

by 1.5 percent. Urban success in Massachusetts means higher housing prices. In Texas, success means more bodies.

Together these set of graphs suggest that the regulatory environment strongly influences the path of urban growth. In Texas, which is one extreme, successful cities grow in population. In Boston, which has a much more restrictive regulatory environment, urban success has led to higher prices, but not more people.

At this point, it is hard to say how costly the regulation of new construction in Massachusetts may be. Indeed, it may be that the benefits of preserving low density living outweigh the costs of artificially forcing people to stay away from Boston, and the costs of forcing employers to pay more for workers. Further work must address this issue. In 1980, dealing with urban success did not seem to be Boston's most pressing problem, but in 2000, we are lucky enough to be challenged with figuring out the right way to grow.

VI. Conclusion

Boston has had an extraordinary history and it has had four different eras of success, each driven by a slightly different force. For the first 100 years of its existence, it was America's premier city. Boston was the capital of America's most commercially diverse region and it served as the central port for that region. In the 1750-1800 period, Boston had its first era of decline as its port was eclipsed by New York and Philadelphia. Those cities' more southern locations and superior rivers made them vastly superior places for shipping goods into and out of America.

But in the first 40 years of the 19th century, Boston had its first recovery. Peace and the increasing globalization of the 19th century maritime economy enabled Boston seafarers to exploit their expertise. New York and Philadelphia were still the dominant points of entry in the U.S., but Boston based seafarers manned ships owned by Boston merchants,

which traveled into and out of those ports. Boston mariners also thrived from the China trade and the whaling industry.

Just as the steamship eliminated Boston's supremacy in sailing ships, Boston reinvented itself once again as a manufacturing city. Because of the unusual temporal coincidence of the Irish potato famine and the last period of Bostonian maritime dominance, a vast number of Irish immigrants came to Massachusetts because Boston was the cheapest and closest port of entry. These immigrants would provide the muscle for industrial growth of what had been a maritime time. Boston's nineteenth century industrial growth was abetted by railroads and by the fact that factories used steam, not water, for power. Indeed, almost every large northern city in the U.S. as of 1860 became an industrial powerhouse over the next 60 years as factories started in central locations where they could save transport costs and make use of large urban labor forces.

But this period of growth came to an end in 1920. During the middle years of the 20th century, urban growth was driven by the move to sun and sprawl. As Boston was a high density city in a cold state, it was bound to decline. Bostonian streets were built around the pedestrian and the streetcar and, unsurprisingly, people left for the edges of the metropolitan area. Moreover, technological improvements meant that warmer climates became increasingly attractive and people moved south and west. As of 1980, Boston resembled many of the industrial hulks dotting the northeast and Midwest. A reasonable guess was that Boston's path between 1980 and 2000 would resemble the path that was actually taken by Detroit.

In the 1980-2000 period, Boston turned out to look more like San Jose than like Detroit. The booming information economy relied on skilled workers and Boston's long history had left the city with a surfeit of universities. As a result, Boston was ideally poised to take advantage of the rise in returns to skill that so marked the last quarter of the twentieth century. Boston left manufacturing and specialized in high technology, finance and education—industries that required skilled workers and that did extremely well over

the 1980-2000 period. Indeed, as long as the skills boom continues, it seems likely that Boston will continue to thrive.

Still, Boston's success leaves us with a major policy quandary. In the less regulated areas of the sunbelt, local economic success leads to massive new construction, accompanying large increases in population and small changes in housing prices. In the regulated Massachusetts economy, new construction is extremely difficult and as a result, economic success leads to higher prices, not large numbers of new homes. As a result, Boston faces extraordinarily high housing prices. Boston's limits on new construction were relatively costless in an era of urban decline, but as the area thrives, these barriers to construction pose the largest barrier to new growth and may well create large social costs for Bostonians and would-be Bostonians. The regulation on new construction is surely the most important policy area facing Boston today.