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MIKE LIVERMORE: Welcome to the *Free Range* podcast. I'm your host Mike Livermore. This episode is sponsored by the Program on Law, Communities, and the Environment at the University of Virginia School of Law. With me today is Rich Schragger, my colleague here at UVA Law, who is a leading expert on local government, federalism, and urban policy, among other areas. He's also the author of the book, *City Power-- Urban Governance in a Global Age*. Rich, thanks for joining me today.

RICH SCHRAGGER: Hey, thanks for having me, Mike.

MIKE LIVERMORE: So maybe as a starting place, we could actually just begin with this idea of city power, which has really been an ongoing concern of yours for a number of years. Yeah, what is this idea of city power, and why should we care about it?

RICH SCHRAGGER: Well, that's a good question. A lot of my colleagues often don't think about cities, especially in law schools, where we talk a lot about the Supreme Court, and Congress, and other institutions that are at the national level. But I've been teaching local government law and other locally-related classes-- urban law, and policy, and land use for many, many years, almost two decades at this point. And I've been an advocate for thinking much more about local power than we often do in our law schools.

City Power is a book that brings together a lot of the work I had done prior to pulling it together. And it really is meant to challenge the usual narrative that we often have about local governments, and in particular cities, that they are either not able to really control their economic and fiscal fates-- that is, that they are susceptible to people just fleeing them.

And therefore, they have to engage in policies that attract and retain residents, and firms, and businesses. And the way they do that is usually through providing certain kinds of amenities to people, or tax breaks to firms, or they have to have a business-friendly environment or so on.

So there's a view of cities that they are really constrained by large-scale economic forces. And then there's a companion view of cities that they're corrupt, that they're badly managed, that they need oversight either by the state governments or by the national government. And I've been pushing against those two narratives for a very long time.

MIKE LIVERMORE: So one question that came up-- and you talk about this quite a bit in the book and so I'd be interested in your thoughts on this-- so as you were saying, there's this long literature and there's a lot of influential thinking that cities, in a sense, are highly constrained. And you talk about this idea of cities as products. That some way, that city governments are selling a suite of policies-- amenities that they provide, set of tax policies that go along with those amenities.

And then the market is the market for capital-- like who's going to locate there-- in the old days, we would say factories, but whatever capital stuff that we're moving around, and then for workers and for residents, and for retirees, or for whatever else. As you say, that's a very influential view.

And it seems like there's two parts of it. So one is the existence of that market, that there are markets for capital and for people. And that cities are in that market, in some general sense. And then there's a second view which is about what the ideal set of policies are that are going to arise out of that market or that cities are going to be more successful with. And it seems like those aren't necessarily the same, that there could be a market but what people's views about what suite of policies are could be mistaken.

So you're arguing against the standard view. So which part of that view are you arguing against? Is it that cities aren't really in this competition and it actually doesn't matter too much what they do, in the sense that people and firms will locate one way or the other irrespective of what cities are up to? Or is it that maybe the standard understanding of what the suite of policies are that is most likely to benefit cities in terms of attracting capital and labor, we've got that wrong?

RICH
SCHRAGGER: Yeah, so it's a great question. It's a little bit of both, although the former-- and this is where it gets-- it's a little unconventional argument. The argument that various folks have articulated in this various ways, but the argument that businesses, a factory, or a firm, or individuals, essentially, look out into the world and then make a location decision as if they were consumers in a general marketplace is quite powerful, as you've said.

And it comes out of literature from Tiebout, who this guy said, people vote with their feet. They decide they're going to move to, say, into the city, or into the suburbs, or into a particular metropolitan area. And they do so, in part, at least, based on the available amenities in those places, including, presumably, what tax rate is in that place and what kinds of things you get in exchange for that tax rate-- like good schools or other kinds of things like that.

And this can explain some level-- we might call it sorting or something else. There's a beneficial aspect to this, which is everybody gets what they want. And this is the benefit of decentralized local government, which is people vote with their feet. And then people's preferences are obtained by their location choices.

The book talks about how some of these things are-- that some of this is mistaken. The first mistake is to mistake that sorting for a theory of economic growth. So they're not the same thing. So what we might say is, well, people sort into various things. And then we often move very quickly to saying, well, the city that's de-industrializing or a city that's losing population, well, they've failed in this consumer chase, this hunt for businesses or residents.

And that failure is why they're declining, say, economically in space because that's what a city-- we're not sure what a city is. A city is presumably the activity of the people in a particular location, in a particular spatial location. And so we've made a mistake, sometimes, in assuming that economic growth and residential sorting or firm sorting is the same thing. And they're not.

We actually don't have great theories about economic growth in the world. We think we know sometimes what causes economic growth, but we should have some modesty about that. And I think that applies to cities and metropolitan areas as well.

So one thing I say in the book is we should be skeptical of claims that a city has failed because it's losing population. You might say about that, oh, they've just failed to provide the kinds of goods, and services, and tax rates that attract people. And therefore, they're losing population.

But a different account is we've got a mystery of economic growth. How does economic growth happen in a place, which usually is accompanied by population. It doesn't have to be accompanied by increased population, but normally it is. What are the mysteries of economic growth? And it turns out economic geographers have other accounts that have nothing to do with sorting among consumers making location preferences.

So I think that's a mistake. And what that mistake leads to is folks saying, you should be doing this, this, and this. You should have a great downtown business district, and arts, and all these amenities, and all these great things. You should have more bars and more restaurants that are open later, and a nightlife, and a football team, and a baseball. And that'll make your city great.

And it turns out, all cities are doing all of those things all the time, but it doesn't actually change outcomes over time. And so we should stop doing that. We should stop pursuing a bunch of fads-- this is at the local pause, and this goes to your second part-- a bunch of fads which is, oh, we'll build a downtown mall. That'll attract new people. We'll put in a stadium. That'll attract new people.

And we often make mistakes thinking that the thing we did caused the, say, the uptick in population, or on the other side, a downward spiral in population. So we make mistakes by saying, well, the problem with Detroit's decline was bad management. They just didn't invest in the right kinds of things.

And then on the other side, we say, oh, the resurgence of New York City and the resurgence of all these cities, actually, all over the globe is because they made some other kinds of choices. Well, it turns out no one predicted the urban resurgence of the last two decades or more. And the reason they didn't predict it is because we actually don't have any idea what has caused the urban resurgence. We still don't know.

And so the book addresses this too. So I think the argument of the book is a little bit complicated in the following sense, is it says, you can't, in fact, control these things that you think can, but you can control some other things. And the other things you can do is just provide good municipal services, even when you're in an economic downturn.

You might need help from other levels of government to do that. But in fact, we're going to see booms and busts in cities. And we've seen that all throughout history. And to attribute false causes to those booms and busts is a real mistake.

MIKE
LIVERMORE: Yeah, super interesting. And just to clarify, when you talk about a city failing, what I take that to mean is, actually, the city government failing in some sense. Cities go up-- as you said, there's growth, there's decline.

I guess one question is, do you think that those are really policy-independent processes, like, say, city policy, independent processes? Or is it just that we don't know what the-- because I take the point that we don't know what the policies are that contribute to or detract from growth.

I can imagine-- because part of it is I can-- there's got to be policies that would be bad for economic growth. I mean, if you just like, what-- their policy is going to be is we're going to tear down every single building, or not allow a single thing to get built, or have tax rates or 50% of income or whatever. That's not going to be good for economic growth.

But within the-- on the margins or within the policy space of what we think of as reasonable policies that the cities might actually adopt, maybe we don't have much of an idea about what actually contributes to growth or not. But I guess, yeah, so the question back to you is, do you think it's an epistemic issue, we don't know what the answer is, or is it, literally, it could just be independent. It's like a sickness. To a certain extent, that's under my control, but I can get sick for reasons that are entirely outside of my control as well.

RICH
SCHRAGGER: Yeah, so I think it may be both. And it's really tricky to disentangle, but it's the super interesting question, which is-- and again, I'm not a growth economist. And so I don't have-- we have lots of-- there's plenty of theories out there of how you induce growth, say, in a whole continent like Africa or in countries in a continent.

So at every scale, there's lots of questions about how we do this. And then policy does follow from that. So actually, you got to get your debt under control. You can't be protectionist or the Washington consensus. And then we find out, well, that didn't really work very well.

And other theories of growth-- democracies are going to grow faster let's say than authoritarian regimes. But then you get counterexamples. Federal systems will grow better than centralized systems. But of course, then you get counterexamples to that too.

So I think when we're talking about the relationship between institutions and growth, there is a strong argument that-- or a strong group of scholars who say, institutions really matter for growth a lot, whether you've got institutions of private property.

MIKE
LIVERMORE: I don't know North Korea doesn't look like it's been doing a great job.

RICH
SCHRAGGER: Doesn't look like it's doing a great job. And I agree. Within a range, though, it's not entirely clear that this is what's doing the work. So the relationship between institutions and growth is, I think, quite a fraught one despite some very optimistic views on this or very strong views on this.

My own view is institutions and growth have-- they're going to have some relationship. And the question is, at what scale? So what's interesting is, Jane Jacobs, the famous urbanist--

MIKE
LIVERMORE: Patron saint of the book.

RICH
SCHRAGGER: Patron saint of the book, for sure. She appears many, many times over as she does for many urbanists, who have been influenced by her work. She was trying to write about cities in much of her work. And a lot of her work is not as read as her most famous book, which is the *Death and Life of Great American Cities*. But she also wrote books like the *Cities and the Wealth of Nations* and some of these other later books.

And she was trying to figure out what generates growth, actually, I think at the end of the day. And economists have come to appreciate some of her insights, which was-- one of which is this idea of agglomeration or externalities of the fact that the space in the city generates knowledge between industries and between the same industry. And that generates knowledge that leads to economic development.

And those Jane Jacobs' externalities have been recognized in some ways or that's how they've been called by economists. So her account-- and it was an attempt, again, to look at growth-- was that if you have-- and this was at the various lowest level, at the neighborhood level, at the block level, at the street level.

If you have a diversity of uses, a mixture of types of industry, of types of small business, of types of people, of types of housing, that will generate a vibrant and an economically dynamic place which she called the city. So she said the city is where this happens. This is where economic growth happens, not in regions, not in the hinterlands, not in rural areas but in cities. And the city does this work.

And so there is a theory of growth that is quite closely connected with the nature of the city itself that does inform my book, *City Power*, but I don't feel like I need to endorse it wholeheartedly. I'm sympathetic to it, but I think it's enough to say, hey, those traditional, those conventional things you think you're supposed to do are really not really in your control. And so in fact, you should be doing some other things.

**MIKE
LIVERMORE:** So yeah, so that actually sounds like a different thing. That sounds like there are things that cities can do. It's just that it's not what we think that they are. Yeah, again, this strikes me as a tension, in some way, in the argument that-- because on the one hand, it could be that these are just policy-independent processes.

Detroit, maybe, is an example of there's just globalization, and trade, and none of that is under Detroit's control. Maybe it's not policy independent in the sense that trade policy is part of the picture. But there's just these big systemic things happening at regional, national, and global levels that are bad for Detroit.

Climate change is-- in 100 years, Phoenix, and Tucson, and Miami might not look as vibrant as they look today. And it's not because of anything that had to do with the management of those particular cities. It's just that Miami is under water and Phoenix is 150 degrees. It's not going to be that much, but it will be hot or heck of a lot hotter.

So there's that, that these are just-- there processes that are policy independent in the sense of at that scale, at the scale of the city. But on the other hand, the argument that you were just providing is more like, well, no, if we create these vibrant and diverse communities that have certain characteristics, that's actually going to lead to development.

Growth is a funny word because that usually just means like GDP. Let's just say development in a positive sense. So that's actually very policy-oriented. And there's all kinds of policies that we could do to disrupt that process from happening. There's things that we could do to foster that from happening. So is it just that-- so where's the mistake? Or is it just-- it's a mix of mistakes.

[LAUGHTER]

Yeah, so go ahead.

**RICH
SCHRAGGER:** It's totally fair. And I think I try to capture this in the first chapter of the book by talking about a number of ways-- and we actually do this constantly, and we do it in one sentence. We'll mix different accounts. So one account is, as you pointed out, the city is a product in the location marketplace or the local government marketplace. And you can improve your product and then you get consumers. They walk around and they get the product they want.

And if you do a good job, you get more population and more wealth. And if you do a bad job, the opposite happens. And when we talk about cities declining because of corruption or bad government, that's partially what we're suggesting. That's the claim we're making.

They made a mistake, or they taxed the wrong people, or they made an error where the governor-- or the mayor, sorry-- was corrupt, or that could also be attributed to some other level of government. You could say, well, the legislature did some bad things or Congress did some bad things. And that affected the city too. So it doesn't have to be them, but it's still a product conception of the city as a product.

Another conception of the city, which you've articulated also is as a byproduct of large scale social forces. One of those might be just technology. So one of the big ones is for folks who look at the growth of cities, they say, air conditioning, big deal for the sunbelt. Automobile-- huge-- affects the city allowed for the dispersal of people outside the city.

The internet, IT is a huge thing that people say, well, this is a structural force that allows for the dispersal of people because now they can live wherever they want. And once you've reduced-- once you've reduced transportation and communication costs to zero or close to zero, you're not going to have cities anymore.

Now, the problem with-- just to say, the problem-- I've talked a little bit about the problem with the product account. The by product account is also just often wrong. So if it's true that the IT revolution should allow people to live wherever they want, then our cities should have declined in the first half of the 20th century. And in fact, their populations tended to stabilize or increase. And again--

MIKE LIVERMORE: Sorry to interrupt, but that could be-- that's not necessarily a ding on the byproduct theory, in general. That's just a ding on a particular--

RICH SCHRAGGER: A certain application.

MIKE LIVERMORE: Right.

RICH SCHRAGGER: Yeah, but the fact that we're not quite sure what the effects of a certain technology are on that suggests to me that our accounts are still pretty primitive. So another account would be, oh-- and you often see this-- cities developed at the terminus of railroads and roads.

This seems obvious because when you look at the map, you see cities at the terminals. But it turns out, there are lots of cities that could have been at those locations. And Jacobs points this out in one of her books. It's like, there were hundreds of cities that had deep water ports or could have been placed in a perfectly fine place for railroad transportation. And certain ones did and certain ones did not come to be and survive.

And if you look at the competition between Chicago and Saint Louis, often there's a bunch of accounts that say, well, the reason Chicago wins is because of X, Y, and Z. But it turns out, none of that is clear except in hindsight. And that's especially true of our more recent accounts of how cities have come back.

So for example, New York City in the '70s, you wouldn't have bet on New York City real estate in the '70s, when the city is in dramatic decline in lots of ways, maybe overstated actually, but in a budgetary crisis, in a fiscal crisis. And now, then you have to tell a new story as to why in 2022 the city has just-- the value of housing in the city and land is so high. So there's some stories that we tell, but they're quite incomplete on the byproduct.

So how do I solve all this? I don't really. So to be fair, I think we should be modest. I like the account of the city as a process to try to think about it not as a product or as a byproduct of technological factors.

And this borrows again from Jacobs. As a organic phenomena which occur-- and I think the economic geographers have some of this embedded into their models of how city populations rise and fall or how city growth rises and fall. And it's complicated. It's complicated. I think we make mistakes when maybe we use the wrong analogies.

MIKE
LIVERMORE: Yeah, that's really interesting. And as you were talking through this, one way to maybe-- let me just run this by you to see if it works is, there's the city as the process. And that's, obviously, a very open textured description of a thing, as a process. And again, trying to think about the relationship of policy independent stuff that's happening versus stuff that does depend on policy and so on.

In some ways, we could extract away from the markets that-- the markets in a certain sense that cities are embedded in. We could say, OK, let's imagine that cities have a fixed amount of capital in their existing population. And that firms can't leave and they can't enter. And that people can't leave and they can't enter, like just as an abstraction.

And then you've got cities like that. And you have different policies in different cities. As a consequence of those different policies, there will be differences in outcomes or at least in theory, there could be differences in outcomes.

So they would be like, if a city said our policy is, we're going to do zoning such that there's just going to be a neighborhood of hospitals, and a neighborhood of schools, and a neighborhood of residences. And we're going to separate everything out into different zones. And then there's another city that says, we're going to integrate everything. And there's going to be commercial, mixed use residential, education embedded, that kind of thing.

And that those different-- people can't move. So this isn't a Tiebout thing. This is just-- we've got these different ways of structuring cities. It sounds like, on your theory, that could have consequences for how the cities develop over time. It's not going to be through this sorting mechanism, but it'll be through this more processed, organic mechanism.

RICH
SCHRAGGER: So I think it's plausible. The thing is that-- and again, this is Jacobs, is that cities-- and the way I like to think about them is that cities have these effects over long distances. So a closed system is almost antithetical to the definition, in a way, because materials are being brought in. Trade is happening inside and outside the city.

You could have a closed system, but then you're playing a game. You're playing a monopoly game or a board game. And this things, games like SimCity appeared like this. You put up your stuff and you make-- then you hope that your city survives. And in fact, in those kinds of games, sometimes your city-- you make the bad land use choice. And the city declines. You make the good land use choice and the city prospers. It's a closed system.

But of course no city is really a closed system. And in fact, almost definitionally, a city is having effects, well, beyond its borders in lots of different environmentally, of course, we know that. They're taking water, and, supplies and food from the hinterlands and bringing them in. Certain regions are doing it. And then trade. And then they're inventing things in cities. Lots of invention goes on in cities. And those inventions are being used to make more efficient agriculture outside the city.

So it's very hard to talk about a closed system. It's something we're inclined to do because we want to isolate the policies, but I'm going to resist that a little bit because I think it is a little bit antithetical to the nature of-- another way to think about this is urbanization is just a phenomenon.

So we could just talk about urbanization. And then we don't have a city, necessarily, or a suburb, or a rural area. We just have a sociological phenomena. And then, we can talk about, well, when do we see urbanization? When do we not? And certainly, we have theories about that too. But again, a lot of this is using analogies that don't quite match up with what we see in the real world.

MIKE
LIVERMORE: Yeah, well, OK. So then maybe this does take us back to-- so I keep going back to, flipping between these different positions, which is that, it doesn't matter what cities do. City policies could be whatever. They could just be whatever they are-- whatever.

We could throw darts at a policy dart board. And this will have no effects on development in the city because there's just-- it's just other-- because there's other processes that-- because policy just isn't an input into that output, I guess. That would be the thing.

RICH
SCHRAGGER: Yeah, that's the-- the strong claim would be, no policies. I don't think I would embrace the strongest claim because as you pointed out, if you expropriate everybody's land and you tell them--

MIKE
LIVERMORE: You just go shoot everybody.

RICH
SCHRAGGER: But if you shoot everybody, that's a policy.

[INTERPOSING VOICES]

And part of it is, how do you define what we're talking about? So the city is the city. The people in the city. The firms in the city. Is it just the value of the land, the dirt in the city? Is it the city government? And we often mix those up too.

MIKE
LIVERMORE: But say we could do-- we could probably-- I mean, there might be different ways of talking about some of this. But presumably, we could get, at least, a passable definition so that we could, at least, have a conversation.

RICH
SCHRAGGER: Yes, certainly. So again, I'm not resistant to the strong form of the argument. I think I am resistant to the weak form of the argument, which is that specific policies will have-- I think in terms of economic growth. And let me be really clear about this. I think we're still not quite sure what does it, the urban--

MIKE
LIVERMORE: It sounds, actually, more and more that we're radically unsure about what does it.

RICH I think that's right. If we knew even a bit about, we would actually have predicted the urban resurgence or
SCHRAGGER: someone would have said, yeah, in 20 years, 30 years, this will come to pass.

And we would have been able to predict maybe the decline too. So in 1950s, Detroit has the largest population in the United States or one of the largest. And it's just the leading edge of the leading technology of the time, which is the automobile. And now, we turn around, 50, 75 years later, and the population of the city is half that or less. And the wealth is certainly less.

So we would be able to make some claims about that. And I just don't think we're capable of doing that. Now, what do I see, say the city can do well, the city can engage, therefore-- and should-- and now, we're talking within a range of policies. I don't want them to shoot everybody. I don't want them-- can pursue-- instead of pursuing growth, which seems like a vain and costly enterprise with a lot of mistakes for lots of-- for the reasons you've stated.

But it may be because we don't know how to do it or because nothing we do can have an effect. And again, I'm going to toggle between those a little bit, but what we can do is provide basic municipal services well to the people that exist in that place, as a matter of social justice not as a matter of growth seeking the problem.

And this gets back to the thesis of the book. The problem is that we think of cities as mostly agents that are supposed to be growth seeking, not just as seeking. And that just seems like a terrible mistake.

MIKE Yeah. No, I think it's a really interesting move to go from where we were just talking about, which is the lack of
LIVERMORE: autonomy in a sense or the lack of agency, the inability to influence this feature that's very important, which is economic growth. Now, again, either for epistemic reasons or for-- just because the structure of things. But you actually see this as liberating.

RICH Yes.
SCHRAGGER:

MIKE As unleashing city power. It's actually the inability to affect growth that is liberating. So yeah, How do you make
LIVERMORE: that move? And then, what are some of the areas that you see this new power, this new liberty being important?

RICH Well, what it does is by saying, listen, we don't have very much control over growth or at least growth seeking
SCHRAGGER: seems like a pretty challenging task for all the reasons we've stated. And we should be modest about that.

By the same token, the policies that folks say are going to retard growth are also not proven. And so that means that cities are liberated to do some of the policies that folks would have said they can't do like redistribution.

So folks would say, you can't tax people, or impose a minimum wage, or lots of other things because the wealthy residents, or firms, or businesses will just move across the border. They'll move from the city into the suburbs or they'll move out of Detroit to someplace else.

And this is the common view of the limited city. And *City Power* is a play on a book from the '80s by Paul Peterson called *City, Limits* which basically made this argument that there's no way the city, because it's a territorially defined jurisdiction that doesn't have control outside of it to any extent, the territorially defined city can't redistribute. It can't do very much at all in terms of moving resources around.

What they can fight about in the city is developmental spending, essentially. And sometimes that's a fight, but it's not that important. They're all headed in the same direction. And this explained, in part, why the politics of the city was so focused on things like land use and the business community. You needed the business community on board to get the city blah, blah, blah, blah, blah.

The liberating part, and you make the point nicely is that you can also do policies that they would have said will hurt your city. And that's not going to hurt your city either. And one of those policies might be, for example, adopting a minimum wage, for a living wage, or environmental legislation, or regulation, or so on.

And we've seen cities do that and not lose population. We've also seen and continue to see differentials in tax rates between cities and suburbs. And the cities are thriving in high tax jurisdictions. Now, it might be because those residents have a preference for high tax jurisdictions or so on. But it also just might be that those policies don't actually have the effects on growth that folks had thought they would have.

**MIKE
LIVERMORE:** Yeah, great. And so there's a couple of things I wanted to jump off from there. But maybe one just to-- this is still setting the stage a little bit, is there's intercity competition. And there's intracity competition. Again, depending on how you define a city.

But that border that you were talking about, it actually seems it's-- in a portion of the book you talk about this a fair amount is that does seem like there's some action at that border that firms or individuals locate on one side or another. I mean, certainly people locate where they think schools are good, within a jurisdiction, or across jurisdictions.

Firms may move within a municipal catchment basin or whatever we would say, where you're getting those aggregation benefits. You're around, you're in the exciting, fun metropolitan area. But if you can be in the exciting, fun metropolitan area and avoid a 10% income tax by moving two blocks, a lot of people are going to-- at least, there's going to be some pressure to do that.

What's up with that? How do you think about the distinction between intercity versus intracity competition? Because you were just saying, you seem to be able to persist with some higher tax rates in metropolitan areas, but that doesn't necessarily mean that nobody's moving to the suburbs because of how we've drawn these lines.

**RICH
SCHRAGGER:** Yeah, so I think-- yeah, to be careful about this, the lines matter, certainly. And for a long time and when I teach local government law, we talk a lot about the line between the city and the suburb and the ability to flee the jurisdiction. We talk a lot about annexation and the ability for a city to grow in its borders so that it has more taxable land.

There's some basic facts, which is a city only really gets to tax it's-- in many cases, its main revenue source is a property tax. And the property tax is just what's in the jurisdiction. And you increase the jurisdiction, you got more property tax. You limit the jurisdiction, you've got less. That also is the case for the amount of population in the city or cities constrained in its borders. The city-- [INAUDIBLE] city is now constrained in its jurisdiction.

That doesn't mean that the metropolitan area can't be understood as a big city. It's the lines between these jurisdictions are usually invisible to most of us as we cross them, which we do regularly when we live in a metropolitan area. And in fact, there might not be any physical difference for some time when you cross into another place.

So I think there is some sorting, certainly, that's going on in these places. Somebody might be like, well, we lived in an apartment in the city. And we've decided to move to the suburbs because we want more space.

MIKE As people say, yeah.

LIVERMORE:

RICH Or we are moving for schools and so on. I think that it's plausible to talk in those terms and cities have to think about those things. But again, what the urban resurgence proved to us was those factors aren't as big or even close to being as significant as other things that we have not been able to identify.

SCHRAGGER:

So for example, folks were saying, for a long time, you have to improve the schools in the city before people will move back to the city. You have to improve the schools. That's got to be the first thing that's got to precede population shifts into the city. And we just haven't seen that.

It's not that schools got really great. And then that attracted suburbanites back into the city. It's that, in fact, lots of people started to move into the city or start to stay in the city. And then the schools improved thereafter, which actually, when you think about it, it makes a certain amount of sense because if you had highly segregated, poor schools, once you start to have a little bit more diversity in terms of incomes and so on, the schools are probably going to get better.

So I think when we look at the causes of either population increase or decrease in cities, again, as I've been saying, we often look at the wrong thing and then we attribute it to other things. Like crime, for example, we say, well, the crime went down. And that's why the cities have now done better, or are resurging, or populations are stabilizing. Crime's a real problem. It's got to be solved. It's something that cities should be doing, is making sure their citizens are safe

But there's not a ton of evidence that shows that there was a crime decline prior to people starting to move back into cities. And in fact, in European cities and other places around the globe where there's also been urban resurgence, where people are moving back into the cities, there was never a serious crime problem to begin with in these places. So in fact, that can't be the explanation.

So part of this is coming at this backwards, which is not from a grand theory, but saying, well, what is our accounts of what you can do and what you can't do? Or what causes people to make certain kinds of choices? I like to use the example of the downtown mall in Charlottesville in my class.

So Charlottesville, small city, quite constrained in its borders, limited taxing ability, was in decline in the '70s, '80s, '90s in the way that much larger cities were also in decline, but just on a much smaller scale. People moving out to the suburbs, classic white flight narrative.

And they put in a downtown walking pedestrian mall close off a street in the '90s. And then everybody says that's what resulted in the urban resurgence of Charlottesville. Charlottesville's now a much more popular place, stabilized population, high property values, and lots of places lots, of demand for downtown living. All of this much different than 20 years before or 25 years before.

And then you point out that the downtown mall that Charlottesville did put in place was a fad that many cities put in. In the '70s and '80s, they all built downtown pedestrian malls trying to compete with the suburbs for people, and consumer dollars, and so on. And most of those cities took them out after a number of years because they weren't working. And it was clear that they were just a waste of time and money.

Charlottesville was late to the game, put in its pedestrian mall, and then just didn't have the resources to take it out, not that they were even thinking about it, it just didn't actually cause anything, at least in the shorter medium term. And yet, what we do is look at the downtown mall and say, oh, that was a cause of the resurgence of downtown Charlottesville.

In fact, there is a huge gap in time between the downtown mall being put in and any kind of identifiable resurgence in the city. So again, here's a causal story about policy, a specific land use policy. And we're often misled because we think we see causation. And we don't.

**MIKE
LIVERMORE:**

Great. So this gets us back into the prior obsession, but I'm super interested in this. So I kind of keep one eyed dig on it, even though there's lots of different things that we could talk about. That is almost a classic problem with how we do humans, like attribute causes to things, correlations, and then they say causation.

How could we-- you're very conversant with the literature on all this. And people have been thinking about all of it for a really long time. There's the possibility that these are policy independent, at least within a range of reasonable policies. There's also the possibility that we just don't know that maybe the mall did, maybe these guys made a mistake by tearing out their malls, who knows?

It's very hard because we would need a counterfactual of another Charlottesville without a downtown mall. These kinds of challenges, we face them in lots of social scientific context where we don't what the effects of different things are in the world, different curricular policies, how to manage schools, how to deal with prisoner reentry, or crime control, or whatever else.

And I think we do a terrible job of funding and structuring research to actually be able to figure out how public policy, and government spending, and lots of other things actually do or do not change the world. Can we learn about-- is it possible to learn about cities, and policies, and the kinds of policies that-- assuming or even just find out that there are no policies that matter, or if there are policies that they do matter.

Because it could be two options, it could be-- there's actually three different possibilities, maybe more, but three popped to mind. So it's policy independent altogether, that's one possibility. The other one is that it matters for policy. And policy matters rather, for outcomes, but we just don't what the answer is because we haven't done the research.

And the other possibility would be that policy matters, but it's so context specific that there's no amount of information that we could ever collect that would give us a reasonable basis for deciding, in this particular context, this policy would matter. So it matters in a counterfactual sense, in a broad way, but we'll never get to the point where we actually know because things will change.

By the time we what's good for city policy now in the Atlantic coast region of the United States with the existing suite of policy-- sorry, with the existing suite of technology, technology and trade and the global circumstances will have changed such that all of the knowledge that we had prior is just worthless.

The same way that the policies that were a good idea in 1840, which have nothing to do with what's good policy today. So is that where-- are we just-- where it's the worst of both worlds, where it matters what we do but we can never or maybe even have a reasonable basis for making decisions.

RICH Well, I'd rather not opine on the giant question, which is, can our social science improve welfare and global
SCHRAGGER: outcomes? I think there are things. We know that clean water is really great right for people's health.

MIKE Maybe, I don't know. Maybe we could [INAUDIBLE] be rich. Maybe we don't know anything.
LIVERMORE:

RICH Maybe we need to-- but I think drinkable water is pretty great. And sewage systems and--
SCHRAGGER:

MIKE Sewages are awesome, yes. That's true.
LIVERMORE:

RICH --are pretty good. And so having those does improve if we just take health outcomes or death outcomes--
SCHRAGGER:

MIKE Cholera.
LIVERMORE:

RICH Right. Life expectancy, and so on. That's at the macro level. At the city level that's basically what I push, which is
SCHRAGGER: don't try to-- what Charlottesville shouldn't have done is say, oh, we need downtown-- maybe politically, this is what ends up happening because it often does-- is, oh, we need a downtown mall to help get the downtown businesses compete with the indoor mall in the suburbs. And the indoor malls taking up all the space here. And we need to do something to do that.

And this goes for lots of kinds of city local-based policies-- land use of various kinds, and stadium construction, and so on, and so forth, also just subsidizing businesses to come in, industry businesses, or industry subsidies are big huge expenditure. And there's lots of evidence that they don't work. So I'm not opposed to looking at evidence. I, in fact, cite a lot of evidence in the book, for example, that these industry subsidies don't work.

MIKE Lots of evidence that things don't work.
LIVERMORE:

RICH Yeah, lots of evidences that things don't work. So my recommendation to cities is-- for on a clean slate, and
SCHRAGGER: you're relatively stable, or trying to remain stable as a place with the population, invest in the basic municipal services that improve the lot of the people that are already there.

Don't go trying to track new people or other people. Just invest in the things that improve the livelihoods and lives of the people in place. This is important because we often-- again, I think a lot of our city policies are intended for people that don't live there yet. Because the city is like, we got to attract those people because they have to bring tax base and other kinds of goodies to us.

And then what ends up happening and we see this over and over is that the poor and the working class basically get chased around the metropolitan region. That is, there's no place that wants them. And there's no investment in the basic infrastructure that would allow those people to have some mobility into the middle class, for example.

And stay in place, this is another thing we just expect that people or have, in the past, at least expected that people will start in a certain part of the Metropolitan region and will move to other jurisdictions because that's their ladder of life. That's the next stage. That's where they're supposed to go.

They're supposed to be young and not have children in the city. And then they're supposed to move to the suburbs. And then move to a retirement village somewhere. And what we've done is, we've got this kind of sorting and segregation that happens. And in fact, that's not what the city should be about in any way. It should have a diversity of people, ages, types, socioeconomic groups.

And that I think, again, going back to Jacobs is a way you have a diverse, robust, and might have, and I don't want to plonk down on this, might have beneficial economic growth effects too, but I don't want to commit to that. I don't have to commit to that.

MIKE LIVERMORE: Yeah, you don't need that. You could just say, it's just good. Because I think in a way, that's the power of this liberating movement that you make is just to say, we don't or we can't do anything about growth. And so let's just do things that we think are good. So if we want a mall, let's have a mall. And it's got nothing to do with competing with anybody.

And that's how we should make these decisions, basically. And it's interesting because there's always-- I think even for you who are like a very strong-- you have as strong a view on this as anybody, probably, there's still a little bit that wants to say, but maybe it'll be good for growth.

RICH SCHRAGGER: Well, it's true. You get sucked in. And I said it hesitantly, I don't want to say it. I in fact, I want to keep it out. And that's because Jacobs says it is. She is and I don't want to throw her under the bus because-- I don't want to commit to that though. I don't think that's-- and it's not the reason to act.

MIKE LIVERMORE:

RICH SCHRAGGER: I say in the book, the reason to act is for justice not for growth. And it's possible one day we'll know exactly what's good for growth. And it might be, for example, human capital, there's education, or something like that, or the liberation of women. I think that's a pretty good thing for growth, or it can be, or there's [INAUDIBLE].

MIKE LIVERMORE: Honestly, who knows, right? But I think there's something to be said about who knows. Yeah, maybe it's not. But that doesn't-- it wouldn't even provide us a reason with not doing it, though, I don't think, especially in certain [INAUDIBLE].

RICH SCHRAGGER: It shouldn't provide us a reason for not doing it. And again, what's important to me on the city side is that we also shouldn't be constrained by the opposite, which is the claims about what causes growth are also the claims about what retards growth. And those things are often anti-redistributive in important ways.

And this is a big part of the book, which we haven't talked that much about, favor mobile capital. Mobile capital being footloose capital. And cities are immobile. Mobile capital is all over the globe. And the idea has always been or at least a model of what a city is is that they have to attract that capital. And I'm quite vociferously opposed to that model.

MIKE
LIVERMORE:

So again, there's a bunch of stuff we could talk about. But I wanted to maybe press on this a little bit more to just-- because it is really important. It's the core of a lot of the arguments that you make. So let's talk about redistribution. As you note in the book, some cities have engaged in some redistribution measures. I think you talk quite a bit about the minimum tax, regimes, living wages, and so on.

So I'll disclose my priors on this, which is I see the minimum wage. And that specific policy is pretty weak source as a redistribution measure. And the reason I think that is because, well, Jeff Bezos doesn't care what the minimum wage is. And anything that Jeff Bezos doesn't care about can't be redistributive.

And it's mostly redistributing between-- people who rely on minimum wage workers. So it isn't the richest people in society. And so their prices go up a little bit. And then minimum wage workers, some of them see price, see a wage increase. And there's always the worry with minimum wage that it could lead to some increase in unemployment that we have fewer employed people.

Now, the evidence on this is highly mixed at the minimum wage levels that we're talking about. It doesn't really seem to have much of an effect on employment, not much of a measurable effect. And it's not surprising that cities would be able to get away with some higher minimum wages because wages are higher in cities because cost of living is higher.

And so it's not super surprising that average-- well, average wages in San Francisco are going to be higher than average wage wages in rural Alabama. And then so you can-- or lift the lowest wage and so you can boost up the minimum wage in San Francisco without as much of a consequence. And I think most people agree that if you were to have a \$50 an hour minimum wage, that would probably pretty clearly contribute to unemployment.

And so there's really a fairly limited amount of redistribution that we can do with a minimum wage policy as opposed to things like taxes on billionaires and millionaires that you then use to fund a universal basic income, or a wealth tax, or a really serious value added tax,

Again, that then is used to fund a wage support, or UBI, or earned income tax credit, or a suite of other really serious housing subsidies, food subsidies, energy subsidies, whatever you want to do that could actually take a big chunk of money from the wealthiest people in society and move it over to the poorest people in society. That's what I think of as serious redistribution of policy, which minimum wage is a pretty far cry from.

And so I guess the question is, how constrained-- if cities are really liberated in the way you're describing, are they that liberated that they could start to do that kind of stuff? Because the minimum wage, I get that some people would say, oh, they can't even do that.

But it's not the-- I don't know-- it's not the big hammer. And I'm wondering, can cities reach for the big hammer or are they really at the end of the day just have to reach for the little tiny hammer and tap away as opposed to really go after the major inequalities?

RICH So I think this is a challenging question. And I do think, obviously, I'm on the side of being able to do more rather than less. I think there are, obviously, some theoretical limits, although I'm pushing against a literature that says you can't have any real differentials or you're really going to lose out.

And so in some ways, the minimum wage, and I agree with you, it's not a redistribution from the various wealthiest down. It's who's going to pay this is the real question. So there's a workers versus consumers. And we might actually not how that's going to play out.

What the minimum wage for me or the living wage movement in the cities, in the US cities represent was a proof of concept, which is, on the conventional and orthodox, Tiebout theory or Paul Peterson theory that any differential in wage requirements that's not matched to some-- that's not matched to the cost of living or something like that is going to have employers fleeing just across the border, especially if you have multiple local governments in a metropolitan area. And in fact, often you do.

And they will just-- they will hit the road unless there's something constraining them in various ways. And there's not much to constrain them in a world of pretty low cost mobility, low cost transportation, and so on. And that goes for tax rates because we do have differential tax rates. The city of New York taxes you a lot more than the suburbs do. And that's the case in lots of cities.

And many times, people would point to that and say, that's why the place is declining. Philadelphia has a wage tax and it's a real problem. And that's reducing investment in the city. New York City's got to lower its taxes so that it can compete with the suburbs.

Same as you have to improve your schools also to get people in. It's the same-- these are all the same types of claims, which is that with mobile people and firms, those folks can flee. And then you're stuck with a city full of people who can't flee, who have no capacity to move or be mobile.

MIKE That's the worry.

LIVERMORE:

RICH That's the worry. That's right. That's the ultimate outcome. And that's what some would have said is what happened to cities in the United States in the '70s or through many decades post World War II. So again, going back, I see the living wage is a proof of concept, which is, actually, you don't lose firms. They've adjusted pretty readily.

Population continues to increase in these places. Your property values continue to increase in these places. There seems to be even more demand for this valuable real estate where you're going to pay more taxes. And so I don't think we're up against the limit of what is possible.

And part of this is-- again, I don't want to-- I try to be a skeptic all the way through lots of theories, but one account is that in fact, many cities, not all cities, many cities, especially primate cities, but even some not so primate cities have--

MIKE What was that? Primate?

LIVERMORE:

RICH Primate cities, the kind of New Yorks, Chicagos, Tokyos, Londons.

SCHRAGGER:

MIKE The big boys, the big players.

LIVERMORE:

RICH The big players. They have so much at this point. And to talk about them like this should be a shock to folks who

SCHRAGGER: understood these cities in the '70s and '80s. But to talk about them in the following way, which is they have so much economic power because firms so badly want to be there-- firms and residents want to be there-- that they can leverage that location advantage to do lots of redistribution, even more so-- and here would be a dramatic claim-- even more so than the nations in which they are.

Nations have trouble keeping their people. They're taxing. So folks are going overseas or they're moving out of the nation. But in fact, the power of these global cities is such that firms and residents want to be there so badly that in fact, they might have more power to tax and redistribute than the national government.

Now that regional, a basic account of fiscal federalism is that the subnational governments can't tax and redistribute, at least not that effectively, especially not local governments. Maybe state governments can because they're big enough, but certainly the appropriate place for taxing and redistribution is at the national level because you can capture all your people. You keep them in.

Now even in a globe-- but in a global world, in a global environment, even that's a problem for-- it's not as big a problem maybe, but that's a problem because people flee those taxing jurisdictions. And so nation states have trouble. And so folks say, well, it's hard for you to tax.

So now think about the city, these cities which have such locational leverage because people in firms want to be there, that they have more power to tax and redistribute than the nation. That flips the traditional and conventional account of fiscal federalism that we've all basically absorbed.

And boy, that could be dramatic. Now, I don't want to say it in its strongest form because I think a lot of cities need national governments to be able to tax and redistribute. And in fact, those basically as a legal and constitutional matter, as a macroeconomic matter, nation states are the only ones that can really print money, and run deficits, and do the things that you would have to do to fight recessions and so on. Cities can't do that because they don't have their own currency.

But imagine city-states of the kind of London, and Tokyo, and New York, and Chicago. And you can-- and these are places with enormous GDPs, bigger than most nations. And they have a lot of capacity, even as compared to nations.

MIKE Yeah, it's really interesting. So let me just ask you one more question because we're bumping up against our time

LIVERMORE: limit here. Given this new prominence-- and this folds into some of the more recent work that you've been doing. Given the prominence of these megacities, or these extremely important cities, but also even smaller cities in structuring economic-- our economic life, let's just say, our cultural life and our social life.

We have a funny constitutional system in the US that places an enormous amount of power at the state level rather than at the city level. And you talk-- there's some really interesting discussion in the book about some of our constitutional decisions, and how that's affected cities, and city power, and the like. But my big blow out question is, sometimes I just feel like states are vestigial at things in our constitutional system. It doesn't make no sense.

And if we had a constitutional convention, which could happen, and we were really rethinking how we wanted to structure governance in the US, the federal government, big mega regions, and cities is where we would place governance authority. And it wouldn't be at the state level. I'm just curious, your thoughts on that. Are states still worth anything or are they just this thing that we're stuck with in the current constitution? And it's actually a pretty crappy place to locate authority.

RICH Yeah, so you're channeling me a little bit. I'm glad to hear. You're preaching to the-- you're preaching to the choir.
SCHRAGGER: So I agree with you, maybe not in the strongest version of what you're saying, but recent articles I've written have, essentially, made this claim, which is that the states-- I think there have long been arguments that the US states, in fact, are a product of a flawed compromise and now have lost their reason for being.

And in fact, as is commonly understood now, I think is the Senate is quite anti-democratic and so is the electoral college. And that's based on states. And that distorts and skews our politics, our national politics. That's right.

And so I have been-- I've been long fighting the following fight, which is, when you talk about decentralization or federalism in US, legal and constitutional discourse, the immediate reaction is you don't trust states, do you? States in the South had Jim Crow. And we needed civil rights laws, and employment laws, and anti-discrimination laws. And you needed the national government to come in and do the work, do that work.

And so I say no. It doesn't have to be about states. It can be about-- you can be opposed to states but in favor of cities. And so this is the claim I make in a recent article about metropolitanization and the problem of states, which I think states are skewed in lots of ways. Their politics are skewed in lots of ways, similar I think to the national government in some ways, and skewed by a certain kind of anti-urbanism or an anti-city-- I think we see that at the national level, frankly, the hostility to states.

The urban rural divide that we're seeing is a national one, but it starts in the states. And in part, we had constructed state constitutions in some ways to address the urban rural divide, especially in the 19th and then early part of the 20th century, where there was a fear of the big city. The big city's going to take over. And it's going to have economic and political power. And we need to do various things to constrain it.

And so that's been a long running theme in state level politics. And we've also seen, in the last decade, a rise in state level preemption of local laws, of city laws. And I've wrote a piece called, "The attack on American cities," which is a dramatic title for a law review article. But I think it is actually accurate in a lot of ways.

A rise in state legislatures deciding that all kinds of policies that the cities are embracing including, by the way, quite prominently living wage laws in cities, but lots of other things too, environmental protection in cities, all kinds of stuff. What we've seen is state legislatures come after those things quite aggressively. We saw it in the pandemic. We saw that as well, state legislatures and governors overriding local health and safety regulations and so on.

So we're seeing a lot of conflict between states and their cities. And one of my claims is that that is representative of our national political life in fact. So what we're seeing is a phenomena at the state city level, which has reproduced itself nationally. And so when we talk about the urban rural divide or other things like that, those are divides within states.

It's not that you have blue states, and red states, and blue cities, mostly blue cities. What you have is states that are red in rural, and ex-urban areas, and are much more-- and are blue in their cities. And so the divide-- what federalism-- and this is a direct answer to your question about states and what use they are.

If federalism, state-based federalism is intended to allow different kinds of places, different kinds of regions to govern themselves in their own way and to limit the impact of national, or centralized, or global laws on these local communities, it's not doing that work because it's-- the divide, the most salient political divide today is internal to states. It's between cities and their surrounding areas.

And that means you need mechanisms inside states to achieve some of the goals that federalism is supposed to achieve. And so I think our state-based federalism doesn't work in the way it was perhaps intended. It hasn't worked for a long time. And what we're seeing is, in fact, especially more recently, is that results in occluding the actual divide that's most salient, which is between these cities and the rural areas in those states.

**MIKE
LIVERMORE:** Yeah, and for what it's worth, the state level constitutional change is a heck of a lot more likely than the national level constitutional change.

**RICH
SCHRAGGER:** Yes, and so that brings me to home rule, which I'm a big advocate of. And home rule is often associated-- can be associated with a conservative or reactionary approach because it was invoked by those resisting civil rights and so on from the national government.

But the way I use home rule is about cities actually having the power to do these things without undue interference from their state governments. And that seems like a huge problem, a characteristic of the late 20th and early 21st centuries that we should really pay a lot of attention to. And it doesn't get as much attention as it should. And so I've been pushing quite hard to just make that more prominent, and at least in legal scholarship.

**MIKE
LIVERMORE:** Great. Well, there's much more to talk about, Rich, but this has been a fascinating conversation. We've covered a lot of ground. Thanks so much for chatting with me today and all the work that you do on this stuff.

**RICH
SCHRAGGER:** Oh, thanks so much, Mike, for having me on the podcast. It's a real pleasure.

[MUSIC PLAYING]