



## Just Business: Edward Glaeser on the Triumph of the City

Edward Glaeser , Julia Taylor Kennedy

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[Edward Glaeser](#)

**JULIA TAYLOR KENNEDY:** Welcome to *Just Business*, a series of interviews about global business ethics. I'm Julia Taylor Kennedy, and today we're talking about urban centers and their role in economic development.

Here with me is Harvard University economist Edward Glaeser. He is author of the new book [Triumph of the City](#), which says that urban development is key to a sustainable and prosperous future.

Edward Glaeser, thanks so much for joining me on *Just Business*.

**EDWARD GLAESER:** Thank you so much for talking to me.



[Julia Taylor Kennedy](#)

**JULIA TAYLOR KENNEDY:** You've spent decades studying the economics of cities. Why have you concluded that urban areas are the future for economic prosperity?

**EDWARD GLAESER:** The remarkable thing is that we live in an age in which it is effortless to telecommunicate across the globe, in which we could all just dial in from some sylvan suburb that appeals to our biophilia. But along so many dimensions, cities are more vital, more innovative, and more important than ever.

We see this in the earnings that are so much higher in our urban areas. If the rest of the United States became as productive on a per-capita basis as the New York metropolitan area, our national GDP would go up by 43 percent.

Across countries there is a huge gulf between the urban and the non-urban countries. Those countries that are more than 50 percent urban earn typically five times as much as those countries that are less than 50 percent urban. They also have infant mortality rates that are one-third the levels.

As we go forward, the reason why new technologies and globalization are making cities more, not less relevant, is that they are increasing the returns to being smart.

Our greatest asset as a species is our ability to learn from people around us, our ability to glom up information as it comes cascading out at us. Cities play to that. Cities make it possible for us to get smart by being around other smart people, by seeing the successes and failures that teach us how to move ahead, and by enabling the chains of collaborative creativity that are responsible for many of humankind's greatest achievements, from Athenian philosophy, to Ford's Model T, to Facebook itself.

That's why I have great confidence in the ability of cities to play a central role in our future and to continue being the core of our creativity and our economic productivity.

**JULIA TAYLOR KENNEDY:** What are the characteristics of cities that bring together so much vibrancy and economic potential?

**EDWARD GLAESER:** The most important economic thing that cities do is they simply connect people. They provide an opportunity at the high end for entrepreneurs to learn from one another and to create magic by building on each other's ideas.

This is an old feature of cities, that they enable the chains of invention, where one smart person riffs off the other. Think about Renaissance Florence, where [Brunelleschi](#) comes up with the basic idea of linear perspective and he passes along his idea to his friend [Donatello](#), who puts it in low-relief sculpture on the wall of [Orsanmichele](#), who passes it along to [Masaccio](#), who puts it on the wall of the [Brancacci Chapel](#), who passes it along to his student,

the less-than-saintly monk [Fra Filippo Lippi](#), who passes it along to [Botticelli](#)—one smart person riffing on the next.

The same process occurred in the early 1900s in Detroit, where a chain of smart entrepreneurs—[David Dunbar Buick](#), the [Fisher Brothers](#), the [Dodge Brothers](#), [Ford](#)—riffed on each other's ideas.

It's also what's responsible for New York's comeback as a center of finance, where smart people borrowed each other's ideas and moved a chain forward. Each new idea creates something else. [Michael Milken's](#) high-yield debt makes it possible for [Henry Kravis](#) to do more leveraged buyouts. A rise of data-intensive financial tools enables the possible for [Michael Bloomberg](#) to make billions doing his data terminals.

Bloomberg is such a great example of cities at the high end working well, because he's a cross-industry entrepreneur. He's someone who comes out of finance but he makes his fortune in information technology. In some sense he's more of a competitor with the people in Silicon Valley than with the people in Wall Street. But he has something that those people in Silicon Valley don't have, which is the knowledge that he has gained running the trading floor at Salomon Brothers. That knowledge enables him to be far more productive and innovative when actually delivering exactly what the traders at Merrill Lynch want, than anyone sitting in isolation in Silicon Valley could have possibly done.

Cities also are so important and productive at the lower end, because they enable young people and people without much skill, to come into the urban area and actually learn something, to work for people that have and don't have capital.

When we think of young workers learning, there's a great phrase of the English economist [Alfred Marshall](#), which is 130 years old, which is, "In dense clusters the mysteries of the trade become no mysteries but are, as it were, in the air." It's that notion of knowledge being in the air that is so important for young people who come to cities like Bangalore, New York, and London.

It's also true that cities are providing this opportunity for collaboration between different people. When you think about what rural urban migrants or young immigrants are getting when they come to a city, they're getting an opportunity to partner with people who actually know what it takes to produce stuff in the urban economy.

That economic engine comes from the chains of connection that occur in cities.

**JULIA TAYLOR KENNEDY: In your book you used Rio de Janeiro as an example of a place where people see photos of the *favelas*, the slums of Rio, expanding up a hill and think, "This is a tragic picture of poverty bumping up against the extreme wealth that is in the downtown areas of that city." Why do you not see it in that same way?**

**EDWARD GLAESER:** There's a lot to like about urban inequality—which is not to say that there is a lot to like in inequality more generally, just as there is a lot to like in urban poverty and there isn't a lot to like in poverty more generally. The fact that we have people who are suffering from terrible deprivation in this world is a terrible thing and something that we need to fight against.

The fact that those people happen to live in cities—there's nothing wrong with that. It's not that cities are actually making them poor. Cities are attracting poor people for perfectly good reasons, like the fact that cities are providing ladders of opportunity to move them out of poverty, and that in the U.S. cities are providing an ability to get around without a car for every adult.

One of the pieces of research that I mention in the paper is my joint work with [Matthew Kahn](#) on public transportation systems and poverty.

One of the facts that you see when you build a public transit system in an area around a new subway stop is that poverty rates go up. That doesn't mean that subways are impoverishing anyone—that would be nonsensical. What it means is that poor people are, quite understandably, taking advantage of public transportation; they are moving to a place that accommodates their interest. That same thing is going on in the *favelas* of Rio.

It's crucial when looking at the *favelas* to remember that these people don't have the option of being wealthy Americans living in some suburb. Their option was the *favela* of Rio or the rural northeast of Brazil. Among so many options, among so many different levels, the *favelas* are offering something better.

One of the things the book talked about is happiness. It's actually not true that people who live in New York say that they're happier than people who live in rural areas in the U.S. Anyone who knows anything about New York knows that that's nonsense. Even though New Yorkers are less likely to commit suicide, they certainly aren't going to admit to you or to a survey that they're actually happy and satisfied.

But if you go to the poorer countries in the world, there is a much clearer pattern, where people who live in urban areas are much more likely to say that they're satisfied with their lives than people who live in rural areas.

That just reminds us of how terrible rural poverty can be and how, as difficult as big city life can be and as difficult as the *favelas* of Rio may be, they are still a path out of poverty for people whose alternative is returning to famine, high levels of infant mortality, and the deprivation of rural poverty.

**JULIA TAYLOR KENNEDY: What are some of the other global cities that you have encountered that hold lessons for urban renewal elsewhere?**

**EDWARD GLAESER:** All forms of urban renewal are about the people living in the city. Ultimately, private entrepreneurship, smart people, leveraging the collaborative creativity of cities are basically always at the root of urban renewal. New York came back because of smart entrepreneurs figuring out how to turn the city around, not because of any top-down investment in infrastructure.

The tragedy of places like Detroit is that the federal government stood there ready to finance urban renewal, meaning structures, so they're ready to finance a people mover. It didn't stand ready to invest in human capital, in the children of Detroit, that it so badly needed.

But how do you get the smart people that actually enable a city to come around? Different cities have tried many different strategies to make that work. There's no one right answer.

For example, places like Hong Kong and Singapore thrived, in part, because they were able to create much better political and legal institutions than their neighbors. You're surrounded by countries many of whom have very severe political problems, big issues with corruption and expropriation.

[Lee Kuan Yew](#) sets up a system where Singapore becomes known for having a very honest court system. He pays his judges well and punishes them severely for any form of corruption.

There is that famous line in *The Pink Panther* where [Inspector Clouseau](#) explains away his wife's extravagant wardrobe by claiming that she was very frugal with the housekeeping. That type of thing is enough to get you in jail in Singapore, even if there is no actual evidence of corruption, if you're living beyond your official salary.

It's honesty and good institutions are crucial for Singapore's success, as was its very strong investment in people. Also, Singapore has excellent physical infrastructure.

Other cities come back with different advantages. Certainly the magic of Paris or Milan has a lot to do with the pleasures of the city. A high quality of life is an important thing.

Global talent is mobile. Attracting and training smart people may be the most effective economic development strategy. But attracting smart people is hard, and it requires investments that actually make a place more livable.

Certainly the beautiful buildings and robust restaurant scene of Paris and Milan is part of continuing to make those cities attractive. All European major cities have centuries of culture on which to fall back on. That has certainly been part of their success.

Some cities succeed by just building more. Paris preserves the [Paris of Haussmann](#) because it wants to protect this architectural treasure of human history, but it makes it very difficult to build. It allows the safety valve of [La Defense](#), but that has all of the charm of Crystal City, Virginia. It's not a place that actually provides the intimate joys of Paris, at least while you're working there.

But other cities, like Chicago, excel in building new housing in the urban core. They're making sure that there's a lot of high-quality affordable housing for younger people who want to come and move to Chicago. The city has become more inclusive and vibrant because it has provided the physical space—not subsidized, just with fewer regulations—that then enables people who want an urban life to come to enjoy without causing them to pay New York prices.

**JULIA TAYLOR KENNEDY: Tell me a little bit about Dubai because, as you mentioned in the book, it's one of the cities that followed a lot of these lessons or tried a lot of these different techniques and is still teetering.**

**EDWARD GLAESER:** It did, although it did it to such an extent.

Certainly Dubai has a history as a natural resource port. It has a history of trying to compete with having better institutions than its neighbors, and it did quite well with that.

It now has tried to compete by combining lots of space with the fun model. It wants to be the exciting place for people to be in that part of the world, and it wants to have just gobs and gobs of space.

The difference on the space front between the Dubai and the Chicago model is Dubai is betting with state money, often with the money of other states as well, but it's betting with public moneys to do this. So it's a much riskier thing and much less certain to succeed.

It's certainly up against a tough hurdle to make itself the most exciting place to want to live in that part of the world. It may succeed in that.

But certainly it bet hard. Like many big developers, they tend to build to the point of failure. I'm not saying that that will happen in Dubai, but it's certainly a possibility.

**JULIA TAYLOR KENNEDY: You argue that investment in human capital is really key, versus investment in the kind of real estate development that you just mentioned. Why is it more important from a policy standpoint for cities to focus on education rather than transportation or real estate?**

**EDWARD GLAESER:** There's a question of whether or not the city is already well served with transportation and real estate. The biggest case against investment in physical capital occurs in declining cities, where the hallmark of a declining city is it already has plenty of structures and transportation relative to the state of demand.

You think about a city like Detroit, which reaches its apogee in the immediate postwar period, builds a huge amount of housing, has a fairly good road network, and then the city starts to decline because of deindustrialization and the move of jobs to right-to-work states. Then you've got a city with fewer people but the structures are still there. The last thing you need to do is invest in more structures. The last thing Detroit needed was a monorail to glide over essentially empty streets in the downtown area.

What it needed was investment in its children. Certainly my own work that looks at which cities are able to turn themselves around from the tough days of the 1970s suggests that skills are everything. The share of the population with a college degree in 1970 is an enormously powerful predictor of which older, colder cities are able to come back.

If you look across metropolitan areas, as the share of the population with a college degree in that metropolitan area increases by 10 percent, wages rise by an average of 8 percent for people holding their own skills constant. Holding your own level of education constant, if you work around educated people, you become more productive yourself.

In some sense, education plays to the great urban strength, which is connecting people and enabling them to learn from one another. Education actually gives them more to teach each other at the same time.

That's one of the reasons I am such a big believer in human capital being the bedrock of local and national success, and it's also less prone to the great foolishness that can come from investing in physical structures. It's just so tempting to politicians to put up a shiny new building and declare that they've fixed everything, when nothing has really been fixed.

At the same time, it would be great to hear just once a mayor say, "100,000 fewer people live in my city than did eight years ago when I started, but those people were well educated by my schools and they went on to great jobs in Charlotte, Houston, and Austin, and I'm proud of that." That's really the fundamental job of all governments, is to enrich and empower the lives of the citizens, not to make one particular spot on the Earth become bigger.

**JULIA TAYLOR KENNEDY: Related to this point, you wrote about the aftermath of Hurricane Katrina in New Orleans and your disappointment with the redevelopment efforts. You argued that distributing the \$200 billion spent on redevelopment among city residents would have given each \$400,000, which is a significant chunk of change.**

**In terms of implementation, would it make sense to be redistributing money like that, or tax cuts? What do you see as policies that accomplish that kind of goal?**

**EDWARD GLAESER:** I would have been fine with thinking about just giving some combination of education and housing vouchers to the people. It wasn't likely to be in terms of straight cash.

One of the points that I wanted to make with that argument, is that any form of infrastructure investment really needs to be treated with the cold, hard lens of cost/benefit analysis. We really need to not wrap ourselves up in

the emotional view that—"a great city will rise again," I think were President [Bush's](#) words. That's just not a sound basis for evaluating investments.

You need to ask yourself: \$100 billion, \$200 billion—what else can you do with that money? You can do a lot for the children of New Orleans with that money.

One of the pieces of research that I cite in the book is the work by [Bruce Sacerdote](#), which finds that those children who left New Orleans because of Katrina found their test scores going up relative to the students who stayed behind. It's not as if keeping people in New Orleans, which was a city that was often failing its poorer citizens, was some very desirable policy outcome.

It's just important to remember that the key is doing well by the people of New Orleans, not necessarily investing in that space, especially if it is so expensive.

**JULIA TAYLOR KENNEDY: Are there situations where it does make sense to do tax breaks for redevelopment? A lot happened here in New York after 9/11. How do you distinguish between when it is not useful and when it is?**

**EDWARD GLAESER:** I don't think there's ever a clear rule on this. You have to look at all of these investments, as you do in every form of infrastructure, on a case-by-case basis. It's not as if you can make a blanket statement that all new highways are wrong or right, and you can't make a statement that all new rail lines are wrong or right. You need to ask on every particular tax deal whether or not you think this is a sensible thing, whether or not the benefits to the people around it are such that this actually makes sense.

We have a fairly well-worked-out apparatus for doing cost/benefit analysis. It's not hard, but it does require sweeping away excessive politicking and wrapping yourself up in the myths of place, and it does require hard, painful, and often not very exciting analysis.

**JULIA TAYLOR KENNEDY: You've mentioned education as a key element in human capital and that cities themselves naturally attract smart people. What about migration policy?**

**EDWARD GLAESER:** Most developed countries don't have any barriers on internal migration. That's how cities grow. It's not as if you need to have something other than a free internal market for labor, people choosing where they want to live.

Across countries, every government that I know of has some form of significant immigration policy. I certainly would believe that immigrants are good for cities and cities are good for immigrants. There's a lot to like in the U.S. at least allowing a number of H1V visas within the country. Certainly cities like New York have centuries of track records as being places that do a great job of incorporating immigrants and then using their talent to become more spectacular as a city. The same thing is true about London and many of our great urban areas.

Immigrants are a great way to get human capital into countries. Being open at least to the skilled immigrants is a great way for cities to grow.

That being said, cities are also great for less-skilled immigrants. The lower levels of human capital create somewhat more of a public policy challenge.

**JULIA TAYLOR KENNEDY: Another benefit of cities that you point out is their sustainability, which sometimes might be counter-intuitive at first blush. Why would someone living in a city have, as you put it, a stiletto carbon footprint versus someone living in a rural area?**

**EDWARD GLAESER:** Let me start with a story about a young Harvard graduate who went with a friend for a picnic, a stroll, and some fishing outside of Concord on this beautiful spring day in 1844. There hadn't been much rain lately, which made for easy fishing. When they came to cook the fish in a chowder, the wind flicked the flames to the nearby tall grass, the flames spread, and soon there was a great inferno that devoured more than 300 acres of prime Concord woodland.

During his own day, this young Harvard graduate was castigated as a foe of the environment. The Concord freemen called him a flibbertigibbet, which was very bad in 1844. A reasonable assessment is that he did more damage to the environment than anyone, at least that I know of, living in Boston in the same time period. Today, of course, that young man is the secular saint of American environmentalism, [Henry David Thoreau](#).

I tell that story to make a clear point, which is that we are a destructive species, and often the best thing to do if you love nature is to stay away from it. Thoreau's own story illustrates that the lifestyle that he advocated, the lifestyle of living around nature, was capable of doing enormous damage to the animals and to the wildlife that

was in that nature.

Living in an urban apartment means that your exact location may not have that many trees around you, but you're actually not doing a lot of damage to anything else. This was a point made by [Jane Jacobs](#) 40 years ago and it is a point recently and very eloquently made by [David Owen](#).

The research that I discuss in my book on this is joint work with Matthew Kahn. We estimate carbon emissions associated with living in different parts of the country. Unsurprisingly, even holding income and family size constant, those people who live in dense urban cores are emitting significantly less carbon than people outside, at least from household sectors, from home energy use, and from transportation. This is mostly because people living in cities occupy so much smaller dwelling units and they typically drive much less, and the public transportation emissions don't make up for the fact that they're driving so much less.

If you're not controlling for income and family size, the differences are enormous. Electricity usage in single-family detached houses is 88 percent higher than electricity used in apartments in multi-unit dwellings. There really is a significant gap here.

As we look forward, the biggest environmental battles of the 21st century may very well concern urbanization in India and China, because if these countries have emissions rise to the U.S. level, that means that global carbon emissions will increase by 127 percent. And yet, if they stop at the level of, say, Hong Kong, another rich country but a highly urbanized country with a very modest carbon footprint, global emissions rise by less than 30 percent.

We should at least be talking about envisioning a model for them of urban life that doesn't involve American-style large homes and sprawl. We should be thinking about one that can fulfill their dreams, enable high quality of life, and foster connections for economic growth, but that does so using the elevator more than the car.

**JULIA TAYLOR KENNEDY: How would we go about accomplishing it?**

**EDWARD GLAESER:** That's a question for diplomats rather than for an economist.

Almost surely the United States taking at least some steps to get our own greenhouse in order is probably appropriate. You want to think about whatever the appropriate carbon tax is, for example, as being a reasonable thing. You want to think about rethinking those policies that are counterproductive.

The book talks about the virtues of big city living, but it's not as if I'm trying to convince anyone who doesn't want to live in a city to live in a city. I'm an economist, I'm not a lifestyle consultant.

I am trying to argue against those anti-urban policies that push Americans towards lower-density living and towards higher carbon emissions and lots of other problems. Among those are the home mortgage interest deduction, which subsidizes Americans to leverage themselves to the hilt to bet on the vicissitudes of the housing market.

But it also encourages Americans to buy and build bigger homes and it encourages Americans to move out of urban apartments into suburban housing. This is something that clearly needs to be rethought in the wake of the great housing collapse.

I am encouraged by the fact that the federal government has declared, as at least the recent [Obama](#) budget, to try to push slightly on this. Certainly the language surrounding the reform of Freddie Mac and Fannie Mae suggested at least some notion that the American dream need not mean owning a home behind a white picket fence in the suburbs.

Transportation policy. I give the Obama Administration somewhat lower marks on this, as they are somewhat made for transportation infrastructure. That, when filtered through the lens of the U.S. Senate, too often means roads in low-density areas.

If you think about the transportation part of the stimulus, per-capita spending was twice as high in our least-dense states than in our most-dense states. Our least-dense states are endowed with a lot of senators relative to people, so perhaps that's not very surprising. This actually matters.

Each new highway that cut into an urban core reduced the central city's population relative to the rest of the metropolitan area by 18 percent, according to research by Brown economist [Nathaniel Baum-Snow](#).

Spending on all this infrastructure to enable Americans to drive longer distances more cheaply has the perverse effect of encouraging Americans to drive more and use more energy. Which is not to say that there aren't values to transportation infrastructure—again cost/benefit analysis is the critical reading here—but in many cases, as

[Adam Smith](#) himself argued more than 230 years ago, user fees are a great way to fund infrastructure. They pretty much ensure that the thing is only going to get built if it has a fair amount of value. I'd prefer to see that be our infrastructure agenda rather than some massive top-down federal spending on highways agenda.

The third big problem that all of our urban areas face is the problem of central-city schools. That is a very difficult one to deal with.

America can take steps, on top of good diplomacy, to try to at least redress some of the policies that have stacked the deck against urban areas and encouraged more energy-intensive living in sprawling areas.

**JULIA TAYLOR KENNEDY: To set an example.**

**EDWARD GLAESER:** To undo the bad example perhaps that we've been setting for too long, to give us somewhat more credibility in terms of negotiating on the global stage.

**JULIA TAYLOR KENNEDY: This is a program on business ethics and a big part of ethics is responsibility. A question that arises to my mind is: Who should take responsibility for these kinds of changes? Is this really a government-level change? Should it be individual businesses relocating to the city? Should it be individuals saying, "I'm going to use public transportation"? Where should it come from?**

**EDWARD GLAESER:** The economist's view and the ethicist's view are fairly far apart on this—which is not to say that economists don't believe in ethics. But it is certainly that the prevailing starting point for the economist's view tends to be that if there are these externalities, if there are these adverse consequences, it is the job of the government to price them properly and then let people make their own decisions.

I'm not a saint on this. When I started acquiring small children five years ago, I moved with my wife to the suburbs, like millions of other middle-aged Americans. I probably should feel more guilty about it than I do, but there are other things for me to feel guilty about too, and I only have a certain amount of guilt to go around.

It is the job of government to get the rules better. That being said, government policies don't change on their own. In some sense the right answer is that it is the job of people to try and advocate for more sensible government policies that would then set a good set of rules. That's at least the path that I feel most comfortable with.

In some sense that's just because that's the path that I have myself followed, that I am trying to advocate for particular changes in rules rather than trying to preach to individuals about how they should change their behavior, which would be pretty hard given my own less-than-laudable choices on this matter.

**JULIA TAYLOR KENNEDY: Edward Glaeser, these are fascinating ideas, and we're all now enthusiastic about urban life and urban possibilities. Thank you so much for joining me on Just Business.**

**EDWARD GLAESER:** Thank you so much for having me.

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