



## After the great recession, could New York be the city of the future?

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Today the great housing-banking crisis of 2008 doesn't look so much like the collapse of capitalism. What if it wasn't a lasting blow, either? Better: What if it wasn't even a temporary setback?

What if the Wall Street meltdown was, when considered as the catalyst in a new system, a good thing?

Such is the thesis of Richard Florida's enticingly contrarian new book "The Great Reset: How New Ways of Living and Working Drive Post-Crash Prosperity" (Harper). Other recent books, such as Gregg Easterbrook's "Sonic Boom," have argued that American dynamism can overcome big shocks, but Florida goes out on a limb in arguing that recent events have provided exciting opportunities to strengthen American socioeconomic might.

And he isn't talking about (or at least not primarily about) the Rahm Emanuel credo in which crisis serves as a useful pretext for enlarging the reach of government.

"Government spending can't be the solution in the long run," Florida says. "Though government can fill in gaps for a while, it simply lacks the resources to generate the enormous level of demand needed to power sustained growth."

That ought to be obvious, but at least we know we're not dealing with yet another diehard central planner.

In the post-bust era, Florida envisions more and more Americans opting not to take on car and mortgage payments, choosing the flexibility of renting and the less stressful commutes of mass transit to free up funds for more culture, more experiences, less living space but more ways to express themselves.

In other words, America might be ready to take on more of the qualities of another country entirely: New York City.

There is a limit to the attractiveness of catchphrase social science — see anything Thomas Friedman has written in the last 10 years — and Florida's heavy reliance on the terms "Great Reset" and another coinage he uses ad nauseam, "spatial fix," can be grating. But Florida, who previously wrote "The Rise of the Creative Class," raises interesting points about how the latest economic shock plays off some surprising trends.

One big takeaway from his book is that geography matters — the urban theorist Jane Jacobs is a constant presence — and it never matters more than in times of economic calamity. After the Panic of 1873 (farmers moved to cities) and the Crash of 1929 (city folk spread out into suburbs), the American map was redesigned, and Florida thinks that is already happening again.

Though suburbs, McMansions and car culture are here to stay, hybrid city-suburbs are sprouting up from coast to coast. Population density is scaling up quickly around mass-transit stations in places like Silver Spring, Md. Tysons Corner, Va., a suburb synonymous with sprawl, has a plan to transform itself into a pedestrian-friendly community organized around a rail line.

In Phoenix, a development project has plucked a series of small homes out of foreclosure along a rail line that offers a quick link to downtown. The developer hopes to create a community that will attract young workers tired of long commutes to their exurbs who want a place where they can give their cars a rest and walk to cafés and shopping.

From the 1950s to the 1980s, spending on housing and cars doubled from 22% to 44% of the average family's budget. Now the word is out that houses aren't necessarily a great investment. Yet they rarely have been: The runup in housing values between 1890 and 1990 barely outpaced inflation. Moreover, being anchored to a home becomes an increasingly important factor in an economy in which workers are expected to change jobs, even careers, with ever-increasing velocity. Next year's job might be far from this year's.

The switch from owning to renting gives you geographic flexibility. One of the big problems in the Detroit area — where the 35-year-old Pontiac Silverdome recently sold at auction for the price of a small one-bedroom on the Upper West Side — is that people can't move to where the jobs are because they can't sell their worthless homes. In a recent auction, many seized properties listed in a phonebook-sized directory drew no bids whatsoever.

A study in Europe found that a 10% increase in homeownership correlated with a 2% increase in unemployment. "We could well look back on this moment in history as a time when people lived like indentured servants, with their own homes as lord and master," Florida writes. Homeownership levels have subsided from their all-time highs in the wake of the crash. That's been a source of short-term upheaval, but in the long run several studies report that owners are no happier than renters. Homeowners also complain of higher levels of stress. "There's a reason people refer to their houses as 'money pits,' " Florida says. "They are time pits as well."

A similar "Great Reset," Florida suggests, may be happening with respect to another big expense, cars. A J.D. Power survey of blogging and Tweets shows a fascinating shift in tastes. Young adults are far less car-focused than their parents and grandparents. They worry about the cost, the environmental effects, even the image of being a car owner. What's really cool to them is exotic kayaking trips, DIY vegetable gardens, new restaurants — opportunities to brand themselves and text the news back to their friends.

All of this sort of consumption can and does thrive when other sectors of the economy are depressed. Call it Miami Beach Syndrome: Empty condos overlook full bars. Elsewhere, in some of the towns where the real-estate bubble disappeared with a particularly loud pop, some minty-fresh housing developments are being bulldozed because vacant houses attract squatters. A foolhardy era is getting plowed under.

Cities may be expensive, but they deliver value. A headline in the Wall Street Journal last year read, "Cities Grow at Suburbs' Expense." Such inflows support urban housing prices, which declined far less in cities and inner-ring suburbs than in distant suburbs and exurbs. That cities make for increasingly desirable homesteads is reflected by the changing demographics of their populations. By 2008, incomes of residents of Seattle and San Francisco exceeded those of the metro area average by 20%. A generation earlier, both cities' incomes were outpaced by their surrounding areas. Even last year, in the immediate aftermath of the financial crisis that helped kill more than 100,000 of our jobs, New York City was still rated the No. 1 destination for college grads looking for jobs, Florida says.

And cities are ecologically correct. Thanks to writers like David Owen, author of "Green Metropolis," understanding of that fact is beginning to overturn the centuries-old image of cities as infested with dark Satanic mills, cloaked in foul air and streaked with mucky rivers. Owen ranks New York City as the single greenest place in the United States. New Yorkers generate 30% less greenhouse gas per capita than the average American. We drive less, produce less waste and live in the most energy-efficient housing on earth: apartment buildings. All of this is down to population density (800 times the US average and even 30 times the average of Los Angeles).

New York City competes on a global playing field, but the salient fact about our overseas financial-industry competitors is that none of them (except London and possibly Hong Kong) offers the full Gotham menu of advantages. Shanghai has desperately been trying to get itself ranked among the major centers of finance, and it has succeeded, if you consider 36th place success. (It's on a par with the Bahamas for financial activity.) Mainland China's disparaging attitude toward basic freedoms (not to mention its sickening air quality) hampers its efforts to draw top talent. China won't even allow its currency to be freely traded.

Moreover, for all of China's vaunted progress (one analysis quoted by Florida says it may seize the title of world's largest economy by 2015), it ranks only 30th on the Davos Competitiveness Index, 81st on the U.N. Development Index and 36th on Florida's Global Creativity Index, a measure of openness, innovation and competitiveness. Few of

the best baseball players want to play in Kansas City, few of the financial masters of the universe want to live in Shanghai.

Singapore, Hong Kong and Zurich all saw their rankings in the Global Financial Centres Index plummet following the crash. Tokyo dropped from seventh to 15th, and unlike the robustly polyethnic New York, London and Hong Kong, where a zesty mix of people creates busy marketplaces of ideas, Japan remains a relatively closed society hostile to outsiders. Just 1% of its workforce consists of foreigners. "Economic growth is increasingly powered not just by the places that have the most raw materials, the biggest ports or even the best factories but by those with the richest clustering of people," Florida says.

Unfortunately, Florida's major big-government idea is a wretched one: High-speed rail, an outlandishly expensive pet scheme of the Obama administration that appears destined to be one of history's great money furnaces, though President Obama's Mission to Mars promises to offer stiff competition.

Ride the sad, lonely LA subway system sometime and you'll see how effective mass transit is in getting people out of their cars in even medium (not low) density areas. Calling the LA subway system underused is like calling Antarctica underpopulated.

Why should L.A. have all the fun? Obama's rail plan typifies his blend of nose-to-the-skies Harvard dreaminess and his canny grasp of the levers of the Chicago machine that produces gold-plated union jobs.

Acknowledging that a fully built-out high-speed rail system would cost somewhere between \$140 billion and \$500 billion, and quoting a New York Times blogger who loves the way Obama thinks but figures that a Houston-to-Dallas high-speed train would lose \$400 to \$500 million a year, Florida is nevertheless a cheerleader. Get a wonk talking about trains and his glasses are likely to steam up with excitement. We're talking about mad lust, the kind that knows no reason.

But only the Northeast has the kind of population density that lends passenger rail any kind of potential. Florida says a high-speed link could take you from Philadelphia to New York in half an hour (good news for Philly, I suppose, but who in our city foresees great benefit in a daily delivery of a few thousand Eagles fans?). Such a rail link could never make any kind of sense in terms of cost, though. That means a subsidy sinkhole, an Amtrak-like agency, would have to run the supertrains. So on your commute from UPenn to Penn Station, just go ahead and factor in one of those legendary unexplained Amtrak delays. Bring a good pair of sneakers in case you have to walk.

Florida thinks high-speed rail would amount to picking up every city in the rusty, fragile post-industrial Midwest and moving it closer to the northeast corridor. But whereas Philadelphia may someday live up to all those prophecies and claim its place as New York's unofficial sixth borough, all the magical trains in the world aren't going to make Detroit the seventh.

Notwithstanding Florida's call for vigorous subsidies of fancy trains, he is not unaware of the folly of a tax system that continues to encourage us to buy our residences, and the administration has shoved bailouts into both housing finance and the auto industry.

Florida's vision of a more New Yorkified America is highly congenial to the average liberal, and yet making it happen depends on a more laissez-faire federal government. Florida is prepared to wait, though. He says the effects of the two previous "Great Resets" in 1873 and 1929 took decades to ripple through the country. One problem with futurism is that it dates quickly. One benefit is that you always stand a chance of being proven right — someday.