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The Limits of Mobility and the Persistence of Urban Inequality

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ABSTRACT. David Schleicher's Article, *Stuck! The Law and Economics of Residential Stagnation*, draws much-needed attention to the consequences of declining interregional mobility of low-income workers. However, this Response argues that Schleicher's policy prescriptions evince a blind spot for the economic and racial stratification of disadvantaged populations within the successful metro regions these new migrants would enter. The concentration of highly skilled, educated, and affluent populations in the urban core, and the segregation and isolation of disadvantaged populations outside of it, impose additional costs on new migrants to access economic opportunities. Schleicher fails to sufficiently account for these costs, which offset the potential wage gains from mobility. Moreover, his focus on a few select "hot" metro areas ignores the resurgence of other cities that can, with the right policy interventions, expand economic opportunities for disadvantaged populations. If the federal government is to play a renewed role in redistributing economic opportunity, as Schleicher proposes, then it should do so by helping to bridge the spatial gap between that opportunity and disadvantaged populations both within and outside cities and metro regions.

David Schleicher's *Stuck! The Law and Economics of Residential Stagnation*[1] brings much needed focus to the consequences of declining interstate mobility, particularly for low-income individuals. Against the backdrop of rising economic and spatial inequality—between both rural and urban areas and metro regions—Schleicher advocates for policy interventions to incentivize low-

1. David Schleicher, *Stuck! The Law and Economics of Residential Stagnation*, 127 YALE L.J. 78 (2017).

income people to move to "hot" labor markets and away from declining ones.[2] Economic opportunity is concentrated in prosperous metropolitan regions—such as Boston, San Francisco, and New York—that have seen massive wage growth but not corresponding massive inflows of population. As such, Schleicher argues that we should adopt policies that encourage mobility to those areas. Doing so would benefit the labor market and aggregate national social welfare more generally. Increased migration would also accelerate the right-sizing of cities and rural areas in economic and social decline, all while driving growth to cities with higher wages and economic opportunity.

Schleicher poses a series of probing questions to help us imagine a strong *federal* role in incentivizing the migration of low-income workers away from declining metro areas to hot markets. Why a federal role? Schleicher argues that cities, as well as households, are more interested in residential stability than they are in residential mobility. The social, economic, and political gains from stability are captured locally, while the gains from robust interstate mobility are more diffuse and distributed across state lines. His title, *Stuck!*, suggests that the costs of this reality fall on declining regions and populations likely to need federal assistance to become "unstuck" and mobile. Given this narrative, it seems logical that the federal government should have a role in bridging the spatial gap between economic opportunity and economically disadvantaged populations. One might take issue with the kinds of federal policies Schleicher seems inclined to embrace, as I do in this Response, but the basic inclination towards *some* federal intervention is convincing.

This Response argues that while Schleicher's arguments in favor of nudging low-income populations towards a select few "hot" metro regions have tremendous appeal from the standpoint of macroeconomic policy, they evince a blind spot for some of the internal barriers and costs to low-income and disadvantaged populations migrating to these markets. The problem, this Response argues, lies not just in incentivizing low-income migrants to move to hot metro markets. The harder task is making room for these migrants and ensuring that economic opportunities are truly accessible to them upon arrival. One can embrace Schleicher's desire for a reinvigorated federal role in redistributing eco-

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2. As Schleicher argues:

> In the last five years, a huge majority of jobs with high wages emerged in just a few metropolitan areas. Wage differentials between cities for similar jobs have increased over the past forty years; wages for all types of jobs have increased much more quickly in areas with high levels of human capital. In short, if people cannot move to booming areas and take advantage of agglomeration benefits, the whole economy suffers.

Id. at 102-03 (citations omitted).

nomic opportunity while also critiquing the scope of his imagined policy prescriptions.

Part I of this Response argues that while Schleicher's Article presents a welcome intervention into the literature on urban economics, it fails to address how mobility challenges for low-income migrants into hot metropolitan markets, like high housing costs, are barriers both to entry *and* to accessing opportunity. Part II describes the spatial mismatch between economic opportunity and the location of low-income and disadvantaged populations within regions targeted by Schleicher and argues that his proposed policy prescriptions do not sufficiently address either this mismatch or the costs the mismatch imposes on low-income and disadvantaged populations. Part III discusses the limits of past federal policies aimed at mobility and considers the potential role of the federal government in resurgent cities like Detroit or Pittsburgh, where intervention could incentivize a more inclusive and redistributive economic development strategy. The Response concludes by suggesting that a mix of federal carrots and sticks, similar to those proposed by Schleicher, could shift the growth trajectory of resurgent cities in ways that redistribute economic opportunity from within regions. These policy innovations provide a potent tool for increasing aggregate national welfare.

I. INTERREGIONAL MOBILITY AND EXCLUSIONARY CITIES

Schleicher's argument is appealing for its focus on redistributing low-income (and presumably low-skilled) workers toward economic opportunity. Too much of the urban economic literature has focused on the mobility and attraction of highly skilled, educated, and creative class types to opportunity and amenities in rich urban areas.[3] Mobility patterns indicate that this skilled, educated, and talented class is disproportionately drawn to the very hot markets on which Schleicher focuses.[4] To incentivize mobility of lower-skilled, less educat-

3. These theories trace to seminal works by Jane Jacobs, Edward L. Glaeser, and Robert E. Lucas, Jr., all of whom argue that human capital externalities are the basic mechanism of economic growth in cities. JANE JACOBS, THE ECONOMY OF CITIES 233-34 (1969); Edward L. Glaeser et al., *Growth in Cities*, 100 J. POL. ECON. 1126, 1151 (1992); Robert E. Lucas, Jr., *On the Mechanics of Economic Development*, 22 J. MONETARY ECON. 3, 36, 40 (1988).

4. *See, e.g.*, *The Young and Restless in a Knowledge Economy*, CEOS FOR CITIES 1 (2011), http://planning.sanjoseca.gov/planning/gp_update/meetings/6-23-08/The%20Young%20and%20the%20Restless.pdf [http://perma.cc/AQK3-VLJV] (noting that over the last decade urban centers have increasingly become the residential destination of choice for young college graduates); William Frey, *Young Adults Choose "Cool Cities" During Recession*, BROOKINGS INSTITUTION (Oct. 28, 2011), http://www.brookings.edu/blogs/up-front/posts/2011/10/28-young-adults-frey [http://perma.cc/8S6G-4GMF] (noting that "[t]o the extent they

ed populations to these markets, Schleicher recognizes, is no easy task. It requires changing a range of state and local policies that inhibit interstate mobility and make it difficult to enter these markets, including land-use and occupational licensing regulations. What Schleicher fails to confront, however, are the additional costs to low-income and disadvantaged populations once they enter these markets. In this Part, I argue that these costs offset, and may even outweigh, the agglomeration and labor benefits of migration into hot markets for these populations.

The agglomeration of so-called "high human capital" individuals to burgeoning cities and metro areas now presents the dominant explanation in urban economics for why some markets grow successfully and others fail to grow.[5] Urban economists have found that individuals move to cities and surrounding suburbs not only to increase their wages, but also to capitalize on the concentration of others from whom they can learn and increase their human capital.[6] Schleicher understandably wants low-income migrants to capture some of the positive externalities of agglomeration economies—strong labor markets, knowledge spillovers, faster skill accumulation, increased productivity, and innovation—that fuel and attract industries to the kind of hot urban markets he references.[7]

The good news is that hot markets have the capacity for continued growth and thus are able to absorb additional migration into them. Although Schleicher does not explicitly make this point, there is emerging evidence that migration to the best cities (in terms of amenities and economic growth) is suboptimal, as may be urbanization overall. [8] Due to "fiscal externalities" from federal taxes and land purchases, one study concludes that many of the hot U.S. metro

are moving at all, young adults are headed to metro areas which are known to have a certain vibe—college towns, high-tech centers, and so called 'cool cities'").

5. *See, e.g.*, RICHARD FLORIDA, CITIES AND THE CREATIVE CLASS 34 (2004); Edward L. Glaeser & Joshua D. Gottlieb, *Urban Resurgence and the Consumer City*, 43 URB. STUDIES 1275, 1276-80 (2006).

6. They argue that individuals more efficiently acquire skills in urban metropolitan areas because of the greater opportunities to interact with other highly educated and skilled people, thus increasing the rates of human capital accumulation, technological innovation, and ultimately, urban growth. Glaeser et al., *supra* note 3, at 1127-34; Edward L. Glaeser, *Learning in Cities*, 46 J. URB. ECON. 254 (1999).

7. Schleicher, *supra* note 1, at 99-103.

8. For example, one study found that large American cities are undersized by about a third, and that more than half of the urban population is misallocated. David Albouy et al., *Optimal Distribution of Population Across Cities* 32 (Mar. 14, 2017) (unpublished paper), http://davidalbouy.net/optimalcitysize.pdf [http://perma.cc/TQ75-KQQ4].

areas are smaller than optimal in terms of overall economic input.[9] Likewise, other evidence suggests that, compared to non-U.S megacities, the most prosperous American cities underproduce in terms of gross domestic product.[10] New York, Los Angeles, Chicago, Dallas, Boston, Houston, San Francisco, and Washington, D.C. each generate a fraction of the percentage of national GDP compared to their international counterparts.[11] Notwithstanding some obvious shortcomings of international comparisons,[12] the economic strength and size of so many megacities around the world at least suggests that even our largest U.S. cities have the potential for significant additional economic growth and productivity. Therefore, it might make sense to push lower-income Americans to these cities to capture some of those gains.

The problem, however, is not simply a matter of nudging low-income, low-skilled people to migrate into hot labor markets. Rather, the more difficult issue is how to make room for them when they arrive. As economist Enrico Moretti sums up, "One of the primary reasons that people aren't moving en masse to San Francisco or Boston, despite the promise of higher wages, is that these cities are very expensive to live in."[13] Creating and maintaining an economically diverse housing stock across communities is necessary for well-functioning regional labor markets.[14] However, renters tend to have a harder

9. *Id.* at 1-2. They contrast this to megacities in the developing world, which tend to be over-populated and over-crowded, in large part due to less fiscal externalities and higher coordination costs.

10. *See* Richard Florida, *The 'Big Liberal City' Isn't Big Enough*, CITYLAB (Mar. 30, 2017), http://www.citylab.com/life/2017/03/the-big-liberal-city-isnt-big-enough/521094 [http://perma.cc/ZS2M-NSNG] (relying on data from the Brookings Institution's Global Metro Monitor).

11. Cities such as Toronto, Mexico City, Tokyo, London, Paris, Stockholm, Tel Aviv, and Seoul generate anywhere from eighteen to over fifty percent of national GDP compared to a range of two to just slightly over eight percent of national GDP for the most productive U.S. cities. *Id.* Based on these figures, even combined, the largest U.S. metro markets together produce less than half the percentage of national GDP in comparison to Tel Aviv *or* Seoul alone. *Id.*

12. For instance, the United States has more big and mid-sized cities (and more productive land outside of cities) than do Mexico, Canada, Japan, England, France, Sweden, Israel, and South Korea, making the comparison a bit unfair. Moreover, GDP may not be the best measure of comparison given that it is less suited to accounting for public and private sector services with no output, and may not account for the diversity of goods and services potentially essential for growth—both of which are relevant in measuring urban output. *See* Richard Dobbs et al., *Is GDP the Best Measure of Growth?*, MCKINSEY & CO. (Jan. 2015), http://www.mckinsey.com/global-themes/employment-and-growth/is-gdp-the-best-measure-of-growth [http://perma.cc/SV7D-JVFV].

13. ENRICO MORETTI, THE NEW GEOGRAPHY OF JOBS 165 (2012).

14. Lance Freeman and Jenny Schuetz, *Producing Affordable Housing in Rising Markets: What Works?*, 19 CITYSCAPE 217, 230 (2017); *see also* Chang-Tai Hsieh & Enrico Moretti, *Housing Constraints and Spatial Misallocation*, NAT'L BUREAU OF ECON. RES. (revised May 2017),

time reaping the economic benefits of those markets.[15] Though hot markets offer higher wages, these salary increases are offset by higher housing costs, which particularly disadvantage renters.[16] As Moretti notes, housing capital gains are an important channel through which homeowners in strong urban labor markets benefit from strong local economies.[17]

Schleicher, of course, is aware that restrictive municipal land-use regulation presents a significant barrier to new housing construction, and thus, disproportionately prevents the poor and working classes from taking advantage of high-wage markets.[18] Urban economists, most prominent among them Edward Glaeser, have long argued that restrictive municipal land-use laws prevent cities from meeting overall housing demand and accommodating the housing needs of poorer migrants into cities.[19] Part of the reason for such restrictive land policies, as Schleicher (and others) point out, is the vested interest of existing homeowners who favor policies that preserve the status quo and minimize the negative externalities of urban agglomeration, thus maintaining their home values.[20] As Wendell Pritchett and Shitong Qiao argue, what "exclusionary megacities" share in common is a "property-centered approach" to urban growth, which "prioritizes the maximization of existing property interests and neglect[s] ultimate housing consumers' interests."[21]

To cure the high entry costs of restrictive land-use policies in hot urban markets, Schleicher proposes federal intervention, such as tax incentives, to nudge state and localities to increase housing construction.[22] If incentives, or carrots, are not sufficient to lower these restrictions, Schleicher is comfortable

http://www.nber.org/papers/w21154.pdf [http://perma.cc/3QLH-E7HY] (making a similar point).

15. MORETTI, *supra* note 13, at 171-72.

16. Those who can afford to purchase homes in strengthening labor markets gain from both higher wages *and* higher capital gains on their property, while renters see their wage gains significantly offset by increased rents *Id*. at 171-72.

17. *Id*.

18. Schleicher, *supra* note 1, at 114-17.

19. *See, e.g.*, EDWARD GLAESER, TRIUMPH OF THE CITY: HOW OUR GREATEST INVENTION MAKES US RICHER, SMARTER, GREENER, HEALTHIER, AND HAPPIER 135-63 (2012).

20. Schleicher has previously argued that the intense preferences of local residents drive much of restrictive zoning. David Schleicher, *City Unplanning*, 122 YALE L.J. 1670 (2013). *See also* Vicki Been, Josiah Madar & Simon McDonnell, *Urban Land-Use Regulation: Are Homevoters Overtaking the Growth Machine?*, 11 J. EMPIRICAL LEGAL STUD. 227 (2014) (confirming, through an empirical study of over 200,000 lots in New York City considered for rezoning, that homevoters, and not business and real estate interests, drive urban land-use decisions).

21. Wendell Pritchett & Shitong Qiao, *Exclusionary Megacities*, 91 S. CAL. L. REV. 3 (forthcoming 2018), http://ssrn.com/abstract=3000724 [http://perma.cc/ET3H-6TXR].

22. Schleicher, *supra* note 1, at 151.

with calls for suspending the mortgage-interest deduction for localities that fail to allow sufficient housing construction.[23] Moreover, Schleicher argues in favor of strong enforcement of the Federal Department of Housing and Urban Development's Affirmatively Furthering Fair Housing Rule, promulgated under the Fair Housing Act. This policy would limit exclusionary zoning practices that frustrate efforts to accommodate the influx of low-income migrants into hot metro markets.[24]

Schleicher understandably has lost faith in the ability of state and local governments to adjust their land-use policies to reduce entry costs for new migrants. There appears to be no discernible will on the part of state and local governments to fundamentally reform either those laws or the procedures by which land-use and housing decisions are made. This is true despite many worthy reform proposals by scholars (including Schleicher himself) designed, first, to overcome the effect of entrenched local interests, like those of landowners, and second, to curb overly restrictive development policies that depress housing supply.[25] It might be that incentivizing mobility of low-income workers, combined with stronger enforcement of federal fair housing policies, would curb the excessive protectionism of local land-use regulations and produce more affordable housing in the hottest metropolitan markets.[26] However, it is notable that neither federal government housing policies, state fair share laws, nor local zoning policies to date have produced enough affordable housing to impact tight housing markets.[27]

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23. *Id.* at 151-52.

24. *Id.* at 151 (citing Jason Furman, Chair, Council of Econ. Advisers, Barriers to Shared Growth: The Case of Land Use Regulation and Economic Rents, Remarks at the Urban Institute 3 (Nov. 20, 2015), http://obamawhitehouse.archives.gov/sites/default/files/page/files/20151120_barriers_shared_growth_land_use_regulation_and_economic_rents.pdf [http://perma.cc/9MH9-5ZYP]).

25. *See, e.g.*, Schleicher, *City Unplanning*, *supra* note 20 (proposing various procedural reforms to the local zoning and land-use regulation); Roderick M. Hills, Jr. & David N. Schleicher, *Balancing the "Zoning Budget"*, 62 CASE W. RES. L. REV. 81 (2011) (proposing that city governments adopt a zoning budget by planning ahead of time to make room for a minimum amount of new development).

26. Nestor Davidson and I also argued, in a slightly different vein, that one of the benefits of increased regional mobility is a counterbalance to the devolutionary tendency of local government fragmentation and its distributional consequences which exacerbate economic, racial, and ethnic segregation. Increased mobility to growing metro regions, we argued, could result in the promotion of public investments that have spillover effects that bring people together across social and economic lines. Nestor M. Davidson & Sheila R. Foster, *The Mobility Case for Regionalism*, 47 U.C. DAVIS L. REV. 63, 69-70, 117 (2013).

27. Lance Freeman & Jenny Schuetz, *Producing Affordable Housing in Rising Markets: What Works?*, 19 CITYSCAPE 217, 224-227 (2017).

The main weakness with Schleicher's solution, however, is that it is incomplete. Federal incentives that increase housing construction, even if they result in the provision of additional affordable housing, is not enough to allow disadvantaged households to take sufficient advantage of new economic opportunities in hot labor markets. Increased housing costs are not the only factor that make it costly for new migrants to access economic opportunities within those regions and erode labor gains for less skilled and educated workers. Even if more housing is built to absorb these populations, they will end up commuting longer distances, living in more segregated and disadvantaged neighborhoods, and having access to fewer local amenities than higher skilled, more affluent residents. In Part II, I focus attention on the concentration of advantage and disadvantage that continues to shape the geography of opportunity within hot metro regions.

II. AGGLOMERATION ECONOMIES AND THE NEW (INTRAREGIONAL) SPATIAL MISMATCH

While Schleicher is focused on the growing inequality between rich and poor regions, and specifically of declines in people moving to high-wage cities and regions,[28] he demonstrates little appreciation for the growing inequality within metro regions. Much as interregional inequality imposes costs on both aggregate national welfare and on disadvantaged populations, similar costs attend the increase in intraregional inequality in the most successful, booming metro regions. In this Part, I argue that simply lowering the costs of entry into these regions, without attending to the costs of economic and racial stratification within them, ignores significant barriers to mobility into these regions for disadvantaged populations.

Schleicher's main argument highlights a twenty-first century version of economist John Kain and sociologist William Julius Wilson's "spatial mismatch" thesis, first used to describe the mid-to-late twentieth-century disparity between where the poor and racial minorities lived (mainly in the urban core) and the location of jobs and opportunity in metro regions (outside of the urban core).[29] Today, this spatial mismatch is as much interregional as it is intraregional, according to Schleicher, with distributional consequences for disadvantaged populations.[30] Falling rates of interregional mobility, particularly among

28. Schleicher, *supra* note 1, at 104-07, 115-16.

29. WILLIAM JULIUS WILSON, THE TRULY DISADVANTAGED: THE INNER CITY, THE UNDERCLASS, AND PUBLIC POLICY (1987); John F. Kain, *Housing Segregation, Negro Employment, and Metropolitan Decentralization*, 82 Q. J. ECON. 175 (1968).

30. Schleicher, *supra* note 1, at 81-82.

disadvantaged groups,[31] means that a mismatch increasingly exists between where these populations live and where the economic opportunities tend to be.[32] The core of Schleicher's argument is that incentivizing mobility of these populations to high wage metro regions, and dislodging them from failing or shrinking regions, will help overcome this contemporary spatial mismatch.

While it is important to address this new interregional spatial mismatch, we should not forget the dynamics that continue to shape the spatial geography of opportunity *within* metropolitan regions. Most, if not all, of the hot urban markets to which low-income workers would ideally move are now characterized by what Alan Ehrenhalt calls a "demographic inversion," in which working class and low-income workers and their families are being pushed out of the urban core and further away from job opportunities as more affluent workers concentrate around the urban center. [33] This demographic inversion is a flip of the old intraregional spatial mismatch phenomenon that worried Kain and Wilson a half century ago.[34] It is not just existing low-income and disadvantaged populations that are increasingly on the outskirts of successful metro markets. Newly arrived low-income migrants also are more likely to settle on the outskirts of the urban core rather than the booming economy of many central cities, simply because the inner city is now too expensive for these newcomers.[35]

The new, intraregional spatial mismatch is defined by more than restrictive land-use policies and high housing costs. Rather, it is equally shaped by the redevelopment of urban cores that are attractive to a new cohort of mobile mi-

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31. *Id.*

32. *Id.* at 82-83 (highlighting the lack of economic opportunities for populations in communities that suffer "negative economic shocks" and its particular impact on non-college educated Americans who "are choosing to stay" in these areas).

33. *See generally* ALAN EHRENHALT, THE GREAT INVERSION AND THE FUTURE OF THE AMERICAN CITY (2012) (arguing that central cities increasingly are where the wealthy, highly educated members of the millennial generation, and affluent retirees, want to live, while suburbs are becoming home to poorer people and immigrants).

34. Researchers hypothesized, and studies corroborated, that the suburbanization of jobs and involuntary housing market segregation acted together to create a surplus of workers relative to the number of available jobs in inner-city neighborhoods where blacks were concentrated. *See generally* Kain, *supra* note 29, at 179-83 (empirically testing the effects of housing segregation on employment opportunities for blacks in Chicago and Detroit); John F. Kain, *The Spatial Mismatch Hypothesis: Three Decades Later*, 3 HOUSING POL'Y DEBATE 371, 375 (1992) (noting that the spatial mismatch hypothesis experienced a rebirth of sorts in the mid-eighties in response to a "growing awareness of the worsening of problems of inner-city poverty and growing unemployment").

35. EHRENHALT, *supra* note 33, at 101-102 ("[I]nner-city neighborhoods such as Sheffield in Chicago and lower Manhattan in New York are becoming attractive to the affluent, and considerably more expensive than most of the metropolitan periphery.").

grants—highly educated and skilled workers, the increasing number of people who remain single or who are cohabitating before marriage, families that are having fewer children, and the rapidly growing number of healthy and active adults in their later years.[36] In fact, the spatial mismatch within metro regions has been aggravated by the kind of mobility-based urban growth theories that urban economists seem most fond of touting. In other words, one of the consequences of agglomeration economies—i.e., the clustering of talent and industry—is that it has become one of the main drivers of inequality.[37] These consequences include not just rising housing costs, but widespread displacement or gentrification, concentrated affluence, and segregation of the poor away from economic opportunity and the positive spillovers of agglomeration economies in even the most productive metro regions. In this sense, the new spatial mismatch is characterized less by explicit racial or anti-immigrant bias, or fear of crime and other urban ills, than by the predictable result of economic forces underlying the global knowledge and innovation economy.[38]

Popular urbanist Richard Florida's recent *mea culpa* for his role in advocating for an urban growth policy centered on the mobility and attraction of the "creative class" to cities should lend caution to mobility-driven theories of growth.[39] Florida has tracked the geographic segregation of cities to which the creative class has flocked and found that affluent, highly educated, and skilled populations tend to cluster in and around central business districts and urban centers, transit hubs (subway, cable car, and rail lines), universities and other knowledge institutions, and natural amenities (coastlines and waterfront locations).[40] These class divisions, throughout successful metro regions, "form a patchwork of concentrated advantage and concentrated disadvantage that cuts across center city and suburb alike."[41] This "new urban crisis" requires, in Florida's view, a "new and better urbanism" which includes desegregating cities economically, rebuilding the middle class by investing in infrastructure, build-

36. *Id.* at 12; *see also id.* at 61 ("The real essence of the demographic inversion is based not on numbers but on choice: Increasingly over the past decade, both before and during the recession, people with the resources to live wherever they wished began choosing to live near the urban center . . . .").

37. This is the thesis of a new book by urbanist Richard Florida. RICHARD FLORIDA, THE NEW URBAN CRISIS: HOW OUR CITIES ARE INCREASING INEQUALITY, DEEPENING SEGREGATION, AND FAILING THE MIDDLE CLASS—AND WHAT WE CAN DO ABOUT IT (2017).

38. *See* SASKIA SASSEN, EXPULSIONS: BRUTALITY AND COMPLEXITY IN THE GLOBAL ECONOMY 3 (2014) (arguing that contemporary socioeconomic dislocations are more than just a matter of poverty and injustice; rather, they have their own economic logics rooted in our global knowledge and innovation economy).

39. FLORIDA, *supra* note 37.

40. Florida, *supra* note 10, at 7.

41. *Id.*

ing more housing, reforming zoning and tax laws, and developing a new national urban policy.[42]

Florida's prescription correctly suggests that it will take more than overcoming restrictive land-use laws and building new housing to truly accommodate and integrate new low-income and disadvantaged populations in successful metropolitan regions. The new spatial mismatch within metro areas—whether between city and suburb, or within cities—requires more than just moving people around. Rather, it requires addressing the root causes of this economic segregation and the concentration of advantage and disadvantage in metro areas. In other words, it makes little sense to move additional low-income and disadvantaged populations into economically and racially stratified metro markets if intraregional economic stratification ends up subtracting from the potential welfare gains that result from interregional mobility.

It is becoming clear that economic and racial segregation within metropolitan markets imposes costs on that region for everyone—lowering gross domestic product and incomes—and thus lowers aggregate social welfare.[43] If part of the goal for incentivizing interregional mobility is to increase economic growth and to reduce economic inequality, then we must attend to the costs imposed by intraregional inequality. As such, I would argue that the impact of concentrated disadvantage in metropolitan regions and on aggregate social welfare supports the need for federal intervention. In this way, I agree with Schleicher on the need for a strong federal role in influencing patterns of urbanization although, as I explain in the next Part, I disagree about the specifics of that federal role.

III. FEDERAL POLICY AND URBAN RESURGENCE

Although Schleicher punts on the particulars of a federal policy reform package, his suggested potential interventions are largely geared toward mobility as a mechanism to reduce the costs of interregional economic stratification.[44] Past federal interventions to incentivize mobility of low-income popula-

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42. FLORIDA, *supra* note 37, at 185-218.

43. *See, e.g.*, *The Cost of Segregation: Lost Income. Lost Lives. Lost Potential*, METROPOLITAN PLAN. COUNCIL 4 (2017), http://www.metroplanning.org/uploads/cms/documents/cost-of-segregation.pdf [http://perma.cc/UJS2-T75N] (finding after an analysis of segregation patterns in the 100 largest metropolitan areas that if Chicago were to lower its level of segregation to the median of those 100 cities, it would have a profound impact on the entire Chicago region, including raising the region's gross domestic product and incomes).

44. Schleicher offers a range of possible federal interventions—from providing tax incentives and financial subsidies for states and localities that decrease entry limits to the issuance of a new Standard State Zoning Enabling Act by the Department of Commerce—that would tions, however, suggest that the federal government can play a helpful, though not determinative, role in addressing concentrated poverty and disadvantage. These programs, as Schleicher rightly points out, largely focused on addressing intraregional, and not interregional, mobility.[45] Nevertheless, their shortcomings are instructive for appreciating the limits of mobility itself—especially for cities and regions teetering on the line between decline and resurgence. In this Part, I argue that the narrow focus on interregional mobility diverts attention from other avenues for growing and redistributing economic opportunity to low-income and disadvantaged populations who are unlikely to leave economically fragile regions.

Schleicher is right to wonder whether the federal government can reduce the costs of overly restrictive state and local policies that hamper the accessibility of economic opportunities to low-income and disadvantaged populations. If economic opportunity is concentrated (and concentrating) in certain cities and metropolitan areas, then we should be concerned with extending that opportunity to more than just highly educated, high-skilled workers. A federal policy aimed at helping to better and more evenly distribute those opportunities would be a positive step towards reducing economic inequality. Mobility across regions might be one means to accomplish this, but as I have argued, it is a heavily flawed method that does not address the internal barriers to economic mobility within hot metropolitan markets.

As was the case with the old spatial mismatch, it is difficult to reverse entrenched economic stratification by simply moving people around. Schleicher cites to the Department of Housing and Urban Development's famous "Moving to Opportunity" (MTO) program, which gave vouchers to public housing tenants to move into low poverty neighborhoods, as an example of the federal government's capabilities when seeks to incentivize mobility.[46] The MTO program and other federal programs such as HOPE VI, in which high-rise public housing projects were torn down and replaced with low-density mixed income housing, sought to deconcentrate poverty by moving the poor to areas with more economic and educational opportunities. These programs produced decidedly mixed results, and vary depending on program design and regional context.[47]

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nudge or coerce states and local governments to lower the legal barriers to mobility into them. Schleicher, *supra* note 1, at 149-54.

45. *Id.* at 86-88.

46. *Id.* at 104-05.

47. PATRICK SHARKEY, STUCK IN PLACE: URBAN NEIGHBORHOODS AND THE END OF PROGRESS TOWARD RACIAL EQUALITY 140-50 (2013) (reviewing the evidence of these programs' effectiveness in improving family outcomes and concluding that "neither the 'old' view of residential mobility as the solution to the problem of the ghetto nor the 'new' view that residen-

On the one hand, at least some of these programs were very successful in relocating low-income city residents out of the highest poverty central city neighborhoods to lower poverty suburbs.[48] On the other hand, looking back, it is not surprising that many residents ended up in inner-ring suburbs that could absorb these populations in part due to their own economic decline and changing demographics.[49] In other words, as lower-income populations moved out of central cities and into inner ring, older and declining suburbs, some of the more affluent in those suburbs were returning to cities along with their younger, educated counterparts.[50] This might suggest that if a similar mobility-based program were implemented on a broader scale, "it is highly likely that the program would produce new neighborhoods of concentrated poverty" and thus merely shift the location of concentrated poverty instead of reducing it.[51]

Federal policy reform aimed at mobility is a tricky endeavor. Using federal housing and civil rights policy to open up suburbs made exclusionary by overly restrictive zoning laws, or to root out racial bias in housing markets, is one thing. It is quite another issue, given the complex dynamics of mobility and

tial mobility is useless is entirely accurate"; rather, the evidence suggests that "programs that offer families the opportunity to move out of the ghetto can positively affect different aspects of families' lives *under certain circumstances*").

48. *See generally id*. at 140-146 (reviewing the various studies tracking the results of mobility programs) and 150-151 ("The evidence available suggests that programs that offer families the opportunity to move out of the ghetto can positively affect different aspects of families' lives *under certain circumstances*," including for those who moved out of the most severely disadvantaged neighborhoods and for those who remained in their new communities for long periods of time).

49. *See* Robert Puentes & David Warren, *One-Fifth of America: A Comprehensive Guide to America's First Suburbs*, BROOKINGS INSTITUTION 8 (Feb. 2006), http://www.brookings.edu/wp-content/uploads/2016/06/20060215_FirstSuburbs.pdf [http://perma.cc/AE2V-NGDK] (noting that America's older, inner-ring suburbs host concentrations of elderly and immigrant populations as well as outmoded housing and commercial buildings, very different from those of the center city and fast-growing newer suburbs); Sudhir Venkatesh & Isil Celimli, *Tearing Down the Community*, SHELTERFORCE (Nov. 1, 2004) http://shelterforce.org/2004/11/01/tearing-down-the-community [http://perma.cc/KS3R-PHMF] (noting that some residents with vouchers under HOPE VI had difficulty finding housing outside of the "poorest, racially segregated communities").

50. SHARKEY, *supra* note 47, at 11 (suggesting that mobility of the highest poverty neighborhoods, or ghettoes, is likely to be effective only for the nation's most violent, poorest, most racially segregated neighborhoods that volunteer to move, and only if intensive services are provided; otherwise, attempting to disperse families from a broader range of neighborhoods is unlikely to improve family outcomes and could have severe unanticipated consequences such as the creation of new high-poverty communities).

51. SHARKEY, *supra* note 47, at 174.

residential choice, to try to calibrate the "location market"[52] through policy reforms. To be persuaded by Schleicher's policy prescriptions, one has to believe that federal action can overcome the individual preferences that shape where people locate and the market forces that enable their choices. History suggests otherwise.[53] Federal laws and policies are ultimately of limited utility in shaping patterns of racial and economic stratification, which persist today despite many decades of federal policy pushing in the opposite direction.[54]

The focus on interregional mobility raises another important question: how should federal policymakers identify the right markets to target for nudging along further growth or expanding opportunity to low-income and disadvantaged populations? Schleicher focuses on areas that already have strong labor markets and robust agglomeration economies. But those are not the only markets where opportunity can be expanded, or is already expanding. Schleicher spends a great deal of his policy analysis discussing federal bankruptcy law's role in economically weak or shrinking cities. Detroit is the poster child for the "new minimal cities,"[55] but Detroit also begs the question of how we imagine a new urban policy for an urbanizing era characterized by persistent economic and social inequality.

While Detroit represents one of the largest municipal bankruptcies in urban history, Detroit's revitalization is drawing a steady stream of new migrants (mainly of the creative class), new investors, and new industry.[56] Detroit could be an interesting example of an agglomeration economy in a postindustrial, previously failing metro powerhouse, much like its neighbor Pittsburgh. Pittsburgh similarly suffered from a major steel industry collapse in the 1980s, but has since experienced a remarkable comeback, primarily by using many of the

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52. Daniel B. Rodriguez & David Schleicher, *The Location Market*, 19 GEO. MASON L. REV. 637, 638 (2012) ("By the location market, we mean the structure of incentives and opportunities that individuals and firms face when deciding whether and where to relocate.")

53. SHARKEY, *supra* note 47, at 169 (noting that "there are numerous examples of place-based interventions that have been overwhelmed by broader economic, political, and demographic forces.").

54. *See e.g.*, Trevon Logan & John Parman, *The National Rise in Residential Segregation* (Nat'l Bureau of Econ. Research, Working Paper No. 20934, 2015) (measuring the unexpected rise in racial segregation across urban and rural communities in every region during the early-twentieth century).

55. *See generally* Michelle Wilde Anderson, *The New Minimal Cities*, 123 YALE L.J. 1118 (2014) (describing the new minimal cities as urban, high poverty governments focused on little more than the control of fire and violent crime).

56. Susan Ager, *Tough, Cheap and Real, Detroit is Cool Again: With the Nation's Urban Biggest Bankruptcy in the Rearview Mirror, the Motor City is Attracting Investors, Innovators, and Young Adventurers,* NAT'L GEOGRAPHIC MAG., http://www.nationalgeographic.com/taking-back-detroit/see-detroit.html [http://perma.cc/DP86-F82Y].

same economic development tools now employed by Detroit.[57] On the other hand, it is not at all clear that Detroit's comeback will produce the kind or level of economic growth sufficient to rival the wage growth or GDP contribution of existing hot metro markets that seem to be the target of Schleicher's reforms.

Detroit is arguably at an inflection point in its growth trajectory, which makes it a useful case study for envisioning a renewed federal policy role in cities and urbanization, and how it might aid in the reduction of economic and social inequality. Should the federal government incentivize or subsidize in any way the trajectory of growth in Detroit? If so, how? Should it encourage the mobility of certain populations to Detroit to take advantage (and perhaps even help fuel) its growth and revitalization? Or should Detroit be left to its own fate as it struggles to rebuild itself after bankruptcy?

The urban economics literature cited in Part I suggests that it is not just "hot markets" or megacities that are undersized.[58] Rather, overall urbanization in the United States may be suboptimal, indicating a need for more growth in cities beyond the hot metro markets that now exist. In other words, we may have too many cities but not enough large ones.[59] Markets such as Detroit may also need a nudge in the direction of inclusive growth. Urban policy should ensure that all growing metro markets are accessible to low-income and disadvantaged populations—including the low-income and disadvantaged populations already living in them but not benefiting from their economic growth.

Schleicher's blueprint for a renewed federal role could very well be applied to shape Detroit's growth trajectory into one that is not only more prosperous but also more inclusive for low-income and disadvantaged populations. Schlei-

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57. It set out to attract high-tech industry, invest in large regional-scale arts institutions and sports venues, and transform its downtown and old industrial areas into entertainment and shopping destinations. This economic development strategy was helped, as it is Detroit, by the concentration of excellent colleges and universities in the Pittsburgh metropolitan area. *See, e.g.*, Jennifer Conlin, *Detroit Pushes Back with Young Muscles*, N.Y. TIMES (July 1, 2011), http://www.nytimes.com/2011/07/03/fashion/the-young-and-entrepreneurial-move-to-downtown-detroit-pushing-its-economic-recovery.html [http://perma.cc/J6UX-D9QV] ("Detroit's revival is also being attributed to the city's '15 by 15' initiative, started in 2008. With a goal of getting 15,000 young talented households to downtown by 2015, government workers, entrepreneurs, philanthropists, business leaders and individuals, along with non-profit groups, have been working to entice the 94 percent of college graduates who initially migrate to cities, according to recent census figures."); *How Now Brown Town: A Former Steel City Is Now Proclaiming Its Cleaner Land and Clever Minds,* ECONOMIST (Sept. 14, 2006), http://www.economist.com/node/7914950 [http://perma.cc/VE55-79W6] (describing Pittsburgh's efforts to clean up industrial land for uses that suit the modern economy in an effort to attract creative or knowledge-intensive workers and firms).

58. *See supra* notes 8-10.

59. *See* Albouy et al., *supra* note 8 (suggesting that an "optimal" distribution of cities would mean 100 cities that range from 230,000 to 30.5 million people in size).

cher advocates for a mix of federal carrots (incentives) and sticks (mandates) designed to loosen up state and local control in a number of policy areas—land use, property, licensing, public benefits—that limit location choices and hinder interstate mobility.[60] However, as Michelle Anderson has noted, cities like Detroit have already begun to loosen up regulations in these areas and to let go of "the past regulatory environment" to adjust to new growth trajectories.[61] One could imagine, instead, a different set of federal carrots and sticks for resurgent cities like Detroit that loosen up constraints on federal and state tax subsidies and that incentivize more widespread and inclusive investment beyond the urban core.

Consider for example a recent report by the Urban Institute, which concludes that tax subsidies in Detroit have disproportionately favored two parts of the city: downtown and midtown.[62] Those areas received fifty-seven percent of state, federal, and local tax subsidy investments from 2013 to 2015, even though they only contain forty-six percent of the city's 245,000 jobs. Some of these subsidies are already earmarked for revitalizing low-income areas.[63] However, they are being utilized to develop the core areas of the city where white-collar jobs and the new migrants working in those jobs are concentrating. In other words, Detroit's blueprint for comeback is starting to resemble the pattern of concentrated advantage and disadvantage that characterize not only the hot markets that Schleicher references, but also some of the resurgent ones like Pittsburgh.[64] As the downtown and midtown areas of Detroit experience economic revitalization, they are leaving behind the lowest-income, lower-skilled native populations that inhabit the majority of Detroit's still struggling neighborhoods, which continue to suffer from underinvestment and remain socially and economically isolated.[65] This uneven investment and redevelopment threatens Detroit's ability to rebound fully and inclusively—without

60. Schleicher, *supra* note 1, at 149-54.

61. Anderson, *supra* note 55, at 1174 (noting deregulation in the domains of land use, building safety and development, business licensing and operations, public health, and food safety).

62. Brett Theodos et al., *Coming Back from the Brink: Capital Flows and Neighborhood Patterns in Commercial, Industrial, and Multifamily Investment in Detroit*, URBAN INST., http://www.urban.org/research/publication/coming-back-brink [http://perma.cc/DF23-8QPX].

63. *Id.*

64. Despite the city's resurgence, Pittsburgh continues to suffer from segregation, inequalities between the city's white and African American communities, economic disparities, and unequal access to education and jobs. Sarah Treuhaft, *Equitable Development: The Path to an All-In Pittsburgh*, POLICY LINK, http://www.policylink.org/sites/default/files/report_pittsburgh_FINAL_PDF_0.pdf [http://perma.cc/HD5R-XCK6].

65. Peter Applebome, *In Detroit's 2-Speed Recovery, Downtown Roars and Neighborhoods Sputter*, N.Y. TIMES (Aug. 12, 2016), http://www.nytimes.com/2016/08/13/us/detroit-recovery.html [http://perma.cc/GDZ6-ULH9].

widespread displacement and further economic isolation of its existing low-income and disadvantaged populations.

The question is whether we can imagine a federal policy that would incentivize a different kind of urban growth in resurgent cities and metro areas like Detroit. One of the authors of the Urban Institute report, for example, notes that the discrepancy in tax subsidies and other federal and state dollars that incentivize growth in downtown Detroit, and more limited investment in outer neighborhoods, can be addressed through select policy reforms.[66] These reforms might include easing rules for federal and state tax subsidies to make them easier to use on smaller projects, providing technical assistance to nonprofit community groups to re-invest in their neighborhoods, and streamlining City Hall regulations on zoning and code enforcement.[67] Other possible reforms, in line with Schleicher's suggestions,[68] include a Race-to-the-Top-style program for localities that increase economic development incentives in disadvantaged neighborhoods or adopt a system of performance metrics that incentivizes developers to provide targeted economic benefits in disadvantaged communities. These benefits might include local hiring goals for resident and disadvantaged workers, contracting opportunities for small and local businesses, along with other measurable performance goals that distribute economic growth and development more inclusively across the metropolitan area.[69]

IV. CONCLUSION

There is much to agree with in Schleicher's important Article encouraging the federal government to more forcibly incentivize mobility to address economic inequality in this country. His logic for federal intervention is strong and appealing. However, as I have argued, there are many reasons to be skeptical about federal interventions that simply move people around. This is especially true given the complex and varied dynamics shaping existing and persistent patterns of economic inequality. The kind of macroeconomic urban policy reform agenda articulated by Schleicher is not sufficient to address the concentration of advantage and disadvantage in hot metro regions. Moreover, his solution ignores resurgent cities and metro regions that could be targets for a

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66. Joel Kurth, *Are There 2 Detroits? New Report Says Yes, but There's a Reason*, BRIDGE MAG. (Sept. 12, 2017), http://www.crainsdetroit.com/article/20170912/news/638871/are-there-2-detroits-new-report-says-yes-but-theres-a-reason#utm_medium=email&utm_source=cdb-michmorning&utm_campaign=cdb-michmorning-20170913 [http://perma.cc/3QXJ-BPQX] (interview with Brett Theodos, lead author of the report).

67. *Id.*

68. Schleicher, *supra* note 1, at 149-54.

69. *See* Treuhaft, *supra* note 64, at 9-13 (suggesting these and other ideas).

federal urban policy that incentivizes inclusive and integrative urban growth within them. This is not say that interregional mobility is not an important goal for federal urban policy. It is just not the panacea Schleicher imagines it to be.

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