

BOOKSHELF

Gentrification and Its Discontents

Cities attract the rich with amenities and the poor with services. But they are failing the middle class. Edward Glaeser reviews “The New Urban Crisis” by Richard Florida.



Without: The number of homeless in San Francisco has increased since 2010, according to U.S. government data. PHOTO: AGENCE FRANCE-PRESSE/GETTY IMAGES

By Edward Glaeser

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In today’s San Francisco there is hardly any room for the middle class. Soon-to-be tech millionaires leave the city each morning on the Google Bus, headed to company headquarters in Silicon Valley, while the homeless and the permanently poor watch them pass. The Bay Area is home to more than 71 billionaires (second in the world only to the New York metro area) while about 14,000 (or 13%) of San Francisco’s children live in poverty. The very success of the information economy has caused the area-wide median sales price of existing single family homes to soar to more than \$800,000 in 2016, beyond the reach of most of those in the middle. There is something very wrong with this picture.

THE NEW URBAN CRISIS

By Richard Florida

Basic, 310 pages, \$28

Fifteen years ago, Richard Florida’s book “The Rise of the Creative Class” correctly argued that in the 21st century urban success would stem from skills and innovation, not smoke stacks and heavy industry. Now he has issued a wake-up call about a new crisis that

threatens the future vitality of our cities. Unlike the urban crisis of the 1970s, he writes, this one does not primarily reflect “economic abandonment of cities and their loss of economic function” but rather the agonies that can accompany their success.

Quite often, urban success generates positive “spillovers,” through which the wealth of one person improves the lot of her neighbors by reducing the risk of crime or increasing the demand for their labor. But sometimes, especially when urban growth is restricted, success creates negative spillovers. Most obviously, the flourishing of a single urban industry, such as finance, can increase housing costs for everyone else. As a result of such processes, over the past 35 years urban inequality has become more extreme,



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generating gentrification and political upheavals. “The New Urban Crisis” bracingly confronts this tension between big-city elites and the urban underclass.

Cities have always contained enormous inequality, largely because they attract both rich and poor people. The rich are drawn to cities by amenities and opportunities, but they also offer many job options for the less skilled, especially within service industries. Social services are often more extensive than in rural or suburban communities, and urban public transportation eliminates the need to own a car. But urban poverty can have terrible consequences: Even if poorer people choose cities for good reasons, their children can become “stuck in poverty for generations.”

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Mr. Florida sees segregation—both by race and by class—as a leading cause of such poverty traps. Young African-Americans have far worse outcomes when they grow up in more racially segregated metropolitan areas, and when a child of poorer parents moves to a more segregated city, that child’s future income prospects fall dramatically. Segregation by race has been declining for the last 40 years, but segregation by wealth and income has replaced it. Mr. Florida notes that “knowledge-based metros” like San Francisco are also increasingly segregated by education and occupation. Cities with more blue-collar jobs, he points out, are less economically segregated.

The strongest part of “The New Urban Crisis” is the author’s discussion of how to combat such segregation, particularly by building more middle-class housing. His excoriation of NIMBYs—the exponents of a “Not In My Back Yard” anticonstruction ideology—is delightful: He calls them “destructive” urban rentiers who “have more to gain from increasing the scarcity of usable land than from maximizing its productive and economically beneficial uses.” He coins a wonderful phrase, “The New Urban Luddism,” to describe the antigrowth advocates who oppose not only home-building but all infrastructure, including “the transit and subway lines required to move people around.”

These NIMBYs have transformed some of the world’s most successful cities, including New York and Paris, into zero-sum spaces, where each new elite pushes out a poorer household. Urban areas that enable growth, such as Houston today or New York in the 1920s, have historically remained affordable for middle-income residents by enabling abundant new construction. When San Francisco and Boston stymie development with an “enormous and complex thicket of zoning laws and other land use regulations,” these cities ensure that they are too exclusive and expensive, and their poorer residents inevitably view the rich with envy and anger.

The best policy tools we have against segregation are to permit more middle-class rental housing in urban cores and to replace existing, segregated housing units with portable housing vouchers. Mr. Florida argues that local regulations “need to be liberalized and modernized,” but he fears that such deregulation “is likely to mainly add more expensive luxury towers” and in any case will “do little to provide the kinds of affordable housing our cities really need.” I’m less sure: If we permitted enough new units, we’d run out of billionaire buyers. But, by all means, fast-tracking the approval of projects with middle-income units should be something we can all agree on.

Mr. Florida shares many other good ideas. To spur the creation of middle-class clusters, he argues, we should ditch the property tax, which creates “disincentives to add density” because payments scale up with the size of structure. Instead, let’s try a land-value tax, under which the owner of an empty parking lot would pay the same as the owner of a high-rise apartment building, and thus have an incentive to build something useful. (But those incentives will only induce more building if regulations allow more building.) Mr. Florida also favors reducing America’s subsidies for socially engineering homeownership, embodied in the home-mortgage interest deduction. This makes sense: High-rise buildings are overwhelmingly rented; single-family homes are overwhelmingly owner-occupied. When we use the tax system to favor owners over renters, we push people away from higher-density living.

Mr. Florida is right to emphasize the ills of high-cost urban housing markets, but he believes the problem of what he calls “winner-take-all urbanism” encompasses not just inequality within cities but among superstar cities, “such as New York, London, Hong Kong, Los Angeles and Paris,” and other urban places, like Detroit and Newark. He also

closes his book by describing “the burgeoning crisis of the suburbs, where poverty, insecurity, and crime are mounting, and economic and racial segregation are growing deeper.”

In these areas there are few easy answers. The unequal success of cities is an eternal problem. When the age of steam-powered rail replaced the age of the clipper ship, New Bedford, Mass., declined and Boston thrived. Should the success of 19th-century Boston have been checked to promote more equality across New England towns? Mr. Florida supports high-speed rail, which he thinks can help “link separate metros together in larger and more formidable mega-regions.” This remains a theoretical possibility, but in the past most claims about the larger economic benefits of modern rail investments have proven to be well-spun fantasies. The answer to getting people moving between cities is more likely to come in the form of a 21st-century technology, like autonomous buses on dedicated smart lanes, than from a 19th-century technology like trains. And even that solution isn’t coming soon.

Mr. Florida is right that there are really twin crises: inequality and segregation. But only segregation truly qualifies as a particular urban crisis. Rising inequality is a nationwide phenomenon, driven by globalization and technological change. To overcome problems of persistent poverty, Mr. Florida argues, we need “comprehensive and coordinated place-based investments in disadvantaged neighborhoods.” Yet the track record of federally funded, place-based strategies is somewhere between mixed and dismal; they often aid property owners and connected contractors more than the disadvantaged.

The government should concentrate on helping poor people, not poor places. After all, the American economy will not benefit from stemming the flow of people from less productive places to more productive ones. The answer instead is, as Mr. Florida nicely puts it in his conclusion, a “new and better urbanism.” Cities are a force of tremendous strength and their success rests above all on their human capital. The dynamism of urban economies suggests to me that cities are not a cause of but a cure for global inequality.

—*Mr. Glaeser is a professor of economics at Harvard, a senior fellow at the Manhattan Institute and author of “Triumph of the City.”*

