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How To Quantify A Successful City

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Austin, TX

As a traveling journalist, I visit many cities, and whenever arriving, the first thing I do is step right into their downtowns and try to figure out at street level whether they are "working." And after several days in town, I've seen numerous clues that imply this about Austin. There are construction cranes, new roads, an energetic young population--this feels like a boomtown. At the same time, I've visited other cities and instantly determined that something is off. Go to downtown Detroit, and you'll see trash, graffiti, vacant buildings, and street people staring into their liquor bottles. So visually, Austin and Detroit are a study in contrasts.

But other times, a city's looks don't necessarily explain how it's working. For example, many people would visit New York City, see a hyper-dense city, and conclude that it is ipso facto successful. But there's more than meets the eye—that city has congestion, failing schools, unaffordable housing, and stifling regulations. So New York's appearance is an anecdote. It doesn't explain whether or not that city works, especially for the middle class.

The question I'm presenting today is this: when discussing cities, how can we surpass the street-level anecdotes, and explore data that truly quantifies how they are doing? Which statistical indicators describe why Austin works better than Detroit, or even New York? Is it growth rates? Median housing prices? Public service quality? Debt levels? In a world in which cities are constantly analyzed, which statistics matter—and which ones don't?

My speech is thus a thought experiment—I'm covering 30 different economic and quality-of-life indicators, to explore why each is or isn't important. The name of the speech is "How to Quantify a Successful City."

There's two reasons this conversation is needed. First, there's an ideological divide now between the pro-density and pro-suburban set. One group, let's call them the Richard Floridas, advocate for cities like New York and San Francisco, and the other group, let's call them the Joel Kotkins, advocate for ones like Houston and Oklahoma City. There are statistical categories that each group

uses to justify why their model is best, sometimes without mentioning the caveats that go into those statistics. For example, a New Yorker will brag that median incomes there are higher, but won't mention that cost of living is higher, meaning these cancel each other out. Thus there is value in fleshing out the story behind the statistics.

The second reason is that there's ambiguity about this subject, and oftentimes commentators who try explaining whether a city is working will either use irrelevant data, or none at all. For example, I've read stories about the "comeback" of Pittsburgh, and these journalists often point to the construction of a few new heavily-subsidized downtown buildings as proof. Well you know what? Pittsburgh's population declined in every decade since 1950, including the 2000's, during the so-called urban renaissance. Does that statistic not matter? What about the fact that Pittsburgh has high debt? Poor air quality? An aging population with little turnover? In other words, commentators aren't using the indicators needed to arrive to proper conclusions, so they say things like "Pittsburgh is coming back," even though it's not.

Other times, commentators use dubious models. Take two studies I encountered while researching for this speech that aimed to calculate the world's best-performing cities. Both used sensible economic criteria, but then added irrelevant criteria. One study was done by The Urban Land Institute, a smart-growth think tank in DC. They had dedicated a category to "Image and Attractiveness," quantifying things like cities' aesthetic characteristics and branding efforts. Unsurprisingly, global ones like Tokyo and New York performed best, although I didn't learn from this study what it's actually like to live in them.

The University of Navarra in Spain had a more respectable study, but it, too, had some curious indices. It quantified things like the quality of given cities' government websites, cities' number of Facebook users, and their ability to lure international tourists. It had an entire section dedicated to urban planning, with the stupid indices you might expect—such as number of bike shops per 100,000 residents, and the number of architectural firms in each city.

A legitimate study would ignore aesthetics, and branding, and how many bike lanes a city has, and get to the meat and potatoes of how it functions. So I'm about to present 30 indicators that factor in multiple aspects of city life. Hopefully in combining them, I'm presenting a holistic look at what should be weighed when determining the success or failure of given urban models.

Category 1—Economic Indicators

#1—Population Growth Rate—The number one indicator for a

city, or any territory, is its population growth rate. This fall I lived in Miami, and met exiles who had risked their lives floating on self-made rafts to escape Cuba. And I thought to myself, “When people are risking *their lives* just to get away from a place, you know it has problems.” Yet, if a city or country is growing, it means numerous factors are working. They are likely providing good jobs, schools, roads, and housing, otherwise people wouldn’t move there.

#2—Unemployment Rate—Perhaps the most important thing after moving to a city is whether you can find a job. But the unemployment rate comes with a caveat, which is why I’m giving this speech, because there are wrongheaded assumptions about many of these statistics. President Obama has claimed credit because the national unemployment rate has dipped during his presidency. But as the more astute Americans know, this is largely because many people who couldn’t find work dropped out of the workforce. In fact, the workforce participation under Obama has hovered around 63%, the lowest since Jimmy Carter's presidency. When discussing cities as well, unemployment rates perhaps aren't as important as workforce participation rates.

#3—Job Growth—This indicator takes a more holistic view of a metro economy. For example, NewGeography.com’s job growth calculations used statistics dating to 2003. Contrast this with the unemployment rate, which is seasonal.

#4—Wage Growth is also important, because it determines what *kind* of jobs are being created. Are they low-paying service jobs,

or high-paying skilled ones?

#5—Innovation Rates, as defined by the number of patents granted, can convey an area's entrepreneurial spirit.

#6—Startup Activity, as defined by an area's rate of new businesses, also signifies this quality. The Kauffman Foundation ranks this by metro area, and in 2015 put Austin on top.

#7—Worker Productivity is usually defined as Gross Metro Product, divided by number of people living in that metro.

#8—Exports per Employee is an interesting one. I hadn't heard of this until several days ago. I was interviewing Tom Bacon of Lionstone Investments, a company that finances developments nationwide. He was showing me a U.S. map, and on it were about 15 green dots representing cities that his research team, using many of the same indicators that I'm presenting, had determined were investment-worthy metros. These included all the stereotypical boomtowns: like New York, Houston, Nashville, and San Francisco. But I noticed Miami wasn't a green dot, and told him how odd I thought it was that a city literally considered *the* U.S. destination for every rich Latin American somehow wasn't a top investment. He said Miami's problem is that it's built on housing and tourism, while the high wage, high productivity cities are built on manufacturing or innovation. Tom said one indicator for determining a city's strength in these sectors was "exports per employee."

#9–Inequality Levels?—I do not think inequality levels are

relevant. If a city is unequal, that means it just happens to attract both rich and poor people, but doesn't imply anything about its underlying economic health. Inequality levels are merely a demographic characteristic. Take Miami—it has high inequality through the sheer fact that it attracts people from around the world, whether rich Brazilian bankers or Cubans escaping by raft. Thus it will be unequal. There's no magic wand that Miami can wave to narrow this gap, because the fact is, the world is unequal, and cities that are "global" will therefore be the same. So the Gini Coefficient is irrelevant, although it was used in these other city-performance studies. But here are two indicators that are better than inequality...

#10—Median Household Income gives a better overall picture, rather than obsessing about the extreme ends of the wage scale, and...

#11 Upward Mobility Rates--It's not so much whether a city has poor people—many have historically drawn them—but whether it can provide them opportunity. Harvard University published a study called the Equality of Opportunity Project, which judged how well low-income children growing up in a city were doing there by age 26. There's probably better studies out there, but this one offers one view.

The remaining indicators deal more with quality-of-life, and while the Bay Area dominated many of the economic ones, these latter indicators favor America's smaller, more spread-out cities.

Category 2—Public Service Indicators

#1—Violent Crime Rates—Columnist Michael Barone once called crime the most severe negative tax on property. I couldn't agree more, and think this is arguably as important as population growth in quantifying cities, although I didn't see it mentioned in other studies.

#2—School Quality—Crime and schools may be the two biggest factors for the middle class. There's a website called Niche.com that uses data and community surveys to determine school quality, and the winner among big cities was intriguing—New Orleans. This is intriguing because New Orleans has been the nation's biggest testing ground for charter schools.

#3—Road Quality—This is defined by which roads are in best condition. The only links available measured the cities with the worst roads, and according to a study by the transportation group TRIP, it was San Francisco. An additional question is whether public transit quality and access, which was a big factor in other studies, is as important as road quality? I would answer no, because transit use represents a small share of the commuter workforce in almost every metro, while almost everyone uses roads.

#4—Public Utility Fee Rates—This is a strong indicator, because in cities that don't work, such authorities are mismanaged, so users pay high fees. Just think of the Port Authority for New York and New Jersey.

Category 3—Public Administration Indicators

#1—Economic Freedom Rates—This is an essential indicator, as it usually factors in government size, property takings, and labor freedom.

#2—Overall Tax Burden is a legitimate cost-of-living expense for businesses and residents. Because politicians often charge fees in lieu of raising taxes, perhaps fee levels should be factored in as well.

#3—Regulatory Climate is usually summarized as the time and cost required for opening a business.

#4—Property Rights usually refers to the rate with which cities employ their eminent domain powers.

#5—Credit Ratings have become an insightful view into municipalities' finances, as has...

#6—Debt per Household

#7—Corruption Levels can indicate the quality of a city's civil service. The most corrupt city, according to the University of Illinois at Chicago, is...Chicago...which between 1976-2013 had 1,642 federal public corruption convictions.

The funny thing about these public administration indicators is that they don't appear in other city performance studies. But a city's administration says a lot about how it is working internally, and the ones that do worst are the dense liberal legacy cities.

Category 4—Quality of Life Indicators

#1—Average Commute Times are longer in dense legacy cities.

#2—Affordability—Forbes measured this by comparing metro areas' prices for homes and goods & services, with their median income levels. This is likely a more important indicator than median household income alone, because it explains residents' spending power. When it comes to affordability, Southern cities do best.

#3—Car Collision Rates—This is a public safety issue, and is higher in dense northeastern cities, according to data from Allstate Insurance. Here are some other indicators that I will throw out there, with varying levels of seriousness.

#4—Air Quality?

#5—Pollution Levels?

#6--Health Care Access? Since costs can vary by city, depending on regulations.

#7—Amenities?... such as per capita availability of dining and entertainment options...

#8—Friendliness?—As someone who has traveled a lot, and witnessed the different personalities of cities, I think this is important. Conde Nast Traveler ranks this using reader surveys, and found, unsurprisingly, that Southern cities outperform coastal ones.

So I've covered 30 indices. Many of these may be self-evident to

this audience, but they are not used in public conversations by journalists or even academics. These indices don't explain everything that people may like about a city. But if someone crafted an equation that quantified city performance based on these indices, it would present a pretty accurate look at which models are succeeding. If I had to hypothesize, I would say that America's denser cities would perform well on the economic indicators, but not the service, administrative and quality-of-life ones, and would thus have low overall scores. Meanwhile, the best-performing cities would likely be the ones that are growing in population and economic complexity; but that are also maintaining the qualities of mid-size cities—by having less traffic, better schools, clean air, city halls that aren't full of crooks, and public services that haven't completely gone to hell. In other words, the cities that are "working" would be ones that are urbanizing, but maybe not too much. Examples might be Nashville, Indianapolis, Oklahoma City, or the Texas cities. I think they offer a model of success worth imitating in America. But debates about cities aside, I hope at very least that my collection of indices has presented a better way to define city success.

Scott Beyer

I am the owner of a media company called The Market Urbanism Report. It is meant to advance free-market policy ideas in cities. The Report features multiple articles... **Read More**