



# How Our Reignited Love Affair With Cities Created An Urban Crisis

By [Knowledge Wharton](#) · on May 10, 2017 4:35 pm · in [Politics](#)

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Author Richard Florida discusses his new book about rising inequality in cities.

Millennials seem to be curbing their love affair with the suburbs as millennials move to major metropolitan areas for the excitement and amenities of city living. But this shift is creating challenges of its own – increasingly unaffordable housing, rising inequality and strains on aging infrastructure, among other consequences. Author Richard Florida, a professor at the University of Toronto, calls it [The New Urban Crisis](#), which is also the title of his book. He discussed his findings on the [Knowledge@Wharton show, which airs on SiriusXM channel 111](#).

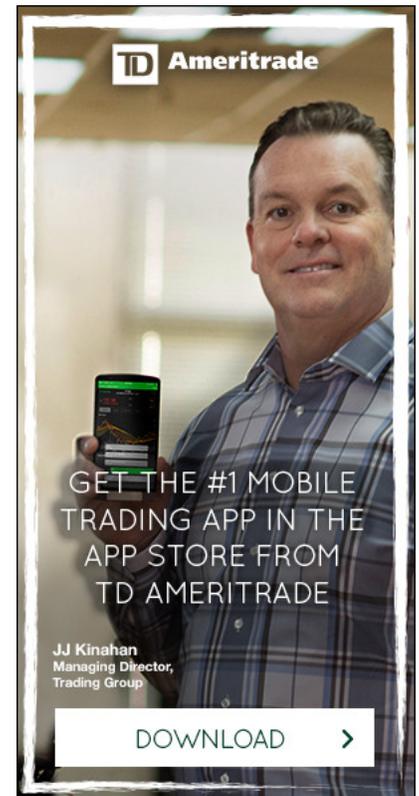


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Urban Crisis

An edited transcript of the conversation follows.

**Knowledge@Wharton:** As people move back into the cities, the expectation was there would be this economic boom. But something went askew along the way?



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**Richard Florida:** When I wrote *The Rise of the Creative Class*, there wasn't much of an urban revival. Yes, you could see it in Greenwich Village or Soho, maybe Society Hill in Philadelphia and Cambridge in Boston. But in most cities around the country, you still had dead zones. My book then was saying, "Look, wake up. People want to live in cities. They want to come back — this so-called 'creative class' of knowledge workers and techies and artists." Over the past decade and a half, we've seen an urban revival that has been literally off the charts.

It has accelerated and now is occurring everywhere. I [was] in Columbus, Ohio where downtown and adjacent neighborhoods boomed. Indianapolis has boomed in this urban revival too. They were the places that no one wanted to live in — but now artists wanted to live there, the gay community wanted to live there and so did a few young kids. Now, everybody wants to live there. It's been the educated and the affluent [moving in], the top 10% of income earners. In addition, companies have said, "I want to be where the talent is. I'm going to move my headquarters from where-the-heck in the exurbs back to the city."

"Over the past decade and a half, we've seen an urban revival that has been literally off the charts."

Tech companies like Google and startups are saying, "I don't want to be in the suburban office park anymore. I'm coming back to the city." This has set off a very vigorous competition for urban space in which land is a scarce resource. When you have a scarce resource, prices go up, people get priced out and the urban revival has had this dark side. It has created new divides.

**Knowledge@Wharton:** Here in Philadelphia in the Fishtown section, if you went back 10 or 15 years you could probably find homes that cost \$50,000 to \$75,000. They weren't very good properties. But now, townhomes there are upwards of \$400,000. It's crazy to see what has happened over the last decade here and in other cities.

**Florida:** I was in Philadelphia [recently]. It was a beautiful night and I was staying downtown. I walked over to Vernick Food & Drink, and the first thing I noticed is there were many young people. I do not see as many young people in restaurants in New York anymore. I asked the bartender, "Why are there so many young people here?" He said, "It's affordable, but it's getting less affordable." And I said, "Well, Philadelphia is now in the top 10 on my new urban crisis ranks."

But at \$400,000, you still have room to address it [in Philadelphia]. In Toronto, where I live part of the year, the median price of a detached home is \$1.7 million. I shudder to say those words. In this case, young people have been priced out. I think a city like Philadelphia can now address it, whereas I think cities like Toronto and Washington or Boston or New York or L.A. — it's almost become extreme.

My students are MBAs. I said, "Guys, how do you afford a house in Toronto?" They giggled and said, "The bank of mom and dad." Isn't that tragic? A young person's future not only depends on the family they grew up in, but then to put them in the appropriate local labor market, mom and dad have to buy them a home.

**Knowledge@Wharton:** A lot of this was happening pre-recession, and the trend has just continued. Is real estate in some of these cities hitting the high end at this point?

**Florida:** I don't know the answer to that. But I can certainly say that it appears that the market for real estate in many of these places has become global. It's no longer a local real estate market. The people buying property in Manhattan or Miami or Los Angeles or Toronto are not necessarily people who live in those cities. The other competitors for real estate are companies — tech companies and tech firms that want to be near the city core.

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... This sounds crazy, but because these wealthier people want bigger units, they're taking a townhouse that used to house three or four families and turning it into a single-family unit. They're combining two or three or four one-bedroom condos into their spread. In a bizarre way, we're living a more suburban lifestyle.

**Knowledge@Wharton:** You lay out the fact that there is this growing separation between the haves and have-nots in a lot of these cities.

**Florida:** Take Philadelphia as our example. ... It was poor, burnt out. It was not quite as bad as my hometown of Newark, N.J., but it was dysfunctional, and the businesses and middle class moved to the suburbs. You had poverty in the city and wealth in the suburbs. Now you have more affluent people moving back to the city, but it's interesting that you have these areas of concentrated wealth in the city juxtaposed with areas of concentrated poverty and disadvantage. But poverty has shifted to the suburbs too. You have now these spans of poverty in the suburbs, but still the most affluent places in our metro areas are in the suburbs.

"The people buying property in Manhattan or Miami or Los Angeles or Toronto are not necessarily people who live in those cities."

One of the big points of the book is that the middle class — and middle-class neighborhoods, which were the heart and soul of the American dream — have fallen by the wayside. Sixty-six percent of Americans lived in middle-class neighborhoods in 1970. Now less than 40% of us do. The result of that has been this incredible socioeconomic and geographic divide, and this incredible backlash that produced the reaction that put Donald Trump in office.

That really is not so much a class backlash, but it is an urban-rural, urban-suburban divide, and people are being pushed outside, looking at it and going, "I want a better life. I want a middle-class neighborhood back. How do I get it?"

**Knowledge@Wharton:** Part of this is causing what you term "a crisis of success." Can you delve into that more?

**Florida:** It is playing out in Detroit in a different way as the city gets this tremendous reinvestment in its core by a billionaire named Dan Gilbert. The neighborhoods surrounding Detroit are like, "What's happening to me? I'm becoming displaced. I don't like this." So, the urban reinvestment that's needed to create jobs creates anxiety and resentment. I call it winner-take-all urbanism. We know we live in a winner-take-all economy, but this is winner-take-all urbanism.

Philadelphia is a big winner. Maybe London and New York and San Francisco and Los Angeles are the biggest winners. But one of the reasons Philadelphia has come back so powerfully is [the presence of] great knowledge institutions — the University of Pennsylvania and Drexel University and Villanova University — great urban neighborhoods, and a streetscape and density that is probably the best in the country. New York is great, Boston is great, but Philadelphia's spectacularly beautiful. It's basically a suburb of New York, and it's not much less of a suburb of Washington, D.C. It's on that Amtrak Acela corridor. The fourth-largest economy in the world is the Philadelphia-New York-Baltimore-Washington-Boston corridor. All these factors make Philadelphia a winner.

But when I say "crisis of success," even the winners have these divides because what happens is the advantaged third of Philadelphians, the advantaged third of New Yorkers, the advantaged third of San Franciscans can survive and thrive and buy real estate. But 66% of Philadelphians and their counterparts in other cities fall behind. They can't buy in. They get

pushed farther afield, either into dilapidated urban neighborhoods or faltering suburban neighborhoods, and that creates this gaping divide in the absence of a middle class. So yes, we get a social and cultural and political pressure cooker, which results in what we see in our country today.

**Knowledge@Wharton:** President Trump talks about a \$1 trillion infrastructure investment in the United States. Infrastructure is something that a lot of people say is neglected. How does that help or hurt what we're seeing going forward?

"The middle class and middle-class neighborhoods, which were the heart and soul of the American dream, have fallen by the wayside."

**Florida:** The reason we have this great, thriving northeastern corridor is infrastructure. There's great transit within most of our northeastern corridor cities and an Acela line that connects them. That is why we've scaled that mega-region to 50 million people and \$2.5 trillion in economic output. It's one of the most powerful economic entities on the planet. It is a connected, functional economic zone. But then you look at the Midwest, where there's Chicago and Detroit and Cleveland. They're all disconnected and not an economic zone.

One of the things we need in this country is more investment in two kinds of infrastructure. We need better transit so that our people can move around our metros. One of the things I point out in the book is that once a metropolitan area reaches 5.5 million to 6 million people — that's like Atlanta, Miami, D.C., Boston, Dallas, Houston — you can no longer grow simply on the car and the single-family home. You've got to invest in transit, and you've got to create density. If you want to create a functional economic zone like the mega-region of Boston, Washington, Philadelphia and New York, you need high-speed rail. One of the things that worries me is that we have a big backlash against those kinds of investments.

**Knowledge@Wharton:** A lot of young people who have moved into cities over the last decade have said, "This is my home. This is where I want to raise my kids." But a portion of them will want to move back out to the suburbs and have the four-bedroom house, the two-car garage.

**Florida:** It's not like all Americans want to live in cities. It's not like all Americans want to live in the suburbs. It's not like all Americans want to live in rural areas. Some of us want an urban thing, especially when we're young or when the kids have gone off to school. Many of us prefer suburbs when the kids are young. In fact, the majority of Americans still live in suburbs. Some of us want to live on the exurban fringe and have more space. Some of us want to live in a blue city, where we pay more money for more knowledge institutions and great universities and better transit. Some of us want to save our money and move to the Sunbelt and live in a red area where we don't pay so much in taxes.

**Knowledge@Wharton:** Are more public-private partnerships part of the future for cities?

**Florida:** This is the area where America has really excelled. You don't see this in other countries. You don't see the local initiative, even though our cities are hamstrung and don't keep up support. We know cities like Philadelphia and New York and Boston just give a whole bunch of money to the federal government that the federal government redistributes to other places.

But our public-private partnerships have been a fantastic success story. I lived in Pittsburgh for nearly 20 years, a city that was down on its knees. Local government was broke. What kept that city going was private philanthropy, the foundations. It was local corporations and community neighborhood development entities that pooled resources and rebuilt and stabilized neighborhoods. That's what's building these high-speed rail lines in places like Florida. It's not the government. It's a public-private partnership led by the private sector.

I say in this book that I used to be a rose-tinted glasses optimist. Now I'm guardedly optimistic. Our corporations now depend on our cities. They are moving back from the suburban office park to the cities. They need our cities to work. They need transit to get their people to work. They need rail to get around. So corporations are going to have to ante up. In partnership with local government, we can do a lot. The other reason I'm optimistic is that this cuts across the left-right divide. But we have to start the conversation now and begin to steer our country in this direction.

**[The New Urban Crisis: How Our Cities Are Increasing Inequality, Deepening Segregation, and Failing the Middle Class—and What We Can Do About It](#)**

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