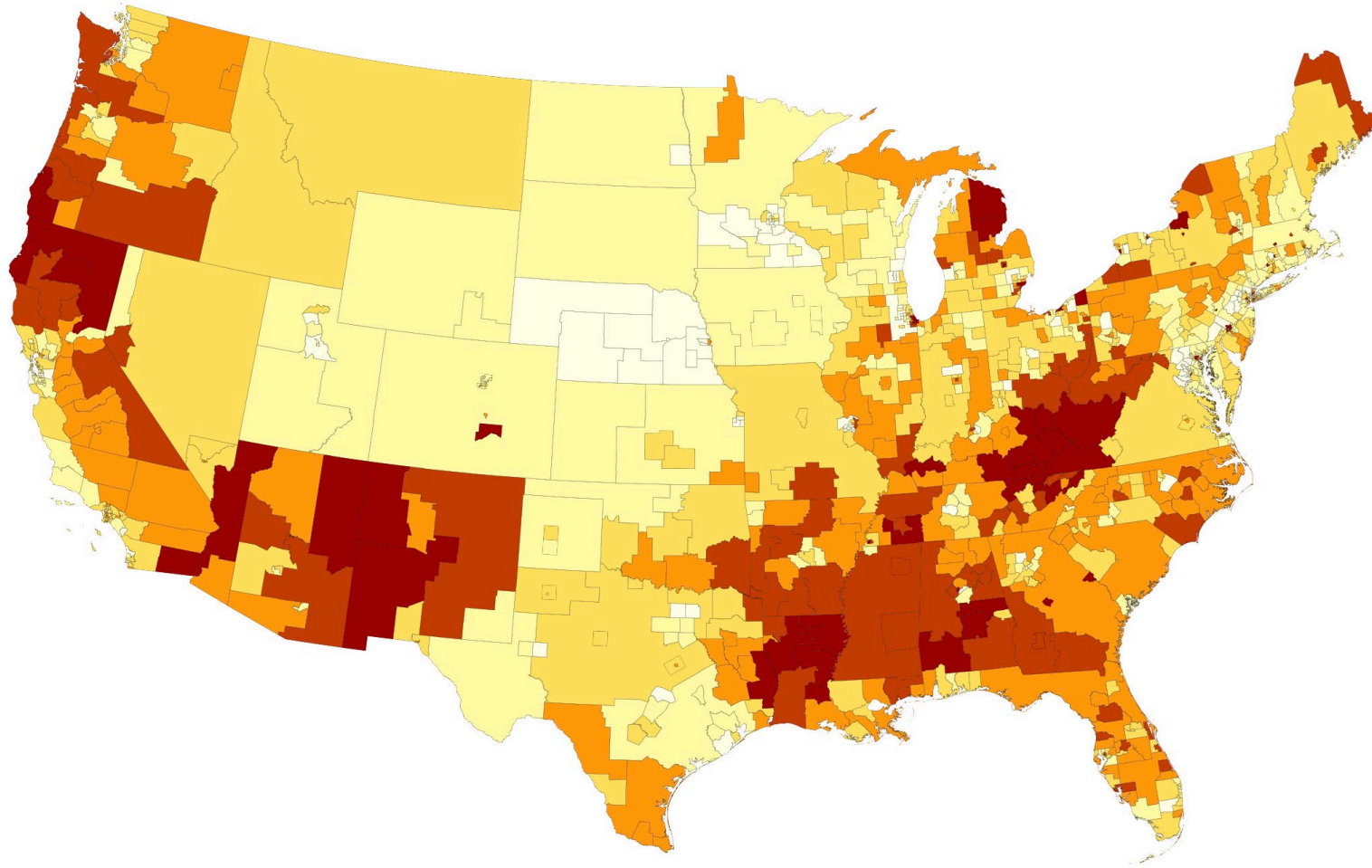


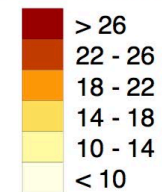
# Discussion of Couillard and Foote's “Recent Employment Growth in Cities, Suburbs, and Rural Communities”

Edward L. Glaeser  
Harvard University and NBER

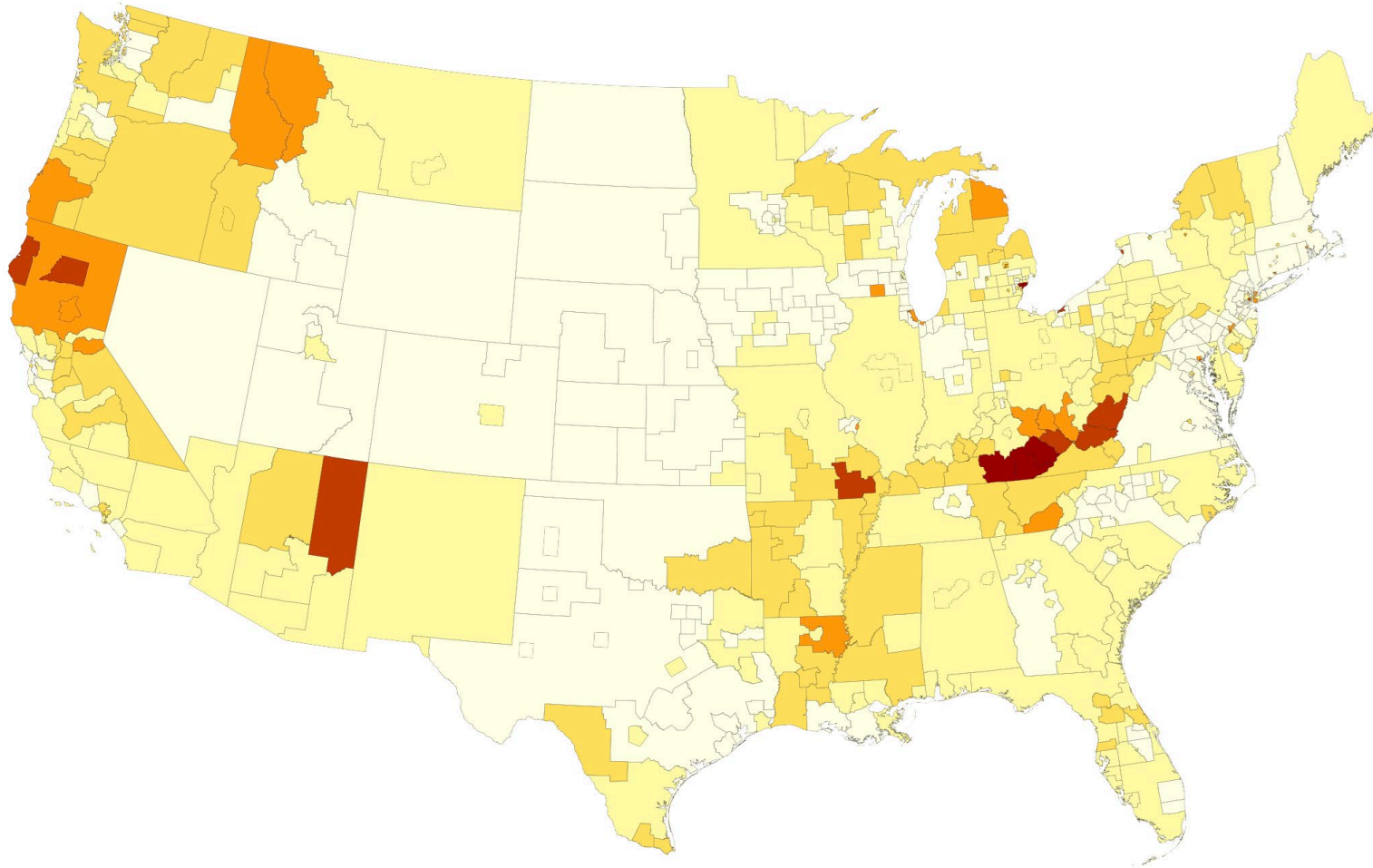
# Geography of not working: Prime men 2015



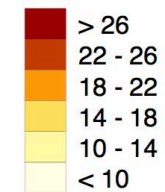
Not Working Rate, percent



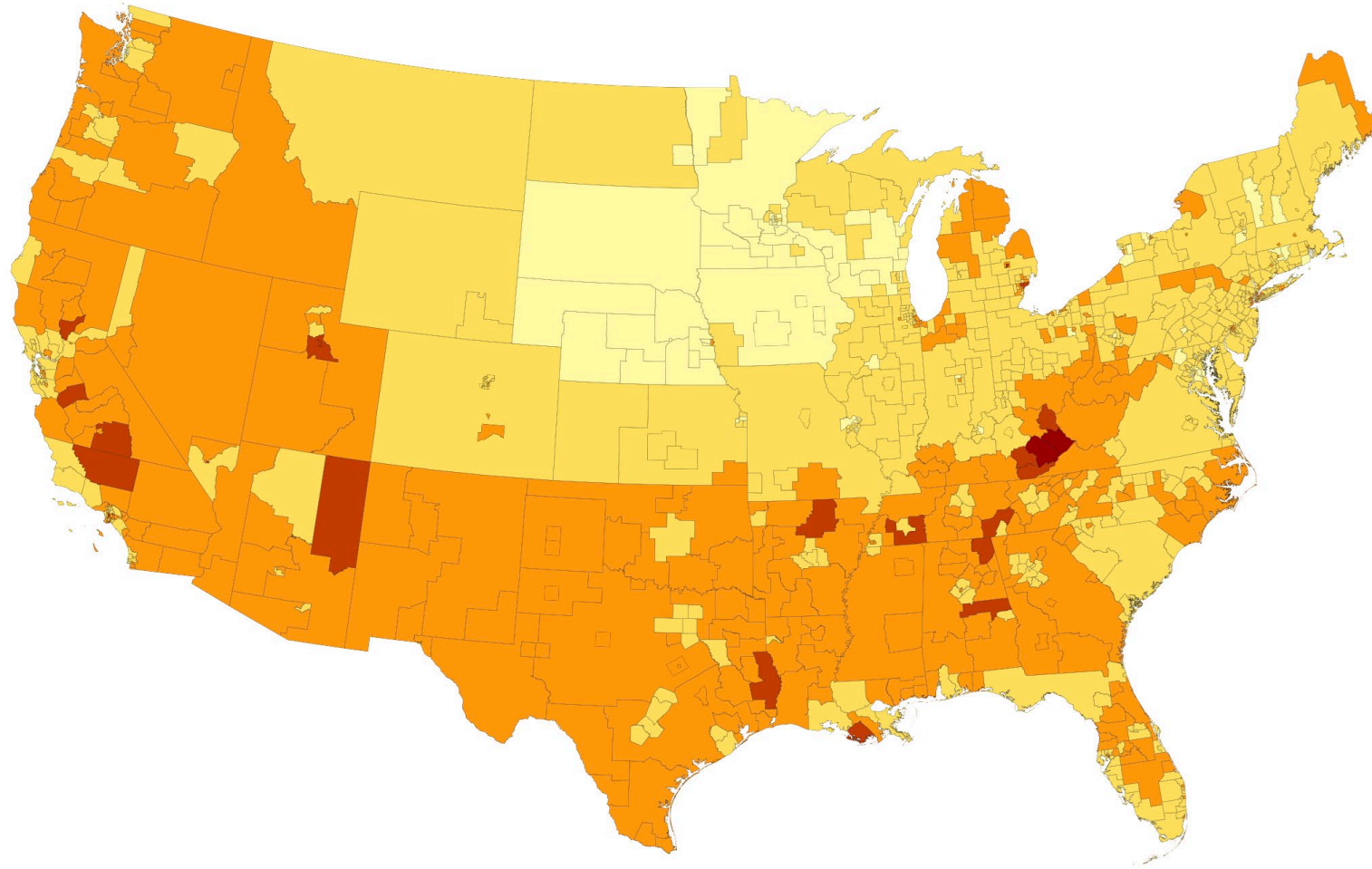
# Geography of not working: Prime aged men 1980



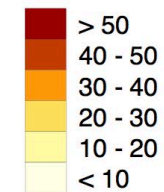
Not Working Rate, percent



# Geography of not working: Prime aged women 2015



Not Working Rate, percent



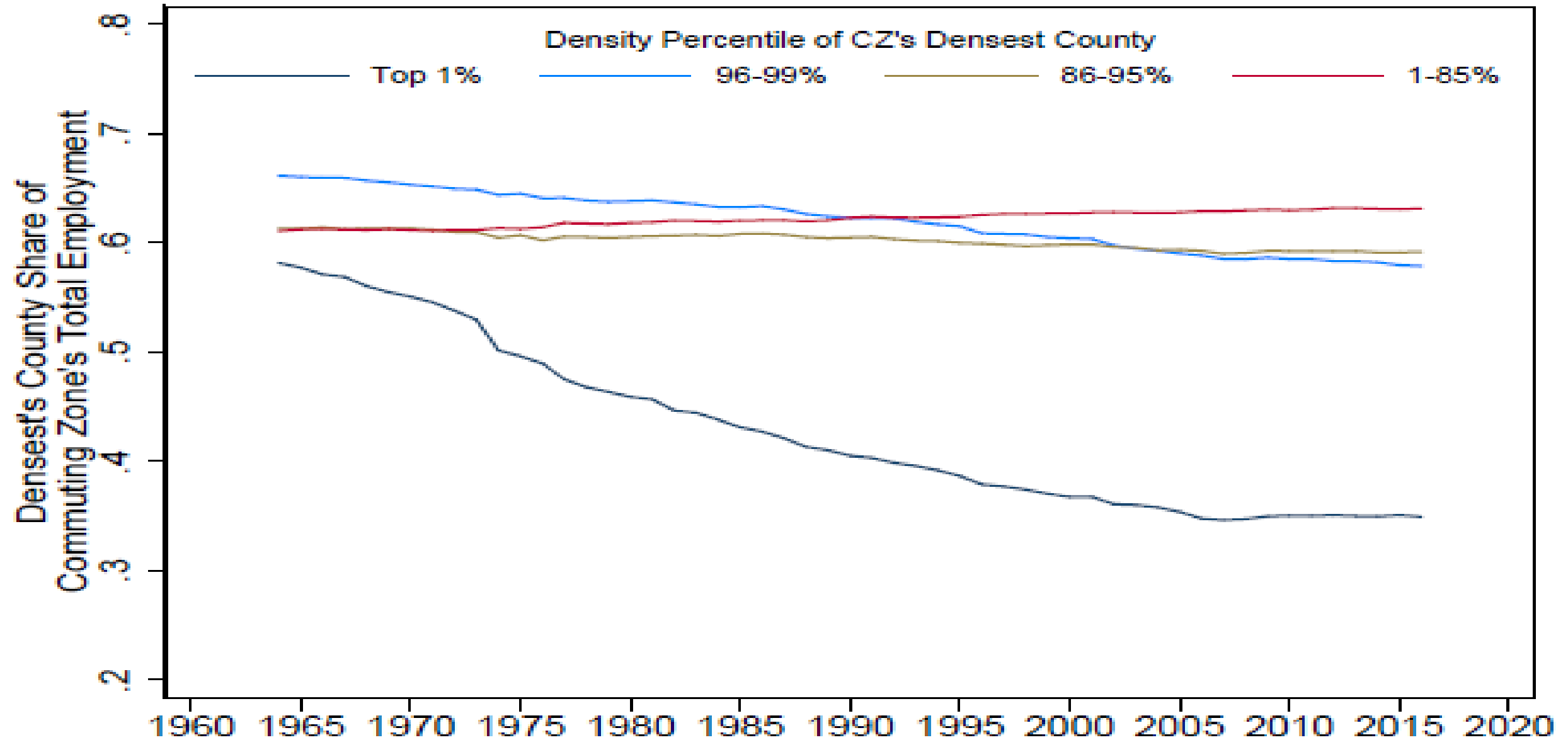
# The Arc of Urban History and the Arc of Couillard and Foote

- Factories become urban in 19<sup>th</sup> century and then leave cities in the 20<sup>th</sup> – better educated cities recover and others do not.
- Late in the 20<sup>th</sup> century, educated, dense urban cores do well as Consumer Cities – as well as place of knowledge-heavy production.
- Couillard and Foote have put together the County Business Patterns data in a usable, sensible fashion that will serve many of us.
  - I remember hand entering the 1956 data over 30 years ago.
- Their arc goes from (1) urban centralization, (2) manufacturing's ongoing decline, (3) patterns of earnings and earnings disparity across counties.
- This is all great – but it really is two papers: (1) changing patterns of wages, population and employment across U.S. counties over 50 years, and (2) Why has the decline of manufacturing been far more problematic in some places than in others?

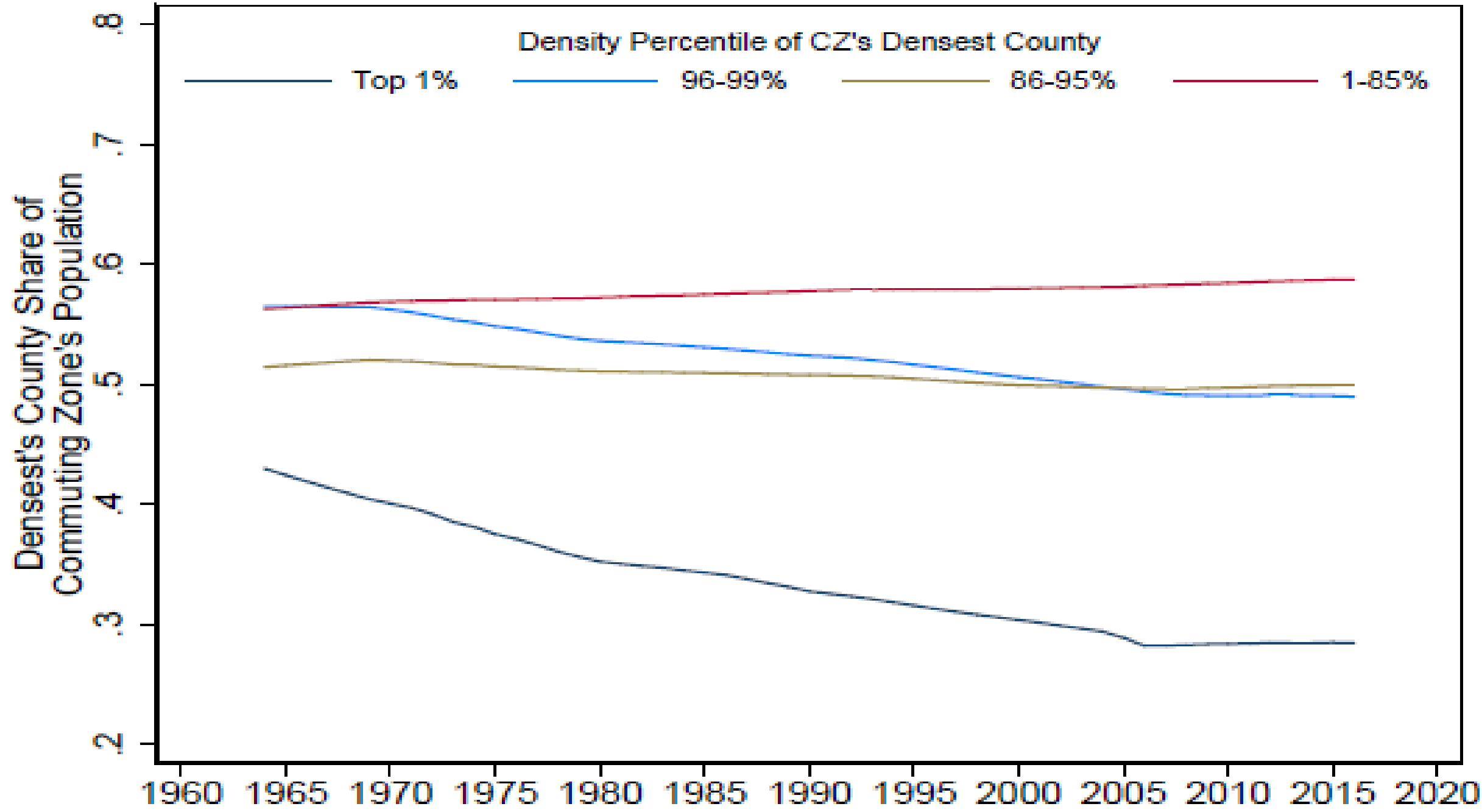
# Five Important Facts in Couillard and Foote

- The suburbanization of population and employment in very dense cores stopped after 2005.
  - Is this an urban comeback or a reflection of the Great Recession?
- In less dense cores, the suburbanization of employment continues but the suburbanization of population has slowed considerably
  - Is this a “Consumer City” phenomenon?
- Mean earnings to density relationship moved from being a U to an upward line to Hockey Stick.
  - Nice fact on own manufacturing being a plus and neighboring manufacturing a minus.
- Earnings dispersion across counties with similar density levels fell through the 1990s, but subsequently rose in dense counties.
  - The end of regional convergence?
- The decentralization of manufacturing has been a major part of the urban landscape since the 1960s – but starting in the 1990s, manufacturing employment started dropping as much in rural areas as urban areas.
  - Manufacturing hasn’t been a good match with urban density since World War II (too space intensive), but in the long run, maybe all low skill jobs will be in services.

## 1964 Classifications



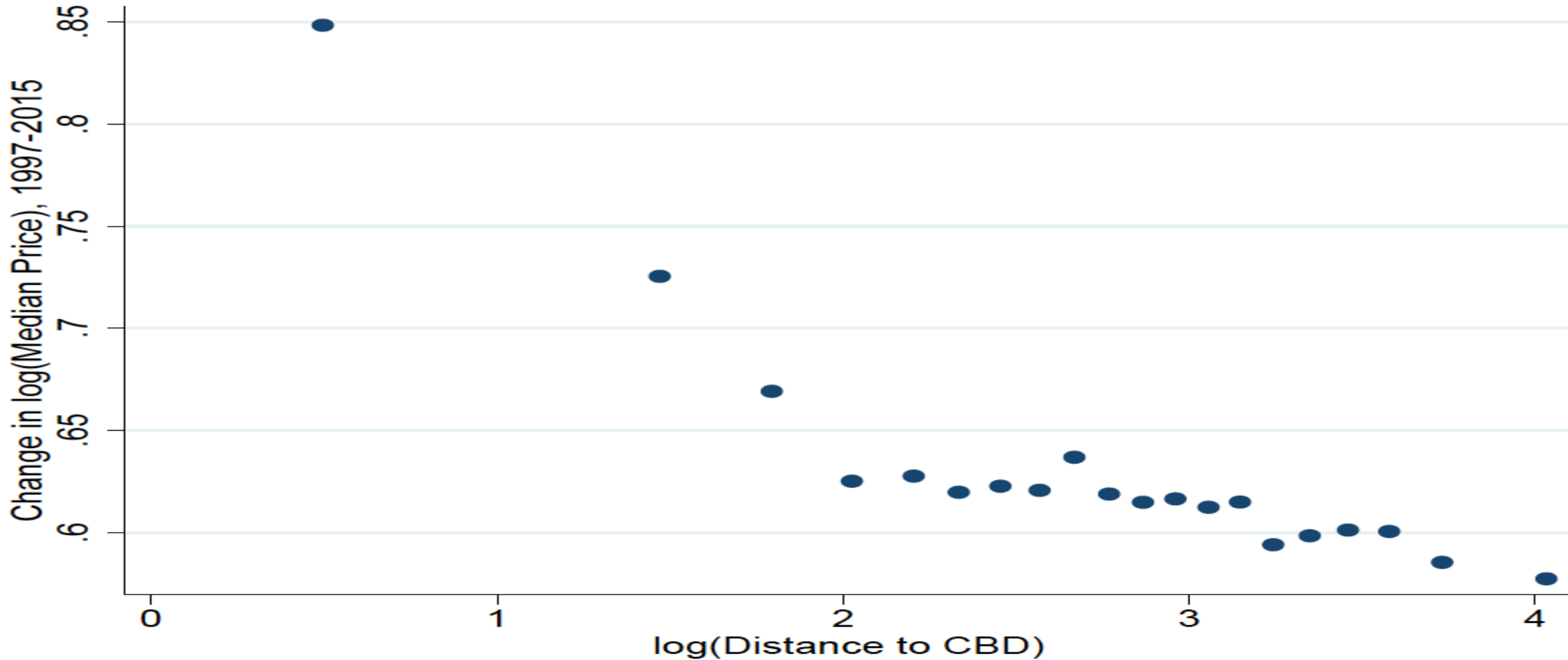
Note: Commuting zones defined using 1990 data. Densest county of CZ defined using 1964 data.



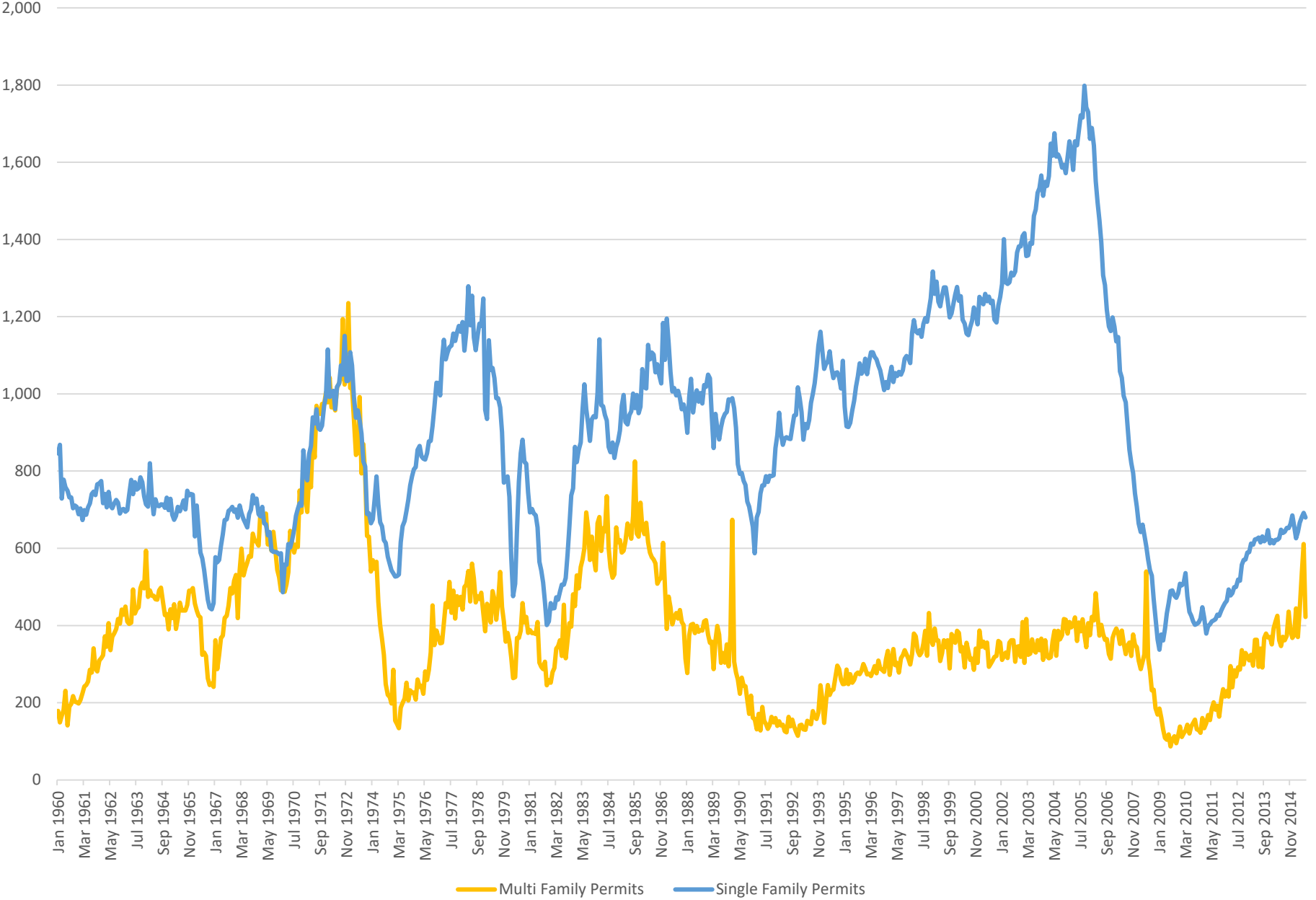
Note: Commuting zones defined using 1990 data. Densest county of CZ defined using 1964 data.



# The Pro-City Price Tilt: Prices Lead Population



Single Family and Multi-Family Permits Over Time



# Technological Change and the City: Zipcar, Airbnb: Autonomous Vehicles



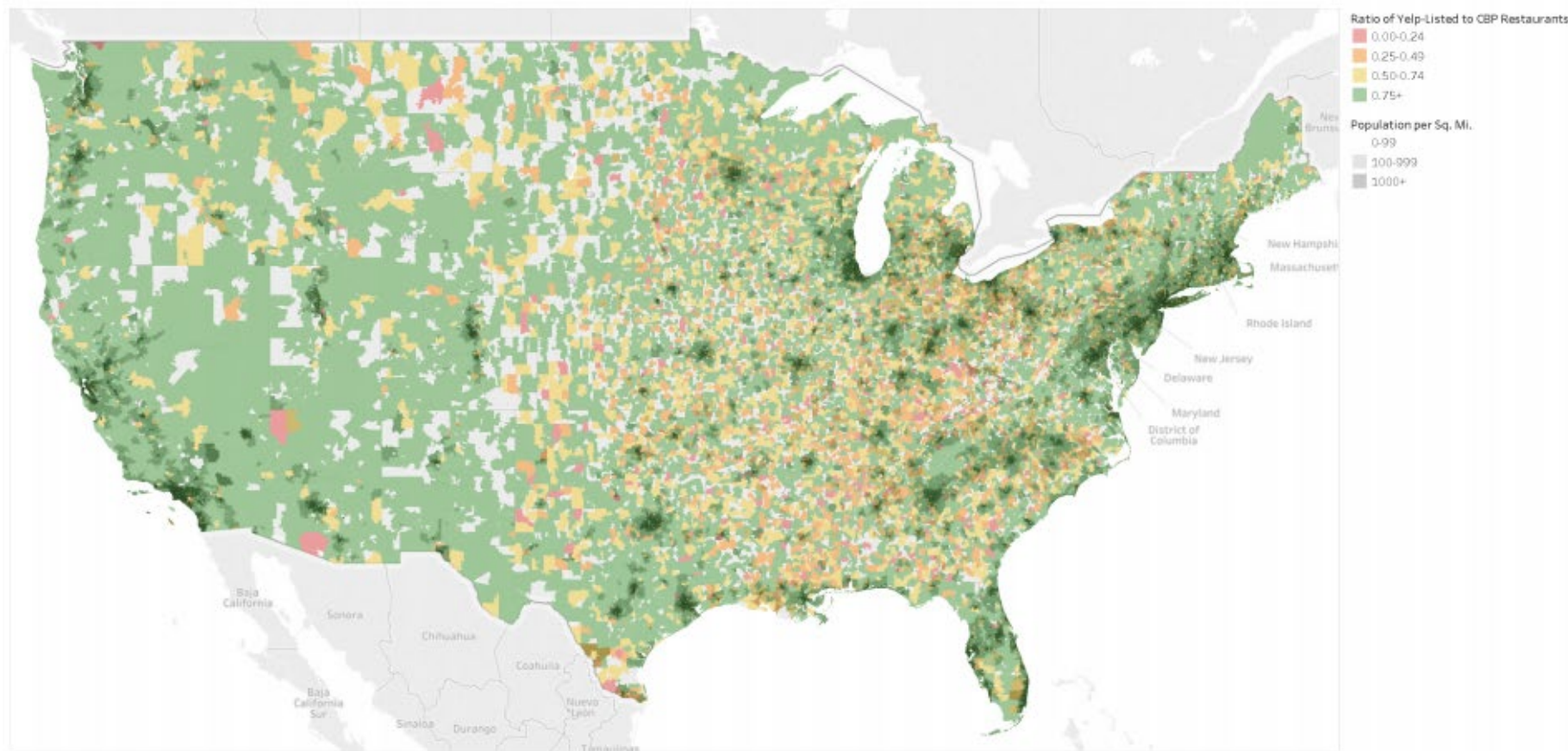
Photo by Mario Roberto Duran Ortiz



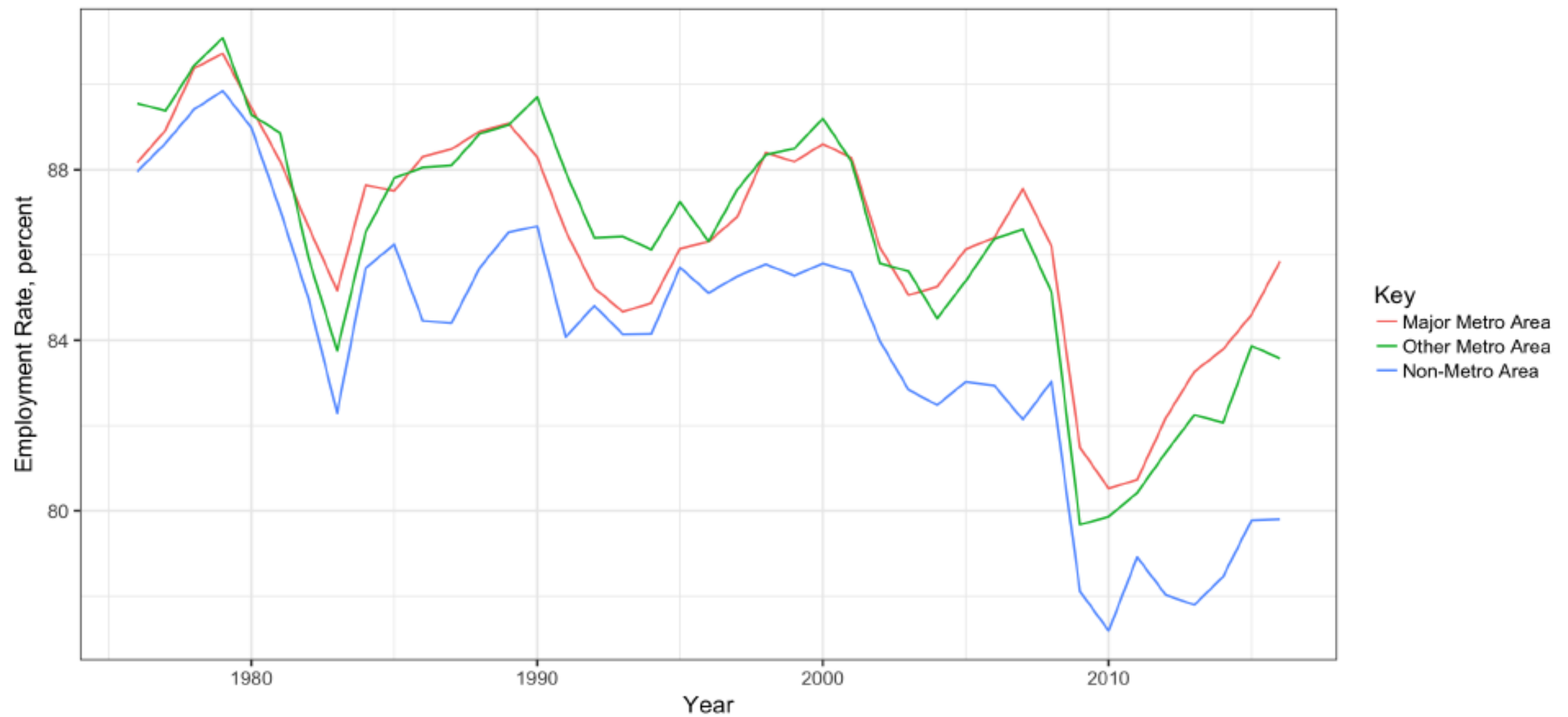
Photo by Ritusahab



# Yelp Coverage of Restaurants in 2015

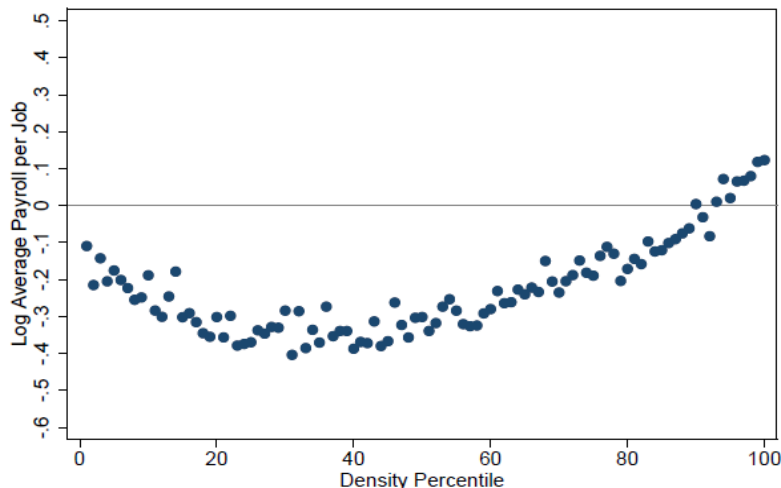


Employment rate by location

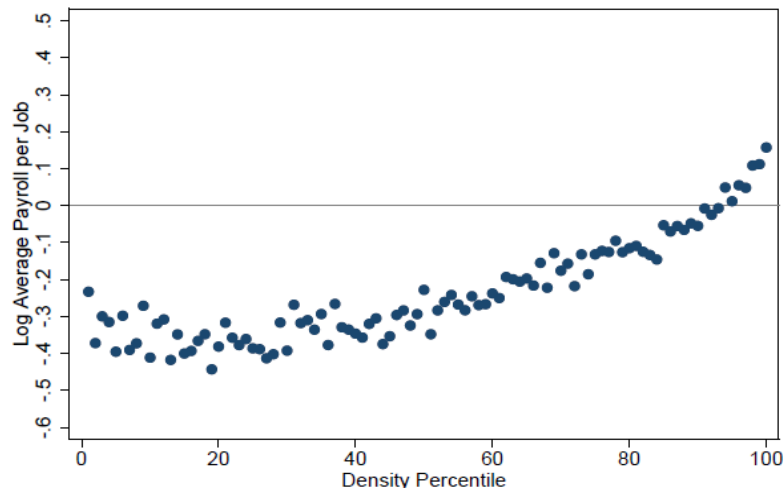


# Mean Earnings and Density

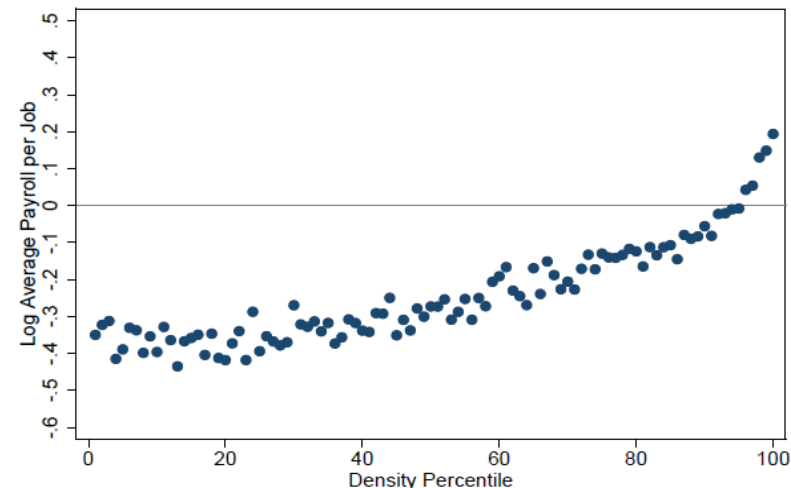
1964



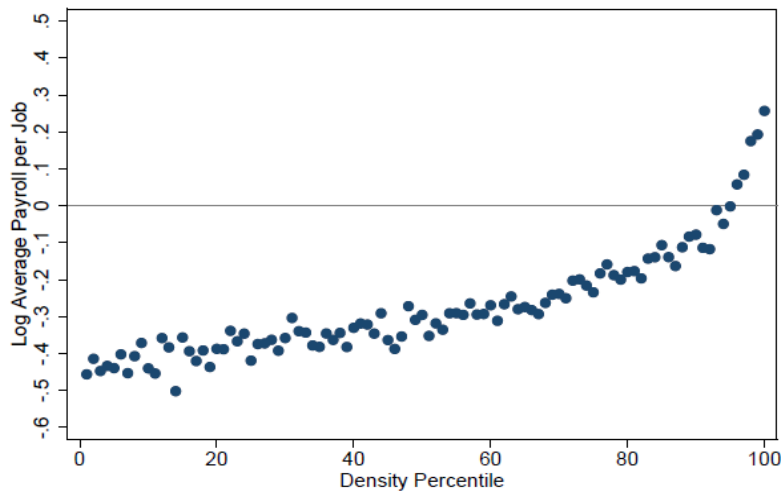
1973



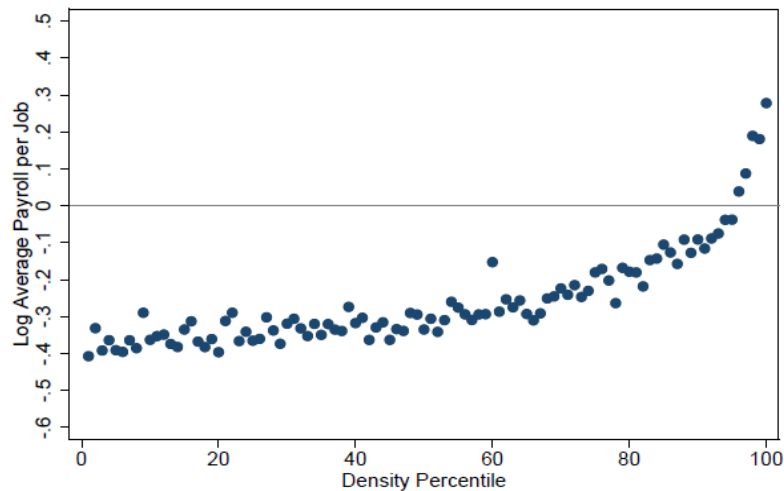
1989



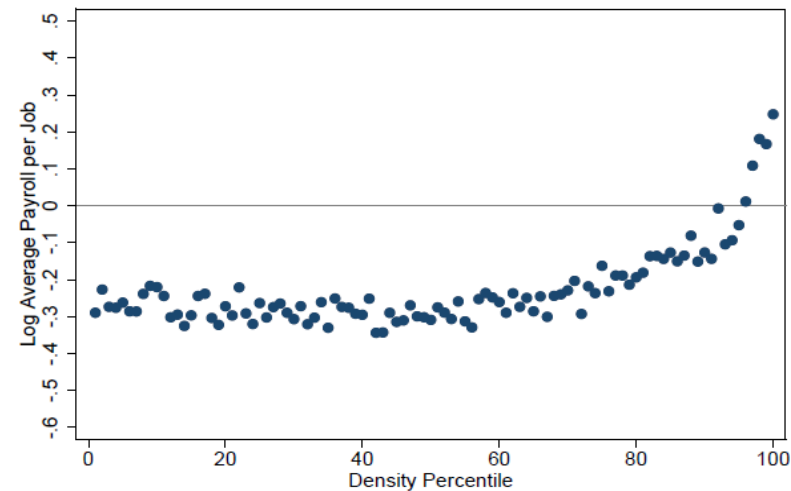
2000

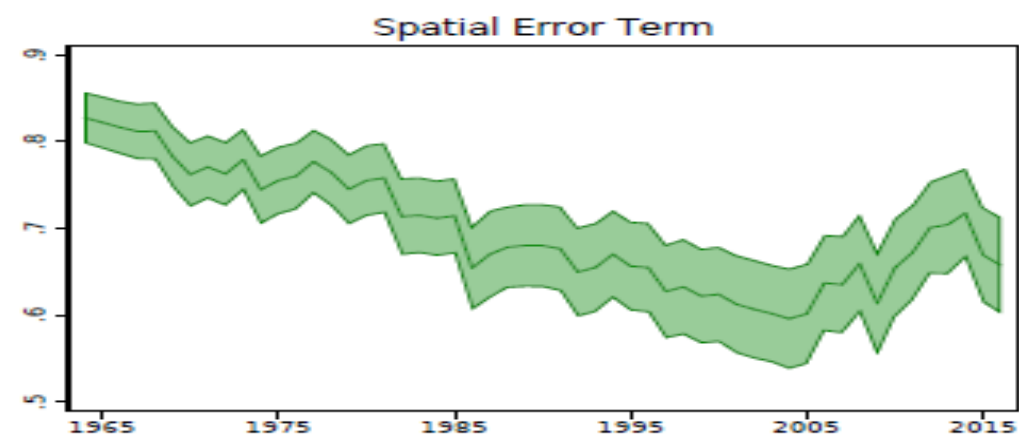
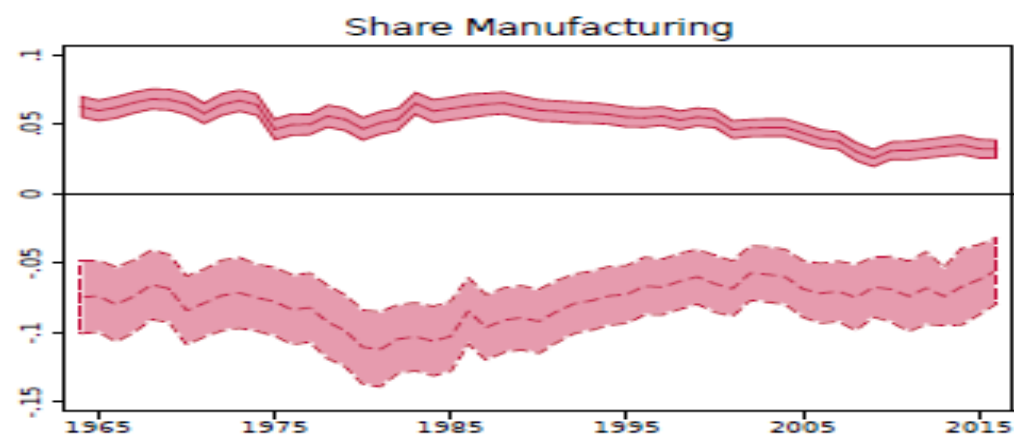
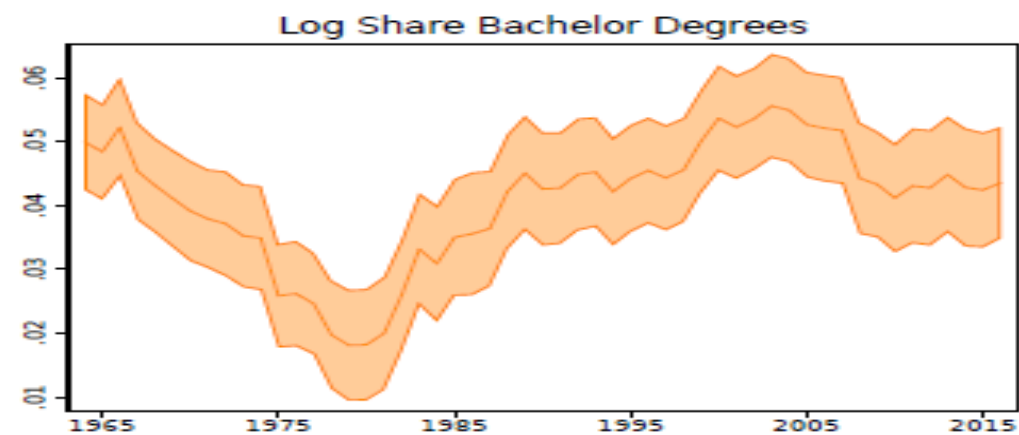
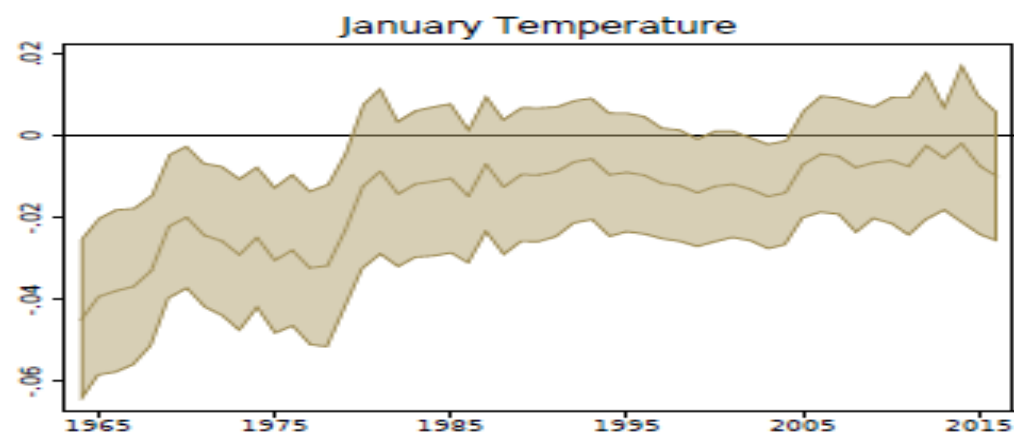
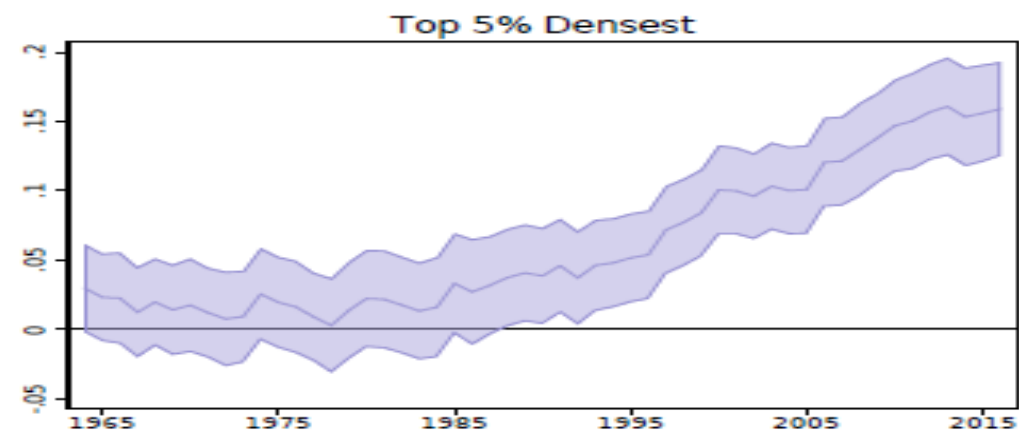
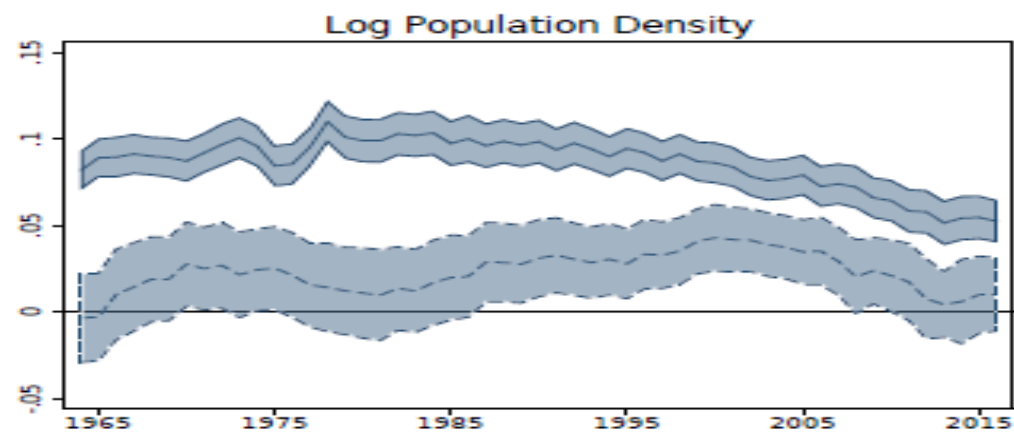


2007



2016





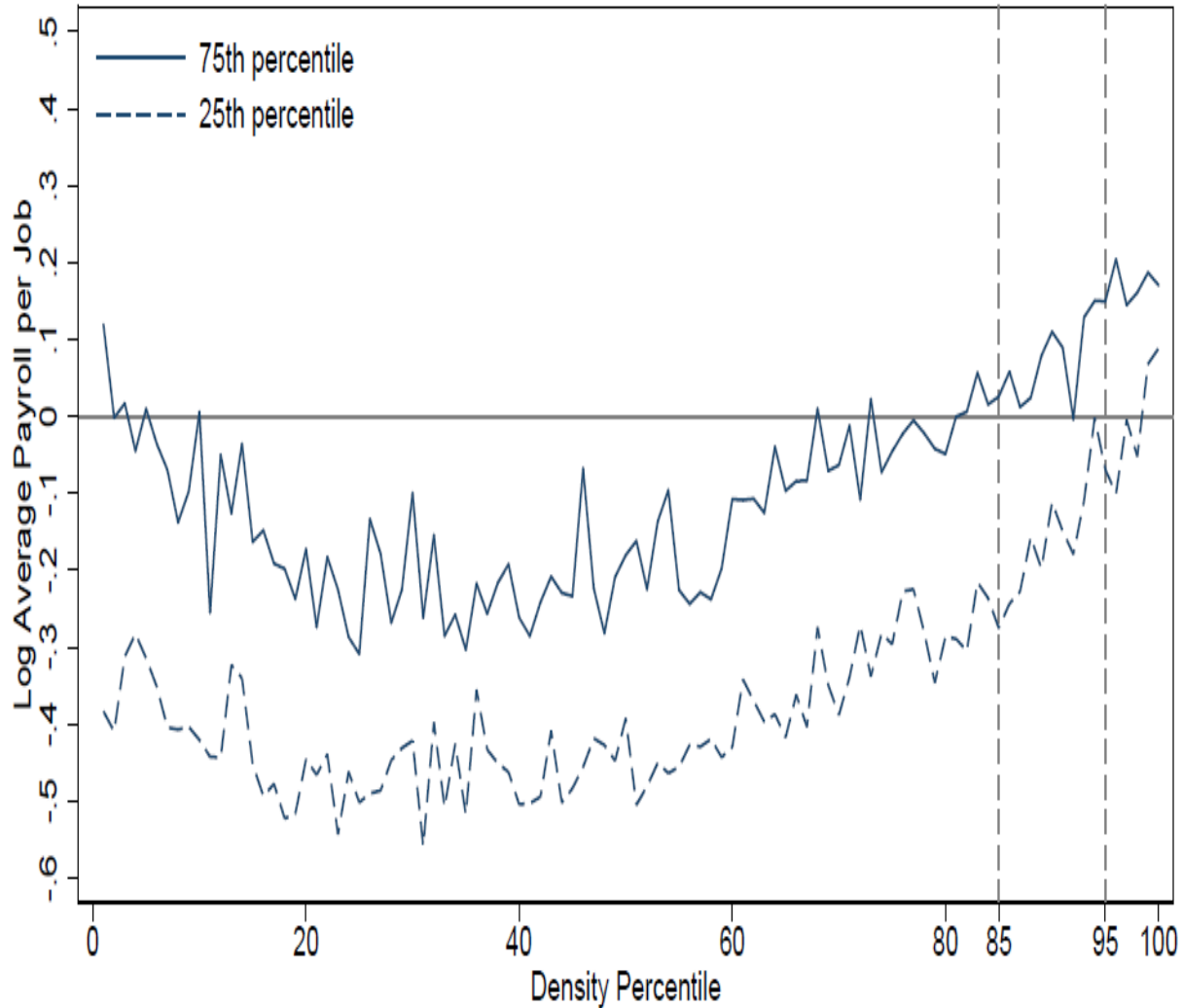
# Do We Understand the Changing Pattern?

- First, the U-Shape vanishes – then an upward sloping line becomes a hockey stick.
- Why was there a wage premium in America's least dense counties and why did it vanish?
  - Did these areas once pay a compensating variation that vanished with the centrifugal technologies? Did natural resources make them more productive?
  - Did they once have an education edge?
- Why did the density gradient flatten so much in the mid-range?
  - Does this reflect the decline of manufacturing in those counties?
- I would like to see when changes in wages and employment move in the same direction and when they moved in a different direction – labor supply vs. labor demand.

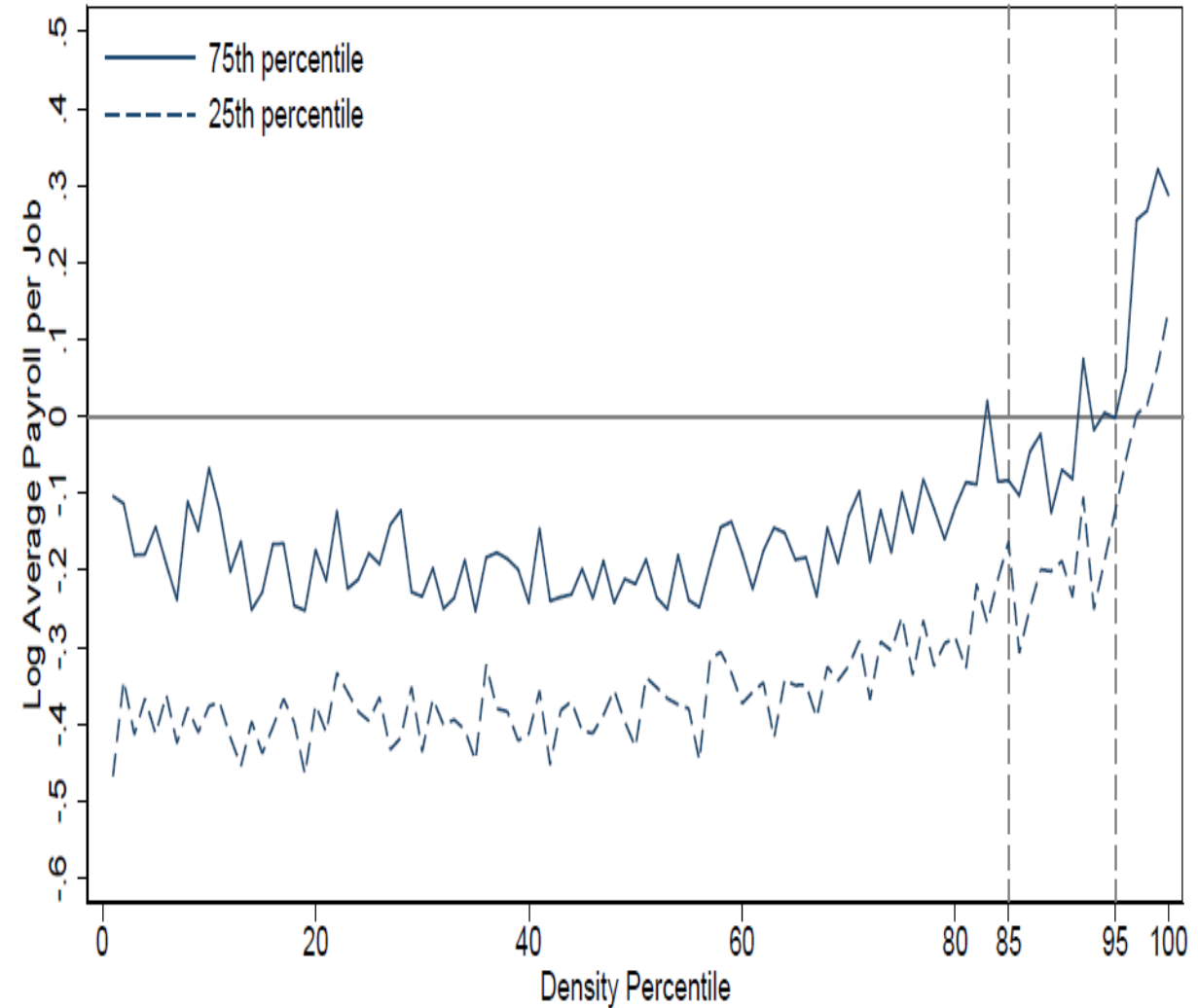


# Heterogeneity in Income by Density

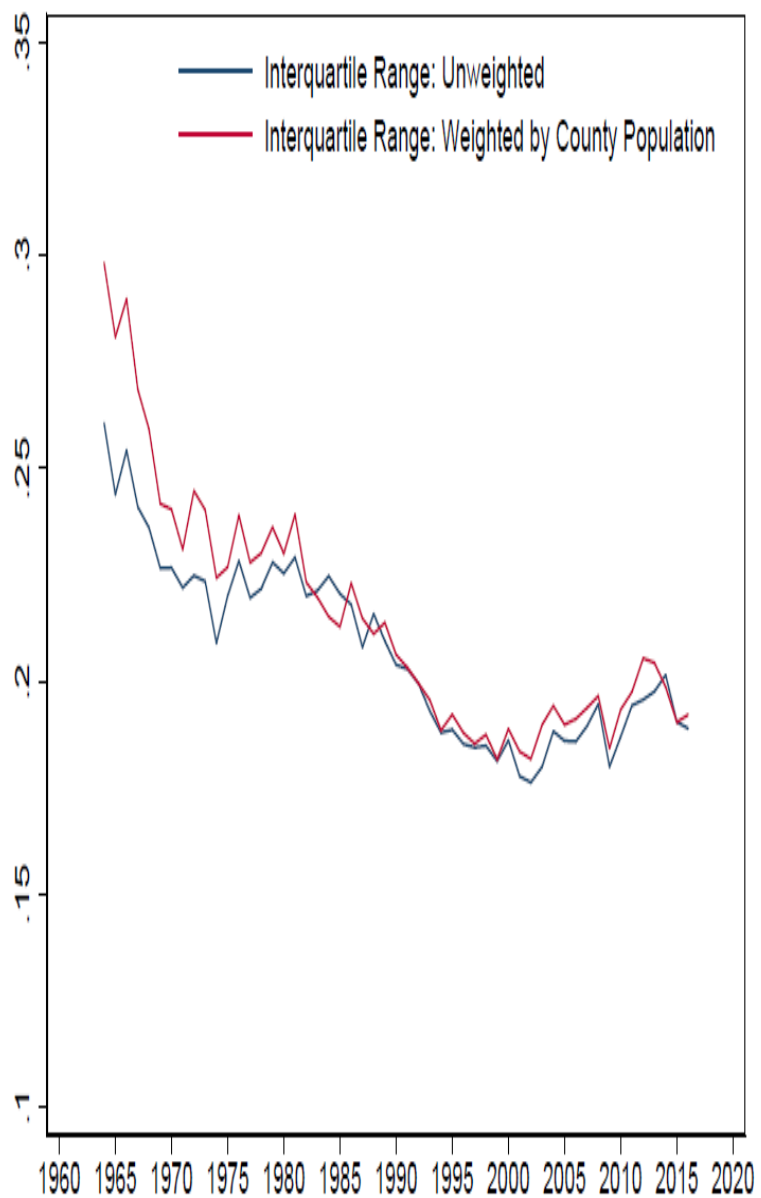
1964



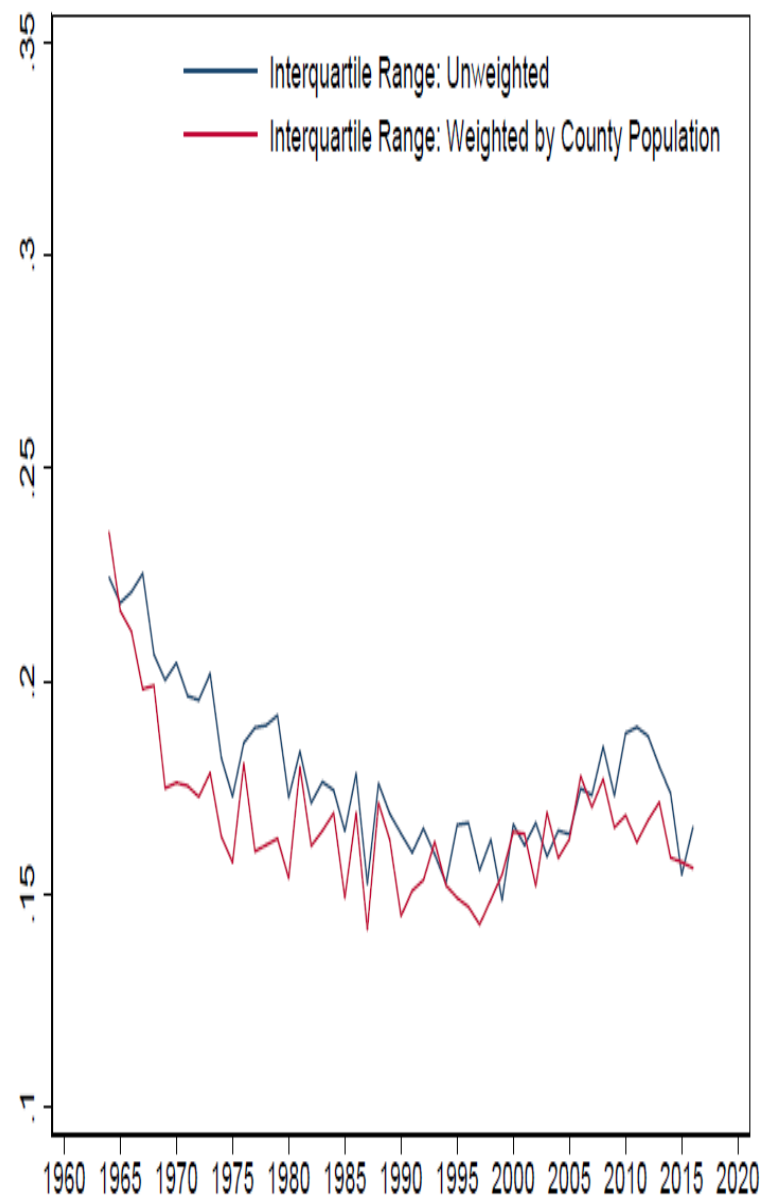
2016



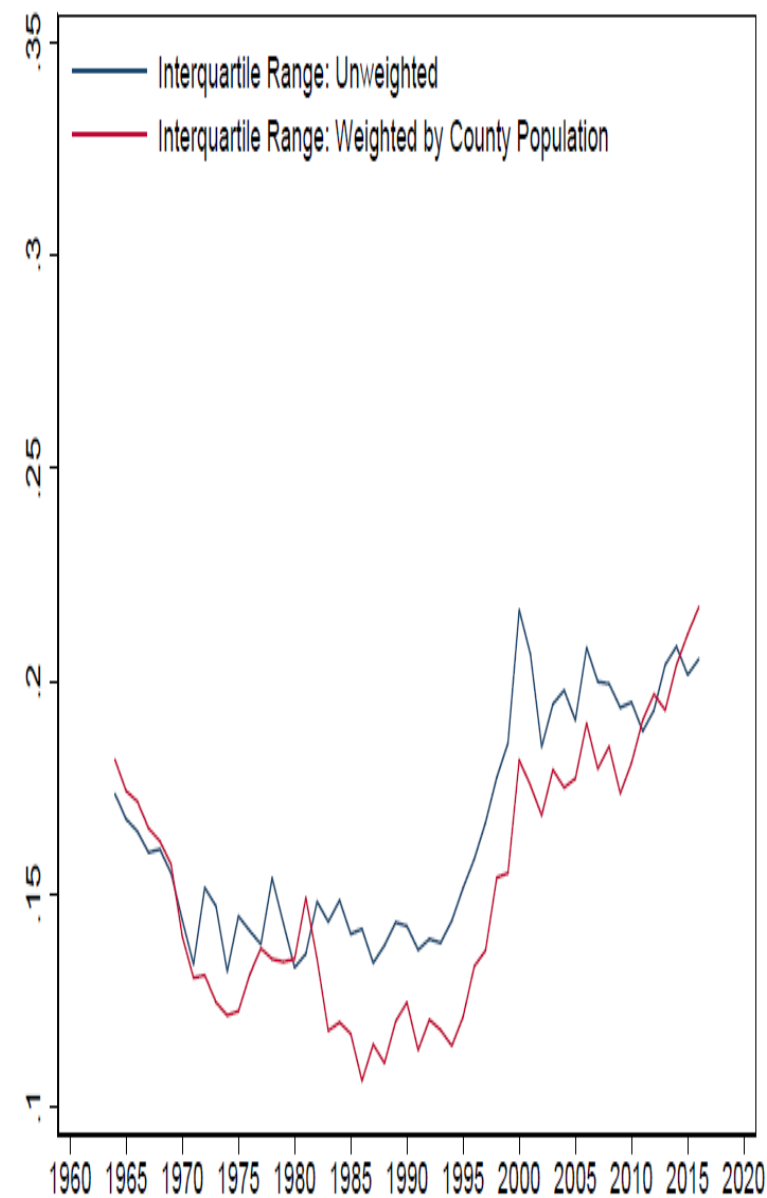
Bottom 85% of Counties



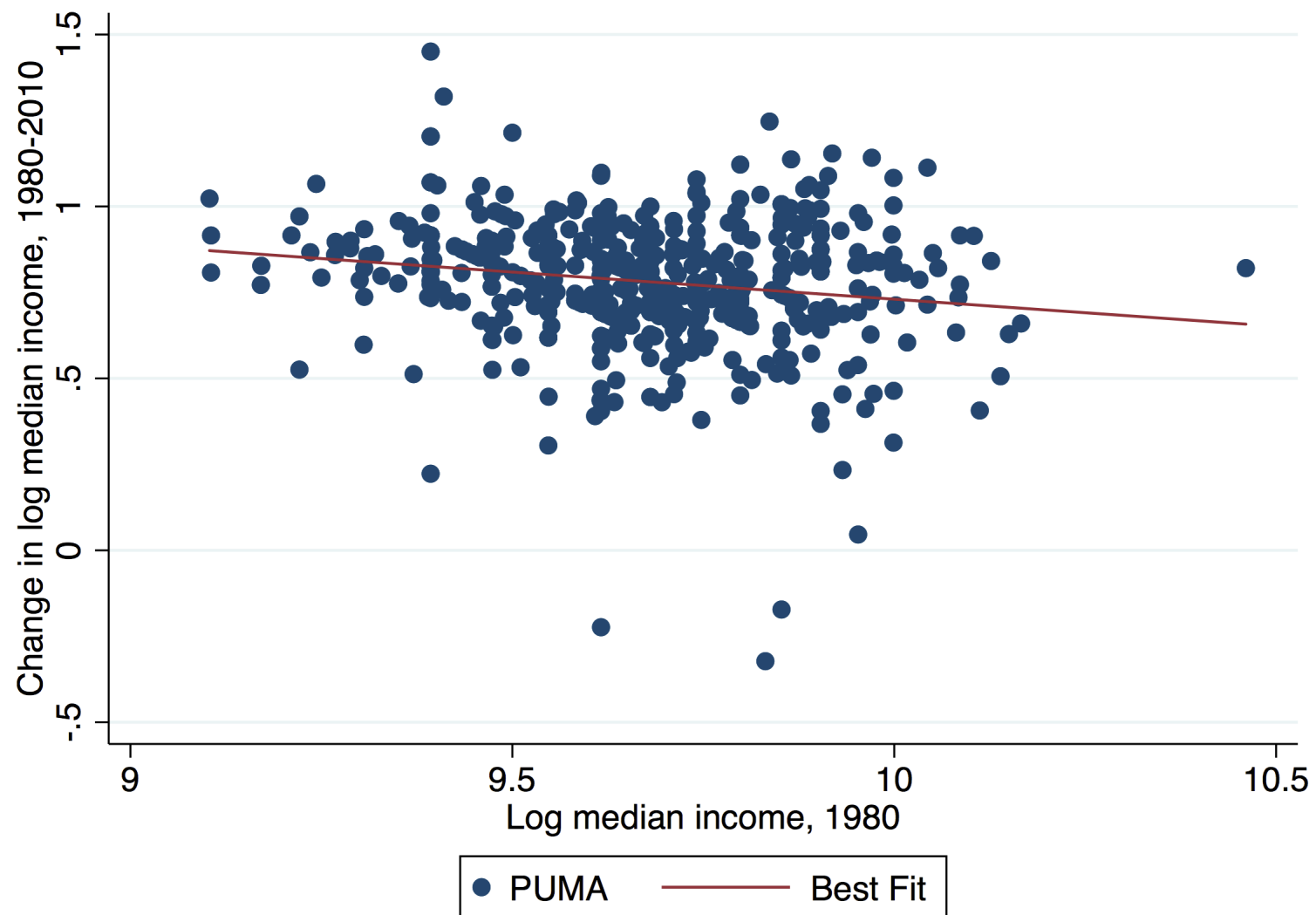
Density Percentiles 86–95



Top 5% of Counties



# Income convergence has declined



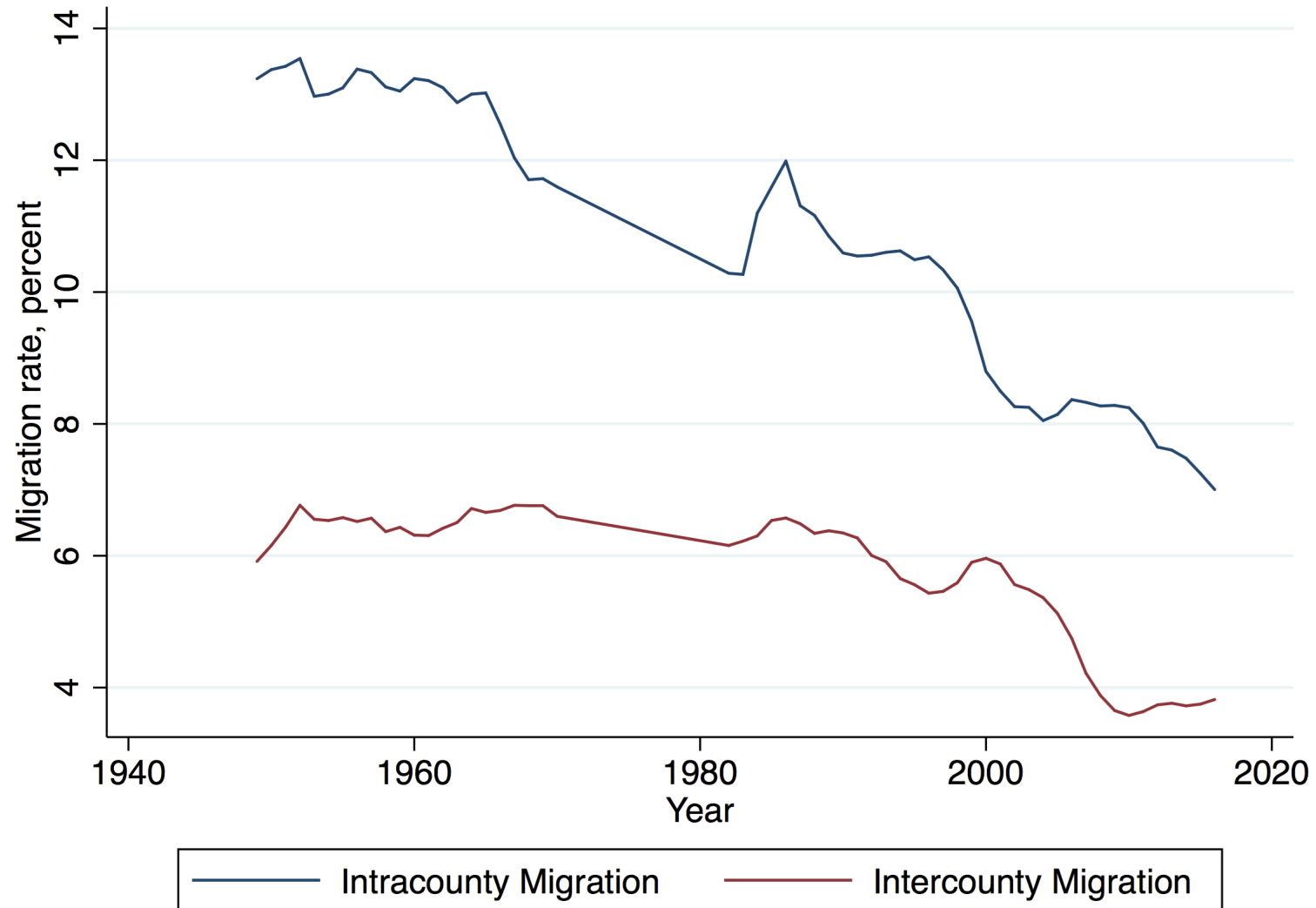
# Persistence of not working rates



# The End of Regional Convergence

- Within density classes, regional heterogeneity declined very substantially over much of their period, but that stalled in the 1990s.
- Is this because education became more important and (by some measures) became more heterogeneous over space?
- Does this reflect the decreasing ability of population to move across space and arbitrage real wage differences?
- And what is driving the increasing heterogeneity of wages among the densest fifth of counties?
- The complementarity between cities and skills – both at the individual and place level – appears to have gone up substantially.

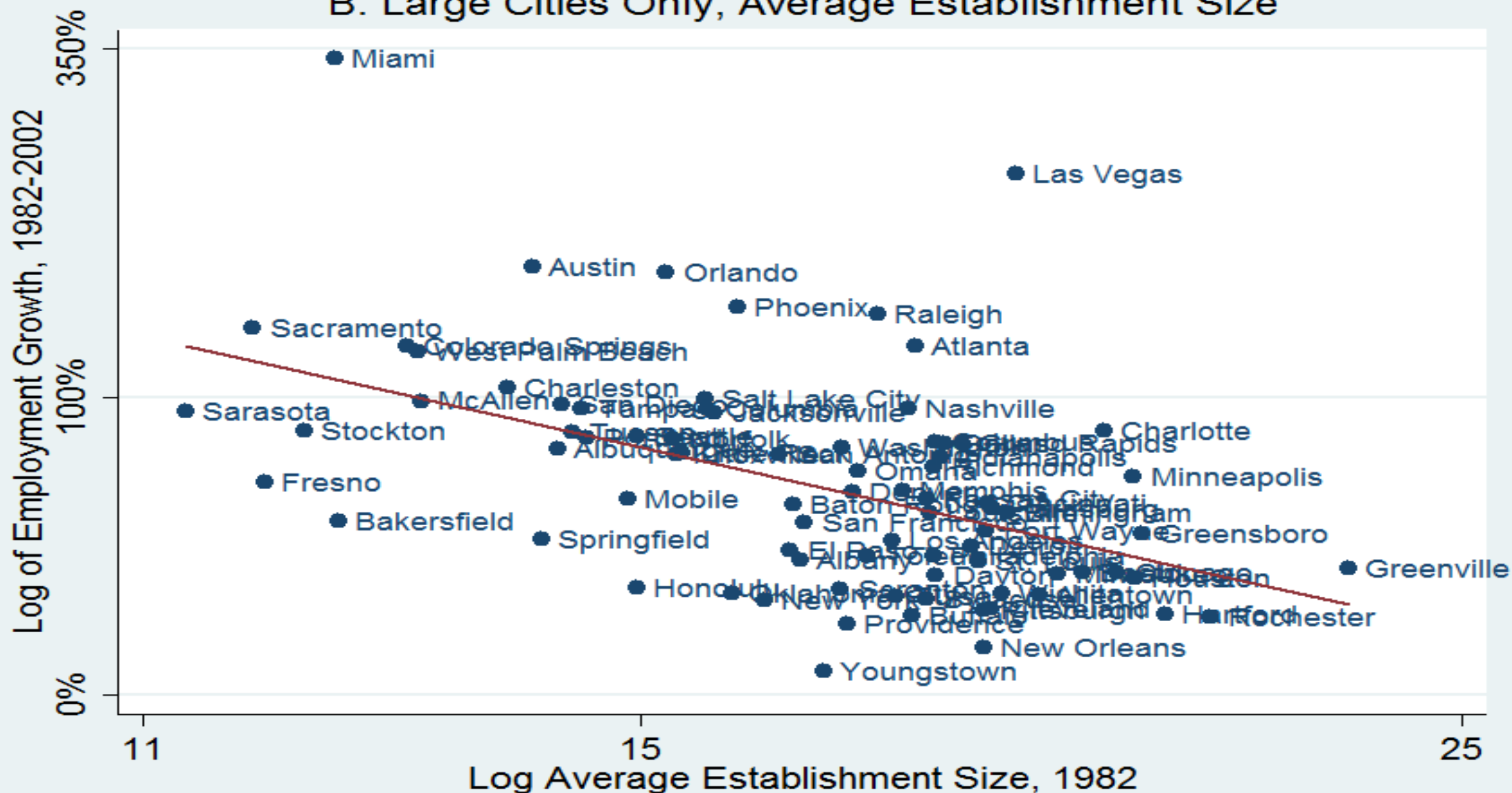
# The decline in migration and geographic sclerosis



# What do we love about County Business Patterns?

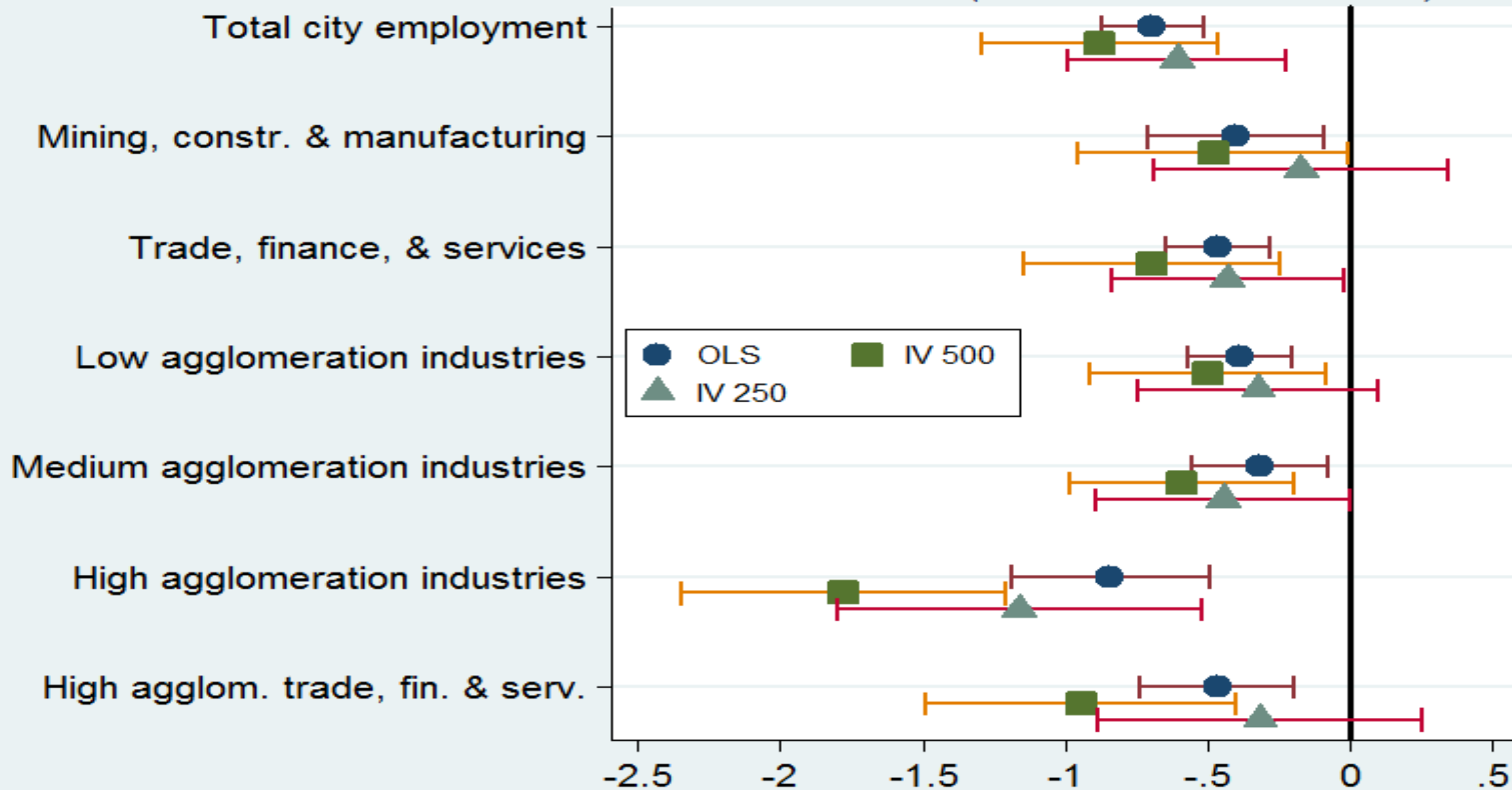
- It certainly does have payroll data but no ability to control for individual characteristics.
- But it does have ranges of establishment sizes and detailed breakdowns on industry.
- Consequently, it can be used to establish facts about changing concentrations by establishment size, and industry-structure correlates of economic outcomes.
- Perhaps the authors should address the two alleged facts in the literature: (1) small firms sizes mean larger employment but not earnings growth, (2) weaker evidence on industrial diversity and growth.

**B: Large Cities Only, Average Establishment Size**

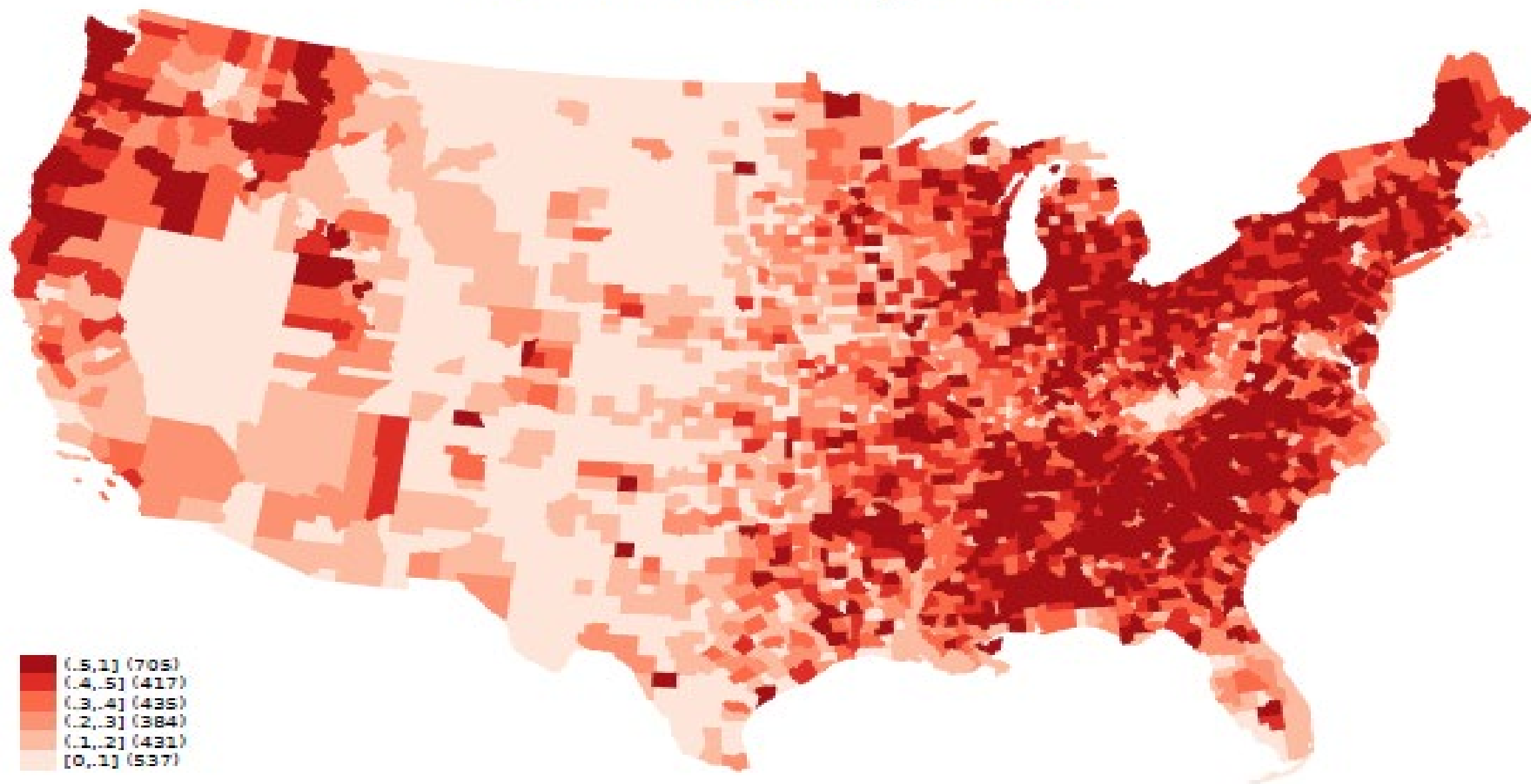




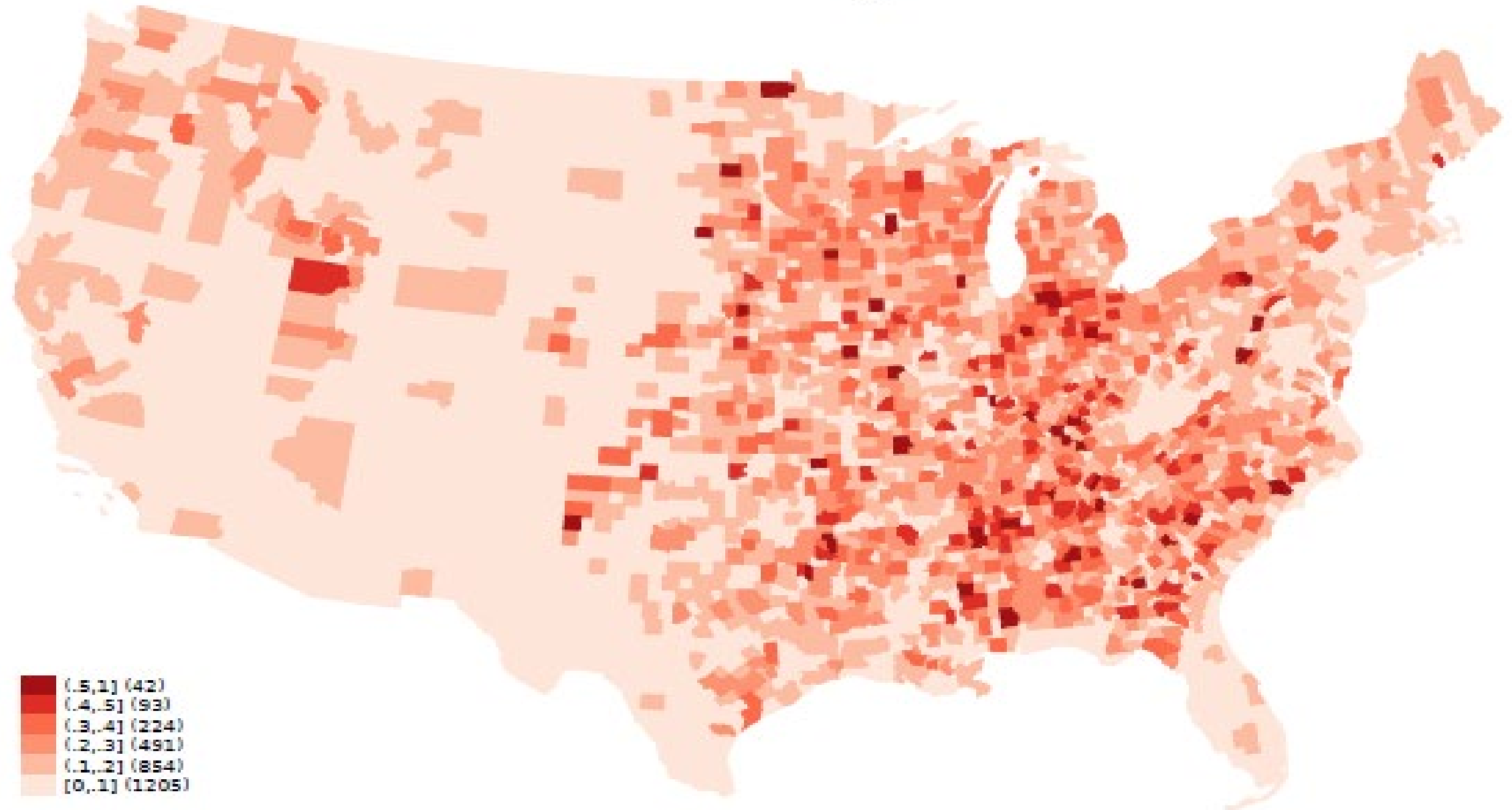
B: OLS and IV (250- and 500-Mile Bands)



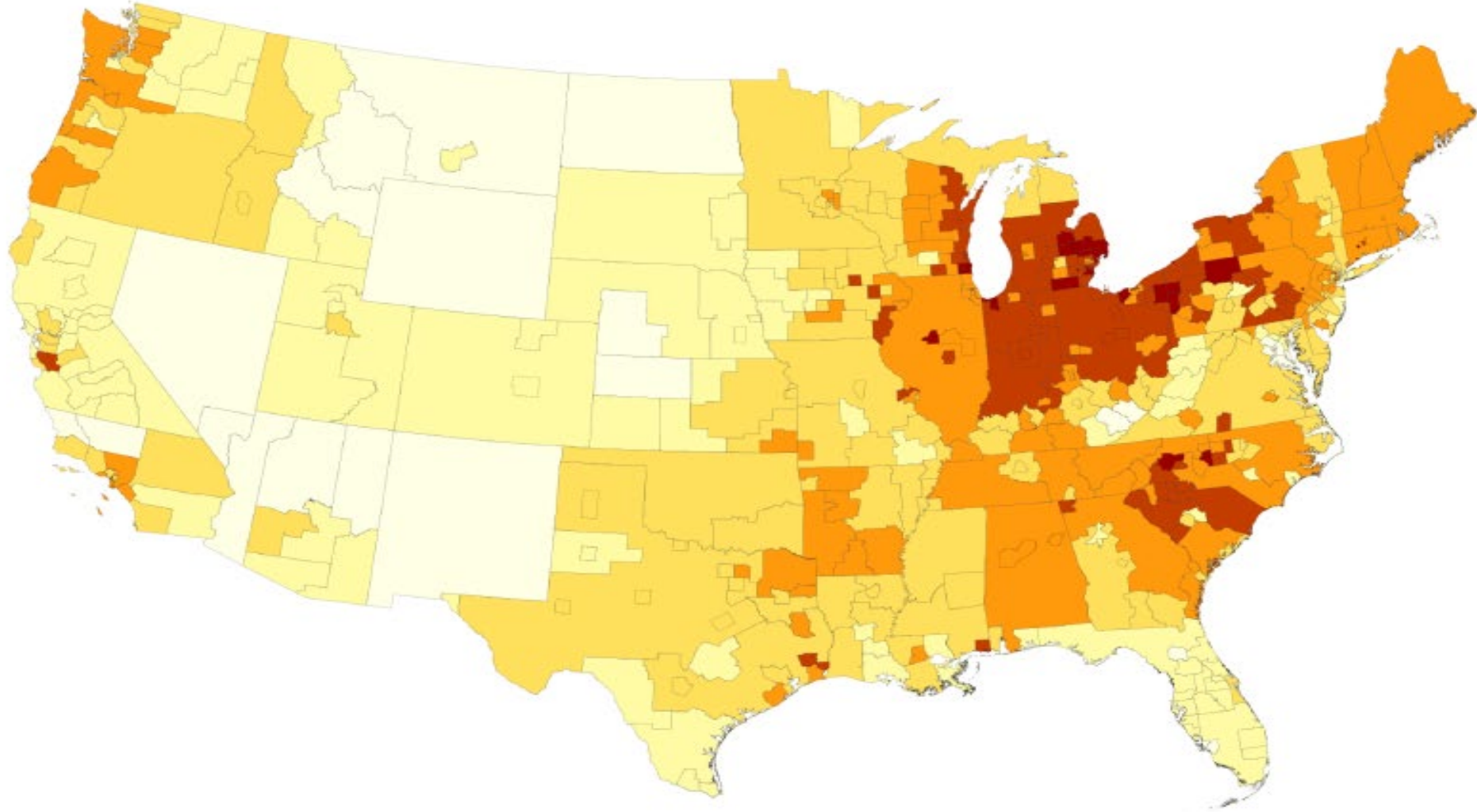
# 1964 Manufacturing Shares



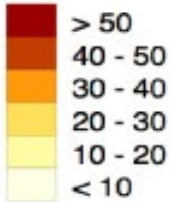
## 2016 Manufacturing Shares



Prime age men manufacturing share of employment, 1980

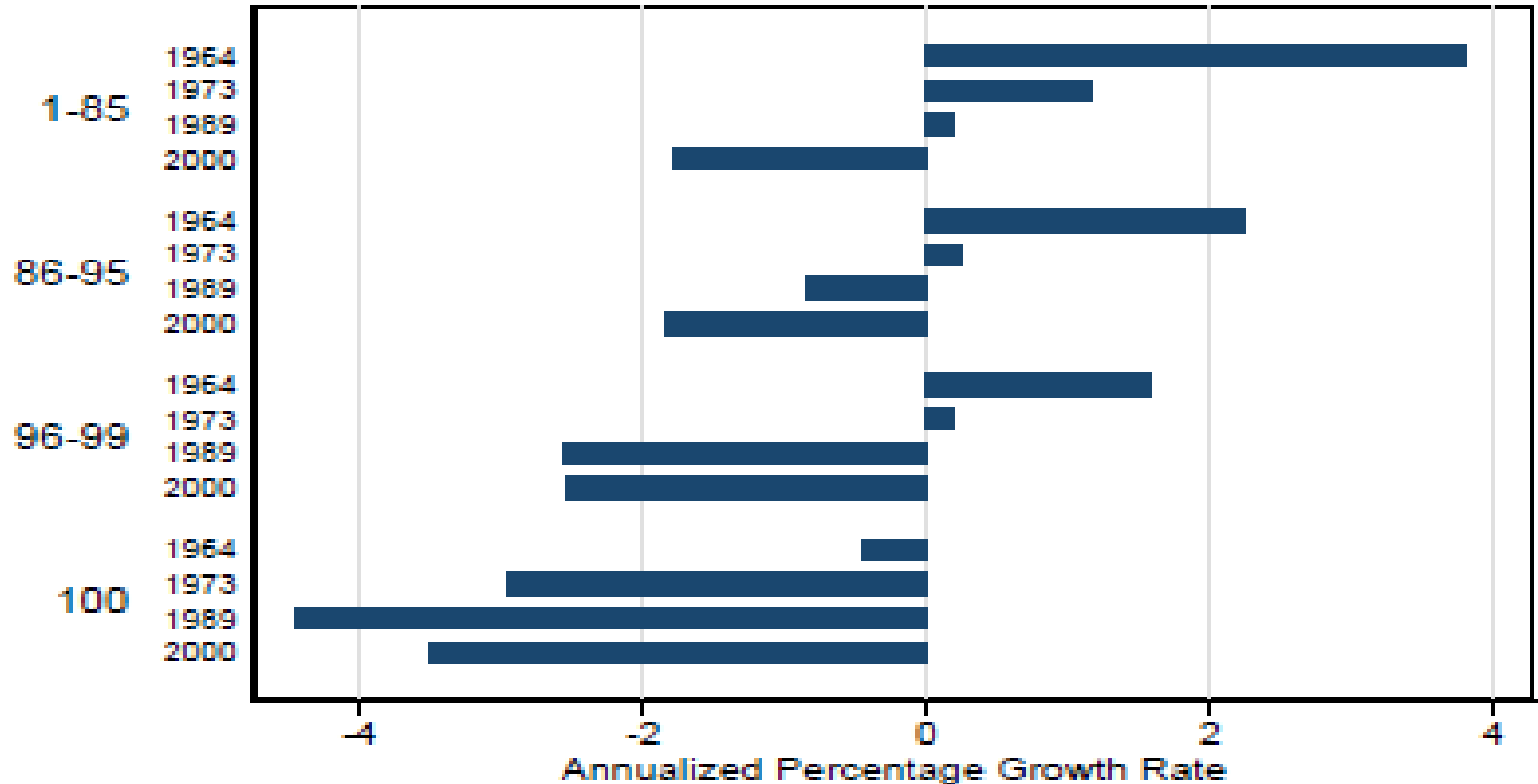


Manufacturing Share, percent



# Within-Group Manufacturing Employment Change

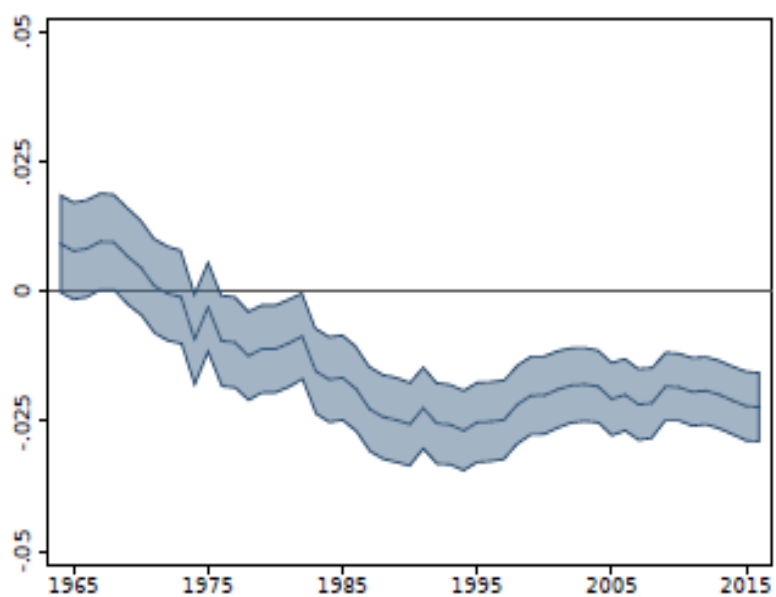
## By Initial Density Group and Year



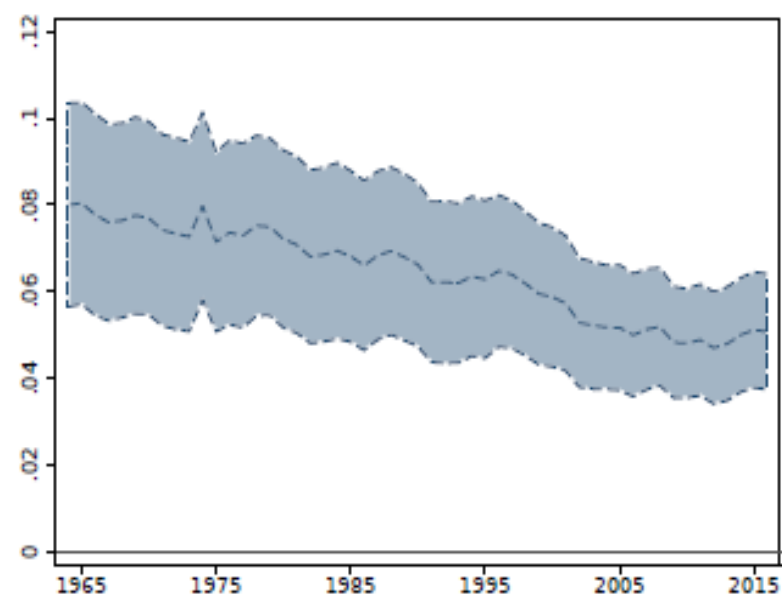
# The Manufacturing Puzzle: Manufacturing seems to be more harmful today than in the past.

- Their focus: manufacturing declines are more recently experienced by non-urban areas that find it harder to diversify.
  - Yet manufacturing decline was pretty painful in Detroit.
- For many of us – the puzzle in the 1990s was that some cities managed to reinvent themselves more easily than others.
- This lead us to the Welch/Schultz hypothesis: human capital was the key to adaptation.
- Seattle (50+ percent B.A.s) reinvents; Detroit does not.
- Cities have other forms of human capital beyond education.
- But I certainly agree that it is hard to imagine what less skilled workers can do outside city.

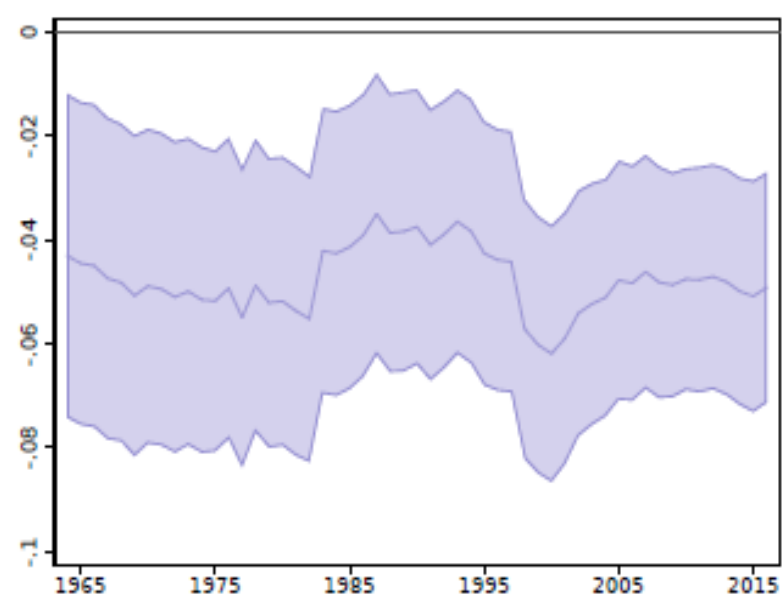
Log Population Density



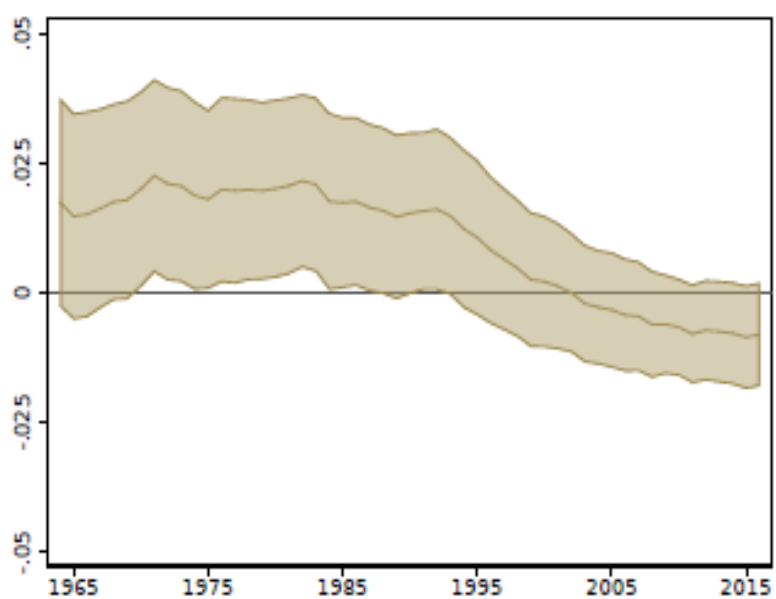
Nearby Log Population Density



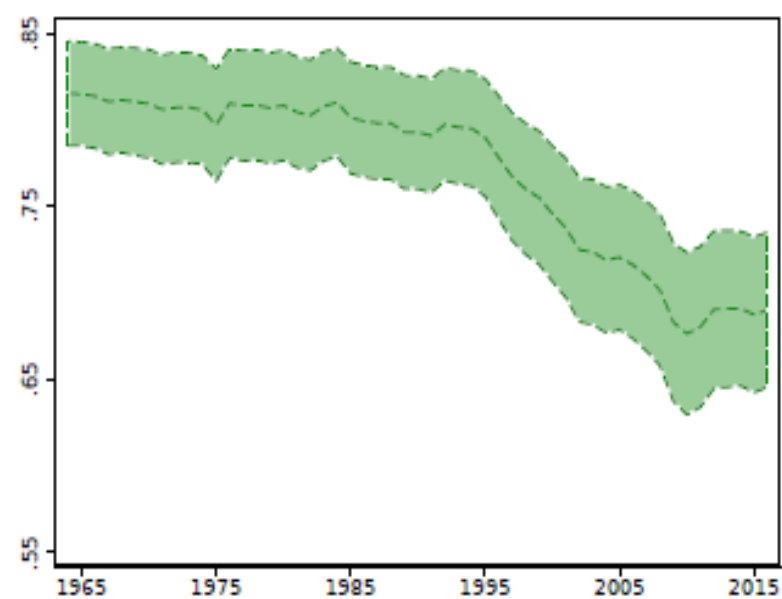
5% Densest Indicator



January Temperature

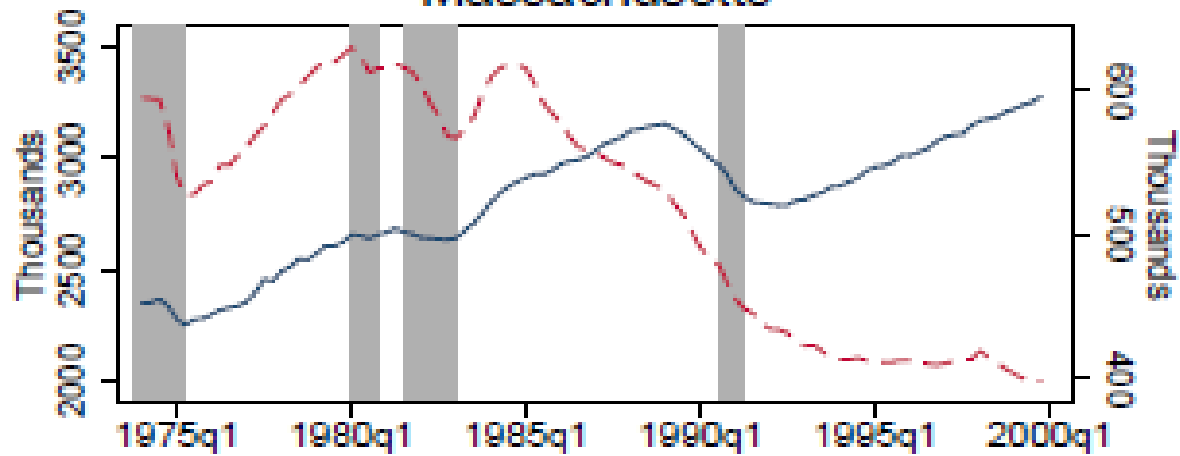


Spatial Error Term

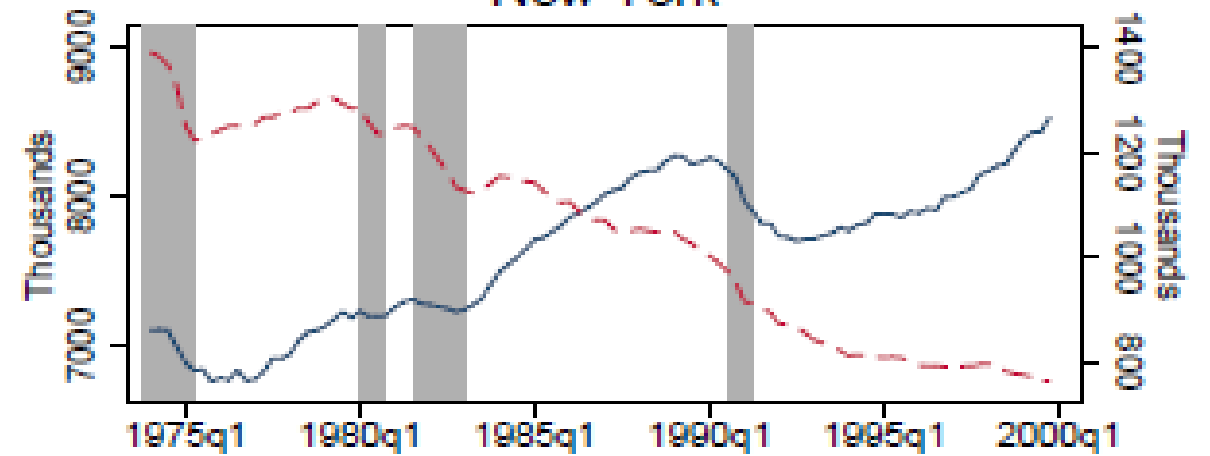


1974–1999

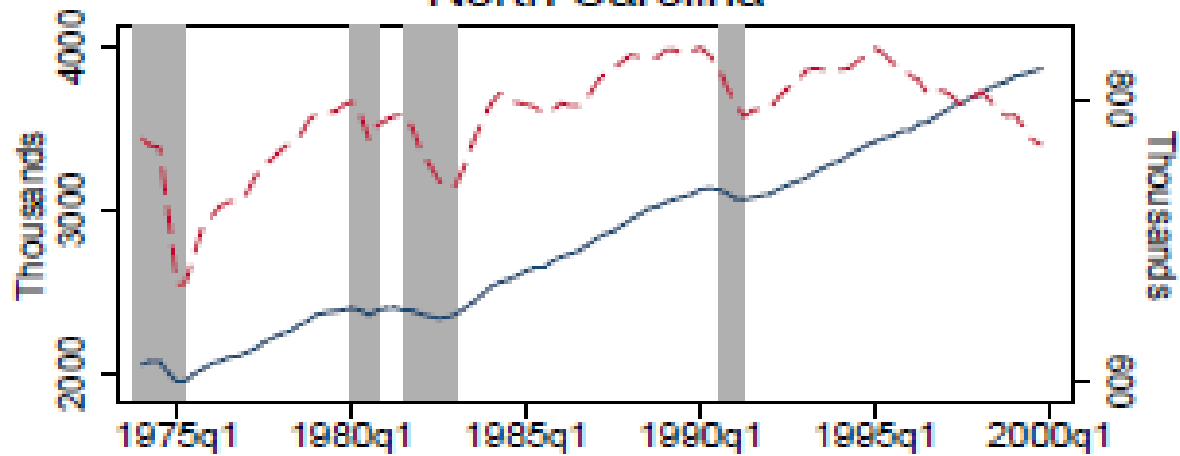
Massachusetts



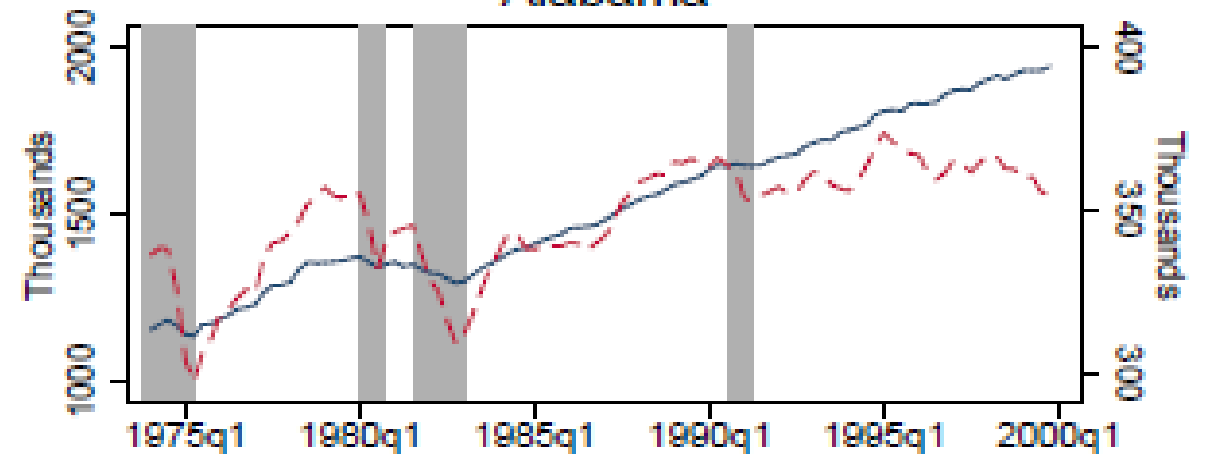
New York



North Carolina



Alabama

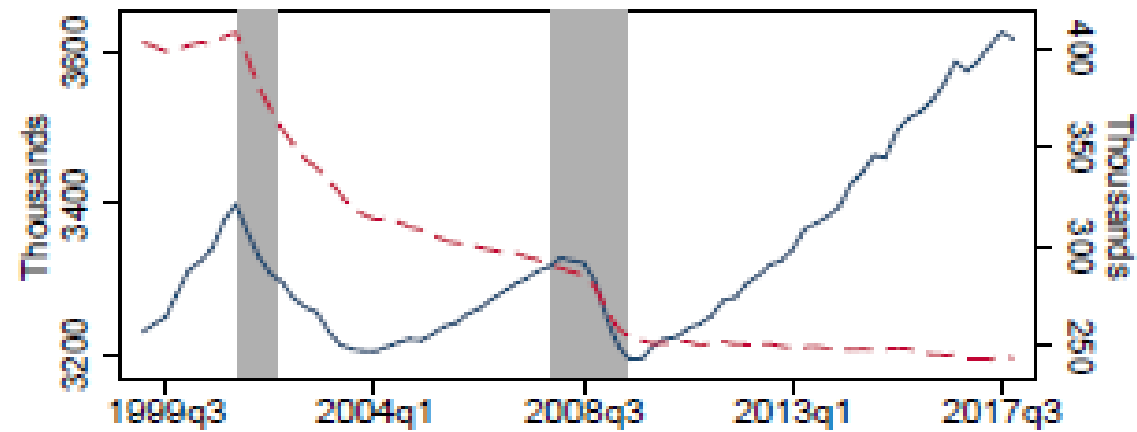


— Total (left scale)    - - - - Manufacturing (right scale)

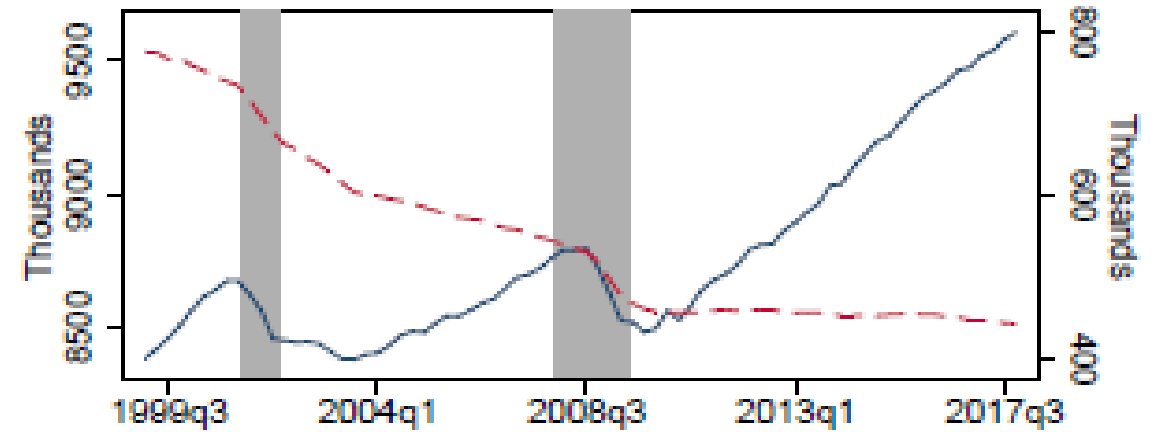


2000-2018

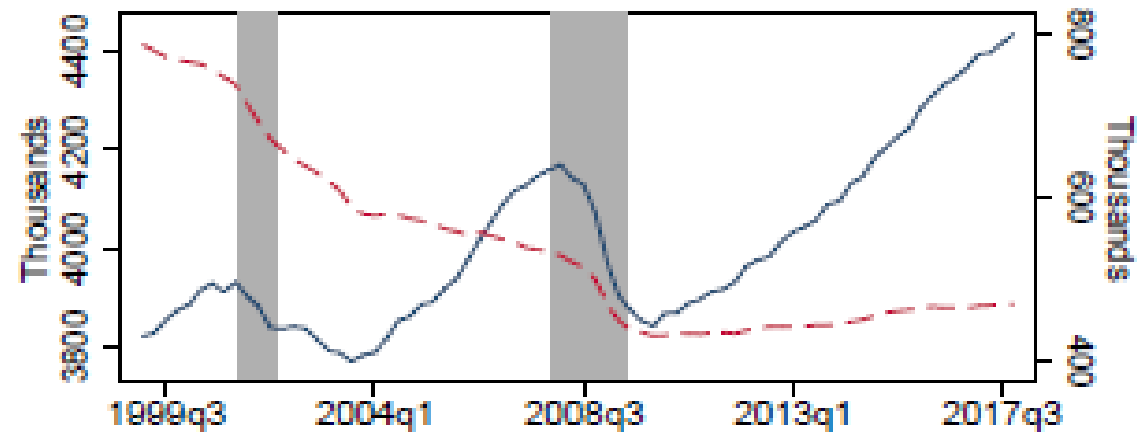
Massachusetts



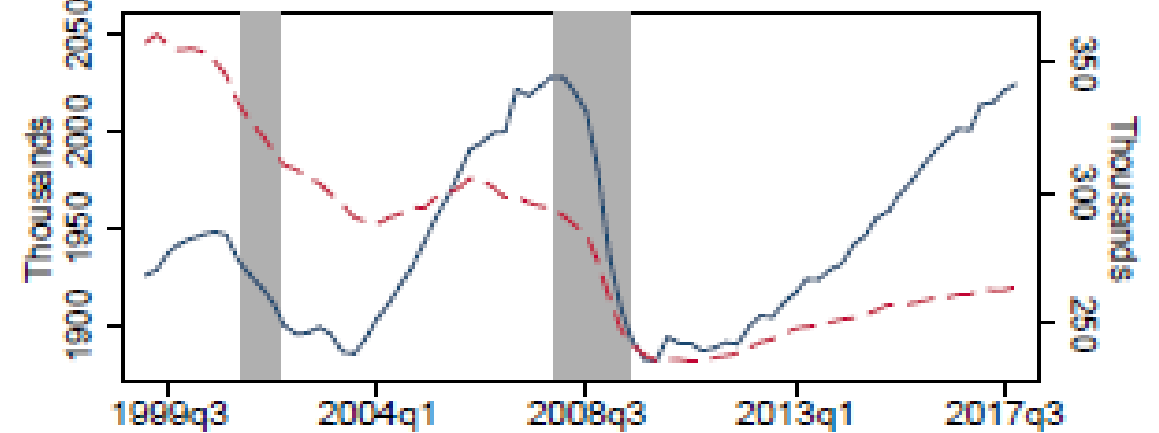
New York



North Carolina

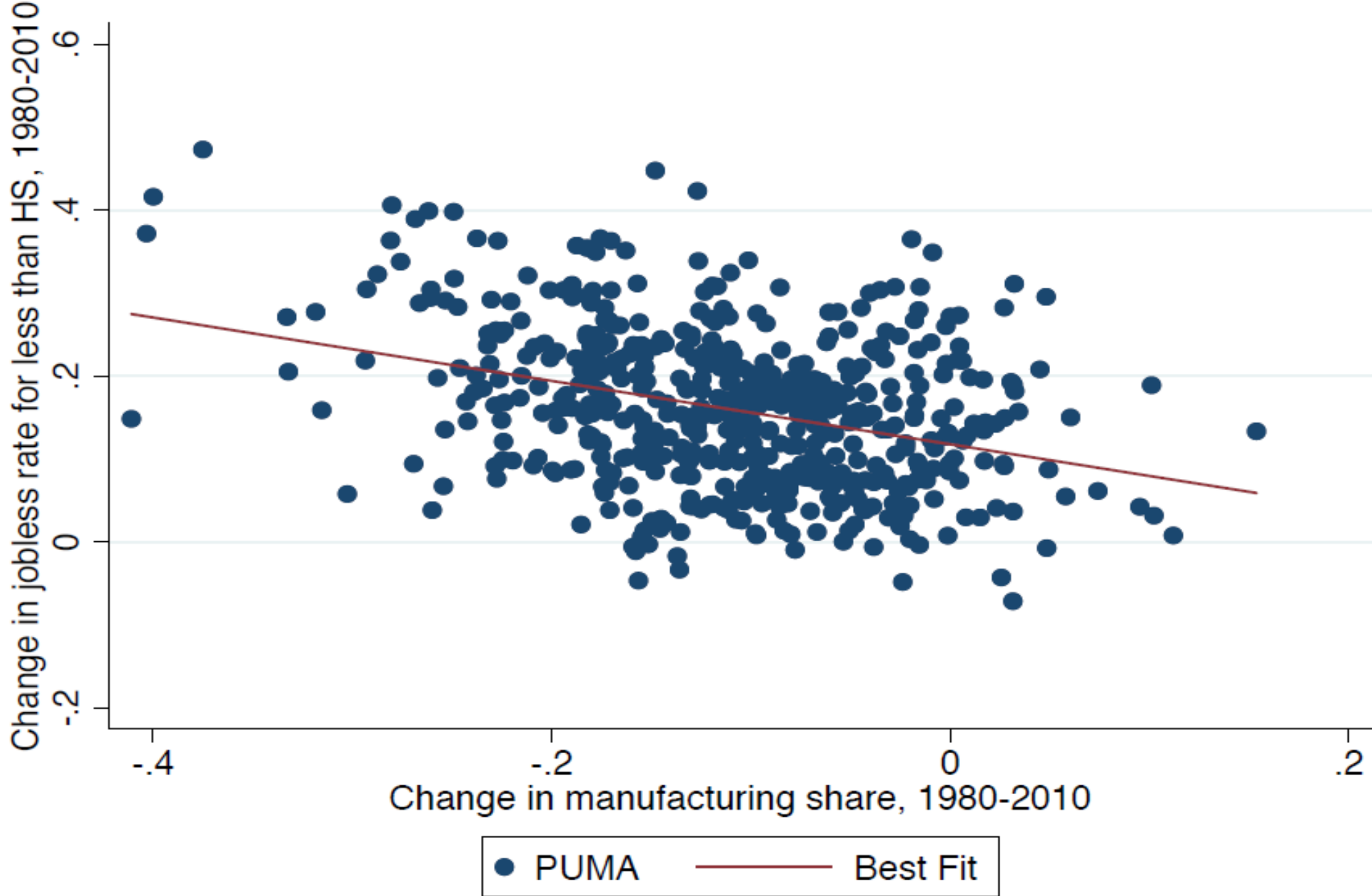


Alabama

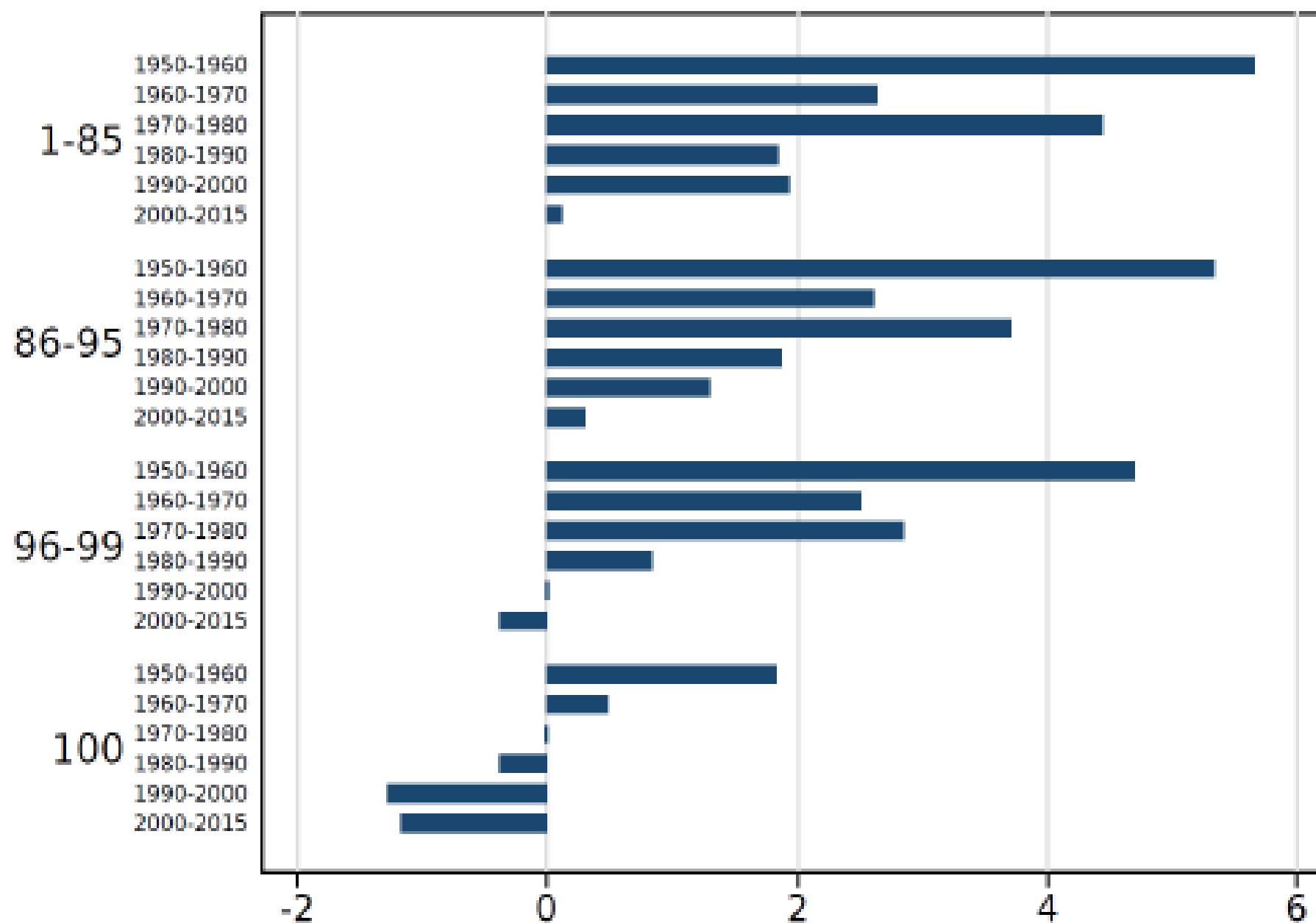


— Total (left scale)      - - - - Manufacturing (right scale)

Prime age men with less than high school education, 1980-2010



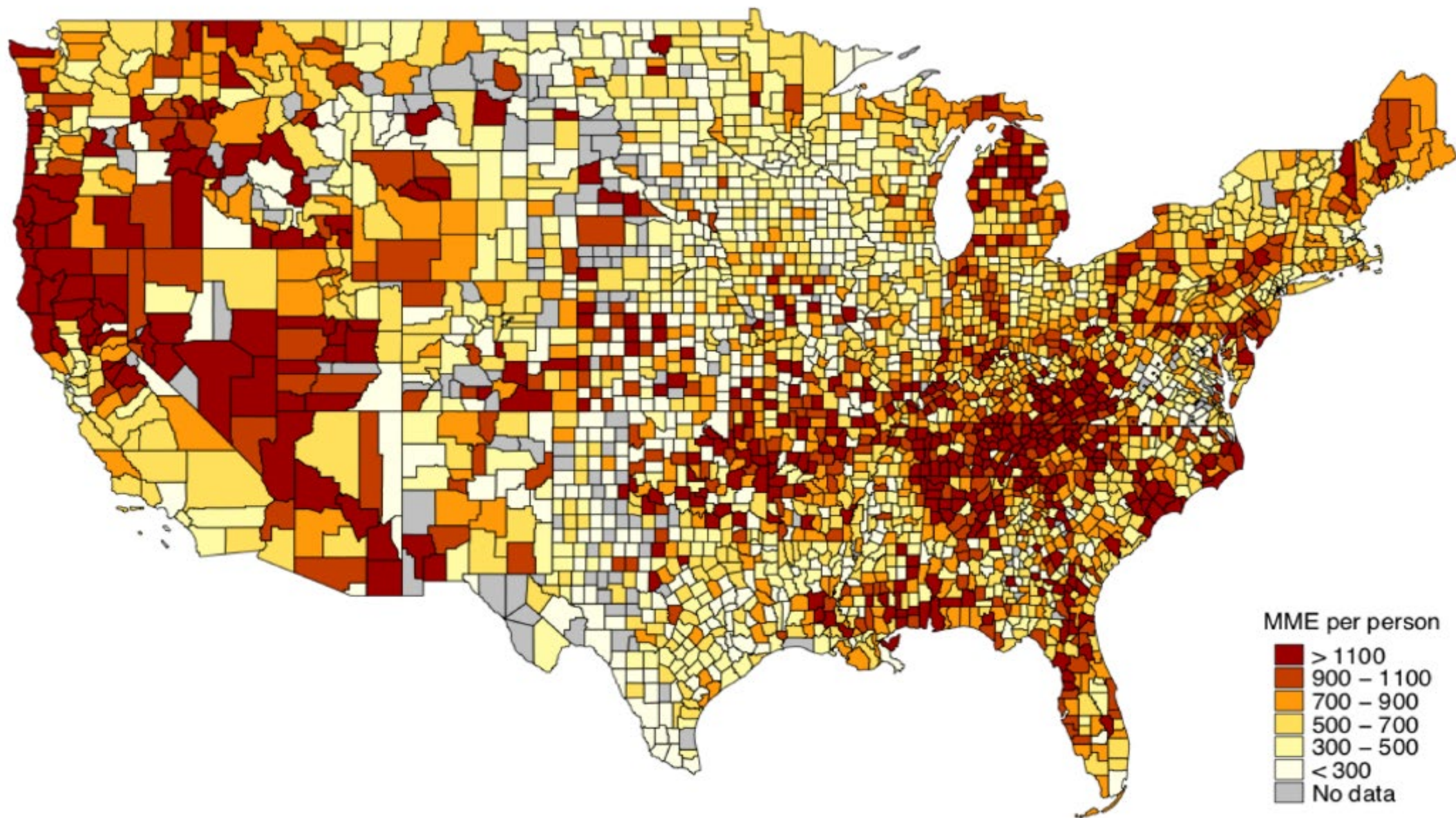
# Growth in County-Level Clerical/Office-Support Employment, by Density Group



# The Decline of Low Density Manufacturing

- We have at least two good explanations for why manufacturing employment is vanishing: technology and trade.
- A plausible view is that in the long-run all local, low-skill employment will be in services and that American export-oriented employment will be overwhelming (1) high skill and (2) urban.
- That suggests that the right kind of entrepreneurship will be able to generate jobs for less skilled people in Boston – but what will they do in eastern Tennessee?
- This seems like the central question of American economic geography and even employment policy for the 21<sup>st</sup> century.
- And don't forget – male joblessness comes with large social problems, fiscal costs and personal misery.

Opioid consumption, 2015

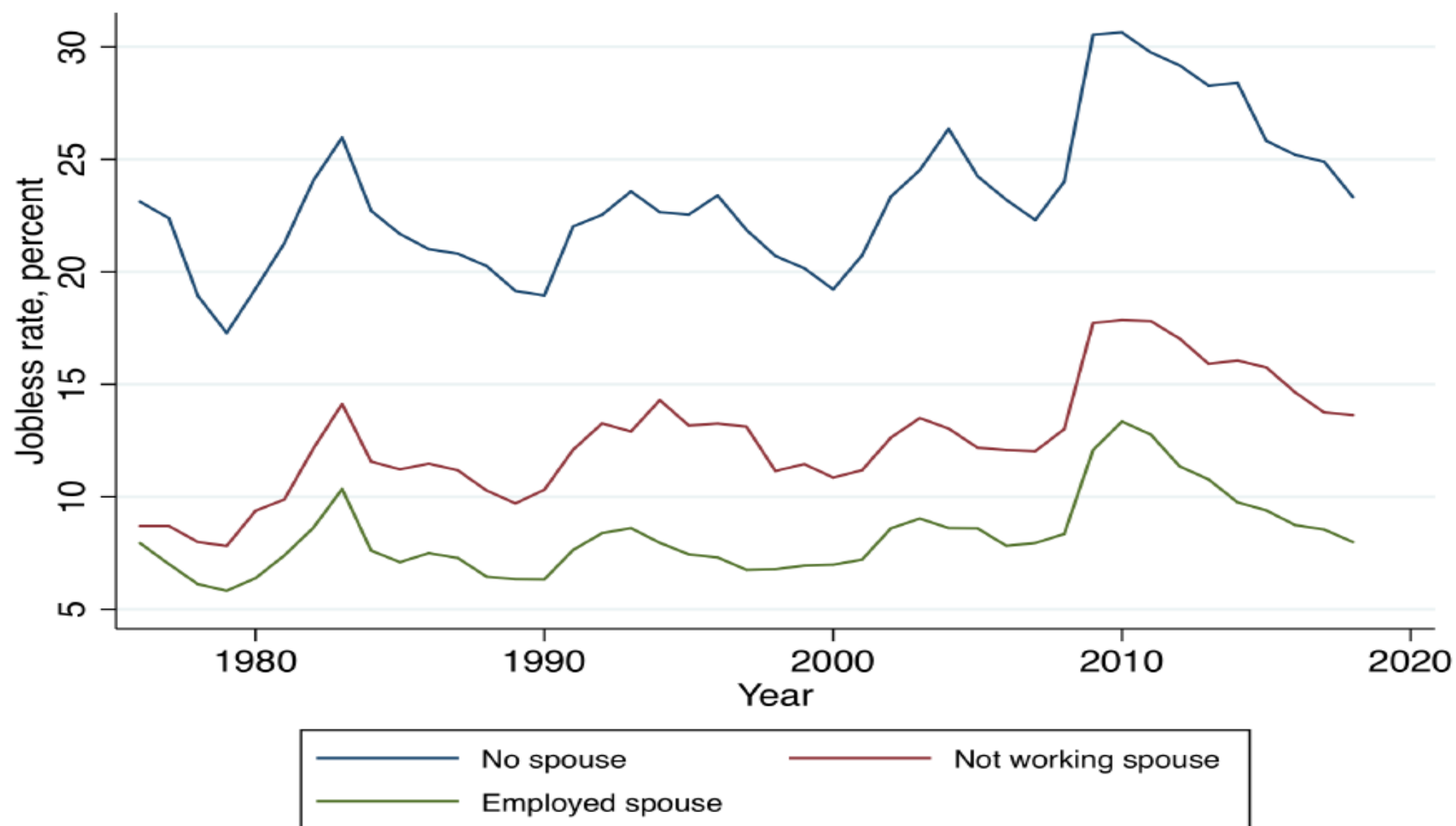




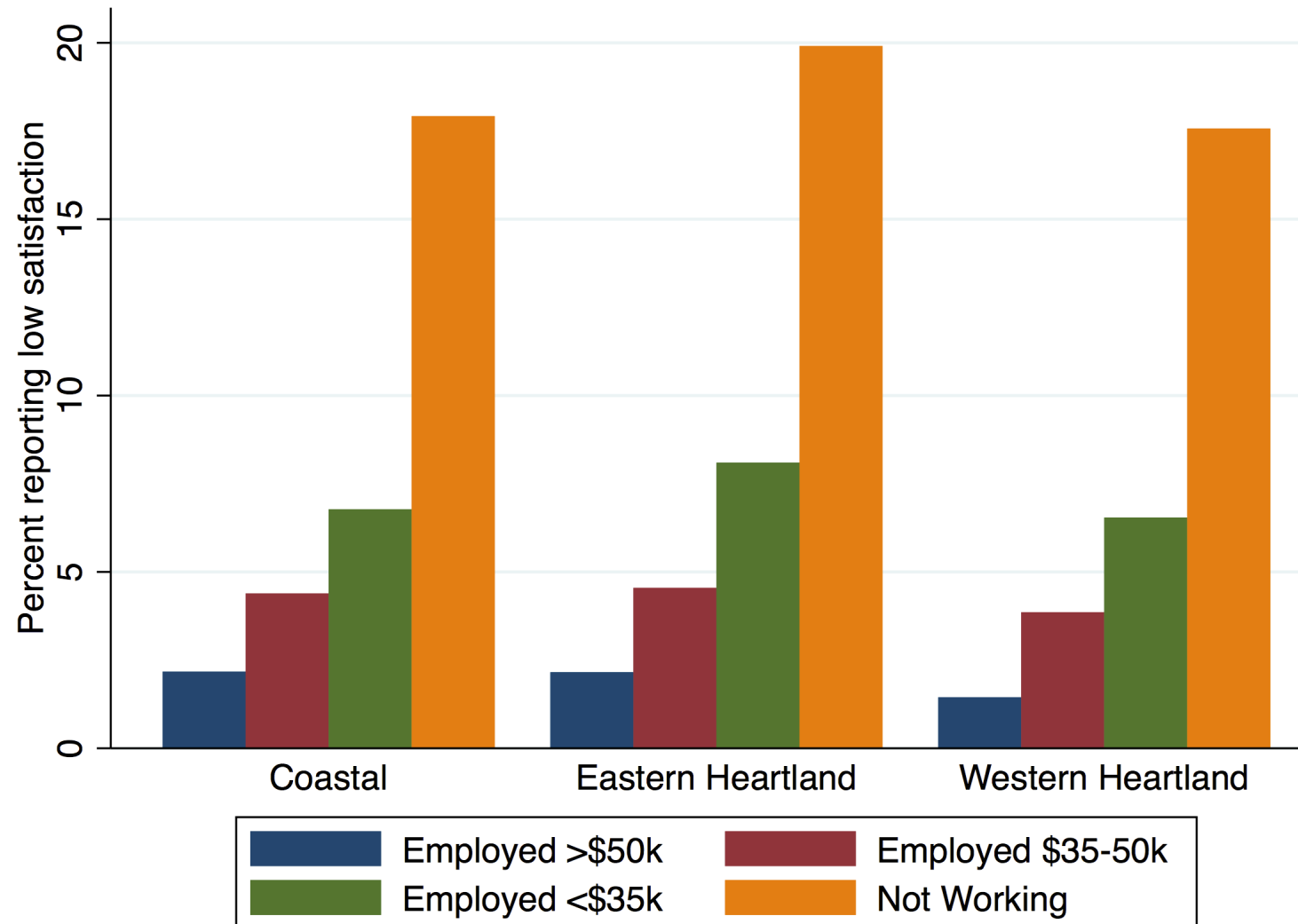


# Joblessness is concentrated amongst men without a spouse

Prime age men

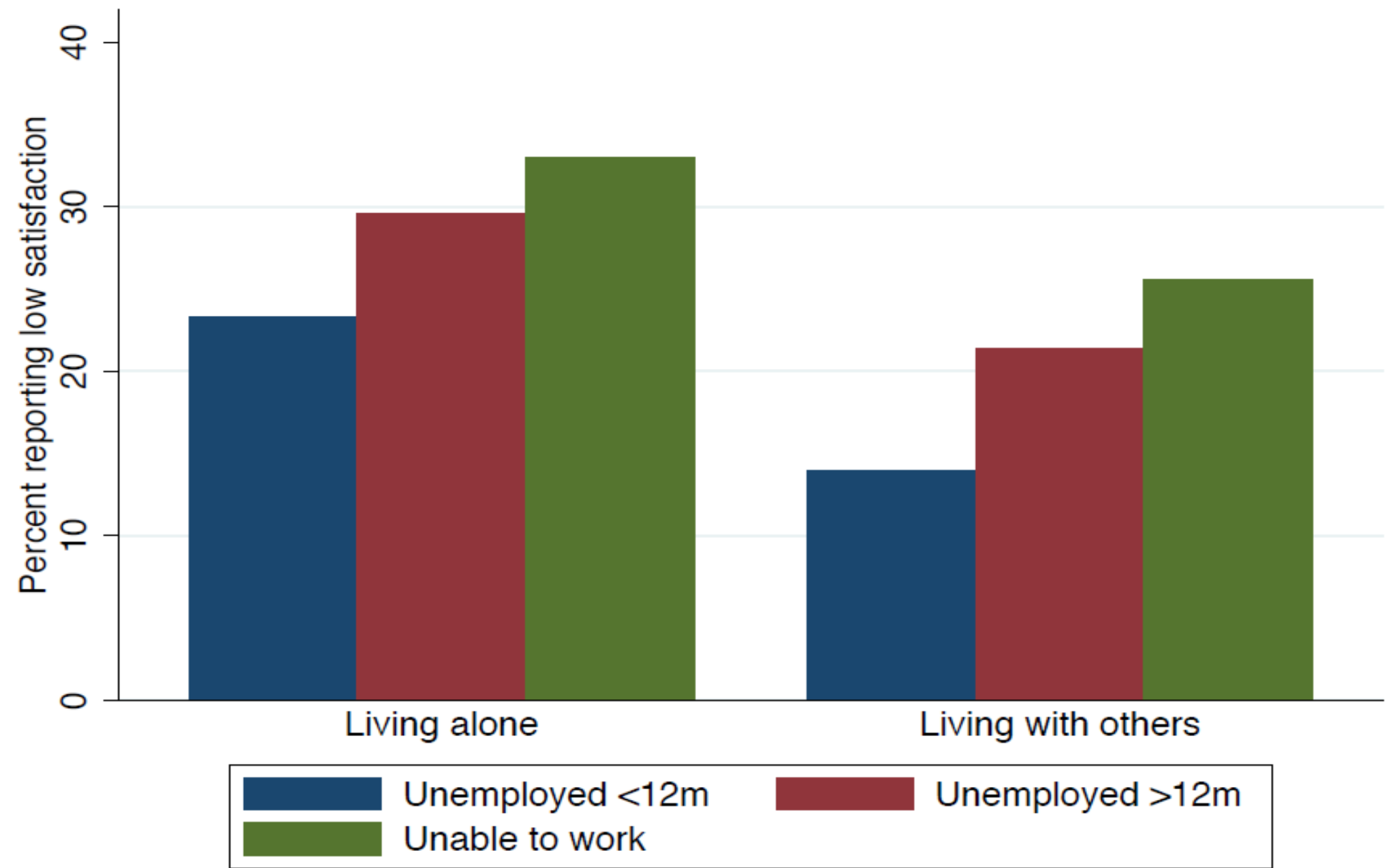


# Low life satisfaction of not working men





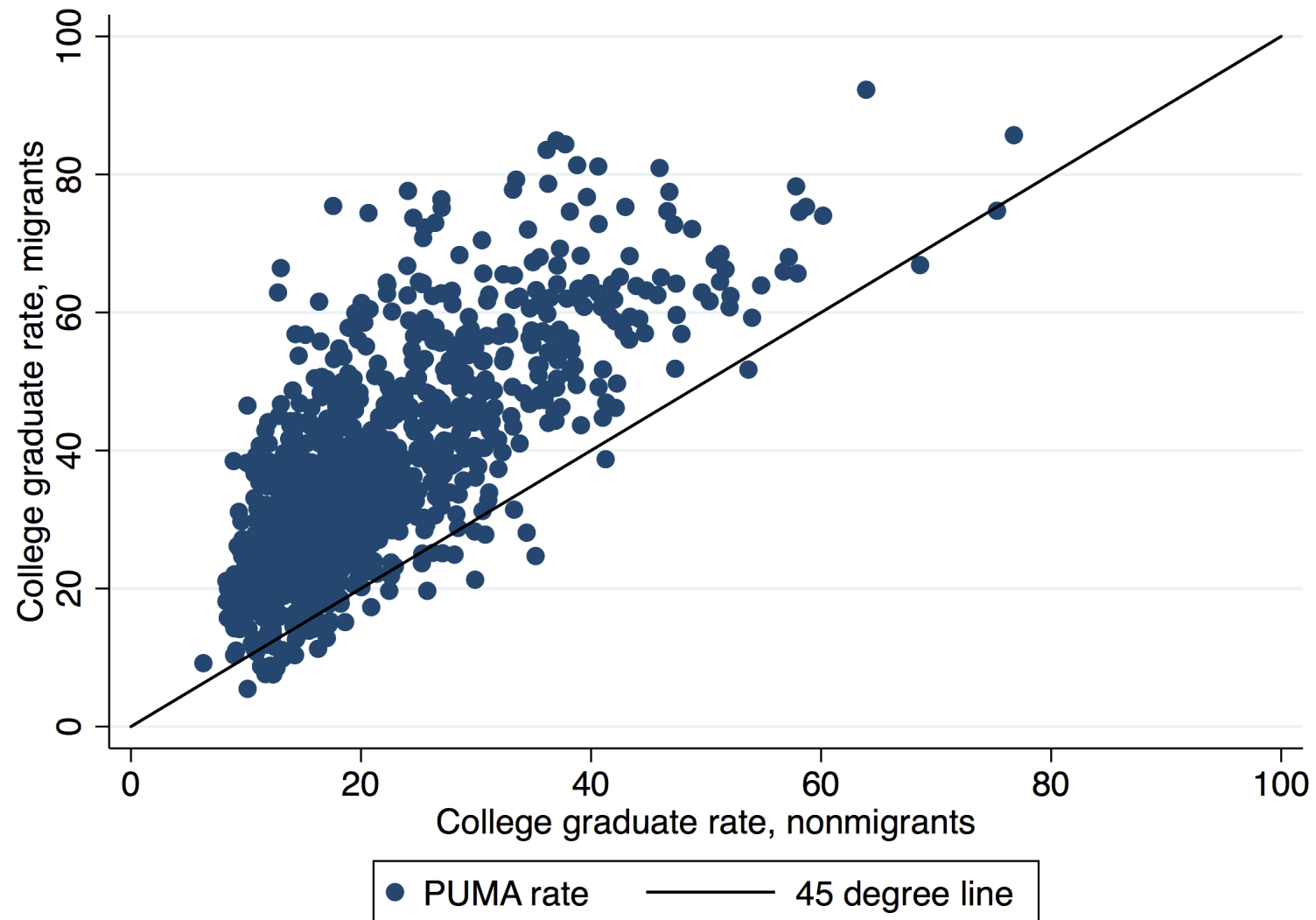
Prime men, 2005-2010



# A Changing Regional Landscape

- Regional Heterogeneity in the US is Not New
- But joblessness is a new twist → and if it involves market failures (either Pigouvian externalities or Keynesian stuff) then this should lead us to look at regional policies again.
  - Regional redistribution vs. regional targeting of social policy.
- Moreover, there are good reasons to think that America is becoming less fluid geographically and more European.

# Skilled migration



# Added Changes

- Migration (especially migration of the less skilled) is not directed towards high wage areas (Ganong and Shoag, 2017)
- Successful areas make it increasingly difficult to build low cost housing (Glaeser, Gyourko, Saks, 2005), leading to spatial mismatch (Hsieh and Moretti, 2016).
- Change in share with college degrees positively correlated with initial share of population with college degrees (Moretti, 2004).
- Income convergence across metropolitan areas or PUMAs has slowed or disappeared entirely (Berry and Glaeser, 2006)
  - $\text{Log}(Y_{2010}/Y_{1980}) = .02 * \text{Log}(Y_{1980})$  (IV with 90<sup>th</sup> and 10<sup>th</sup> percentile in 1980).

# Is Geographic Sclerosis an Excuse for Revisiting Place-Based Policies?

- Counter-argument # 1: Subsidizing declining places keeps people in dysfunctional local economies.
  - Less important with lower migration rate.
- Counter-argument # 2: Subsidizing any places leads to capitalization in rents. The poor tenant who doesn't like contemporary art may well hurt by the Bilbao Guggenheim.
  - Again, as people are less mobile this may be less important.
- The relative importance of capitalization vs. distorted migration depends on housing supply elasticity.
  - Some declining places (Detroit) have fixed housing supplies.
- Counter-argument # 3: Some place based policies can create pockets of high unemployment and low human capital.
- Counter-argument # 4: Infrastructure place-based policies can lead to monumental waste.

# Spatial Targeting not Spatial Redistribution

- I have long thought it was unwise to have spatially uniform policies in areas like housing – how can LIHTC be equally sensible in Boston and Houston?
- I have also long feared the downsides of taxing rich places to buoy up poor places.
- But should we be thinking about policies that favor employment more in places with high joblessness and policies that are more generous to the jobless in places where joblessness is low.
- Should we do more infrastructure in high joblessness areas?
  - Is infrastructure less important with less manufacturing?
- Should we have different disability rules in West Tennessee and Boston?
- Should we have spatially targeted employment tax credits?
- Should invest more in innovation in high joblessness areas (Gruber and Johnson, 2019)?