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Urban theorist Richard Florida explains why recession is the mother of invention.

by **Conor Clarke**

The Great Reset

America's shrinking economy has shortened everyone's time horizons. When the Obama administration announced its plans for an \$800 billion dollar stimulus package, legislators were on board with spending 75 percent of the money over the next 18 months. But the portions of the bill that are more forward-looking—like long-term investments in education and infrastructure—have proven more controversial. Who can think about laying down train tracks over the next decade when millions more jobs could be derailed by the middle of next year?

Urban theorist Richard Florida, for one, takes the longer view. In a series of provocative books and articles—including *The Rise of the Creative Class* and, most recently, *Who's Your City?*—Florida has set his sights on how economic shifts give rise to demographic trends. And in his March article for *The Atlantic*, "[How the Crash Will Reshape America](#)," Florida applies those lessons to the current economic crisis. Which cities will rise and fall with investment banks and the housing market? Which regions will thrive, and which will start to look like latter-day Dust Bowls?

I spoke recently with Florida about his *Atlantic* piece. But our conversation quickly turned to Obama's stimulus and the kinds of policies we can enact to shape our own demographic destiny.

—Conor Clarke

One of the major themes in your work is that various economic changes have shifted more emphasis onto creativity and ideas.

I think the crisis concentrates and accentuates a few long-running trends. The first is this notion—initially advanced by people like [Peter Drucker](#) as early as the 1950s—that our economies were becoming more knowledge driven. I simply added that this kind of idea of human capital actually comes from a much more fundamental human characteristic called creativity. People who are engaged in creative work will not only be happier and more satisfied, but they'll add relatively more economic value.

But this seems to contradict one of your other major themes, which is that creativity flourishes most in high-density areas. In an economy that's fueled by ideas and information, why should proximity matter?

Well, I combine that first point with another insight made by urban economists. [Paul Krugman](#) won a Nobel Prize in part for some of these insights.

And you cite Ed Glaeser as well.

Yeah, Ed Glaeser is the person who has done the most and the best research on this, although he's quite a bit younger. He'll win his share of awards. But a lot of this goes back to the great [Jane Jacobs](#), who argued that what really mattered was not simply accumulation of knowledge or creativity but the geographic concentration. And [Robert Lucas](#), who explained that urban areas bring together and multiply human productive efforts.

But as you mentioned, we have this kind of mythology going around that somehow the rise of new technologies—communication and transport technologies, which shrink the world—will spread out our geography. We always have this kind of romantic notion that technology will free us from the dirty, the pathological, the slum-ridden, the unhealthful city, and that the world will spread itself out.

And why won't it?

In a previous piece I wrote for *The Atlantic*, "[The World is Spiky](#)" [PDF], I kind of took that myth on. There are two tendencies in the world economy. There is a great tendency for low-cost, fairly standardized stuff to spread itself out, and that's where people say, "Oh my God, the world is flat." But there's also this counter-tendency for things to concentrate—to take advantage of these forces of agglomeration and human capital. So what I tried to argue is that that second tendency is very important. And now we have all sorts of World Bank reports talking about how productivity and performance are so much higher in urban areas, even in the emerging economies.

What I tried to do in this piece is say, "I don't think this great crisis—or great 'reset,' as I like to call it—will change this trend. In fact, my hunch is that, coming out of this crisis, our geography will end up more concentrated than it was before."

So I take it you don't have a lot of hope for telecommuting.

I actually think we're going to telecommute *more*. I think that the congestion problems of the great cities and what I call the great mega-regions—the best example would be the Boston/New York/Washington corridor—will become so great that the car will no longer be the single dominant mode of transportation.

People are going to have to live closer to work. I live in Toronto, where they're good at using bicycles and walking. People are obviously using rail and subway transit, and using the car for localized trips. I know the *Atlantic* headquarters are in Washington, D.C., which has a big Metro system. It's growing fast, even during the recession. But the roads are still very congested.

Well, how are you going to relieve that traffic congestion? Part of it is going to involve better rail and subway connections—in Washington, there's the whole debate about the Metro extension out to Tyson's Corner, Virginia. But I think telecommuting will be part of it. Now my hunch is that in the future, people's employment relations will be quite a bit different, quite a bit more flexible. And creative people will march to their own rhythms.

At the end of your piece, you raise a question about public infrastructure. I want to see if I can get you to speculate more about that.

Well, in earlier versions of the piece I did speculate wildly on this. For reasons of time and space—

I'm sorry about that. Well, sound off about it now, here's your chance.

Well, I am worried, and I think many people are worried, that we would waste public investment on bailing out the

industries of the past—on things like automotive bailouts, which promise to simply prop up and breathe life back into industries that certainly show their share of problems in international competition. And that’s why I like to think of this as a “great reset” rather than a crisis. What economic crises do is reset the conditions for technological innovation and consumption and demand.

But rethinking infrastructure changes the institutional rules of the game and the way people and industries organize themselves geographically. What that does is create new patterns of living, new patterns of working, new patterns of consumption, and new demand. So, for example, the railroads and canals created all sorts of demand from new and innovative industries and products. Suburbanization created all sorts of new demand for automobiles and television sets and durable goods.

So it’s important to spend money on the right kinds of projects and the right kinds of infrastructure. The problem is—and I think this is very relevant for the Obama administration—that it’s hard to anticipate exactly what the next big infrastructure configuration will be in advance. So what I would like to see is people beginning to think through and experiment—making investments in a range of infrastructure projects that might add up to the infrastructure of the future.

What sorts of projects would you like to see in that mix?

Here are one or two things that I think could pay dividends, in addition to broadband and Internet and all of this connectivity. One, I think the United States needs to upgrade its airports. I mean, I recently met an Austrian friend at a conference in Moscow, and she said to me—and it was heartbreaking—“You know, when I fly now from Shanghai or Beijing to the United States, it reminds me of when I was a little girl and I used to fly back from Eastern Europe to Western Europe because the infrastructure looks bad.” Obviously, international airports and international global connectivity are really key to a global economy. We need to bring our airports—Dulles Airport, for example—into the 20th or 21st century.

Secondly, rail connectivity within the mega-regions. There are the fast trains along the Boston/New York/Washington corridor that have allowed Washington, in effect, to become a commuter suburb of greater New York. But how about a place like Detroit? If Detroit were better connected to Chicago, one could imagine Detroit having a better reason for existing. Or Pittsburgh. If Pittsburgh were better connected to Chicago or even to Washington, D.C.—it’s only a four-hour drive—that could spur growth.

I think it’s a waste to spend money on building out more road capacity. But it would be worthwhile building smarter roads, pricing our roads effectively and making some smaller changes in building regulations and zoning codes. Take the case of Arlington, which I assume you’re familiar with.

I can almost throw a rock into Arlington from where the *Atlantic* office is.

Well, it was considered to be an older, declining, hopeless kind of suburb. But with the subway rail extension, plus changes in building codes and zoning, which enabled densification, Arlington has not only grown but added business. So I think those are the kinds of things we need to think about. And we need to realize that our geography is going to look a little bit different; it’s going to be a little bit more concentrated. And—I hate to say this—there will be winners and losers. And the point isn’t to always breathe life back into the losers. I think getting ourselves out of the crisis means making sure the winners have that competitive advantage, but also allowing people the opportunity to adjust.

I also think this emphasis on home ownership that we have in the United States today is counterproductive. One of the drivers of our growth has been our cities, but so has our incredible mobility of labor—40 million Americans moving

residences each and every year. That has ground to a halt, according to the Pew Center. We now have the lowest level of mobility since they began tracking it.

So what do you think about the government possibly guaranteeing mortgage rates? Should we in fact discourage home ownership and encourage renting? And how can we do that through a stimulus package?

Well, I don't think a housing bailout is a good idea. If you look at the most recent research I've seen, about 50 percent of homeowners who were able to renegotiate their delinquent loans, ultimately were unable to afford them. So in half the cases, their "bailout," as it were, didn't work. And the asset price, the housing price, has to reset—you can't keep it high forever.

Here's the way I look at this in a long view though. I think it was Herbert Hoover who said something like "A chicken in every pot and a car in every garage," and I think one way to translate that is, "Both chickens and cars have to become more affordable." If we are going to grow the industries of the future—whether those are better health care industries that extend our lives, or more experiential industries like info and edu-tainment—we are also going to have to reduce the cost of the core bundle of goods that stood at the center of mass production.

Okay, and how does that apply to the housing question?

As Paul Romer says, "A crisis is a terrible thing to waste." And I think we're going to have to figure out ways not to reflate housing prices but to make housing much more affordable. It seems to me that maybe people should be spending no more than 20 percent of their income on housing and related durable goods. How are we going to grow if people are forced to spend the largest share of their income on this product that isn't really contributing to economic growth? And how we shift to much more rental housing could be part of that conversation.

I visited Miami this winter. You look around Miami and you see condo tower after condo tower filled with spectacularly outfitted housing that's not being used. Well, how can we recommission that housing? Perhaps by turning it into rental units and providing more affordable housing for people. And the foreclosure prices—instead of asking people to refinance their homes for 38 percent of income, why not ask the government or some expert intermediary to take those units over and rent them back?

You make an extremely strong argument in favor of freeing up labor markets by encouraging renting. But there's so much mythology around the idea of home ownership—that it lowers crime or "instills an ethic of thrift." I take it you aren't very sympathetic to those arguments.

Well, I mean, I am a homeowner.

Why are you a homeowner?

When I was teaching at Carnegie Mellon, I was able to rent a single-family house. It actually had a very lovely little backyard with a pool that another faculty member had hand-dug 40 years before. When I moved to Toronto, I bought a house, and the reason I did is because I couldn't find the rental unit that I wanted. Mark Thoma said that the reason he likes to buy homes is because he can paint the walls, change the floors, or put in the stove or refrigerator that he likes. And I think that's a big part of why people own their own homes—because they can make them their own.

But when I talk to younger people, I feel like attitudes are changing. Many of them say they chose the University of Toronto particularly because they could live in a city where they could rent a great unit and not have to buy a car. So I think attitudes are changing, and I think the jury's out on the positive effects of home ownership. I think there are some, but really

according to the most recent research—

Right, you mentioned in your piece that homeowners are no happier than renters. That was extremely interesting.

Homeowners are little bit more miserable than renters. And careful research that looks at the other socioeconomic, demographic, and economic characteristics of people would challenge the idea that homeownership in itself produces lower rates of crime and higher rates of social stability. These benefits may be correlated with the characteristics of homeowners, not with the actual ownership of homes.

That said, I think we can all think about a new kind of rental housing. I am envisioning major providers of rental housing—the equivalent of what major home builders are today—who would build large-scale multi-family units for townhouse-like construction. Those sorts of units can be quite elegant—there are a number of New Urbanist communities that are quite modernist, including a development called [Aqua](#) in Miami Beach. And those developer-managers would make those units available at a variety of price points. Some could be relatively expensive and others could be relatively affordable. And you could design your own unit, depending on how much you wanted to spend. You could commit to three- or four-year lease and you could change the floors, you could change the kitchen, you could change the bathrooms, you could have the accoutrements that you like.

The other approach I'm envisioning would be like timesharing, but applied to home ownership, where you or I buy a share in a home-providing service. Say we are living in the District of Columbia, but our office relocates out to Bethesda or Tyson's Corner. We give some notice—90 days or six months—and when a unit becomes available in Bethesda or Tyson's Corner, we can relocate there, so we're able to ride a bicycle or have a short car commute or walk to work.

So what does the endpoint of this process look like? Will America become a vast wasteland of farms, ruled by maniacal robots, while these giant, creative urban centers are scattered around the edges?

I tend to be optimistic. If you look at past crises—like the one in the late 19th century and the one that came with the Great Depression—they tended to last about 20 years from beginning to end. But most importantly, these are periods of great technological innovation, and they're periods in which our economic geography gets completely and massively shifted.

Sure, I think there will be places that are significant losers. And I think parts of our geography will become emptier. But I don't think that vision needs to be dystopian. I think those adjustments can occur in a way that makes all people better off. Who would have thought 150 years ago, when more than 50 percent of Americans worked in or around the agricultural sector, that those people could be absorbed and have higher incomes and live more productive and prosperous lives in cities? I think the same kind of phenomenon holds true today. My hunch is we have enough knowledge to build denser cities and mega-regions while preserving more of our natural spaces and becoming a greener, more sustainable nation across the board.

This can happen if we give it some thought. We just have to understand that our urban, our geographic pattern is what really sets the conditions for growth. It's not simply about research and development and start-ups and new technologies and stimulus plans. It's really about the geographic nature of our economic development process, and I think we really need to pay attention to that. If we take as a first principle that we really have to invest in the creativity of each and every individual—and give people the right to express their creative talents in ways that they find interesting and relevant—then I think we will end up with a better future than we otherwise would have had.

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