

(1) Public space evaluation - experience on the sidewalk & what can be done by government & by BIDs

(2) Enrico Moretti, New Geography of Jobs

We come off the sidewalks and into buildings

Who are the employers in these buildings?

Economic changes that have transformed cities since 2000 – and help explain both the highly success growth within cities -- & greater income and racial disparities

Current focus on equity

(3) Backlash against the economy

(4) Current competitive context

(5) Cities that succeed & cities that fail

Detroit and London England

(6) Politics that emerge

(7) Pragmatically, what can be done at city level

## Enrico Moretti, The New Geography of Jobs

- 19<sup>th</sup> & early 20<sup>th</sup> century North American & European cities were manufacturing centers  
Centers of production; locomotives, boats, cars, radios, military equipment  
Office buildings in downtown, housed the management functions for the industrial city  
Manufacturing was driving edge of innovation  
Selling manufactured goods  
was source of wealth for cities and places

19<sup>th</sup> /20 th century wealth: 21<sup>st</sup> foundations

Rockefeller (oil)

Carnegie (steel)

Ford (cars)

Knight (Newspapers)

William Penn Foundation (Rohm & Haas chemical)

Pew Charitable Trust (Sun Oil)

Manufacturing age: 1870 to 1970s

Post-World War 2

European nations & Japan rebuilt

Increased competition

Then North American & European cities  
de-industrialized; *post-industrial economy*

*In US*: Suburbs, south and then global

For years, economists have understood  
that post-industrial economy was dividing into

- High-skilled knowledge-intensive jobs,  
& lower skilled jobs;

It's the simple reason you are all in college  
(unemployment graphic)

Moretti's focus is on the place dimension  
of this change: "*the great divergence*"

1. Places with knowledge-intensive jobs, draw to  
them a solid base of workers &  
the presence of knowledge-workers,  
is attractive to firms – mutual reinforcement.

Arrows of causation

2. knowledge-intensive industries tend to geographic agglomeration; “clustering”

- not evenly dispersed across places
- tend to cluster & want to be near each other & near venture capital

(Bay area – SF/Silicon Valley, London,

Bangalore, India;

Shenzen & Pearl River Delta in China) (map)

Edward Glaeser, Triumph of the City

Virtues of density for economic development

Density enables a virtuous cycle to begin

in which employers are drawn by the large pool of potential employees & workers are drawn by abundance of potential employers

The denser the cluster of employers

The greater the chance for cycle to take hold

B. Rather than a leveling & dispersing effect of internet & digital technology- reinforce/cluster  
 More phone calls. Emails. Social media messages are sent to people in close proximity  
 internet 1990s/ Zoom in 2020s

C. In the presence of competition, everyone improves their game

Example: Tennis, squash, racing

Margaret O'Mara The Code: Silicon Valley & the Remaking of America

3. Moretti: Knowledge intensive jobs

= higher wage jobs,

so that even as American cities have desegregated from the perspective of race, they are sorting themselves by income; smart cities get smarter;

## Writing about Bangalore India

### Glaeser, Triumph of the City

“These cities create a virtuous cycle in which employers are attracted by the large pool of potential employees and workers are drawn by the abundance of potential employers. So firms come to Bangalore for the engineers and engineers come for the firms. Urban scale also makes it easier for workers to move from job to job. In highly entrepreneurial industries, workers get ahead by hopping from firm to firm. Young people become more productive and better paid as they switch employers and acquire new skills.” Thick labor markets (1 architect firm)

4. Moretti “secular” change –  
long term & structural & not “cyclical”  
(ups & downs of the business cycle)  
part of long-term transition from  
manufacturing to service

- manufacturing employment in the US peaked in 1978-1979 and then began a steady decline; factors

- rise of Asia - Japan, Korea, China with lower cost labor as a manufacturing powerhouses;  
garment industry, cars, home appliances, computers, personal electronics, sportswear  
Not simply “off-shoring” from US
- the application of technology to manufacturing in the US–  
reduced the size of workforce  
in 1950 each General Motors assembly line worker made 7 cars per year
- Due to mechanization, by 2013 the average worker made 28 cars/year
- Much higher productivity  
= less labor needed

Containerization of cargo – Queen Village (slide)

This movement up the skill chain has been occurring in the Asian economy as well (lower costs in Vietnam provide competition for China)

3. Post-industrial economy is built around human knowledge as the major input not manual labor; But, argues Moretti, the presence of high-skilled, high-wage workers has a positive impact on creating opportunity for all.

- This is different from Richard Florida's "creative economy" argument in that he lumps artists, craftspeople;

Moretti is focused on high-tech & innovation jobs Seattle, San Jose, Boston, Bangalore, Pearl River Delta



- High-tech jobs have the highest multiplier effect, creating 5 additional jobs around them;
- Both high-skilled services: lawyers, accountants, bankers, doctors, personal trainers
- Lower skilled service jobs: waiters, hair dressers, taxi & Uber & Lyft drivers

“While service jobs are the largest portion of the economy, they are the effect, not the cause of economic growth” innovative industries as driver

(Covid effect) – remote workers/service workers

As an urban development strategy:

Moretti, makes the case for focusing on innovation, tech & pharmaceutical sectors & life sciences

And access to venture capital

Only **10%** of US jobs in innovation sector

Majority of jobs are in the service sector  
FIRE, law, financial services accounting,

personal services

Low-skilled services Macdonalds, Walmart  
Uber & Lyft

But the innovation sector is where  
job-generation comes from,

- Particularly in the “*traded sector*”

Products & services sold outside the region into  
larger national & global market

Google, Microsoft – Comcast, Facebook

Entertainment: Hollywood, Korean KPop

jobs created in one place, sell outside region

import wealth back to home region

page 58-59: multiplier effect of  
innovation jobs in traded sector

Boeing Aircraft – traditional manufacturer

has more jobs in Seattle than Microsoft.

But generates less spin off jobs.

Microsoft employs 40,000 people,  
28,000 of whom are high skilled RD engineers

- High tech jobs = high wage jobs
- Higher profit margins in global economy.

Auto manufacturing compared to  
Microsoft CD Rom – page 67.

Those cities that excel in innovation  
Pull ahead – “the great divergence”

“Cities with the right sectors & with workers who have the right skills are strengthening their position, while others trapped by their past are losing ground” p146

- Successful cities also have more charitable giving - more investment in arts & cultural facilities, parks, services for those in need

Moretti: Innovation economy is the driver of economic and technological progress

- solution for cities is to grow more innovative sectors

But the innovation economy produces

**income disparities -**

Backlash against that economy: San Francisco  
(Florida and Kotkin reading)

Manufacturing city had thousands of good paying jobs that did not require a college degree

(dirty, dangerous, physically exhausting)

But provided upward mobility for working class

- Manufacturing capitals also produced positive ripple effects elsewhere in national economy

Ship building in San Francisco

Mid 19<sup>th</sup> century drove logging industry  
In Pacific Northwest  
Late 19<sup>th</sup> century steel hulled schooners  
– steel came by rail from Pittsburgh

World War 2 ship building in SF used  
Steam turbines made in Schenectady, NY  
Gear winches from Tacoma Washington  
Radio equipment from Newark NJ  
Compasses by Detroit  
Generators made in Milwaukee

Digital firms have huge impact on host cities  
But Google's digital products don't have  
physical supply chain;  
Amazon: only warehouses for trucking  
Apple primarily produces things in Asia.  
Facebook- no dispersed manufacturing facilities;

Successful growth & income disparities

Go hand in hand

At what level can income disparities be addressed by local governments or the federal government handling income redistribution?

### Political and Economic trends

America's main political parties and many European political parties were fragmenting or unravelling

In wake of Great Recession

### 20<sup>th</sup> century Republican party

(1) Since the 1950s/1960s

Small government, except for defense & aerospace  
minimal intervention in the marketplace  
free trade, internationalist policy,  
moral and religious conservatism  
traditional family values  
Given new momentum by Ronald Reagan

(2) New Party of Trump: opposition to immigration,  
opposition to free-trade, anti-NAFTA

Focuses on the adverse impacts of globalization -  
 nationalist in focus, reinstating tariffs  
 shelter domestic industry –

Sees “globalism” as the ideology of elites  
 Moretti’s coastal, urban technocratic elite  
 Party of Trump – supporters of Brexit  
 Focused on those harmed by globalism

Today: 3 Democratic parties

(1) traditional democratic party that emerged with  
 Franklin Delano Roosevelt  
 alliance between unions & employers creates  
 labor peace = economic growth

Strong government spending

A focus on labor unions & civil rights legislation to  
 propose social inclusion

A focus on cities: expanded by Lyndon Johnson’s  
 great society (BIDEN trying to rebuild)

(2) Bill Clinton “new democrat” –

## Reagan Revolution –dismantles many of the Great Society Programs

- Support for growth industries, technological innovation sees globalization as necessary –to restrain it is to stifle growth
- competitiveness agenda, deregulatory agenda, welfare reform education for retraining displaced workers “build a bridge to the 21<sup>st</sup> century”

### (3) Bernie Sanders, Elizabeth Warren, AOC

redistributionist democratic party focused on inequality

- using national tax policy to fund

social welfare, free college education

research and infrastructure

Restored financial regulation

Also pushing at a local level- redistribution



George Packer

## HOW AMERICA FRACTURED INTO FOUR PARTS

### Free America, Smart America, Real America & Unjust America

**“Free America.”** draws on libertarian ideas, which it installs in the high-powered engine of consumer capitalism. The freedom it champions is negative; freedom from government; different from conventional, pro-business Republicans in antigovernment sentiment – alliance with religious conservatism

**Smart America:** The new knowledge economy created a new class of Americans: men and women with college degrees, skilled with symbols and numbers—salaried professionals in information technology, computer engineering, scientific research, design, management consulting, the upper civil service, financial analysis, law, journalism, the arts, higher education.

They go to college with one another, intermarry, gravitate to desirable neighborhoods in large metropolitan areas, and do all they can to pass on their advantages to their children. They are not 1%—they are top 10% with outsize economic and cultural influence.

cosmopolitan as opposed to nationalist

embraces capitalism and the principle of meritocracy: the belief that your talent and effort should determine your reward.

But to the meritocrats of Smart America, some government interventions are necessary for everyone to have an equal chance to move up. The long history of

racial injustice demands remedies such as affirmative action, diversity hiring, and maybe even reparations. The poor need a social safety net and a living wage; poor children deserve higher spending on education and health care. Workers dislocated by trade agreements, automation, and other blows of the global economy should be retrained for new kinds of jobs.

In the early 1970s, the party became the home of educated professionals, nonwhite voters, and the shrinking unionized working class.

The more the party identified with the winners of the new economy, the easier it became for the Republican Party to pull away white workers by appealing to cultural values.

**Real America”:** A reaction against international, urban cosmopolitan, educated professionals --- small town and rural

Sarah Palin: “We believe that the best of America is in these small towns that we get to visit and in these wonderful little pockets of what I call the real America, being here with all of you hardworking, very patriotic, very pro-America areas of this great nation. Those who are running our factories and teaching our kids and growing our food and are fighting our wars for us.”

Real America has also been religious, and in a particular way: evangelical and fundamentalist, hostile to modern ideas and intellectual authority. TRUMP

Finally, Real America has a strong nationalist character. Its attitude toward the rest of the world is isolationist

“Just America.” Or “Unjust America” – focuses of the legacy of slavery, racism on an the inequities of the current economy – strongly pro-redistribution, democratic socialist in leaning -- strong focus on identity politics

Practical: at the urban & metro level

US Cities compete today

against their own regions & each other:

Very few structures for regional government or taxation

Transportation

Police, fire, sanitation, schools all funded at local level

Major disparities

Compete

- for investment capital
- federal capital grant
- expansion of existing businesses
  - relocation of businesses
  - start-up of new firms
- conventions & professional meetings
- for retail sales
- for residential decision making
- sports franchises

Few constraints on mergers/acquisitions

- Cities/regions also compete in global context  
environment is one of competitive capitalism  
business free to locate where-ever it chooses  
including overseas

This world was described best

**Thomas Friedman, World is Flat in 2005**

Subsequently Hot Flat & Crowded, 2008

Data & money can move digitally

Around the world at touch of finger.

Outsourcing began in manufacturing

(foreign labor cheap enough to overcome costs of transportation)

Outsourcing moved to low skilled services

Call centers & then slowly moved

up the skill ladder

outsourcing of high-skilled professional services

“outsourcing” is parochial term

Internationally owned firms &

globalization of capital able to purchase

labor & carry out production in lower cost markets

## Global supply chains

In Friedman's view (max free-trade):  
competitive cities & regions,  
the places that will thrive  
& increase prosperity for their residents  
have minimum barriers to entry;

these are places that make it easy  
to start businesses, raise capital  
& become entrepreneurial;  
places with simple, equitable  
& transparent regulations;  
they have an educated, energetic &  
versatile workforce  
workforce that thrives in a competitive,  
rather than sheltered environment.

In this global economic context

urban economic environment characterized by turbulence,

in reaction to forces beyond local control  
over 10 years any given place is likely to lose *one-half its jobs*.

places that don't respond to these challenges  
"places in trouble"

## **Two Case studies: Detroit & London (Glaeser)**

Detroit—early 20<sup>th</sup> century emergence of auto industry  
(Glaeser, Triumph of the City)

innovation comes out of densely clustered,  
competitive environment –

lots of inventors & entrepreneurs

all crammed into small area of Detroit

Automobile emerged <sub>by</sub> combining 2 old ideas

horse-drawn carriage + the gas engine

– both of which had been made in Detroit –

Skilled workers ready to adapt

lots of small firms frantically competing  
with each to innovate,  
break through & capture market share.

More than a dozen competitive firms,  
Successfully producing cars for the market.  
Detroit 1900-1920 booming city

But as Henry Ford introduced mass production on  
assembly line, it lowered the cost of  
production, sold cars at lower cost  
& it reduced the need for knowledge intensive  
workers & innovation.

To compete, no longer had hand craftsmen,  
Producing **10-50** cars per year,  
Capital intensive factories, mass production  
This drove mergers that reduced the field to  
just 3 large companies:  
Ford, General Motors & Chrysler

## American Motors in 1960s

That dominate the global markets (40 years)

Few domestic upstarts to challenge big 3

Lack of competition drives out creativity

Huge expansion – after World War 2 –

for decade until 1950s US had few global competitors

Already by 1963 – half the cars in the world

Were made outside of the United States

And by 1964 – 500,000 imports were sold in US

(David Mariniss: Once in a Great City)

1970s and 1980s German & Japanese auto

producers began to undercut the domestic market

Providing smaller, more fuel efficient cars

Detroit goes into decline – population declines from 1.7 million to 688,000



## Older industrial cities like Detroit

East German cities, smaller Japanese cities;  
Camden; East St Louis, Rochester, Reading PA  
China

These are loser cities in deindustrialization & globalism

## Contrast London, England

a city of production & exporting  
for first  $\frac{3}{4}$  of the 20<sup>th</sup> century –

Manufacturing decline &

Containerization of cargo made ports obsolete

City lost **25%** of population by 1980

New innovative cycle:

- (1) 1986 deregulation of financial services –  
opening up to global competition
- (2) Good international connections- investment  
in Heathrow Airport
- (3) Excellent position in global time zone  
Do business with Asia in AM  
North America in PM

- (4) A trusted legal system, stable politics,  
A trusted bureaucracy -  
no need for bribery to do business
- (5) Less regulated business environment than  
European continent  
Becomes a global financial capital
- (6) Attracted huge influx of immigrant  
entrepreneurs – from former colonies
- (7) Global wealth poured in, driving up housing prices

While lower skilled immigrants may be going  
directly to some suburbs

Wealth concentrating at the center

1/3 of Londoners & 1/3 of New Yorkers  
Were born outside of these countries.

Miami as haven for South American wealth  
(Gateway cities) – Vancouver, BC – Asian  
Cities characterized by huge disparities  
Brexit