

Surfside Condo Collapse and How to Improve Urban Life Post Covid
What Happens Next 9.26.2021
Edward Glaeser QA

Larry Bernstein:

Ed, thank you. All right, let's start with Nicholas Bloom. We had him on What Happens Next a few months ago and he highlighted that he thought that using the office would still exist but would just change or adapt based on these new technologies. He thought that maybe what you would do is come in three days a week, two days a week specifically with your own department and maybe a firm-wide one day a week. What's so interesting about that is that the needs for office space would radically change, and given the inelastic supply of office, it could result in radical changes in price, which if prices went down, it would make it more appealing to come to urban environments. How do you think about Nicholas Bloom's predictions?

Edward Glaeser:

I think he's exactly right, that what you're likely to see in expensive office markets is much more adjustment along the price margin than along the quantity margin, meaning that let's say we thought that there was a significant drop in demand for classic commercial space in Manhattan, prices could drop down by 10%, 15%, 20%, but the office towers are still going to be occupied. They might be occupied by slightly different businesses. So we might see a little bit less of well-established financial service firms locating there and maybe a few more scrappy startups. I think that the place where you're more likely to see real disruptions from this are in the markets where office rents were 20 bucks, 25 bucks a square foot to begin with, markets like Buffalo or Cleveland or Detroit. And in those areas, a drop in price could actually lead to significant vacancies, which would then ripple through the ecosystem.

Larry Bernstein:

In your book, *Triumph of the City*, you talk about the benefits of concentration of similar sorts of workers and I remember a discussion about Silicon Valley specifically. One of the great things about Silicon Valley is that if you are a computer programmer and live there, you'd get a higher wage, that geographical benefit of having specific skills in a certain area. But with Zoom, the employer and the employee can benefit from not being in Silicon Valley. How do you think about both the national and global aspects of being able to use talent in a much more efficient way?

Edward Glaeser:

So I think this is clearly a bonanza for highly educated people who don't live in Silicon Valley. That's entirely right. And it's a bonanza for many highly skilled, for example, Indian software engineers who are also fairly fully connected, but this only makes things better for them. It's interesting, in fact, what this means for the fortunes of Silicon Valley and for the San Francisco area more generally, because it does actually two things, one of which is, it levels the playing field with places like Austin, Texas. Because you can actually access the same information, but it also makes it possible for you to live further and further out on the edges of Silicon Valley and

only come in two days a week or only come in three days a week, and the commute becomes somewhat bearable. So I'm not sure if Silicon Valley loses on net from this or actually wins.

Larry Bernstein:

Let's talk about education. How do you think the future of education will look like balancing online and being in person?

Edward Glaeser:

It's clear that there's huge demand during this pandemic for virtual courses. So there is a segment of population that really benefits from online education that's usually pretty energetic and interested in it. Face to face connection is a huge part of getting a kid who isn't highly motivated to pay some form of attention to what you're doing. And I include my own Harvard undergraduates.

Getting a 19 year old, no matter how bright they are, excited about mathematical economics is not always the easiest thing to do in the world, and it's certainly a lot harder over Zoom. Nothing beats the magic of face-to-face connection, whether in the workplace or in the classroom.

Larry Bernstein:

I want to switch topics to the CDC. What did the CDC do poorly? How can we improve upon it as an agency of the government?

Edward Glaeser:

It is clearly a huge mistake is our failure to protect the nursing homes, right? The fact that this is a disease that kills the elderly and the vulnerable, and we did so little to protect the elderly and vulnerable. And relative to the cost of everything else, relative the cost of various lockdown type policies for the economy, it would have cost a tiny fraction to just pay all of our nursing home workers double and triple time to get them to make sure that they basically stay at the nursing home, they don't bring disease from nursing home to nursing home. And we basically isolate and protect the oldest and the frailest.

Larry Bernstein:

All right, let's go in a completely different direction. In reading the Wall Street Journal review of your book, they focus heavily on land use. This is a topic that's near and dear to your heart. Can you give us a little background about the errors in government policy that have limited land use for new construction of homes and effectively driven up the price of real estate, particularly for young people?

Edward Glaeser:

So I see this as a 50 year change where America has become increasingly prone to its insiders, and to ignoring its outsiders. And I think of this in light of Mancur Olson's Rise and Decline of Nations, which he wrote in 1982. And when I read that in graduate school, it tells a tale of how

stable societies are increasingly taken over by well-organized interest groups that basically screw over outsiders and lead to stagnation. That's this sort of epic sweep. When I read this in the early 1990s, coming fresh off of the Reagan revolution in America, it just felt completely wrong to me. Just felt like this is not the America that I know, which is full of sort of vibrant openness to entrepreneurs, to newcomers, all sort of people.

30 years on, I think that there's a lot to like about Mancur Olsen's viewpoint, and a lot to dislike about how it's played out in America. And land use planning as a clear area, We used to be following standard common law traditions, that if you owned a plot of land, you could pretty much do what you wanted with that land, including building on it. Right? And gradually we ate away with that. Not insensibly with, let's say the New York Zoning Ordinance of 1916, which didn't actually restrict heights, but it did restrict the ability to cast a shadow. So the buildings had to get narrower as you rise to the sky, which gives us the ziggurat field that is so typical in buildings of that time period. Then you had Euclidean zoning in the 1920s, which tried to separate out buildings by usage. So you have commercial housing, which is separated from industrial housing, which is separated from residential housing, and increasingly, a different set of tools have been used by different groups to protect the status quo.

In the East Coast and cities, historic preservation, which started going in a major way in the 1960s, and great swaths of whole neighborhoods are now allocated to historic preservation districts in which basically nothing can be changed in those areas. In the west and outside of cities an environmental justification is often given, whether or not it's saving a San Francisco Bay or some other cause about protecting trees and suburbs. The irony about that often is that these alleged environmental reasons actually are somewhat counterproductive, environmentally. There's a lot to like about dense construction, close to city centers, in terms of being good for the environment in terms of reducing carbon emissions, because you have less driving, in terms of people's living typically in smaller houses, if you build up urban areas. And so, the environmental movement has often done harm to the environment in coastal California, which is intrinsically the greenest part of America because it's such a temperate climate. So the lowest carbon emissions by restricting the amount of development in, let's say the San Francisco Bay region drastically, they've ensured that there still is more development, but it goes on outside of Houston, Oklahoma, and Las Vegas and places that are much harder to cool, and often involving much more driving.

So small local organizations have basically figured out how to use the tools of local government to shut new building down. They're often depicted as heroes, and the greedy developers who want to build are often depicted as villains. But the amazing thing about the free market is often, people who may look like greedy villains, end up serving a larger social good, which is providing ordinary housing for decent Americans at a reasonable price. And you still get that in Houston and you don't get that in San Francisco. And that's because Houston ultimately is hued more closely to the older ethos of basically letting the people build. And that's proved to be much more beneficial for outsiders than the idea that you're going to just protect everyone who is now in the cities, views and comfort, and if people can't afford to live there, then so be it.

Larry Bernstein:

So, using Olson as a backdrop, California and Massachusetts, both have been big users of land use regulation and Texas has not. And the result is an enormous boom in population in Texas and Florida, and much less population growth in places like Massachusetts and California. Is that just another way of saying this is how the market will work if you put in restrictions and jack up price? Young people will find themselves moving to Texas? And would that be a self-correcting process that it obviously takes place, or other enormous frictions related to people who are born and raised in California with desire and to remain there, and therefore accepting a lower standard of living?

Edward Glaeser:

Well, I think we should worry about Americans not moving to places that are more productive anymore. Throughout most of our history, the stone walls in the land outside of my home here, which were walls, this land was farmed in the 18th century. No one's farmed it for 180 years because its crappy land to farm, and the farmers went west to the Ohio River Valley, or they went further on to Iowa, or to Illinois. All of these things have been in America on the move, or most dramatically think about the Great Migration North of African-Americans freeing the Jim Crow South.

All of these things could happen because the receiving communities made room for these people. We don't do that anymore. We have migrations driven often by the availability of inexpensive housing. So that's fine, I'm glad that that inexpensive housing is available, there's a lot to like about Texas, for goodness sakes, but it seems problematic when Silicon Valley, New York, Boston, places which by most observable measures, some of the most productive places on the planet, they don't allow growth, and the country as a whole suffers in terms of its productivity, because of it.

Larry Bernstein:

How do you think about this 70-year period of populations moving out of the cities, and into suburban exurbia, and how do you see those trends changing?

Edward Glaeser:

We have always built our urban spaces around the transportation technology that was dominant in that era. Our oldest cities are walking cities with narrow streets, and often winding paths. Our 19th century cities are built around various forms of wheeled transport, street cars, then elevated railroads that enabled cities to stretch much further, but still meant you had to walk from wherever that the train, or the streetcar drop you off to your final destination. In the 20th century, the car was completely dominant, and for totally understandable reasons. I mean the average commute by car in this country is typically about half the time of the average commute by public transportation, in part, because you don't have that 15 to 20 minute time fixed cost involved in walking to the train, waiting for the train and walking from the train. And so, we radically rebuilt our urban spaces around the car. And this was the big story from, let's say, 1950 to 1980, right? Totally dominant. And there's no sense that the success of cities after

1980 and coming back meant that the dominant population growth was not in the suburbs that continued to be so.

Larry Bernstein:

How should we think about the decision of African-Americans to move down South, reversing that African-American migration for reasons of employment, education and safety?

Edward Glaeser:

Well, I think that the story of the great migration North should be seen as very bittersweet by the African-American population. It was an amazing thing for people like Richard Wright to come to Chicago and in the 1920s and 1930s and experience a world that was completely shut off to them in the Jim Crow South; a world of employment, a world of ideas, a world of possibilities. That was utterly amazing. There were jobs there for them.

Now flash forward a generation or two, those same cities, especially after white flight occurred, ended up being fairly terrible places to have children, especially for the African-American community, partially that was racial segregation. Whereas for many of us, part of the great benefits of the city is the fact that we interact with huge numbers of different people, of different races, of different levels of education, of different occupations, right? The world of a segregated child is very different. If you wake up in a segregated housing project and you go to a segregated school, it's like you're in a village and you're not experiencing any of that.

Leaving these cities which once seemed so bright for someone else, unfortunately makes sense. It will make sense as long as cities fail. Even more than the failures in policing or the failures in affordable housing, is the failures of urban schooling to provide upward mobility for ordinary kids and especially for African-American children.

Hopefully they will find both short run employment, which of course they are finding, the Latino community, but hopefully those cities of 2030 or 2040 will do better for their children than the cities of 1970 or 1980 did for the children of the African-American migrants. But that's part of our goal in terms of vocational training, is to make that possible.

Larry Bernstein:

You talked about the demonization of our wealthiest city goers. Their property has been attacked. Many of them are planning to leave these big cities for low tax, safer places in the South.

In your opening remarks, you mentioned that we can't throw these guys out because they provide so much both human and physical capital to the cities and cultural capital as well.

Edward Glaeser:

Yeah.

Larry Bernstein:

Why are the wealthy under such attack by progressives right now, and what can be done to encourage these individuals to stick around and encourage the growth of the cities?

Edward Glaeser:

That was one of the things that motivated the book, was this deep worry about the fact that cities seemed to have forgotten that the rich and businesses are mobile and they've only become more mobile thanks to Zoom, thanks to remote work.

I think the reason why this comes up is, is a real frustration with the pace of progressive change by many people on the left and an understandable frustration with the inequality of American society and the lack of upward mobility in cities. Cities have always been on equal places, right? It was Plato who wrote 2400 years ago that every city with whatever size, in reality is two cities, one, a city of the rich, the other, the city of the poor, and they are perpetually at war with one another.

In fact, urban inequality is not something that cities should be ashamed of. Cities attract the rich by being relatively pleasant places to be rich, and they attract the poor by being relatively tolerable places to be poor. That's not something that's an urban problem. Those are urban assets. But that level of inequality is only tolerable if cities are continuing to do their historic job of turning poor children into rich adults. Unfortunately, the Opportunity Atlas data of Raj Chetty and his coauthor shows that cities are really not doing a very good job of this in lots of different dimensions and lots of different ways.

That combines with frustration at the police, frustration about the high cost of living and frustration with national politics as well, which until the election of Joe Biden was something which certainly infuriated many people on the left. Local politics seems like an outlet, but if you want to tax the rich and give to the poor, the right level of government to do that is the federal government because it's much harder to run away from America than it is to run away from Chicago or to run away from Seattle.

You really should not be using local government to redistribute. You should be using local government to try and solve the core tasks of local government.

If you do decide that this is something where the real goal is to demonize the wealthy and treat them poorly, then they will leave and cities will be much the worse for it.

Larry Bernstein:

The economist that you hold dear to your heart is Jane Jacobs. What is about her work that you think has most relevance today?

Edward Glaeser:

Jane wasn't an economist. Jane didn't have a college degree. Jane is just a peerless urbanist. She just had eyes that saw clearly what was functioning in cities.

The fantastic things about Jane, which are in *Death and Life of Great American Cities*, it's her observing the ballet of the sidewalk, as she discusses it, understanding the ways that people who live in cities interact with the streets around them, understanding the strange and

unpredictable things that happen in cities and how things that look inefficient in cities actually produce sort of remarkable long run benefits.. There's always something inefficient about being in the office relative to being home and at Zoom. But surprising things happen at the office that enable us to learn more from each other and to actually just have more fun. And I think that's part of what she was recognizing was that cities, despite their seeming inefficiencies had hidden strengths that led to long run creativity and long run vitality.

Larry Bernstein:

One of my favorite segments from that Jane Jacobs book was the description of a grandmother's... I think sitting on a balcony on a second floor walkup in the Village and making sure that there was no trouble in the street. And if there was trouble, she would have quickly called the police. How do you think about that observation about how to control crime and misbehavior on the streets?

Edward Glaeser:

It's funny, I wrote a whole paper that was inspired by that, looking at victimization data. People who live in high rises are much more likely to be victimized on the street, but much less likely to be burgled than people who live in low rise dwellings in cities. So it really did seem to support Jane Jacobs' notion that being too separated from the space on the ground made it difficult to observe those people. It doesn't mean high rises are bad, but it does mean you have a larger public safety problem to deal with when people actually can't monitor the streets.

I don't know how many neighborhoods actually look like what she described, which was a sort of typical New York neighborhood of the 1950s, where you have a bunch of people in these walkup units, where there's nothing all that entertaining to do anywhere else, so you're looking at the street, you look at your kids playing on the street. It's a wonderful description of a time period. I'm just not sure how much it persists.

But the view that streets are safe when there are people using them is certainly true. And that continues to be the case that eyes on the street are what creates a sense of urban safety.

Larry Bernstein:

We end each session on a note of optimism. What are you optimistic about as it relates to your topic, broadly defined to be the economics of cities?

Edward Glaeser:

Cities have shown a remarkable ability to survive much worse than this. And I think that the value of information rich environments that promote some degree of opportunity for young people who are outsiders, the demand for those spaces is not going to go away. And cities provide the space in which we can really make our future, in which we can learn from people around us. And I will say personally... So I've been back in the office since mid-August. And it has been just such a source of not just joy for me, but I think joy for everyone just to be around each other again, and to remember how much we gain from connection to other human beings. And that completely makes me optimistic.

Larry Bernstein:

Ed, thank you very much.