Rough year for your favorite NFL team?
Join me, Danny Heifetz along with
Danny Kelly, Ben Stollack, and Craig Krolbeck
on the Ringer NFL Draft Show,
where we talk about all things NFL Draft,
and more importantly, how to fix your mediocre team.
Check out the Ringer NFL Draft Show
every Tuesday and Thursday.
Before today's show, a couple of announcements.
First, thanks to the many, many people
who came to my talk in Washington, D.C. last week
at the bookstore, Politics and Pros.
It was a great crowd.
Honestly, it was so good a crowd for this little book.
This is an anthology of essays I'd written about the history
and the future of work for the Atlantic
over the last seven or eight years.
The bookstore, I think, was a little taken aback.
The owner, I think, assumed that the Atlantic
had filled out the store with our entire office.
And at one point at the beginning of the event,
he goes, so how many of you people
are just transplants from the Atlantic,
and only four people raised their hands?
And I think if you had asked how many people in the crowd
listened to this guy's podcast, there would have been a lot more
hands that came up.
I mean, people who came up to me in lines,
there's so many of you said you listened to the show,
it just felt great.
I don't know what to say.
I'm not trying to be prideful.
But it made me feel really, really good to see all of you.
So thanks to all of you who came out for that.
Announcement number two, I'm going on book leave soon
to write a bigger, original book about the future
of economic and technological progress in America
and beyond, how we can overcome these scarcity
mindsets and small mindedness that have so far
defined this century.
And I'm co-writing this book with the New York Times writer
and podcaster, Ezra Klein.
I'm thrilled about this project.

I've had so much fun working on it with him so far.
I think a lot of you are going to love it.
It is also the case that writing a book
is, to be perfectly blunt, a huge pain in the ass.
And so I am taking the next three months off
of my Atlantic work to focus on that book.
So what that means for the show, I love doing this job.
I also don't want to literally kill myself with overwork.
So in the short term, our solution,
after talking to my producer, People to Ringer,
our simple solution is we're going
to try to move this podcast to one show per week
with the goal of publishing every week's episodes on Tuesdays.
So that's the goal.
Please keep us in the rotation.
We're going to offer the same blend of off-the-news questions
and on-the-news analysis.
It'll just be once a week, like I'm
sure so many of the other podcasts you love and listen to
are.
Doing this show really is one of the biggest thrills
and most rewarding parts of my career.
So I want to try to keep it up.
Thank you guys for listening.
Keep listening.
We already have some really awesome, awesome episodes
coming up, starting with this one.
Today's episode is about the future of the American city.
As most of you know, I live in Washington, DC.
I really love DC.
I was born across the river in McLean, Virginia.
I went to school in Chicago.
I came back to DC for four years.
Then I moved to New York between 2012 and 2019.
And then my wife and I moved back to DC
just before the pandemic in 2019.
This city has changed immensely since the 1980s
when I was born.
It's also changed immensely since 2008
when I came back as a journalism intern.
It's late.
You spend enough time in a place,
you really ride the roller coaster of change.

A lot of the cool places to hang out 15 years ago
are now totally over the hill.
The hot restaurants of the aughts and the teens
are now considered fusty and uninventive.
The up-and-coming neighborhoods from the past years
of 14th Street, 8th Street, I know very much here and arrived.
Some of the coolest places for my 20s
are sort of like the old Yogi Barra line.
Nobody goes there anymore.
It's too crowded.
So why am I subjecting you to all of this boring bit
of potted autobiography?
The answer is that there's a message here,
a moral to the story.
Cities change.
Cities are always changing.
And a city that isn't changing is probably dying.
But in the last few years, since the pandemic began,
there's no question that many of America's downtowns
had a near-death experience followed
by what can only be described as an urban recession.
This is an article from The Washington Post on my own city,
DC, quote, as the third anniversary of the pandemic
approaches, downtown Washington is a wounded rendition
of its once robust self.
Many streets at the city's core are
pocked by vacant storefronts, moribund, sidewalks,
and offices that even on the busiest days
are just over half occupied.
According to a 2022 survey by the DC Policy Center,
137 of the city's 733 large office buildings,
most of them downtown, have vacancy rates of more than 25%.
End quote.
And DC is not unique when it comes to this problem
of downtown vacancy.
The city has roughly the same share
of workers coming into offices as New York, Los Angeles,
San Francisco, Philadelphia.
Those downtowns are also experiencing
what DC is experiencing, a shocking decline in office
occupancy, declining commercial real estate,
declining property tax revenue that
comes directly from falling real estate values,

fewer commuters, less transit revenue,
fewer downtown shoppers, less downtown employment.
And it's led some urban thinkers to worry
are American cities, some of them anyway,
headed for an urban doom loop, where economic activity
declines in concert with tax revenue and services,
which means that economic activity declines even more
and services shrivel up until on and on in the city just,
I don't know, shrivels up and dies.
If you take a step back, if you take a deep breath,
the US is not in a recession.
The US economy is growing.
Unemployment is 3.5%.
So if economic activity is at the margins,
leaving some downtown areas, it's not disappearing.
It's going somewhere else.
So where is it going?
The answer is twofold.
Some of it is going to the suburbs,
and a lot of it is going to the sun.
According to the most recent census report,
the three cities with the largest numeric increase
in the last year of counting were San Antonio, Phoenix,
and Fort Worth near Dallas, all very sunny.
If you look at the 15 cities with the largest numeric increase,
those cities are in the following states, Texas, Arizona,
Texas, Florida, Nevada, Florida, Arizona, Texas, Texas,
Idaho, Texas, Florida, Texas, Texas, all sunny.
The politics of this shift, by the way,
are pretty interesting, because those cities that I just
named, all of them, maybe with the exception, I guess,
of Nevada, Arizona, are red-leaning states.
But the cities that are growing within those red-leaning
states tend to vote for Democrats.
This is not the time to go too deeply into this,
but this general phenomenon, the idea
that the most dynamic parts of the country
aren't pure blue or pure red, but rather
bluish metros in reddish states, very important, probably
want to keep our eye on.
If you put all these things together,
the remote work revolution, fears of an urban doom loop,
the ongoing migration of Americans away

from colder cities, northern cities, coastal cities,
cities where I have lived, DC, Chicago, New York City,
toward the sunny swoop of the Sun Belt,
it got me thinking, what's happening to the American city?
And how can we contextualize it?
How can we frame it?
Today's guest is very gifted at contextualizing and framing.
His name is Dror Polig.
He is an author and advisor who writes
about the future of cities.
And we talk about the knock-on effects of urban change
on finance and work and real estate and technology.
I'm Derek Thompson.
This is Plan English.
MUSIC
Dror Polig, welcome to the show.
Hi, Derek.
So excited to be here with you.
We have so much to talk about, but at the risk of going
too big too soon, I want to make sure
that we set the stage properly here.
We are talking about the future of the American city, which,
as I see it, is being transformed
by both structural trends that go back decades,
like the general shift of the American population
from coastal and cold cities toward Sun Belt and warm
suburbs, and by pandemic effects,
like remote work, which are short term
and thus a little bit more wobbly,
a little bit more sensitive to change.
So let's start there.
Briefly, catch us up.
What is the state of remote work in America right now?
So remote work, like many things,
kind of shot up during COVID, particularly
the comparison to e-commerce comes to mind.
Suddenly, everyone was at home doing stuff from home.
The problem was that once the world started to open up,
e-commerce, for example, kind of converged back
to its previous trend, which means it's still growing.
It's higher than it was two or three years ago,
but the kind of huge bulge that we saw
went back down to reality.

And the same is true for a lot of other things,
both post-COVID and also post-zero interest rates.
It seems like a lot of behaviors
that we thought are irreversible,
were indeed reversible.
Apart from one behavior, which is work from home.
So the tendency of people to work from home
did moderate somewhat, obviously, over the past 12 months.
But still, as we're speaking in some cities,
about half of offices are still empty.
I think, on average, across the country,
based on the latest data from Stanford's Nicholas Bloom,
I think about 25% of hours worked, more or less,
are worked remotely.
You'll note that I'm saying remotely.
I'm not necessarily even saying from home,
because I think that the home story is less of the story
as we look forward.
It's more about people working in different places.
They may even be in offices, ultimately,
but they're not in the offices that they previously
used to go to.
And at the same times that they were going there.
In addition, there's a lot of related trends
that we're seeing, people moving out of large cities,
some people moving back, some people moving to the Sun Belt,
people moving from the west of the country
to the east of the country.
But these are, I mean, they're very muddled and confused.
We can talk, we can dive into them.
But the big picture is that half of offices
are empty in a lot of cities.
About a third of offices, I'd say, are empty in general.
And a quarter of the hours worked are now
worked remotely for many white-collar professions.
And the fact that it's about 20 to 5% to 30% of hours worked
are now worked remotely presents an interesting framing
choice to pundits.
Because you can say, oh, well, that's
down from a peak of 60%.
So we're half of where we used to be.
So remote work is eroding.
That is one take you sometimes hear.

But on the other hand, I'm looking at JP Morgan statistics
right now, before the pandemic, the share of hours
worked remotely was 4%.
So it's up by a factor of 8.
Yes, it's down from peak by a factor of 2.
But it's up from pre-pandemic by a factor of 8.
There's a great quote from a Vornado Realty
Trust, Steve Roth, where he said,
Friday is dead forever, and Monday is touch and go.
I thought that was an interesting way of framing this,
that the book ends of the week are clearly eroding.
So to your point, what is this erosion of office space
utility doing in Chicago, in Los Angeles, in New York,
Philadelphia, the Bay Area, Washington DC, in all these
cities, more than 40% of office space
is either vacant or underutilized?
What kind of pressure does that put on cities
and on city budgets?
The pressure is immense.
And before we even get to what's happening now,
I think there's a very relevant and compelling analogy
specifically to that counter argument of like, oh,
it's only 20%.
It's only 25%.
It used to be 50%.
Maybe it will stabilize around 25.
No big deal.
The analogy I made two years ago in my New York Times article
on this, which kind of preempted a lot of the landlord
excuses, because I know them very well,
was what happened in retail.
So with e-commerce, we've been talking about e-commerce
for 30 years.
Everyone's been waiting for it.
It attacked an industry that to begin with was much more
dynamic, much more kind of with its hand on the pulse,
responding to trends used to reinventing itself all the time.
And yet, it destroyed a lot of real estate assets.
It destroyed a lot of city centers,
or big parts and expensive parts of cities.
Obviously, it destroyed a lot of jobs.
And when you try to quantify what actually happened
with online commerce, you see that up until COVID,

I'm not even talking about what happened later,
but up until COVID, about 13% of retail sales
shifted online over 20 years, only 13%.
And out of a pie that was actually growing quite
significantly during those 20 years,
so not necessarily even cannibalizing on existing
retail, just kind of like taking away the growth
from offline retail.
And we saw the damage that that has done.
Now you look at offices, and you ask yourself,
what happens if 13% or 20% or 25% of demand
shifts into the ether, not over 20 years,
and not to an industry that is expecting it and ready for it,
and not to assets that are priced to begin with to assume
that the tenants are very fickle, and they're trendy,
and you might have to change them all the time.
And the damage is quite significant.
So in cities like New York, let's say,
I think property taxes are about 40%, 45%
of all of the tax revenue of the city.
Now, a big chunk of that is those beautiful,
expensive offices that you have in Manhattan.
A lot of it is also the housing that those office dwellers
live in.
And another huge chunk of the municipal budget
is all of those businesses that support that office traffic.
Those millions of commuters that used to come into Manhattan,
some of them still do, every day, 9 to 5, like clockwork,
and buy a coffee, and fix their shoes, and get a massage,
and go to the doctor there, and do everything else there.
So more broadly, you can say that our whole world
over the past century has been designed around the office.
They don't just dominate the skyline.
They dictate when we wake up, when do we take our kids to school.
What their kids even do at school is dictated by the office.
They're trained to become office dwellers.
Even after we retire, we invest our savings in office real estate
investment trust that generate those stable returns that
allow us to live in retirement, or at least
promised us that they would allow us that.
So once you start shaking up offices,
even though the shakeup might not affect all offices in the world,
and that offices are not the whole economy,

it has a huge effect.
I want to talk about banks in a second.
But you make such a powerful point
about municipal finances first.
I'm very interested in the fact that, while transit revenue
isn't the most important part of any city's budget,
it's really important to point out, as you just did,
that transit in American cities is way down
from where it was in 2019.
The New York statistic here is that the New York City Subway,
which is about 30% to 40% below peak in 2019
in terms of the number of tickets it's selling,
the number of swipes, in its 10-year forecast
and its entire 10-year forecast going forward,
the city does not expect subway traffic to ever return
to its 2019 high.
It will be in a permanent recession
compared to its 2019 high.
What are city leaders saying about this?
It seems to me like only one of two things can be true.
Either these cities, their mayors, their controllers,
raise taxes, find some other way to fill the hole
in their budgets created by the implosion of offices,
or they cut services.
There's only two sides of this equation.
There's revenue and there's outlays.
Are they trying to do both?
Are they leaning on one side of the equation
more than the other?
What do municipal leaders seem to be doing right now?
So cities, like you pointed out,
are facing what I call the urbanizers dilemma.
So it's a bit like the innovators dilemma
in the world of business.
They're kind of being disrupted by something
that they don't really understand.
And they have certain instincts
that point them in certain directions,
but these instincts might kind of lead to even more trouble.
So for example, yes, fewer people are taking the subway.
So New York City has to respond
by making the subway a little less frequent,
by maybe dedicating slightly less resources to the subway,

and then you get into what some economists
call the urban doom loop.
You have less money to spend, the city becomes worse,
more people move out, more crime, less pleasant subway,
et cetera, et cetera.
So what probably they have to do now
is to balance two kind of conflicting needs.
One is indeed to cut budgets, to become more efficient,
maybe lower taxes where they can,
but that too would be tricky now.
And at the same time, to become really, really good
and double down on the things
that make them unique and irreplaceable.
So again, amazing public transport,
amazing public spaces, more restaurants,
more outdoor eating, better education,
more housing construction.
So that might seem like an impossible task obviously,
and I do think it's a tough one,
and sometimes it might take a decade or two
to play out even in the best case.
However, they do have some levers
that they can pull right now.
I mean, for example, more housing,
they can just allow more housing,
and then more housing will be built,
and more people will live there.
I personally think that when people can live anywhere,
there's tons of people who would want to live in New York City
and in London and in San Francisco even, maybe,
and in Boston and a lot of other nice places,
but you have to allow them to live there.
At the moment, we're making it really, really tough for them.
Second thing, I mentioned outdoor dining.
There's a lot of kind of cultural
and uniquely in-person urban activities
that cities currently, let's say, either are hostile to,
or at least, they prioritize quite actively.
So they can turn in a different direction.
These are the type of things that they can do.
In addition, I think we need a shift in mindset.
So in my book, Rethinking Real Estate,
that came out just before COVID,

one of the main points was that all locations
are becoming consumer products,
which means they're becoming a matter of choice,
whether it's an office building or a house
or even a whole city.
They have to start thinking not like,
oh, we have this captive audience here,
what can we squeeze out of them,
and what is the minimum that we can provide,
into a mode of like, okay, I have customers,
and I have to convince them every day
to come back and consume my product,
and my product might be the whole city.
And once you start thinking like that,
there's a lot of other little things,
even bread and butter issues,
that suddenly become apparent to you,
in terms of, okay, what makes my city attractive,
rather than others.
And I think when you do that,
you also realize that people are willing
to spend money and do it well.
But of course, it also means
that you have to run your business properly
and cut your own costs,
and we'll have to see that as well.
I'm glad you don't see this as purely bad or purely good,
but rather as a kind of multiple-choice question
facing city leaders,
where they might choose the good or the bad.
So what I wanna ask you,
I wonder whether you see some cities,
that seem to be entering what you described,
and others have described,
as an urban doom loop,
where the city's cut, the city gets worse,
more people leave, the city has to cut,
and then the city gets even worse, et cetera,
versus crisis as a stimulant for creative policy.
So one could imagine a city,
and to a certain extent, I think I live in Washington, D.C.,
there's aspects of this in my city,
where if you see offices being kept empty,

property values falling in those offices,
and therefore property taxes on that coming down,
well, then maybe you are more open
to building more housing.
More housing is good.
Maybe you're more open to keeping people in Washington, D.C.
by allowing more outdoor dining.
Outdoor dining is good.
Maybe you see that as fewer people
are using the Metro in Washington, D.C.,
you're more open to the idea of micro-mobility solutions,
making it easier for people to, say,
use electric bikes and electric scooters,
and sort of folding that into the urban transit portfolio
that allows people to get around the city.
I think that's wonderful.
I love using these electric bikes and electric scooters.
Where do you see category one,
the urban doom loop happening, if at all,
and are there cities where you think
they're choosing door number two clearly?
They are using crisis as an opportunity for creativity.
So I'll start with the good one, where I live.
New York, New York City.
It's clear that Mayor Adams, first,
he was elected as kind of a changemaker
within the confines of New York City politics,
still a single-party city, but a very unusual candidate,
I would say, even in the landscape
of a kind of national or federal-level Democrats.
And he is leaning into all of those things
that I just described, definitely first
in terms of rhetoric and in terms of his approach,
and even just in terms of the attitude,
which is important, I think, in terms of crisis.
But he's leaning into a lot of these policies.
He understands a lot of what needs to be done.
My only concern, which is not specific to Mayor Adams,
is the level of urgency and intensity
at which this has to be done.
I think, and on that point, there's still a lot of denial
in terms of how serious things really are
and whether they will get even worse than they are.

And I think, at least for offices,
the worst is still ahead of us in terms of actually pricing
in all of the pain, including some of the pain
that already happened.
The opposite example at the opposite side of the country,
I think, almost obviously San Francisco seems
to be a city that is intent on experimenting
with how far it can push its businesses and residents
and see how much they can tolerate.
This was true before COVID,
but, of course, it's even more true now,
and it's particularly true when all sorts
of other magic tricks no longer work.
So when tech is slowing down, when zero interest rates
are no longer there, the pressure is much higher.
Even there, despite San Francisco's efforts
not to change so much, not in rhetoric and not in action,
we're seeing like a mini revival, at least for tech.
A lot of people are moving back,
particularly because of recent advances in AI.
There's kind of a new gold rush.
But even that, it's a very small number of people
at the end of the day, and I think them moving back
is not necessarily gonna solve the problems
because the problems were there
before they moved out during COVID.
I mean, they might even just exacerbate existing problems.
There'll just be even bigger gaps.
There'll be people making new billions,
and then the services in the streets
are gonna get worse than they were before.
I'd say both cities and probably all cities in the US
are also still stuck in that zero interest rates
mentality, which most of the economy has shaken off.
But cities still assume that they can just keep paying
for stuff that they can't afford,
and they'll get bailed out, and they'll get subsidies,
and the federal government will help them.
Maybe they can keep it up for 20 years, but maybe not.
But it's definitely becoming costlier
and harder to justify when people are leaving
and the streets don't look so good.
We talked a little bit about municipal finances.

I wanna talk about finance in general.
Regional banks in America just went through
this near-death experience.
You had the literal death, or at least business death,
of Silicon Valley Bank.
Other banks failed as well.
It seemed like contagion was gonna set in
before the FDIC and the Fed came in to rescue the day.
Regional banks have much larger exposures
to office and retail loans than larger banks.
Regional banks accounted for 90% of the increase
in bank commercial real estate loans between 2015 and 2022.
And there is a ton of debt that is maturing
in 2023 and 2024.
So I wanna talk about the fears that we are
at the cusp of a tsunami in commercial real estate finances.
You the fantastic way, I think,
to frame this part of the story.
You write, quote, banks tried to kill remote work
and now remote work is trying to kill banks.
Explain what you mean by both of these sentences.
How did banks try to kill remote work?
And now how do you see the remote work phenomenon
working to kill banks?
So at the heart of COVID, Wall Street was among the first
and the most prominent and most vocal
of calling people back to the office
and saying that remote work as David Solomon
from Goldman Sachs said is an aberration.
Jamie Diamond said about two and a half years ago
that expects everyone to be back at the office
just like before by September,
I think September 2020 or even maybe 2021.
And they basically said, you can't work like that.
Our employees are gonna do what we tell them.
And even before COVID, of course, they're famous
for people just living at the office,
sleeping under their desks, wearing a suit,
like the opposite of what everything
that Silicon Valley has been trying to do
over the past 30 years.
And of course, there's a lot of hubris in that,
like, we're gonna tell people how it's gonna be

and the rest of the economy is gonna do what we tell them.
And even beyond their own offices,
later when cities started to open up
and the banks realized that there are problems
and that a lot of other businesses will be in trouble
if people don't come back to the office
and cities themselves will be in trouble.
They kind of teamed up with mayors
to like get the politicians basically to try to force people
and force government employees back, even set regulations
or tax people if they're not coming to the office
or like make it difficult for them.
So they were big advocates of that.
But now what we're trying, starting to see
is that remote work itself is a threat to banks
because of its impact on offices.
Comically, I think when Silicon Valley Bank went down,
there was an FT article that kind of hinted
that maybe it went down because it let people work remotely.
I mean, it's kind of a poster child.
It's called Silicon Valley Bank.
So it's kind of like, oh, this is not like the Wall Street
banks that call people back.
This bank lets people work remotely,
even though even on Wall Street,
a lot of people now work remotely
and generally fewer people work on Wall Street now
than did a few years ago.
But once you untangle that, remote work did cause a lot
of damage to Silicon Valley Bank
and to a lot of other regional banks,
but not because their own employees were working remotely,
but because office buildings are in trouble.
And what happened with office buildings?
As you pointed out, regional banks
are take most of the load
in terms of commercial property lending.
That's not a bad thing in itself.
They do it because they are regional.
So they know their own markets.
They know the assets better.
They know the people better.
So it makes sense that they will lend out this money.

But over the past few years,
they actually increased their appetite.
So to begin with, they took a big share of it,
but now it's really, like you said,
it got to almost 90%.
And they did a lot of that.
And that's an important point
because suddenly the original business model
didn't make sense so much.
So because interest rates were so low
and suddenly people's savings rates got so high during COVID
because they got a lot of stimulus
and also just they didn't have what to spend on
because they couldn't travel, they couldn't shop.
Suddenly there was a lot of money in the bank
and the bank has to lend that money
or do something with it productively
in order to make money on that money.
So normally banks, they buy a lot of bonds
and safe assets,
but those bonds weren't barely paying anything.
So they said, oh, let's do something else
that is not too risky,
but that maybe will pay us a little bit more.
So let's lend that money out to people
who are building office buildings
or we're financing office buildings
or warehouses or retail stores.
And they did that.
And when they did that,
they assumed that those office buildings are safe.
And they listened to Jamie Dimon and David Solomon.
They said, oh, everyone will be back soon.
It's nothing, remote work is, it's no big deal.
People go back to 5% in a year.
So it's not necessarily that the offices
that they lend to are all going to be destroyed now,
but suddenly they turned out to be much riskier
than they thought.
So maybe they're going to be worth much less.
Maybe their cash flow that they generate
is going to be much more volatile.
So they're not going to behave like government bonds

or like high quality corporate bonds.
They're going to behave like some business
that you invested in
and now you have to see what actually happens to it.
And unfortunately, I think this is an irreversible shift
in the nature of real estate itself.
This too was one of the main predictions in my 2019 book
is that offices now,
even the ones that people are coming back to,
they have to allow people more flexibility.
So people are assigning shorter leases.
They have to offer all sorts of services and cool things
just like Adam Newman kind of prophesized and messed up.
But now it's like, they need all the amenities,
they need the services,
they need the community stuff.
So their operating expenses are going up.
And at the same time,
the quality of commitments that they get
from their customers are going down.
So it no longer looks like a financial asset
that is very stable and great.
Again, it looks like any other business
which is not necessarily terrible,
but it means that you have to value and price it
and treat it now very differently than you would in the past.
So the role of real estate in financial portfolios is changing.
What's the takeaway here for regional banks?
Like JPMorgan's investment bank did this bank stress test
and they said, all right, well, let's say that about 20%,
we have a, let's assume a 20% delinquency rate
for office loans, 15% for retail,
a recovery rate of 60% for both.
And they said that their result from this stress test
assumed a big hit to regional bank capital.
Theoretically, that could create a second wave
of regional bank jitters.
So all those headlines that people saw,
like a month, a month and a half ago
about Silicon Valley bank, it's gone,
signature bank or whatever it is, it's gone.
We could theoretically have a new round of jitters,
not about sort of deposit flight,

but rather about the commercial real estate component
of these banks sort of capital portfolios.
What do you think is gonna happen for the banking system?
And then what do you think is going to happen
to like the future of offices?
So offices alone cannot destroy these banks,
but the thing is these banks are now facing
all sorts of other issues and challenges,
you know, a general economic slowdown,
higher interest rates, a lot of pressure
on their business model.
So the offices aren't helping,
and these are specifically the assets
that they thought will be there for them
when other things slow down.
So this is where the risk is.
This risk on its own is not enough to destroy them,
although it will probably do cause some bank failures,
but you know, there's thousands of banks in the US,
so maybe most of those will be there.
We'll just live with that.
The bigger risk is, you know, cascading failure.
Like you mentioned, the JP Morgan model,
according to bankers model, Silicon Valley Bank
wasn't supposed to implode to begin with,
and a lot of other things weren't supposed to happen,
you know, 15 years ago and everything in between.
So once things start to move,
if you're leaning on all sorts of tranches
like they had with the bonds in 2018,
you kind of assume, oh, only this tranche is bad,
the others are good, but then the office tranche
is not so good, the small business lending is not so good,
the housing market is not so good.
At the end of the day, something has to offer support,
and the more pressure there is on each one of those layers,
the more pressure there is on all of the others,
because if one gets messed up,
suddenly they have to make money on other things.
They take even more risk or consumer expectations change.
A lot of companies now that are about to renew their lease
are probably saying, maybe I shouldn't renew now,
maybe I shouldn't expand at all,

even if I want to expand,
because maybe prices will be much lower in six months
or in a year, or they're saying,
okay, I'll just commit to a year or two instead of 10,
even though from my own business perspective,
I'm comfortable in signing a 10-year lease,
but when I look at the market, why should I?
So, you know, it's a dynamic situation,
and this is the risk here,
and these are exactly the type of dynamic things
that these models and these bankers are not very good
at thinking about,
and generally it's hard for humans to think about them.
Do you think we need a new conceptualization of
what offices are for,
or what offices should be like in an age
where they're going to be 40% empty
in a lot of America's richest and most productive cities?
Like you mentioned Adam Newman, a former CEO of WeWork,
and I can't get over the fact
that I wrote a lot of mean things about Adam Newman.
I was in a Hulu documentary about the collapse
of WeWork's valuation,
but there are definitely some times
where I look around thinking like,
man, it's kind of a weirdly ideal time
for a suburban work sharing startup
to get the same kind of buzz that WeWork had,
like WeWork still exists,
and work sharing and office space sharing companies exist,
but I just wonder whether some new generation
of innovation around the concept of the office
is unbelievably overdue,
considering that offices haven't really changed,
but the state of work clearly has.
Yeah, so I like to say that landlords can say
that Adam Newman died for their sins.
He kind of got everything right,
and he let them continue and survive and laugh at him,
but I think now they're facing the consequences
of their own denial and their own hubris,
but 100%, but I think the tricky part there,
I mean, you were kind of looking for a new answer

for an old question, what is the purpose of the office?
And what I see in the banking and real estate industry
is that people are really eager to just get the new answer
and move on with their lives.
Just tell us what it is.
Is it open space now?
Is it cubicles?
Just tell us and let's move on.
But I think the reality is that it's just going to become
a much more dynamic market than it has ever been.
It's going to be much more similar to retail and hospitality,
which means you constantly have to segment your product,
focus on a specific group of people,
constantly respond to their needs.
The idea of, you know, I'm going to build a big box
and whoever's going to live in it or going to work in it,
I don't really care.
It could be an ad agency or a lawyer or a bank.
I'm just going to build the same thing
and leave it to them to figure out.
That's out of the question.
Especially if you want to make money.
And even worse, even just thinking within the building
is no longer enough.
You suddenly have to think about the whole neighborhood
and what other things you connect to in the whole lifestyle
and the customer journey from beginning to end.
Because again, you're now in a consumer business.
So it's going to get trickier.
It also means that we are going to see
and we're seeing some experiments already
of everything you just described.
Suburban shared spaces, urban spaces, coffee shops
acting as offices, hotels acting as offices,
offices acting as daycares, apartments adding offices.
Like everyone is trying to be an office.
And then you also realize that a lot of other types of buildings
can be offices, but office cannot be
those other types of buildings so easily.
So it's really tricky.
And also from a business perspective,
it means a deeper change in the real estate industry
because in the hotel world,

you might getting too much into inside baseball,
but you know, there's the Marriots of the World,
which are a brand company, a consumer company.
And then there's real estate investment trust
that actually owned most of the buildings that Marriott
actually manages.
So the flag is not necessarily the owner of the building.
Now 30, 40, and definitely 80 years ago,
these two businesses were the same company.
And that's the state of offices right now.
You have these people that kind of own buildings,
but they also face the customers and they also give them the names.
But once you start adding those sources,
and branding, and real branding, not just putting a logo,
but brand with a meaning becomes a thing,
you have to decide whether that's your business.
And if it's your business,
you probably have to split your company into two
because each of those doesn't just require
a different type of management and know-how,
but also it has a very different financial profile.
One has that stable return, collecting rent,
and one has that, okay, we're going to experiment
with crazy stuff and be creative and go up and down.
So that has to change.
As well, and here too, we work with a pioneer
with some failed experiments,
but of trying to kind of mix together venture capital
and real estate capital and bank loans and stories
and kind of see, we take VC money,
we use it to do construction, we take real estate money,
we use it to buy it to develop technology.
I think we're going to see a kind of a reshuffle there as well
in terms of how you finance those things,
how you give people what they actually want,
because even Adam Newman,
he showed that people wanted that thing,
but he didn't figure out how to actually make money
delivering that thing to them.
So it's going to take a while before we do,
but ultimately we will, just like hotels figure that out.
Something you just said that was very generative for me
is that the pre-COVID world was exquisitely bifurcated

for a lot of workers.
Their home was just their home,
their office was just their office.
When they went to get coffee,
they were just going to get coffee,
but now they work at home.
So the home is blended.
They work in the coffee shop if they get tired of home
and they don't have an office to go to.
So now the coffee shop itself is blended.
You mentioned that hotels are experimenting
with being sort of co-working space lobbies.
I know that the Ace Hotel in New York City
where maybe you've been is basically you go in there
and it's like a lot of beautiful people in their 20s
on their computers.
And I mean, I don't know, maybe they're working,
maybe they're just talking to each other.
Yeah, they're all 30 now, but they're still beautiful.
They're all 30 now.
Yeah, there you go.
Exactly.
They're all in the 30s now.
Right.
They're all part of my millennial generation.
So we're all aging at the exact same rate,
but they're all there.
And this idea of the future of urban spaces
being extremely blended strikes me as one
that's quite plausible.
This is not exactly the kind of example
that you were pointing to,
but just something that jumped to mind.
One of my, I love cocktails
and I also love great restaurants.
And one of my favorite restaurants is also basically
a cocktail bar and you can use it as either.
You can go there for a,
they have a coffee thing in the morning that you can go to.
You can go there for dinner
and then it also has like a cocktail bar.
So even there within the food away industry,
you have this concept of blending

that maybe this culture of blended spaces
is just in the ether.
So the people are trying out different hybridizations
and reconfigurations.
I find that to be an incredibly compelling
and plausible vision of the future
of the American urban space.
Yeah.
And, you know, this is not just a future.
It's also the past.
So urban offices started in coffee shops,
you know, Lloyd's insurance, most famously in London.
It was Lloyd's coffee shop.
People started coming there, exchanging information,
signing paperwork.
At some point they realized that they have to move
and get their own place.
Even the New York stock exchange started
on the Tontine coffee shop.
I think it's 82 Wall Street.
It started in a coffee shop.
People started trading securities
and at some point it kind of graduated into its own house.
So this idea of cities being, you know,
very, very mixed places.
This is what cities have been to begin with.
And I think the industrial era over the past 150 years
was an aberration from an historical perspective.
And it also gave rise to all sorts of things
that created path dependencies, particularly zoning.
So, you know, when industry moved into cities,
suddenly there was a lot of smoke.
There were a lot of people that worked in factories
that other people didn't want to live next to.
So cities enacted about 100, 110 years ago,
started enacting zoning laws to really separate
very clearly different types of uses,
which maybe made sense when you had a factory in Manhattan.
But, you know, when you're separating offices and restaurants
and houses and all sorts of other things,
it no longer makes as much sense.
And we're seeing that in cities that are much more mixed
or much more lenient in terms of their zoning

or just zone differently, like Tokyo
or even some European cities like London and Paris,
urban life is much more vibrant and remains attractive,
even when the midtown is empty.
And I think that's another shift that we're going to see.
Like the best cities are going to, again,
double down on what makes them unique to begin with.
There's not a lot to even reinvent here.
It's really going back to stuff that used to exist before.
One of my favorite statistics is, you know,
100 years ago, Manhattan's population was higher
than it is today by about 600,000 people.
We still had some tenements there,
so I'm not saying let's go back to that,
but you think of all the construction that has happened since then,
and what did we get in return?
So I think there's no reason why Manhattan
shouldn't have a million more people in 15 years.
But it should allow it to happen,
and to allow it to happen requires some change of thinking
in terms of government.
But the demand for it is there.
So it's an amazing place.
And there's a lot of great cities on Earth,
obviously, not just Manhattan.
And if they welcome people, people will go there.
I want to pivot a bit from talking about the pandemic
and ways in which the pandemic might be in some lovely ways,
forcing us to be more creative,
thrusting us back into a better version of our cities
100 years ago.
But I want to talk about some structural changes as well.
So the future of cities is never one story.
Like, if you were telling the story of cities
in the second half of the 20th century,
you could say, well, here's Youngstown, Ohio,
and here's San Francisco.
Completely different trajectories.
One city absolutely collapsed after the collapse of the steel industry,
and the other became the tech capital of the world.
It's happening now, too, so that divergence in city fortunes.
So the University of Toronto Downtown Recovery Project
uses mobile phone data to assess recovery in urban areas.

And I shared the findings with you,
so you could take a little glimpse at them,
but I'll reiterate them right now,
both for your benefit and for listeners.
According to the University of Toronto
Downtown Recovery Project,
the American downtowns that have had the strongest recovery
since the pandemic are,
number one, Salt Lake City.
The recovery there is 135% in terms of downtown traffic.
The rest of the top 10 is a lot of Central Valley, California places,
Bakersfield, California, Fresno, San Diego is in the top five,
and also a lot of Southwest cities, El Paso, Albuquerque.
We see full recoveries there, too.
And this matches a structural trend of the last few years,
the last few decades, really,
of Americans slowly leaving colder and coastal cities,
like, say, Chicago, or cities in the Northeast,
and moving into the Sun Belt.
And indeed, the weakest recovery in downtown areas
are pretty much on the coasts or in cold Midwestern cities.
San Francisco is the city that has had the weakest recovery
of a downtown area.
After that, it's Cleveland, Indianapolis, Louisville,
Portland, and Seattle, also coastal,
are on this list of weakest downtown recoveries.
I sort of shared with you my cheat sheet of what I'm seeing here,
which is that for all of the acute changes that we've seen
to the state of the American city,
we are also seeing a continuation of stories
that began long before the pandemic,
and that those stories are revealing themselves to us
in this kind of downtown recovery data.
What else do you see when you look at this data
and this divergence in city fortunes
that is made so clear by this study?
So I see a couple of other things.
I don't deny or I don't have anything to counter anything
that you just said, and I agree with it as a general trend.
But there's a couple of other things to keep in mind.
One is the kind of economic structure of those cities.
Cities that are dependent on really extremely innovative
and extremely high-paid employees seem to do worse

because those employees have leverage
and the ability to not come to the office
that most people in most cities in America don't have.
Second, and there's an overlap here as well,
cities that have really strong dependence on public transport
and on people commuting into those cities
for like an hour or plus to begin with suffer more at the moment.
And again, a lot of those other smaller cities,
which are most cities in America are smaller cities
or very car dependent to begin with,
there was no significant change in lifestyle from today
to three years ago.
But in New York and San Francisco, there has been.
So I think these are two important things to keep in mind.
And then connecting it to the broader trend,
it's true that before COVID, like New York,
even San Francisco, even LA, I think in certain years,
and again, also London, Paris,
we're losing population definitely on a net domestic basis
and even on an overall basis in certain years.
And I think overall over like from 2015 or so in particular.
And I think there has been a pre COVID trend there,
but I think most urban economists
didn't really understand that trend when it was happening then
and most of them don't really understand it now.
What was happening then, I think,
is that a lot of employers suddenly realized
that a single city is no longer enough for them
in terms of a labor pool.
So if in the past, it would go to the Bay Area or to New York
because they could hire and match with the kind of
specialized talent as possible.
They suddenly realized that in that tradeoff
between accessing a very large talent pool
and enabling people to work in person,
suddenly these are the big cities
no longer the answer to both questions.
It's not the yes to both questions.
Suddenly, if you're only focused on one city,
you'll get more in-person interaction
and also more interaction with vendors and other companies,
but you'll get less of that access
and the kind of superior matching with talent.

That you get in a larger pool.
And in around 2015, we started to see a strong tendency
starting to emerge for that other side, like to say,
okay, we would rather hire for multiple cities
rather than just be in one place.
We saw it with Amazon HQ2,
but we also saw it with Stripes HQ in the cloud
that they kind of announced officially, I think, in 2019.
And I think that was the real shift,
that something in the original purpose of cities
was already starting to change
and that it was no longer necessary
for the most innovative companies to just be in one place
all the time next to each other
and have all their employees in one place.
They started opening not branches, but really R&D activities,
splitting them up into two, three, four, five.
And once they started doing that, you have to ask yourself,
what is the limiting factor here?
Why not hire from 10 places or 20 places or 50 places?
And I think this is a big trend that we're seeing now.
So it's really the kind of abundance agenda for cities
where people suddenly have choice.
Yeah, but the fact that they have choice
doesn't mean that they're all going to move to Salt Lake City
or to somewhere small.
I think what we'll probably see is very similar to what happened in music,
which is kind of like part of what the long tail predicted
and also part of what it didn't predict,
where the biggest winners are actually going to be bigger than ever,
but we are going to have a longer and thicker tail of more places
where people can go and live and still earn a six-figure
or like middle six-figure salaries.
So the point is, the story here is not everybody's moving out of New York
or San Francisco and moving to Utah and to Florida.
The story is, yes, every city on the map now has a chance to compete,
just like every person with a phone can become a YouTube star.
At the same time, the biggest stars are in a position to get bigger than ever,
but they have to learn to play the game and to do it differently
and to also recycle, just like we see in the world of hits and blockbusters,
to recycle what made them great to begin with, to double down on that.
And another kind of slightly darker undertone,
which I think you and I discussed over email, I think,

is also this new potential for self-selection of people into locations
that kind of are with other people that are like them,
which is nice in one way, but in another way,
it might mean that we'll end up with a more segregated city,
particularly because some people have more choice than others.
So one of the things we're seeing in cities is that those that can afford it move out
and then cities become poorer on average, more minority on average.
So instead of being these kind of melting pots that allow people to move forward,
they just become these service centers where the people who could afford it
just go and do whatever they want and the people who have to live there
just live there and provide services to whoever is willing to come and visit them.
So that's a huge risk as well that, again, brings us back to the attitudes of cities.
We have to accommodate everyone.
We have to be an engine for prosperity for everyone,
but we don't want to alienate people who are already successful.
We don't want to alienate business.
We need to find a way for everyone to get along.
And there is such a way.
America has been pretty good at figuring it out, even though imperfectly.
And we kind of have to figure out a new agenda and a new kind of social contract.
That will make cities work.
You mentioned the suburbanization part of this,
and I definitely can't let you leave without talking about that,
because you look at the work of, you've already mentioned Nicholas Bloom
and what he calls the donut effect where he's essentially seen that real estate values
in a lot of cities, Washington, D.C., New York, Chicago, Los Angeles, San Francisco,
real estate values have hollowed out in the downtown areas
and have plumped up in the suburbs.
And if you sort of draw that sort of circle around a lot of cities,
it ends up looking like a donut, so a donut effect.
And it makes me wonder, it's just one aspect of the donut effect
and the suburbanization of America is probably a totally other podcast,
but it does make me wonder that as millennials, and as you mentioned,
it tends to be higher-income millennials that are moving from the cities
to these inner-ring suburbs, as they take their tastes with them,
as they take their urban tastes with them,
because famously, high-income millennials really flooded to downtown urban areas
in the 2010s and 2000s.
Will we see what is essentially, or what might essentially be called
the urbanization of the suburbs, which is to say more townships,
more suburban offices, more mini-downtowns and mini-downtown aesthetics
in suburban areas?
Is that a piece of this picture that we should make sure that we include?

100%. So this too is something that's been going on for a long time,
70 years, 50 years, depending when you want to start counting.
But in the year 2000, there were a lot of books written about it.
And already back then, only about half of New York's metro area offices
were in Manhattan, to begin with.
So most of them were in the suburbs.
In most cities, it's about 70%, 80% for the suburbs,
in terms of employment areas, in terms of shopping, in terms of everything else.
So we're definitely going to see more of that.
Even more so, in a lot of cities, a huge chunk of offices were not even
in any type of concentration.
So they were just spread all over the place, not near anything,
just all over the place.
And I think we're going to see more of that, but with the millennial urban-ish twist,
where it's not going to be your grandma's office park or your grandma's shopping mall,
but it's going to be much more urban, village-y style, to the extent possible.
I think that this is what the market wants, you know, these kind of more like towns.
Like I live now in Port Washington, which is just outside New York City,
Nassau County, so the county next to Queens.
Nassau County in itself is more dense than I think any city in America
bar like three or four cities, which is, you know, that's just a suburban New York.
It has a lot of towns that have a high street,
but have already the trendy coffee shops and the sushi and the yoga and the bar and whatever.
I think we'll see more of that.
I think the market wants a lot more of that.
The problem is that it's really, really hard to build these type of things,
because most of the suburbs are zoned very, very aggressively towards single-family houses, no mixed use.
We're seeing some experiments now both in California and now New York catching up as well
of the states themselves trying to force different districts and suburbs to allow more housing
and allow more mixed use.
We'll see how that goes.
So far, there's a lot of resistance and unfortunately some of that resistance is even justified
because beyond, you know, things like, you know, racism or whatever,
people are also just worried about, oh, we don't have enough infrastructure to support more people.
The roads are not good.
The water infrastructure is not good.
And the reality is that it is not so good.
And, you know, people have to trust government also to kind of,
that government will take care of there if government wants to build more housing.
So I think we need to work, I want more housing and more density in the suburbs,
but I think government will have to prove itself to kind of lay the fears
at least of kind of the middle of the map voters.

I think that's right.
But yeah.
When you mentioned the future of white-collar work as being somewhat akin to the music market, it made me think about the AI revolution.
And I think it's appropriate to leave this for the last question because it is so speculative.
We are in the first half of the first inning of whatever chat GBT and generative AI are ultimately going to be.
But I do wonder if we've already seen one labor revolution, which is remote work,
change the texture of cities in so many ways for rich people allowing them to decamp the suburbs,
for lower income workers because it depresses downtown shopping,
which means that there are fewer people that can be employed by whatever restaurants and retail shops
are getting that foot traffic and that window shopping traffic.
The remote work revolution just had all these extraordinarily fascinating spillover effects
that I don't think a lot of people would have predicted three years ago.
In similar ways, do you anticipate that the mainstreaming of technologies like large language models
and other generative AI might have similarly spooky, weird ripple effects
in the American labor force in the future of the American city?
Yes.
So I think both remote work and artificial intelligence are about to mix up our world far beyond whatever we can imagine.
I think I was very moderate and reasonable in all of my answers so far,
but here I'm allowing myself to be a little crazier.
Yeah, let the freak fly now.
Actually, I don't think it's so crazy, but I think over the next 20 years,
we're going to go through the craziest time that humans have ever went through
in terms of the pace of change and the kind of things that we're going to see.
In particular, if we mentioned music, what happened to music was that,
I mentioned like the biggest superstars could suddenly be bigger than ever.
You can have some guy from Korea have a billion views just because he's jumping on the sidewalk somewhere
and even more amateurish people suddenly become huge,
while a lot of the middle of the market completely disappears
and some of the old stars can also become big.
In the past, we had a choice, particularly in the industrial past,
where most of us chose to have a real job, go study something useful,
get a career, work for the same company for 40 years, even if you don't work for it for 40 years.
You still work in the same field for 40 years and you retire, you own a house,
you get a pension and you're going to be okay.
Or the few of us that chose, I want to be an athlete or I want to be a music star
or I want to be an artist and then they went and chose those so-called scalable careers
of maybe I'll be really rich, but probably I'm just going to fail
and make a living doing something else.

What technology is doing to us now is that gradually, but relatively quickly,
it's going to make almost all occupations scalable,
which means some people are going to be able to make much more money than ever
and service more customers and produce more than ever before,
but everybody will be competing with everybody else, both domestically and internationally,
which means to just cruise through the middle and be reasonable will no longer be an option,
definitely not over a 40-year horizon for a lot of people.
It also means that even the winners are not going to sleep well at night,
just like Brad Pitt probably doesn't sleep well at night.
You always know that you're one mistake away from becoming irrelevant
or just the time is working against you and that your career, your shelf life is shorter and shorter.
And I think, again, that's going to happen to lawyers, that's going to happen to gym instructors,
that's going to happen to everyone, even the most in-person professions
are going to experience it.
Again, gym instructors, Peloton, I don't know how many instructors,
maybe about 60 serving about three, five million customers.
In comparison, similar market, New York State has about 40,000 people
that work in the offline gym industry.
And I don't know how many fitness instructors,
but maybe about 8000 to serve the same type of customer base.
So the Peloton instructor makes 20 times more than the kind of offline gym instructor.
I think we're going to see the same dynamic in a lot of other professions.
And AI and remote work interact.
In a way, remote work set the scene for AI because it made work much more modular,
much more kind of output-based rather than presentation-based,
much more text-based and kind of internet communication-based.
So you can kind of plug in all sorts of things now into how our work already changed over the past few years
and it'll be much easier for AI to participate.
In general, AI also increases the value of expertise
and increases the need for even more specialized matching of talent,
which means that you have to hire from a bigger talent pool
and that you're willing to put up with whatever those annoying employees want from you
as long as they can help you deliver that thing that's going to make you $100 billion.
So how much you pay them or what you let them get away with is irrelevant
as long as they can deliver what they promised.
And at the tail of that, we'll have to come up with all sorts of new social solutions,
with all sorts of support systems, with all sorts of ways of entertaining ourselves
and finding meaning because I think work was, I think you wrote about that as well.
It was our religion for the last 100 years, at least.
It gave us meaning. It was the place that we went to.
And now we have to find meaning in other things.
And I trust humans to do that.

But what they might come up with is going to be really weird in some cases
and we'll just have to sit and watch and hope for the best.
You said so many things that were sending my head in a thousand different daydreams.
But just to reduce those thousand daydreams into one follow-up question,
it seems to me that what you're describing is what some economists call superstar effects.
The idea that before music technology existed, it was very difficult to be a global superstar, right?
How would a 19th century Michael Jackson be Michael Jackson?
You need a CD and you need the popularization of radio and CD players across the world
in order for thriller to be thriller.
And we might be seeing the possibility of those same superstar effects in everything from, you know, whatever,
interior decorator to peloton instructor and all sorts of other categories
that might be inflected by AI might take on these kind of superstar effects
where the reward to the top one or 0.1% becomes just astronomical relative to what we're used to.
It seems to me that previously superstar effects had a geographical implication.
The superstars in entertainment lived in Los Angeles.
The superstars in finance lived in New York
or whatever parts of Connecticut, goodies, the league get into New York.
The superstars in tech lived in Seattle and, of course, San Francisco and the Bay Area.
But in the future, again, if we're twinning these two ideas of remote work and AI,
there's no reason why superstars need to be geographically concentrated in the same way that they used to be.
We might have more superstars in more industries
without the same kind of geographical agglomeration effects that we saw previously.
I know that you said that you think that some cities are going to get bigger and more spectacular than ever
and they might win the superstar effects too.
So maybe that pushes against or my implication pushes against that theory.
But I wonder how you think about this idea that maybe superstars won't necessarily need to live together
the same way that in the 1950s, 2010s, they really just did kind of all live in the same place.
And various cities were defined by the industries in which they start.
Yeah. So interestingly, the size of cities themselves is also parallel distributed.
They're superstars and they diminish based on a parallel curve more or less.
And this is going to continue.
But what will change is that the internet itself is also a place and it's going to be added to that chart.
And it's going to be much bigger than all of those other cities.
So we'll still have cities that are big. They might be bigger than ever.
But the biggest agglomeration is going to be the internet and even several places within the internet, I would say,
depending on which industry that you're in.
So in a way, I'd say 20 years ago, my friend Richard Florida wrote an incredible book called The Rise of the Creative Class.

I think what we're going to see now is the rise of the scalable class.
So of a new group of people that understand that it's not enough just to now study something creative and go live in a city
and live a comfortable life, but you have to fight much more aggressively.
You have to compete on a global scale and you have to constantly stay vigilant because just being part of this class
is not a stable position like it has been for the past 20, 25 years for a lot of people.
So yes, cities will remain, but they'll become in themselves less important, I think, from an economic perspective,
because the internet as a whole, which is still, I think, even bigger than this AI story,
what the internet is doing to us is something that we're just starting to understand.
And we're barely even understanding what the telephone did to us.
When you study cities, you read articles from the 90s that describe even the talk about remote work.
They talk about phones. They're like, oh, phones now. Interstate phone calls are now cheaper.
It doesn't cost $10 an hour anymore or for a call.
So that's going to change everything.
And you're like, wow, in the 90s, people were still like trying to understand what the telephone did to them
and look what's happening to us now to think that we even have a clue about what's going to change over the next 20 years,
let alone 100, I think it's just going to be crazy.
One last observation, and unfortunately we have to go,
but it makes me think I want to do an entire other episode about the implication that one of the most important skills
for the workforce of the future as we all become more media facing is the quality of performativeness.
And I'm not sure that's entirely a good thing.
I don't think humans are necessarily at their best when they are broadcasting.
I think we're at our best when we're talking to individuals privately, not when we're talking one to 1,000.
There's actually some interesting research from Harvard that I remember when I was doing reporting from my last book,
showed that in a one-to-one conversation, we tend to talk to the other person.
We tend to look at their facial expressions. We want to connect with them.
In a one-to-1,000 broadcast, we tend to talk about ourselves because it's impossible to talk to any individual in a broadcast.
And so what are you going to do? You become focused on the interior.
You become a little bit more narcissistic.
And a world that is performative and where there are very real superstar economic returns to being the best performer
is going to be a fascinating and wonderful world in all sorts of ways,
but it is also a world where performativeness becomes a virtue, an economic virtue,
in a way that I'm not entirely sure if it's a civic virtue.

So if you have a 30-second reaction to that, we can do it.
I'll give you some hope on that, but that's definitely a separate discussion.
I think that people can become scalable even without becoming performers.
One of the things we're starting to see now with AI is that notion of selling your own style or selling your own expertise
and allowing people to use it and mix and match it and for you to get royalties in return.
So you don't necessarily have to be the face of it.
You don't necessarily even have to be the one bringing it to market,
but you have to produce some kind of valuable building block that other people can take away.
In a way, the crazy stuff that we saw with NFTs was an early experiment of that,
of how can I build these kind of fragmented royalty systems that allow people to leverage on top of them all sorts of things.
Obviously, that was mostly nonsense, but it gave you a hint of where the future is going,
and it would allow people that produce real value to get a piece of that value
even if they don't become, you know, king Kardashian.
Absolutely fascinating. Thank you so much.
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