Can Cities Go Extinct?

Part 1: The internet was supposed to make cities redundant. Its moment might finally be here.

In 1969, a UCLA student sent a message to the Stanford Research Institute in Menlo Park. The message was sent over a new network, ARPANET, that connected four computers in Utah and California. Over time, ARPANET evolved to become the internet.

That same year, Playboy sent a reporter to the suburbs of Toronto, Canada. He was sent to interview Marshall McLuhan, a professor and author focused on the impact of "electric media". By then, McLuhan was already famous for his assertion that technology was turning the world into a "global village".

It was the golden era of television and the same shows and ideas could now be broadcast to all the people on earth. But that's not what McLuhan had in mind. The "global village" he had in mind was not a place where all people share the same ideas and culture. Quite the opposite, he expected mass media to breed "discontinuity and diversity and division", in contrast to the "old, mechanical standardized society" of the industrial era. "The global village," according to McLuhan, "makes maximum disagreement and creative dialog inevitable."

The “village” McLuhan has in mind was not just a metaphor to describe a post-industrial world. He meant it literally:

“The cities, corporate extensions of our physical organs, are withering and being translated along with all other such extensions into information systems… New York, Chicago, Los Angeles—all will disappear like the dinosaur.”

McLuhan saw large cities as unique artifacts of the industrial era — an era of mass production, mass media, mass consumption, and mass agglomerations of people. The online village was expected to replace the city and allow all of us to live in physical villages.

But things turned out differently.

Excusing McLuhan

Fifty years later, it’s easy to conclude that McLuhan was wrong. The world is more urbanized than ever. Television made the world smaller. Four months after the Playboy interview, 650 million across the globe watched Neil Armstrong walk on the moon, together. American — and, later, European and Japanese and Korean and Chinese brands — proceeded to become household names, transcending languages and borders.

But what if McLuhan wasn’t wrong?

Let’s start with the easy stuff. In 2020, television is associated with passive consumption of content, especially when compared to more interactive forms of digital communication. But in the 1960s, the TV was seen as highly “participatory” compared to the impersonal world of newspapers and still photography.

In addition, broadcast TV was of such low quality that figuring out what’s on the screen required an active effort from viewers. As McLuhan pointed out, “video image is one of low intensity or definition and thus, unlike either photograph or film, offers no detailed information about specific objects but instead involves the active participation of the viewer.”

McLuhan mistook the TV for the internet. He saw a spark of interactivity and followed it to its ultimate conclusion.

As for cities, many industrial centers did fall from grace in the second half of the 20th Century. Juggernauts such as Detroit, Pittsburgh, Manchester, Liverpool, and even more diverse economies such as New York and London shrunk to varying degrees. In the US, most of the so-called urban growth over the past fifty years has been in the suburbs.

Even offices moved out of the city. Forty years ago, nearly 75% of office space was located in urban centers. By 1999, that share dropped to 58% with the remaining 42% located in the suburbs. There were political, social, and racial reasons for these changes. But it was technology that enabled companies to outsource their manufacturing and locate different functions of the business in different places.

Globally, most urban growth has been concentrated in developing countries, particularly in China. This growth was achieved mostly while China's economy was focused on manufacturing and the extraction of resources. As such, China's urbanization is more of a repetition of the industrial era than a guide to the post-industrial one. In addition, the urbanization rate in the developing world is often overstated: In China, rural areas are annexed to nearby cities and proclaimed "urban" long before they actually become urban.

These excuses are meaningful, but they are no longer valid. Over the past decade, China's economy has become more dependent on services rather than manufacturing. Its cites are gradually becoming centers for the production of culture and knowledge. And even in the developed world, some large cities have become more vibrant than ever. Urban areas are now magnets for the knowledge industries that were supposed to destroy them.

We can forgive McLuhan for mistaking the TV for the internet. But how do we explain the growth of cities after the internet boom of the 1990s and early 2000s?

Better Together

As Harvard Professor Ed Glaeser points out, "human collaboration is the central truth behind civilization's success and the primary reason why cities exist". Collaboration was important in the industrial world: hundreds of employees would work together on the factory floor, passing widgets along an assembly line. That type of work is no longer done in cities. It moved to the suburbs, then to China (and elsewhere), and is ultimately being performed by machines.

Machines are great at producing things. But humans are still better at producing knowledge. That means coming up with new products, designing them, telling stories about them, listening to feedback from customers, and collaborating with other humans to create even better products. Knowledge work is less structured, more spontaneous, and harder to teach. As such, it is easier done in cities.

At least that's the theory. Urban density leads to what economists call "agglomeration economies". According to Glaeser, "the core idea at the center of information-based agglomeration economies is that all of our knowledge builds on things that we learn from people around us." Being in close proximity to other knowledge workers makes it easier for us to learn new things and come up with new ideas.

This is not just a theory. It is grounded in research from the past few decades. As Professors Gilles Duranton and Diego Puga explain:

Urban density boosts productivity and innovation, improves access to goods and services, reduces typical travel distances, encourages energy-efficient construction and transport, and facilitates sharing scarce amenities.

Cities are good for business, good for creativity, and good for the environment. Cities are also more fun! Back to Glaeser:

Holding income, education, marital status, and age constant, over a twelve-month period, city residents are 19 percent more likely to go to a rock or pop concert, 44 percent more likely to visit a museum, 98 percent more likely to go to a movie theater, and 26 percent more likely to have a drink at a bar than their country cousins. These higher end entertainments, which feature live interactions instead of passive TV watching, also have a particular appeal to wealthier and more educated people. If the world continues to get richer and better educated, the urban entertainment advantage will become even more valuable.

This fun-factor might be more important than all others. Creative people like to live in fun places alongside other creative people. Richard Florida wrote a whole book about it.

Based on the evidence, it looks like McLuhan's prediction was way off. The information age made cities more important. It made human work more dependent on physical presence. And it highlighted social and cultural habits that seem impervious to technological change.

It may be so. And I will not argue with the esteemed professors mentioned above. But I would like to point out two caveats. First, most research on cities suffers from "survivor bias" — it draws general conclusions by looking at the cities that are still around and doing reasonably well. Second, and much more importantly, all the data we have is data from the past.

The internet has been around for decades, but its full effects are far from clear. Even many simple inventions took a long time to express themselves.

In Part 2 of this article, we will consider the difference between 2000, 2008, and 2020; we will look at how agglomeration economies may be changing, and we will consider the implications for cities.

This article forms part of Dror Poleg's Rethinking Real Estate series.

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