

# Asia's Cities: Imperatives for Resilience and Growth

Edward Glaeser

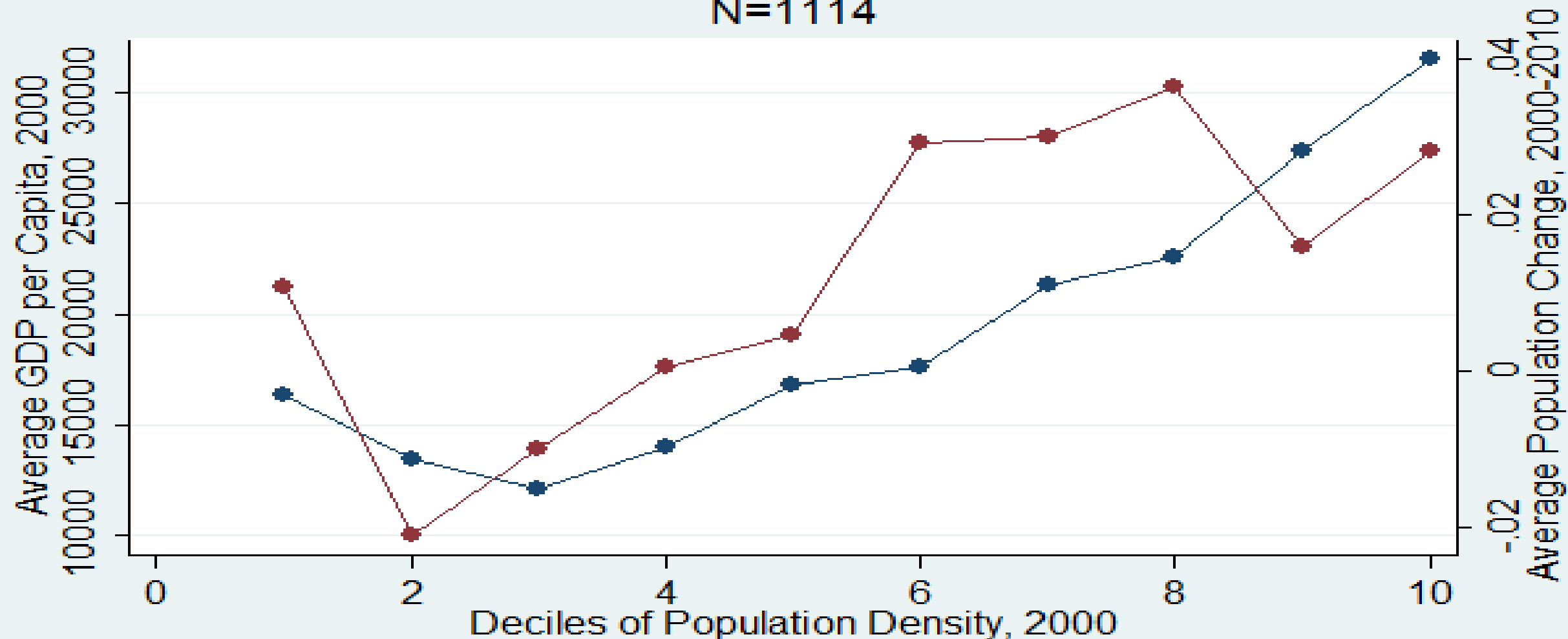
Fred and Eleanor Glimp Professor of  
Economics, Harvard University

ADB Distinguished  
Speaker Program

June 8, 2021

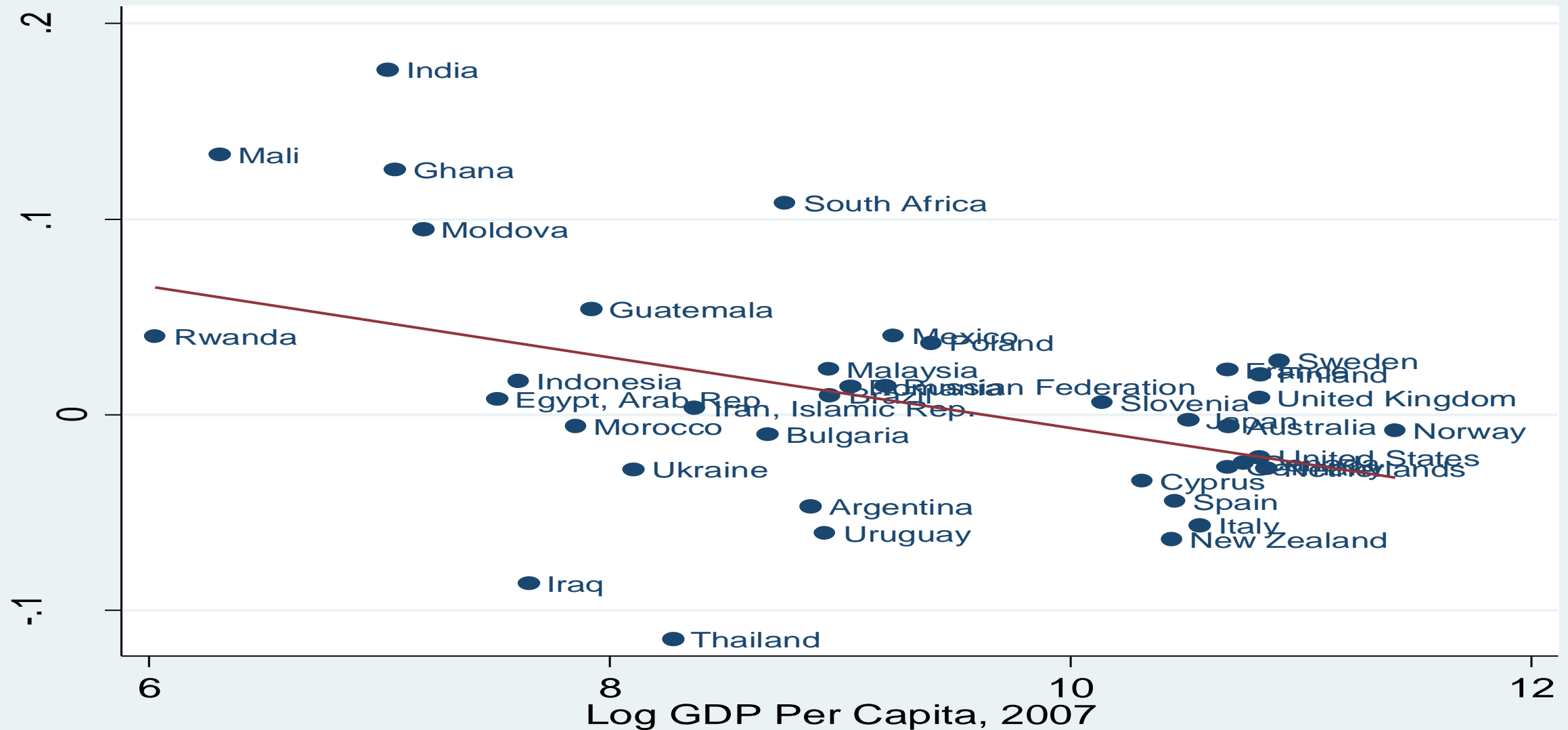
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# EUROPE, NUTS3 N=1114



Source: Eurostat

# Urban-Rural Differences in Happiness

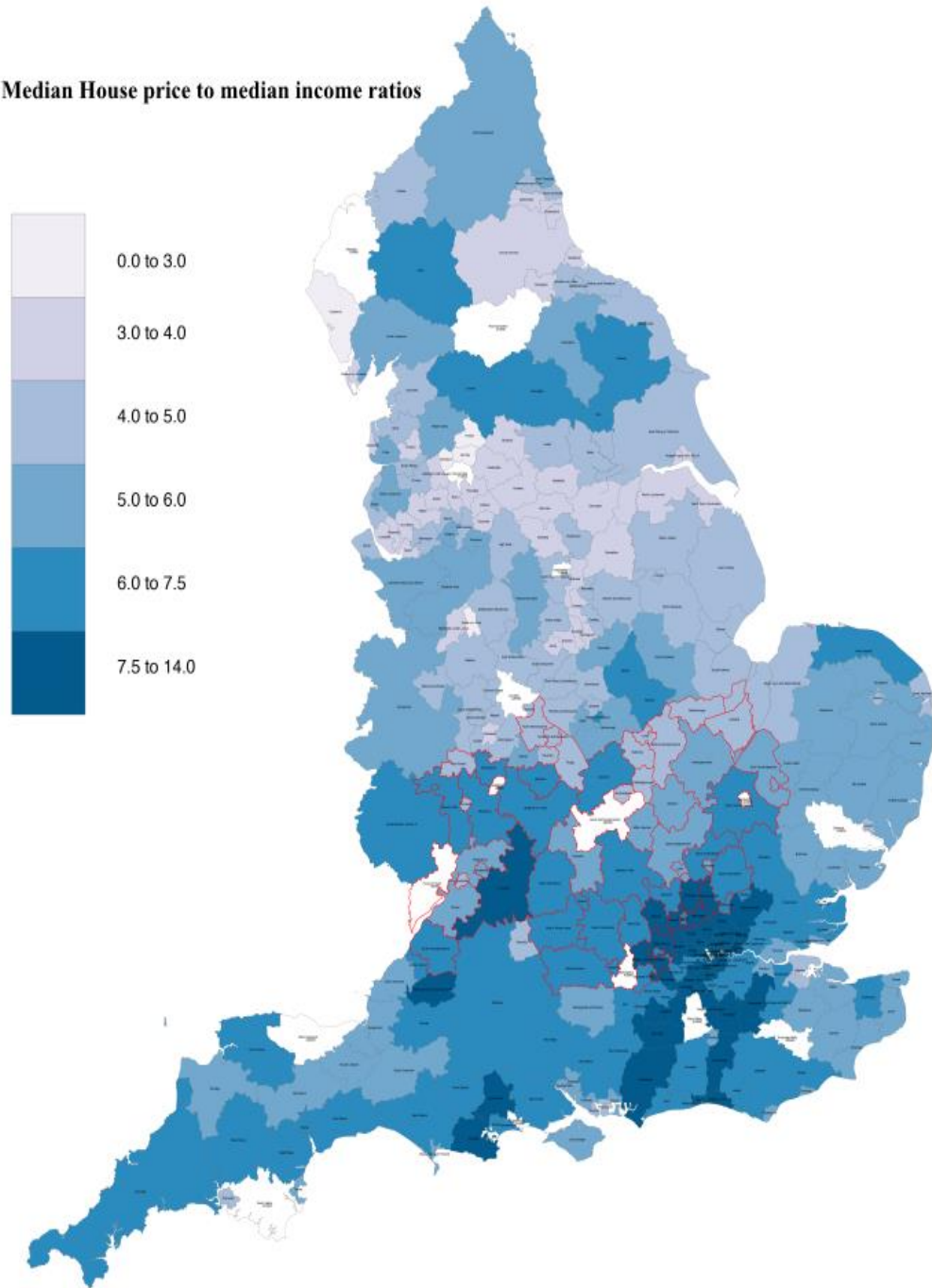
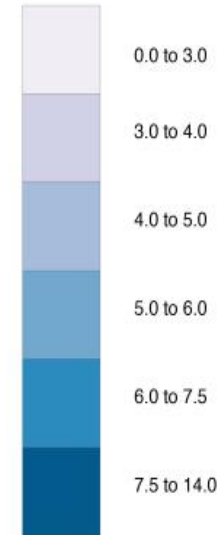


# The Rise of the Consumer City



Photo by Dietmar Rabich

Median House price to median income ratios









# The CONQUEST OF PESTILENCE in NEW YORK CITY ~

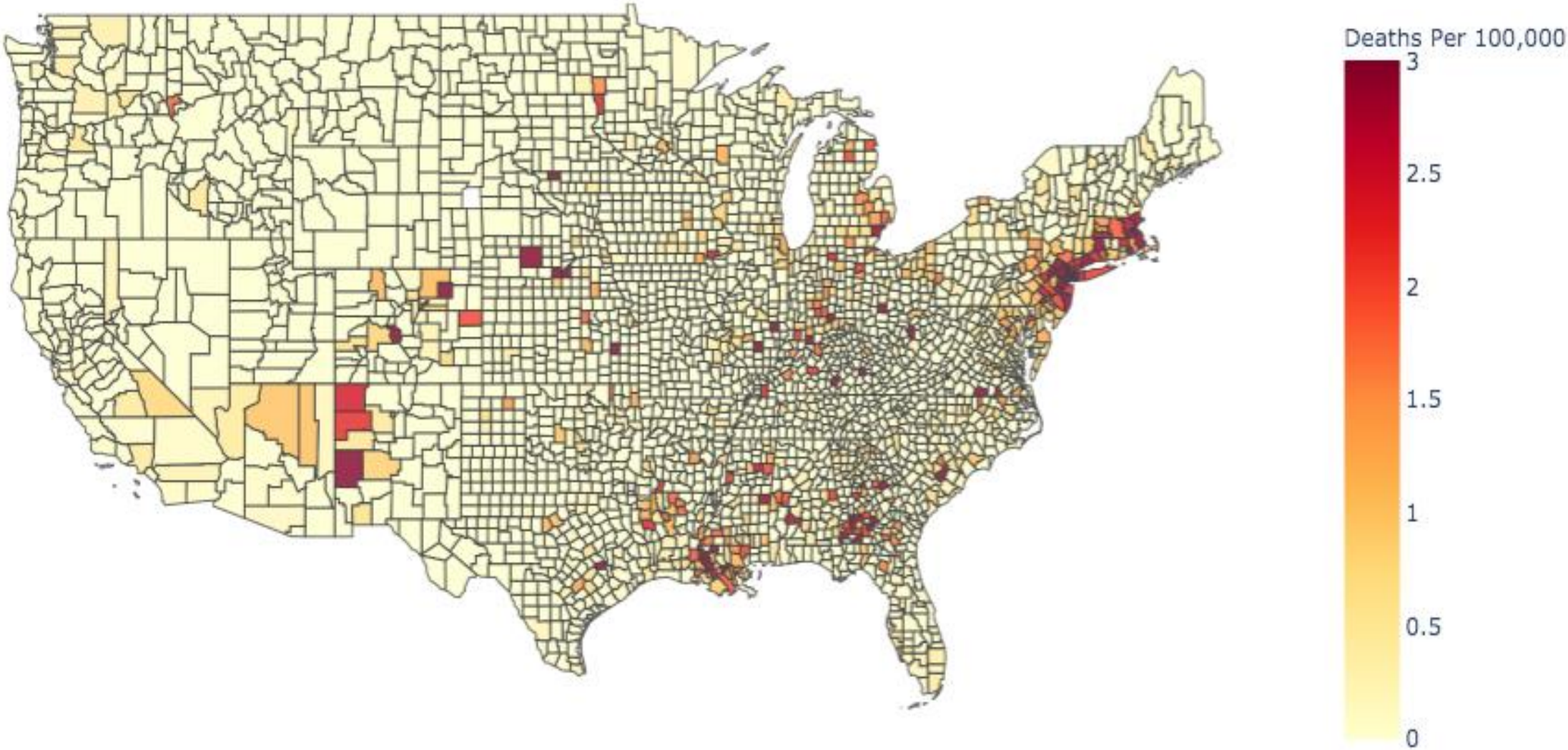
... As Shown by the Death Rate as Recorded in the Official Records of The Department of Health.



New York City's Department of Health shows the timeline of the city's mortality rate, which sharply dropped with the provision of clean water in the nineteenth century.

New York City Department of Health and Mental Hygiene

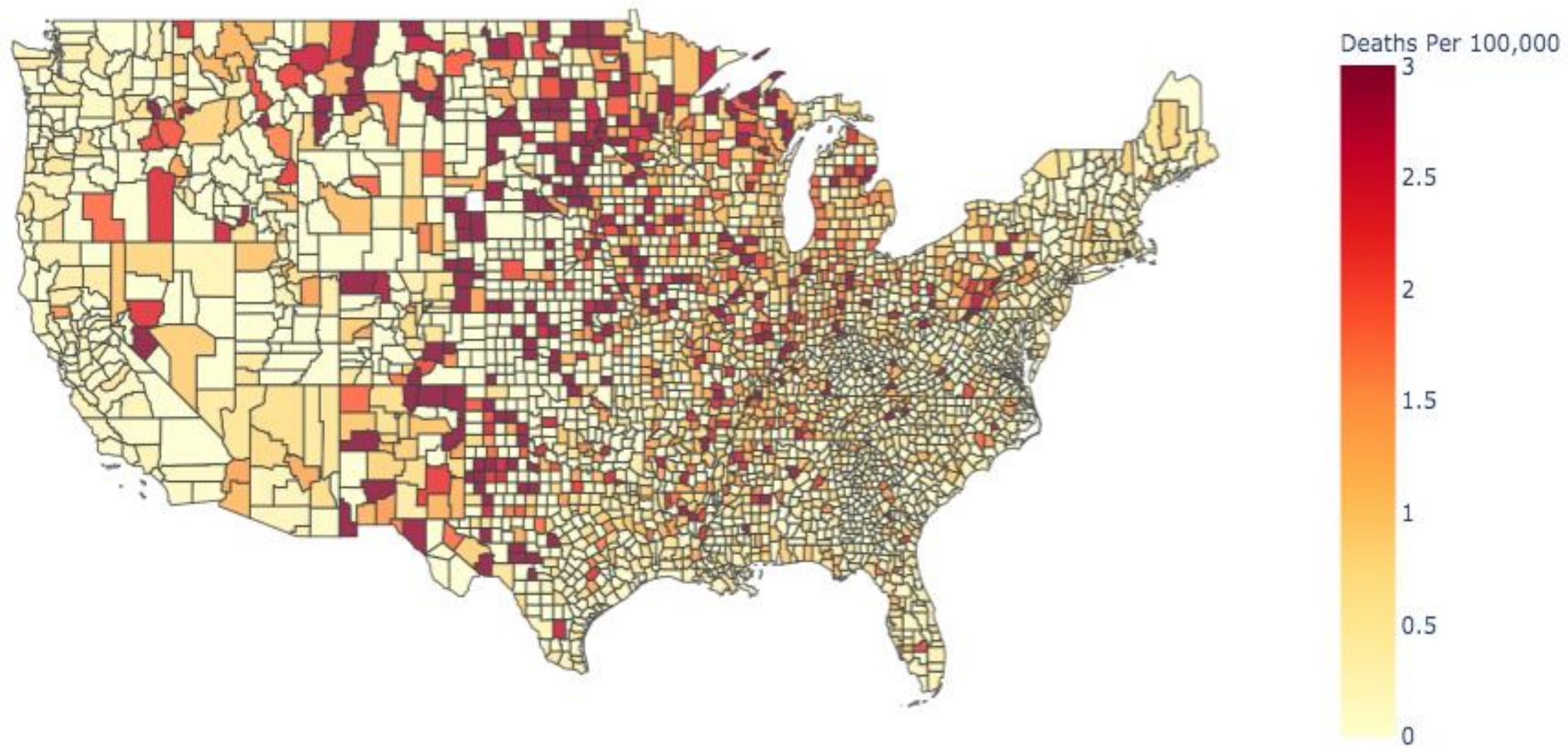
4/30/20 Daily New Deaths (7-Day Average) Per 100,000



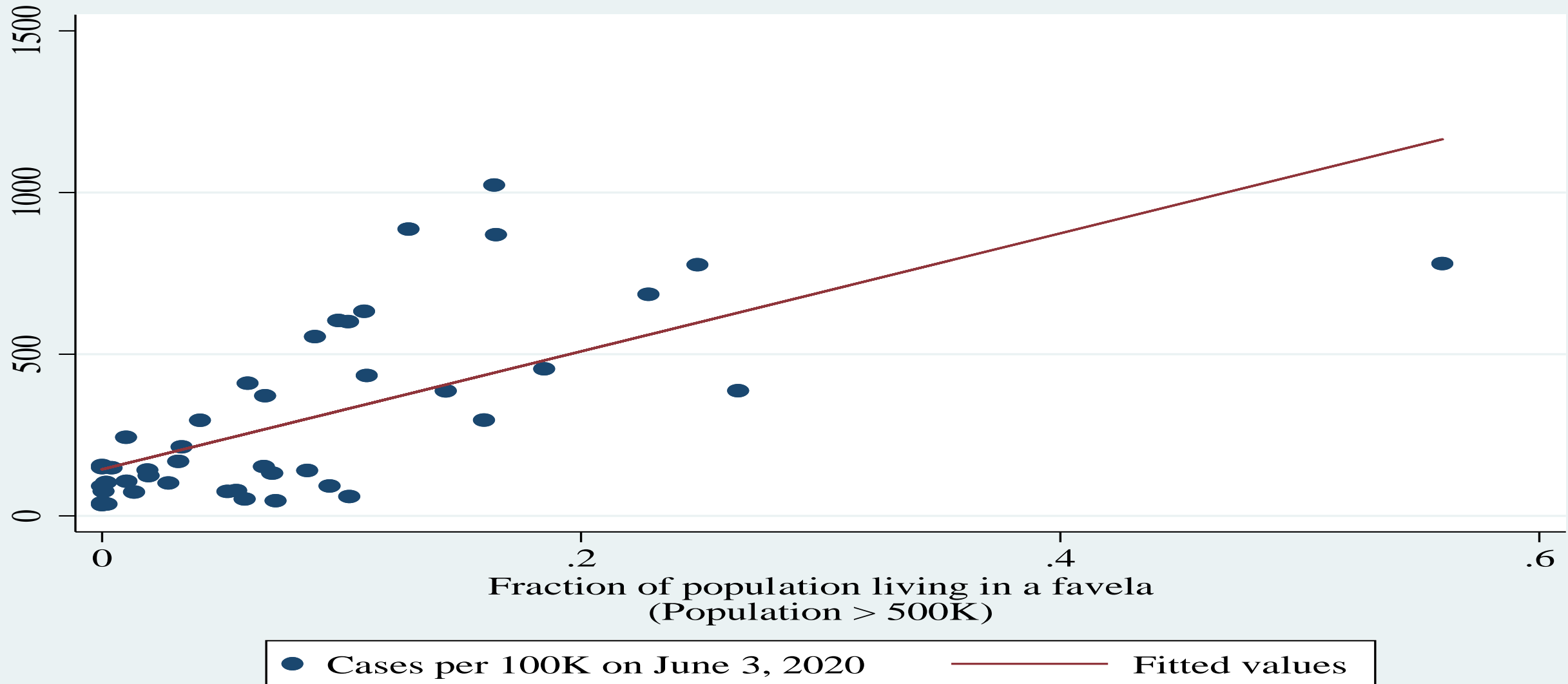




11/30/20 Daily New Deaths (7-Day Average) Per 100,000

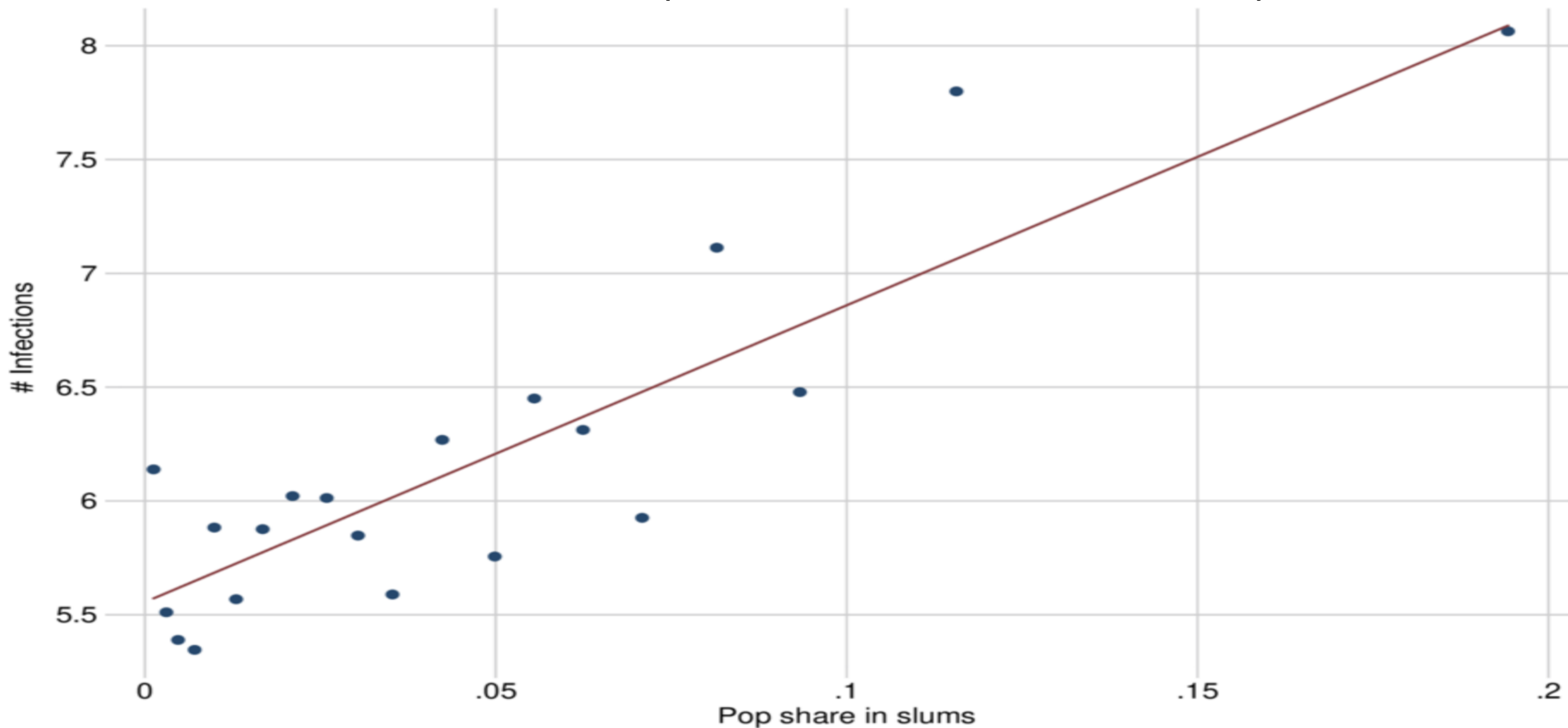


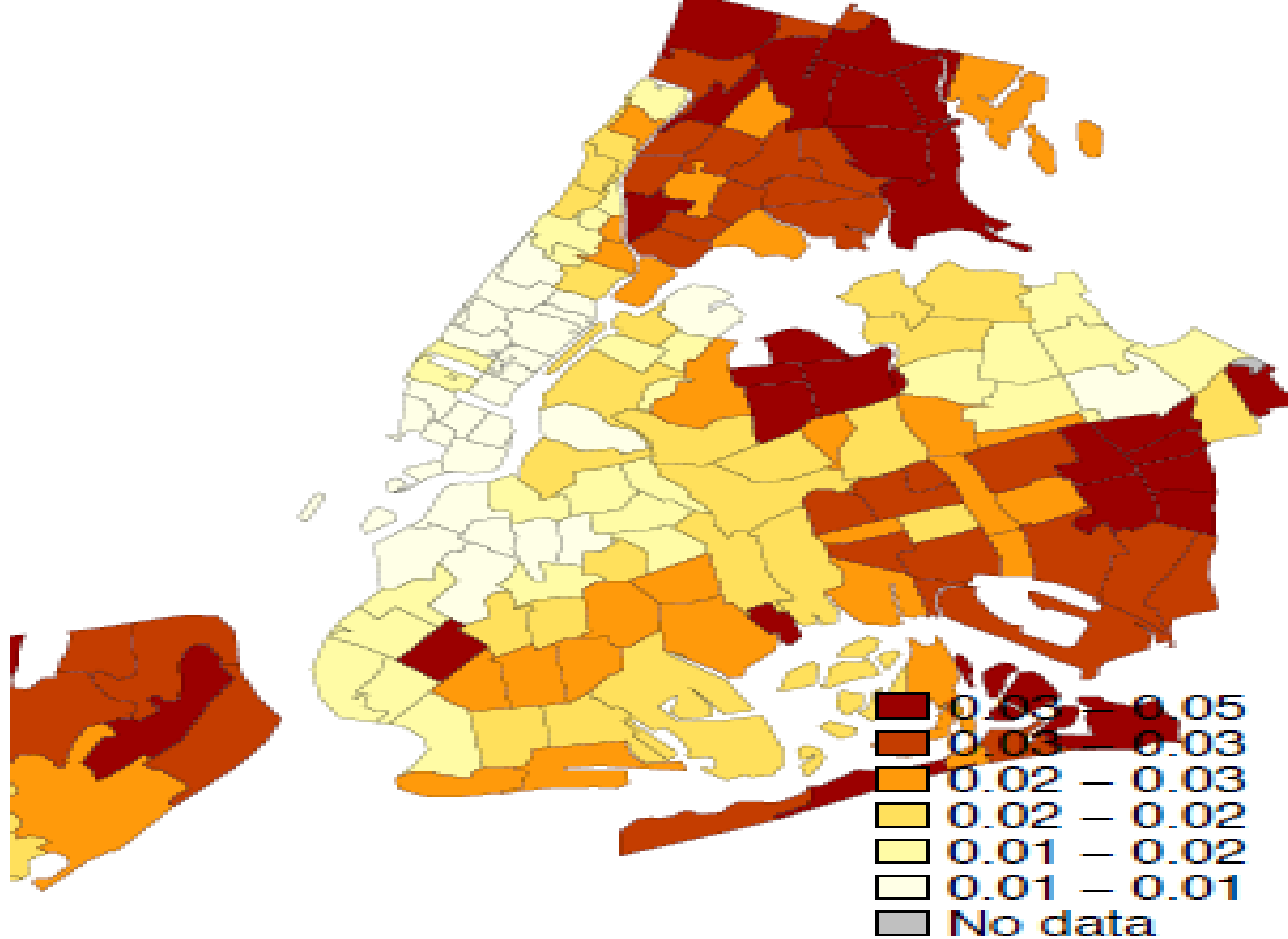
# Brazil Results (w.Chauvin and Kestelman)





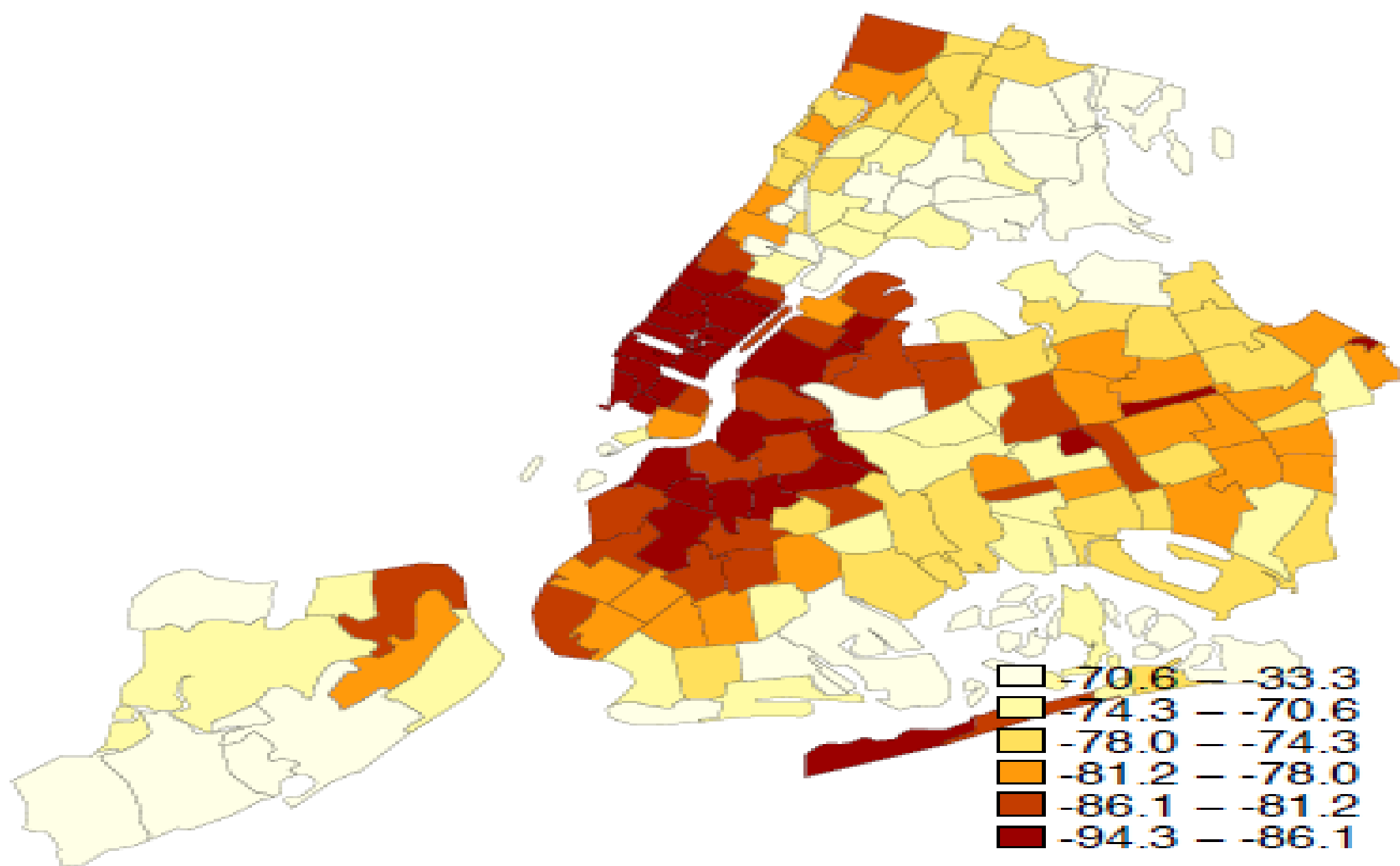
# Results from India (Asher and Novosad)





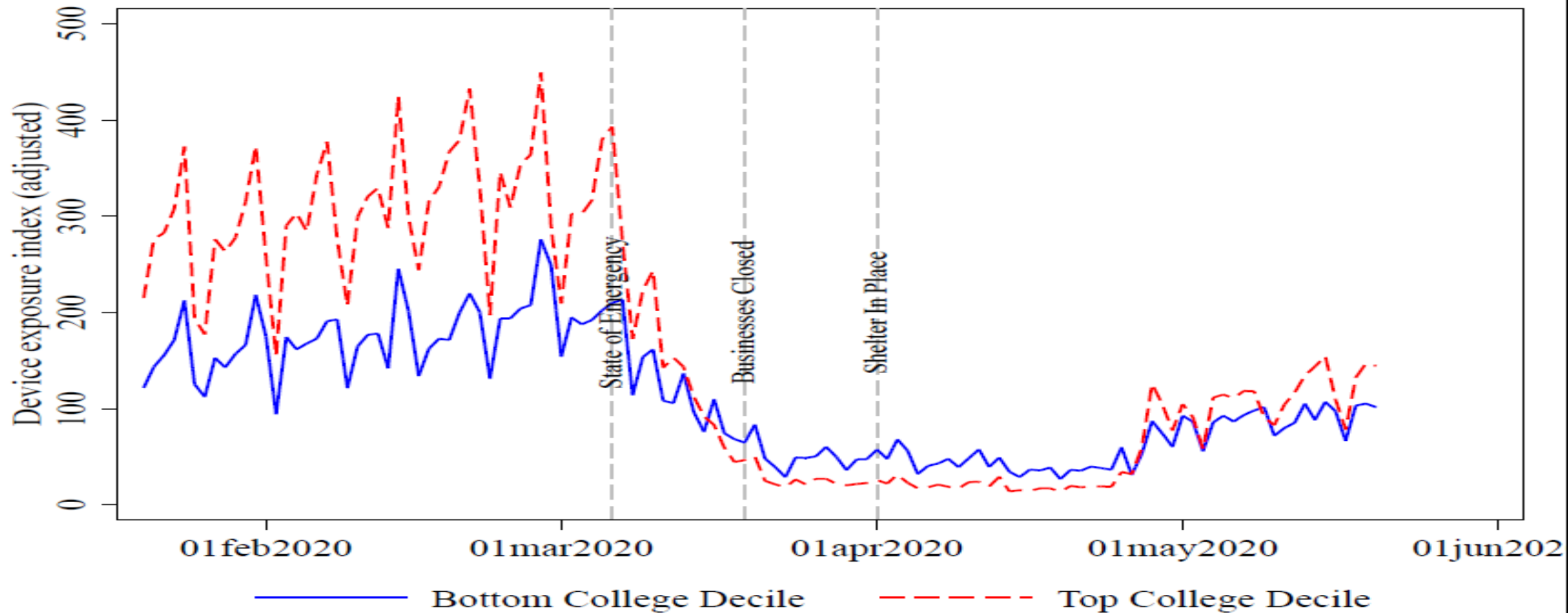
(b) Cases per Person





(a) Change in Trips, by Residential Zip code (SafeGraph)

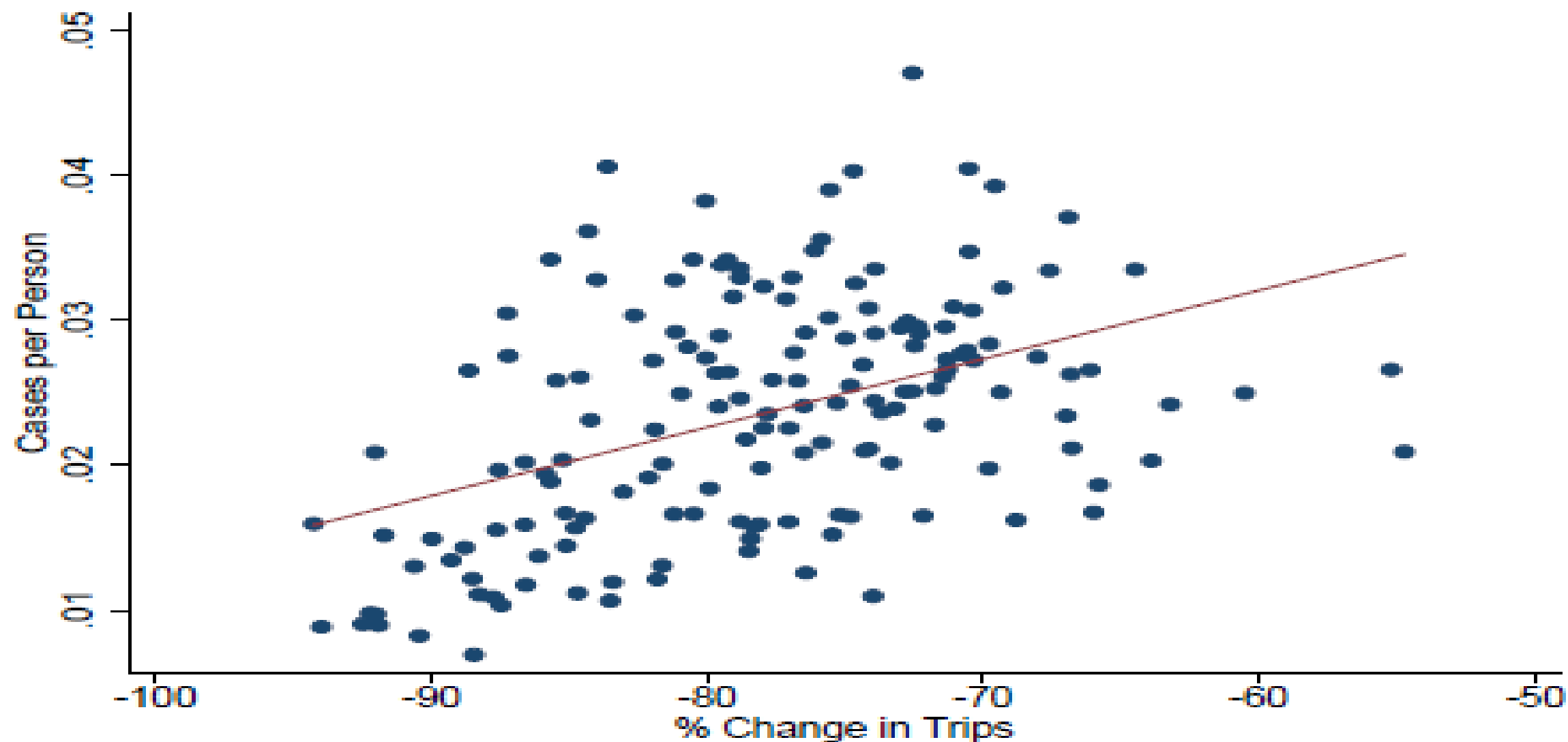
# Couture, Dingel, Handbury: Movement Declines before Shutdowns



Device exposure index from Couture, Dingel, Green, Handbury, and Williams (2020)

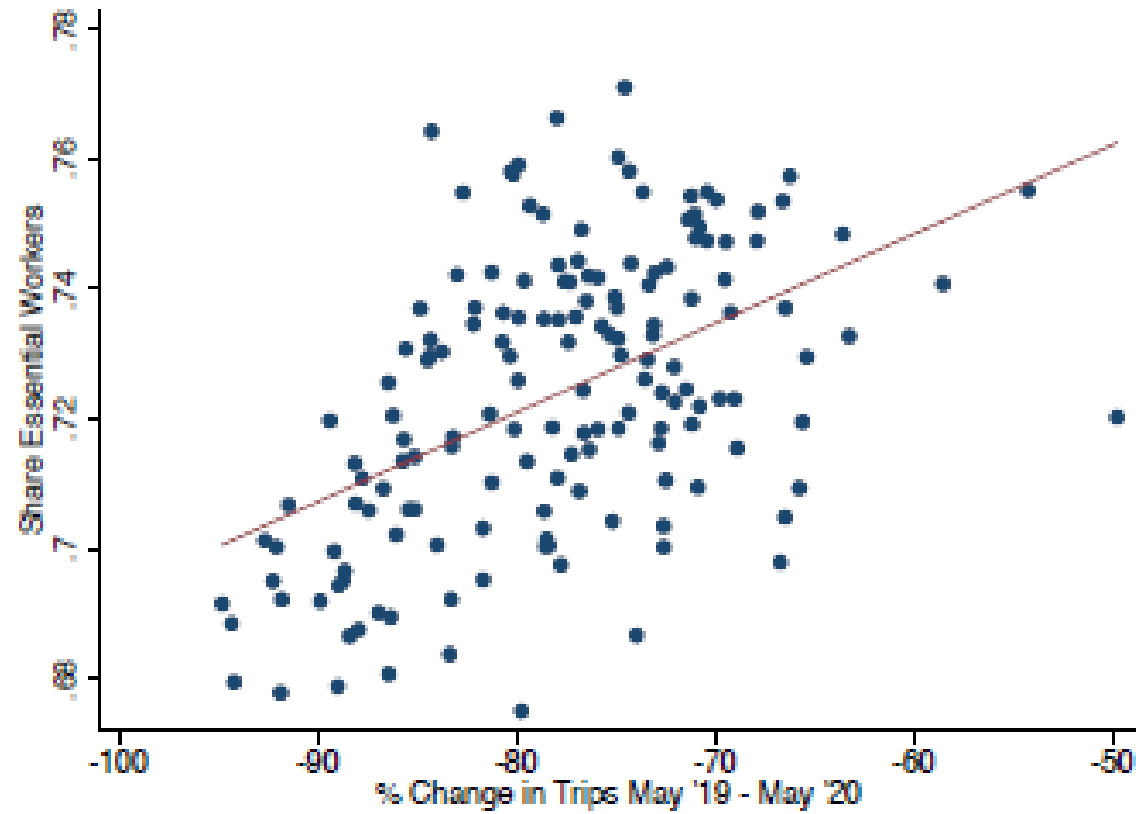


Figure A1: Correlation between Travel Change and COVID-19 Cases per Person in NYC

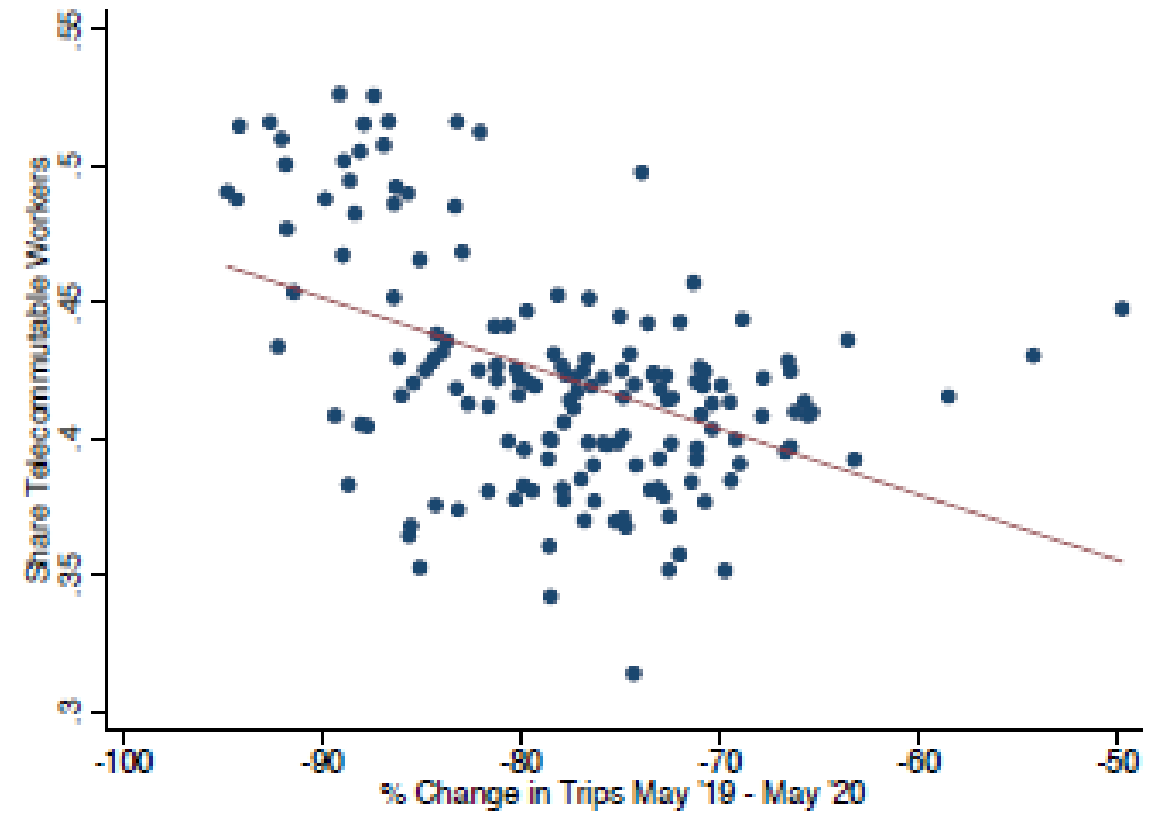


Source: Cases per person from NYC Health Department, available at <https://www1.nyc.gov/site/doh/covid/covid-19-data.page>. % Change in trips from SafeGraph Weekly Patterns Data, using visitors traveling from home. % Change in trips calculated between May 13-19, 2019 and May 4-10, 2020.

# Travel Change and Instruments in NYC



(a) %  $\Delta$  in Trips vs.  $ShareEssential_i$



(b) %  $\Delta$  in Trips vs.  $ShareTelework_i$

*Source:* % Change in trips from SafeGraph Weekly Patterns Data, using visitors traveling from home. % Change in trips calculated between May 13-19, 2019 and May 4-10, 2020. Share Essential workers calculated from DE and MN 4-digit NAICS essential industries. Share Telework created at the zip level using data from Dingel and Neiman (2020) weighted by local neighborhood employment composition.

# The Pre-Covid Urban Weaknesses

- Cities are bringing productivity but not opportunity (Brandon Tan)
  - America's Education Failures (relies on the Opportunity Atlas from Chetty, Friedman Hendren)
- Successful cities are becoming permanently unaffordable (Gyourko, Boycko and Chen)
  - America's Housing Failure
- The jobless heartland and the closing of the urban frontier (Austin, Summers)
  - America's Employment Failure



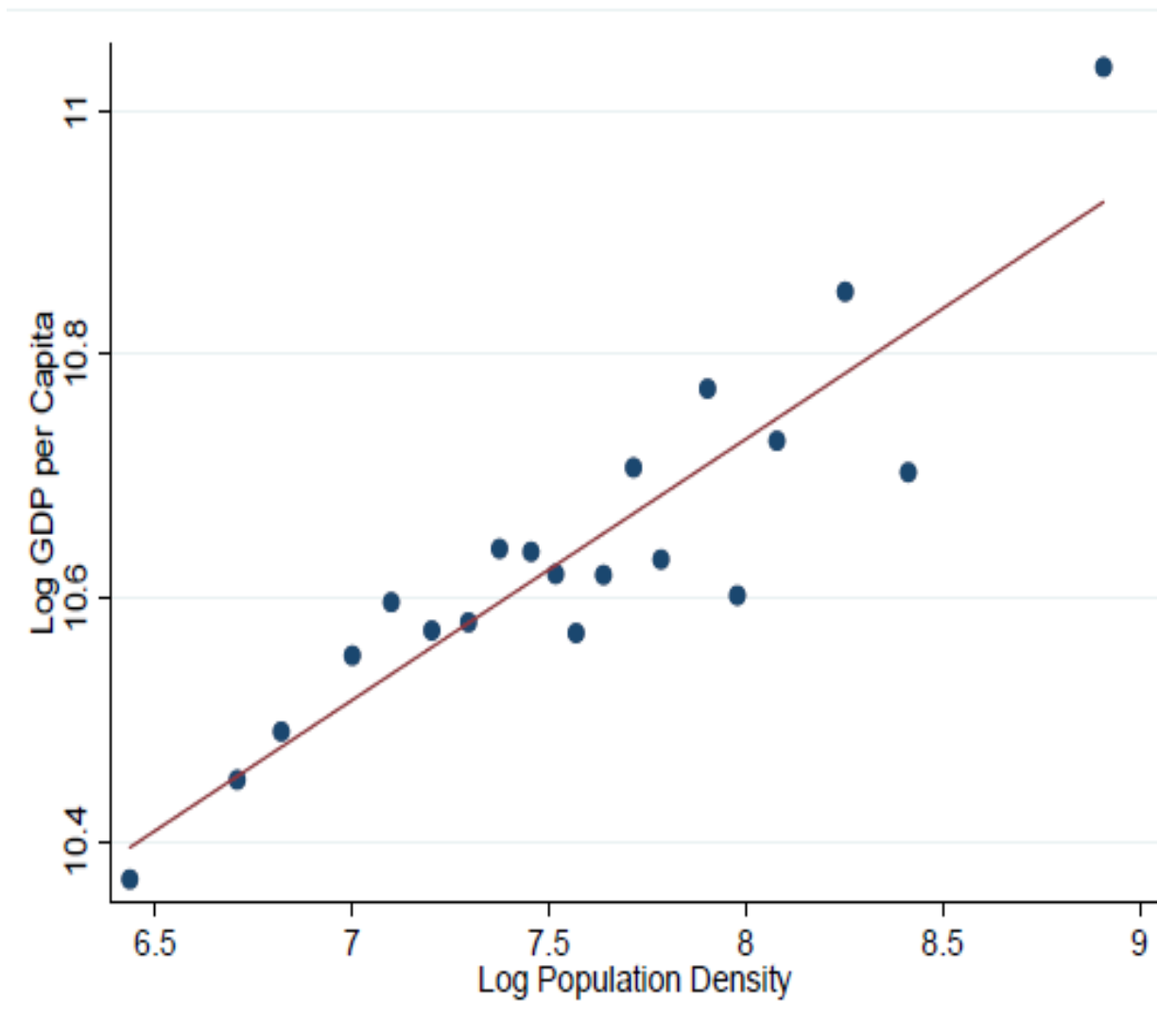


FIGURE 1. RELATIONSHIP BETWEEN DENSITY AND PER CAPITA GDP

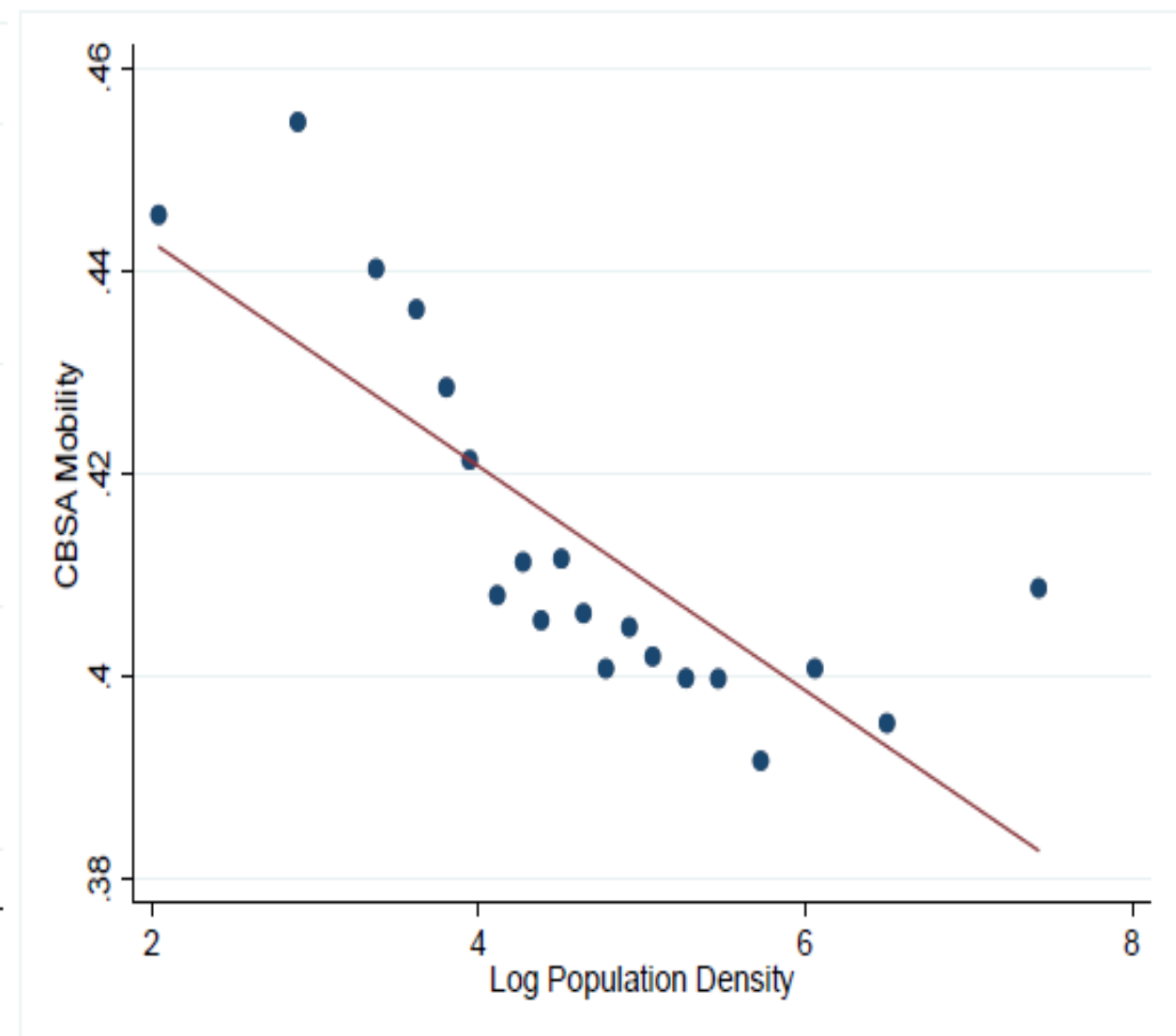
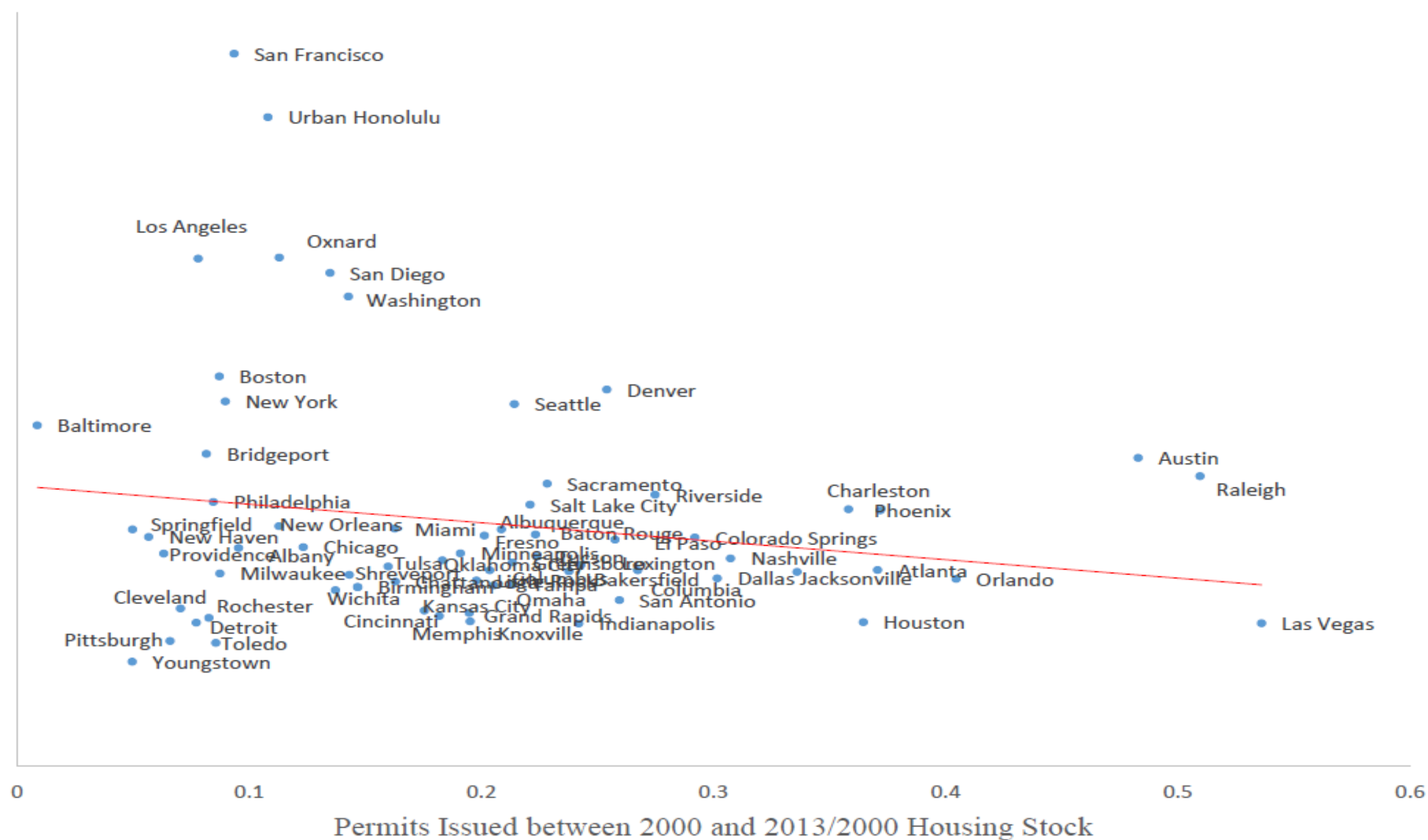
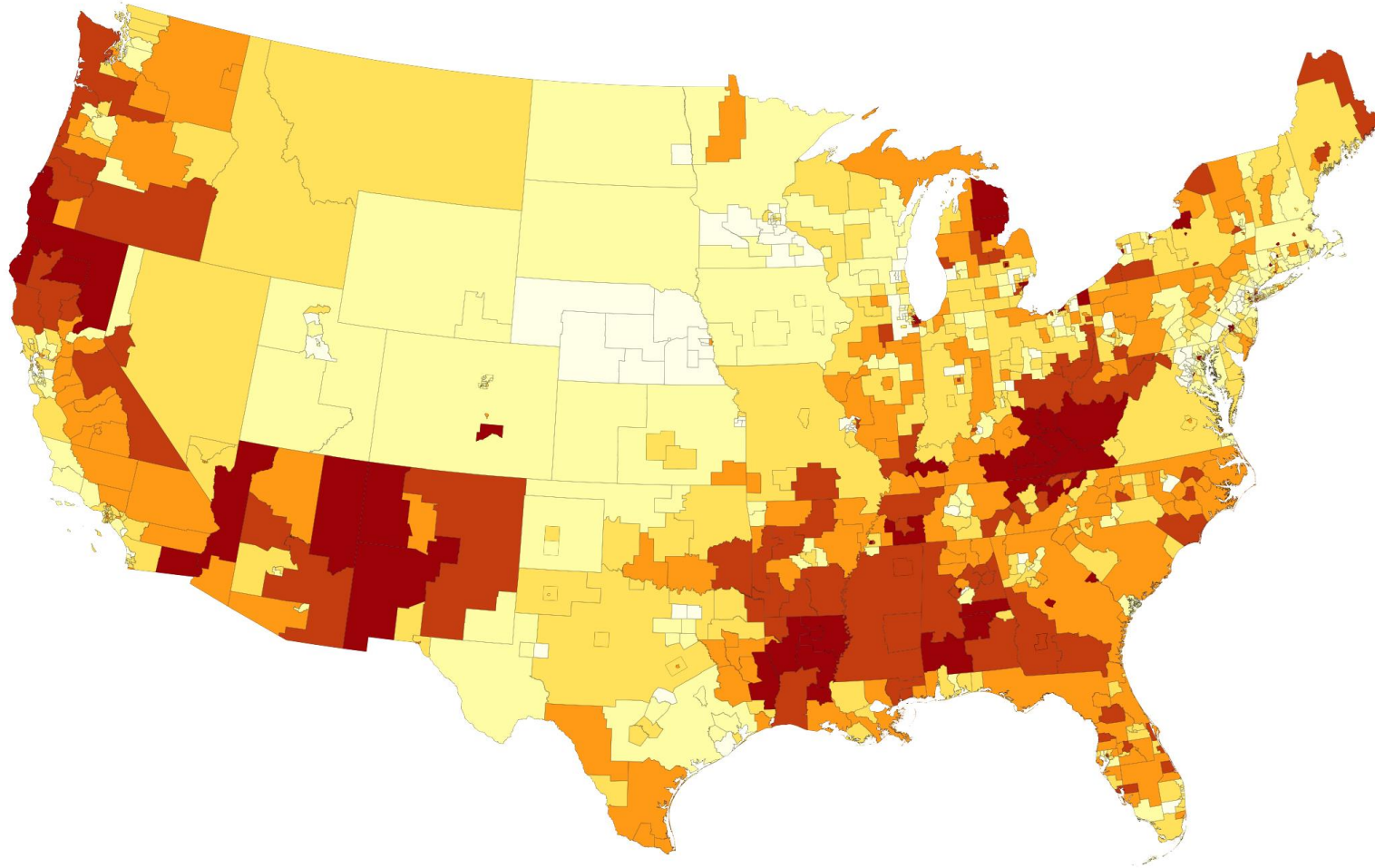


FIGURE 3. RELATIONSHIP BETWEEN DENSITY AND METRO AREA MOBILITY

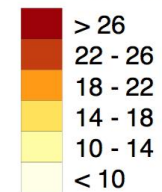
House Price - MPPC (Economy) Ratio in 2013



# Geography of not working: Prime men 2015



Not Working Rate, percent



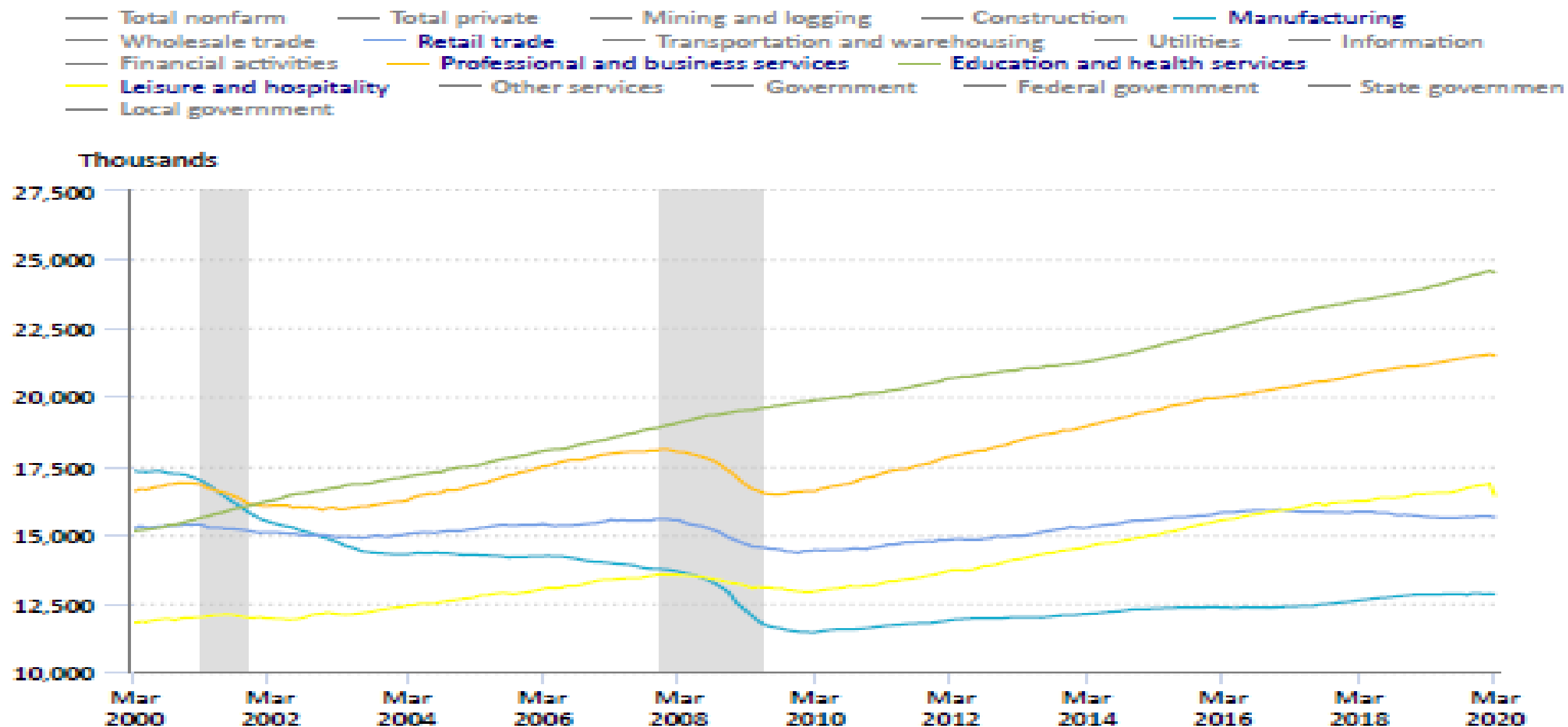


# Farm to Factory to Urban Service Workers: to Extreme Pandemic Vulnerability



# Employment levels by industry, seasonally adjusted

Click and drag inside chart to change dates displayed



Hover over chart to view data.

Note: Shaded areas represent recessions, as determined by the National Bureau of Economic Research.

Source: U.S. Bureau of Labor Statistics.

# Closure Rates by Industry (circa April 1, 2020)

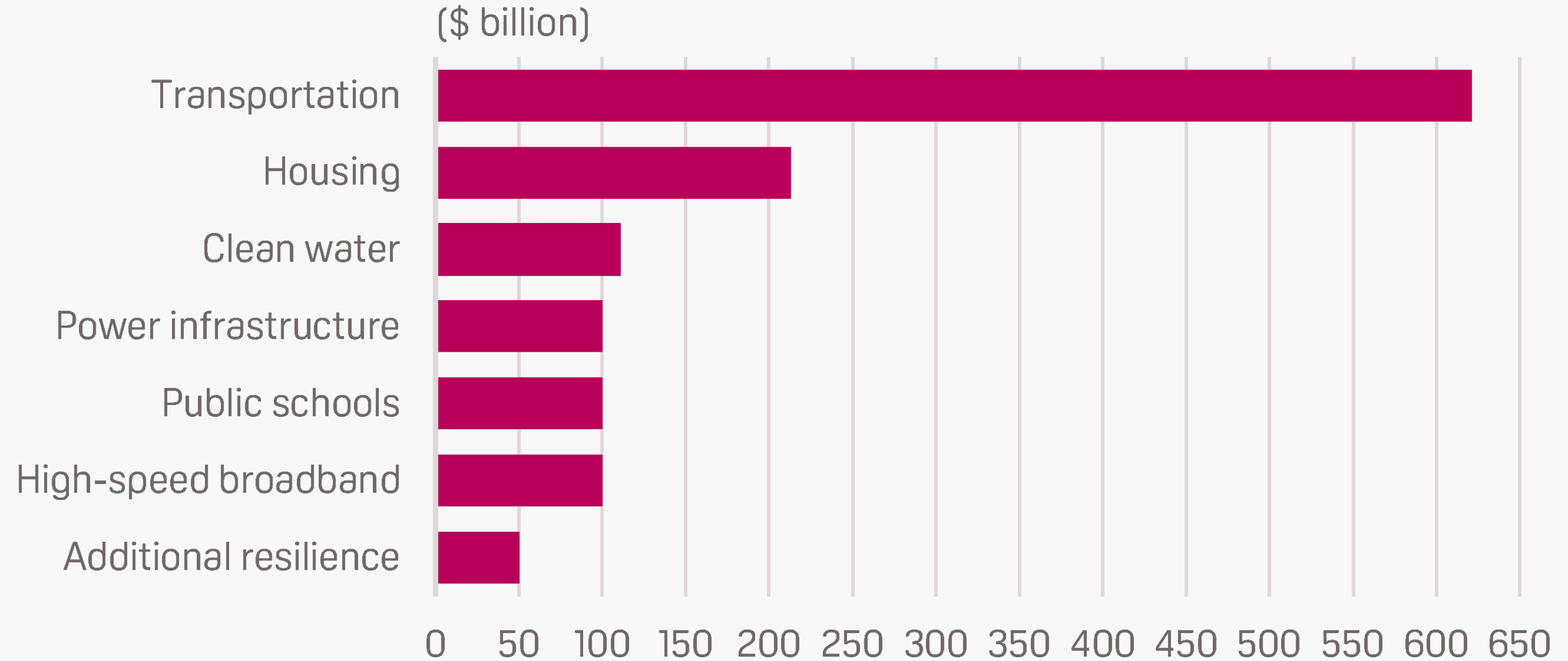
	Currently Closed		Exp Closed December		Weeks COVID Will Last		Current v Jan Employment	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD

## Panel A: Raw Data

All Retailers, except Grocery	0.53	0.50	0.45	0.50	14.1	9.5	0.49	0.42
Arts and entertainment	0.70	0.46	0.42	0.49	17.5	11.3	0.40	0.46
Banking/finance	0.19	0.39	0.25	0.43	16.1	10.9	0.81	0.33
Construction	0.32	0.47	0.38	0.49	14.3	10.3	0.66	0.40
Health care	0.45	0.50	0.29	0.45	15.1	10.4	0.69	0.37
Other	0.39	0.49	0.35	0.48	16.6	11.2	0.70	0.41
Personal Services	0.86	0.34	0.39	0.49	11.8	8.3	0.35	0.40
Professional Services	0.21	0.41	0.29	0.45	15.7	10.6	0.80	0.41
Real Estate	0.37	0.48	0.30	0.46	15.8	11.4	0.70	0.41
Restaurant/Bar/Catering	0.56	0.50	0.52	0.50	13.1	8.7	0.24	0.37
Tourism/Lodging	0.61	0.49	0.45	0.50	16.2	10.0	0.30	0.35
Total	0.45	0.50	0.37	0.48	15.5	10.6	0.58	0.44
N	4413	.	3953	.	4000	.	3935	.



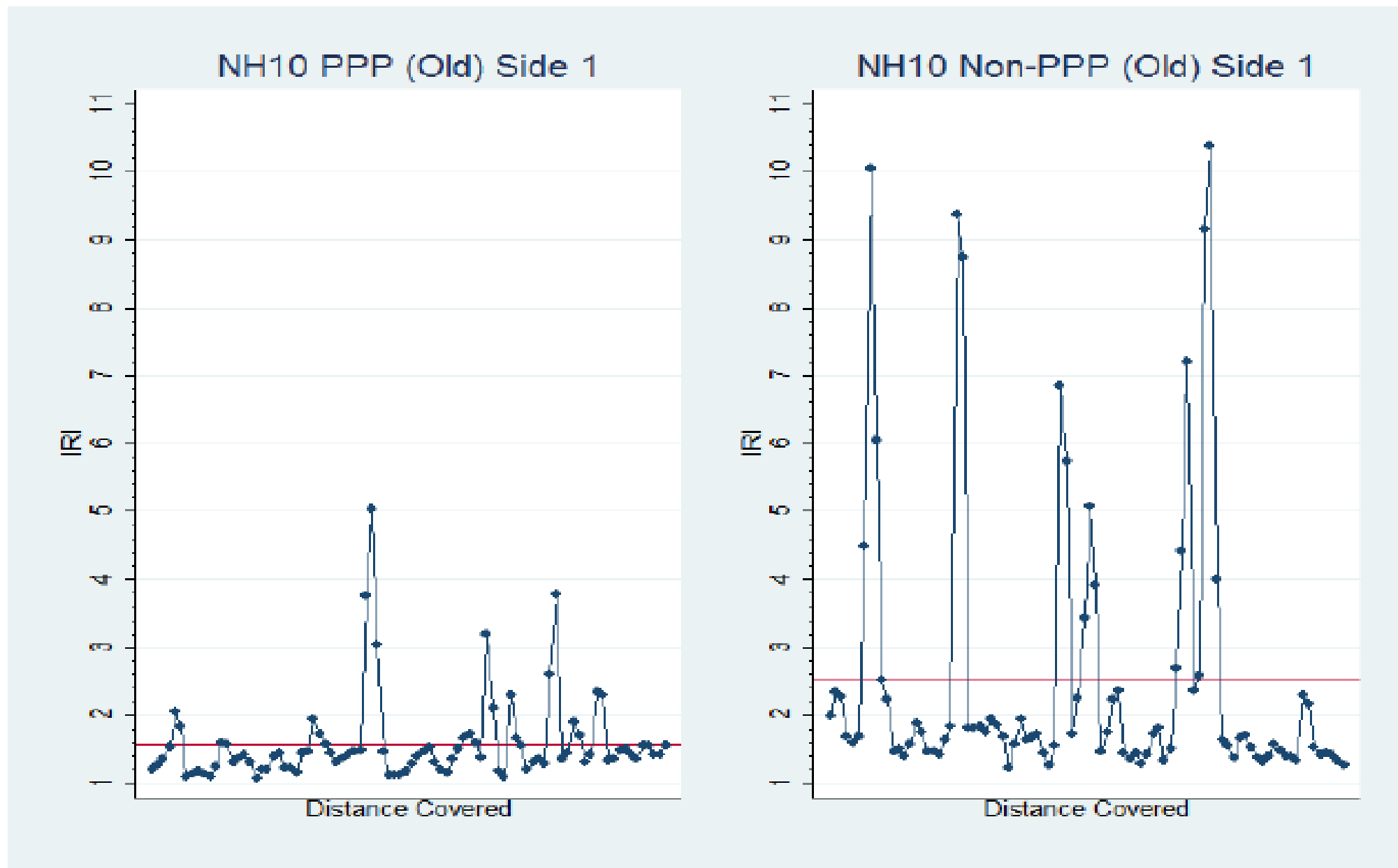
# AMERICAN JOBS PLAN KEY INVESTMENTS



Source: White House

# Public vs. Private, Procurement, and Spending Billions

- We tend to focus on public ownership vs. private ownership as a massive distinction (Karl Marx vs. Adam Smith, etc).
- But public ownership is often associated with private provision, because the road, etc., is often built by a private company.
  - Very rarely is public infrastructure 100% public.
- The construction phase typically requires a highly specialized labor force, etc., which makes outsourcing appealing.
  - Yet private builders often seem to build better and cheaper roads when the client is a private company (Ram Singh evidence) than when the client is the state.
- Across the world, public procurement may be the most important source of global corruption (rivalling regulatory relief and underpricing the transfer of public services).
- Within the US, the rules regarding public procurement add or subtract billions, or lead to lower or higher quality infrastructure.



These plots show that the compared to PPP, the non-PPP neighbour has a significantly higher level of average roughness as well as much larger variance.



# The Regulation of Government

- When regulating private actors, there is usually a tradeoff between limiting negative externalities (which is good) and reducing individual autonomy (which is bad).
- These are not the tradeoffs in the regulation of government.
- The tradeoff is between limiting socially harmful, but privately advantageous actions (e.g. corruption) and allowing the leeway to follow more subtle strategies that benefit society (i.e. choose a better highway builder, even if costs are slightly higher).
  - More like the rules within companies or universities
- The optimal regulation of government will depend on how aligned the public actor's interests are with society as a whole.

# The World Bank Procurement Survey

- A potential new component of the Doing Business survey.
- A questionnaire completed by more than 1,200 professionals across 187 countries involved in the procurement activity, including lawyers, construction and engineering firms, and procuring entities
- In each country, we only consulted with professionals who had been involved in procurement of works contracts with the relevant Procuring Entity (PE) over the previous 12 months.
- Lawyers answer law questions; engineers answer engineering questions.
- Two rounds in 2018 and 2019.
- The survey was structured (like other Doing Business Surveys) around a hypothetical case.

## TRANSPARENCY

### LAW

### PRACTICE

By law, do procurement plans need to be made publicly available by the procuring entity (PE)?

In practice, are procurement plans made publicly available by the procuring entity?

By law, do model procurement documents and materials / standard contract conditions need to be made publicly available by the PE?

In practice, are model procurement documents and materials / standard contract conditions made publicly available by the PE?

By law, do tender notices need to be made publicly available by the PE?

In practice, are tender notices made publicly available by the PE?

By law, do tender documents and technical specifications need to be made publicly available by the PE?

In practice, are tender documents and technical specifications made publicly available by the PE?

By law, do notices of award / bidding results need to be made publicly available by the PE?

In practice, are notices of award / bidding results made publicly available by the PE?

By law, does the contract need to be made publicly available by the PE?

In practice, are contracts made publicly available by the PE?

By law, does the legal framework regulate the need to make contract renegotiations publicly available?

In practice, are the results of contract renegotiations made publicly available?

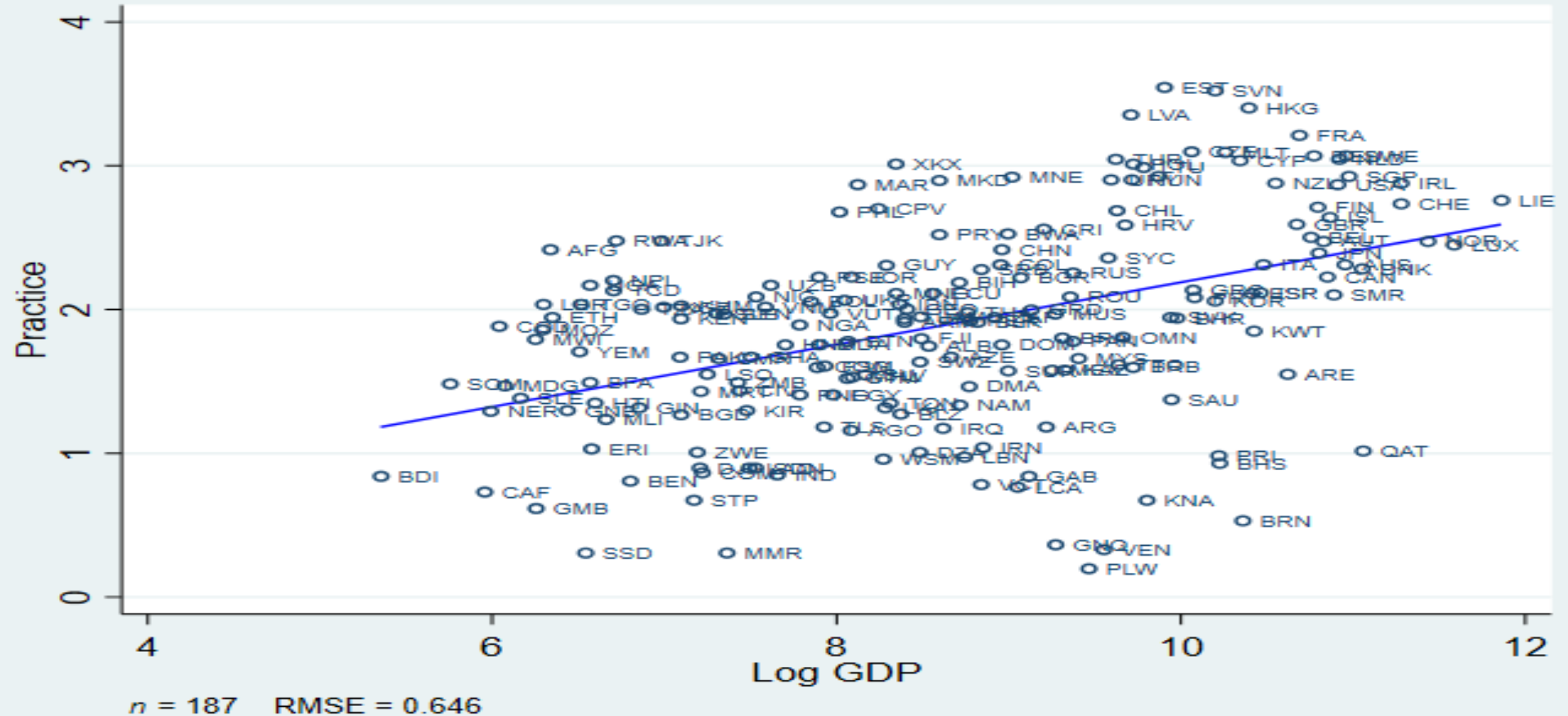
Quality of Product		Efficiency of Process	
<i>Time</i>	The time that it takes in calendar days from the moment the procuring entity decides to procure road works until the winning bidder can commence the works as well as the delays associated with contract management.	<i>Favoritism</i>	How often do procuring entities circumvent public procurement rules by interpreting selection criteria in a way that favors a specific bidder?
<i>Overruns</i>	How often are the works delivered within the original budget?	<i>Bribes</i>	How often do private sector companies informally pay public officials to circumvent public procurement rules?
<i>Low quality</i>	How often do private sector companies execute the contract with less quality or with different technical specifications than were submitted during the tender process?	<i>Collusion</i>	How often do private sector companies collude with the Procuring Entity, to negate market entry to other competitors?
		<i>No competition</i>	How often do procuring entities use non-competitive procurement methods instead of open tendering to restrict market entry?



# Laws are stricter in poor countries

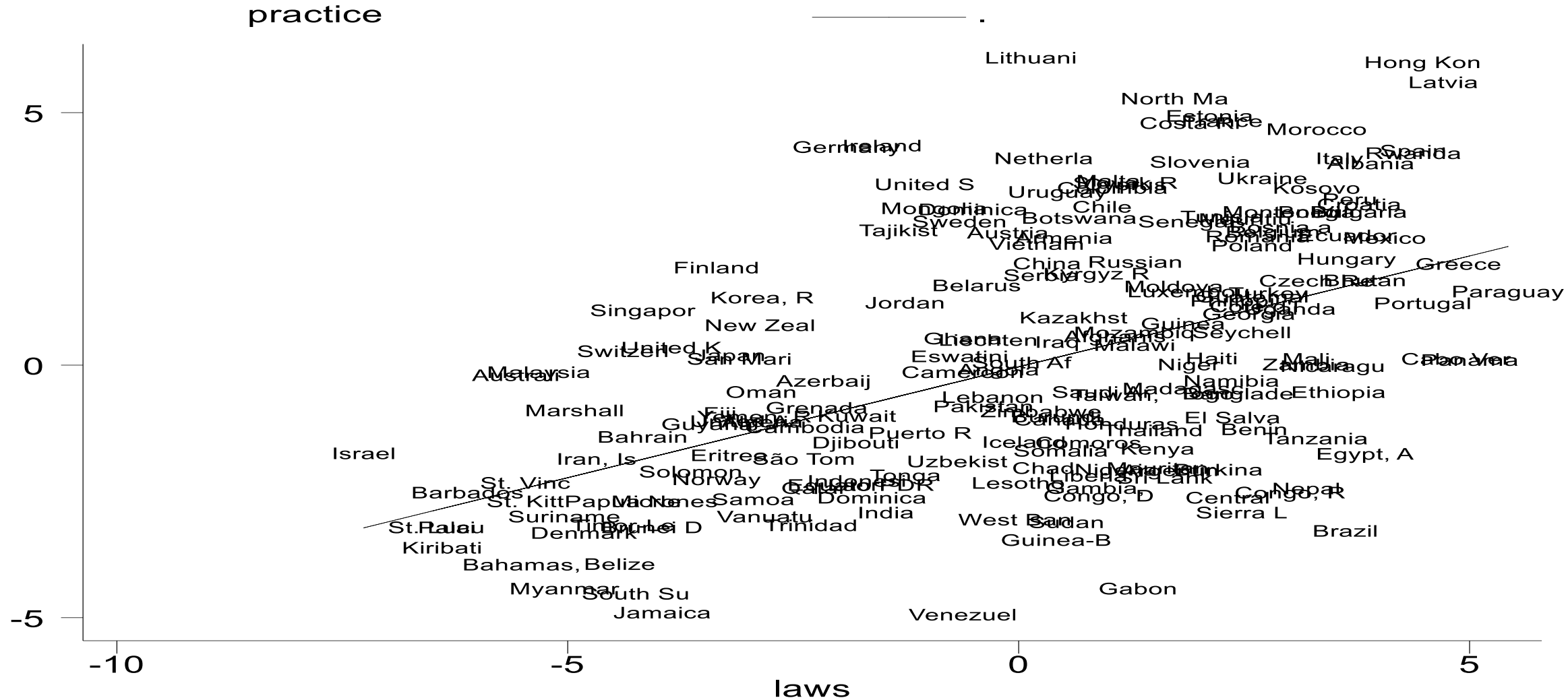


# Practices are better in rich countries

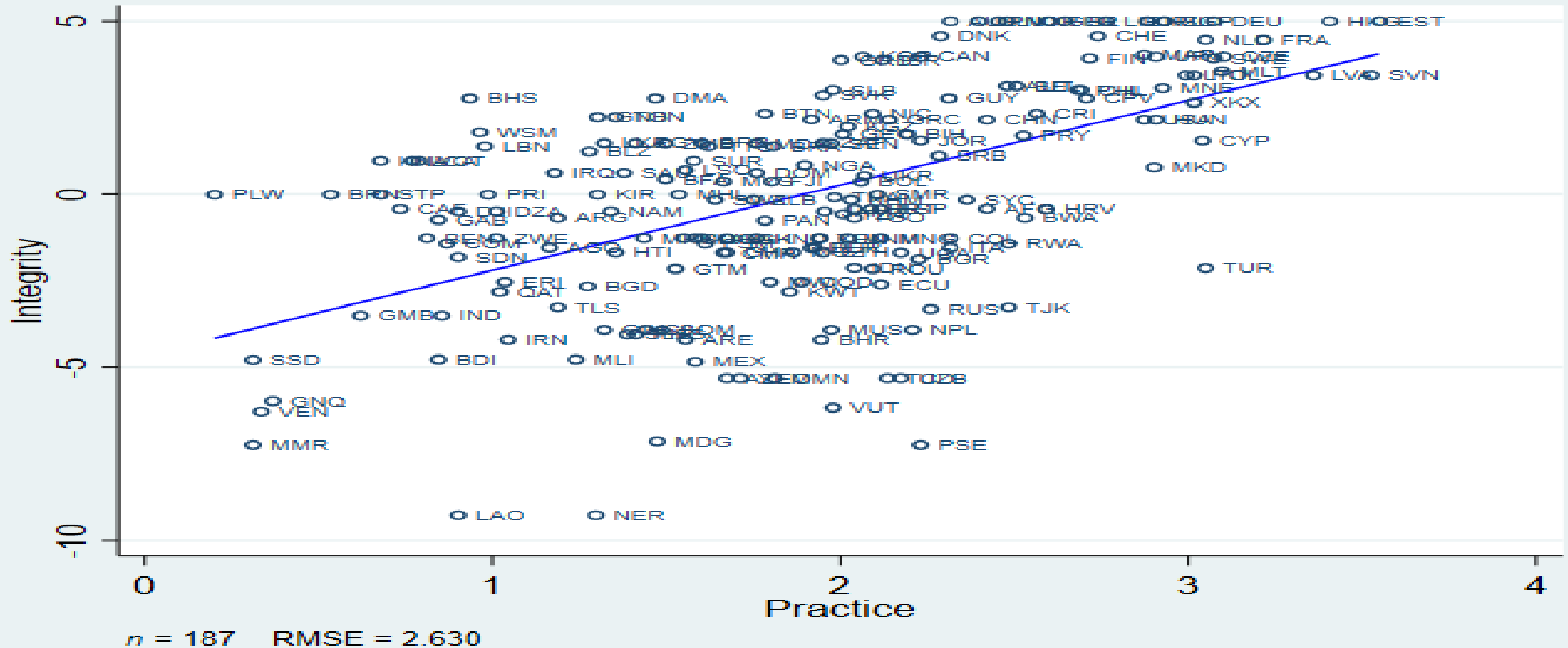


# Stronger Laws → Better Practices

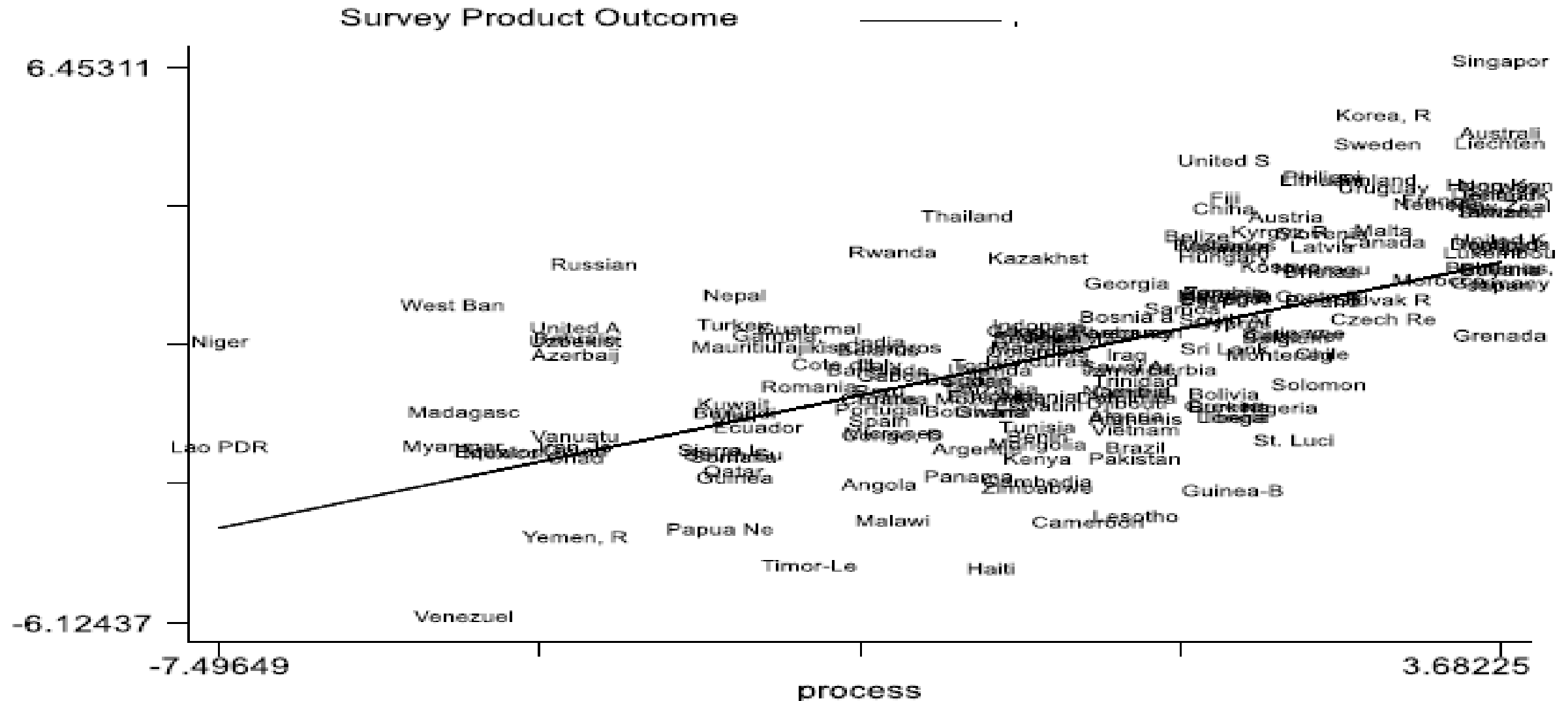
$$Practice = \frac{.46}{(.07)} \cdot Laws + \frac{.26}{(.03)} \cdot \text{Log}(GDP) - \frac{1.21}{(.31)}$$



Better Practices → Better Integrity of Process

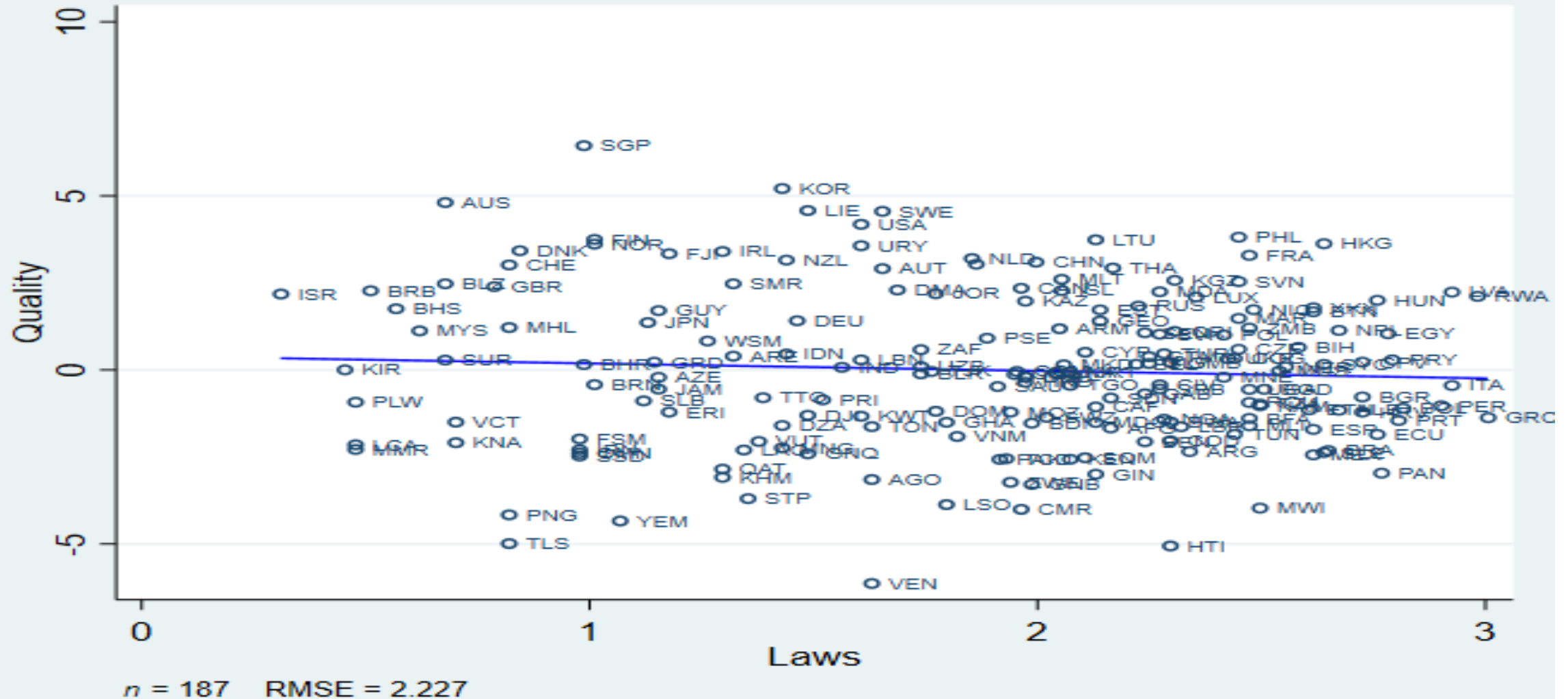


# Integrity of Process → Quality of Product

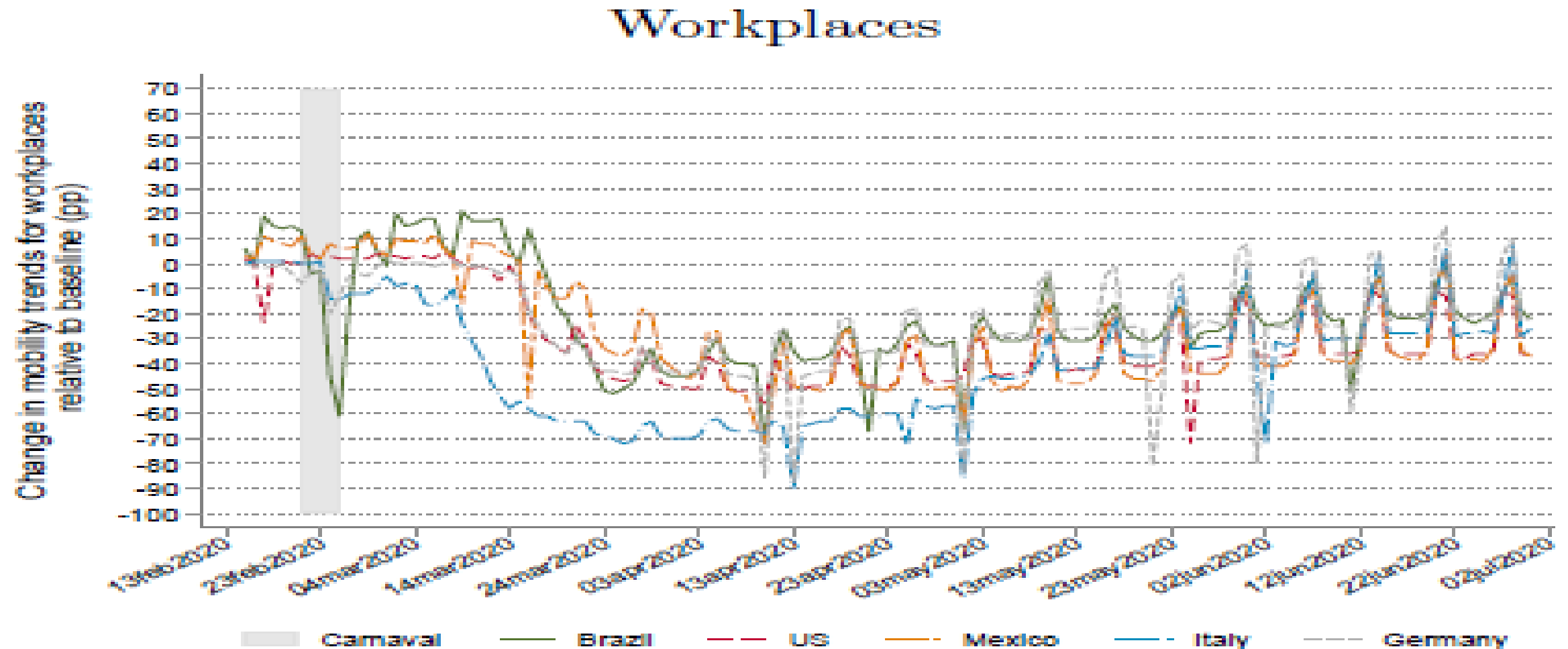




But Laws don't improve quality of product.  
Why? (the answer is in the paper)



# Will the boost in remote working become permanent?



# The Age of Centrifugal Cars (and Radios and TVs)



# Killed Urban Industry, Like NYC Garments



So, why didn't these...



Image by ChtiTux



Image by Danamania



...Kill finance and urban information industries?



Image by Runner1928

# Emmanuel and Harrington: Going Remote

Figure 6: Difference-in-Difference of Calls/Hr Around Forced Transition to Remote Work for On-Site Workers

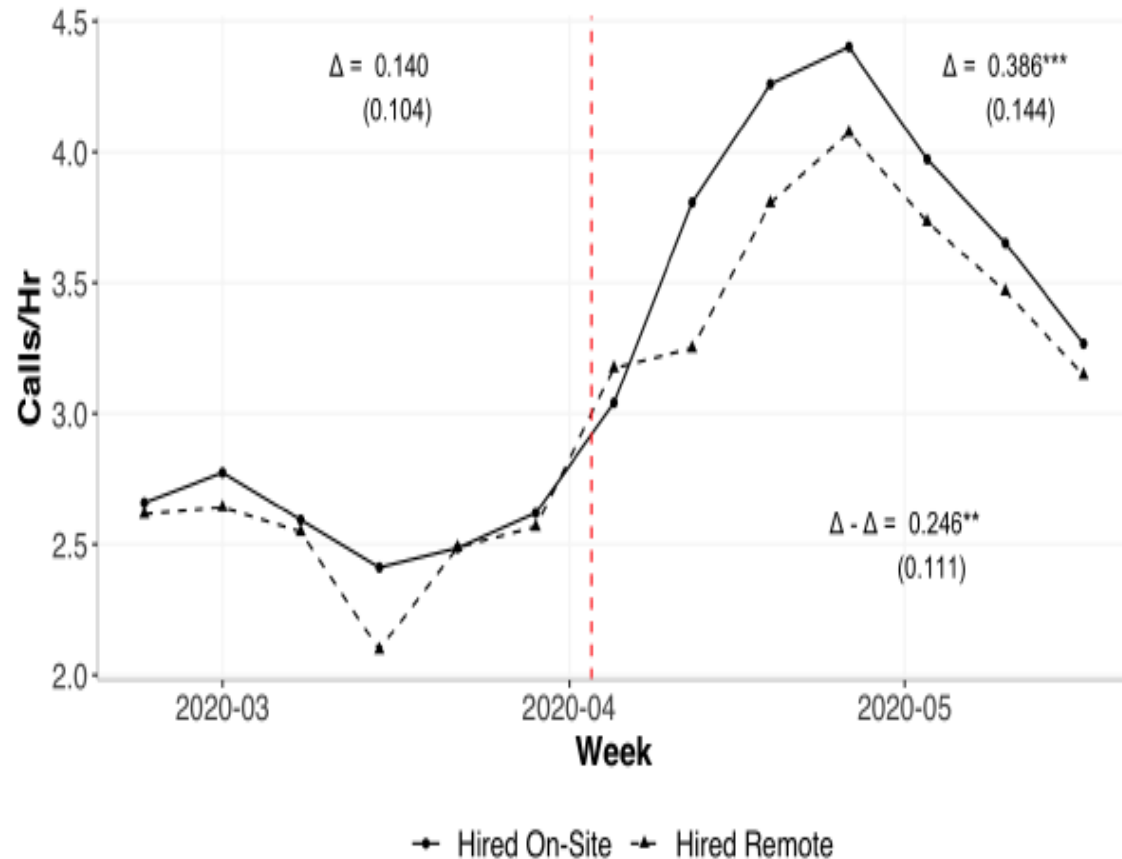
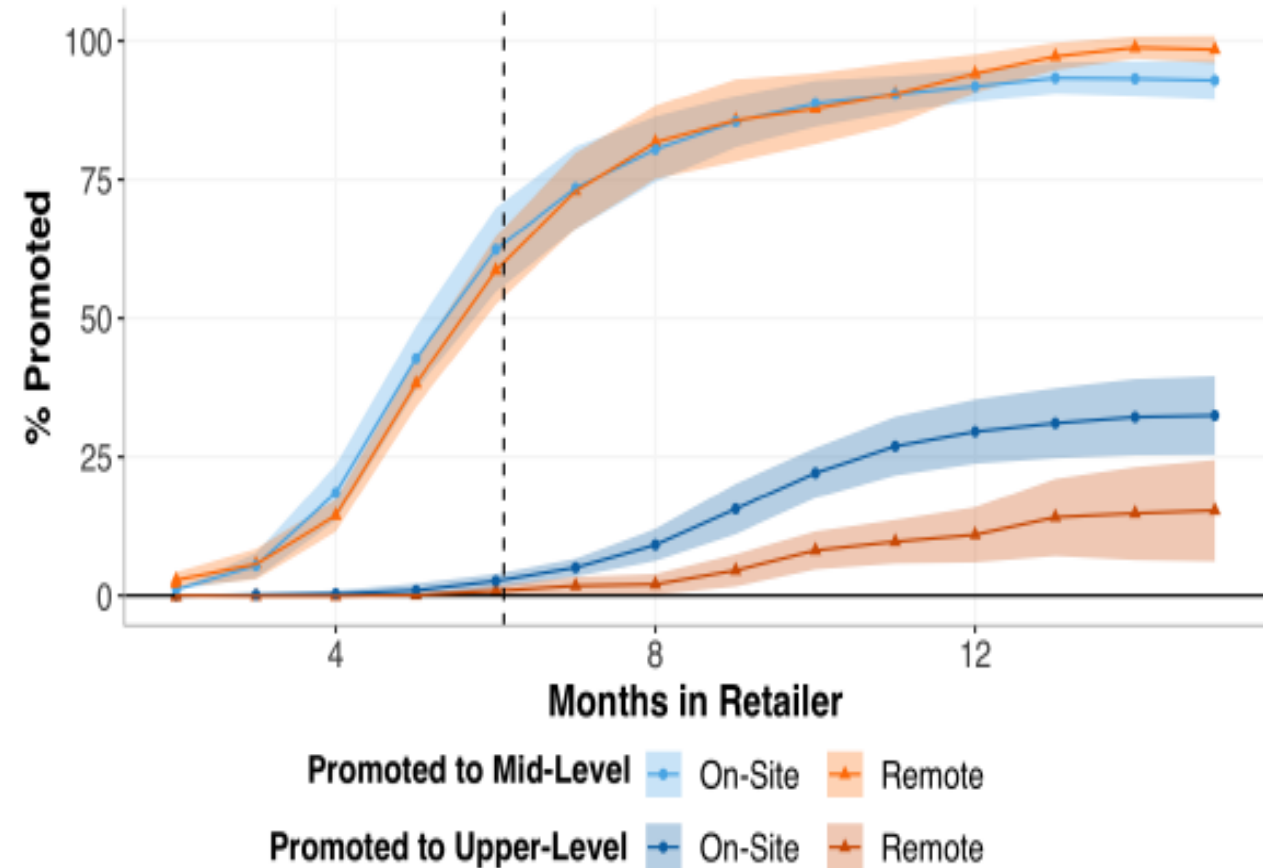
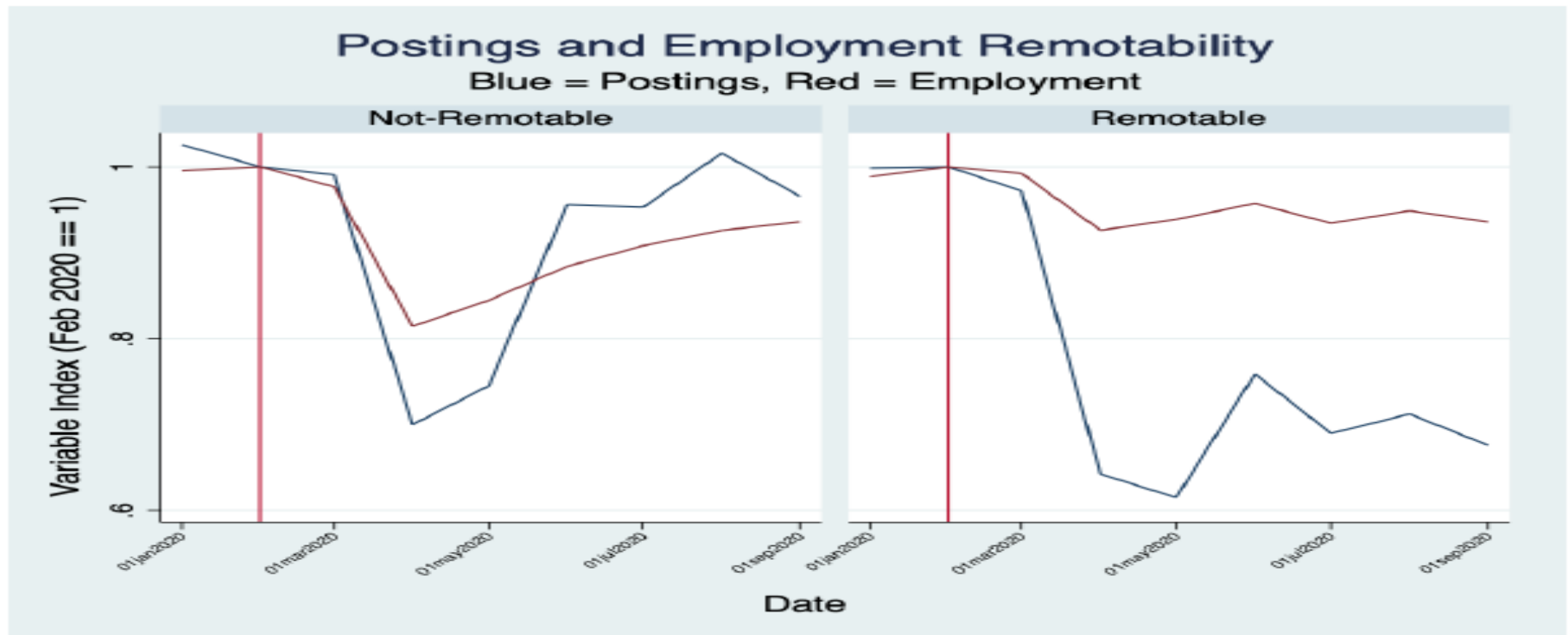


Figure A.2: Promotion Shares By Tenure for Remote and On-Site Workers



# Companies Don't Hire Remote Workers! (Work is by Morales-Arilla and Daboin)

**Figure 1:** Postings, Employment and “Remotability” of Work under COVID-19



*Notes:* Figure shows the index of employment and postings (base February 2020) for “remotable” and “non-remotable” occupations. Employment is shown in blue lines, while posting is shown in red lines.

# The Inequality of the Remote Workplace

May 2020	Total Civilian Population	Unable to Work Due to Pandemic (Closure or Lost Business)		Total Employed Population	Teleworking Due to Pandemic	
		Number	Percent		Number	Percent
Total, 25 years and over	222,559	41,616	18.7	123,109	45,989	37.4
Less than a high school diploma	19,607	3,941	20.1	6,887	355	5.2
High school graduates, no college <sup>3</sup>	61,403	12,025	19.6	28,708	4,379	15.3
Some college or associate degree	57,510	12,235	21.3	31,581	7,928	25.1
Bachelor's degree and higher <sup>4</sup>	84,038	13,416	16.0	55,933	33,327	59.6
Bachelor's degree only	51,890	9,011	17.4	33,778	18,069	53.5
Advanced Degree	32,148	4,405	13.7	22,155	15,258	68.9

**Table 4. Share of workers who switched to remote worker during COVID-19 that will continue working remotely after COVID**

	Alignable (May) (1)	NABE (2)
0-20%	0.39	0.52
20-40%	0.20	0.11
40-60%	0.12	0.16
60-80%	0.12	0.07
80-100%	0.17	0.13
N	203	61

Note: The sample for the Alignable question was restricted to those who had more than 20% of their workforce in remote positions. The NABE sample excludes those who "do not know" the answer to the question.



# Everything Depends on the Duration of the Pandemic Risk

- # 1: If the shock doesn't end quickly and if pandemics reappear, then quite significant changes will appear in both the urban location and the demand for transportation.
- #2: If this ends quickly, and doesn't happen again then the shock is real but doesn't change urban life massively. Still there will be short term shifts:
  - In rich cities, this means that prices drop more than vacancies rise.
  - Commercial space may be more vulnerable than residential.
  - Cities will still reallocate from old to young, and some significant work will move either to homes or lower density locales.
  - Cities faced political challenges before COVID-19.

Data from JLL

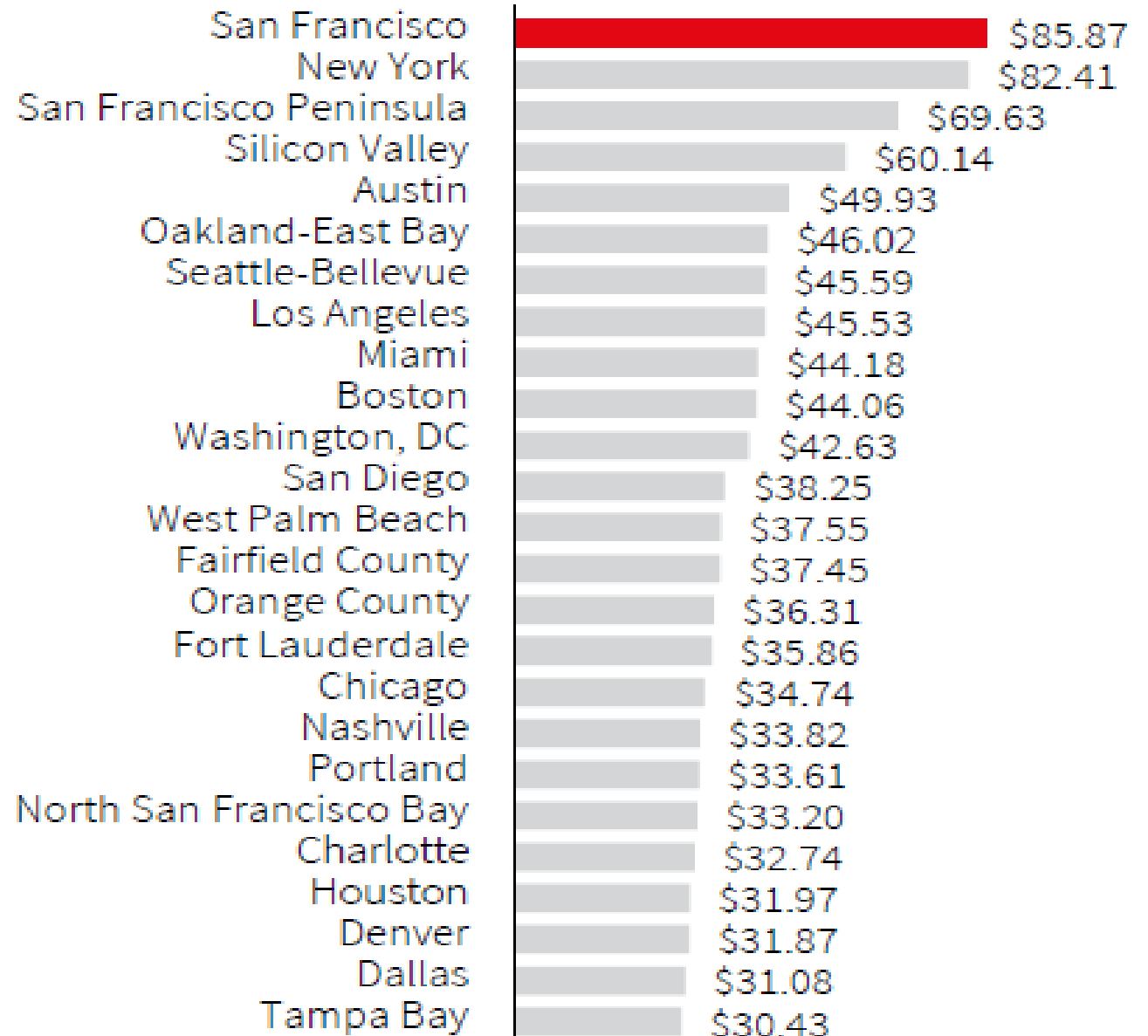
These high end markets are unlikely to see large scale vacancies, even with substantial price falls

The margin of error between current price and operating cost is too large.

Some Class C may convert to residential

## Marketed rents

\$ per square foot



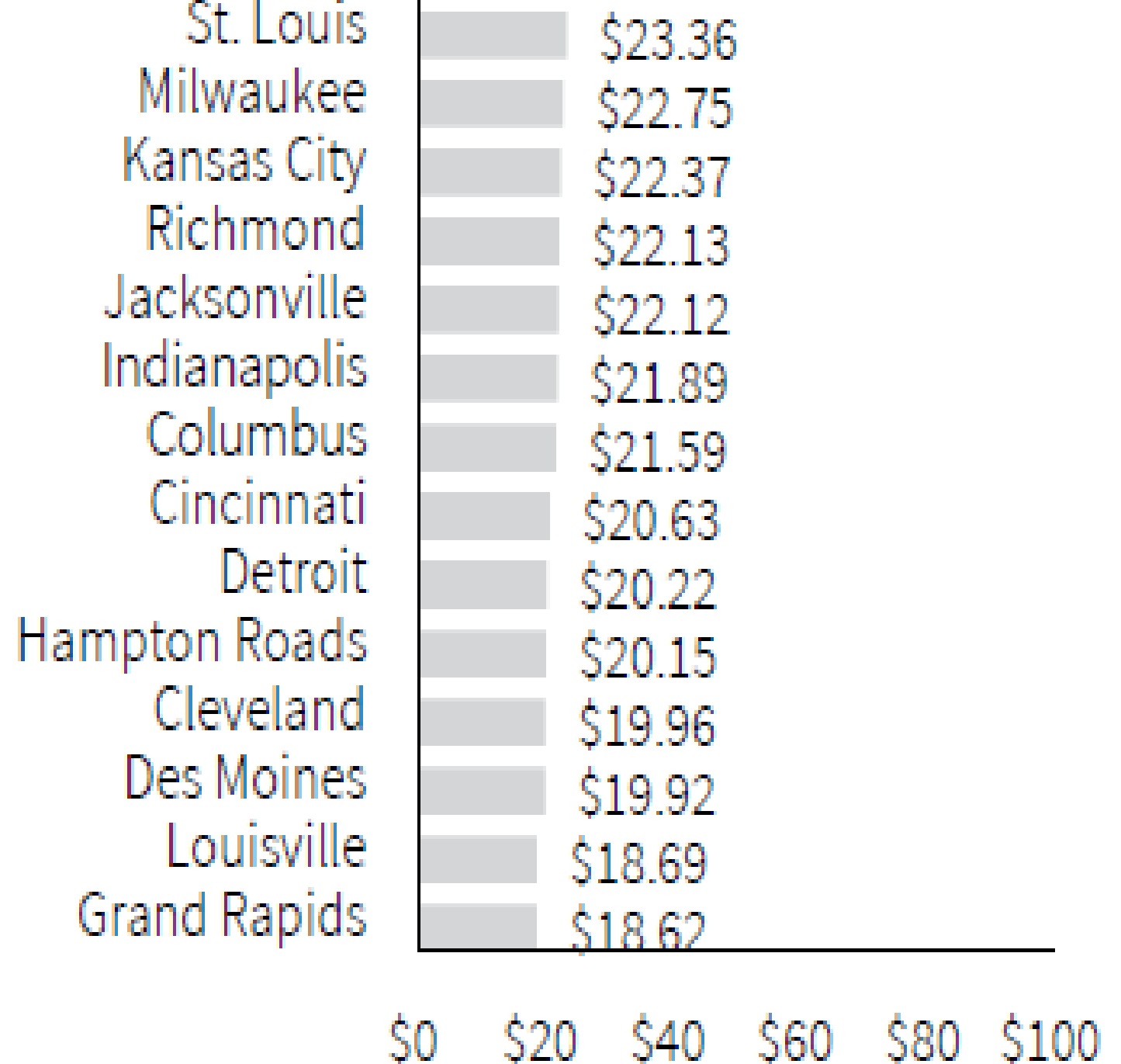
Data from JLL

These lower end markets have a much smaller margin of error.

And less demand for residential conversion.

This should mean that vacancies are far more plausible.

That will create negative local spillovers.



# The Political Risks for Cities



<https://www.graftonarchitects.ie/>

**NASSAU SUFFOLK FINAL**

**DAILY NEWS**


NEW YORK'S PICTURE NEWSPAPER

Vol. 57, No. 199 New York, N.Y. 10017, Thursday, October 30, 1975\* News, cont., \$7.25. Details p. 176

**15¢**

# FORD TO CITY: DROP DEAD

## *Vows He'll Veto Any Bail-Out*



**Abe, Carey  
Rip Stand**

**Stocks Skid,  
Dow Down 12**

Three pages of stories begin on page 3; full text of Ford's speech on page 26

President Ford gives his message at Washington's National Press Club yesterday.



# Persistent COVID-19 or new pandemic implies that all rich cities are at risk. We need NATO for Health.

- So are all face-to-face service jobs
- Poor world cities will still grow
- Take extraordinary steps to ensure that doesn't happen.
- Preemptive research, and speeding the vaccine pipeline.
- Global Coordination: NATO not the UN.
- The global trade of sanitation aid for hygiene rules.





# Cities are Resilient!

