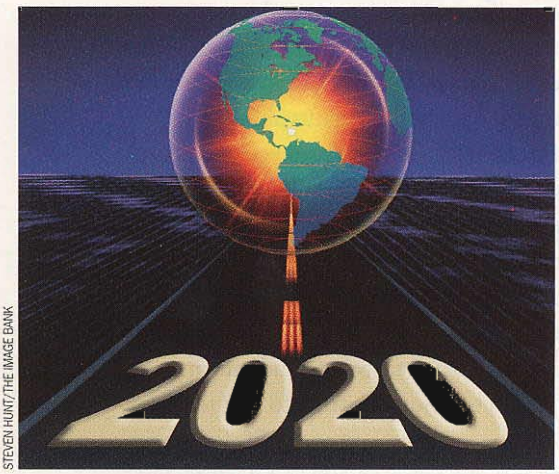
NINA J. GRUEN AND CLAUDE GRUEN

The Year 2020

How can we best benefit from the forces of the new economy, globalization, and immigration?

In *The End of History*, author Francis Fukuyama writes that after the fall of the Soviet Union, the collapse of communism plainly demonstrated that liberal democracy was history's ultimate end. Unfortunately, as the terrorist attacks of September 11 attest, Fukuyama was wrong in assuming that history would end in such peaceful consensus.

The terrorist attacks took place as the urban centers of the West were—and still are— going through three peaceful revolutions. If urban policies are well chosen, these revolutions will further enhance the living standards of its citizens. Already, they have affected significantly how western civilization lives, works, and recreates, and will be played out in the major urban centers of those regions that have been assimilated into modern western culture. The amount and distribution of the future benefits flowing from these revolutions will be influenced by the rules that govern behavioral norms, and subsequently, land settlement patterns.



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The first of the three peaceful revolutions is economic. The most potent economic revolution since humans evolved from hunting and gathering to farming has been set off by electronic and biological technical breakthroughs. The exponential advances in communication, energy and data management, and life sciences, have begun to create a new economy that is already changing how we produce and consume. The second revolution is globalization. Globalization of markets exerts pressure on regions and the firms and industries within them because it eliminates the relative safety of competing primarily with other firms serving small geographic markets. The third revolution is demographic, caused by the wave of immigration from south to north and east to west that is affecting virtually all developed nations, including the United States. The intersecting forces of the Internet economy, globalization, and immigration will alter incomes, attitudes, priorities, and the way people work, play, consume, and socialize.

The fax, the Internet, and the whole galaxy of wireless communication have made the dimension of time more important than the dimension of space. This shifting relationship between time and space is one of the primary reasons that development is moving from segregated single uses toward new mixed-use projects, making many older, stand-alone developments obsolete. One exception to the move to mixed use may be distribution facilities. Some logistical centers may be located within mixed-use centers near a large commercial airport with good highway access. However, existing airport congestion and new, bigger cargo planes likely will usher in the development of large, all-cargo terminals located at the fringes of some major metropolitan areas. As that happens, logistical support buildings for both final processing as well as order fulfillment will be located near these cargo-serving airports. Since September 11, the ability to provide tight security with a minimum of transport delay has become an important criterion for the location of logistical centers and warehouses.

The new economy generates a very different labor demand from that of the agricultural or industrial economies that preceded it, with serious social ramifications. In the new economy, the most important raw material is skilled and dedicated workers. Market globalization has all but eliminated the value of proximity to specific markets such as those that formerly sustained many American industries. Today's expanding new firms or innovative older business giants want locations that will help them attract, keep, and enhance the productivity of their skilled employees.

By 2020, there will be fewer but bigger regional shopping centers with more diverse uses. In a world where there is an ever-present shortage of time, people will not travel merely to find goods and services they want. Use of the Internet will substitute for such trips. Over a high-definition, easy-to-access screen, consumers will order commodities by pushing a button or giving a voice command and either will have them delivered or pick them up at the drive-in section of a grocery store. They will still go shopping in real space, but only if the shopping trip is expected to be enjoyable or fun. Longer trips must provide intrinsic or other value or be fun-packed, diverse attractions. Consumers will, however, drive or walk relatively short distances to pick up last-minute convenience items and dry cleaning. Although it is still too soon to tell how bricks-and-sticks retailing will be affected by the September 11 attack, it is

NINA J. GRUEN *and* CLAUDE GRUEN *are cofounders of Gruen Gruen + Associates, which provides contract research, consulting, and development implementation services, with offices in San Francisco and Northbrook, Illinois.*

worth noting that shortly after, e-retailing increased while store sales declined.

To mesh the cyberspace opportunities of the new economy with the need for speed and labor will require a significant increase in development densities. Greater compact development can be expected given what have become rather deep-rooted local attitudes toward the countryside, and this applies particularly to housing. It seems unlikely the public will pay the high cost of continuing to expand highway and arterial systems to open up the amount of additional land needed to serve America's housing needs in the manner it served them between 1945 and 1970. Most regions will need to choose between undersupplying housing—raising rents and housing prices beyond the reach of needed labor—or allowing more compact development on enough developable sites to keep housing markets competitive. Wise regions will select growth with compact development over the long-run economic decline that a persistent shortage of affordable housing will entail. The land values created by the new industrial and shopping-, cultural-, and entertainment-anchored activity centers will be much higher than those produced by the residual values of the more segregated neighborhoods of the past. The private real estate economics of the new economy will continue to pressure for higher densities. Densely developed cities will continue to grow, and "defensible" space will be a desirable feature for industrial, commercial, and residential development.

People with the conceptual and technical skills to help the new global digital economy grow will become its most important resource. People without such skills already are economically disadvantaged. The current recession has created a short-term lull in the demand for workers with these requisite skills. The search for skilled workers led U.S. technology firms to lobby for raising the annual immigration ceiling for computer scientists and engineers from Asia. Concomitantly, low-wage services have grown and are staffed increasingly by unskilled immigrants. In fact, America has never experienced a more polarized immigrant labor force than that of the last 20 years, when immigrants have either more or less education on average than the native-born American. Unfortunately, the post-1980 economy has contributed to the increasing polarization of Americans into two groups: the educated, higher-income "haves" and the unskilled, lower-income "have-nots." This condition has led to a shrinking middle class.

Opportunities for upward mobility are crucial if the United States is to regain social cohesion. Greater income disparities and an emphasis on ethnic pride, due in part to increased immigration, have led to a new form of class conflict. The end of the Cold War also has played a role in dissolving national cohesion. Potentially, the fanatics who seek to attack the West could become a new "common enemy" to bridge this gap. But to make this likely, the peaceful revolutions will need to empower the "have-nots" to become "haves." Currently, there are two great social challenges. First, educational opportunities need to be broadened to afford greater upward mobility for all residents. Educational opportunities must reach beyond K-12 in public schools to include private sector apprenticeships and training programs throughout preretirement adulthood. Second, in an era of globalization and a concomitant decrease in nationalism, a feeling of common purpose needs to be reinstated.

Fear of social change in neighborhoods and regions, compounded by resistance to the pressures of the new economy, has resulted in today's class conflict being fought increasingly in the land use arena. San Francisco is a good example of a city with almost daily land use–related conflicts that are fought in planning commission and council meetings. Until the recent recession, the blame for the high costs of office space and housing was frequently laid at the feet of the rich dot.coms, or some other new economy byproduct. What was denied is that high housing costs are the natural result of strong demand and a policy that will not allow the land use changes and densities needed to facilitate a commensurate growth in market housing. Such conflicts force local politicians to fight for diverse special interests. Local politicians should work to create new economy land use patterns that will cause the least social dislocation. These efforts should:

- Intensify and diversify the cultural, entertainment, retail, and residential base of downtowns to help attract and hold young knowledge workers.
- Encourage market-rate, higher-density residential and a mix of housing products; retail, office, and visitor uses on vacant infill parcels; and adaptive use of older, now obsolete commercial developments. Density bonuses should be considered to encourage a diversity of uses, particularly for infill sites on more ubiquitous obsolete space that needs to be redeveloped.
- Facilitate a return of price-leveling, quality-raising competition within urban communities where the new economy is creating job growth. This cannot be accomplished merely by encouraging some below-market housing development through inclusionary zoning or by encouraging a few high-density and mixed-use projects. Enough sites must be serviced with infrastructure and entitled for relatively dense development to ensure that housing growth equals—or, better yet, exceeds—job growth. Jurisdictions of prospering regions should not accept only those land uses that provide direct economic benefits but that implicitly assign the job of facilitating cost-inducing uses like housing to other municipalities. Otherwise, the result will be a beggar-thy-neighbor process that not only prices out low- and moderate-income workers but also middle-class households of teachers, firefighters, restaurant managers, and small business people.
- Discourage the stand-alone regional mall or power center. Instead, encourage more vital mixed-use projects that integrate visitor, office, and entertainment uses and promote walking to and from these compatible land uses.
- Encourage revitalization and development of neighborhood and community centers that are big and diverse enough to encourage multipurpose shopping and service trips. In locations that already have too much obsolete retail space, encourage nonretail reuses.
- Use bus, trolley, and smart car transport technologies to and from major activity centers. Transit options should not only be cost-effective but also flexible so that as activity patterns change over time, it will be simple to shift routings.

Growth must not be stopped, but it should be channeled intelligently. To generate and equitably spread the income-generating potential of the new economy so as to broaden the middle class, education must offer lifetime learning opportunities for all citizens. If their potential is cultivated through a prudent but dynamic expansion of the built environment, the three peaceful revolutions will help to elevate the common destiny of the western world to new heights. ■