THE CLOSING OF THE AMERICAN CITY

A NEW URBAN AGENDA

MICHAEL HENDRIX

AEI

AMERICAN ENTERPRISE INSTITUTE

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Michael Hendrix

American Enterprise Institute

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BY MICHAEL HENDRIX

In 1831, a 25-year-old Frenchman stepped off a boat in Newport, Rhode Island.[1] Over the ensuing nine months, he would visit nearly every major city along the Eastern Seaboard and inland America—from Cincinnati and Memphis to Boston and New York City. “Americans love their towns,” he found, and it was on these preserves of community that he focused his gaze, searching for the secrets to America’s success.[2] Alexis de Tocqueville saw the habits of freedom in the rhythm of the city.

A place like 19th-century Cincinnati was not easily mistaken for Paris. There were no great luxuries or high art; this was a citizen’s city built for industry. Too busy for beauty, Cincinnati nevertheless had more growth and opportunity available to its 30,000-something residents than nearly any European city at the time. If we were to conclude from its “picture of industry and work” what it was that made a nation great, Tocqueville said, it would be found “in the rapid and energetic circulation of ideas, and in those great cities which are the intellectual centers where all the rays of human genius are reflected and combined.”[3]

Tocqueville’s vision of ordered liberty was rooted in the bonds of democracy. They were links forged, he observed, not in isolation but in community. Citizens of townships both large and small interacted with one another regularly and in so doing set in place a complex web of ties to people and institutions grounded in trust and respect. These relationships were the lifeblood of democracy and the spirit of enterprise.

The question we must ask today, nearly 200 years later, is whether America's cities are still fulfilling the hopes and aspirations of their citizens. This, after all, is the central question of urban policy. Since human flourishing is tied to human togetherness, how we express this relationship in the form of community and our built environment matters greatly to the human experience.

Yet for too many people in too many places in this country, cities are closed economically and politically to their advancement. This is a tragedy individually and collectively for the American project. To understand our present state, we must first define the city and its role in this country before examining how it too often falls short. Only then may we find once again the openness that makes America's urban places great and, as Tocqueville once did, speak into them a language of community and opportunity.

The city is simply a social form in a physical space. It is the absence of distance between people that becomes greater than the sum of its parts. To be urban is to be where people gather to live in close proximity. Cities are created out of a desire for safety and stability, a yearning for diversity, and a call for the creativity inherent in the human spirit. This is the classical notion of the city.

In practice, what we often mean by the city is something more mundane. Our focus is often on the place itself more than its people. The city is seen as a denser inner core that stands in contrast to the less dense suburbs. We think of a certain amount of dynamism, a variety of amenities, and a degree of walkability that lends itself to community. We may also consider the city a shorthand reference to cultural assumptions about race, class, or crime.

Every city has unique character, history, and values, just as people do. Cities reflect who we are and the civic culture we have created among us. When cities fail, they often do so from a diseased social imagination. Consider the slum clearances of mid-20th-century America, where in our arrogance we tore down our communal legacies only to replace them with lifeless concrete temples to reason.

Cities are constantly rocked by waves of change, for good or ill. The places where we live are not meant to stay in place—that is, unless we make them so, whether through political, economic, or social means. It is no coincidence that stagnant cities are often privy to incumbent capital and political interests, for they benefit the most from the status quo. Cities in stasis become sclerotic museums to the past.

American cities have long evoked tension in the popular mind. They echo the great debate between Thomas Jefferson's agrarian virtues and Alexander Hamilton's urban dynamism for the soul of the new country. Just like many developing countries today, our cities are contested places that nevertheless hold out enormous opportunities for mobility and base thrill, whether or not those opportunities are satisfied.

Yet those who see cities in the light of Gotham and Gomorrah have long held sway. To enter a city at nearly any time in human history was to be struck by an overwhelming array of smells, tumult, and rank poverty. Jefferson once said, "The mobs of great cities add just so much to the support of pure government, as sores do to the strength of the human body."[4]

The 20th century was hardly kind to the American city. After being drained by the automobile and divided by its concrete arteries, stripped bare of manufacturing, and infected with criminality, many cities were left as hollow shells. "Will the last person leaving Seattle turn out the lights," read a 1971 sign,[5] one met with familiar nods elsewhere.

Whole generations have grown up thinking of the inner city as synonymous with persistent, overwhelming poverty and crime. It has become the divine right of the middle class to have a house, a yard, and a fence. Frequently in America there is a suspicion of public life and an idealization of private life that seem in tension with the city.

Yet recent years have brought about an urban renaissance in America. As crime fell and fortunes grew, a veil was lifted from the 1990s onward. Younger, richer, and hipper people peered in and saw opportunity and a great many pleasures. Cities are seen as playgrounds now, but they are more than that for many millions of Americans. The city is their home.

What Are We to Do Today?

We are at the dawn of the urban century. More Americans are living in cities than ever before. These Americans are younger, smarter, and more global. Nearly 81 percent of Americans live in urban areas. The city is humanity, magnified.

Urban America is more than the sum of New York and Los Angeles. The US Census counts 486 urban areas with at least 50,000 people.[6] These areas include downtown skyscrapers, neighborhoods in their shadows, and sprawling tracts of single-family homes on the outskirts. Together they house nearly three-quarters of Americans. Even with this broad definition, urban settlements cover just 3.2 percent of America's land area, a remarkable sign of our continued ability to cluster together in dense areas. And in a mark of their success, the population in these areas grew 14.3 percent from 2000 to 2010, while the national population rose 9.7 percent over the same period.

America's 259 cities with populations of more than 150,000 people accounted for nearly 85 percent of gross domestic product (GDP) in 2010.[7] They boast a significant economic premium over their smaller or more rural counterparts; average per capita GDP is almost 35 percent higher.[8] In some cities, particularly with human-capital-intensive industries, economic growth has meant higher pay. In others, particularly in the South, Americans have enjoyed higher employment.

While urban America is growing in population and economic clout, its denser cores are being redefined by dramatic social and economic upheavals. Before the 20th century, cities exerted a powerful gravitational force on human endeavor. That draw was decidedly severed by mid-century. Falling transportation costs enabled people to live in one place and work in another, an option that millions took up with gusto. Indeed, nearly 60 percent of suburbanization from 1940 to 1970 can be attributed to the diffusion of the automobile.[9]

Violent crime clawed its way into cities around this same time, driving many white, middle-class families out of urban areas and leaving poorer minorities in urban cores.[10] Robberies rose an incredible 482 percent between 1960 and 1970 for cities with more than a million people.[11] By 1980 the nation's five largest cities were home to 7 percent of Americans but 20 percent of the country's murders. And following the death of Martin Luther King Jr., riots broke out in Cleveland, Detroit, Los Angeles, Newark, and Washington, DC. These cities' populations subsequently fell by 33 percent from 1960 to 1980.[12] In these cities, 1950 is still the peak of their population.[13]

The decline in urban manufacturing began soon after the end of World War II and further drove flight. Factories disappeared more quickly in cities than in the country as the financial benefits of clustering declined. New York City's manufacturing workforce peaked mid-century at some one million people strong.[14] By 1997, their ranks had fallen to 201,200 blue-collar workers. By 2010, just 76,300 traditional manufacturing jobs remained in the city.[15]

But now many of the children of these blue-collar workers have taken their degrees and joined the affluent in flocking back to the amenities of high-density urban life. Jed Kolko found that 25- to 49-year-olds in the top tenth of the income distribution were 33 percent more likely to live in highly dense urban neighborhoods in 2014 than in 2000.[16] The suburbs and exurbs still hold sway in America, but a once unstoppable trend of flight has been halted, if not reversed, in some corners of the country. "The late 20th century," Alan Ehrenhalt writes in *The Great Inversion and the Future of the American City*, "was the age of poor inner cities and wealthy suburbs; the 21st century is emerging as an age of affluent inner neighborhoods and immigrants settling on the outside."[17]

The most immediate cause of this reversal in fortunes was the dramatic decrease in crime across urban America. Washington, DC, once known as the country's "murder capital," saw homicides fall from 479 in 1991 to just 92 in 2012, while violent crime has dropped by half since 1995.[18] New York City's murder rate is down 85 percent since 1990.[19] Not only did police work get smarter and more proactive, but the crack cocaine epidemic that once held vast groups of people captive gradually loosened its grip. This was true not just in major cities but in urban areas across the United States.

In addition, the digital revolution has restored the city's place in the global economy. Our cities have gone from producing goods to producing ideas. Exponentially faster hardware is pairing with cheaply scalable software that eats other industries whole.[20] The need for skill grows with the complexity of these new systems, and the need for innovation to keep pace demands the ability to readily share ideas and expertise. Clusters of brainy workers are the feedstock of knowledge-intensive industry. As a result, people with wits and wealth are increasingly choosing to live in close proximity with one another.

The advent of the internet was supposed to result in the "death of distance."[21] Working together meant working from anywhere. While modern communications have indeed brought the world closer together digitally, cities have not, in fact, become "leftover baggage from the industrial era."[22] Reporting journalists, for instance, in theory can write from anywhere. Yet Los Angeles, New York City, and Washington, DC, have increased their ranks of reporters from one in eight in 2004 to one in five a decade later.[23] The social fabric of cities weaves people and firms into particular places where knowledge and know-how are more easily shared—and more readily rewarded.

Furthermore, globalization favors centralization of its most valuable services. So-called global cities, such as London and New York, serve as central nodes in complex networks of productive knowledge. The Manhattan Institute's Aaron Renn explains that their economies are capitalizing on dramatic structural changes to the world's economy that draw on socioeconomic elites:

> As business became more globalized and more virtualized, this created demand for new types of financial products and producer services—notably in the law, accounting, consultancy, and marketing areas—to help businesses service and control their far flung networks. Unlike many activities, financial and producer services are subject to clustering economics, and have ended up concentrated in a relatively small number of cities around the world.[24]

Dense agglomerations of human capital dramatically boost a city's productive potential. The size of these gains has increased since the 1980s owing to "technological spillovers"—that is, the benefits that go to firms and workers when new knowledge is created nearby. The wage premium for living in a large city has grown from 24 percent to

34 percent since 1980, which attracts smart people with an eye for higher earnings, in turn boosting their collective potential, attracting yet more people, and so on.[25] Cities are quickly becoming flywheels of productivity.

Yet at the dawning of the city, we are doing everything we can to turn off the lights. Too many American cities do not offer the opportunities for success and growth that they should, especially for those climbing the socioeconomic ladder. In many cases, city governments are opaque and inept. This lack of opportunity and dysfunction happens because our cities are too often closed to newcomers by virtue of their economy and politics. Many of our most prosperous cities are inaccessible to all but the wealthiest and the single. Rather than asking why cities are growing, we should ask why they are not growing more.

Burdensome regulation makes it difficult, if not downright impossible, to build sufficient housing or get the permits necessary to start a business. A lack of transparency makes it difficult to know whether anyone is trying to fix the situation. These barriers matter not simply because the city matters but because people matter. And if people cannot afford to start a family, buy a home, or have a voice in the political process, then what good is the city?

No good reason exists for America's most productive cities to remain this way. Today's status quo is a tremendous waste of human potential. The problems of expensive housing, costly regulations, and cronyist governance call out for a new urban agenda. A city that focuses on reducing the barriers to people getting ahead is primed for both economic and social success, open to all and closed to none.

An Urban Address

Something strange began to happen at the turn of this century. Millions of Americans moved to cities where they would make less money. Just four metro areas—Boston, New York, San Francisco, and Washington, DC—lost nearly three million people on net between 2000 and 2009, even as cities became increasingly fashionable places to live.[26] Meanwhile, the 10 largest destinations for internal migration in America absorbed more than three million new residents. In these cities average newcomers found their wages to be 25 percent lower than at the jobs they left behind.

That trend has continued to this day and expanded to even more urban areas. America's densest, most productive cities are experiencing incredible rises in wealth along with the slowest net population growth. In prior generations, wealth creation from industrial-era New York City to the San Francisco of the Gold Rush would have attracted ample numbers of domestic migrants of all socioeconomic backgrounds. Instead, in today's urban America, as Ryan Avent concludes in *The Gated City*, "The best opportunities are found in one place, and for some reason Americans are opting to live in another."[27]

The reason is simple: Urban America has become increasingly unaffordable, largely due to the high cost of housing. At least 90 American metros have median rents exceeding 30 percent of median incomes, the standard measure of affordability for the Department of Housing and Urban Development (HUD).[28] More than a quarter of renter households spent more than half their income on housing in 2014. The highest share of cost-burdened households are found in California, Florida, and Hawaii.[29] Incomes in many American cities have not kept pace with rents since at least 2000. In Boston, the median rental price has risen by 13.2 percent a year since 2010, while incomes have risen by only 2.4 percent annually.[30]

At the same time, for those looking to purchase a place to live, Jed Kolko found that in 20 of America's 100 largest metro areas, more than half of homes are priced out of the middle class' reach.[31] In America's 10 most expensive housing markets, just 17 percent of homes with three bedrooms or more are priced not to exceed 30 percent of a household's annual income.[32] Half of California households are priced out of their local housing market.[33] The news is not entirely bad; young people between 18- and 34-years-old making the median wage for their age could afford to buy a home in 37 of America's 50 largest metro areas. And yet these hopeful data points are illusory, merely masking a growing crisis.

Americans pay a growing premium for housing above the actual cost of construction, and that difference is entirely reflected in the increasing price of land.[34] Before roughly 1970, housing costs marched along with construction costs, such that a higher sticker price actually meant getting a better house. Joseph Gyourko of Wharton and the Federal Reserve's Raven Molloy found that real house prices were 56 percent above the real costs of construction from 2010 to 2013, which, in turn, were 23 percent above the same gap in the 1990s.[35] Yet real construction costs are no higher today than they were in 1980.

Today, a single-family home of modest quality should cost its owner roughly $200,000 to $265,000 to buy, including the cost of construction, the price of lightly regulated land, and some profit for developers. Instead, according to economists Edward Glaeser of Harvard and Joseph Gyourko at Wharton, more than 10 percent of homes are actually valued at double this price or higher, and they are disproportionately clustered in America's most productive labor markets.[36]

San Francisco especially stands out for its sky-high cost of living. Real house prices increased by 385 percent from 1970 to 2010, while real wages rose only 38 percent during that same period.[37] The city's median rent for a one-bedroom apartment was around $3,300 per month as of April 2017,[38] while median home prices reached more than $1.1 million.[39] Using Glaeser and Gyourko's figures, a home in San Francisco should actually cost around $281,000.

Despite these shocking numbers, it is not hard to see why prices are so high. Housing stock grew by just 8.8 percent in San Francisco and barely 4 percent in nearby San Mateo County between 2000 and 2010.[40] During this same time period—the decade that included the Great Recession's housing collapse—the national housing stock rose 13.6 percent.[41] San Francisco has added 45,000 residents since 2010 yet built just 7,500 new units.[42]

The most glaring problem in San Francisco is regulation. Roughly half the price of any given residential unit in San Francisco can be attributed to land-use restrictions acting as a tax on housing. For instance, not only must each new development meet official development restrictions, but they must also undergo a strict and lengthy review process, during which a host of unexpected costs and delays may arise. San Francisco is a tenth the size of New York, yet its planning department reviews five times the number of residential projects that New York's does,[43] taking an average of four years to review.[44] The standards by which projects are judged are opaque, onerous, and frequently subject to change, based more on whim than law. San Francisco's seven-member Planning Commission has the power to reject any building permit, as do the city's citizens by petitioning for a ballot measure. It is not unheard-of for a single residential housing development to wait eight years to be approved.

San Francisco's situation may be extreme, but many other American metros are choking the supply of housing as prices soar and potential new residents balk, despite the employment opportunities and prosperity on offer. Strict laws divide municipalities into zones for various land uses and densities, otherwise known as zoning. They are combined with minimum parking rules, height limits, historic preservation codes, and setback requirements, among a slew of other land-use regulations. Even Houston, a city famous for its lack of formal zoning, is rife with rules defining density, building height, lot size, and more.[45] Beyond these rules, most cities have discretionary review processes that can mire developments in lengthy public hearings and local legislative actions.

Meanwhile, heavy-handed controls on rent prices or affordability mandates on new developments effectively protect incumbent residents at the expense of newcomers, while ensuring that only a fraction of the housing stock is available on the free market. New York City's rent-regulation policy, which prevents apartment owners from realizing the full value of their property when renting it, effectively takes 47 percent of the city's rental units off the free market—nearly half the supply to meet nearly all the demand.[46]

The average worker earns nearly $9,000 less annually and has fewer choices on where to live because America's most productive cities are closed to opportunity.[47] In fact, housing constraints have lowered America's aggregate GDP growth by 50 percent from 1964 to 2009.[48] Lowering housing regulation in just three cities—New York, San Francisco, and San Jose—would expand the national economy by nearly 10 percent.[49]

These regulations affect more than just growth. They are also affecting inequality. Thomas Piketty's *Capital in the 21st Century* concluded that inequality is inexorably rising around the world.[50] A graduate student named Matthew Rognlie crunched Piketty's numbers and found surging house prices to be behind nearly all the inequality we see today.[51] Put another way, land-use regulations are among the greatest sources of inequality.

America's Sunbelt cities absorb many of those who cannot afford to live elsewhere by allowing a flexible market for housing so that supply can better meet demand. Incomes there do not reach the stratospheric potential they may hope for in the denser urban climates, yet they are good enough to sustain a family when the low cost of living is taken into account. Many people are effectively trading opportunity for less expensive housing. Real incomes get a boost from cheaper housing at greater cost to output and opportunity.

The reallocation of labor away from high-productivity, high-pay places comes at a high cost. Between 1880 and 1980, incomes in poorer regions caught up with richer states, yet in the decades since 1980, this progress appears to have ground to a halt.[52] Segregating a portion of America from urban areas is like siphoning fuel from the engine of capitalism. Doubling density corresponds to productivity gains of anywhere from 6 percent to 28 percent, if not more with a highly skilled labor force.[53] More than half of the productivity differences among states—and much of their wage differences—can be explained by variations in density alone.

Tight restrictions on housing supply impose costs not only between cities but *within* cities. Property owners and landlords pocket the gains from high housing prices as downtown population growth is increasingly driven by single people with disposable incomes and a smattering of wealthy empty nesters. Rather than merely pushing out other residents, they become the only ones left standing as the regulatory tide washes out residents. The sizable redistribution of housing wealth to incumbent owners by land-use regulations has resulted in not only rising inequality, as we have seen, but also fractured communities.[54]

If it were not for sustained inflows of immigrants, outflows of domestic migrants from America's largest cities would dramatically lower or even cancel out any gains in population.[55] Meanwhile, populations have been exploding in increasingly far-flung suburbs and the Sunbelt cities.

The 10 fastest-growing metros in 2016 were all in the South and the West.[56] Much of their population growth is driven by migration away[57] from other American cities—such as Chicago, Hartford, and New York City—and rural areas in the Northeast and Midwest.[58]

Given all this, it will not come as a surprise that the densest, most productive cities are experiencing rises in wealth and slow population growth. As a result, prosperity in America is becoming ever more out of reach. To live in a major American city today is more akin to shackling oneself to the economic ladder than climbing up it.

Fighting City Hall

Pricey housing is not the only ill afflicting American urbanites. Entrepreneurs and workers often face onerous business environments plagued with costly rules and byzantine bureaucracies. These burdens from city hall do more than hinder opportunity. They also serve to entrench established interests. As with housing, so it is with business: The closing of the American city is a closing of the American dream.

Local regulations are a challenge for businesses of all stripes, especially those lacking in the resources or relationships to effectively navigate government. Licenses to start up, permits to get working, restrictions on doing business, and fees paid regularly—the cumulative weight of these regulations risk snuffing out America's entrepreneurial dynamism. No city dweller wants to eat unsafe food or find their public spaces spoiled. Yet even regulations governing legitimate concerns may live on in opaque rulebooks enforced inconsistently or all too eagerly.

While "there is no question that state and local controls have a significant impact on businesses and local economies," as Harvard's Cass Sunstein and Edward Glaeser found,[59] the body of research on these regulations is surprisingly slim. Grasping the full scope of regulatory processes and costs across thousands of governments is a major challenge.

Nevertheless, we know a few things for sure. There are some 90,056 local governments in America[60] with nearly $1.2 trillion at their disposal.[61] And what should be simple, standardized processes for starting a business vary significantly in time and complexity across cities.

For instance, starting a professional service LLC in New York City is more than 18 times more expensive than in Los Angeles.[62] Entrepreneurs must file a notice in two local newspapers (in daily and weekly publications selected by the county) once a week over six consecutive weeks at a cost of up to $2,500.[63] Further, the processes to obtain construction permits, register property, pay taxes, and enforce contracts vary substantially from city to city. At a minimum, new commercial buildings in San Francisco cost more than $100,000 in administrative fees and take more than 175 days for approval.[64]

Thumbtack's Small Business Friendliness Survey found that Albuquerque, Buffalo, Hartford, New Haven, and Providence were the worst-performing cities for entrepreneurial regulation.[65] A simple look at the survey's nationwide map reveals a stark pattern: Cities on the coasts are often the worse performers, while the best performers are an increasingly rare breed living in Texas and parts of the South and Intermountain West.

Food entrepreneurs often face the steepest regulatory hurdles even as they enjoy some of the lowest barriers to entry in business. Public health and safety needs rightfully draw the eye of local regulators. But the sheer variance in accumulated rules governing every aspect of their businesses and the irregularity in enforcement bely their arbitrary nature.

Food trucks and street vendors in particular drive through a dizzying array of rules, such as over where and when they can operate, that seem to be handcrafted to favor incumbent competitors.[66] Boston requires food trucks to agree not to compete with businesses within 100 feet of their operating site,[67] while New York City's 1980s-era permit cap means street vendors can pay $25,000 on the black market for permits that last just two years.[68]

It is nearly impossible for small businesses in a major city to comply with the full scope of the regulatory burden imposed on them. In speaking with entrepreneurs in downtown Los Angeles, I was told that most city officials apply a "good enough" standard of enforcement that allows businesses to keep their doors open. In practice, though, that leaves entrepreneurs dependent on the good graces of bureaucrats or, more frequently, the whims of elected officials.

No single regulation hurts as much as their collective complexity and the uncertainty they create. Obtaining a building permit in Chicago may officially take three months, but in practice it can consume years of costly labor. A bakery in New York City must comply with 45 different city requirements and 14 state requirements to operate. And that is before one considers the different layers of local governance businesses encounter, particularly as they expand: Illinois alone, for example, has 6,963 local governments.[69]

A growing industry of permitting expediters exists to manage the constantly changing rules and endless delays that accompany doing business in cities. They often charge thousands of dollars for their knowledge and connections—or to simply wait in the right line with the right paperwork for the right city clerk.[70] Expediters depend on close ties with building-department officials[71] or, in the case of San Francisco, a direct relationship with the mayor.[72] Regulatory complexity clearly generates new business opportunities for the well-connected. New York City's expediters once numbered between 300 and 400; today they total more than 8,300 strong.[73]

Efficiently interacting with city government without the help of a lawyer or lobbyist can be nearly impossible. Even simple interactions, such as finding out the status of a small business permit, can prove hopelessly complex. Few cities offer simple online portals for understanding how to comply with rules or where requests are in an approval process. The same lack of transparency applies to public data; by one measure, only a third of city governments have truly open data policies.[74] City systems, processes, and data are frequently more closed than open.

Larger, incumbent businesses can afford to navigate city hall. It is much harder for entrepreneurs to do business in American cities, particularly if they are already working a nine-to-five job or if English is their second language. When entrepreneurs need a miniature army of lobbyists to simply establish their businesses or develop a property, something is wrong. Small businesses have traditionally been the lifeblood of our economy, and they are slowly being choked by red tape.

The Need for Good Governance

Just as access to city life is often restricted to the wealthy, access to city government can be limited to the well-connected. Power in the city is too often a family affair based on personal relationships and political patronage. Poor governance—the sort that closes off the levers of power to everyone but insiders—undermines the promise of city life and the potential for reform.

Look no further than Chicago, which its namesake university dubbed "the corruption capital of the nation."[75] Over a nearly four-decade period, the Windy City had America's highest total of federal corruption convictions among public officials.[76] Not one to let this title go uncontested, Washington, DC, has faced more corruption convictions than Louisiana, a state with seven times more residents.

Kwame Kilpatrick, Detroit's mayor from 2002 to 2008, kept nearly 30 family members and friends on the city's payroll.[77] He accepted payments from people seeking business with the city, obstructed investigators, and funneled grant money to his wife, among other illegal activity. "The impact on the region was devastating," declared the government's sentencing memorandum. In a city already in the grips of decline, Kilpatrick exploited vulnerable citizens for financial gain.

To be clear, urban corruption has come a long way from the days of Tammany Hall in New York City. But in many cities, human capital is being replaced by relational capital as the currency of advancement. City politics runs in a narrow lane. It puts a premium on connections, making it much easier for a connected few to gain control. As the networks of power grow tighter and tighter, the city around them grows larger and more complex, leaving city governments caught in their own webs of influence, regulation, and bureaucracy—hopelessly inefficient and behind the times.

As Martin and Susan Tolchin explain in *Pinstripe Patronage: Political Favoritism from the Clubhouse to the White House and Beyond*, political favoritism in urban areas has hardly gone out of style:

> Politics is still more art than a science, and it depends on the glue of community before anything can get done—bills passed, political

> leaders elected, fundraisers held, and campaigns launched. The networks that emerge from all these activities are rooted in relationships, all of which depend on a complex system of rewards. Budgets still reflect political power, as do zoning variances, jobs, and contracts. The technology of politics may have changed over time—blogs are more influential, and campaign finance has become more sophisticated—but the system remains intact.[78]

It hardly helps that most cities remain under single-party rule. Of the 25 largest cities in America, only three have Republican mayors: San Diego, California; Jacksonville, Florida; and Fort Worth, Texas.[79] In all, the GOP retains control of roughly a quarter of the 100 largest cities, mostly in large suburban enclaves. This is not to make the case for one party over another. But corruption is like mold—it flourishes in the dark. Sustained rule by a single party increases the chances of political malfeasance. City governments benefit from a competition of ideas.

The rise of Uber and Airbnb has shone a light on these dark corners of city politics. How can you miss the sight of a DC taxi commissioner conducting a personal sting operation on an Uber driver for operating in the District and impounding the driver's car as a taxi industry representative looked on?[80] If you want a useful index of a city's inflexibility to business newcomers, simply look at every city that has given Uber and Airbnb grief. The R Street Institute's Ridescore report showed it was not just left-leaning cities that demonstrated an anticompetitive streak with Uber but red-hued cities too, including Houston, Orlando, and San Antonio.[81]

It is not just in the new economy where we see a clashing of interests between city governments and local citizens. Public-sector unions often have a stranglehold on local government offices, which they use to negotiate large, increasingly burdensome pensions from their friends in power. Chicago's $29.8 billion in unfunded liabilities shows the costs of cronyism.[82] Each dollar spent covering this gaping hole is another dollar not spent picking up trash, maintaining roads, or buying local services. These burdens must be paid for somehow. The cost of Detroit's obligations led to not only bankruptcy but also decades of excessively high property taxes, which may have encouraged its abnormally high rate of housing abandonment.[83]

If we want a sign of how insular city politics have become, just visit a council meeting or housing development hearing. Only 19 percent of city residents reported contacting a local official over the previous year, and just a quarter of Americans said they had attended a public meeting of any kind.[84] Break this figure down by age, and the picture worsens: While 30 percent of those age 65–74 showed up to a local public meeting, just 13 percent of those age 25–34 did.

Voting patterns reveal how local governance is a decidedly second-order priority for most voters.[85] Most Americans who walk into a voting booth—if they darken the doors of a polling station at all—know little about their local candidates or issue preferences. Not coincidentally, party-line voting runs down every level of government, and most local political parties are organized along national splits rather than local priorities. The state of local governance reveals the ill health of American federalism.

Alexis de Tocqueville's America, where town meetings were both a laboratory and a school of democracy, is nearly gone, replaced by a distinct class of activists and retirees. Those who have lived in a city a decade or more are roughly three times as likely to be active in local government, and they have an overwhelming stake in the status quo. Meanwhile, the young and restless residents of new urban America want nothing to do with a closed political system. Millennials let start-ups arbitrage the regulatory state for them. Can we blame them?

An Opening for Reformers

Cronyism, excessive regulation, the high cost of living—the truth is that the promise of America's cities seems out of reach for many and increasingly so for the brightest few. The good news is we have solutions for many of these problems if city leaders seize the opportunity.

The extremely high cost of city living has an obvious cause and an obvious solution. The problem is one of simple economics: An increase in demand for a good will cause its price to rise until supply grows to meet it—unless it is constrained by some outside force. The outside force in this case is the noxious combination of overly restrictive land-use regulation, byzantine permitting processes, and a rampant fear of development in one's own backyard.

Let's admit one thing from the outset. Relaxing land-use regulations is unlikely to gain significant traction anytime soon. Local politicians have made two mutually exclusive promises to homeowners: that houses will be affordable and that the value of their homes will never decline. Their promises have often yielded to a perpetual war between insiders and outsiders around every development. Incumbent landlords and longtime homeowners have an immense stake in local politics, while tenants and new homeowners have nearly zero leverage or organization. The same is true for businesses. Nevertheless, when progressives are on the same page with conservatives and libertarians on deregulation, they may be able to push pragmatic policies that can slowly chip away at restrictive zoning and excessive permitting.[86]

Reformers must liberalize zoning restrictions—full stop. America should enjoy a less regulated, more market-oriented housing market. Fewer neighborhood types should be deemed illegal. Changes in supply should more readily keep up with changes in demand. In prosperous urban areas, freer markets will yield denser housing. They may not immediately lead to more economical housing, particularly in geographically constrained cities with globalized property markets, such as New York City. And we must keep in mind that a vibrant city hosts a broad array of housing types; the aim is not to pave paradise and put up a skyscraper. But the costs of inaction are higher than those of action. In Austin, rents stabilized after 10,000 new apartments were brought to market in 2014 and another 8,000 were added the year after.[87] Building more units does in fact lower prices.

Efforts at reform should begin with the low-hanging fruit. The object is to lower the barriers to construction, whether this involves deregulation or not. A construction industry that is relatively unfettered is also more likely to participate in the developmental process and less likely to lean on relationships to get projects done. This also enables more choice and trade-offs in what locals desire for their communities. For instance, flexibility in parking requirements for new developments would help low-income residents trade parking for less expensive housing. As it is, such mandates add $104,000 on average to the construction cost of each apartment in Los Angeles.[88]

Moreover, more flexibility in the types and sizes of housing available could help make room for people with a wide variety of incomes. As housing prices rise, the young and poor will frequently be pressured to consume fewer housing units (such as by finding a roommate) or smaller units. Urban central planners all too often look down on these arrangements. Flexible living spaces, micro-units, collaborative housing, corner stores with upper-floor apartments—these have all been deemed illegal in far too many cities.

The same goes for renting underused housing assets through online platforms such as Airbnb. For individual households facing high rents, being allowed to host paying guests without onerous restrictions may be the difference between staying in the city and leaving. Indeed, 53 percent of Airbnb hosts tell the company that hosting allows them to stay in their homes.[89]

Relaxing regulation would certainly help housing costs and businesses. But reformers need not stop there. Even relatively lightly regulated cities, such as those in Texas, have high property taxes that fill the local government's coffers. Developing property leads to a higher tax bill, so owners have significant incentives to leave land underdeveloped or vacant to avoid the taxman's take.

The notion of a land-value tax is an old one, favored by the likes of Adam Smith and Milton Friedman, but rarely implemented due to its novelty and the complexity inherent in assessing land.[90] The basic premise of a land-value tax is that a property's location and size bestow value on the property that precedes any human development of it. So a land-value tax assesses this value instead of the overall value of the property after development. Implementing this idea comes with several difficulties, both political (landowners are often wealthy and well-connected) and practical (assessing the value of developed urban land could be difficult). Yet in the age of big data and tightened fiscal belts, there is a richer opportunity than ever to try something new.

By taxing land instead of property, cities would be encouraging the productive use of land. Because land value is affected by the development around it, increasing the city's tax revenue would be a function of community-wide improvement, not the whims of any single actor who wants to develop a particular piece of land, which would also help reduce wealthy developers' political influence.

Beyond regulations and taxes, there remains the issue of how and where decisions are made to place more restrictions on the city or to open it up to new opportunity. Process and politics matter as much as rules in property development. As William Stern, a former chairman and chief executive of the New York State Urban Development Corporation, said, "Complying with New York's Kafkaesque zoning code and its banana-republic process for approving building projects requires first and foremost a Herculean exercise in politics."[91]

Decisions about rezoning, for instance, are more often than not battled out at the neighborhood level. Yet this is precisely where the costs of development are most concentrated. Meanwhile, the benefits of development accrue to the city as a whole. That is why many city residents acknowledge the need for citywide growth, yet rationally prefer that it not occur in their own backyards.

The best balance of these interests elevates development approval to the metropolitan level while maintaining local input on implementation. As Daniel Hertz noted, we should "make the democratic process truly democratic by allowing input from everyone significantly affected by a policy—which means making some housing decisions at a citywide, regional, or even state level, rather than neighborhood by neighborhood."[92]

Roderick Hills Jr. and David Schleicher suggest adopting annual citywide development goals that trump zoning concerns.[93] Once a plan is drawn up by an independent commission and approved by the city council on an up-or-down vote, it is up to each neighborhood's stakeholders to bargain with other neighborhoods over just how this development is to be distributed. They argue that "land use law should embrace a version of plans as a procedural tool that packages together policies and sets of zoning changes in a number of neighborhoods simultaneously through procedures that make such packages difficult to unwind."[94]

David Schleicher also recommends "tax increment local transfers," which would also transfer the social gains of new development in the form of increased property tax revenue to homeowners who live near the construction.[95] Such a transfer would not add to the costs of development while providing an incentive for its approval. Each community would have to decide the share of additional property tax revenue to give to local residents and for what period of time.

Immediate questions of affordability will remain even with a spasm of housing development and a dramatic fall in land-use restrictions. For the poorer renter facing immediate questions of where to live, the promise of new housing is a far-off hope met in years, not days. The best answer may already exist: Housing vouchers, which subsidize poor renters up to a HUD-prescribed limit, have long helped offer below-market-rate options in a more timely fashion. Unlike large, often publicly owned housing projects, which once housed many of the poor in cities, vouchers give individuals and families more flexibility and avoid creating pockets of poverty. Vouchers allow low-income families to move into more attractive neighborhoods with better schools and lower crime.

The focus should be on addressing specific housing failures for specific people to maximize their choices for housing and the pursuit of opportunity. This may mean dramatically consolidating current housing affordability programs into a voucher program with an emphasis on portability. More vouchers, though, will have to mean more housing down the road. In places where housing supply is inflexible to effectively meet this subsidized demand, prices will go up and force out voucher-wielding renters who no longer find themselves near HUD's "fair market rents."

Current efforts around affordable housing have focused on so-called inclusionary zoning, which mandates builders to price a portion of their development at below-market rates. This form of price control lowers the amount of housing available on the free market and increases the average price, if builders decide to participate at all. It acts as a tax on market-rate development and makes housing less affordable for the average buyer.

Ideally, inclusionary zoning should be phased out. In practice, simple tweaks may be more manageable than outright removal of inclusionary zoning. But inclusionary zoning is at best a stopgap toward a more permissive building regime. Affordability mandates such as these should fall as density rises, thus incentivizing the development of more units.

Improving Politics

Improving urban politics begins, but does not end, with transparency. Sunlight makes cities more desirable places to run a business. There is no reason, in the age of the internet, why city permitting should not be open and visible to all. Government data should be made easily available. The same goes for contracts and project bids, permitting requests, facility maintenance schedules, and every other form of service or interaction with the public. Implementing such transparency measures will not be easy or cheap—cities will have to prioritize openness in their budgets—but the cost of inaction is worse because it facilitates continued waste and cronyism at the expense of economic growth.

OpenCounter's and Accela's work with the city of Boston should be a model for the rest of the country.[96] In November 2015, the city unveiled a new permitting and licensing website that dramatically simplified processes for residents and contractors. Applicants can apply for multiple permits at once, track their applications from beginning to end, know precisely which city employee is responsible, and no longer be forced to rely on outside experts to navigate a byzantine process. The city's ability to enact oversight and formalize processes has now been dramatically expanded as well.

One-stop shops for permitting dramatically improve the regulatory environment for small businesses. Rather than seek permission from multiple agencies and spend precious dollars navigating opaque processes, entrepreneurs can deal with one public entity with the authority to greenlight their businesses. Streamlining the city's interaction with business also helps speed up the permitting process. At

Chicago's Small Business Center, a prime example of a one-stop permitting shop, overall wait times for permits were cut in half from April 2013 to May 2014 after officials recognized which processes could be fast-tracked.[97] City leaders should hold these entities accountable to the point at which a startup can be made official in a day and no permit takes longer than 30 days to approve.

While the wholesale reform of a city's regulatory apparatus is unlikely, zones for experimentation create the space necessary to prove that simplifying the permitting process and making it more transparent can work. For example, Devens, Massachusetts, a 4,400-acre community on the outskirts of Boston, has experimented with better regulatory processes, including implementing a one-stop permitting process guaranteed to last no more than 75 days.[98]

More established areas can use the lessons learned in Devens to reform their own permitting regimes. Boston's Dudley Square, for instance, has made headway[99] toward encouraging business development by creating an entrepreneurship zone friendly to new ideas.[100] By taking small steps and focusing efforts on lowering the barriers facing the poor around Dudley Square and elsewhere in Boston, these zones can effect change.

Furthermore, there is a need for regulatory review at the local level, primarily through a system of cost-benefit analysis, with the goal of reducing unnecessary regulatory burdens. Michael Mandel and Diana Carew argued in a paper for the Progressive Policy Institute for an independent "regulatory improvement commission" that would review existing regulations suggested by the public and produce a list of 15 to 20 changes for an up-or-down vote by Congress.[101] City lawmakers would benefit from having a similar commission at the local level. Sunset clauses built into policies could also help ensure that regulations are not allowed to outlive their usefulness by forcing a periodic review.

Without reform of the regulatory environment for business, cities perpetuate an inequality between the burdens on local, low-margin businesses that offer opportunities for the poor and the traded, high-margin firms that employ highly skilled, relatively prosperous employees. The former are too often held captive to the whims of the regulatory state, while the latter are relatively free to move to whatever city offers them the best deal. Cities should instinctively be open for business to an immigrant hoping to set up a corner shop or a chef aspiring to establish a food truck. As Boston's Neighborhood Innovation District Committee concluded, "Instead of a largely regulatory government that typically sees itself as saying 'no,' government should instead aim to say yes more quickly and to urge entrepreneurs onward."[102] Cities should fight regulatory inequality.

This openness will help advance another city priority: local input and self-government. A more open government would allow individual citizens to stay informed about what is going on in their cities and contribute valuable local knowledge to city decision-making—knowledge that can tremendously improve public projects. Hyper-localism can have drawbacks; namely, it can prevent changes that could benefit the city as a whole. But effective citizen engagement is too often lacking in the local public sector.

Software may help on this front. Santa Monica's residents were able to use a website built by MetroQuest to make informed decisions between different scenarios for redeveloping the city's civic auditorium.[103] By all accounts, this resulted in more inclusive, informed feedback by a wider range of stakeholders.

As we have seen, citizens rarely feel like they know or have a voice in their local government. Addressing these challenges will not be easy, but they are necessary. Reforms in municipal governance may, oddly enough, begin with granting more authority to local chief executives. Voters may have an easier time monitoring and interacting with mayors and city managers than a wider array of more obscure elected officials. As David Schleicher writes, "Bundling executive authority in governors, county executives, and mayors—at least when that authority is taken back from those elected officials that voters have the least capacity to directly monitor—would, perhaps counterintuitively, seem to produce more accountability and greater fit to voter preferences within states."[104]

Another outcome of greater accountability should be righting fiscal imbalances at the local level. Businesses crave stability and clarity, and local governments too rarely provide either. Pension funding gaps in particular leave open the very real possibility of rising taxes that deplete businesses' and individuals' hard-earned money. Detroit's bankruptcy provides hope that it is possible, at least in a moment of crisis, to bring pension holders and bondholders together to regain some financial stability. While Detroit is still in the red, it is a much better place to start a business than it used to be. To prevent the spread of municipal bankruptcy, other cities should move quickly to change city-employee contracts to defined-contribution benefit plans, rather than the often much more costly defined-benefit pensions, which did so much harm to Detroit's finances.

Last but certainly not least, city leaders should also work to cultivate the richness of civil society, from families on up. Because cities tend to have more than their share of poor and broken families, local governments often dedicate significant resources to social services. But these families need far more support than public social services could ever supply. What they really need is a community and an institutional framework beyond the state—exactly the benefits that civil society is best equipped to provide. Empowering the middle layers of society pushes back against the tendency of democratic individualism to "place men beside one another without a common bond to hold them," as Alexis de Tocqueville observed.

Under the rubric of cultivating civil society—a necessary component of an open, thriving city—a host of reforms should be considered that extend far beyond ensuring affordability and good governance. This paper intends to focus on the barriers in regulation and governance that are keeping people from getting ahead in American cities, but a few notions are worth highlighting.

An emphasis on civil society could mean leaning on private charity, even private religious charity, to deliver social services to the poor. In the realm of education reform, opening up not only the demand for education but also its supply of schools will be essential for creating an ecosystem of choice for parents. Further developing vocational education and mentorship opportunities will nurture the human capital and social capital that are the building blocks of vibrant communities.

These are but a few of the reforms to open the American city. As Edward Glaeser believes:

> We need a more forward-looking urban-policy approach. Unleashing urban entrepreneurship, creating a richly competitive educational system providing everything from effective pre-K to up-to-date vocational training, and reducing barriers to building lower-cost housing and hiring less skilled workers should be primary elements of that approach. A brighter future for America's cities would be the result.[105]

The same solutions that make a city more affordable—more openness and a rebalancing of power from entrenched interests to a free and open marketplace for property and power—are ones that make it better governed. It comes down to the process by which decisions are made and revenue is collected.

Conclusion: Open Cities

Dawn broke over Boston with first a hush, then a clatter. "The rolling of carriages, the noise of hammers, the cries of the population, begin to make themselves heard again," Alexis de Tocqueville wrote.[106] Sunday's reverence gave way to Monday's commerce like the east wind off the bay. "The city is awake. An eager crowd hastens towards the resort of commerce and industry; everything around you bespeaks motion, bustle, hurry. A feverish activity succeeds to the lethargic stupor of yesterday; you might almost suppose that they had but one day to acquire wealth and to enjoy it."[107]

What Tocqueville saw was commerce and community becoming basic patterns of American life. Walking the streets of Boston, away from the stately halls of government and into the throngs of people going about their lives, gave him an eye into the virtues of our greatest towns and cities. He saw in them a freedom to improve one's lot in life, the virtues of work and learning, and the elevation of private interest and voluntary association for the common good. America was reared on these ideals.

Cities today, as then, must break down the barriers standing in the way of free people associating with one another, trading with one another, and learning from one another. This work begins at the street level, harnessing America's dynamism and diversity to elevate the best ideas from the bottom up, and succeeds through the work of the individuals and institutions working closest to their communities. America's future is the sum of its people living in community, unfettered and free.

After years of overregulation and overspending, America's cities have been left to struggle and sometimes even go bankrupt under incumbent political rule. A lack of affordable housing and miles of red tape have kept the middle class and new small businesses—the true drivers of economic growth—out of cities, leaving the wealthy and influential behind to make deals, while social services try and largely fail to help those trapped in poverty.

The solution should be based on the problem. When cities are closed, policymakers should seek to make them open. No matter where Americans choose to live, we must give them choices. That means opening our cities to everyone—rich and poor, young and old, newcomer and incumbent. There are several clear, discrete steps we can take toward making cities more welcoming for people wishing to live and work there.

Now is a particularly auspicious time for thinking anew about what it means to have a flourishing urban life. We must free people and markets to advance the cause of the places in which we live. In so doing, America's cities will be beacons of hope and opportunity for the future.

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About the Author

Michael Hendrix is the senior director for emerging issues and research at the US Chamber of Commerce Foundation, where he leads the foundation's public policy research and outreach.

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EDWARD J. PINTO
Codirector, AEI's International Center on Housing Finance; Resident Fellow

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