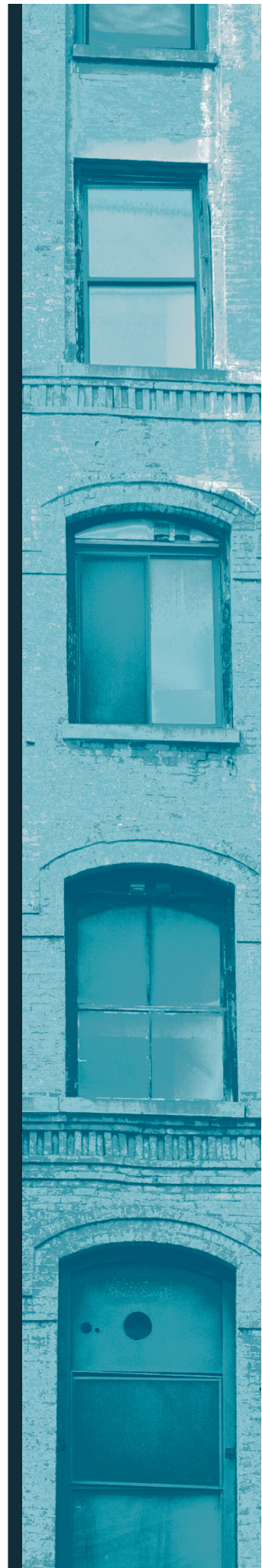# CONVERSATIONS ON URBANIZATION:
TRANSCRIPT

Richard Florida
Global Research Professor, NYU

Fred Wilson
Co-Founder, Union Square Ventures

OCTOBER 9, 2013

ALEJANDRA: Welcome everybody, please take your seats. I'm Alejandra Rangel, I work at the Marron Institute. The Urbanization Project, the Berkley Center for Entrepreneurship and Innovation, and the Entrepreneur's Exchange Club are happy to host this event. We're honored to have Fred Wilson here talking to our NYU Global Professor, Richard Florida, about how New York became the second leading hub in tech startups. They need no introductions, but I'll say a brief thing about each of them. Fred is a venture capitalist in New York City in the tech scene since the 1980s, which was a time when nobody was talking, let alone working on this subject, and he just shared with us that he was called a Rocket Scientist within Wall Street at the time. He writes a decade-old blog called AVC.

Richard's work on Creative Class and what makes cities successful and exciting is globally known, and he's a talented professor, best-selling author, and he's a senior editor at The Atlantic as well. So, we're happy to have him at NYU.

And I'll just say a few things about how the conversation is going to go. They're going to talk until about 5:30, and you're all invited to write questions on your index cards, which are on your seats. At 5:25 we'll take them, and Richard will inform the conversation with your questions afterwards. We'll wrap up at 5:50 so that everybody can get to class and Richard will be available for press afterwards. If you're on Twitter, our handle is @NYUSternUP, and the hash tag is #floridawilson. And as you can see, we're filming, so our video will be up at the urbanizationproject. org soon.

Our next Conversation on Urbanization is December 9th at 4:30 here in the Cantor Board Room, and it'll feature Solly Angel, who leads the Urban Expansion Initiative, talking to the former Mayor of Barcelona and current executive director of UN Habitat, Joan Clos. So, let's start.

RICHARD: Thank you, Ale. Can I say something really embarrassing, well, nice, about Alejandra? I met Ale about a year ago, and she came to a talk I gave here, which was really rambling and probably completely useless, but she was very delightful, and she came up and I said I was going to teach a J-term. Everybody knows what J-term is, right? J-term course in Abu Dhabi. And she took the course, and that was mainly, I guess, how old, seems like 18, 19, first, second, third years? And Ale basically taught the course for me. So, she was by far my best student, and we're just so fortunate to have her. She's doing a lot of stuff in Mexico City. We're just fortunate to have her at NYU.

I just want to say a couple of additional things about Fred. Fred is one of the people I most wanted to meet for a long time. We kind of know each other from Twitter, but I've followed his work. I did this early research on venture capital back in the '80s, which actually got me tenure when I taught at Ohio State University, and we went back, and we coded in Harvard Business School Library from the Venture Capital Journal every deal for like ten years, hand coded them. And what we found in that research, it was so boring and awful, you need not read it. But what we found in that research is that New York City generated a lot of capital and shipped every single dollar out, and it shipped it primarily to the Bay Area, Silicon Valley, the Route 128 area.

But urban theory always taught me, because Jane Jacobs was a good friend, a mentor, that innovation happens in cities. So, I thought it should be happening in cities, and Fred is the person who I think caught my eye as the first person to actually start to make that happen. As I was thinking about it, he was doing it. He's, in my view, he is the single key person in the New York start up scene, and the most important person in the Urban Tech Revolution. He's the co-founder of Union Square Ventures. His list of investments is just mind boggling for Business School students. Holy God! Good going, Fred.

He wrote a foreword to an incredible book, and if you haven't read it, it's called, Tech and the City: The making of New York's Startup Community. His foreword is incredible. The book is just unbelievable. I like to think of you as an urbanist. Am I right in thinking you're partly an urbanist? You've worked on initiatives, including the redevelopment of Union Square and Madison Square. He's an engineer by training with an MBA from another business school that will go without mention, down the road, Wharton School, and he lives here in the city. So, I have plenty of other stuff I could say, but I won't. I want to start by asking Fred just a really simple question. It's a big question, so you should feel free to take as long as you want. How did this happen? Obviously, there was the Silicon Alley thing, but at what point could you gauge or see, and for what reasons did... you know, my friends used to call it high technology nerdistans. The high tech engineers wanted to be in the suburbs, have a Porsche, drive real fast, you know, not be bothered with city life. How did this New York startup ecology begin to emerge, and what do you see as some key factors, or maybe some key dates, or some key occurrences in that evolution?

FRED: Well, you know, I think it's Tim Berners-Lee inventing the World Wide Web, and I think that's

really the moment. And my partner, Brad, says that the worldwide web has caused a shift from electrical engineering to social engineering, and that's really what has driven it. It's not so much about chips and routers and the electrical engineering of computer science. It's more moved to the social engineering of computer science, what you can do when a technology platform has been built that connects everybody around the world to each other in real time. Then all of a sudden it starts to become about the applications and that's more about people and how people react.

It's anthropology and sociology instead of, you know, electrical engineering and that kind of stuff. So, I think that's the primary driver of why it's happened, and I also think that there's something about the engineer... you think about Wozniak and you think about Zuckerberg. Wozniak was, he built computers. He built, he was a chip guy, right, and Zuckerberg is a coder, and those are two very different animals. At MIT, that's 6.1 versus 6.3. For anybody whoever went to MIT, everything's a number at MIT. And I think it's a very different personality type. So, that's my answer.

RICHARD: You know, when you say that, I think back to Tom Friedman, who had a very different take. You know, if you read the world is flat, what Tom Friedman seems to suggest is that the consequence of the Internet and globalization is that it's going to spread us apart, not bring us together. And you know, I'm enough of a dialectician, anyone who knows where that comes from probably didn't study in the Stern School, another part of campus. I'm enough of dialectician to know that things could be contradictory. You can have one thing and another thing. So, what do you think is it about the Internet though that enabled the shift back to clustered concentrated urban life and not, you know, because if you believe Friedman we should all be sitting with a laptop and, you know, a smart phone out near a beautiful lakefront or pond front.

We certainly shouldn't be packing ourselves into dirty, not that New York is dirty, it's not dirty, although my wife still complains about the garbage bags on the street, but that's neither here nor there. You know, and packing ourselves into, you know, rabbit hutches, and dealing with the congestion and dealing with... you know, it's hard to live here. Why wouldn't we, if we're scientists, out with the corporate campuses, in the Google campus, in an Apple campus, you know, or by ourselves? What do you think is causing these kinds of people to want to live in cities?

FRED: Well, they're not scientists, okay. I think that's the first thing we have to understand. Five or six years ago I went to visit a guy named Rob Kalin, who actually, he may be a graduate from NYU. I know he went to NYU. He founded a website called Etsy. And I went to see him, and he had this really awesome office overlooking the New York Harbor. And I walk into his office and he was playing his guitar and, you know, he sang me a song, and I said, "Rob," I said, "I didn't know that, you were such a talented musician." And he said, "Fred," I mean, this is a little bit humorous because if you know Rob you'd understand it. "Fred, you know, I'm really an artist." He said, "If I had grown up in the '60s, I would have been a folk musician, and if I'd grownup in the '20s I'd have been a painter. But I grew up in this generation, and my art is making websites." And I think that's what you have to understand is that this is more art than it is science. And artists, I think, for the most part, congregate in cities. It's a social kind of thing, and it requires being able to hang out with people in coffee shops and cafes and bars and that is really what's going on in terms of technology today. It's not this isolated scientist in a laboratory somewhere.

RICHARD: Do you play an instrument?

FRED: I do not.

RICHARD: I do.

FRED: What do you play?

RICHARD: I'm a guitar player, and so my entire life guess what I thought I was going to be? Not here interviewing you and being a geek. I thought I was going to be in the Talking Heads. Little did I know I wasn't going to be, but my whole identity, it's really interesting, my whole identity is a guitar player. It still is. I don't play very much, but I still do feel very at home in it. And that's why I like cities, and I think that's why I came up with this kind of simple minded idea of a creative class, that this definition that we said artists are not like techies; they're different. They're somehow, and they create no value, right.

They're, the Bohemians, you know, suckle off the teat, and my critics still believe that, right, these artsy fartsy people only locate in wealthy places so they can suck them dry. They're parasites. But I think what you're saying is that there's something in art in cities that leads to innovation, and I'd just like you – why do you want to talk about him, or others? How do you see this connection between someone who sees themselves, I mean, obviously, as an entrepreneur, duh, but as an artist and as someone who's building stuff, how do you see that? Is it a generational thing? I mean, you kind of hinted at that.

FRED: Yeah, yeah, I think it's very much a generational thing. I mean, most of the entrepreneurs that we have backed are, you know are younger than 40. Not all of them, and we're not ageists. I mean, we're an equal opportunity investor, but you know I used to, I haven't used this line in a long time, but my partner Brad and I used to talk about the generation that had a computer before they had sex, and you know...

RICHARD: Well, those two things can go together, actually.

FRED: But you know, what is that age, it's probably somebody who's, in their late '30s, early '40s, right.

RICHARD: Yeah. What you say is very interesting because I saw it in my students, you know. That's one of the great blessings. Herbert Simon, the great Nobel Prize winner, probably didn't know he said that, the dirty secret of the university is we learn so much more from you than we teach you. You guys can... I watch this in my students.

FRED: But it's a feedback, it's a feedback system. That's what's really going on is you're learning from them, they're learning from you, and everybody's getting smarter.

RICHARD: Yeah, I know. It was interesting at Carnegie Mellon we did project based learning, and that's where I learned the most. And it's also interesting, Pittsburgh has had this miraculous turnaround, but it was very much at the cusp of that, and what we were tackling was how do we make Pittsburg this kind of urban vibrant place where people want to live. But I could see this generational tilt going on, and it's very interesting because we had artists – Carnegie Mellon at the time was known as a very good software engineering computer science but also very good drama and theatre plays, and it was very interesting to see that.

What do you think were some of the critical company events? Like are there a lot of people who study this stuff? I'm not saying this is right or wrong. I don't have a prior on this. They say what happened in Silicon Valley is, what's his name, that guy Terman. Was it Terman?

[Here, Florida mistakes Frederick Terman for William Shockley. Terman helped to convince Shockley to come to Silicon Valley. While there, Shockley founded Shockley Semiconductor. Eight of Shockley's leading scientists left the company to form their own, Fairchild Semiconductor. One of the primary motivations for the spin-off was reported to be Shockley's domineering and erratic management style. The eight went on to found other companies as well, including Intel.]

And they all left and they founded Intel, and they said we're going to fund, we're going to create a company where we can be part of the decision making structure. And then many of those people went on, like Gene Kleiner, to fund pretty important, or venture capital funds. So, the idea is that there's an anchor that creates all of these spinoffs, is that what happened here, or is it something else?

FRED: Well, it's hard to point to an anchor company. I mean, if we have to pick one it would probably be DoubleClick, or arguably, Prodigy, which you know was an online service. It really wasn't even an Internet company, but you know, and it wasn't even located in New York City. Prodigy was in White Plains, I think. It was an IBM owned company. But a lot of the early talent that went on to start other companies came out of Prodigy. But DoubleClick, a lot of entrepreneurs came out of DoubleClick. It was the largest Internet company in New York in the first wave of the Internet. But there were a lot of important companies I think if you think back to the mid '90s that taught us all a lot about what worked and what didn't work on the Internet.

And you know, I think what happened in New York was a number of factors coming together at the same time, and I don't think we can discount how important the turnaround of New York City itself was to the whole thing, right. I mean, you know, I've gotten involved with Poly and my diagnosis of what really hurt Poly was what hurt Brooklyn, what hurt New York City in the '70s, the late '60s and the '70s, when you know New York almost went bankrupt. NYU almost went bankrupt, you know, and downtown Brooklyn became a really bad place to have a school, and nobody wanted to go there. And as a result, Poly, really struggled.

So, fast forward 20 years and we're in the mid '90s. We're in the middle of the Giuliani administration. The streets are getting cleaned up. The crack epidemic is ending. The gang warfare is ending. All of a sudden, it's safe to live in Brooklyn. It's safe to, get a loft in Williamsburg. You know, all of a sudden New York City becomes a great place to live, and so that's a big, that's a big factor. I don't think that we can ignore that.

The Internet coming along is probably, as I said before, the most important factor because all of a sudden you didn't have to know anything about the underlying technology, right. The simple premise of the Internet is

I can connect a server to the Internet anywhere in the world and somebody else anywhere in the world can pull up a browser and access the software that's running on my server. That's a big deal. That's a really big deal. It basically makes everything that's underneath all of that irrelevant. You don't have to know whose routers and whose... frankly, you don't even have to know whose servers any more because servers are all hosted at Amazon now.

But that wasn't the way it was in the mid '90s, but that's the trajectory we were going on, and that all of a sudden, if you knew HTML, if you knew CSS, if you knew JAVASCRIPT, you could build a website. And you know, Rob Kalin *[founder of Etsy]* is a great example of that. You know, he wasn't an engineering student. I think he went to Tisch, you know, but then he made a living making websites. I mean, the whole story, the founding story of Etsy is interesting. Rob was kind of struggling, you know, out of NYU, kind of doing websites for hire for people, and a woman who had an arts and crafts magazine hired him to build her a website. And he was like, why can't we buy and sell arts and crafts on the website? She said, "No, no, no. It's a magazine, you know. That's right, we're doing a magazine."

RICHARD: Yeah. That's really important.

FRED: And so after he finished the job, he said to his two friends, "Let's go build for ourselves what she didn't want me to build for her" And they built Etsy, right. But he was, he wasn't an engineer; he was an artist.

RICHARD: It's really interesting. A conclusion I came because I'm a frustrate... well, a couple of things. I wrote so many things to ask you down, as you can see me jotting away. For all of us who thus believe, we'll come back with David Byrne in a moment and his recent opinion piece, which is just fabulous. What a great writer he is. But for all of us who bemoan gritty, you know, me, when I would come here when I was 15 to drink cheap beer and listen to great music, who bemoaned the good old days. You know, New York was a great place for artists, but maybe not being safe wasn't a great place to build companies. And I call it in my work Quality of Place.

You know, we just did a thing with Mike Bloomberg. We brought 30 Mayors from around the world, every Mayor said if your city is not safe, there is not much you can do. So, safety, but then all the other things, clean, green, access to the waterfront. But the question I want to ask you, and there are a number of streams I want to go with this. When you mentioned the thing about artist, website,

selling, what I see in these creative enterprises is there is a pretty large pool of good musicians.

What bands make it? It's not necessarily the band with the best singer. It's not necessarily the best band with the best... I'm better a guitar player than many people who play in bands. I'm teaching at NYU. Nothing wrong with that. But it's the ones that have very good vision and strategy and good management. And it's interesting, in music, because we're so screwed up, often we make it, it's either a childhood friend, or a spouse, or a parent. So, because creative people just detest anyone who's a linear business maker, or you go like... I remember the people who used to manage my business, some old, you know, half burned out rocker, you know, and the guy couldn't manage the book, you know, and I finally got married to somebody with an MBA, and we built a business.

But the point is maybe in the New York mixture there's more of this kind of, the artist who has a vision, this management talent, how do you – is my hypothesis completely half baked? Are there people who share that? Someone once said to me if you look at any, not only great company, look at any great revolution, it's always a pair of people. It's Lenin and Trotsky. It's Fidel and his brother. I could go on and on and on.

FRED: Jobs and Wozniak.

RICHARD: Jobs and Wozniak. So, in your sense, is New York a place that just kind of solves that puzzle and surfaces either the right kind of management talent for the kind that can blend together?

FRED: Well, the thing about New York is it has always been commercial, right. I mean, from the time when the Dutch, or whoever. They bought the island from the Indians, right, and forever more we have a trading mentality here, and it's a commercial place. And so I do think that there's entrepreneurship and commerce in the water, in the blood. You know, if you can make it here, you can make it anywhere. All that kind of stuff I think is a big part of what makes New York work, hustle and people trying to sell you stuff as you walk down the street. So, I definitely think that's a big part of it.

And art here is probably more commercial than other places, you know. Artists are trying to get in galleries and sell their art and, I don't think it's necessarily pure in a sense that, art might be pure somewhere else. People, artists who are here they have a desire to make it. It's a commercial place. And I didn't read the David Byrne

piece, but I have a little bit of a knee jerk reaction to that argument, and the knee jerk reaction to that argument is that it's not happening in the Bowery, and it's not happening in music.

It's happening in Crown Heights, and it's happening on a laptop, right. And I don't really, I don't totally believe that by the way because I do think that there's some truth to what David writes. But I also think that, you get old and you miss the art of your generation, and there's a new generation doing it differently, and then you get old and crotchety and you call bah humbug on it, right? And I just think we got to be careful about, reading too much into that. And the other thing is this idea that there's no middle class in New York. I don't know about that, you know. What is middle class?

It may be no middle class in Manhattan, but I bet you there's plenty of middle class in the Bronx. There's plenty of middle class in Queens. There's plenty of middle class in Brooklyn. So, you know, and I don't totally buy that.

RICHARD: Yeah. We're going to come back to that. I actually asked Jane Jacobs this question before she died. She was in her mid '80s and we're sitting in her little house. She had moved to Toronto in the annex, a little house where, you know, she had a rotary phone and her typewriter, and we got pretty close, you know, even though there was a big age gap. And so I said to her, "What do you think about this gentrification thing? What do you think about what's happening in SOHO, and what do you think what's happening in your old neighborhood on Hudson Street?" And she said, well, she said the most amazing thing, which is the best answer. She said, "When the place gets boring, Richard, even the rich people leave." She's just the most brilliant one-liners, right, when a place gets boring...

Then she says, "I wouldn't worry so much about New York. Maybe San Francisco is different," I think she said, kind of what you said, she said, "So, if SOHO gets boring and people get priced out, there's a lot of old buildings, you know." There's, it's a big metropolitan area. She didn't have to add that there was transit, that you didn't have to have a car to get around. She was very practically minded, and also very commercial, not commercial in her work; she wasn't, but very much the idea of commerce. And so her view was that this is going to move around New York, and it will take a long time. For every place that's affordable or where there's, you know, a better place to do your thing, and you know, she also had this incredible quote. She said, "Well, you know, it's really

expensive to do this stuff in suburbs." And I've learned this now from Dan Gilbert. I asked Dan Gilbert why he's moving to downtown Detroit. He said, "The suburbs are really expensive. I can do it more cheaply." I asked Tony Hsieh, "Why are you bringing Zappos to downtown Las Vegas?" He was like, "You know how much it would cost me to build a corporate headquarters out there in the middle of nowhere?" So, she said, "new ideas require old buildings". So, I'd like you to tell us what you see in terms of this moving map of the New York, the old buildings, what's affordable, where are the startups? Obviously, a lot is happening in Lower Manhattan, but are there neighborhoods where this is happening more? Are there outer parts that are happening?

FRED: Well, I think first of all, you have to look at where people are living, right. So, I do think that the fact that New York has become so safe has allowed people to stay in the five boroughs instead of moving to Northern Westchester or Connecticut or out to New Jersey. And I mean, I'm just blown away by what's happening in places like Crown Heights. You know, I mean, I, when my daughter told me she was moving to Crown Heights, I said, "What the f***?" you know.

RICHARD: Yeah. I'm right with you.

FRED: And I went up there, and I was like this could be the next Part Slope in three years. I mean, there's strollers, there's babies...

I live in the West Village, so I'm, in my own little, I don't know what the right word is for that, but I'm in my own little world, and I didn't realize, and I went out there, and I said, "Wow!" you know, and you could still buy, an apartment, or even a house in Crown Heights for a number that, would be middle class.

RICHARD: A lot cheaper than you can in some neighborhoods in Toronto. Obviously, Lower Manhattan, the Village is much more, but you can buy a better house even in Brooklyn, never mind Crown Heights, than you could in an equivalent neighborhood in Toronto.

FRED: Right. And so what we are seeing a lot in a lot of our companies, so companies that got started in 2005, ten years later the founders who started it were in their late 20's, now they're in their late 30s. They all have wives, they all have children, and they're all kind of living in Brooklyn now. They're raising their families there. There's issues about the schools. We better get the public schools in Brooklyn to get better quickly because we'll

have a problem with that. There's not enough private schools, and private schools are expensive. But the housing stock is good. The neighborhoods are safe, you know, and people are moving out there, and there's a lot of development going on. And so now the companies are thinking, well, gee, let's move to Williamsburg, let's move to Green Point, let's move to Gowanus, right, let's be near the Barclay's Center, let's be near that big transportation hub in Atlantic Yards. So, I think Brooklyn is going to be fascinating. I'm kind of more interested, I mean, my wife would kill me if she heard me say this, we've got a beautiful apartment in the West Village. It's just awesome, right. I'd move to Brooklyn in a heartbeat.

RICHARD: Yeah. We say the same thing all the time. And you live a different life. In Brooklyn, you can live a different life, and I think, I'm looking at my own data here, and I was telling you it's not perfect and we're going to do more, and we're going to do this project, which I'll tell you more later about. But you know I got the data from Thompson Reuters and from the National Venture Capital Association. I got them to code it by zip code for me, and I can't believe none of my colleagues ever thought of this. Like you could actually call them up and then we actually bought the data now. We haven't looked at it. We will. But basically, it shows that, you know...

FRED: How do you know what it shows if you haven't looked at it?

RICHARD: Oh, no, we looked at the data, sorry, sorry, it's been a long week. We looked at the data they did for us. We didn't look at the whole big time series data.

FRED: I got it.

RICHARD: But it shows, you know, that New York City is hauling in two and a half billion bucks a year in institutional venture capital. But much of it's concentrated in Lower Manhattan.

FRED: You take it where the companies are?

RICHARD: Yeah, where the companies are. And I think the reason for that is it's always been commuting.

FRED: Well, that's the problem, right. The problem with locating in Gowanus or Green Point is that it's a b*** to commute to.

RICHARD: And this is central for the whole route.

FRED: Well, my sister-in-law lives in Rockland County, and she's teaching in a school in Southern Brooklyn, and she drives across the river, takes a train into Grand Central and takes the subway to another subway, and that's like an hour and a half commute. You're not going to get people to do that, so that's why Manhattan is what it is.

RICHARD: And I think that's the way to think about Manhattan and particularly Lower Manhattan... I was reading this, the Michael Mandel thing, which we talked about, his report on kind of New York as a tech information economy.

FRED: Where is Michael? Just curious.

RICHARD: Michael lives in New Jersey.

FRED: But no, like who's he affiliated with?

RICHARD: He did this from his consulting company, but I think he works for one of the DC Think Tanks. *[Richard is referring to the Progressive Policy Institute in Washington, DC.]* He found, I didn't write this down because I just read it today, but he found that New York as a city has amazingly increased its relative share of information and technology. Our part was he puts media in there. He puts Bloomberg in there. He puts Thompson Reuters. But discount that for a minute.

He found that while finance share of the economy has not only been declining, but the wage bill has been declining. The share of the wage bill by tech companies has been dramatically increasing, and he did find a very nice hub of activity in Brooklyn.

FRED: Sure.

RICHARD: And it's very interesting what he showed. He just looked at the Delta, basically found that in terms of growth in tech, again, using this broad definition, including big anchor companies, Brooklyn had the second greatest growth other than San Francisco proper. I'm assuming that's why because people are living there, preferring to have a lifestyle there. What do you see as some of those factors?

FRED: Well, he's talking about the companies, right.

RICHARD: Right.

FRED: He's not talking about where...

RICHARD: Yeah, he's talking about the companies, but not where the workers live, where the workers work.

FRED: Right. So, he's talking about the companies, and I think that that is a reflection mostly of the fact that their workforce is increasingly living in Brooklyn. So, it's easy to convince the team to move to Brooklyn. And you know, the other thing is this could be great news for Long Island, right, because there are nice suburbs in Long Island. The one place, I mean, the commute into Atlantic Yards from the nice suburbs in Long Island is actually easy, so this could be good, this could actually be good news for Long Island I think in some ways too. But any case, I think what it is is that more and more of the employee base is living in Brooklyn, so it's easier to locate the companies there.

I think that there's great space there– I met with a bunch of landlords about a year and a half ago. The EDC, which is the arm of the city government focused on economic development arranged a meeting between entrepreneurs, VCs and the big landlords. The big landlords were like, you know, why don't you want to move into our buildings? And the answers were all about: you won't let me bring

Fred Wilson (left) discusses the location and design of company buildings.

my bike up the elevator, you have dropped ceilings with fluorescent light. They all want to work in these big wide open former manufacturing buildings with, you know, four plates that are wide open.

They want to have these big freight elevators so they could take their bikes up in. You know, they want a kind of a grungy lobby. They don't want any security guard. They don't want to have to swipe something to go through the turnstiles, I mean, and that's what they want. And there's a lot of that in Brooklyn, there's a lot of that in Dumbo,

there's a lot of that in Williamsburg and there's some of that on the waterfront. The whole waterfront's great. I mean, you get from Green Point, Long Island City – well, I know Long Island City is not in Brooklyn, but Long Island City, Greenpoint, Williamsburg, Dumbo, even down along towards even Red Hook and possibly all the way down to Sunset Park. I mean, if we really light up the Water Taxi I think the combination of city bike and water taxi could be phenomenal for the city.

RICHARD: A week ago, I just got that from Deputy Mayor Steele, I just got the data on the ferries. He just sent it to me. And I remember the first time he told me that, the ferries are going to change this place and they're cheap. You know, building a subway line is a hell of a lot of money.

FRED: It's not cheap.

RICHARD: You know, building, refurbishing the dock and getting a ferry operator, and you could point it at different things, and you know, it's funny, I became a cyclist to try to become more in shape, and Uber and the bike changed my life. But experience taking the bike and going on the ferries this summer gave me – I grew up in New Jersey. I'm born in Newark. I've been coming here since I was 12, or 13, or 14 or 15. It gave me a whole different perspective on the city being on the water. I've never thought of New York as a water city, and being out there and watching it... you kind of said this thing about old, the first thing I want to say about old buildings is could you tell the space planners at NYU?

FRED: Yeah, exactly.

RICHARD: I mean, you know, they keep building, I mean, universities are the worst, keep building us the same kind of buildings with the same kind of clashes. This isn't here; this is another university that will remain nameless. They're going to build us a new institute, and we got a great architect, Bruce Carbaugh, that's brilliant. So, I gave it away already. So, he says you don't want regular offices. You want one of these hip spaces. And I said, yeah, I'm going to give up my office. And they said, "No, you're not." I said, "Why? My office is a warehouse for books. I'm never in it. I'm either meeting with my team or going to coffee shops." They said, "But you need it to meet with students." You mean the best place for me to meet with a student is in this little cubicle with a locked door? I'm not going to meet with students. They're going

to meet out in some public area. They said, "But you have to have some place to put your secured papers." Who has paper? We don't grade on paper. I don't grade on paper. I grade on online. So, and this whole idea of new ideas requiring old buildings, just because I've been trying to unpack this, and I'd like your reflections on it. It seems to me what's interesting about these spaces is not only are the same kind of spaces that artists love, they're actually the one place that you can get around NIMBYism, right.

They're the one place that is a bunch of old crappy burned out industrial stuff without a lot of neighborhood residents that are going to say don't do things. So, it's pretty easy to go in there in a kind of – I like to call it a DIY mode, but you know what I'm saying, go in there and start to mow-... but what is it in your view that makes people want to gravitate to these kinds of spaces? Where could we look in New York as additional spaces to develop?

FRED: Well, what you should do is you should do a case on KickStarter. So, KickStarter, I'm sure everybody knows what KickStarter is. KickStarter is one of our portfolio companies. They got their start in a tenement building on the Lower East Side, and they gradually they grew. They took over the entire tenement building, and about a year and a half ago Perry, he was the founder, started looking around New York. We're going to have to move, where are we going to move to? And everywhere he looked the landlords wanted a 10-year lease. They had to take at least 10,000 feet, maybe 15,000 feet at 50 bucks a foot. And he added it all up, and he said, "I'm going to have to give some landlord $7-8 million over ten years."

So, instead he bought an abandoned pencil factory. The company bought an abandoned pencil factory in Green Point for $3.25 million, and they basically put roughly that plus some more. I don't know exactly what the number is, and turned it into, their new headquarters, and it's not a lot more than what they would have handed the landlord, and now they own it.

They wanted to do a bunch of things to the building, and the Landmarks Department has been a pain in the a** for them. So, it's not, like you build an abandoned pencil factory, you would think that it wouldn't be a problem. But okay...

RICHARD: Landmarks and Historic Preservation has become a big problem to NIMBYism.

FRED: Okay. So, here's the thing, awesome graffiti on the building, right. In order to get Landmarks to allow them

to do it, they had to remove the graffiti, okay. This killed the KickStartup people more than anything else. They wanted that graffiti, and Landmarks made them take it out. They had to literally remove the graffiti. And I said to Perry, "Well, you can have it put back on." And he said, "It's not the same thing. This is graffiti."

RICHARD: Right. It's not the same. It's not authentic graffiti. You know authentic graffiti. It's interesting. There was a great report for you guys and Fred may have seen it. I went down and met with the Manhattan Borough President, hopefully soon to be comptroller, Scott. I never met him before. It's actually, that's the day I got Uber, it was like a year ago. I tried to get a cab in Soho. I got soaked. I walked in there like a wet rat, and we had this conversation. He produced this report about justice. It's about other things, about how to expand it, how to use transit, how to make benefits go to other neighborhoods and less advantaged people. But the idea was that we don't have a mechanism for getting companies as they scale up. Exactly this problem.

You know, if you're in an office park, you can then go to the building next door. But with startups you're moving, building to building, you don't want to be trapped in a long-term lease. Landmarks is one component. What would the other components of things to work on there?

FRED: Well, we're starting to see some good models with the co-working spaces and then buildings that are really sort of startup buildings and, you know, the promises they make is that as you grow you can take more space. We're not going to make you sign long-term leases. Some landlords are getting it. The Kushner family, which is a big real estate family in New York. One of the next generation, Josh is in the venture capital business, so he's clued his family in. They bought the Puck Building. They bought another building down in...

RICHARD: Yeah, I want one of those, I'll never be able to afford one of those things on the Puck Building.

FRED: Right. And they bought another building right near La Esquina, the Mexican place, whatever street that is. And they're turning them into these kinds of buildings. So, you know, and I think once other landlords see, you know, the more innovative landlords, or I mean the Two Trees in Dumbo, the, I think the Wolowitz family is what they're called, has done a great job and, you know, they're doing really well with their real estate. So, I think other landlords are going to see this and say, oh yeah, that's what we need to do. We need to start buying these buildings. We

need to see to creating startup friendly models. You know, we can sign one-year, two-year leases with expansion opportunities in our building.

And that might make it a little harder on them, but it'll attract the right tenants and they'll do well with it. And I think we'll see more landlords doing that. It's, very few startups are going to buy their own building and fix it up. I mean, KickStarter just happens to have a financial business that works for them and allows them to do that, but most companies can't do that.

RICHARD: Would venture investors, and I'm not saying you, but does it ever make sense for venture capitalists to own physical – I'm thinking of, and the reason I'm thinking of Tony Hsieh, right, who when he moves Zappos downtown bought that old, and it's cheap, right. Well, it's I guess downtown real estate's cheap, bought that old city hall, but then he build a real estate, a $350 million real estate fund, wanted to provide more affordable housing and proximity, but the other thing is to be able to lure tech companies from San Francisco. Would it ever make sense, and you'll probably tell me it's crazy, for venture capitalists to take over some of those real estate functions as a kind of an incubation model?

FRED: You know, we've resisted it. We've, you know, we've had entrepreneurs tell us that we should do that for a long time. We've resisted it because, you know, being a landlord to one of your companies puts you in a really weird position, right, and so we just decided we don't really want to do that. I think the better approach for us is to try to convince the more progressive landlords to build the kinds of buildings or to buy the kinds of buildings and renovate them that our companies want to go in, and then work to get our companies to go in there and create a really sort of symbiotic relationship with a certain group of landlords.

RICHARD: And that's what Tony has done. He's created a fund, right, which has his money in it, but he's not managing them on a day-to-day basis. You know, our project is going to be interesting, Fernando is here from Endeavor, and Endeavor has been helping us a ton, and we do have a case study with the Marron Institute, and the organization's project on the New York startup scene as a way to kind of look into this. But it's really interesting when I think about it from a disciplinary perspective. You know, the Stern School, obviously, a business perspective. I think a little bit better than planning, but I actually hold an appointment in the Shack Institute, which, and I didn't even think of it, in the Real Estate Center.

So, putting these different disciplines together and looking at it from the other side, what do the real estate because they're all members of the Board of Shack Institute, what do the real estate people have to say about this, and how are they adjusting? And to bring these together could be something really cool.

FRED: Well, I'll tell you an interesting story. So, going back ten years at least, maybe 15 years, folks in city government would come to us, and they'd say, you know, what do your companies need? And they always had this idea that what New York City needed to provide the startup community was capital. And they thought that it needed to provide real estate and, you know, tax incentives and all of these things that startups don't need. What startups need is talent, talent, talent. Talent is the most important thing. They don't need subsidized real estate. They just need the appropriate kind of real estate. And the other thing that they never really focused on was quality of life, and I would put transportation very high on that list, right.

So, the idea that, you could walk out of here, an apartment in Bed-Stuy, and get on a city bike and take it in to Williamsburg, get on the ferry, take it across the ferry, get on another city bike and be at your office in Flatiron in 25 minutes. That's awesome, right. No one ever thought that that would be like a reason that more startups would move to New York. I'm telling you that would be very high on the list. If everybody could have that kind of lifestyle they would love that.

RICHARD: And I think that's one of the things I think Jeanette and her team and Amanda, I mean, I think they got it. I think they got it with City Bike. I think they got it with bike lanes. I think they got it with ferries.

FRED: They did an amazing job. I mean, literally, if you look within all of the great successes of the Bloomberg administration, I think transportation has to be one of the great bright lights of what they've done. I mean, it's amazing. Even though the City Bike is kind of screwed up right now, I think they'll get it fixed.

RICHARD: Yeah. They will get it fixed. But it's interesting, you see, you see this from an urban planning perspective, you see cities like Toronto - I spend time there – Miami, DC, Boston, Seattle, I can go down the list. But when a metro hits about 3½ million people, and then it starts to get clogged arteries. New York made this investment in its transportation system 100 years ago. That transit backbone is absolutely key for the urban metabolism, how

a city can keep getting faster and more innovative. You mentioned talent, and I had a question written out here. You said it better. I tend to agree with you about talent.

Is there something different though about the talent here than the talent in the Bay Area? And maybe it's not, but is there something, and I'm not saying unique or mixed. There's something different about the talent base here. Is it the same as it would be in another big metro area?

FRED: Well, if you're talking about the demographics of the talent, or you're talking about the quantity of the talent, I think those are two different questions.

RICHARD: And the skills.

FRED: And the skills and the expertise. You know, there are more engineers per capita in the Bay Area than there are in New York. There are people who've been working in tech companies... well, you know, there are people who've been working in tech companies for 30 or 40 years in the Bay Area. They are older than I am, but there are more tech companies, there are more people who have experience working in tech companies, there are more people who have the expertise that you would need to build a tech company in the Bay Area. All that is true. But just in terms of raw numbers, there's plenty of engineers in New York. There's plenty of marketers in New York. There's plenty of people who can help design products, and so we actually don't have a shortage of talent in New York.

I think getting the talent to come to work for your company is always hard, and everybody wants more talent. I think New York is one of the few places that you can get somebody to leave San Francisco to move to. So, at Etsy, Chad Dickerson, who's the CEO, John Allspot, who runs engineering, Kalinn, who's the CTO, all relocated from San Francisco to work at Etsy. Adam Freid, who was the COO also relocated to New York to work at Etsy. So, there's a lot of people, senior executives, who have worked in tech companies in the Bay Area for a decade or more that are willing to move back now. Why?

Well, one reason is a lot of these people grew up on the East Coast. They actually kind of want to raise their families back on the East Coast close to the grandparents. They may like the East Coast better. Maybe they like the summer in Maine, or summer on the Jersey Shore, and there's just some things about coming back to New York, or the East Coast, that appeal to them. It could be a wife that wants to come back because they're close to their family, and they don't want to be, a whole country away

from them any more. So, you've got to pick your shots. You don't get them every chance, but every once in a while someone, you'll see it, I could get that person. They kind of want to be here. They just, they don't know that there's the right company.

My partner, Albert, says Google gave a massive gift to New York by buying that building in Chelsea and putting 1,000 engineers in it and building a big tech company in New York. We needed that because people want to know, well, if that thing doesn't work out I can always go work at Google, right.

RICHARD: You nailed it. I was telling you about that Nathan Heller piece. I think that's his name that quoted you in the New Yorker, which is phenomenal. It's exactly what he said. He said, and I'll go back to this, about San Francisco building an ecology around people who want to work for themselves and with all the limits of that. It's very individually focused, but how it's spawning a whole new way of looking at lifestyle and civic problems. But he said that about Google. He said, "Well, what happens to the 40-year-old who's getting sluggish?" And he just said they go to work for Google. So, it's interesting. I call it a thick labor market, you know. You know you're not going to have one job for life, and you need those places, even if you're going to recharge your batteries. Why did you pick New York?

FRED: Well, New York, I came to New York right out of college, right. I mean, I...

RICHARD: To do this, or what were you going to do?

FRED: No, no, no, no, no, no. I had an engineering degree from MIT, and I was writing software at the time for a living, and I came to New York as I grew up, well, I grew up as an Army brat, but the last five years of my childhood my dad was at West Point, and so, you know, we used to come to – in the same way, we used to come to New York for the same reasons you used to come to New York. We used to come here and go to concerts, drink beer, right, and I always loved New York and I wanted to be in New York, and my wife, who I met in college, wanted to be in New York. And so we're like, let's go to New York. We came to New York. That was, that was it.

RICHARD: And then the idea of like doing venture here, like wouldn't it have been easier to say screw this, let's go to Silicon, I mean, you're obviously a really talented guy. Why? This seems like the much harder thing, but maybe I'm wrong.

FRED: Yeah. Well, I optimized for lifestyle, right. You know, if you optimize for a career you can go to Silicon Valley. If you want to optimize for lifestyle, you live in New York. I mean, the Mayor says it better than anybody. I mean, if you are interested in culture and living life to the fullest, you can't live in Silicon Valley. I mean, it's, it's death. You wouldn't want to, I mean, it's horrible. Now, San Francisco is better, right, and so, so now...

RICHARD: Yeah. And that's why it's shifting.

FRED: Now the technology community is moving out to San Francisco. San Francisco has good culture, right.

RICHARD: And good food, good wine.

FRED: But it's not New York.

RICHARD: But it's not New York. You know, I wrote this into a book, Who's your City? You know, I said, people always tell you your career is important, optimize your career, and they tell you, you know, meet the right significant other. The only place you can optimize all that stuff is picking the right place, and you better give it attention. And I think you're right, I think that's why, along with the other things you said, technology that enables you to live where you want, transit that enables you to move around, low crime. That optimizing of life is what's driving a lot of people here, and people, and it's weird. The more you can do from more remote places... maybe this is the nub of the matter.

The more you want to be in the right place, like you don't, the more you can do it, kind of make it happen where you want to be, the life optimization becomes more important. You're not being just dragged to a job. So, what...

FRED: But let me just say something. You know this. Everybody in this room knows this, but the way you live your life in New York in terms of so much walking and so much human connection. I get on the subway and, I mean, that is, that is humanity.

RICHARD: You're absolutely right.

FRED: I mean, you know, I mean, you can smell what the person next to you ate, you know.

RICHARD: Absolutely right.

FRED: I mean, and there are people who don't like that, but I love that. I mean, I love its diversity and I mean it's

like every other language is being spoken. If you like that, you can't get that anywhere else. Today I had this really interesting experience. I walked out of my house. I got on a City Bike and I'm riding to work, and I'm coming across 22nd Street, and I get to the corner of 22nd and Fifth and there's a light. So, I'm waiting at the light, and a guy comes across the street, and he says, "Hey, Fred, how are you? How're you doing?" I'm on my bike. He's walking. This is a venture capitalist who's based in Denmark, and he's telling me that he's relocated to New York to help all of his Scandinavian companies. And I'm thinking, this is awesome. The Scandinavian dude's on foot, but I'm on a bike. I'm living his lifestyle but in New York. But he bumped into me on the street, that doesn't happen in most places.

RICHARD: No, and the fitness, you know, the fact that we do that. Even if I can't go out and exercise, I just walk. Two days in a row I'll walk down to the financial district, walk back and the fitness implications of that, especially as we get, we get older. One of my students, Elizabeth Currid wrote this book, the Warhol Economy. She wasn't looking at tech, she was looking at artists and fashion designers, and what she found is that New York was a great place to get your sh** sold, right. It was a great place because there were different restaurants and clubs, and in that business it was kind of a nightlife then. But clubs weren't – now they might be more for pop arts, but at that moment they were for people going to meet and mingle and do business as well as have a lot of fun. Are there spaces like that for the tech community?

FRED: Absolutely.

RICHARD: Give us some illustrations. Or is it just you meet people riding your bike. It's more ubiquitous than specific spaces.

FRED: Well, it depends on, you know, where you are in the tech community and where you live and, you know, there's coffee shops where people go and hang out and write code together. You know, there's co-working spaces, there's restaurants that people go to. There's places people go out drinking at night, and there's bars that people go to. There's not one place, but there's, I mean, if we sat down and named the convening spaces for the tech community we'd easily come up with 20 or 30 places like that.

RICHARD: And does music play a role in any of that? Are there, or is it just music being in the environment, and when you go out you hear music when you want?

FRED: I mean, people go out to see music. I don't know that... there's a lot of people in the technology business that like music and go out and see music. I don't, first of all, I think going to see live music isn't a particularly social experience because it's too loud. You can't sit there and chat. But yeah, it happens.

RICHARD: Just one, and then we'll floor it up. So, get ready with your questions. I want to go back to the David Byrne thing because it's really compelling. It's kind of something I wish I had... it just shows you what a good musician and writer can create. The title was, you know, If the 1% Control This Place, I'm Out of Here. But it was a much more nuance piece than that. He basically said that what's happening here is starting to undermine. I heard both candidates yesterday, and it was interesting to me. I'll say this on the record how alike they sounded. When they sat down together, two people who I thought would be on the complete opposite, and Steven was there, opposite sides of the spectrum, it was all about this.

It was innovation. It was technology, and the big division was, Lhota said, "We can solve inequality by increasing opportunity and growing the economy," and DiBlasio said, "We can solve inequality by making our schools better." That was the, it was an amazing thing, and the idea of building a growing economy, a bigger economy. A tech economy is key to that. But what David Byrne said was a little bit different. He said that there is so much of the global super rich coming in here. Now this is a bigger problem in London, where you don't meet a person from London any more. You meet kings and queens and the global super rich. My dear friend Ryan and call this a city that's become parasitic.

Byrne was saying the same thing. In parts and, again, in parts of Manhattan it's becoming so darn expensive, $2000, $2500, $3000 a foot, that many people can't afford, even young people can't afford by double and triple and quadrupling up... And he said the point Brooklyn is better than the Hudson Valley. But do you think it is happening or could happening that this place is becoming a little less, or more homogenous? I'm not sure it is. But that some of these, this blanding, if you will, that it might undermine some of the diversity you mentioned, the rubbing shoulders. Is that at risk, or is that being overblown?

FRED: I think it's true in Manhattan. I don't think it's true in the other boroughs and I you know my kids don't want to live in Manhattan. You know, my kids think Manhattan is boring, they don't want to be here. So you know the next thing that will happen is all the rich people... I just told

you I wanna move to Brooklyn so all the rich people will move to Brooklyn. Chase them out of Brooklyn and then I'll be back in Manhattan. I don't know, I mean it's kind of what Jane Jacobs said to you. I think... but you know I don't know. I mean, I think that, you know, going back to the Lhoto versus DeBlasio thing they are both right.

It is not one or the other. You need entrepreneurship and innovation and job creation to create opportunity for everybody and you need to fix the schools. So they're both right. But how you do those two things is really, really important and you know unfortunately I think that you can't get different results in the public school system by doing the same thing we've been doing for 50 years and just spending more money on it. That's not the answer.

The answer is actually radically changing the way we manage our schools and that's not what DeBlasio is advocating for; he's advocating just giving more money to these people who are f***ing up our schools. We can't do that, we have to take the money away from the people who are f***ing up our schools and take the schools away from them which is what the Mayor tried to do.

RICHARD: Now I have to tell you guys this before; guess the thing I hated most in my life, going to school.

FRED: Yeah and...

RICHARD: Here I am a professor. I mean I... as soon as I got to high school we had modular scheduling which means I could take a few... and I took no classes. In college I might've went to class three times.

I loved to learn but I hated schools. My brother living in Hoboken he actually says the schools are so broken there he's considering Brooklyn. Now again Brooklyn schools have to be improved. His kids, when I think about what they're going to have to do for a commute for high school; like the path train, to the subway, to the bus. So one of the things that you would hope is what this... it's what this Nathan Heller piece in the New Yorker is about. It's about how people now have given up on all these large incumbent, industrial, feudalist institutions.

FRED: Right they've taken matters into their own hands.

RICHARD: Right and I think that's where we go.

FRED: The taxicab system doesn't work in San Francisco, compete with the taxicab system.

RICHARD: Yeah and could we do that and I won't... could we do that for schools?

FRED: Well my partner is home schooling his kids and it's really easy to homeschool your kid now. Right I mean it's really easy and it's cheaper. You can give... he has three children. You can give each of your children a personal one-on.one teacher in every subject for less... for about half of what it costs to send them to a private school.

RICHARD: Yeah I don't have kids. If I had kids I'd homeschool. There's not a doubt in my mind that's what I'd do because it's cheap and you can take them with you, you can travel, you can show them things. And you know what I hate to say this; I didn't learn much in school. I learned much on my own.

FRED: And you can let them follow your passion. So Albert says that his kids because they have one on one tutors they get through English, Math, History and Science in about an hour and a half to two hours everyday and then they have four hours to... one of his sons wants to be a cook so he cooks with a chef for an hour. Right? You don't get that in school.

RICHARD: And that's his passion; he's learning about whatever. He can learn molecular gastronomy and you know school is freaking pep rally and football club and rah, rah, rah and a lot of the peer effects are not good so no, I like it.

FRED: That's a big debate. I think the only debate with homeschooling is that the socialization; you know I mean I didn't like getting picked on when I was in high school but I probably learned something valuable from the experience.

RICHARD: Trust me growing up in Newark and North Arlington New Jersey I never was picked on. Question from the audience. What key priorities should New York City's next Mayor have for the tech industry and the tech economy?

FRED: I would say the most important thing that New York City's next Mayor could do for the tech industry is regulatory relief. And I mean a good example of this is that you know Uber Halo lift side car; it's been really hard for them to operate in New York City. The current

administration has... Airbnb is another example of this. The current administration has tried to help as much as they possibly could. That's the right approach. You know a Mayor who is more kind of stuck in the regulatory you know system would be I think really bad in that way. So that would be the number one thing I'd say.

RICHARD: You mentioned that New York's Tech

Richard Florida (right) discusses New York's potential for breakthroughs in tech.

community has an... I'm using an artistic side, creative side; but this question is asking you know there are these great breakthroughs; these epic... Joseph Schumpeter talked about these epical breakthroughs which create the big disruptions. Does New York have the right elements to foster really, really big breakthroughs either in science or most importantly create really transformative technologies?

FRED: Well you know a lot of the technological breakthroughs that led to the light bulb or the telegraph or even the internet weren't by Edison or Alexander Graham Bell or Tim Burners Lee, right they did sort of the applied science or the applied engineering against a more fundamental breakthrough that was you know done in an academic or research laboratory environment.

So you know I actually think that the entrepreneurial things; let's take you know Thomas Edison you know those are done by entrepreneurs; they're not done by... those aren't the people who are coming up with the underlying science.

RICHARD: And we do know have; I mean we know this. I'm geeky enough to look at the listing of like scientists and innovator there are a lot of scientists in big cities whether it's New York, London; a lot of like high quality

ones. What do you think are the quality of life and culture gaps if any in New York City?

FRED: Well we talked a little bit about transportation. I think that it... you know people I know who commute from Williamsburg into Union Square in the mornings tell me that subways are brutal and sometimes you can't even get on a train in the morning; that's a real problem. I think it's a lot of that; transportation, schools, you know if you can't afford a private school and you're going to put your kid in a public school and you can't afford to live in a neighborhood that has good public school you're going to leave in the city. So those are the kinds of things that I think that are the biggest problems.

RICHARD: I have another question for you; it's only because I moved to Toronto and live there and split part-time between here and there.

FRED: You're still doing that?

RICHARD: Yeah, it's there isn't much and I think the police; I'm the biggest fan of the New York City Police Department you can imagine. Those guys are unbelievable. There is a much more police presence on the street of any American city; I never see police in Toronto, never. I mean they're there and you feel safe and it's obviously reduced the murder rate here. I think it's like 65 in New Orleans, 35 in Detroit, 16 in Chicago, 4 in New York, 2 in Toronto. So New York's right there with the very safe city. Do you think there's anything on the policing side we should do. Are you okay... I mean with the sirens, with seeing police with guns; I mean I walked into the Columbus Circle the other day and machine guns, helmets, shields?

FRED: Why?

RICHARD: What?

FRED: Do you know why?

RICHARD: Safety and security for the UN stuff all that kind of thing. Do you think it's a problem or do you think people are ok with it?

FRED: I don't have a problem with it. Maybe some people do. I mean even stop and frisk; I mean the thing about stop and frisk that was annoying was that apparently almost all the stop and frisks were happening in two neighborhoods. In southern Brooklyn and south Bronx right and you know we want to control crime in a neighborhood that's

got a lot of crime you're going to have to be aggressive I think.

RICHARD: Question about the role of really, really imminent technical institutions. Your alma mater where I went to school; I went to school for a couple of years, graduate school until I realized I couldn't, so I feel bad. I got so homesick I couldn't live in Boston; I transferred to Columbia sorry. But I really wanted to come here but you know Stanford, Berkeley, MIT and all of the great; how important is that or have we eclipsed that?

FRED: No I think it is important. I think it's one of the things that New York... New York has great academic institutions but we don't have any of the top engineering schools in New York City. And part of the reason... you know I'm on the board of NYU and I'm on the board of POLY and the reason that all happened was that I went to see John Saxton when Poly and NYU came together I went to see Jerry who... oh Jerry left; Jerry Hultin who used to be the president of Poly was here a little earlier.

And I said to them this is really important for New York right, all the prestige and money that NYU has if you could inject that into Poly you could take Poly from being a middle of the pack engineering school to being a top 20 engineering school in five to ten years and if you did that do you know what an amazing thing that would be for New York. And classic Saxton you can imagine what he did right; he said, came up, gave me a big hug right, you know bear hug, I could barely breathe and he said, I need you to help me do it. I need you to join the board. I need you to give a bunch of money, I need you to give me a bunch of your time and you know I mean in a bear hug yes, yes of course I'll give you that.

RICHARD: You know it's really interesting that you say that. And I don't know... I gave... John asked me to give a talk to the board; I don't know if you were at that meeting.

FRED: I was at it yeah.

RICHARD: You were there. We didn't talk what I noticed about the board is you were a minority from your industry and technology background. There's nothing wrong with that but the board was largely real estate development people, you know world finance and...

FRED: That's exactly what the board; the board of NYU is a bunch of real estate and finance people.

RICHARD: And it's very interesting though as tech... in

terms of contribution to the wage bill it was number two. Now finance is still bigger but according to this report Mandel did tech broadly was the number two contributor to the wage bill. So with all the other stuff this is a very big thing and I think you know if you look at MIT's board one of the things I always knew because I taught at Carnegie Mellon; Carnegie Mellon had a lot of older industry people and some high tech people. One of the things I learned about MIT is they always had current high-tech people all over their board.

FRED: Well if I had a criticism for NYU's board; they don't have any academics on the board, there's no Nobel Laureates on the board, there's no technology people on the board. I mean it unfortunately it feels like a group of people who gave the most money to the school. And that's not healthy, you want to have some of those people but it shouldn't be all those people.

RICHARD: And I think that's a process of adjustment but it's interesting with what John said to me and when we were talking about me being joint here and how we would do that and how much I wanted to be a part of this committee he said... we figured something out. We figured out if you're going to acquire an engineering school and make it great you need partners. And I know this; it's nothing, I think Poly's a great school but I know this; when you go to departments that are not the first rate they tend to hire more C-players. The A-players hire the A-players. He said in order to make it great I needed partners fast so I reached out to Carnegie Mellon where you taught for a long time and maybe MIT had it's own agenda, I'm not sure.

But I reached out to Carnegie Mellon and University of Toronto because they had good computer science and software and the way we're going to do it is leverage and that's how I got my glide path; it was like a no-brainer. But I thought that was a very interesting strategy of leveraging external partners.

FRED: It's essentially you know annexing someone elses brand for your benefit.

RICHARD: Yeah and then you know what my colleague who is now the president of the University of Toronto said I love this partnership. I got twenty one new faculty members hired and all of them want to spend half the year in NYU and that's great for us. So I actually think this global thing with them is the most attractive thing.

FRED: Yeah I was... you know I guess a lot of faculty

don't like it but I knew nothing about it and when John explained it to me it made sense to me.

I mean if you can have a global educational institution I think there's a lot of great things that should come of it. I'm sure it's a pain in the a** to manage, and you know Paul I guess is over in Shanghai so he can't be here.

RICHARD: I got to Abu Dhabi.

FRED: You go to Abu Dhabi; I mean that can't be pleasant all that travel but I do think it allows you to connect into parts of the world that are important that we don't focus on enough here in this country.

RICHARD: Although the intensive I did with Ale in Abu Dhabi I used to really not like teaching; this idea of meeting with students once a week for three hours and you're all pressed for time. And we did a three week intensive where we just lived and breathed and worked together on transforming Abu Dhabi. But I thought if you're a global cities professor to be able to plug into Shanghai or Abu Dhabi; and we're talking about this and maybe the semester isn't even three weeks. Maybe you're doing one week intensives with you know really hands on stuff. Uh, do you think the Cornell thing is... the Cornell Technian thing is a...

FRED: I think it's great. I think one of the great benefits of it is that it's caused the other institutions to want to up their game right. You know people are competitive with each other. I think that's kind of genius in a lot of ways.

RICHARD: Genius of our current Mayor. Somebody asked what about Detroit; my wife's from Detroit, I've spent a lot of time in Detroit. You know it has a lot of funkiness, it has a lot of cheap space, it has a lot of rich people who want to make it better and foundation money. Can tech help a place like Detroit turn around or?

FRED: It can help but they need to essentially start with the quality of life. If you can't have a great life there you wouldn't move there. So they have to somehow figure out how to fix that and then after they fix that I think everything else can flow from there.

RICHARD: I don't know how many of you guys know Detroit; I love that city. I mean I ate at Carbone last night; this is like my two loves of my life. Italian-American food in my aunts basement. You know if you'd been in there with the piano and playing the music of Mowtown. But what happened in Detroit of course is as it hollowed with

white flight they recreated in the old suburbs outside; the Birmingham's, the Royal Oaks. They recreated kind of an urban thing, like a Brooklyn like thing.

So now the people are all decamped and I think it's very hard to fill... you know you're 10 miles outside the core; it's hard to back fill it, it really is hard to back fill it. A group of NYU Wagner graduate students are thinking... actually design thinking about growing small business in Crown Heights by connecting the tech savvy community with ideas from the general public. See I like this idea and Neil Kleinman who's a faculty member here when I was writing the piece for the Wall Street Journal on Urban Tech; he said what's so interesting about putting tech in a city is in Silicon Valley you can do tech for tech's sake and you can make great widgets and great gadgets and great social media. But cities are problem surfacing machines. You know the kinds of urban problems; well from crime, to congestion, to traffic in his view and a lot of share this is that you can combine this, and this is what Heller's piece in the New Yorker is saying about San Francisco. A lot of these young people don't... they don't care about money; don't get me wrong they don't want to be poor but they want to do things that make a difference and in an entre... not work for government like I did, you know the Kennedy thing. Not work for even an NGO; build a business that could support them and their friends can these two... in a place like Crown Heights can the tech solutionism be combined with a bigger sense of a social purpose and mission?

FRED: Absolutely I think it's just all about how you architect that. How you connect these different communities together to come up with things that really work and whether the city will allow that to happen right. You know can you really say we need different kinds of traffic lights for example; well will the city let you do that. You know we need our own little... you know we need city bike here; well there's no city bike there. You know what I mean, I don't know it's like you can come up with ideas but you still need the cooperation of the people who run the city to make a lot of this stuff happen.

RICHARD: What about Newark, my hometown. I mean...

FRED: I don't know a lot about Newark honestly. I mean I don't know.

RICHARD: Is it the quality of life thing that you've said. I mean it's so close, it's so close to Hoboken, it's so close to Jersey city, it's connected by transit; is the... what you seem to be saying which I think is, you know the same

thing we learned from these 30 Mayors. If you don't have... it's like a Masloe Pyramid; you know if you don't feel safe...

FRED: Well it's not just if you don't feel safe it's... I think it's two things and the Mayor says this all the time. It's safety and quality of life. And quality of life other than safety is things to do and enjoyment like do I really want to live there right. And I just don't know whether Newark has that.

RICHARD: And it means complementing your weaknesses. You know when I worked with the RPA after the towers fell we had; me and Rob Yaro had this simple saying we used to say. Portland and Boulder and Ann Arbor have a lot to learn from New York but New York has a lot to learn from them.

FRED: Sure of course.

RICHARD: Because of the outdoor thing. You know you're living in a dense city, you can't get to green. And it's also looking at your gaps. So New York had arts, and culture and theater, and urbanism but until recently you weren't out on the water, you weren't playing basketball.

FRED: Well we're still not really taking advantage of the water. Daniel Squadron who ran for public advocate and lost one time said to me New York's real Central Park is it's harbor. Right and you think about that and how do we get on the water. Like I mean there's some kayaking programs.

RICHARD: Sail; a few sailing things.

FRED: It's hard though. I mean we're not really taking advantage of the waterfront. We're slowly opening up the waterfront but well all we're doing right now is opening up parks along the waterfront like Hudson River Park and Brooklyn Bridge Park; that's awesome. I'm not saying that's a bad thing, that's an amazing thing but we could do more to light up the waterfront. The water taxis are a big part of it.

RICHARD: And getting the ferries and the taxis. I was going to say what changed my life was just taking the ferry over to the island and being on the ferry with humanity.

FRED: And then a most hacidic family on one of those carts almost took me out on my bike; that was the best part of the whole trip. I mean he... they just missed me but I think it's the getting out on the water as a mode of transit.

RICHARD: One last question and then we can hang around and take a few questions. And it's to me. It says do I agree with your statement that high-tech people or the software people; high-tech people are the same as artists; the CEO of Etsy who plays the guitar is he the same thing as David Byrne? Yeah I think agree with you. But we're different variance. You know when I was at Carnegie

Mellon the folks I asked in the entertainment technology center; an unbelievable experiment they did. They took the an... they were building games; they took the kids from Drama and Theater and scripts and they put them together with the software kids. And they said in a lot of places they were completely different. Like the software kids were kind of ner... sorry this is what they told me. Kind of nerdy, they ate a little bit healthier, maybe the had a shake in the morning.

The drama kids you know had piercings, they had tattoos, they smoked cigarettes like smoke stacks but at the end those appearances... It's really funny I asked what's his name; who was the guy who made the original investment in Apple?

FRED: Oh you're talking about Mike Marcula?

RICHARD: Yeah not Mike Marcula the guy with the vent Sequoia?

FRED: Oh Don Valentine.

RICHARD: Don Valentine. I asked Don Valen... I wrote when I was doing this research on venture capital Don Valentine; and I had long hair then, you know I was just giving up my guitar.
Don Valentine was dressed more like and probably my age, maybe a little older than I am today. And he was telling me about funding them. I had no clue. You know I was a starting professor and I was coming off playing in a band. He was telling me you know I funded these two

guys and they had long hair and they had jeans and they had whatever they had. And I said, well why? You know you look so polished. I couldn't even understand. It took me 20 years to understand what he telling me. He said with all due respect it's not the shell that matters.
It's what's inside the shell that matters. I had no idea; really it took me... I wrote Rise of the Creative Class to figure out and then I realized in doing that research that an artist, a musician, the technology people are just motivated; that's... I guess it's their muse. I don't know what to call it. There's some intrinsic thing that fires that so I think...

FRED: They also have their work right. So and that's a big thing that's changed in the tech business now is you have your work. You can show your work in the same way that an artist can show their work right. And so you can evaluate somebody not by what they look like; whether they have you know piercings or tattoos or whatever. I mean they make this thing and you look at it and say man that's awesome that you made that, I want to hire you. So that's why I think it's a lot more... like being a software engineer is a lot more like being an artist than it is like being you know a chip designer.

RICHARD: Sometime I think not only New York and San Francisco and but look at Austin Texas and Boulder. There was an ethos of being an excellent athlete. And that ethos of excellence whether it's coding or whatever it is; making art it pervades. And in other places you could be mediocre and there's a social... you know what I'm saying the social structure... my wife tells me about this was the way it was in Detroit trying to get a job in an ad agency; if you know somebody, went to the right school...

I think there's an emphasis... I don't know if excellence is the right word but it's producing great work. I just wanted to say thank you to Fred and just tell you we're starting this project on kind of the changing New York economy but specifically on the startup scene. If any of you guys are interested come say hi to me or say hi to Ale; you met her in the front and we hope to be... Fred we hope to be working with you, we know we'll be working Endeavor and I just think it's the greatest...

I hate to use the word laboratory because a city is never a laboratory. I think we are observing one of the most incredible sociological, cultural, economic and technological transformations I think the world has ever seen. And it's happening right here in our back yard. So Fred thank you for being so generous with your time, thank you for joining us, we very much appreciate it.