

Urban engine

High-density development is key to job growth and sustainability

by Claude Gruen



Today's challenges to the sustainability of both our natural and social resources are different than they were 50 years ago. Global warming can make human life unsustainable, and the tensions of income inequality threaten the sustainability of the American democracy. But like generals fighting a new war with the weapons and strategies of the previous war, the natural resources and urban environmental movements have not yet adapted to these current threats.

Vanquishing the threat of greenhouse gas emissions will require more than the primitive alternative energy generators, composting our garbage, building only LEED-certified buildings and driving hybrid cars. We need to spend billions on "Manhattan projects" to invent new and much improved technologies to produce usable, relatively cheap energy sources that do not emit greenhouse gases.

A carbon tax will have to replace the complex cap-and-trade system to level the environmental

playing field by charging those who buy electricity made with greenhouse gas-producing ingredients. But all the revenue from this tax cannot be allocated to research and other costs of mitigating climate change. Much of the revenue from the carbon tax will have to be refunded to lower-income households for reasons of social justice and to others in the voting public to make the carbon tax politically feasible. The costs of climate change mitigation, including research and the subsidization of the higher electric bills guaranteed by the passage of laws mandating that utilities purchase solar and wind power, can only come from two sources: lowered standards of living or economic growth. Only one of these options is open to democratic societies if they are to remain democratic.

I cannot vouch for the accuracy of the much quoted figures that 1 percent of the population has 40 percent of America's wealth, while the bottom 40-some percent has no wealth. But it is clear that the blatant and huge inequality we now find in America will, in time, tear the fabric holding our democratic society together.

What is needed to avoid euthanizing the hope for a better economic future is to expand the economy by funding both the battle against climate change and the creation of more jobs and entrepreneurial opportunities. Only cities or regions that house agglomeration economies with comparative advantages that enable them to compete in the global marketplace can produce the needed acceleration of economic growth.

U.S. urban areas house about 80 percent of the population and produce about 87 percent of its gross domestic product (GDP). Further, it is the most economically diverse and vibrant urban places that generate the greatest amount of GDP. Last year, slightly more than half of the nation's GDP was produced in only 24 of 366 U.S. metropolitan areas. Those 24 housed 39 percent of the nation's population and 40 percent of its jobs. In the three-month period ending September 2012, all but one of the top 24 urban areas increased employment.

But in many of these regions, including virtually all on both coasts, the activists who have aggressively fought to sustain the natural and built environment have successfully dethroned the property rights that existed before 1970, and they have installed laws, procedures and political attitudes that constrain development, limit its flexibility and make it more costly. These unintended consequences of contemporary land-use policies will slow and eventually throttle economic growth.

Consider what has happened in Singapore since 1960, when it had a population of 1.9 million, most of which lived in squalor. Its per capita GDP was among the world's lowest. In 2011, it had a population of 5.3 million with per capita GDP of \$60,688, 26 percent higher than the U.S. per capita GDP of \$48,112. I am not suggesting we adopt the authoritarian regime of Singapore or build to their levels of density, but it shows what demand-responsive urban development can achieve. A successful paradigm for the 21st century would remove cost- and time-raising impediments to construction so developers can compete and, yes, overbuild and push down prices on older housing and work space while creating sustainable agglomerations.

Unshackling urban economic growth may create enough horsepower by itself to pay for the necessary research to conquer climate change, but new land-use rules will not solve income inequality.

Experiences of successful business people in a city or region and a study of the area's economic history should be drawn upon to identify the types of work that can succeed locally. Once these activities are identified, the path to economic development lies in matching opportunities to interests and potential skills, through mentoring programs that will provide the tacit knowledge needed to get and succeed at jobs or entrepreneurship. Below are some examples of on-the-ground local programs building the kind of human capital that is successfully raising incomes and the hopes of the underemployed.

The oldest of these examples is the 43-year-old San Francisco-based Enterprise for High School Students. EHSS volunteers work with disadvantaged young people to make them aware of opportunities and cultivate their individual interests through training, guidance and employment experience. During the years since they started doing this work, EHSS has introduced 20,000 youth to career choices and an understanding of the skills required to find and secure jobs in these careers.

A more recently started example is the partially city-sponsored Fashion Incubator San Francisco, focused on turning creative fashion apparel designers into successful entrepreneurs and employers. The Fashion Incubator provides a cadre of trained, successful apparel manufacturers, financiers and



The winds of change toward alternative energy are blowing, but not briskly enough.

executives to restart apparel producers in San Francisco. As late as 1990, San Francisco was the third-largest apparel producer in the United States.

San Francisco's La Cocina is a program that evolved from a group of Mission District cooks who individually had begun working out of their homes. The largely female core of cooks, who started with very little business experience or training, have moved already from home-based projects to more than 33 businesses, including restaurants, a kiosk at the Ferry Building, and processing and packaging businesses. Some food products produced by entrepreneurs who learned their trade through La Cocina are now being sold at stores including Safeway and Walmart.

The urban places that can respond competitively to the economic demands of the 21st century can be powered up to meet the threats posed by climate change and income inequality found in today's America. To produce the growth required to mitigate the dangers of global warming, the current paradigm of land-use laws and policies must be revised. Mining and transmitting the tacit knowledge of how and what works within each of these urban agglomeration economies can thwart the challenges that growing income inequality offers to the future of our democratic society. ❖

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