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an uncertain future.

This winter, I sat down for a conversation with Harvard's Ed Glaeser at the Urban Land Institute in Washington, D.C. The two of us discussed the paradox of the urban crisis: While prosperity and quality of life have increased in many cities, so has inequality, especially in successful cities. In a discussion with ULI's global CEO Patrick Phillips, we unraveled how these challenges threaten to hurt the future of cities and the people who live in them.

I spoke first, Ed followed, and then we threw it open for questions. This is an edited and abridged version of our conversation. I learned a lot. Enjoy.

—Richard Florida

RICHARD FLORIDA: What I want to do is temper my own view that somehow the combination of knowledge, intelligence, and creativity with urbanization informs a straight arrow of human progress. What we are experiencing now is a backlash. Watching Toronto elect Rob Ford was kind of a wake-up call to me. And I said then, if this backlash could happen in Toronto, it could happen anywhere. And of course, then came the Brexit, and the rise of Donald Trump.

At the bottom of the backlash lie these divides of class and location, of knowledge and urbanism.

The central argument of my book, *The New Urban Crisis*, is that the clustering of innovation and creativity and knowledge is two-sided. On the one side, the clustering of urban activity drives innovation, drives economic growth, and is the main source of productivity. But on the other side, it also creates the divides in our society.

The old urban crisis was one of decline—the middle class was moving out, poverty had moved in, crime, the urban core was falling apart. That old urban crisis is still with us in some places. But now we have a New Urban Crisis, which is in many ways a crisis of success.

It stems from a very simple thing. We have a huge amount of land in the world, but the land that people want to occupy is a tiny, minute sliver. It's a product of the interesting and productive stuff that goes on in and around that land. That competition for space and that battle over land—the two sides of clustering—is not just the crisis of our cities. It's the central contradiction of capitalism today.



(Courtesy of the Urban Land Institute)

This New Urban Crisis has five dimensions. The first I call “winner-take-all-urbanism.” There is a great tradition in economics of winner-take-all economics, where the best and the brightest and the most successful—whether it’s LeBron James or Taylor Swift—get most of the spoils. The same kind of thing is happening in cities; you have a growing gap between what the economist Joseph Gyourko and others have called the superstar cities and everybody else. They are attracting the best talent, the most investment, and the gap between them in terms of land and real estate prices is growing. That is causing problems both between countries and within them as people get very angry at the success of London or New York or San Francisco or Toronto vis-a-vis the rest of their countries.

How do you run a city if only the relatively advantaged can afford to live there?

The second is the crisis of success of these superstar cities and tech hubs. People talk all the time about gentrification and displacement. And artists and musicians like David Byrne, Moby, Patti Smith telling us that the creativity of these cities is being strangled by the 1 percent.

That is happening in certain neighborhoods. But there is little evidence that the creativity of London or San Francisco or New York is being washed away. In fact, if you look on balance of the accumulation of technology assets—startups, innovation—they’re actually more innovative than they were before.

The issue comes when you look at the distribution within those superstar cities. On average, most economists would tell you, everyone in those places is better off in terms of wages, salaries, and incomes. That’s true, but then you divide it between the educated and less educated, the skilled and the unskilled, the knowledge worker, the manufacturing worker, and service worker. If you look at wages after housing, the knowledge worker takes home \$70,000 or \$80,000 or more, while the the average service worker takes home \$15,000 or \$20,000 after paying for housing.

Service workers are falling further and further behind, and they’re being pushed to the disadvantaged parts of the inner city, or increasingly out to the disconnected and far-flung reaches of the suburbs, where they’re suffering hour-and-a-half and two-hour commutes. How do you run a city if only the relatively advantaged can afford to live there?

The third dimension is the evisceration of middle-class neighborhoods. Roughly speaking, two-thirds of us lived in middle-class neighborhoods some decades ago; now less than 40 percent of us do. More than 90 percent of U.S. metros experienced a decline of the middle class in the past two decades, and the most successful cities are the ones that have experienced the biggest middle-class decline.

That said, this decline of the middle-class neighborhoods is not just something that is isolated in the superstar cities. It is ubiquitous. Although New York and San Francisco and Los Angeles rank in the top three or five in all of these metrics, Houston continuously ranks up there with them.

The fourth dimension is the crisis of the suburbs. We know from the Brookings Institution and others that suburban poverty is rising and growing at faster rates than in the urban center. The suburbs also have growing inequality. They now have among the richest and poorest neighborhoods. I actually think the terms suburb and urban, city and suburb, are losing meaning. We no longer have an urban/suburban divide. I call it a “patchwork metropolis.” I use it to suggest that we have areas of concentrated advantage and areas of concentrated disadvantage with a missing middle.

The fifth dimension is the crisis of global urbanization. In the past, urbanization has spurred development. But we are now confronted around with what Ed has called “poor country urbanization,” and another group of economists call “urbanization without growth.” It is no longer the case that there is just an automatic connection between levels of urbanization and levels of income growth, and in many places that has broken down.

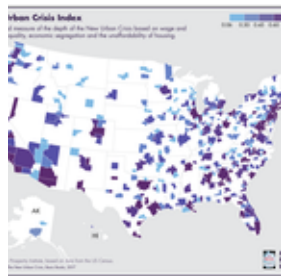
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Meet the 'New Urban Luddites'

RICHARD
FLORIDA

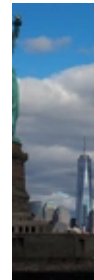
APRIL 18, 2017



Mapping the New Urban Crisis

RICHARD
FLORIDA

APRIL 13, 2017



So what can we do? I think there are two big principles and then four things we can start to do.

One, we have to look at ways to create more inclusive prosperity. That is a non-trivial problem, because the logic of clustering is so powerful. Two, we have to have respect for each other and where we want to live. Joel Kotkin and I have become friends over this idea that whether we're urbanite or suburbanite, we make choices that should be respected.

The first thing we have to do is increase density. We have to take on NIMBYism. In the book, I call it the New Urban Luddism, because it's about holding back progress. But we have to do density *right*. The places that are very innovative have a particular kind of density: They have mid-rise buildings; they have street level interaction. When we add density, we should be careful, because these kinds of neighborhoods are a scarce resource.

The second thing is to shift from home ownership to a system of more flexible rental housing. We have to take the market distortions of public policy out of that.

The third thing is to invest in infrastructure. There is a great study which estimates the costs of NIMBYism at roughly \$1.6 trillion dollars. Near the end of the study, the authors say that building transit and/or high speed rail as better ways to connect outlying suburbs and contiguous metros to expand the functional labor market could have a much bigger effect on increasing the productivity of San Francisco than just getting rid of land use restrictions.

The fourth thing is inclusionary prosperity. Urbanists talk a lot about inclusionary zoning. We could shift the conversation to inclusionary prosperity, which would include job creation, upgrading low wage jobs, as well as providing more affordable housing.

It's no longer enough to just push on the lever of urbanization and city growth. It's really important now to begin to make that growth more inclusive and to overcome this backlash.



(Courtesy of Urban Land Institute)

EDWARD GLAESER: Let me agree that we are facing something of a crisis. That is apparent, I think, to all of us. Whether or not we call it an urban crisis or a political crisis or a national crisis is more debatable.

I was certainly shocked by the electoral events of the last year. I didn't know there were so many angry middle-income people. There are people in this country who life has sent a really bad message. But there are a lot more people who are just profoundly upset with the failures of mainstream politicking and with mainstream economics. And they led to a sweeping electoral change.

When I look at America, I think by far the largest unsolved public policy problem is the rise of prime-age joblessness.

That clearly reflects this failure of center-right and center-left policy makers and economists to craft policies that meaningfully deal with both real problems and perceived problems. As we face the future, we have to decide how much we want to focus on the perceived problems—illegal immigration, for example—or real problems. I tend to lean towards wanting to fight the real problems and then trying to persuade the rest of the world that these are the real problems rather than focusing on the perceived problems.

The answer is probably to do a little bit of both. When I look at America, I think by far the largest unsolved public policy problem is the rise of prime-age joblessness. This shows up most among men, because female joblessness is harder to measure, but it is also present among women as well. When I was born, the number of men who were non-employed, which we include both unemployed and out of the labor force—was one in twenty. Today, that number is three times that, and that's down from four times that at the height of the recession. If we look at people who just have high school degrees and no college, that number is almost a quarter. And if we take some particular states like Kentucky, they have more than three in ten of prime-age males who are jobless. This is an incredible change in America, and it is not a change for the good.

I want to emphasize that the impacts of joblessness on misery, on drug abuse, on divorce rates, on whatever social problem that you imagine, is vastly higher than a couple of percentage points up or down in terms of income. This is a social dislocation. This is a feeling of uselessness in the world. This is a huge problem for America.

I continue to believe that cities are more likely to be part of the solution to this problem and to other problems like it than they are themselves part of this problem. American manufacturing is still strong, but it is manufacturing that is increasingly built entirely on machines, not on low-skilled labor. Cities should never apologize for their inequality, just as suburbs should never be proud of their equality. Cities have rich and poor people, because cities are good places to be rich and less painful places to be poor.

I am deeply troubled by poverty. I am deeply troubled by every child who doesn't have a chance to shine in this world. But the fact that Bill Gates is worth a lot more money than I am doesn't bother me in the slightest. So if we have an opportunity to focus on one, I would rather focus on lifting the bottom tier than anything that's chopping off the top.

There are real issues within cities, and there are real issues across cities. The real issues across cities are this very vast differences in the geography of prosperity; the tremendous gap between the Scrantons and the New York Citys. The challenge is whether or not the right answer is to think that you can build Scranton up to the point which it looks like New York, or just to say, you really should move.

This is in no sense contradicting Richard's view that we should respect choices; I think it is an amazing thing that America has as many diverse places to live as it should, and that's a great thing. I believe in freedom, and that goes to where you live as well as anything else. And I believe great cities are archipelagos of neighborhoods that give people different opportunities. That's a tremendous virtue of urban space.

But that being said, there's a question as to how many public resources we want to throw in to shoring up every declining Rust Belt community in the United States. One of my recent papers looks at the relationship between happiness and urban decline, and declining places are really unhappy. But when you go back to the '60s or the '50s or the '40s, it's not as if they were happy places back then either.

The high housing cost of our cities and the downsides of urban success is very real. The perpetual pockets of poverty often exist in the midst of prosperity. It's easy to think about potential ways of dealing with this in thriving metropolitan areas like San Francisco or New York. It's much harder to think about how you deal with this in Detroit when you have so little to draw on in the community at large.

I want to also highlight the decline in American entrepreneurship. This has been a 20-year trend; the rate of new business formation has declined for years, and surely this has something to do with non-employment. Every non-employed person who wants to work is a failure of entrepreneurial imagination.

It is a crime that we regulate rich-person entrepreneurship so much more lightly than poor-person entrepreneurship.

On housing, I think there are two basic things that you can do. You can just have more sensible, more permissive things that allow cities to do density right. It is very important that we have regulations that create healthy cities, cities that deliver more housing. Every time we say no to a new building, we're saying no to families who want to come in the city, and we're assuring the families that do live in the city are paying too much.

But we're never going to deliver really low-cost housing in cities by unleashing development. And if we want people who are really poor to be able to still mix in cities—people who aren't earning \$133,000 dollars a year as a family, but are earning \$30,000 dollars a year—we're going to have to subsidize them, and we're going to need to be honest about that. The question is, do you want to subsidize them through government-funded, taxpayer-funded housing vouchers, for example? Or do you want to do things by imposing implicit taxes on development like inclusionary zoning?

Like Richard, I have my doubts about saying that you're going to promote affordable housing by taxing development. I've never known an industry in which that's worked well. So whether or not there's a value win-win in which there are more impact fees that are paid by developers in exchange for more permissive zoning, which I think is certainly something that should be on the table. But thinking the right way to promote affordable housing is just to lay more and more burdens on developers—that feels to me like bad economics.

In terms of prosperity, mainstream economics has had one recipe for inequality over the last 30 years: education. We have had decades of work emphasizing the importance of pre-K, when done right, showing enormous effects of projects like the Perry Preschool project from the 1960s in terms of long-run outcomes. I think the right model is you continue to have competitively provided pre-K programs that are regularly evaluated and you let the good ones thrive and you let the bad ones decay. Same thing about charter schools getting more competition into our urban communities is really important. Getting better urban schools is the single most important thing for making sure that middle-class parents don't leave the cities.

But that's not enough. Pre-K is great, but it's going to show up in 30 years. So We've got to have things that work for older kids; we've got to have things that work for adults. So we need more work on vocational training, even entrepreneurship training. The great thing about vocational training is, you can evaluate whether or not they learned to be a plumber right then. You know right then whether or not they've learned to be a plumber or not.

It is a crime in this country that we regulate rich-person entrepreneurship so much more lightly than poor-person entrepreneurship. If you want to start your internet behemoth, whether or not in San Francisco or in greater Boston, you're facing a very light regulation. You get started in your dorm room, all of a sudden you've got a million users, and you're off to the races, before any regulator has even noticed that you exist. If you want to start a shop that sells some milk products in a poor neighborhood of Boston, literally there are 17 regulations that you have to go through before you open up your door and let anyone in. That's absurd. It's not that I want to regulate the internet entrepreneurs more, but I want to regulate those poor entrepreneurs more lightly.

I want things that look like entrepreneurship zones in areas that are not subsidized, but that offer one-stop permitting to entrepreneurs who want to get started. We need to recognize that there's a way in which we can engage in making cities more inclusive that doesn't involve trying to tax the local rich, because after all, they'll just leave anyway. You have to do something that grows the pie, and permits more lower-end entrepreneurship to flourish.

Finally, infrastructure—of course Richard's right, we need more and better infrastructure. But it's easy to do this stupidly. There's no area in which it is easier to waste hundreds of millions, hundreds of billions of dollars quickly than infrastructure.

As fascinating as America is, in some sense the biggest things that are happening in the cities are happening in the developing world where the need for infrastructure is enormous and the social change is enormous. In 1960, absolutely none of the poorest countries in the world were more than one-third urbanized. Today, 40 percent of those countries are.

You have the rise of megacities, in places that are both poor and terribly poorly governed. In some sense, the challenge of making those cities livable and productive, because the right answer is not as policy makers often ask us, how do I stop these poor people from coming to my city? That is not the right answer. The right answer is those cities should grow and thrive and permit for pathways out of poverty into prosperity.

They should generate democracy and cultural rebirth as cities have been doing for millennia, but they also need to deal with the demons that come with density, with contagious disease, with traffic congestion, with high housing costs, with crime. Dealing with those challenges and making those cities in the developing world more livable is one of the great vocations of the 21st century.



Want even more Glaeser and Florida? Here's the question-and-answer phase of their appearance.

About the Author



Richard Florida

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Richard Florida is a co-founder and editor at large of CityLab and a senior editor at *The Atlantic*. He is a university professor in the University of Toronto's School of Cities and Rotman School of Management, and a distinguished fellow at New York University's Schack Institute of Real Estate and visiting fellow at Florida International University.
