

The third sector, urban regeneration and the stakeholder society

Is there now a new and sustainable model for cities and, indeed, for society as a whole? Is that what all the talk about sustainability, empowerment, stakeholders, partnership, the third sector is essentially about? Or are these terms elements of a new rhetoric that seems, but only seems, to point in that direction? We publish here two extracts from our conference (of the above title) of 21-22 May 1996 which addressed these issues. Bob Catterall, Alain Lipietz, Will Hutton and Herbie Girardet sketch out the territory we are covering and George Monbiot sets out one course of action that addresses the problems and the possibilities.

The third sector and the stakeholder

Bob Catterall, Alain Lipietz, Will Hutton, Herbie Girardet

This conference extends our work in City on the notion of urban regeneration. When we first began to form a network, initially based on London, for the predecessor of the journal *City, Regenerating Cities*, our starting point was an acute dissatisfaction with the existing notion of urban regeneration, which was top-down, cosmetic, and relied on the trickle-down theory. We knew that there was good practice as well as good theory to show that that was not an inevitable model. And so we began an operation that tried to straddle this fine between academe and the rest of the population. So, in the main, although most of the founding members of *Regenerating Cities* were academics, they were academics who worked with community groups and saw the importance of the community sector.

But I think it's also true to say that what we have worked for is not a simple bottom-up model either. We do actually see a role for professionals. We do think it's possible for archi-

consider how you can create sustainable cities, how you can deal with problems of housing and shelter. And what is very interesting is the position that many people have worked out in relation to Habitat II is that they have been discussing the notion of a 'stakeholder society' for (they say) twenty years. It's interesting, in terms of the British debate, the notion of stakeholder society, has only come to the forefront, partly through Will Hutton, and Tony Blair, very very recently. These two debates seem to have been going past each other. And, if they have been going past each other, to what extent, in this conference, and beyond, can we bring them together?

We've organised two conferences in relation to following issues of the journal. This first conference is really focusing on the UK and to some extent Europe, but only Europe as seen through the eyes of Alain Lipietz. And then a second conference³ will look at the same problems from a more global perspective, but again bring them back to the UK. What does a global perspective imply for urban regeneration models, for notions of sustainability, for notions of how you float development, notions of justice, of the role of the third sector and of the stakeholder society?

This particular conference is organized in four sections, four plenary sections. In this first one we introduce these two key notions: the notion of the stakeholder society and the notion of the third sector.

In the second we take a case study in Spitalfields, in a section of East London with a large Bangladeshi population, and look at a fairly dramatic happening, when Richard McCormac, a leading architect involved in the mixed office and housing development, resigned, because he could no longer accept the preponderance of outside interests impinging on the development of that area. We want to look at that as a case study and then to ask: Well, is that the nature of the beast? Is that the nature of capitalism as we know it? Or of the particular model of capitalism we've got at the moment? And, if that is the nature of one the beasts, how do we get beyond it? How would the notion of the stakeholder so-

city help us with the realisation of the potential of the third sector?

The third session, tomorrow morning, is called 'Towards the stakeholder society', we should underline the word 'towards', where we're moving towards strategies and short-term measures. And then the fourth and final session actually includes short-term measures. If the conference begins fairly dramatically, with a constructive confrontation between Alain Lipietz, Will Hutton and Herbie Girardet, it finishes dramatically with George Monbiot⁴ emerging from court, where he's been summoned by Guinness tomorrow, at 3.25, to give us an insight into what is the role of direct action in relation to the various forces that might contribute to a more positive urban regeneration model.

Beyond binary choices

There is just one last point that needs to be made. It is difficult, but I think it's nevertheless worth making. There is a fashionable debate in 'high theory' circles about the deficiencies of binary logic. Although I'm very suspicious, and no doubt many people in this room are suspicious of debates of this kind, it does actually seem to me to be very relevant to the debate which poses the private sector against the public sector, and then occasionally refers to the community as a kind of also-ran. I think it's worth considering: is there something deep in our culture, and deep in the way we organize society, that keeps presenting us with binary choices? And is part of the radical implication of the third sector, as we are talking about it today, that it challenges this binary opposition. And indeed, will the stakeholder society only take us further if it challenges that binary opposition through the development of the third sector?

We've re-published a cartoon by Will's former colleague Steve Bell, which I've no doubt Will remembers quite well, in which he presents the stakeholder society as being a cover for Tony Blair to act as Dracula whilst he sucks the blood out of the national health system (see City 3-4, p. 2). And certainly there is that

dimension, it seems to me, to a lot of the talk about the stakeholder society – that a lot of it could be covered for actually undercutting what social provision remains. Obviously our intention in this conference is to push beyond that binary dilemma, the binary logic that keeps pushing us to one or the other of these two alternatives, neither of which we may ultimately want as the dominant social order.

The third sector

Alain Lipietz: I will try to explain what was the idea behind the third sector, and what sense it could have in regenerating cities. And within these two days we'll talk about the connection between third sector and the idea of a stakeholder society.

First of all, 'the third sector' was invented during the '80s, in France, as the solution to deal with unemployment when all the other solutions are insufficient. And it's always the same. You speak of recovery in order to create jobs, and then you remember that the recovery is mainly to produce things, not to create jobs. You speak of reduction of labour time, in order to create jobs, but then you remember that reduction of labour time is first a policy to increase leisure time. And for the third sector it is really the same. First you say, oh, we can't create jobs sufficiently by reducing labour time or by recovery, so we have to create something else, that will be the third sector. And then you remember that a policy of a third sector is not only a policy of employment, but also a policy of creating new values, creating new wealth. We have to remember these two aspects of this kind of policy of third sector.

Now, what exactly is a third sector policy? It is the idea that, instead of paying people for doing nothing, instead of giving the dole to unemployed people, you could subsidize activities, 'other activities'. So of course you solve quite a big problem; there are a lot of activities which are not undertaken today because it would be too expensive. It would be too expensive if it were to be done by public service. It would be too expensive if it was produced by the private sector, customers would not be able

to pay for it. So, maybe, if you subsidise a kind of semi-private, semi-voluntary, semi-natural community-based sector, maybe you could produce goods and services at a price that the community could accept. And this is the idea of a third sector.

So first it's a macro-economic idea: substitute the dole by subsidized jobs. Second, a micro-economic idea: it's a new way of regulating the supply of services. In the case of the first sector (that is the private sector), the producer produces something (service or goods), and offers it to the market, and the market says yes or no. If the market says yes, the producer gets the money, and the wage-earner of the producer gets the wage. If not, it's finished.

In the second sector, the public sector, people are paid on the basis of a contract with the society to supply the society in health, education, national defence, all the things that the state provides. And they are paid through taxes. Everybody pays taxes, and with taxes you pay civil servants. Even if what they produce is not accepted by society, or is contested by the society.

Remember at the beginning of the Thatcherist period there was a book by three feminists in Great Britain (Sheila Rowbotham, Hilary Wainwright, Lynne Segal) called *Beyond the Fragments*, which explained that if the victory of the Conservatives was so clear, it's because for many aspects the welfare state was humiliating for people. The way it was working was humiliating – too bureaucratic, too administrative. So people who were served by the welfare state didn't like it; they were not ready to fight for it. I think in France very frequently it's the same. In the Rifkin book, *The End of Work*,⁵ I notice other examples showing that the bureaucratic welfare state was refused by more and more people. Hence the possibility for Reagan, as Thatcher, to say: 'It's much better when the civil society takes charge of the solidarity.'

So really the welfare state needed a reform in its regulation. That is, people should be able to participate or to decide directly, at the level of community, on the services which are offered by the welfare state. So a shift from the adminis-

servants. This is a real problem. There are some criteria for avoiding the transformation of the third sector into a servant sector: the collective aspect, the form of control, there are a lot of devices that can make a difference.

Now, coming back to regenerating cities. Clearly the third sector is extremely appropriate for that. What is a city? Cities are people (and this is the first aspect of cities of course), buildings, and services, within an area. Buildings and services are recognised aspects and materialised aspects of 'living in a city'. Clearly, a policy of the third sector answers a lot of the problems involved in regenerating cities. First, it gives employment to many people. So, since cities are basically people, when you can reduce from, say, 20 per cent to 10 per cent of unemployment by reduction of labour time, and from 10 per cent remaining to, say, 5 or 3 per cent unemployment by the development of a third sector, you change life in a city completely. Second, I said that the city was buildings, and services. Regenerating buildings (not creating buildings but maintaining buildings), could be done by the third sector. Most of the services – urban services – could be provided by the third sector.

Here we have to make a strict line of division between what the first, the second and the third sectors should do. At the beginning it's very easy. You say, the third sector should do what the two others don't do. You know, services for people who can't pay – so it's substitutes for moonlighting, or in large portion, substitute for what women don't accept doing any more in the patriarchal relation, and instead doing new things, such as improving the environment, and so on. That's easy, at the beginning.

But, once it becomes a success, a lot of private firms come back and say: 'we could do that. It's unfair to subsidise these agencies of the third sector to do it.' So we have to negotiate. In the few towns where the third sector developed in France, at the beginning it was alright, but very quickly it turned into a war between two forms of production: the private sector and the third sector. For example: the 'régie du quartier'. *Régie du quartier* could be translated,

neighbourhood agency, or community agency. They are developing in housing programmes which were built in the '50s or '60s. There everything turns bad. 30 or 40 per cent of people are unemployed, the agency which is the owner of the housing programme, is bankrupt. There is no way to regenerate the blocks. So, the housing office creates this kind of agency, subsidised by what people used to earn on the dole, and this agency becomes a manager - the collective manager - of the city.

People who are unemployed in the city take charge of a city, maintain the city. It's what we call 'politique de la case d'escalier' - the staircase policy, that is. People are in charge of a block, of a part of a block; to clean, and maintain the lights and things like that. Of course it changed a lot the relation between old people and young people, French white people or older French white people, and black people, etc. etc. Because people who were perceived as just young people living out of doors and delinquents turn into a kind of collective civil service of a community. And I think this was a great success in some places where it started.

Stakeholding

Will Hutton: What I thought I'd do is say a few words about stakeholding, in the context of *The State We're In*, talk a bit about the 30-30-40 society, and how that refracts into cities. I wanted to say a few things about markets, which I think are actually fundamental to this. Talking about the third sector in conflict with the private sector, as Alain said, makes no sense, unless one actually thinks about market relations and the power relations that emerge out of private markets. And then I wanted to say a few things about how my ideas about stakeholding locate in this discussion about what to do with the contemporary city.

Just to pick up the point about the deficiency of thinking in binary terms. That's very much I suppose where I come in. I think everyone knows in the room that I'm a Keynesian economist, and I have a fierce critique of the way market capitalism operates in Britain. I argue that actually British structures lead systematically to

what I call the 30-30-40 society, and under-investment, and chronic underperformance of the economy. We're watching at the moment the contraction of the labour force, as people become marginalized. It's contracted by half a million in the last five years.

Because I make those points doesn't mean that I want to travel back to a kind of top-down kind of collectivist view of how one redresses these deficiencies. Because you attack slash-and-burn individualistic free-market capitalism, with all the biases in Britain placing financial values over those of production and employment, doesn't mean that I therefore, in this binary world, sign up for a world of scientific planning, tripartite corporatism, and all that spectrum of views which we associate with the binary opposite of slash-and-burn capitalism. And that's why I've tried to develop these notions of stakeholding.

Stakeholding should not be seen as cover. I readily acknowledge that's actually the way it could be used, and sometimes I'm quite alarmed at the way some politicians do use it as cover for doing, in inverted commas, rather right-wing things. For me it is kind of new economic and social space; it's a new discourse in which one is trying to recast the notion of the firm, of what the firm's relationship are with its owners, redefine notions of ownership, emphasizing obligations along with rights, and using that rights/obligations framework to recast a lot of British institutional structures, from education through welfare, through firms and their supply chains, and, knocking onto that, how one might think of the physical space of an urban area.

So that's actually a kind of rather hard-to-understand preamble. Let me try and flesh that out.

The big statement in *The State We're In* is that everything connects. It's a very obvious statement, but it's surprising, given its obviousness, how few people say it. But I do believe very strongly that you can't discuss under-investment in Britain, and poor economic performance without saying it and following it up.

One figure for you all, actually to challenge

those who purvey the notion that we're living in a miracle economy, is that growth will be about two and a quarter per cent in '96, which will mean the average growth in Britain so far this decade, taking the first seven years, will be 1.3 per cent. I expect growth to be 3 per cent next year (it's an election year) and to fall away in '98 and '99. That gives you an average growth over the decade of about 1.5 maybe 1.6 per cent. That's lower even than the 1970s for a decade's growth. On my computation it's lower than the 1930s. And, if you look at the economic historians who go into the nineteenth century, where growth averaged, even in bad decades, about 2 per cent, it's probably the lowest period of growth of GDP that this country has experienced since the industrial revolution. I always think it's worth while saying that to right-wing economists who insist that we not only live in the good society, but we're on the threshold of some kind of path-breaking economic miracle.

I don't believe that one can tell the story of under-investment, and the short-termism which I believe is closely associated with it, without examination of Britain's political structures, and social structures. I think the three are of a piece. The top-down nature of economic and social and political structures are, the lack of citizenship in all three, the short-termism of all three are of a piece. One informs the other, and you get into a kind of vicious circle. And that's really the underpinning theme of *The State We're In*.

I believe that our cities exemplify that. I'm very struck, starting with London, that if you believe (as I do) that economic performance in Britain is weakening not strengthening, you're watching a process of marginalization of the labour force in this 30-30-40 society. You can see that physically as you walk through London. The London economy - the heart-beat London economy - is weakening. And side by side by that you're seeing the development of a kind of ideology, with the upper middle class and the elite, which is this opting-out culture. The weakness of the economy, and the weakness of the social structures are ones which they can opt out of. The act of opting out means that

they are less willing taxpayers. And that also I think weakens the democracy of London in that, if you don't have your movers and shakers having a stake in, and participating in, and actually believing that the destiny of the city in which they live is something central to them, then that goes hand in hand with the lack of willingness to defend public authority against emasculation. So, that London has no government; there is no loud complaint about it; the elite have signed up to, in part, this culture of opting out; they are able to construct lives which are aside from the public realm; that affects the character of the city, and its economic life, and you get into this vicious circle. And that's what I believe is happening in London: the economic, social and political connect at the macro-scale and at the level of the city.

The 30-30-40 society

Now, I thought I might say something about this 30-30-40 society, because I think that what's happening in the labour market, and people's lives, is actually at the centre of this debate. One has to understand what is happening, and why it's happening. I thought I should put that on the table at the beginning of this conference.

I have developed this idea of a 30-30-40 society, in which 30 per cent of the adult population are unemployed or economically inactive. And one in four adult men in Britain are either unemployed or economically inactive. By economic inactivity I mean that they are unavailable for work and not claiming benefit. Who are they? They are the people between 55 and 64 who are prematurely retired. Nearly half now of men between 55 and 64 are prematurely retired. And in fact the average retirement age this year is going to be about 55 or 56 for the cohort of men who are retiring. If you're under 55, men in the audience, you should reckon on retiring, or being forced to retire, end your working life in your mid-fifties. And then there's a huge growth of men living on incapacity benefit. And I make this point about men because I think that there's a very interesting thing going on. And I've got some numbers here, which I think

just need to be played around with. Male inactivity rates have actually risen quite dramatically over the last ten years. Whereas female inactivity rates have dropped. And they're converging. And most women are inactive because they are taking a period of five to ten years out of the labour market to child-rear. And male inactivity is actually largely involuntary while, to the extent that women are opting out to bring up children, that is a voluntary act. At the same time, the growth of part-time work, and casualised work, has been largely shouldered by women. And you're watching a decline, actually, in participation rates by men, from around 77-78 per cent ten years ago to 76 per cent at the moment, with a dramatic increase in participation rates for women, from 58 per cent ten years ago to approach 70 per cent at the moment. So actually our numbers are rather different from those in France. Female participation rates in France are very low. Female participation rates in Britain are substantially higher. Many more women are in the labour market in Britain than in France.

The women, are in my next category, which is this category of the newly insecure. And this is the growth of forms of employment which are not tenured. And again, that's been dramatic. That's nearly doubled over the last twenty years. What I think is worth remarking about this is that I include in my newly insecure people who are maybe earning two or three times average earnings. This category, this 30 per cent, ranges from people who are making two thirds of average earnings, to people who are making three or four times average earnings.

Another interesting fact actually is that women's hourly wage rates, at the bottom decile of women, were really chronically underpaid about twenty years ago, but their hourly wage rates for the bottom decile of women are now within shouting distance of the bottom decile of men. Men's wages at the bottom have been stable, at around £4 an hour. And over the last fifteen years women's have climbed from £2.50 an hour at the bottom to £3.70. And it looks as though the bottom decile of women will overtake men in the bottom decile, within the next

five years. Another part of this rather complex story about gender.

Then you have the last 40 per cent, who are in forms of tenured employment. Actually it's rather more than 40 per cent - about 42, 43 per cent. And I include in that category full-time self-employed, part-timers who've worked for more than two years. Because they've got tenure now, under the changes resulting from the intervention of European law.

So there's the 30-30-40 society. The big points are the growth of involuntary male inactivity, the big growth of insecurity, the insecure category of the labour market, mainly shouldered by women, and the decline of tenured employment, for men and women alike. That's really the story.

There's a companion story with that, which is that there's been a growth of, a colossal growth of, households in Britain where neither adult works. Up from 8 per cent in 1979 to just under 19 per cent now. And more than doubling. So nearly one in five households in Britain have no adult at work in that house. That of course corresponds to my 30 per cent - my bottom 30 per cent - who are inactive or unemployed, either living on savings or on income support, or, if they've retired early, on very small pensions.

Now, why has this happened? This is happening because of risk displacement, essentially. British companies make - are required to make - very high financial returns over very short periods of time. And they, in order to achieve those targets, are both under-investing, and actually displacing risk onto their workforces. They want to have a core labour force, and then to hire, on short-term contracts, in upswings, and to fire those people in down-swings. And that is superimposed upon the international trends: technology, trade, very restrictive macro-economic environment. And it's actually particularly acute in Britain because of the role of the financial markets in setting these very high financial rates of return. Chapters 5 and 6 set this out. I haven't time, I'm afraid, to run through it.

What I do want to do is to talk a bit about

markets. Because what lies behind this risk displacement is a very primitive notion of how markets work, where neo-classical economists abstract out of market relations not just power relations but asymmetries of information, and asymmetries of uncertainty. I could do a little trick, which I sometimes do in gatherings like this, where I ask people to give a preference for £20 now or £22 in a week's time. And we always find that people want their money now. And if I did it I'm sure you'd be the same. Because you're using an inappropriate discount rate to the choice. We are human beings, myopic. We want it now. So market relations are definitionally going to be ones which have foreshortened time horizons, asymmetries of power. And when you deregulate a labour market, as we have, and deregulate a financial market, you are likely to see precisely what has taken place. Myopia in the financial markets, and firms anxious about takeover, and anxious to secure their independence, and anxious to meet the benchmark standards of their owners, actually displacing risk onto their workforces. And, again, workforces unprotected find themselves actually the people at the receiving end of this risk displacement, and are unable to resist the bidding down of hourly wage rates at the bottom.

The good city

So, what I want to say is that there is this endemic problem in markets about power relations, about uncertainty, about not knowing how much information the other partner in a bargain has, and actually the way that people spontaneously get over that is they attempt to construct trust relationships and commitment relationships. And that is part of the story of urbanization. Where market economies actually work very well you have committed owners, you have long-term relationships, you have heavy penalties for people who cheat on bargains. You try to put in place all kinds of social and moral wedges against anti-social behaviour. And you need that to make the market function well.

The dispersed market, the London stock

market where no one knows one another, brings short-termism right into the boardroom. Because directors of companies don't know their owners. One of the responses to that is always to have face-to-face contact, construction of trust relationships. I like to think of the city, and the growth of urbanization, as in part a response to that. It's a place where actually one sees through physical proximity the construction of relationships of commitments. Or in a good city that's certainly what takes place.

If you think of London, with its financial markets in the City, moving through markets for jewellery, diamonds, Hatton Garden, markets for newspapers in Fleet Street as it was, the education market in which we're standing. There's Soho down there, which is a market for advertising and film. And also the political market place down in Westminster. And what you're watching is a series of places where through actual physical structures you enable people through face-to-face contact to establish trust relationships. Except one of the things that's happening is those are being broken down.

We are seeing firms under these incredible financial pressures which are now anonymous and uncommitted, doing things to local labour markets which I've described - this 30-30-40 society, which is manifesting itself in the way urban life is lived. And deep into social structures.

I don't think one could tell a story of family, or the decline of family, without talking about the growth of these work-poor households, or indeed the number of hours that people are having to work to make target levels of income, given the downward pressure on real hourly wage rates in not just the bottom decile, but actually the bottom two and three deciles of the labour market, where real wages have been static now for some years. Male real wages in Britain in the bottom decile have been static since '89. Whereas at the top decile you can see very substantial gains, the gains that you see to training, and education, and to possessing skills which are in short supply.

Another thing about this notion of the city

down detailed sectoral plans, government in the sense of actually providing a kind of institutional architecture in which private decision-making can best embody these trust relations, physically on the ground. And that means thinking carefully about transport, as much about where work activity ends and social activity begins. I'm very hostile to the notion of housing being in one place and work being in another. I think the two need to interpenetrate. That's how lives are lived, and it's how actual urban life should be lived.

I do think that we have to think about labour - when one thinks about labour market interventions of the type that Alain Lipietz has suggested, I'm entirely with him on it. I think that that is what we have to do. But I have incredible reservations about how much progress can be made, without a wider system of reform which actually permits cities to be governed. In British contexts everyone knows that that means to have, public authorities which have tax-raising powers, and capacities of intervention. Mayors, if you like. Or certainly public authorities which have a competence which we deny local authorities in Britain. It wouldn't be possible for the city authorities to be as creative as they are in France because we don't have the financial base to be that creative. To open up the prospect of economic and social action you've got to have the political architecture in which to do it. We don't have it. And then of course the firms who are the social citizens in a sense with whom one's working, have to work in a body of corporate law, and within ownership structures which permit them to take the kinds of initiative and to engender the kinds of economic activity which are ones where there is less rather than more of this process of risk displacement.

To the labour market interventions of the type that Alain has described, I've described this one in Glasgow. But recognize it is expensive. And again it requires a long-termism by public authority. And just to give you a sense of the kind of enormity of what one's undertaking in something like this, I mean the capacity for a public authority to borrow, and for the kinds of investments which are, under British public ac-

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very bad in the first place. And once you get into these situations it's very very hard to pull things round.

So, just to conclude, as an economist I see it as a very much a cluster of economic activity. I think in terms of back linkages, and supply chains, by both firms and industries, which constitute what goes on in the physical space that we construct in our cities, and which actually needs to have architecture, in which those supply chains can be constructed. That's why blocky, big office-type architecture that we find new developments is so hostile to supply chains. Where actually do small firms go? How can you construct a supply chain if the only physical place that you can find to undertake activity is either very expensive space, or space which is actually at the physical margins of the industry which you are trying to supply? In a sense, it has to be confused, and higgledy-piggledy, and actually the streets, and the architecture has to physically permit that kind of unplanned activity. And again, that comes back to my big point about stakeholding, and the large point I want to sit down and leave you with.

My notion of stakeholding is trying to occupy this space - not hostile to free market capitalism, but hostile to top-down notions of collectivism - and trying to carve out space where you can use categories like membership, inclusion; where actually you try to say that decentralized decision-making in markets is highly efficient, but markets require to be governed, and are socially embedded. And the institutions which configure them are central to their operation. In particular, one must rub institutions into markets which permit trust relations and commitment relations to be established, otherwise markets are - and firms in markets at the micro level are - incredibly susceptible to instability. And actually rank exploitation, as you see risk displacement operating at the micro and the macro level.

For a city the way all that makes sense is to say that, in the same way that I require governed markets - using Galbraithian language - I require governed cities. But government not in the sense of actually identifying and laying

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with private sector firms, who are themselves under colossal financial pressures, and two, where the kind of demand for their activity, or indeed the kind of social problem they are addressing is being magnified permanently, year by year, by trends which are outside the control of the third sector. It seems to me that no strategy for the third sector can work independent of a wider system of economic and social and political reform. I'm not neglectful of the third sector. Tomorrow I'm going to Glasgow in the morning, where there is an attempt to build up third sector ideas, trying to act as a forum for social entrepreneurs to come forward, and learn from the experience of other social entrepreneurs. We're starting in Glasgow because the Wise Group is literally just that.

It's using public contracts, it goes out to hire long-term unemployed, bring them into the labour market, and try and alleviate social distress. It's parallel to some of the third sector ideas, and some of the social entrepreneurship that Alain Lipietz talks about. And that's much more dependent, however, on the public sector supplying orders, without £20 million worth of work from the European Commission, the Council of Strathclyde authority, and Glasgow City Council. Then there is the work renovating houses, improving gardens, improving allotments and all the rest, to employ and train the long-term unemployed on. Note, however, highly expensive: it costs £15,000 pounds per worker over a year to train and pay them. £3.53 an hour is the wage rate that they pay. Which is above benefit levels. And actually equivalent to the going rate for unskilled manual labour in Glasgow. Very very expensive activity this.

And for every hundred people that they take, they lose a third in the sifting process. Once they have a hundred, only about two-thirds survive the course, and the work experience, and of those only about a half move on to get work afterwards. So that means, even when you have social entrepreneurs intervening in this way, and backed by a very enlightened public authority, it's (a) expensive, and (b) the drop-out rates are extraordinarily high. Which only goes to show that you mustn't allow the problem to get

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as a place where markets are constructed, where you can get trust relationships to counteract myopia, is also the idea of urbanization as the construction of supply chains. And I'm very struck in my own industry how here am I, editing the *Observer* in Farringdon Road. It's printed in the Isle of Dogs, with road hauliers supplying the newsprint to the Isle of Dogs. It can't be too far away, the print works, from the centre of London, because that's the nodal point from which you get distribution. That itself then creates another supply chain of kinds of people who set up restaurants and hamburger bars for the people who work in the print works and so on. You can see it. I need solicitors to advise me on the many libel cases I have and all the rest of it. You see a supply chain cascading out of my activity as a newspaper man. And of course I need access to politicians and their market, down in Westminster again, physical proximity. I can construct trust relationships with politicians that give me stories. That's a story of a wonderful corner of the city. Precisely the same thing is taking place in the diamond markets, or the stock market, or advertising, the film makers, the ad makers, the cutting rooms, the graphics artists, all that network of all those supply chains. Again in close physical proximity. They need it. It's cost minimizing, transport links are obviously easier if you can walk to somewhere or catch a cab. But also it's about these trust relationships, which I think are fundamental to market activity, and which the neoclassical kind of economists don't capture in their notion of economic actors, as just responding to the calculus of profit and loss, and having no sense that work is a social as much as an economic activity.

The third sector

So just some questions before I finish off. For a conference like this, concerned with what is taking place in the city, it seems to me to be very important to start off with what is happening in the labour market, and why these trends are happening. And to what extent can one construct viable third sectors which are going to do two things if they're successful. One compete

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counting rules, extraordinarily difficult. One small part of the mosaic, but unless you get all these bits of the mosaic right, any initiative that one makes at the level of architecture in Spital-fields is going to be suborned and overwhelmed by these other trends if they are not checked off. If they're not checked off and checked.

Last but not least of course, and my own pre-occupation, one does need strong institutions of social inclusion. I'm a fully signed-up member of those people in the UK who want to protect the welfare state, whatever, however. I never bought the argument that in 1979 people voted against it because it was excessively bureaucratic. I never saw much evidence that social categories C, D and E voted against the welfare state for those reasons. And I think that now we see benefits withdrawn and becoming meaner at the same time as the processes promoting social exclusion are intensifying both nationally and internationally, and people are being invited to bear more and more risk, we really understand I think more fundamentally why a welfare state in which one is a member, paying in and getting something out is such a fundamental badge of a civilized society. If you don't protect that, your initiatives in other areas are likely to be overwhelmed.

Sustainability and job creation

Herbert Girardet: What I would just like to do is to go back to Alain Lipietz and his definition of the city. I think it's useful in the context of the discussion about the third sector and its potential role in regenerating cities to ask ourselves whether or not we need to extend the definition of what a city actually is beyond the points raised by Alain Lipietz, which is that (1) they're people, (2) they're buildings, (3) they're services. I think in order to understand cities we need to understand the processes by which they grow, and so we have to have all else realize that they are economic engines. And without being economic engines people wouldn't be there in the first place.

I think it's critically important to realize this, for instance, when looking at the global growth of cities in the world today, and particu-

larly in Asia: Malaysia, Indonesia, China and so on, Vietnam. There cities have started growing massively as a result of new economic opportunities. The historical growth of cities in the UK of course is also a key example of that point. Cities are places of opportunity, but they also go through ageing processes, and these were admirably described in a sense by what Will Hutton said. Cities today in Britain are, one could say (and this is my own terminology), no longer places of civilization; they are places of mobilization. The mobilization of resources is what characterizes a city such as London above all else. And it's a kind of hit-and-run economy that has come to characterize London in particular, and the tragic loss of relationships of trust that has resulted from that was very clearly and eloquently described by Will.

I would like to further add to the definition of cities. They are not only places for people, buildings, services, and economic engines, as I've just suggested, but it's also particularly important to realize that they are dependent on external resource inputs. We made a film about London's metabolism for Channel 4 a couple of years ago, in which we tried to simply understand how a city such as London keeps itself alive. We showed the extraordinary resource flows that result from economic and consumer activity, from the financial markets that today make it possible to almost take for granted that cities such as London can keep themselves supplied. It's astonishing to realize that London doesn't really do anything in practical terms any longer, such as manufacturing. But yet the resources keep flowing in, as a result of global financial manipulation.

Finally I'd like to suggest that cities are also places of natural life. They are actually places where nature once used to reign supreme, and today we, with our human preferences, have superimposed ourselves on that. And the reason I'm mentioning this final point is that, if we are going to get the third sector in action in a city such as London today, we have to start not only with economic and social considerations but also with ecological ones. The environmental sustainability of cities is becoming a critical

issue, and the Habitat conference that Bob Cattell referred to, which is starting in Istanbul next week, is going to bring together 150 countries from round the world trying to wrestle with this question: how can an urban age, with a predominantly urban population worldwide, also be an age of sustainability. These are the issues among others that will be addressed at that conference. And so the relationship between cities and nature is of an absolutely critical importance.

And I would submit – and this is my final point – that this is exactly where the third sector can come into play. When you look at the energy use of London, for instance, you see 20 millions of oil equivalent going into this city per year – about two supertankers a week, with about 60 million tons of carbon dioxide coming out the other end, and any amount of other waste gases; when we look at the potential for turning this situation around, into something where we may halve that figure of 20 million to around 10 million, we can create tens of thousands of jobs in the process, over twenty years, with an investment roughly the same as that in the current spending on the London Underground.

The British government, and all the world's governments, have committed themselves to sustainable development. And it's precisely the third sector where the highest levels of unemployment can be found. It's precisely the third sector where we can begin to bring into play a turning round of this current totally unsustainable situation. Cities worldwide today use fossil fuels about 500,000 times faster than they accumulate on the earth's crust. If you're going to bring that figure down, and if you're going to stop transferring carbon dioxide from the earth's crust back into the atmosphere – reversing the processes of evolution that made possible the accumulation of fossil fuels in the first place – we can bring into play an active third sector, where we can help to create employment by investing in people's capacity to make cities more sustainable. That means energy efficiency and renewable energy technology. That means recycling. It means urban agriculture. London today, as we found when we made this docu-

mentary, has little urban agriculture, yet 10 per cent of its land surface is actually classed as agricultural land. When you look for this on the fringes of the city, there's nothing left because so much food is flown in from Kenya, or trucked in from Holland, or brought in by boat from halfway round the world.

The critical issue, then, for the future in my view is how we can link environmental, social and economic sustainability with the potential of job creation that is inherent in turning this situation around. And I am convinced that this is ultimately also an issue of democracy, urban democracy. Because in the cities such as London today, as has already been mentioned, we have practically no such thing as urban democracy. We have council elections every few years, and that's basically it. We need both an elected strategic authority and we need grass-roots democracy. Once we bring those together, then I think we can have a debate in London on this issue of how sustainability on the environmental front can be linked with social sustainability. And that in my view is the way forward.

Notes

1. Questions raised in the editorial to *City 3-4*.
2. The two architects are Richard MacCormac and Ian Ritchie. This session will be available in a revised and extended text compiled from the whole conference (£9.50 from *City*).
3. See Jude Kelly and Nicholas You in this issue, a complete edited transcript will be available (£9.50 from *City*).
4. See pp. 98-102 below.
5. Reviewed by David Ladipo in *City 3-4*.
6. See Alain Lipietz, 'Resolving the Crisis of the Welfare State' in *City 1-2*, pp. 141-144.