What Happened to the American Boomtown?

The places with the most opportunity used to attract the most new residents, in a cycle of fast-growing cities and rising prosperity. But no more.

By Emily Badger

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Chicago in 1850 was a muddy frontier town of barely 30,000 people. Within two decades, it was 10 times that size. Within another two decades, that number had tripled. By 1910, Chicago — hog butcher for the world, headquarters of Montgomery Ward, the nerve center of the nation's rail network — had more than two million residents.

“You see these numbers, and they just look fake,” said David Schleicher, a law professor at Yale who writes on urban development and land use. Chicago heading into the 20th century was the fastest-growing city America has ever seen. It was a classic metropolitan magnet, attracting anyone in need of a job or a raise.
But while other cities have played this role through history — enabling people who were geographically mobile to become economically mobile, too — migration patterns like the one that fed Chicago have broken down in today’s America. Interstate mobility nationwide has slowed over the last 30 years. But, more specifically and of greater concern, migration has stalled in the very places with the most opportunity.

As Mr. Schleicher puts it, local economic booms no longer create boomtowns in America.

At a small scale there are exceptions. Some of the fastest-growing counties this decade were in corners of North Dakota, riding an oil boom. And it’s true over the last two generations that several once-modest cities have grown into vast metro areas in the Sun Belt. But what’s drawing people there has more to do with cheap housing than high wages.

The places that are booming in size aren’t the economic boomtowns — the regions with the greatest prosperity and highest productivity. In theory, we’d expect those metros, like the Bay Area, Boston and New York, to be rapidly expanding, as people move from regions with high unemployment and meager wages to those with high salaries and strong job markets.

That we’re not seeing such a pattern suggests that something is fundamentally amiss. The magnets aren’t working.

The metro areas that offered the highest pay in 2000 have grown by some of the slowest rates since then, while people have flocked to lower-wage metros like Las Vegas, Phoenix and Charlotte, N.C. Similarly, the metros with the highest G.D.P. per capita are barely adding workers relative to much less productive areas.

(This chart draws on data about metropolitan statistical areas, which align better with local labor markets than arbitrary city boundaries do. The population chart above uses city data, given that historical metropolitan estimates aren’t available from the census.)

Some people aren’t moving into wealthy regions because they’re stuck in struggling ones. They have houses they can’t sell or government benefits they don’t want to lose. But the larger problem is that they’re blocked from moving to prosperous places by the shortage and cost of housing there. And that’s a deliberate decision these wealthy regions have made in opposing more housing construction, a prerequisite to make room for more people.

Compare that with most of American history. The country’s economic growth has long “gone hand in hand with enormous reallocation of population,” write the economists Kyle Herkenhoff, Lee Ohanian and Edward Prescott in a recent study of what’s hobbling similar population flows now.

Workers moved north during the Great Migration and west out of the Dust Bowl. The lure of the Gold Rush made San Francisco a boomtown after the 1850s. The rise of the auto industry helped triple the size of Detroit between 1910 and 1930. Other Northern cities like Cleveland similarly swelled as they became manufacturing hubs.
Los Angeles grew to a city of more than a million in the 1920s as film sets, oil wells and aircraft manufacturing promised opportunity. Seattle boomed after World War II, as Boeing did. Houston’s population took off as it became the center of the country’s energy economy.

It’s unrealistic to think that New York or San Francisco could grow today by the same magnitude. It’s much harder for a region to double in size when it already has 10 million people. And the United States is a far more urban country today than it was a century ago, meaning that there are fewer rural residents to pour into cities.

But these productive places aren’t growing as fast now as economists believe they should — and as they would if they didn’t impose so many obstacles on new development. Since the 1970s, land use restrictions have multiplied in coastal metros, making it harder to build in, say, San Jose, Calif., than in Phoenix. And the politics of development have become tense, too. In the Boston suburbs, the Bay Area, Brooklyn and Washington, people who already live there have balked at new housing for people who don’t.

As a result, housing prices have soared in the most prosperous places, making them inaccessible to lower-income workers and negating much of the allure of the higher wages there. Over this same time, research shows that high-skilled migrants have clustered in these areas, while low-skilled workers have been more likely to move elsewhere. California’s share of the national population has effectively stopped growing, despite the fact that the state is a hotbed of tech innovation.

Were it not for all the restrictions on housing in the most productive places — if workers were able to more freely migrate to them — Mr. Herkenhoff and his co-authors and the economists Enrico Moretti and Chang-Tai Hsieh have estimated that the nation’s G.D.P. would be substantially higher. By their calculations, there are millions of workers missing from the Bay Area and metropolitan New York today.

The population growth that is occurring in these metro areas is fueled almost entirely by immigration, as Ryan Avent points out in “The Gated City,” where he makes a similar argument to Mr. Schleicher. If we consider only domestic moves, about 900,000 more people have moved away from New York than to it since 2010. On net, about 47,000 have left both San Jose and Washington, D.C., while Boston has lost a net 36,000.

If these places remain magnets for immigrants, the high cost of housing is now repelling current residents, in addition to keeping away more potential new ones. That should worry everyone, the Obama White House warned last year, as severe housing shortages in a handful of places worsen income inequality across the country and stifle the nation’s productivity.

To think about it another way: If these highly productive metros would build enough housing, Mr. Schleicher believes that would do more to improve the prospects of American workers and buoy the nation’s economy than proposals like lowering corporate taxes contained in the tax bill the Senate passed last week.

“And it’s not even close,” Mr. Schleicher wrote in an email. “A policy that aimed at reducing barriers to locational choice would outperform anything in the tax reform bill.”

For the most part, the federal government doesn’t have the power to create that policy. But local cities and suburbs do.
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