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**A comment on my 1978 "Home Rule" paper: January 2000**

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By the 1970s, Canada had discovered itself to be an urban nation, a country no longer defined by fishing ports, farming hamlets and mining towns. To many observers, this seemed to lead logically to the requirement that we have a national urban policy. Accordingly, governments at all levels began uncertainly casting about in attempts to discover what that policy should be. In a short-lived experiment, a federal Ministry of State for Urban Affairs was established in 1972 to help define Ottawa's role in matters that, constitutionally, were principally the responsibility of the provinces.

This official interest in urban issues was in many ways long overdue, but as the expanding federal and provincial bureaucracies wrestled with their concepts of Canada's urban system, I became concerned that we were losing sight of what was being accomplished, city-by-city, at the local level. New waves of politicians, officials and active citizens in Vancouver, Montreal, Toronto and elsewhere were redefining what constituted a successful city, but they were constantly hobbled by restrictive provincial legislation and, often, by federal practices. What municipalities needed, especially the larger metropolitan areas, was not a vision imposed upon them by senior governments but greater freedom to formulate their own policies in areas such as land-use planning, taxation and infrastructure development.

The restrictions that then existed on the ability of local governments to formulate local policy continue to exist, and they continue to frustrate the efforts of local governments. In Toronto, they have led the Mayor and others to argue that Greater Toronto needs the legislative powers of a province. I believe that the best way to persuade senior governments of this need for greater local autonomy is through a careful articulation of the costs of the current constraints and the benefits that would flow from greater legislative freedom. I have tried to do this in a recent article on local tax policy<sup>†</sup>, which I regard as a companion piece to the 1978 article.

<sup>†</sup>"Local Taxation as an Instrument of Policy," in Frances Frisken (ed.), *The Changing Canadian Metropolis: A Public Policy Perspective*, Institute of Governmental Studies, University of California, Berkeley, and Canadian Urban Institute, Toronto, 1994, chap. 25, pp. 799-837. (This is available at my web site. Go to <http://www.chass.utoronto.ca/~nowlan> and follow the pointer to recent papers.)

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***Towards Home Rule For Urban Policy* \***

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**1. The Challenge**

With almost indecent passion we have come to embrace over the past decade a new Canadian frontier. Canada has discovered itself to be an urban nation with, as constant repetition reminds us, near-80 percent of our population now living in urban areas, The indulgent exploration of our social past, an ardent

political present, and the foundation of our economic future all share common ground among our Cabbagetowns and Gastowns, our Scotia Squares and Commerce Courts. Recent witness to this new urbanism has been borne by a steady outpour -- from the provinces and Ottawa -- of locally oriented Royal-commission, official-committee and task-force reports.

Final and clinching confirmation that Canada's new horizon is not the unclaimed Prairie shale or Arctic tundra but redevelopment at Portage and Main is provided by the shifting emphasis of government spending. In a striking reversal of earlier patterns, goods-and-services and capital spending by local governments across the land has come to exceed - since the mid 1960s - comparable spending by either the federal or the provincial governments. This local expenditure reached 11 billion dollars in 1974, close to 2 billion above the total provincial figure and almost 3 billion above the federal outlay on goods and services and capital items.<sup>1</sup>

With urban matters having so recently come to occupy a central position we are still uncertainly casting about to define urban problems and to establish appropriate urban policies. Amidst this state of confusion the financial imbalance of municipalities threatens to dominate all other considerations, undoubtedly because it is the easiest problem to display and understand.

Between 1950 and 1974, the proportion of local revenue covered by local sources of finance -- mainly the property tax -- fell from 80 to 53 percent. In absolute terms, the gap between spending and revenue has grown by more than twenty-fold, from one-quarter of a billion dollars to its present 6.2 billion. Most of this increasing shortfall has been covered by transfers from provincial governments and, to a much lesser extent, from the federal government, but the final, net deficit of municipalities in Canada is now about 1 billion dollars a year, an amount that must be met by borrowing in the bond market. Urged on by outside events in recent memory, like New York City's near-bankruptcy, it is thus tempting to look upon urban problems in Canada primarily as crises of finance.

However, the simplicity of this diagnosis is deceptive. To begin with, the element of crisis that bespeaks financial mismanagement is absent in part because of the strict and conservative control that municipalities are legally required to exercise over their budgets. In fact, using accounting concepts much closer to methods in the private sector than to those of other levels of government, local corporations must cover with current revenue all current expenditures. In this sense, no deficit financing is allowed, and what we observe to be a net fiscal imbalance requiring municipal-bond financing is in fact borrowing undertaken to expenditure on capital items only. The terms of this borrowing are subject to firm legislative

control, frequently with different amortization periods specified for capital items having different assumed rates of physical depreciation. In place of crisis, there exists a more subtle set of individual issues, some of which may have financial symptoms while not themselves being financial problems.

Compared to the situation ten or fifteen years ago, local governments now rely heavily on financial transfers from senior governments. Barely more than half their current revenue comes from local sources, while close to ninety percent of the remaining share is transferred by other governments in the form of conditional or specific purpose grants.<sup>2</sup> This naturally raises question about the process of decision-making for urban areas and begins to direct our attention to some unresolved constitutional problems. Increasingly the right to make municipal decisions is available to the highest government bidder, with the result that political responsibility for local matters is drifting rapidly upward. Since this is happening in the absence of any explicit policy and in the face of frequent protestations favouring local autonomy, it must be a matter of special concern,

The absence in Canada of an explicit urban policy was identified by N.H. Lithwick in his 1970 report to the Minister Responsible for Housing as the major urban problem. To fill this policy vacuum, Professor Lithwick proposed a pyramidal, hierarchical approach to policy formation informed by systems-oriented research efforts. He argued that "the possibility of drafting effective urban policies is everywhere prevented by the absence of global development plans." Urban policy demanded, therefore, "a shift in the locus of initiative, imposing on public authorities an obligation to orient, rationalize and plan not only the physical and economic but also the textual character of urban life ... the basic approach calls for the development of comprehensive provincial plans that are informed by and compatible with national strategies of social, economic and physical development." He concluded that "if the activities of public authorities are to be directed toward the goal of maximum social and economic opportunity in the urban centres of Canada, they must be conducted in accordance with a comprehensive strategy designed to achieve consistency and common purpose" (Lithwick, 1970, pp.170 ff.).

This was a tall order, and it came at a time when, from within the larger cities themselves, citizens were beginning to struggle more forcefully at the local level with the very difficult and confusing issues that would shape their cities and their lives. A call for global development plans and national strategies was hard to relate to the local, existential realm of transportation problems, questions of land densities and urban size, and to matters of health and welfare. With the effort it took to understand and resolve some of these problems on the ground, how were we to believe that higher flying national strategies were either possible or desirable?

Such a querulous attitude might conceivably be cut short by the recollection that we are now, according to the figures, an urban nation, with 17 million Canadians living in urban areas. However, these people live in widely diverse physical surroundings. The basic definition of an urban area for census purposes is any municipality with a population of 1,000 or over, but actually less than one third of our population live in urbanized areas of 500,000 and over, and only a little more than one half live in one or other of our twenty-three census metropolitan areas, a number of which have populations barely in excess of 100,000 (Statistics Canada, 1972).

Heavy concentrations of people with relatively low proportions of owner-occupied dwellings are singular features of our larger cities only. It is only in Montreal and Toronto that the inner cities in the urban agglomeration have population densities of almost 20,000 people per square mile. In Winnipeg and Vancouver, the comparable densities are somewhat under 10,000; in Ottawa, 7,000; and so it goes down to the point where inner-city densities, even in some of our metropolitan areas, are less than 1,000 persons per square mile (Statistics Canada, 1973). High densities, high rates of tenancy and large populations oriented towards one central business district define a set of urban social and physical characteristics that are not nation-wide although they do apply to a large number of people. It seems, on balance, wise to guard against the presumption that nationally or even provincially promulgated goals filtered down through a hierarchical planning system will ultimately affect our large cities in ways that are either desired or sought after by the citizens of those cities

These thoughts point towards the creation of more autonomous and better structured local government units, especially in big cities, as a desirable first step in the development of a new urban policy. Why is this so resisted? The answer lies partly, of course, in the unwillingness of senior levels of government to transfer power outside their own jurisdictions. Municipalities, no matter how large or politically sophisticated, operate entirely under the legislative paternity of provincial government. They have no constitutional status and very inadequate political mandates to bring to tri-level consultations, where they can hope for little more than some spectator benefit from the federal-provincial sparring matches.

But even more important than this political intransigency is a determined intellectual resistance to decentralization. The roots of this resistance are examined more carefully in the next section. Here it will suffice to note the positive relationship between policy centralization and the infatuation in the 1960s with long-term "systems" models of complex society. It is no coincidence that works such as Jay W. Forrester's *Urban Dynamics* appeared shortly before Ottawa came to embrace the concept of federally initiated, hierarchical policy-making. Forrester's study, which is typical of the systems approach, first modelled the

interrelationship among various activities in the city and then described how these activities changed over time as a consequence of various policy decisions made at the outset. Many readers will recall his most quotable conclusion, "...that complex systems are counter-intuitive. That is they give indications that suggest corrective action which will often be ineffective or even adverse in its results. Very often one finds that the policies that have been adopted for correcting a difficulty are actually intensifying it rather than producing a solution" (Forrester, 1969, p.9).

If accepted, conclusions of this sort naturally compel one to argue for co-ordinated policymaking at the highest possible political level. However, aside entirely from the difficulty of establishing the parameters of a social-systems model and their change over time, the relevance of this conclusion both for policy and for policy-making is extremely limited. It can too easily create policy constipation by encouraging the view that no action can or should be taken until the whole system is known and modelled.

More than this, however, the Forrester-type conclusion suggests a naively one-dimensional view of policy evaluation - that the appropriate object of evaluation is the state of the urban system in some future, long-run equilibrium. But complex systems move complexly; the adverse results in Forrester's urban model generally appear only after the passage of many decades and may be totally overwhelmed by earlier and more directly beneficial results of policy, a point that emerges strongly from Jerome Rothenberg's (1974) review of Forrester's urban model. The results of policy when applied to human societies cannot be judged on the same basis as one would judge the results of interfering with a mechanical system. Individuals are finely tuned to respond more to the pace and style of change through time than to the contemplation of a distant legacy. Since reaction to and evaluation of the path of urban change require local monitoring, and since both the reaction and the evaluation are critically important to the enactment of policy, centralization of policy-making demands extraordinary justification.

In order to deal at all adequately with urban problems we require a sophisticated understanding of the relationship among urban policy, planning and the activities of city-building, and of the way in which policy actually gets made and evaluated. This requirement constitutes the present urban challenge, and it is to a discussion of these matters that the next section is devoted.

## 2. Policy and Planning

The changing role that local governments have come to play in the years since the Second World War is the springboard from which any understanding of current urban policy-making must be launched. As Professor T.J. Plunkett has pointed out, before the 1940s the municipal system "was not called upon to deal with issues involving conflicting values, difficult choices, or the development of any sense of community goals or objectives. Its role placed little emphasis on the matter of governing and considered its major purpose as a local public corporation designed to provide for the delivery of a relatively narrow range of community housekeeping services." Since then, "the role and scope of municipal government has been altered drastically and the decision-making process has not only become more complex but subject also to an infinite variety of pressures and demands. Municipal councils are now called upon to consider decisions that involve conflicting value choices as they confront more subjective issues which revolve around the currently popular concern for 'the quality of urban life' " (Plunkett, 1974, p.617).

In considering these "conflicting value choices," humility is the first requirement. Only to those who never do it, is public decision-making a straightforward process of reaching for the right number and raising a hand in accordance with its dictates when the question is called. The surpassing inability we all share, to say on behalf of society what "ought" to be done, continually strains our unrelenting belief that some decisions are better than others. This constant tension might persuade us to abandon altogether the concept of a "better" decision but for an obstinate faith in the idea of deliberate, self-determined social progress. Because the reaction in today's cities against the destructive elements of out-of-control expressway planning and the inefficiencies of metropolitan sprawl has not so far produced a very sturdy set of alternatives, the process of urban policy-making as much as the policy itself has become of signal importance. Confusion over substantive policy is handled by diverting attention from the issues at hand and turning instead towards considerations of process.

But what institutions and which processes are satisfactory? This question, which takes us to the heart of the urban challenge, can be answered only by reference to basic concepts of society and social structure. Without some appropriate conceptual framework no serious discussion of urban policy-making can even begin.

In the public-finance literature it is possible to discern the outline of a standard model that might provide some guidance in this matter. Building upon well-worn classical concepts of economic man in individualistic society, this standard model begins by defining two separate roles for government. In the

first of these roles, government acts simply to correct mistakes made by the private market; its role is to overcome problems of resource allocation. If the private market cannot provide appropriate amounts of parkland or roads or bus service or museum space, or if the market exploits the environment without paying adequate compensation or if it is unable to ration efficiently the production of exhaustible resources, then the government has a responsibility, according to the standard model, to adopt corrective policies. Its second and separable role is to re-distribute economic resources among members of society in accordance with some general perception of fairness and equity. This role leads governments to adopt, for example, progressive income taxation schemes and various social security programmes.

When applied to urban policies, this standard framework is expanded to embrace several levels of government. The redistributive role is invariably assigned to upper-level jurisdictions - to the federal or provincial governments - while the allocative role is yielded to municipal government only for purposes of correcting market failures that exhaust themselves within the geographic territory of the urban area. If taken literally, this standard model of multi-jurisdiction policy-making would clearly rule out virtually any independent action on the part of municipal government, since someone outside any given municipal jurisdiction is always affected to some degree by decisions taken within the municipality. However, even when due allowance is made for real-life departures from the ideal situation envisaged in the model, the framework is still far too hide-bound for useful application to present urban policy problems. It lacks totally a sense of the process by which policy gets made, it offers no conceptual restraint to the complete centralization of every decision or policy matter that cannot be handled through the market, and its reliance on the assumption that allocation and distribution are separable government functions is especially difficult to maintain with respect to local-level spending.

Urban transportation spending, housing programs and the delivery of welfare services all have strong distributional implications.<sup>3</sup> Local governments have (weakly) taken the leadership in highlighting problems of distributional imbalances where the injustice is gravest -- in the fields of housing, tenants' rights, physically handicapped individuals, single-parent families and poverty in old age. From his examination of urban poverty, Professor Lithwick, in a companion study to his full report, reached the conclusion that "the vast majority of the urban poor...are not easily helped by simple cash transfers. They require a spectrum of tailor-made urban services..." (Lithwick, 1971, p.65). While cash transfers and the progressive structure of income taxation are obviously our major interpersonal redistributive devices -- and quite reasonably centralized to a considerable degree<sup>4</sup> -- it would clearly be unwise to rule out *a priori* a redistributive role for local government with its high level of goods-and-services spending

Our urgent need to break away from the standard model and the limitations with which it surrounds urban government is demonstrated by the increasingly aggressive interest local municipal councils are proclaiming in the social, economic and physical well-being of the citizens they govern. In many cases this has resulted in radical personnel and political changes on these councils in the wake of recent elections. In our largest cities, reformism overtook the Councils of both Vancouver and the City of Toronto in December 1972 and it has been a strong threat in Montreal since the electoral success of the Montreal Citizens Movement in November 1974.

The significance of these dramatic political changes -- in other cities as well as the big three: in Calgary, London and St. John's -- is that they have all emerged from and been built upon local concern over specific activities or projects. There is a constant processing of values and debating of day-to-day decisions at the local level that constitute the main ingredients of our emerging urban policies. Any conceptual model that is usefully to serve as a basis for new urban institutions and policy-making must be able to accommodate this local involvement.

The new policy bias observable in Toronto and Vancouver (among many other municipalities) in favour of public transit and against the private automobile, for example, was not created independently of the flow of urban activities in these cities. In both cases the seeds of subsequent policy are to be found in community assessment of specific projects proposed by authorities. In Vancouver, new attitudes towards city policies were early and strongly influenced by the 1967 debate over a highway interchange that was planned eventually to connect with a proposed Chinatown freeway; in Toronto, the climax during 1970-71 of a long-standing debate over the Spadina Expressway led directly to a clear articulation of reform urban policies. Elsewhere, the same phenomenon is evident: policies are developed in response to individual perceptions of specific activities. The reaction in Montreal to the destruction of low-income communities for expressways, to the demolition of Van Horne's house and to the proposed tearing down of blocks along Crescent Street has been escalated into a general position on urban development policy

Formally, urban policy may be thought of as a set of government instruments designed to influence day-to-day urban activities, with possible instruments ranging from an informal announcement by some responsible government official through to duly enacted council by-laws or acts of legislation by senior governments. This definition is straightforward enough, but it doesn't help us to understand where policy comes from or what might constitute good policy. Our understanding is advanced, however, by recognizing that major policy issues have been an integral part of the disputes that have arisen in cities over specific projects, that policy and project are inextricably linked in these debates.

What we have been witnessing, especially in our larger cities, is the gradual formation of explicit urban policies, the absence of which has so rightly been decried. Seventeen months after the cancellation of Toronto's Spadina Expressway in June 1971, Ontario had a completely new urban transportation policy which greatly increased the level of provincial subsidies for capital expenditures on public transit and provided for the development of both improved and experimental forms of transit vehicles; and in early 1974 the Council of Metropolitan Toronto, which for a decade had sponsored and bitterly fought for the Spadina, voted against building the Scarborough Expressway, another similarly situated, downtown-oriented road proposal.

Clearly there is an interaction between urban activities and urban policy-making that cannot be disregarded. While policy might indeed be influenced in various ways by circumstances and events quite apart from the activities it is directed towards, these activities are nonetheless the prime means by which the virtue of the policy is tested; and a judgement on the activities by the community will reflect back on the next round of policymaking. This signal role that public assessment of day-to-day activities plays in the formation of policy is contained in the often-expressed view that community groups or individuals in cities have a difficult time responding to broad issues of policy -- such as the formation of a general urban plan or the creation of a national housing policy -- but are able to participate fruitfully in discussions of specific projects. Without this activity or project monitoring at the local level, the evaluation of policy is virtually impossible. Bureaucracies, over-centralized and out-of-touch with reality at the activity level, are prone to what Harold Wilensky (1967, pp.173 ff.) calls "information pathologies" whereby "intelligence fantasies" give rise to mere "illusions of reliable information."

Policy-making is not something that can be simply grafted ill-fittingly onto the standard model of fiscal federalism, something to be done as readily by bureaucrats in Ottawa reading journals about urban policy in foreign lands as by community groups in cities worried about their own local problems. From the process of policymaking that I have described, it follows not only that cities should be the prime source of Canada's urban policy but that they must be the single source of judgement.

### **3. Activating Local Government**

If urban policy-making must arise from and be judged in accordance with local perceptions of urban activities, then some institutional means must be round of ensuring that the perceptions and the policies are linked. With the current upward drift of responsibility for urban matters we lose in two ways. First,

senior levels of government are deterred from dealing aggressively with urban matters by the continuing and increasingly noisy existence of local jurisdictions; and second, to the extent that policy-making is taking place at senior levels it is hampered by ill-defined linkages with local communities.

If local government is to continue, municipalities -- at least those with some appropriate minimum degree of political sophistication -- must be assigned an independent and politically pre-eminent position in the formation of urban policy. At present our cities are inefficiently bound by the constraints of provincial legislation produced under a constitution in which local government has no specific role. While this provincial legislation is far from static, nonetheless many of its main provisions harken back to an earlier time when municipal government was less complex, perhaps less important and certainly less desirous of being politically independent.

In the sensitive area of land-use control especially, cities are frequently forced to deploy inefficient instruments of policy through lack of adequate legislative freedom.<sup>5</sup> In each province the basic structure of control is the same: zoning or restricted-area by-laws are the direct legal instruments through which the use of land is controlled. Master plans, taking on a variety of names, are generally expected to guide the zoning legislation and in Alberta and Newfoundland are by statute required as zoning guides (Rogers, 1973). For use in older cities now struggling with economic and social problems of second- and third-generation development, this current concept of a master plan seems quite antiquated, although all such formal plans are the recent products of post-war provincial legislation. The expectation that master plans will set out broad, long-term community goals to which subsequent municipal by-laws must adhere strains our collective community foresight to a degree not demanded of itself by any independent government anywhere in the world. In addition, since an official plan is not among the direct legal instruments by which a municipality affects its structure over time, lawyers and politicians especially have a tendency to want as inoffensive and innocuous a document as possible. As a result, master plans have tended to become inconsequential guides to policy, although they require in their making much busy work and through their deceptive pretence to policy relevancy may deter the urban planner or council member from striking directly to the heart of current policy needs.<sup>6</sup>

Policy-making in cities needs to be taken more seriously than master planning permits. It may be that we would be better served by separate policy statements in each of the several policy areas -- land-use, transportation, housing, welfare, open space and so on. These policy statements, backed up by adequate research and public discussion, would then provide an appropriate foundation for various implementing by-laws. Perhaps through this device we could displace the current planning preoccupation with relatively

distant, terminal-year or end-state plans by at least an equal concern for the short-term implications of planning proposals. As the recent Graham Commission (Nova Scotia, 1975) has strongly urged, any such revised planning process must be closely related both to the urban capital budget and to forecasts of current budget revenue requirements.

While master plans may be ineffective or at best unwieldy instruments of urban policy, zoning by-laws can be extremely destructive of policy. Because zoning or restricted-area bylaws are the legally prescribed means by which municipalities establish direct legal control over land use and development, these instruments must often be deployed for purposes quite beyond their proper range of application. Zoning, as a legislative instrument, arose from the English common law concept of "nuisance";<sup>7</sup> its application is to the external effects that certain uses of one lot might have on adjacent areas. Many of these external effects cannot easily be handled through a private market (often because of the many parties having an interest in anyone transaction), so the ability to legislate constraints on use was established. Rogers (1973, p. 115) tells us that "the theory of zoning is that each district is an appropriate area for the location of certain uses which the plan designates, and that the existence or entrance of other uses will tend to impair the development and stability of the area for the appropriate use. The objective of zoning must be considered from the standpoint of the public welfare and of all the property within any particular use area."

Zoning, especially in large urban areas, must bear a much greater policy burden than this "theory of zoning" entails. Zoning is the major instrument municipalities have to guide their general geographic structure, yet, as I have shown elsewhere (Nowlan, 1975b), the short-term impact of a zoning change on the rate of growth of building space is quite unpredictable. Moreover, the zoning called for on the basis of local use-effects may be in conflict with the zoning demanded by broader urban policy.

So far, provinces have either not responded to these difficulties or they have introduced some form of "development control." A succinct description of this instrument is provided in Alberta's recent proposal for a new Planning Act (Alberta, 1975): "The idea would be that some areas of a municipality are of such a nature that traditional zoning concepts are inappropriate ... For such areas, councils would not have to list permitted uses or, for that matter, discretionary uses, but could, in a general way, indicate the type of development envisaged, leaving it to the administrators to deal with each application on its merits." According to Rogers (1973, pp. 137-8), "Newfoundland, Saskatchewan and Alberta are the only three provinces which have adopted a system of development control.... Whenever a system of land-use control based on permits has been tried in other jurisdictions, the courts have firmly rejected its legality."

Because of the broad administrative discretion it gives to municipal officials, development control is clearly, and perhaps wisely, being approached with some caution. However, even this possible addition to the policy instruments available at the local level adheres too closely to traditional concepts of land-use control. It will be difficult to exercise these control powers in a discriminatory way: if one property owner is given permission to build at ten-times coverage one month, it will be hard not to give a similar applicant the next month the same approval even though two such developments might not be compatible with structural policy. In addition, this form of control continues to provide no way for municipalities to capture for public purposes some of the monetary benefits to be gained by more efficient city designs, a substantial portion of which will be capitalized in land values

The whole relationship between beneficially efficient cities and internal city policy is in danger of being lost and forgotten as senior levels of government toy with the notion of constraining the size and distribution of cities<sup>8</sup> while leaving local government enwrapped in the cobwebs of old legislative restrictions. It is worth taking a moment to elaborate this point.

It's a fair presumption that cities exist because they are an efficient means of organizing the production of many of our physical and social needs. The dollar value of total output in a city exceeds the costs of production by an amount that might be called, for want of a better term, surplus value. In large part, this surplus value accrues to urban land owners in the form of higher land rent or land value than exists outside cities, although some part of the surplus undoubtedly is captured by other people whose services are at least temporarily in short supply.

Costs of production within a city consist of both private costs and social or public costs, where the latter are measured by the sum of official public expenditure and by environmental or congestion costs borne directly by residents. For any given city size and value of output, the level of private and social costs can be extremely sensitive to the city's internal organization. In other words, the distribution and density of land uses, the number and sizes of commercial centres, and the relative use of public transportation -- all of which may be influenced by public policy -- have signal effects on total production costs and therefore on total surplus value. For this reason, no useful meaning can be attached to questions about the best size and distribution of cities without reference to some particular internal organization. Our search for efficient city sizes should start not with fuzzy, ill-defined notions from senior levels of government about desirable inter-city distributions of population and economic activities: it should be based instead on the

assignment of a clear mandate and appropriate policy instruments to urban governments so that within cities adequate attention can be paid to questions of organizational efficiency.

In the long run, that happy Nirvana of the theoretical economist, land rents might reasonably be expected to reflect the true surplus value of urban economic activities, but in the sequence of short-runs that constitute the real world, both the natural processes of change and deliberate internal reorganization will affect the distribution of well-being among urban residents. Individuals, restrained in their ability to move among and within cities, may come to benefit or to suffer unduly the effects of urban policy -- unless municipalities are given policy instruments through which these short-run effects can be moderated.

Take a simple example. Suppose as a result of commercial expansion in the central area of a city, traffic congestion comes to impose inefficiently high social costs on both commuters and central-area residents. Efficiency demands that these costs be shifted to businesses in the central area, but municipalities have no access to policy instruments that can directly accomplish this task. Ultimately, rising wages to commuters might produce some forward shifting of the costs, but even in the long-run some portion could fall on owners of residential properties through declining land values. As a policy response to traffic congestion the city might decide to widen roads or to develop more adequate public transit facilities into the central area. In either case, the cost of these changes will fall on taxpayers generally and not specifically on downtown business.

The inequities are not inevitable, but with the present inadequate set of policy instruments they are unavoidable. Municipalities have no direct way of controlling the rate at which any given area develops, and they have no freedom to vary their mill rates according to location or use so as to recapture for the public purse some of the enhanced land value brought about through public spending; neither do they have legislative sanction for the introduction of novel fiscal devices such as an office-space sales tax which could be used in the circumstances of the above example both to deflect excessive central-area growth and to pay for needed transportation improvements to serve the central area.

There is no need to spin out in finer detail the various specific issues that currently require resolution. At stake is the general fabric of urban policy, which must be based on some explicit concept of urban government. Our best course at the moment is surely to nurture the present political vitality of our larger urban areas, and to aim for more legislatively liberated cities.

## NOTES

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1. Based on calendar-year, National Accounts data. The best current source of urban financial information is the new 3-volume *Report of the Tri-Level Task Force on Public Finance* (1976).
2. The Tri-Level Task Force on Public Finance (1976) has calculated that, based on financial-management statistics, specific-purpose transfers from senior to local governments totalled \$4,965 million in 1974 and \$2,669 million in 1969. These transfers were 44 percent and 38 percent, respectively, of total local government revenue in those years.
3. Practice, in defiance of theory, has of course responded to these distributional implications. In the field of transportation, by way of example, the only published study of which I am aware that deals directly with the distributional implications of planned projects is a local-government study undertaken by Metro Toronto (Metro Toronto Transportation Plan Review, 1975).
4. Transfer payments by the federal government to individuals and non-government institutions constitute about 64 percent of transfer payments by all levels of government.
5. This lack of freedom has two dimensions. The first, dealt with here, is the inability of municipalities either to create new policy instruments not already specified in provincial legislation or to drop inefficient old instruments demanded by law. The second is the right that provinces reserve to themselves and their agencies to review and revise duly enacted municipal by-laws. Makuch (1976) has shown the severity of this second type of constraint with respect to municipal land-use legislation in Ontario.
6. Within the context of planning in Toronto, these thoughts are further developed in Nowlan (1975a). From a national perspective, Rogers (1973, p. 38) comments that "because a community plan must be integrated legally, it inhibits the expression in such a plan of highly desirable statements of policy relating to future planning goals." Back to Toronto, we find Professors Lang and Page concluding from their careful study of official plans within the Metropolitan Toronto federation that "much confusion pervades the presence of goal statements in planning ... origins of goals is obscure ... evaluation, to determine if selected ends and means were appropriate, is nowhere to be found in planning" (Lang and Page, 1973, p. 18).
7. Some history of zoning legislation is traced in Milner (1963). Mandelker (1971) provides a stimulating discussion of the need to rethink the present role of zoning. Mandelker notes that "use is the underlying legal concept on which the zoning ordinance is based" (p. 23).

8. For example, the latest (and unofficial) version of Ontario's Toronto Centred Region concept sets out with no analysis or rationale some preferred "mature state" populations for a number of cities and towns in the Hamilton-Toronto-Oshawa area (Ontario, 1975).

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