high-tech, but we shouldn't think that we have the monopoly on it or the high-skilled, high-tech at large are comparative advantages in third world countries have something else.

DGT: You mention high-skill and high-tech. In your view, do they generally go together or do we have high-skill and sometimes with high-tech and sometimes just high-skill or high-tech ?

PK: A good example is the steel industry in the USA. We used to have these huge mills and the Ford factory making cars. You start up with some iron ore at River Rouge and they make the steel, they roll the sheets, they make the fenders, they put the car together. It's a mass manufacturing kind of industry : automobiles and steel. Steel isn't like that anymore. Steel is one of the comparative advantages of the USA now. But it's done in smaller mills and it's done with a lot of patents in a lot of, for example, there's one in Chicago I've visited, Comco Steel, it got 150 employees. But they specialize in huge castings, very difficult to cool without having them fractured or distorted and they surrounded their processes with patents, with technological advances, and so on. Do the workers have to be super-skilled to do that ? Perhaps not.

The technology is where the skill is and designing these new ways of doing things. But the workers may still be pouring steel the way they did decades ago. Only its processing is done with the more mechanized supervision. So we have high-technology which is designed, the idea you come up with to do something and then

you realize that using all the industrial designers and chemist and physicists and all these people. But then when you get this in place, it may be that you don't need terribly high-skilled labour to carry it out. There is very high-skilled labor in doing things like making a piece of fine furniture, that's very high-skilled, try it sometime. And a lot of high-skilled work in things we'd call manual activity. Making things like semi-conductors is a terribly sophisticated thing, but once you've got the individual all suited up and pushing buttons on the machine, through a robot you can do it. There's a certain skill, but it's not something that people can't figure out fairly quickly. One example is a GM plant built in Pueblo, Mexico, small sophisticated technology, the same thing they're doing in California. Within 18 months, the Mexican workers are as productive and as skilled as all the workers in California. A lot of this stuff is very highly skilled, design and putting the machine together in the process, but third world countries workers can get up to speed in 18 months or something like that.

DGT: What about the concept of new economy? For a couple of years it was very faddish I guess. How do you see this? Do you consider that there's anything new or there's really nothing new about it?

PK: I think there should always be something new. I've been doing work on urban competitiveness and strategic plan and it's clear that cities can rest on their laurels and not be innovative and then they have futures that are characterized by marginalization and stagnation. We see a lot of examples of that. Cities like Buffalo or New York, it's just been wallowing, stagnation since the oil price heights since 1970s and many other examples of that. Cities have to continually come up with something new. Another complete *bouleversement* just the same industry advanced a little more, a higher technology product, higher technology process. They have to be continually thinking about the economy, the future, which is the new economy.

Now it can be a modification of what they're already doing, what I would call quantitative enhancement, doing the same thing, only better. Or there could be a qualitative change, which would mean the quality the economy would be different, they develop new things. In both instances they do something new. Some are using steel, for example, and using new technologies to make it a highly competitive sector in the USA, where the old Pittsburgh, the Monongahela Valley, was an enormously competitive steel sector until the 1970s. I had a tour there and this one worker was saying this Homestead of steel mill here, in Pittsburgh, we turned out, during second world war, more steel than all the steel mills in Japan plus all the steel mills in Germany, in that one plant. It's dead now, it's a historical mark and has a plaque that say this was the Homestead. So they have to continue looking for something new.

The new economy isn't something that is right after the service sector. For the individual city, it has to be a change; it has to be an improvement, new technologies, new products, something like that. But it doesn't mean that everybody has to get into information technology and biopharmaceutical, that's the new economy. There's some cities that going to be quite successful, people will have good jobs, high incomes, economic growth, centers of tourism, recreation and culture. Others, they can be logistics centers. They don't all have to have this cookie-cutter sort of economy stamped on them. The latest thing that comes out of the consulting bag is the new economy, you're always looking for new economy.

DGT: What about the knowledge economy concept? Is that in any way more precise or exact, again ?

PK: Well, I think we all have a responsibility to use our brains and a lot of economic processes are using Robert Reich concept of the symbolic analyst. That's a knowledge kind of economy. But we're not the only ones that can do the knowledge. As I said, some of these activities are being done in India or Brazil or Cuba. They're knowledge economies as well. Maybe small sectors, not the whole economy. And I think certain cities are going to want to focus on that sort of things. I was in Europe doing a project on 10 large, internationally, gated cities, and places like Munich have been pushing knowledge since the mid-1970s, when the industry minister said we're going to focus on Munich's strength. The university's science technology, Deutsche Museum, all the things that they've done so well in Munich for so long and that's been the central focus of that economy ever since. And that's highly successful. I think of Montréal, if you go back to « le virage technologique et bâtir le Québec », those reports in the 1980s, they set a tone for a technology focused to the economy and you see what's happened to Montreal in the 25 years after that. You've made some considerable success in many sectors, but you wouldn't say that you have a knowledge economy, because you still do manufacturing and retail, you do a lot of things, but part of it is highly sophisticated information technology and communications and biopharmaceutical and stuff like that. It's a part of your economy, clearly.

DGT: If almost everybody can do it or can do some parts of the knowledge economy, or these new activities, how do we explain the movement that there seems to be towards southwest of North America, for example? How do you see the movement, maybe the difficulty of the north-eastern part of North America ?

PK: Things go up and things go down! When the defence economy was in the recession, back in the early 1990s, California was going down, Connecticut was going down and after the 1970s oil price heights, the American industrial heart became the Rust Belt. Then, 5 years ago, unemployment in (medicine) was constantly 1.5 %. Unemployment in city after city upper Midwest is 2 or 2.5 %. It's a hot area, the Midwest was in a tank, and then boom, here they come. I have a friend living in Phoenix and maybe it's a hot economy, but it's a 105 all summer, starting in April, ending up in October. That's not attractive to me ! Sooner or later they're going to run out of water, they're going to run out of a lot of things. I think it's attractive to certain activities, there's a defence base to it, that's the proper of the southern California economy and a lot of the Texas economy. And that's based on little rain, good skies, aircraft testing, military bases and defence production, there.

I wouldn't ride off the Northeast, I think Chicago has come back nicely. I think Montreal, I did a study with Pierre-Paul Proulx, who's the dean of the University of Montreal, we did a study of competitiveness in North American cities, in 40 American, 7 Canadian cities. Montreal is number 15. That's the most highly ranked Canadian city in terms of competitiveness. Calgary is second. It goes back to that strategic focus made 25 years ago, the « virage technologique » and consistent, you see what happens in city like Chicago. Mayor Daley comes in, we're going to be internationally, we'll put ourselves on the map, we're going to do this, we're going to... and then, he dies of a heart attack, his successor says no, we're going to look at the neighbourhoods. The whole internationalization of Chicago collapsed. Now, with Richard Daley back, the son, all of sudden, Chicago is elevating itself internationally, it's a global city, you know, that stuff. So these things come and go. Quebec has had

this consistent thrust with the provincial government and the city government, going back to the 1980, and that tells. It's like Lyon, in France, and Munich and Barcelona, those are cities in Europe that relatively have a consistent focus on their economies and it have been very successful. And I think Montreal was a very successful city in many ways.

DGT: We're talking more and more about cities precisely, what happens to the hinterland? Do you think there's any future, are people going to be moving to the more urban environments or we're just talking a little bit more about cities ?

PK: Well, you've got two sides of the city, one is a place where you have social pathology, you have congestion, you have pollution, you've got crimes, you've got drugs, and all that stuff. On the other hand, other people will look at the city and say it's a privileged to space, because you have to have face to face contact, for people in technology areas and if you have an educated labour force being in Gatineau, some place outside Ottawa, it's very lovely, but you wouldn't live there all the time or Kapuskasing, or something like that.

Educated people want symphonies, they want cultural institutions, museums, they want their kids at the dance companies and things like that. Naturally, they are going to flock to cities. But the other thing we see in the USA were the most competitive kind of cities, is the university town. Boulder, Colorado or Madison, Wisconsin or Austin, Texas or even my little town of Lewisburg, Pennsylvania, it's a betterment community for the valley, the physicians, the attorneys, the business executives, all come in, they built McMansions, you know, these big monster houses. There's the university, lecture series, the cultural series, the performance, the orchestra and things like that. Housing stock and historical district downtown. That's a very attractive thing. Now, it's a small town. So you find that a lot of university towns are very successful in getting people to live there and from universities, if there's any kind of size of the university, you're getting these spin-offs as people start companies and companies go there and hire students in the faculty and things like that, so there's a very positive dynamic in some university towns. So I wouldn't say it's all going to the big cities.

Some cities, as I have suggested, Buffalo or Pittsburgh, are having difficulty too. Those are two cities, sizable places, in difficulty. And you can look around and see a lot of small towns that are very attractive and a lot of industries don't need that kind of labour that you have, that wants symphony and wants museums and so on. I hate to say, they're engineers or something and they're not interested in the culture so much. Not that I want to paint all engineers with that brush, but that's part of the reality, the metal bending industry can go to smaller town and there is numerous examples of successful small towns with that kind of industry. But some things, like financial services and a lot of professional services are going to be in cities for obvious reasons.

DGT: You mention that you did a comparison of North American cities on the competitiveness basis. How do you define this competitiveness, what do you look for in cities ?

PK: It's a very tricky thing, there's a Competitiveness Institute that says it's clusters. Some clusters are mostly national firms subsidiaries and all the communication goes like this. Other clusters are intensely inward looking and they have no connection with the rest of the world. So both of those are not what we really think of what's

clusters, but they really are clusters. And a specific cluster is one that is open to the rest of the world and has a lot of interaction and so on. Some places just share a common labour market, but there's no communications among the firms and that's a pretty weak cluster. I don't think clusters can do it, and both Michael Porter and Paul Krugman said that competitiveness is productivity.

But when you mention productivity, you can have constant output, but reduced employment, so more output per worker. But what you got in the process is unemployment. Those who are employed are more productive, but a lot are unemployed. Is that a positive way to look at it? So what I did was a more general thing, it's a combination of three factors.

One is manufactory value-added, because if you have that growing, measured over a period of several years, it means that moving at a higher value-added stuff, for example, manufacturing output in the USA during the 1990s went up by 60 %. Employment went down by 2 %. I mean, that's productivity. The places that are doing that have manufacturing output growing and that because they're in high-tech kinds of activities, higher value-added kinds of things. The second one was retail sales. You walk around Montreal, you see people from all over come on to shop, to go to concerts, to go to restaurants, it's an attractive place to spend a week-end. It's an attractive place to stay if you live there and spend time. So retail sales suggest it's an attractive place and it's also likely that the population is stable or growing, and that the income level is rising and people are spending money in retail. And the third one was some measure, combination of professional services, so that the economy could go in whatever direction it wants to, it has all the professional consultants and so on to help companies move in this direction or that direction. So I used a composite of those three, but it's kind of tricky, because if you do it over time... One of the factors is the cultural institutions, the cultural assets, the high-culture, the symphonies, museums, theatres and so on...

If you do it over time, you see they're growing, which says it's getting hotter and hotter and hotter, but maybe New York isn't growing. And yet, it's still the cultural number one place in North America because it got more than anything else. Do you say it got an awful lot of the good stuff, therefore it's competitive, or it's growing in that area, that's an indication that it's competitive, because developing on, some ways. I took the more general one I had of manufacturing value-added and retail sale and professional services, because it's a general thing, it doesn't privilege information technology or biopharmaceutical, it doesn't privilege anything. I'm with the urban competitiveness project and our definition of competitiveness we can play around is that city's competitive if it's giving the residents of the town the jobs, the incomes, the environmental, quality, the traffic congestion and the social inclusion or exclusion, the cultural assets, that the residents desire to have. If it's meeting all that, those indicate they're successful cities, I think. We're still toying around with what competitiveness is and it's difficult to get a definition that everybody would agree upon. But we do get a sense when cities are moving in a positive avenue.

Paul Cheshire, in Europe, uses the model of urban problems. It sees when cities are dysfunctional or things are going bad, that means they're not competitive. So there are many different ways of doing it. Partly, definitions of competitiveness and things like that are set upon because the data is available or not available. In the USA,

Mexico and China, 3 countries in which you have hundreds of series of statistics, economics, for 200 cities, you can do this statistical analyses. In Europe, you can't even do it for Germany, because each of the Lander has different standards, what data is. Eurostat had nearly nothing for Europe. So people don't do this statistical analyses in Europe, they tend to do sort of benchmarking analyses. The cities competitiveness is indicated by indices and ranks in these benchmarking activities. And they look around what's available. Airport, passengers, scientific citations, you look around for a handful of other things, you say "ah ! Well let's see where we are with these." Now, you don't know if those are actually statistically verifiable, important determinants of competitiveness. You don't. Now, when we did our studies, you can get the ranking of all the cities and then you could try to explain that ranking by using regression analysis, so you end up with 8 different variables that were crucial determinants for competitiveness. That's statistically based. Every city could see where's it is weak and strong. Competitive stuff is all over the place, as you gather.

DGT: Can you make a link as well with the employment issue? Could you see, for example, that the cities that were most competitive were doing well on the employment issue or were they as well excluding a certain amount of people ?

PK: It's a bit tricky talking about the rate of unemployment, for example, because if the city is really hot. I mean, it's making transition and it's laying off a lot of workers who don't fit the new economy and it's drawing people to it who have those skills. So on one hand, you have the employment in this new economy high-tech sector going very dramatically nicely and on the other hand, you got more and more people that are cast off and are unemployable in that new economy. So you can say that successful cities generally have employment that's stable or growing. Some places have a rate of population growing up because they're warm. Or because they've got a lot of retired people going. Like a lot of the southern cities. Population's growing, they're competitors ? Well, they are because there a lot of retired people going there. Retired people have generally more money than 22 year olds, so they're buying houses, diners out and restaurants, buying clothing and so on. It's a good group to have, but it doesn't say that the economy itself is terribly good. They have a group that's coming in bringing money with them and spending. So retail is strong, but manufacturing may not be. The information economy may not be there. So it's sort of tricky, it takes more than just looking at the employment or something like that.

DGT: You mentioned the clusters and mentioned the fact that it's a limited view. There's a lot written as well on regional systems of innovation and there seems to be this idea of contact, proximity. How do you see this ? Is it important to have business people close to other people or is it faddish ?

PK: It depends on the industry. Some people interaction intensely. London, England, is an example, if you're in information technology and you want to find something out or find somebody who knows something about that, it was estimated that it would take 7 links to get to the person who had that information. In Silicon Valley, it was 3, because everybody knows everybody, they know what's going on, if you say I need this, he says I'll ask somebody and the guy comes and says here it is ! In that kind of industries, interaction is very important. But in a lot of other industries, for example, the auto industry, in Detroit, they were illegally enjoying the guest coming in contact, because they share trade secrets and end up conspiring against the general public, as John Smith put it. So in some places the interaction is legally

forbidden. Other places, it doesn't happen. And other places, is very active. I don't think we can generalize on that.

DGT: What about the thesis that Richard Florida put forward, how do you see that? Do some people support it and there has been a certain number of criticisms. How do you view that ?

PK: I think the idea of creative classes is obviously a very important one and it's not new. I did a course with my wife, who's actually a professor of music, and we looked at the cities in the culture of creativity and we looked at *fin de siècle* Vienna, we looked at Paris before the first war, we looked at Harlem in the 1920s, looked at Weimar Berlin in the 20s, New York in the 40s and 50s. And you could see that there's an awful lot of creativity going on there, the kind of thing that Richard Florida would be talking about. And we found that were certain features that were important. Use this gay index, for example, an instance of tolerance, that's what it is. Atlanta is a very intolerant place and there's nothing going on there. They don't create culture, they display culture that's been done in New York, Chicago or L.A. Places like New York and San Francisco and Chicago, they're tolerant, all kinds of things are going on. So the tolerance is important.

People were moving in from everywhere and all of those 5 places that we looked at had people coming in from everywhere else and bringing new ideas, new ways of thinking with them. If you close off the borders, you keep them out. For example, you take all the North Africans and Arabs, and put them in ten stories skyscrapers in the *banlieue* around Paris, and they don't enter the economy. They may have new ways of thinking about, things very productive. If you go back to Paris before the first war, there were people from Russia, from Ukraine, people from Spain, people from all over coming to Paris and that stew of international competition of ideas and new things and so on. There should also be a patron class, somebody to throw money at the group and people went to Montmartre and Paris and people, whites going at Harlem in the 40s. There's always a patron group. And it also helps to have the group that is closed, that is an official established group that won't let new people in. And then they set up the *Salon des refusés*, it's a secession movement, all these alternative groups that take off and become terribly important. So there are features that we know about from a long time, but I think the idea of the creative class is a very important one, in that cities have to make themselves attractive to that group of people. And I focused on, in my research, the cultural assets that said is one of the determinative of the city competitiveness. And if you do regression analysis on the educated component of a labour force, again cultural institutions is one of the 5 very variables important there.

So culture is very important to bring those people together and he was motivated to do that study, because he noticed that so many young people were leaving Pittsburgh. And they were the ones making the contribution and they're abandoning Pittsburgh. It's one of the few cities that are losing population. So people said maybe it's the only city in North America that will actually lose people between now and 2020. That's the group, they're educated, they have portable skills, they can move, they can go anywhere they want to. That's why a city has to try to keep that group or attract them, do what it can, because they're the movers and shakers towards whatever the new economy is for that city. Just like Michael Porter's competitive advantage of nations and he's talking about this for a long time and general case to

general theory. Everybody's talking about that for years before, but this person distills it, packages it, makes a contribution to it clearly, but then it sort of becomes something that is marketable, something that everybody talks about.

DGT: Our cities may be giving it too much importance, because I know there was a study done for Montreal, for example, in a couple of pages. Do all cities have to go that road ?

I think any city that wants to change and wants to avoid stagnation, it's difficult to find something you can do *ad infinitum* like ski resort, you know, and there's people going down the hill all the time. Somebody in Williamsport, Pennsylvania, doing something and selling (?) and all of sudden, a train comes in and they're taking off stuff made in Boston. All of sudden he's got a competitor from Boston. That's happening here too, all these cities are getting competitors for what they're doing, every city is active in this way. And I think it's a feature of this period of time, more ever since the Dutch commercial revolution in the 17 century. Cities are on the center stage and people talk about globalization doing things to the nation state, that's not true. The nation states generated all the stuff that created globalization. The nation states hammered the ways since 1948 to get tariffs to the GATT or the WTO. From 45 % to 3 %. I mean that's a tremendous thing.

The nation states struggle to get financial markets open and nation states put these structures on subsidies and so on. They put constraints on their own capacities to intervene in their own economies, to help distressed factors of production or regions or industries. They tied their own hands. And since they don't have the capacity to intervene and formulate policy, which regard to competitiveness the way they might have decades ago. It's all falling down on the shoulders of the city. And you see, when the Eurocity was formed in 1988, they had the Eurocities Manifesto and in it, one of the phrases was « Now is the time for the cities ! » And all they say is we're going to assure ourselves. And I think that it's clear that cities, urban economies, urban regions, not just the city but the metropolitan statistical area, that sort of thing, Greater New York, Greater Montreal and so on. They're asserting themselves and they have to. Because if they don't, they just stagnate and get marginalized.

DGT: And at the same time, you consider that they still need nation states. How would you compare, for example, North America, the US more particularly, and Europe, on those points. We tend to think that Europe intervenes much more than the US. What are they doing and what they should do ?

PK: It's not to say that government intervenes in Europe. I spent the last spring in Turin, winter and spring, in Italy, and the Italian economies are going nowhere. Unemployment is high and rising. Economic growth is zero. Competitiveness is going down. It's a sick economy. And the industrial group got together for a conference and the first thing they did was passing a resolution saying the government had to have a new strategy. Can you imagine, a bunch of people in the USA "our industry's hurting, let's get government do something for us." Go up and do it ! It's not so much the governments are overbearing in Europe, it's the people seeming to be inviting them to make decisions for them. Now, government has many, many positive things to do. In my country, I think the debate is never overlapped ; it's always on getting the tax rates down. We get lower and lower taxes. Alabama was very successful on that. Very low taxes. Then Toyota said we're not going to expand our plant in Alabama, we're going to move to Ontario. 1) Ontario has a national health care and we don't have to pay for the health care. 2) In Alabama, the workers are so illiterate, we have to give

them pictographs to show them how to work on the production line. In Ontario, they're literate. We give them a text and they can read it. So you got low taxes and your workers are competing with Haiti. So it's never really sensible to talk about tax rates, it's always sensible to talk about the balance between public goods and private goods.

Do we want more VCRs or more education? Do we want more SUVs or do we want public health? These are the trade-offs, we never talked about that. Government has a role to play. Richard Musgrave in his classic theory of public finance said: stabilization, allocation of resources and redistribution. That's what the government does. And it's brilliant to put it that way, because it's exactly what government should be doing. And we have to have that kind of a debate. So government has a clear responsibility. They do a lot of the transportation infrastructure. They put, depending on the country and what level of government, money into education. In Colorado, they have this program TABER, for reducing government and the day there were a recession, revenues would fall, but you could never increase it again, so it continues at a lower level. Next recession like this, finally the governor Owens said we got to do something, because in 10 years we won't have enough money to support our higher education system. We're going to be the only state in the country to cut back on K12 education. Our highway system is already deteriorated. Now, Colorado is lovely place, but if they got an education system to rival Alabama and a highway system like Haiti, who's going to go there, except to ski? So government has an important role to play. But they can't do everything for competitiveness policy, a lot has to go down, to the city level, the urban economy level, they're the ones who have to shake their own economy and see what has to be done and set a strategy and mobilize the local resources, individual and so forth.

DGT: And when you say they urban economy, do you mean something rather wide, for example Montreal with the suburbs around?

PK: Oh yeah, la Communauté urbaine de Montréal, or Metro Toronto, of the MSA of New York, Northern New Jersey, Western Connecticut, West Chester, Dutchess County, and so on. It's a larger area than just the city. Because there's a relationship between the center of the city and the other areas. And they all have special advantages for certain activities. You don't want to do your back office stuff in Manhattan, where the land price is extraordinary, so you do it over in New Jersey. The way you have an industry where people have to get together at a very high level, you cluster that in Manhattan. And following the 9-11, the disaster in New York, how should you restructure, what should you do with that site, what should you do with Manhattan? And some people are suggesting that you don't have just the same square footage of office space in that same spot, just a fancy different building with tiltedness and spirals and all that stuff and then 15 floors of concrete, to protect against attacks. Some of that stuff can go over to Brooklyn, or Queens. So the metro area can be a division of labour, sort of speak, within its own area and these areas can support themselves, support each other, rather, in a positive way.

DGT: And what about competition between cities? Because of course, if they want to be competitive, they're competing with one another, are a lot of them going to be losers in this game?

PK: Well, if things go wrong, you have to adjust. Toronto and Atlanta were both trying for the Olympics. Atlanta got it and Toronto didn't disappear. Chicago, Dallas

and Denver were all competing to get the HQ for Boeing and Chicago got it. It's interesting, in that competition there many profoundly important things that were being discussed. One perhaps superficial, but I think emblematic kind of thing, were there when the team that was going to look at the placement of 500 top executives in Boeing, the upper management is going to be concentrated in one of the central location and a good airport on that. They wanted Denver and they had John Elway, the football player, and they talked about what a great town Denver was for athletics and the skiing and all that. And Dallas local culture, they had Mariachi band and a BBQ and this is Dallas, we're so open and friendly and all that stuff. And they went to Chicago and they had a grande soirée with the artist students in Chicago, surrounded by Chagal, Monet and all the stuff that Chicago has in its art institute and music was provided by musicians of the Chicago Symphony. Now, high culture versus sports culture versus local culture, and in that case, high culture won out. At least symbolically, that's the way I look at it. So cities are in those competitions and they're always going to be in competitions and you lose one contract and you go for another. And with these areas like biotech and information technology, there are so many little niches that you can get one and then build on it and gain some strength on it's not going to last forever. Steel didn't last forever for a lot of cities. Chicago evolved out of being steel, heavy manufacturing, you know, in the southeast corner of the city, towards regional finance and transportation logistics, professional services, advertising, a lot of things and technologies too that are having nothing to do with steel. So you have to keep evolving.

DGT: Thank you very much!