

Humans are social animals: relationships are critical to our wellbeing. Grattan's new report, [\*Social Cities\*](#), argues that the way we build and organise our cities is crucial to the quantity and quality of social connection, which in turn is critical to our psychological and physical health. Of course many other factors also influence our levels of connectedness — from individual disposition to family situation — but some kinds of urban design can encourage social connection, while others may 'build in' isolation.

The capacity of growing Australian cities to absorb larger populations and improve quality of life for all residents will depend to a considerable degree on the extent to which the urban environment promotes or hinders social connection. Our report puts social connection firmly on the agenda for decision making about cities at every level — from the overall shape of the city, to neighbourhoods, streets and buildings.

**Speakers:**     **Jane-Frances Kelly, Cities Program Director, Grattan Institute**  
                      **Professor Ian Harper, Partner, Deloitte Access Economics**  
                      **Peter Mares, Cities Program Fellow, Grattan Institute**

**AUDIO:**            This is a podcast from Grattan Institute, [www.grattan.edu.au](http://www.grattan.edu.au).

PETER: Good evening and welcome to this launch seminar for the Grattan Institute's latest report, *Social Cities*, which is available from our website. I'm Peter Mares, I'm the Fellow with the Cities program at Grattan and I'll be chairing this evening's conversation with Jane-Frances Kelly, the Cities Program Director at Grattan, and economist Professor Ian Harper from Deloitte Access Economics.

I begin by acknowledging that we meet on the ancestral lands of the Kulin nation, traditional owners of this place we know today as Melbourne. And I pay my respects to their Elders past and present. Grattan Institute is a public policy think tank funded by an endowment, which means that we can be truly independent of government and corporate donors. And our aim is to produce rigorous practical research on important national issues. We aim to engage key decisions makers but to do it in the form of a dialogue that an interested public can overhear. And for that reason everything we publish is freely available online and we regularly hold public events like this one.

Our format this evening is a conversation, and after about half an hour of Jane-Frances and Ian and I talking here on stage, we will invite you to join that conversation to ask pithy, concise questions.

Let me introduce our speakers. Jane-Frances Kelly set up the Cities program at the Grattan Institute in 2009 after a career developing high level public policy in the public, private and not-for-profit sectors in Australia and the UK. She worked with the Boston Consulting Group and then spent three years in the British Prime Minister's strategy unit advising the British PM and the Cabinet. Since moving to Australia about eight years ago, Jane-Frances has led strategy work for the Queensland, Victorian and Commonwealth Governments as well as working for the Vice-Chancellor of the University of Melbourne, the Chief Commissioner of Victoria Police and Noel Pearson and the Cape York Institute.

Helping us launch the report this evening is one of Australia's best known economists, Emeritus Professor Ian Harper. He's worked at the highest levels of government and banks and corporations. He was at the forefront of financial market reform as a member of the Wallace enquiry, and was the inaugural chairman of the Australian Fair Pay Commission. After a 25 year career in academic life, Ian left the Melbourne Business School in 2008 to join Access Economics, now Deloitte Access Economics, where he's a partner. Please welcome Ian Harper and Jane-Frances Kelly. Thank you very much.

So this is our topic, *Social Cities*. Jane-Frances Kelly, what is a social city?

JANE-FRANCES: The first report that we published in the Grattan Cities program is called [\*The Cities We Need\*](#). In that report we argued that cities have to do a lot of things well at the same time. We tend to concentrate more on people's material needs in those cities and even at Grattan we've spent a lot of time writing about housing, shelter, jobs, income, the economy, which are all critically important. But humans also have psychological needs and social connection in which relationships with others is one of the most important. That's both the close regular contact that we have with family and close friends, and the kind of incidental interaction that you have with people on the street. And it's enormously important because cities are basically people who have desired to live together. So we started with people and asked what was important to them.

PETER: There are lots of urgent issues in cities. Things like housing you mentioned, but public transport might be another, the carbon footprint of cities, lots of stuff I could think of. Why did Grattan feel it was important to look at this particular side of things, the social nature of our cities?

JANE-FRANCES: One of the early readers of the report asked why a serious institution like Grattan is looking at a fluffy issue like this. It was important for us to explain that humans are social animals and often if you ask a group of people to close their eyes and just think quickly about what's the most important thing in their lives, people will often visualise their relationships with their loved ones and their close friends. The opposite of social connection is loneliness and isolation and it turns out that's much worse for us than we previously realised. So people who are chronically lonely die earlier. Essentially loneliness over time is a risk factor for early death in the same way that smoking or obesity is. Australia does relatively well compared to other countries on indicators of social connection: in terms of the number of friends that people have, the number of people they feel that they can call on in an emergency and so on. But those indicators are declining over time. And particularly worryingly the groups in society who are most prone to loneliness and isolation are growing. And that's older people, people who live by themselves, sole parents and people with limited English.

PETER: But what does that have to do with cities? Isn't that a factor of many other things: we work too hard, we work too long, or husbands die first and leave widows behind for 10 years or more. What can cities do about that?

JANE-FRANCES: Absolutely, there are lots of other things that affect our relationships with others, everything from individual disposition to family situation. But what this report does is argue that the way that we build and organise our cities does make a difference. I mean cities can help or hinder connection; they can bring people together or keep them apart. I'll just give a couple of examples. The overall city structure level, whether there's decent transport infrastructure makes a big difference because you have to be able to get around to see people. And we talk about commuting as a particularly important part of that. If you live on a street where there's heavy traffic, you know fewer people on the street. Even when it comes to the design of parks, people will sometimes say there isn't enough green space in an area and so on. But often there is enough space, it's just not designed very well and if small counterintuitive things can be changed, even the placement of park benches, that can make these places work much better.

PETER: Ian Harper, what's an economist's take on this?

IAN: Well I think an economist is fascinated and intrigued by the comments that Jane-Frances and her colleagues have made in the report. One of the interesting developments in economics over the last 20 years is that the boundaries between economics as a study really focused on material factors and material wellbeing, have become more porous. I welcome that myself, I think it's a terrific development and it takes economics back into its own history. So I think, Peter, that an economist is not surprised rather refreshed. I would also want to bring to the analysis some quite penetrating questions about measurement. So I think that an economist finds it quite easy to come at the proposition which says that there's more to human welfare than the narrowly material. We're often accused, as economists, of knowing the price of everything and the value of nothing, to paraphrase Oscar Wilde. I think that's a calumny on the profession. I think any well trained economist knows that we're just looking at one dimension of

human welfare. But what we've tended to do is to think that the rest of it is too hard to measure therefore it's not important. That's the bit which is a mistake.

PETER: I want to pick up on a couple of things there. First of all you said that this kind of approach takes you back into economic history. What do you mean by that?

IAN: Economics began as a branch of moral philosophy. So the whole understanding of the human person as a moral sentient being, that's the ground from which economics sprang originally, and then political science and sociology and economics or psychology all branched off. But in more recent times with the development of what we call behavioural economics, I think we're rediscovering links between economics and psychology in particular that I think are to the benefit of both of those disciplines.

JANE-FRANCES: And you knew a lot of progress had been made when the economics Nobel went to a psychologist a few years ago.

PETER: You mentioned an economist would ask rigorous questions about measurement. And isn't that exactly the problem here, those things like life satisfaction, wellbeing, and loneliness; are very difficult things to measure?

IAN: They are but it doesn't mean that we shouldn't try. And there are numerous projects which, broadly speaking, fall under the rubric of what's called the economics of happiness, a sort of loose and to some extent maybe even oxymoronic term for some people, where people are trying to measure these different ways of coming at a broader indicator of human welfare than simply the material. One comes to mind specifically in relation to relationships, an economist by the name of Michael Schleuter. Some members of the audience might have heard of Michael, who works at Cambridge University and Michael's an ex-economist from the World Bank. He's made his research over the last few years specifically devoted to measuring relationships. And he actually speaks about human welfare which is built on economic welfare and adds to it relationships. You'd need to look at the research to get an idea of how he goes about measuring it, but I think that he's headed in the right direction, similar to Jane-Frances's work.

PETER: So you as an economist accept the argument that we should put the social side of our cities higher on the agenda?

IAN: What's happening in the city has been a matter of concern to governments down the ages. In a modern state like our own, whether the city actually exacerbates the incidence of various types of social distress, even setting aside the human dimension of that, the distress which we maybe can't measure, there are obvious costs associated with that which tend to rebound on the government and obviously on the tax payers. So even if I were to take a very narrow economic view of this, it's still part of the agenda. But I think Jane-Frances is saying more than that. Obviously economists take an interest in social dislocation for those reasons at the very least.

PETER: Let me put that question another way. If we were at Grattan getting you to come along to the meetings we have with people in Treasury, for example, how would you sell this idea? How would you go about convincing people who are counting the dollars that this ought to be up there for consideration?

IAN: The way that you catch the attention of Treasuries, in my experience, is to talk about productivity. I think that at the moment with the national productivity performance being so lamentable my colleagues are very focused on anything that might even potentially improve productivity performance, particularly in economies like the Victorian economy which are increasingly dominated by services. There's a big puzzle in economics about how you can generate productivity improvements from which our living standards ultimately flow in industries like services. I think that Jane-Frances' work gives us a hint of how that might happen. But services dominated economies won't just produce improved material welfare through those connections, but can actually build human welfare more broadly and that feeds back onto the underlying economic mechanism at work here. So to paraphrase that, economists have long understood that economic welfare is generated by transactions amongst people, but those

transactions need not have any human dimension other than I've got what you want and vice versa. When you add in the relationship dimension, you can build on the capacity of those transactions to deliver value across a broader front.

PETER: Jane-Frances Kelly you've used the term social connection, but is that the same as social capital or social trust?

JANE-FRANCES: They're all related but we've tried quite hard to be clear about what we're talking about in social connection. It is, however, a building block for social trust, social capital, and it's related to other issues like social inclusion and so on. Sometimes it seems very muddy because they all use the term social. We played around with using the term relatedness, but there's no great term for it unfortunately.

PETER: Urban planners or architects might say in relation to the report that we learnt this in first- or second-year university. How do you respond to that sort of critique?

JANE-FRANCES: This isn't new; there are many people over many years who have dedicated their careers to the types of things that are being talked about in the report. What we were aiming to do was to make the case again for the importance of social connection and to bring together what we know about what works and what doesn't work. All the feedback we've received so far is that people find that really useful. For example, at a local council level the politics of this can be quite difficult. I mentioned earlier that some of the things that make places much more attractive and lively to people are quite counterintuitive. It can be quite difficult to make the case for investing even if it's a relatively small amount of money. What we hope to do with this, and with having conversations like these, is to give those people more ammunition for making the case.

PETER: Can you explain a bit more what you mean about it being counterintuitive sometimes?

JANE-FRANCES: For example, we're here at Federation Square having this discussion. This was already here when I arrived about eight years ago, but I've heard a lot of people talking about City Square being the previous attempt to have a public centre focus for the city, and that it hadn't really worked and they'd been trying different things over time and now it works much better. I know the view of the architecture of Federation Square was polarised. But what worked immediately was that people were attracted here and used it and then that becomes a virtual circle because people attract people. What is it that makes the difference? It was fascinating learning about this, sometimes it's even just the placement of benches. If you have an area and you put benches in the middle of it, people won't sit on them because it feels too exposed. But if you put the benches around the edge of the area, then people will sit on them. Another example is if a building presents a blank wall to the street — and we have some photos in the report of the difference between getting this right and not — then people don't enjoy walking past it. But if a building lands on the street with alcoves and steps, then you'll find that people will sit down and use them and again that attracts other people and you have people watching and people using it to talk to friends. Our cover photo on the report shows how a bit of urban fabric made it possible for a group of people to sit down and socialise with each other.

IAN: Perhaps another way to put the link between this work and economics is that we are going to invest a whole lot more in our cities over time. And there is increasing emphasis on cities, again in a services dominated context, as being engines of prosperity. The concern that economists, if they haven't got it now they ought to have it, which is where Jane-Frances' work is pointing, is if we want to make these cities become engines of prosperity — and members of the audience who would have seen a recent report produced by the Victorian Competition and Efficiency Commission, my economist colleagues, pointing out that one source of competitive economic advantage for our state is the city of Melbourne and how it works and articulates with its near region. That's economists saying that is a source of competitive advantage. The problem is if we then invest in the city, as a source of competitive advantage, and it becomes a social hell-hole, we've just undone all the good work we've been seeking to do. So I think there's where the confluence of ideas comes, that economists say we need these cities to generate the economies of scale which will build prosperity, what do we do about all the potential external social costs? And we've little to say about that.

PETER: Like congestion for example.

IAN: Indeed. Congestion and the more subtle points that Jane-Frances' work is making about isolation and mental illness, things that economists might not understand. What we don't want is for economists to ignore it, which is the point that Jane-Frances is making.

PETER: That raises another issue and I'd like responses from both you, Ian Harper and Jane-Frances Kelly, and that is whether our cities can keep getting bigger because, as you say, if the city becomes an engine of economic growth, and if it's well designed and a nice place to live, more people will come, it will keep getting bigger. Some people would argue you destroy the social nature of the city because it becomes too big.

IAN: Well I think there lays the challenge. If I understand my economics of the cities correctly, I believe we are yet to plumb the extent of the scale economies which are possible through city agglomeration. These clustering effects and agglomeration effects that Jane-Frances refers to, they're real, and they generate wealth. The wealth that's generated can be ploughed back into developing the type of amenity that you're referring to here. So I think it is a virtuous circle. But in order to understand how that fully articulates, you need to be thinking about these issues as well as how to make cities just engines of growth.

PETER: Jane-Frances?

JANE-FRANCES: What we found in going through the literature suggests it's more about how the city is designed and operates than size. Also there's no one housing type which is friendlier for social connection, no one level of density. The other thing I'd just like to mention is that the problems of growth are very challenging, but they're much easier to deal with than the problems of decline.

In the first few months I was in Australia, back in 2004, Victoria went through five million population, and the Premier had his photo taken in a maternity ward, a big bouquet of flowers to a rather surprised mother who I think could probably have done without the Premier turning up, but, the same week Scotland, you know, my original home, went through five million population in the other direction. And there was no photo opportunity associated with that.

PETER: If our cities are going to grow, and the projections are that Australia's major cities are all growing, how do we balance social cities, cities that bring people together, against maintaining solitude and privacy?

JANE-FRANCES: These things are all a balance and when we talk about the high association that exists, for example, between knowing your neighbours and wellbeing, we're not suggesting that everyone has to make friends with their neighbours and have dinner with them and so on. We all have different preferences for the amount of interaction that we want with others in our lives, and balance is the key. We are not just social animals, we're also territorial animals and so if the demarcation of what is private and what is public is not clear, then humans tend to make it clearer by barricading themselves and placing handwritten signs saying private, keep out. We're certainly not trying to force anyone into any level of interaction that they don't want, although of course if people do want to make friends with their neighbours, it's a liberal democracy, they should go for their lives.

PETER: If you get those territorial markings right, I think they're referred to in the report as the soft edges around buildings, then you can actually encourage interaction?

JANE-FRANCES: That's right. As long as your private space is clear so you can retreat into it when you need to, you're more willing to come out and interact with others including strangers.

PETER: Professor Ian Harper, another question would be does all this matter in a digital age when we're all connected via Facebook or Twitter or email or mobile phones? Doesn't that diminish the importance of this focus on the physical contact between people in this report?



IAN: We're often told that. People say there are virtual communities these days and we don't need to be so reliant on physical communities. I had a little bit of insight into this when we were asked a year or so ago by the City of Melbourne to investigate Melbourne's financial services centre, and what evidence for clustering there was and why there was clustering. Some fairly simple mapping demonstrated that our financial services centre here in this city has an L shape stretching down Collins Street, which is not too hard for people to imagine, all the way down onto the Docklands, and then down Exhibition Street up the other end to Casselden Place. Now I mention that for two reasons: firstly financial services are hyper-digitalised.

PETER: It's the ultimate online industry isn't it?

IAN: Exactly. People in this industry don't need to leave their desks to be trading vast amounts of money anywhere in the world. And yet one, they do cluster. They're not stuck in the suburbs or in the Pacific Islands or in the middle of Australia. When you ask them why they cluster, they will give you answers that read like Jane-Frances' report. They will talk to you about the importance of being able to have coffee at a social level with a colleague. And the importance of being able to see your colleagues and customers and others on the tram going up and down Collins Street. Indeed one of the people we interviewed, and I'm sure he won't mind my saying so because it was a public report, was the former Chairman of the Future Fund, David Murray, who said, I'm from Sydney, and I'm just stunned. I was cynical originally, about the government's decision to locate the Future Fund here in Melbourne, but having been here for a while now, I'm amazed at how the Collins Street tram network works and what all my colleagues do in this area. He said, never change any of this if you want to build the financial services centre in Melbourne. So that is, for me, a concrete example of how you can take the things that Jane-Frances' report talks about and bluntly turn it into money, if that's all you're interested in. Turn it into financial services which are high value added services and as my dear old father would say, they're inside work and there's no heavy lifting.

PETER: Jane-Frances, that incidental contact, the chance encounters with people you're associated with or know, that does seem to be very important, doesn't it?

JANE-FRANCES: That's absolutely right, and I just go back to saying we're humans. And I don't think that's going to change.

PETER: I want to come back to one other issue in the report, and that's the role of the car, because Jane-Frances Kelly, you talked earlier about the fact that if you live on a very busy street in terms of traffic, you're less likely to know your neighbours. So clearly the car is a negative in that scenario. But on the other hand, the report talks about the importance of mobility, of getting around, of being able to access activities, friends, jobs and so on. And the car, in Australia at least, is a great source of mobility. So how do you balance these two things? On the one hand you're saying cars are bad, on the other hand you're saying cars are good.

JANE-FRANCES: We do say arterial roads are really important because, as we say, it is really important to get around and often that is by car. What we also spoke about, though, was that on roads which are not arterial roads, are not primarily designed for ease of getting around at speed, so on commercial streets and in residential streets, we've pointed out that the car seems to win by default in weighing up the needs of people, pedestrians and weighing up the needs of the car. And that's what we're questioning. It just seems that that happens without much thought. For example, in residential streets more and more speed bumps are being put in and these things are uncomfortable to go over and that's because they're designed to slow cars down. Perhaps instead we could trial lower speed limits.

PETER: Because those speed bumps are actually designed to slow down to a speed far lower than the actual speed limit on the whole.

JANE-FRANCES: Exactly. So we talk about the possibility of having shared streets where the demarcation between what's for vehicles and what's for people is less clear. And what that does is it slows cars down but makes people much more comfortable about using the street for a whole range of activities. And everybody looks out for each other.

AUDIENCE: There's been a fair bit of development at the moment where developers are saying that they're creating these vertical villages with community in mind, creating community within the actual high rise development. Do you think that those types of developments have a place in creating social cities? Or it's more of a cynical venture to sell more apartments? Do you think they're useful?

JANE-FRANCES: I'm sure that in some cases it's mostly spin and in other cases they're genuinely giving it a really good go. I think those kind of things are really important. We talked about single person households earlier and the people who live by themselves are most prone of all households to loneliness. By definition any social connection that someone has living by themselves happens outside the household. It is a great idea that they're designing apartment buildings so that they have shared spaces that actually work and mean that people within the building will bump into each other, happy to interact with each other. Particularly the other aspect of it is a lot of those single person households are older people, and when people know each other within a building then they can look out for each other, so if someone hasn't been seen for a couple of days somebody can check up and if somebody is sick, then the dog gets walked and so on. The challenge that a lot of developers face, I think, is that that becomes space that you're not selling as part of an apartment. So they say it's quite difficult to get the numbers to add up and it makes it more expensive. Actually the work we did last year on the nature of the housing market and on building a construction innovation in non-detached houses is really important there. We need to get much better at figuring out how to build apartment buildings, better and cheaper, so that we can afford better design.

PETER: Ian Harper, that is a challenge for developers isn't it? If they're going to devote a certain amount of space in a building to shared activities or communal space, that's perhaps one less or two less apartments they can sell which cuts into their profit margin.

IAN: It's a classic instance of what economists call a public goods problem that people intuitively respond to the sort of work that Jane-Frances is doing and saying well that makes a lot of sense. The difficulty is how can you get the market to respond and to deliver these goods, these social amenities that we all want to put our hands up and say this is terrific, but who's going to pay? Now to some extent, the market will be led. It'll lead itself to that, but only to some extent. So for example, there are a lot of co-housing arrangements for retired people, and many elderly and retired people don't need to be convinced of the value of living close to one another, for physical security, for companionship, shared amenity, all that sort of thing, and the developers respond. They deliver that product. So as economists often say with public goods problems, don't assume it's black and white and that the market can do nothing, and it all has to be by regulation or government feat, the trick with solving public goods problems is to try to work out how far the market will take you and at what point you need then to govern or press or push or incentivise the market in some way.

PETER: And how would you intervene?

IAN: With tax or regulation, or planning rules. There are many people who could tell you stories of well-intentioned interventions which have gone wrong. Like you do want some common space in your buildings so you tell the developers you must do this, and the developer builds you an enormous ground floor plaza that nobody uses and the developer ticks the box. So it's a difficult thing to get right, but I guess my point is don't give up on the market entirely, it's not all spin. The market can resolve these issues in certain cases, as peoples' tastes and preferences change. But clearly in this instance there's obviously going to be some residual role, maybe a more prominent role in some cases, for public dirigisme, telling the market what has to happen.

AUDIENCE: The idea of social inclusion has been around for a number of years now, but it seems to have fallen off the government's agenda quite a bit. Given there's more interest from an economic point of view in the area, my question is at what point do you think the idea will go back onto the state and federal government agenda? Or is it purely an ideological thing?

IAN: I don't think it's ideological unless you mean that in a very broad sense, and I don't think we do our governments any disservice if we say that in the final analysis they're very interested in how the public dollar is spent and how they can help to build competitive advantage and

therefore raise the living standards of people. I think one shouldn't be too cynical about that. The reason that Treasury and my colleagues advise government from an economics perspective had tended to go soft on these things is that they can either see quicker ways of generating those benefits, making more progress at lower cost by doing other things, and there are limited resources. Here we are in Victoria, we have no mining industry to speak of — although the government's mentioned the idea of exporting brown coal, interestingly enough — yet we are benefiting from the mining boom indirectly through services. But people ask the question, quite rightly, what is the future for a state like this, dominated by manufacturing, which is still growing but more slowly than the rest of the industry, a lot of services, where is our future and how can we build competitive advantage? It's in that context that the discussion of cities pops up and exhibit A, the VCEC inquiry, a serious bunch of economists saying to the government, if you make this city work and it's relationships to the hinterland right, you will have a competitive advantage. We've seen some evidence for that in as much as internal migration within Australia over the last 10 years has favoured Melbourne. When many people would ask what are Melbourne's advantages? One of Melbourne's advantages, as you know, is that it's a city that works, it's a city that's attractive to live in, and that appeals to other Australians.

AUDIENCE: My name's Jemma, I'm a graduate architect and my interest is what your opinion is regarding our adaptability to change. For instance, in some places in Scandinavia we're seeing co-housing that makes cities efficient by pairing elderly with single parents so that when they go to work, the elderly can look after the children, so there's symbiotic relationships created through architecture. And then considering micro-housing in Japan and in China where they almost adapt by projecting a lot of their needs into the city and having a very small public space, and whether Australians, having been used to having wide open spaces, can adapt using the capacity that exists in our cities?

JANE-FRANCES: I completely agree. As Ian put it, retirement villages are an example of co-housing, but you see very few examples in Australia of co-housing developments that are for non-older people. *The Age* did a feature about one off the back of our report the other day. It's interesting there are many more of them in America and in Europe, as you mentioned, and in Denmark 10% of all housing that is built now is on a co-housing model. I think that as single-person households continue to grow as a proportion of households in Australia, that co-housing will increase. There's a whole series of incentives in the housing market at the moment that make it very difficult to set those kinds of things up. We need to take a look at the rules of the game to try and shift the incentives so that they are easier. I think there's also a demonstration issue when there are so few, as then people are not quite sure what it is and wonder if it means communes. If that's all people have ever heard of or seen, then they're going to be hesitant.

PETER: The appendix in the report has a whole lot of interesting examples from around the world of ways in which cities are innovating or trying to do things differently. And one example is actually from Wesley Mission called Home Share. It pairs older Australians living on their own in a home that has spare rooms who would benefit from a bit of company and perhaps a bit of assistance, who in turn provide free rental accommodation to someone who gives a certain amount of time a week to helping them out. Often it's international students who've been paired with older Australians. So there are some interesting experiments around, but as Jane-Frances suggested, it's still on a relatively small scale.

AUDIENCE: I'm the State President of Australian Institute of Landscape Architects. I don't have a precise question, because I haven't read the report yet, but I've heard about the report and our Institute's been talking also to the State Government about health and wellbeing and we've all been hearing about it and Vic Health's concerns in the media. I really wanted to say that we're absolutely grateful that there's a serious institute in Australia looking at bringing together the diversity of research about economy, social wellbeing, design and the environment together. Now we have a report we can slap on councils and state governments' desks, because landscape architects work in that esoteric environment of amenity. And we struggle at time to actually define what we mean by amenity. It's between institutional issues, institutional buildings. So, congratulations for undertaking this report and bringing together these diverse areas, and helping many professionals who operate in this area by giving this a bit more ammunition.



AUDIENCE: Hi, Michael Bailey from BRW magazine. One of the things the report talks about is the effect of commuter times on relationships and human welfare. What practical implications does the report then have for urban planners and decision makers, particularly in a place like Melbourne where there is vast growth taking place on the city's western side?

JANE-FRANCES: What we're arguing is that the effect of long commutes on our relationships should be taken a lot more seriously. And land use decisions around where jobs are in relation to where people live, or where people live in relation to where jobs are, are really important. You can't make simplistic rules around that. They tend not to work that well. Economists get very frustrated when planners insert a box on a plan saying put jobs here because it doesn't work like that. But in the '50s and '60s when what were then outer suburbs were being built, it was often not assumed that water supply or sewerage systems should go in straight away and that they would be fixed up later. I feel like we're in the same situation at the moment around access to transport. You can build lots of suburbs, and now we would never think about not having the sewage in there from the word go, but we don't think the same way about transport. Given how access to transport and the time that it takes is so important, we've argued that maybe that should be taken as for granted as the sewage.

PETER: Ian Harper, can I ask you to follow up on that because I think there is a view across political parties that our cities generally need better, faster, more efficient public transport networks. The problem is where does the money come from? Who pays for them? Building a railway line is very expensive, even a light rail line is expensive. If you say this is important for social reasons, for reasons of social connection, as well as economic efficiency, productivity goes down if people spend a lot of time in traffic, and the environmental implications, then how do you go about finding the money?

IAN: The answer is some mix of public and private funding, and it depends very much on what sort of infrastructure it is you're dealing with and what sort of markets you can create that would facilitate that. There's a spectrum there and I think that even though I'm not denying for a moment that we need more infrastructure here in this city, we've actually made public-private partnerships, by and large, work pretty well here. And I'm not suggesting that there is never a case for wholly publicly funding these things. It's a spectrum, and it requires some careful attention to the markets you're dealing with. Broadly speaking though, in the circumstances that we presently face, and this is a matter which of course the government has addressed in its own update to the state budget, it might be useful to point out that all of the state governments are under financial strain at present, and the simple way to think about that is that the primary source of revenue for our state governments is the revenue from the GST. As consumption behaviour has changed within Australia, the size of the GST pie has shrunk. As the population ages and people spend more money compared to material goods on services including health services and education services, which are GST free, the rate of growth of the revenue for the states has come off. Now managing that problem when there's an ongoing demand for improvements in public services is a difficult one. It's not just our government that's struggling with that, every state government is.

AUDIENCE: I was just wondering what you saw as the importance of major events to the social city, and whether you think our state's emphasis on major events maybe comes at the expense of local, simpler connections? Events such as Grand Prix or the Australian Open.

JANE-FRANCES: In the report we talk about local events and communities, and how something local like Moomba, for example, provides a real expression of Melbourne which joins local residents and tourists, but I think I will ask Ian Harper to address your question more directly.

IAN: Typically economists, and my colleagues are often asked to answer these sorts of questions, will calculate what we call the economic contribution of an event like the Grand Prix. And without getting into all the detail, you're essentially asking this question, what would the gross state product be if we didn't have the Grand Prix versus what would it be given that we do have the Grand Prix. It's quite a before and after type comparison. And as far as it goes, that's a perfectly legitimate question to ask. But what it doesn't do is to ask these questions. What benefit is there from the perspective of relationships and connections and civic pride and all of that? Well none of that enters the calculus and the economists are going to say I haven't got a

clue how to value that. That's your business, Minister. I'm giving you the economic calculation; you decide on top of that what you want to do. And that, too, is a legitimate thing to do but it doesn't address these issues. So it comes back to getting better evidence.

AUDIENCE: Jane-Frances, you mentioned that there was no one happy density to make a social city, but I'm wondering if there's a threshold density that you need to achieve to make happy, social settings? Are there threshold densities that you need, for example, to fund public transport, to fund social infrastructure? I'm just wondering if you looked into that in any detail? Melbourne's a very low density city. If it continues as a low density city, it then means we get more cars and the problem fuels itself, no pun intended, so we aren't repairing that problem.

JANE-FRANCES: We're not arguing any particular level or model of density, but I'll just make a couple of points. One is that we do quote a study in the report that talks about thresholds of people living in an area to make particular kinds of community facilities worthwhile. There is a level of density that can allow you to provide services and so on. The other thing I'll say about density is that the densest residential area in Melbourne is South Yarra, and that's a very expensive place to live. It's reflected in property values that people really like the area that that is. In Sydney the densest area is Potts Point. I sometimes feel that discussions of density misses what's actually going on.

AUDIENCE: Jane-Frances and Ian Harper, Nathan Stribley from the Committee for Melbourne. Firstly I would like to congratulate the Grattan Institute for releasing this report. It's an extremely important report. We've clearly agreed that this is an important issue, so how do we encourage investment in this area? I note that the New South Wales Government is about to create a trial around social impact bonds [*creating a financial product where you get a return on an uplift in social improvement on a particular program*] in line what has been happening in the UK. Do you have any comments around that?

IAN: Social impact bonds are a wonderful financial innovation, when people think about the financial services sector and how it's covered itself in ignominy over the last four or five years, social impact bonds are one little light in the darkness. The difficulty with social impact bonds — just for the benefit of members of the audience who might not be familiar with them — is that they've been used to attract private funding to assist the government to achieve very narrow social objectives. The famous example from Britain being recidivism, that is to say reoffending by prisoners. And if the investment in this particular activity of running prisons and rehabilitating prisoners achieves a target level of reducing recidivism then the bond starts to pay. While the idea is terrific, the difficulty that people are finding with these social impact bonds combining private money with a public objective is measuring the outcome so that you can actually get a trigger for these payments which the payer and the payee will agree on. I'm not saying it's impossible or that it shouldn't be done, but it's difficult. When you start talking about Jane-Frances' issues of social impact in that broader sense, you run into the fluff problem. How do I actually measure this in order to make a social impact bond work? But we're only at the beginning of this, we need to give it more thought, which is what this paper is stimulating.

AUDIENCE: It seems to me that governments, states, federal and local, have retreated significantly from the provision of infrastructure over time so that in the past, governments rolled out railways to places that didn't have any people. In the past local governments provided utilities and now that's going to be done by developers. There's seems to be this recession that's occurred and governments have retreated away from the public provision of infrastructure without much public debate. I'm interested in your comments on that.

IAN: One comment is that depending on what the government decides you may or may not be able to read about public accounting. There's an interesting tale to be told about public accounting for expenditure on infrastructure and capital expenditure more generally, versus recurrent expenditure. And without boring this audience with a lecture on public accounting, can I say that there's a thread there that you might like to follow, to pursue your hypothesis.

JANE-FRANCES: I'd just like to mention that the piece of work we are working on now is about new [*greenfield*] communities. The basic question is what is it that we're getting at the moment? How does that compare to what we know makes for a thriving community? If there's a

difference, are there ways of changing the incentives and the rules of the game to get something better? And bound up in that will be a whole lot of questions around who provides what in what sequence, paid for by whom, when.

I would like to end by thanking the people at Grattan Institute who have contributed to the [Social Cities](#) report over its gestation, in particular Peter Breadon, Caitrin Davis, Amelie Hunter, Daniel Mullerworth and Ben Weidmann, who all made substantial contributions.

AUDIO: This has been a podcast from Grattan Institute. Want to hear more? Check out our website, [www.grattan.edu.au](http://www.grattan.edu.au).

End of recording