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A Fragile Giant? The Future of New York in an Age of Uncertainty

Prepared for Panel 49
Regional Resilience: What Is It? Does It Matter? What Can Be Done About It?

John Mollenkopf
Center for Urban Research
The Graduate Center, CUNY

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Like other old blue collar cities of the Northeast and Midwest, New York City and its surrounding metropolitan area have faced some serious headwinds from deindustrialization, disinvestment, racial succession, white flight, social and cultural conflict, and many other adverse force. Like many other old industrial cities, New York went through a turbulent period of economic and social decline from the late 1960s through the early 1980s. In New York City's case, this involved a public sector fiscal crisis and high levels of residential property abandonment and arson as well as a more generalized decline of population and employment. Yet unlike the many other once-proud cities that have had to adjust to a lesser status over time, New York has rebounded markedly from its low point in the mid-1970s. Today, it is hard to believe that broad swaths of the New York City terrain had essentially no market value only thirty years ago. Instead, "luxury loft buildings" are rising next to the Brooklyn Queens Expressway and a high priced luxury hotel has been built next to the Gowanus Canal, erstwhile scene of dead bodies and raw sewage overflows during heavy rains.

What accounts for this dramatic turn-around? How and why did New York City prove to be so resilient, when its 19th century rivals along the East Coast, Philadelphia and Baltimore, have continued to lose population steadily, as have Cleveland, Detroit, Milwaukee, and St. Louis, and even Chicago? This paper considers some provisional answers to that question. After reviewing the city's development trajectory over the last century and a half, and those of its peers more recently, it outlines the developmental challenges facing New York, appraises some alternative explanations for this outcome, and reflects on which seem most promising. While a full and robust explanation of New York's resilience must await a systematic comparative analysis, which this essay does not attempt, it does highlight some slightly counterintuitive ways of thinking about the problem.

The Upward Trajectory of the Nineteenth and Twentieth Centuries

New York is one of the oldest cities in the United States, having been founded in the same era as Boston, Philadelphia, and Charleston. It has been the nation's largest city since the first Census in 1790 and retains that status by a large margin today.[1] New York was founded on Manhattan island in the best protected and most ample harbor on the East Coast at the juncture of the Hudson River, which provided access to the interior, and the East River and Long Island Sound, which provided access to New England. In the early 19th century, the city fathers laid the foundations for New York's long-term economic vitality by building the Erie Canal (completed in 1825) and building the Croton aqueduct system (completed in 1842) to secure a plentiful supply of outstanding fresh water. The Erie Canal enabled low cost, water-born shipping to flow directly from the Great Lakes region of the upper Midwest to New York Harbor and thence to the rest of the world, making New York the commercial hub of the emerging Republic (Albion 1939). The Croton aqueduct system, continually upgraded and extended, provided water that, with the building of a sewer system in the latter part of the 19th century, allowed the city to expand in a sanitary fashion. The city and region were thus well positioned to sit astride trade along the East coast and between the continental U.S. and Europe. The combined population of New York and Brooklyn reached more than 1 million by 1860 and 3.5 million by 1900. (In that year, Chicago had about 1.1 million and Los Angeles only 50,000 people.)

Those who lived in New York City and the surrounding area used these opportunities well, building private and public institutions – many the first of their kind, like the stock market or Standard Oil or the Equitable Life Insurance Association or the City University or a large public hospital system – that provided on-going momentum for the region. By the end of the 19th century, New York was the major capital market, banking center, corporate headquarters, international trade, newspapers and magazines, and manufacturing and wholesaling concentration in North America. It had also already established the

[1]Reaching from New Haven down to Trenton, the New York-Newark-Bridgeport NY-NJ-CT-PA Combined Statistical Area (CSA) and its six component metropolitan statistical areas (MSAs) had an estimated population of almost 22 million in 2007, with New York City accounting for more than 8 million. Stretching from Oxnard to Irvine, the Los Angles-Long Beach-Riverside CSA has 17.8 million people. The Chicago CSA is third with 9.7 million. Fewer than 4 million people lived in LA City or Chicago. In 1790, New York City had 33,131 residents, Philadelphia 28,522, Boston 18,320, and Charleston 16,359.

foundations of a great complex of universities (Columbia, NYU, Fordham, City College) and hospitals, not to mention museums and many other institutions of high and low culture. It was poised for tremendous growth in the first three decades of the 20th century, once more doubling in size. The remainder of the region prospered for similar and interrelated reasons. West of the Hudson River, Newark, Passaic, and Paterson emerged at population densities similar to that of New York and were tightly bound to it by ferry, rail, bridge, and later automobile and mass transit tunnels.

This growth was driven by immigration. From the mid-19th century into the early 20th, New York served as the entry point for more than 12 million immigrants to the U.S. Although many moved on to other parts of the country, many also settled in and around the city, providing workers for its growing economic sectors, peopling its neighborhoods, and creating new ethnic economies and subcultures. By 1930, the city's population had reached almost 7 million people and the region 12.6 million. Between 1927 and 1929, the Regional Plan Association undertook its magisterial study of the growth of the region and the infrastructure investments needed to allow it to prosper in the decades to come.

While the Depression hit the region hard, as it did the rest of the U.S., the New Deal provided federal funding for infrastructure investments that set the stage for continued regional expansion after World War II. (The war itself was also a major stimulus to the region.) These public works projects included urban freeways (East Side Drive, Gowanus Expressway), bridges (Triborough Bridge, George Washington Bridge, Verrazano Narrows Bridge), suburban freeways (Interstate 95, Long Island Expressway), a new Port at Newark, and modern airports (Idlewild, LaGuardia, Newark).

The region arguably reached the high point of its industrial prowess some time in the mid-1950s. This was the time at which New York City's share of manufacturing employment and output across the nation reached its zenith and many parts of the city achieved their highest levels of residential density. At this point, New York continued to dominate seaborne shipping and passenger lines, the region remained the East Coast rail hub, and it had become the budding center of international air travel. It had a virtual national monopoly on capital markets, corporate headquarters, and large law firms. In 1955, every corporate law firms with 50 or more partners was located in New York City, as were all of the skyscrapers with 50 or more floors. A third (156) of the nation's Fortune 500 firms had headquarters in the region, with almost a quarter in the city alone (Stephens and Holley 1981:296).

The Challenges of the Last Half Century

During the period from the mid-1950s to the early 1980s, many general trends placed terrific stress on New York and the central cities of the other older metropolitan region. New York strongly experienced the forces of technological change, deindustrialization, disinvestment, rising global competition, dramatic changes in corporate headquarters organizations, fiscal stress, aging central city infrastructure, suburbanization of employment and population, sprawl, and racial succession and racial conflict in the central city. These forces operated on all the large, old, industrial areas of the East and Midwest, though more forcefully on some (particularly those with the largest African American populations) than others.

Given that the public sector of metropolitan New York, especially of the city, features the largest number of employees in relationship to the residents served, the most diverse functions, and among the highest cost in the U.S., the decline in employment, investment, and population – given the "sticky" costs of government – resulted in acute fiscal distress, including the near-bankruptcy of New York City in 1976. In the 1970s, the city suffered a net decline of more than 800,000 residents, reflecting the flight of more than one million non-Hispanic whites. Similarly, across the Hudson River, Newark experienced extensive civil unrest in 1967 and also entered a period of extended disinvestment, white flight, and population decline that has lasted for decades.

The mid-1970s was clearly a critical juncture for the city and region. In this period, the onset of deindustrialization, disinvestment, racial change, and suburbanization that began full force in the 1950s culminated in the racial conflict of the late 1960s and the fiscal crisis of the mid-1970s. A slow and steady slide picked up momentum, devastating many parts of the Bronx and Brooklyn, parts of Yonkers in Westchester, and places like Newark and Paterson in Northeastern New Jersey. Even some of the suburban areas to which upwardly mobile African Americans moved in the 1960s and 1970s, such as Roosevelt on Long Island, experienced growing distress. Several East River bridges were identified as prone to failure and in December, 1973, a segment of the West Side Elevated Highway collapsed. In 1977, the city experienced a power failure, during which extensive looting broke out in poor neighborhoods in Brooklyn. One would might well have been excused for thinking, based on the evidence, that New York was headed over the same cliff from which Detroit had already plunged.

Disparate Patterns Among the Old Cities Since 1980

This did not happen. Since 1980, New York City and other parts of the metropolitan region have experienced a remarkable recovery. Of the 35 large central cities that had populations of 100,000 or more in 1930, 18 of the 20 located in the Northeast and Midwest suffered significant population losses from 1950 to 1980 (Indianapolis and Columbus were the exceptions). Of these 18, only five gained any population between 1980 and 2007: Minneapolis with 0.5 percent growth, St. Paul with 1.5 percent. Boston, with 5.0 percent growth, Jersey City with 8.0 percent, and New York City with 16.2 percent growth. (Chicago declined strongly between 1950 and 1980, lost more people in the 1980s, but only gained slightly in the 1990s, to end up with a 4.1 percent decline between 1980 and 2007. Philadelphia declined 14 percent.) Not only did New York City experience the largest population gain of this group, but the number of people living in concentrated poverty, of which New York has housed a starkly disproportionate number in 1980, declined substantially, making a significant contribution to what Jargowsky (2003) called "stunning progress" on this national problem.

Overall, certain classes of cities and regions grew far more quickly than others between 1950 and 2007 and they experienced the post-1980 period in different ways. Newer Sunbelt cities (like Phoenix or Las Vegas) grew the most rapidly, cities with high technology concentrations (like San Jose) also grew rapidly, and cities with state capitals and universities (like Austin or Minneapolis) also experienced robust growth. Old industrial cities like St. Louis, Pittsburgh, Detroit, Buffalo, and Cleveland experienced the devastating declines, with all losing more than half their 1950 population levels by 2007. The old port and mercantile cities of the Northeast and Midwest, like New York and Chicago, did not suffer as badly but they took their share of lumps. (Those in the West, such as San Francisco and Seattle, generally had far smaller industrial heritages, far less conflict over racial succession, and greater population gains.)

For analytics purposes, it is therefore most appropriate to compare New York City to the Northeastern and Midwestern cities that developed strong mercantile activities in the 19th century and corporate complexes in the 20th century. As suggested, New York City's performance was strongest within this group, as indicated in Table 1. (Population is only one measure of urban trajectories, but total earnings and earnings per capita roughly track population.) In fact, New York was the only city to have recovered from the population losses experienced between 1950 and 1980.

Table 1: Population in 1950, 1980, and 2007
(In Thousands)

City	1950	1980	1950-1980 Change	2007	1980-2007 Change	1950-2007 Change %
New York	7892	7072	-820	8214	1142	4.1%
Chicago	3621	3005	-616	2883	-122	-20.4%
Philadelphia	2072	1688	-384	1448	-240	-30.1%
Baltimore	950	787	-163	631	-156	-33.6%
Boston	801	563	-238	591	28	-26.2%

Source: U.S. Census

Indeed, this rebound took place despite a second critical juncture, the terrorist attack on and destruction of the World Trade Center on September 11, 2001. While there were premonitions in the 1993 bombing of the WTC and the foiling of at least one other threatened attack, this event still deeply shocked and depressed the entire metropolitan region, especially those (like the author) who lived and worked in proximity to Lower Manhattan. Not only this attack kill 2,752 innocent people and destroy 12 million square feet of prime office space, but it sharply accelerated an economic downturn that had been under way since early 2001. Many of those who worked on the cleanup later became ill and Lower Manhattan was an unpleasant place to live or work for more than a year after the attack. Like the fiscal crisis of the mid-1970s, this event shook New Yorkers' confidence in the future of their city, though it also brought the city and region together and showed the many suburbs in which those who perished lived that their fate was bound up with that of the city. The heroism of the firemen, policemen, workers, and professionals who lost their lives also put a new face on the city, especially its public workforce, and reminded everyone of the long association that white Catholics had with these public services.

More than six years after 9/11, it can be said conclusively that the attack did not have a lasting negative effect on the city and region and that they showed a great deal of resilience, just as they did after the low point of the mid-1970s. This is not to say that economic activities located in New York City do not continue to diffuse gradually away from its central business districts, nor that the metropolitan region is growing as fast as the nation, not to mention Phoenix or even Los Angeles. But the region does continue to grow and New York City has led this growth. Indeed, it gained jobs more quickly than the nation as a whole from the first quarter of 2006 through the first quarter of 2008.

In other words, despite all the odds – white flight, racial and ethnic change, property abandonment, arson, fiscal crisis, crime, high taxes, and a major terrorist attack – New York City has proved to be *the most strongly performing* of all major old cities in the Northeast and Midwest. (Within the region, it offers a stark contrast to Newark, whose trajectory has been like that of Philadelphia or St. Louis, or even Jersey City, which, though it declined strongly in the 1950-1980 period, grew after 1980 as it became the "sixth borough of New York City.")

Dimensions of the Rebound

Given how bad things were at the low point between 1975 and 1977, it is worth mentioning the many ways in which New York City has recovered beyond a simple rise in its population. First of all, employment and earnings have performed strongly. Although the long-term employment cycle in New York City has been bounded by about 3.2 million jobs at the low points (1976, 1992) and 3.7 to 3.8 million jobs at the high points (1969, 1989, 2000), the overall quality of the jobs has steadily shifted upwards and total real wages and especially real annual wages per worked have climbed strongly. These development reflect, in part, the increasing importance of financial services and related corporate service activities in the city's economy. Yet the stable growth of employment and earnings in private nonprofit services (such as universities, hospitals, and cultural institutions) and the public sector have also provided ballast to the ship.

Although some might consider this epiphenomenal or superstructural, the city's image also greatly improved. In the mid-1970s, New York City was a poster child for urban decay. Not only did Howard Cosell notice that the South Bronx was burning down during a Yankees World Series game, but presidential candidates took turns visiting the devastated and abandoned streets of the South Bronx. The fiscal crisis made the covers of many magazines and journals. Though President Ford never actually said it, the Daily News headline on October 30, 1975, pretty much captured the sentiments of the rest of the country ("Drop Dead"). Though the new slogan adopted by the state government in 1977 ("I ♡ NY") seemed hokey at the time, and the city's slogan ("Fun City") was even worse, New York did, in fact, become the apple of the nation's eye. There is no point in going into the many ways various groups now consider New York to be the epitome of cool, whether it be the rich (best shopping, restaurants, and exclusive clubs), the hip (hidden music venues in East Williamsburg or Bushwick, not to mention the hidden cellar at La Esquina), the artistic (more than 350 galleries in Chelsea alone), or merengue fans. Let's just say that New York excels providing a variety of "scenes" or "small worlds."

It is also worth noting that the population rebound has not been built on renewing the affections of native stock whites, especially Protestants. Their numbers continue to decline. So did those of the African American and Puerto Rican communities. The growth has been propelled instead by Latino, Asian, black, and white immigrants. (New York is unique among immigrant-receiving cities as gaining many white and black immigrants as well as Asian and Latino immigrants. White immigrants have come from the states of the former Soviet Union as well as Albania and the former Yugoslavia, black immigrants from the West Indies and Haiti as well as Africa, Asian immigrants from China and South Asia, and Latino immigrants from the Dominican Republic, Mexico, and the northern part of South Africa. This has produced an unusually, perhaps uniquely diverse population in the city. The fact that the city has not become more black – in the sense of more African American – as it became less white, is probably an important aspect of its recovery, because it did not experience the white-to-black racial succession and conflict that has been so vexing to cities like Detroit.

The reduction in violent crime rates has been another critical aspect of the city's recovery. While this factor is important to the latter or more recent stages of the city's development, it cannot account for the 1980-1990 phase of recovery, because violent crime was rising during that period. However, since 1990, the city has achieved a quite remarkable reduction in murders, assaults, and other violent crimes. It cut the murder rate by two-thirds, to become the 248th most dangerous city in US. Considering that David Berkowitz, the "Son of Sam" serial killer, had terrorized the city in the summer of 1977 and it was widely perceived to be dangerous, this has been an amazing turn of events. It has also had a profound effect on neighborhood life and property values in New York City (Schwartz, Susin, and Voicu 2003).

The rise of real estate values and the level of investment in the built environment from both private and public sources is a final indicator of the breadth of New York City's recover. A recent New York Times headline noted that the average price of a Manhattan apartment had exceeded $1.5 million, despite the meltdown in the sub-prime mortgage market and the broader credit markets. The popular culture and social science research alike abound with evidence of the levels of investment, property values, and new construction. Hardly any area of New York City has not seen significant new construction. This was preceded by a recapitalization of many aspects of the public infrastructure in the 1980s. In addition to the falling crime rate and the increase of housing demand both from high end earners and new immigrants, improvement in the reliability and quality of the New York City subway, as well as the purchase of a new bus fleet, undoubtedly contributed to the spreading of real estate asset inflation. This of course came with losers as well as winners, as the supply of affordable housing has dwindled, rent to income ratios increased, and gentrification pressures have become more marked.

<u>Alternative Explanations</u>

What accounts for New York's remarkable resilience? A variety of theories stressing a variety of factors have been advanced. We can distinguish between economic, cultural-demographic, and political explanations. The economic explanations tend to emphasize the high cost of production in old, dense physical environments, the impact of transport and communications technology in terms of loosening of attachments to former locations, and competition from lower cost sites in the suburbs, the American South, and abroad. (The high cost of a large public sector that is unresponsive to market changes is also usually given cited as a drag on the process of renewing economic competitiveness.) The standard economic account was offered, in initial outline, by the great Regional Plan of 1927 (Haig 1927), reiterated by the New York metropolitan region study (Hoover and Vernon 1960), and amplified in countless ways by more recent observers.

Factors that created a competitive advantage in one era could create outcomes – like crowding, density, and aging infrastructure – that became disadvantages in succeeding eras, as technological innovation changed the competitive terrain. In this scenario, what counts is the ability to innovate newer, higher-yielding, more customized activities to replace older ones that are becoming more routinized and commodified. Investment in knowledge, technology, and creativity is thought to be central to this process and this requires a commitment to recognize and promote talent wherever it may be found while make life uncomfortable for those who are not viewed as productive. Shedding outmoded activities as quickly as possible and retrofitting the built environment to accommodate new activities is also thought to be a wise course.

Cultural-demographic arguments tend to believe that the city has shifted from being a place of production (at least of goods) to one of consumption and social interaction. In this view, activities that draw people to the city to spend money are vital, whether that be high culture or mass culture (Zukin 1995). Thus the tourist industry, the arts markets, luxury retailing, cutting edge design, the fashion industry, the music scene, and so on are thought to provide keys to the city's competitive advantage (Florida 2002, Currid 2007). Elements to this theoretical approach would stress the importance of neighborhood life that attracts creative people and provides environments that are fulfilling beyond their role in helping people make a living. Providing scenes that people want to join, New York becomes a state of mind for a creative class.

Another variant of this approach stresses the importance of immigrants as a source of economic and cultural dynamism (Muller 1993). As the former white majority gives up its doomed attempt to retain cultural hegemony and allows everyone else to do their thing, at least within broad boundaries, all kinds of new, hybrid communities find space to grow. The emergence of robust, diverse immigrant cultures is not only tolerated, but celebrated as a key ingredient of what it means to be a New Yorker. This has both a practical side, in the sense that people of modest backgrounds found work after moving to New York, or even prospered as immigrant entrepreneurs, and a cultural side, in the sense that the absence of a majority group encouraged all groups to be tolerant of other groups, creating an environment where everyone feels comfortable and could see themselves as part of a whole (Kasinitz, Mollenkopf, and Waters 2006).

Finally, political explanations come in a variety of flavors. Some argue that a succession of relatively conservative mayors used a policy of “tough love” to reform the errant liberalism of New York City, whether it was Mayor Koch taking on the unions in the early 1980s, Republican Mayor Giuliani taming the liberal city during that latter 1990s, or Mayor Bloomberg’s data-driven reform efforts of recent years (Siegel 2005). The fall of the crime rate and welfare caseloads during the Giuliani era are particularly cited as key indicators of the success of this approach. (They jury has not yet returned a verdict on whether the Bloomberg Administration’s control of the New York City schools will deliver a solid and verifiable long term gain in student performance, though some early indicators are promising.) Although the reduction of taxes and limits on government spending are often held to be central to the conservative approach to urban governance, and at some points New York City’s tax burden as a share of personal income did indeed shrink, this has been much less successful.

A left version of the same argument holds that, from the fiscal crisis onward, corporate elites supported by the electoral success of conservative populism seized influence in New York City and drove policies towards neo-liberal ends that promote . (Recent examples of this thinking may be found in Berman and Berger 2007, Moody 2007, and Sites 2003). Indeed, the more tempered literature on the fiscal crisis and its aftermath stressed the undemocratic elements of the process by which a political coalition was put into place to carry out retrenchment (Shefter 1985, Mollenkopf 1994) and the ways in which the forces favoring retrenchment managed to gain the upper hand, at least for a time.

Another view, however, is that the enlargement and renewal of local government and political capacity played a role in holding the city together at crucial moments and providing the social and physical infrastructure for the renewal of the city in the wake of the 1970s. Despite initial budgetary restraint immediately after the fiscal crisis, the size and cost of New York City government, though fluctuating, has actually grown quite steadily over time. This large government may well be an important stabilizing factor in terms of employment, grants to non-profit service providers (including the major university teaching hospitals), income supports and other social services, and reconciling contending interests and minimizing conflict among them. The New York City budget now over $60 billion. The city is perhaps the closest thing to a European welfare state in the United States. One of 11 households lives in public housing, one of 9 in social housing, most do not own cars, two-thirds rent, and almost everyone takes mass transit during the week.

Reflecting on the Economic Argument

Edward Glaeser (2005) has argued that New York's success in dominating the hub and spoke nature of international trade in the early 19th century – thus enabling it to establish "first" in terms of capital markets (originally based on factoring for shipping), publishing, other information-intensive activities, and immigrant diversity – worked for it during the contemporary period. In other words, New York's success can be explained by initial advantage, path dependence, and momentum.

It is surely true that the complex of the stock exchanges, investment banks, corporate law firms, and other high level service firms has been crucial to the city's affluence over the last quarter century. These are extremely high wage industries with extremely high levels of productivity that bring a great deal of earnings and wealth into the regional economy. They clearly have a strong symbiotic relationship with telecommunications, transportation, high end retail sales, and many other sectors. But it is far from inevitable that, once established, this complex would necessarily stay in place. (After all, as Camilo Vergara's brilliant work [1999] demonstrates, trees are growing within the vacant skyscrapers that were once home to a vibrant corporate complex in downtown Detroit.)

Glaeser is probably not right to say, therefore, that New York City could just coast on the fruits of "being there first" with economic activities that ultimately proved to be pivotal in the global economy. Many financial service and corporate headquarters activities *did* gravitate away from New York City. For example, the number of Fortune 500 headquarters fell precipitously, with many relocating to suburban areas near the residences of their top executives. As technology transformed the insurance industry, the "I" in FIRE became extremely attenuated in New York City. Many other not-dissimilar cities, like Philadelphia, were not able to use the successes of initial advantages to forestall the forces of deindustrialization and disinvestment.

Initial advantages may have been necessary for New York's resilience , then, but they may not have been sufficient. Equally important, its elite managers and professionals made a commitment to continuing to work (and also live) in the city, despite the contrary conditions that might have prompted them to leave. (One has only to think of *Bonfire of the Vanities* to get a picture of what might prompt departures.) During the fiscal crisis, the alliance between business leaders, bankers, municipal union leaders, and elected officials, particularly the governor, forged a complex series of agreements that saved the city from bankruptcy. On their own, elites continued to foster and improve cultures of excellence in their fields. Elite support also sustained a range of institutions, such as the museums, performing arts organizations, elite think tanks like the Council on Foreign Relations or the Asia Society, the universities, and so on. While some may dismiss these acts as simply reinforcing the influence of elites – which they certainly did – they also had the consequence of making the city a more attractive place for elites to live and work. This helped to keep resources within the city and helped to bolster its competitive position. In contrast to most other big cities (and perhaps similar to Boston or San Francisco), a significant share of the regional elite continued to live in Manhattan. Given the progressive nature of the tax system in New York, this meant that they also contributed a disproportionate share of the revenues to sustain its costly public sector.

The standard economic view also fails to give adequate attention to the role of the region's vibrant private, non-profit social service sector in the region's resilience. This large and complex sector was built on the city's mid-19th economic success, but cannot be reduced to it. It has taken on a life of its own. Region-wide, non-profit sector workers accounted for 8.1 percent of all employment and 7.2 percent of all regional earnings in 2000. Its largest components include social services (30.9 percent of sector employment), hospitals (19.2 percent), other health services (10.3 percent), K-12 education (14.3 percent), and higher education (9.1 percent).

New York City has 49 large nonprofit hospitals, 17 of them major medical centers, that employ large numbers of immigrants and native born minorities; they are major export industries, as about 9 percent of those admitted reside abroad. The health care sector is less subject to the business cycle than many others; it has also given rise to Health Care Workers Union 1199, one of the most vigorous and effective labor organizations in the U.S. While hospitals employ many relatively low wage workers, labor settlements have increased their real incomes and, of course, the hospitals train and compensate many high income medical professionals as well.

The region's private, non-profit schools and universities have also played a vital role as employers, as sources of educational advancement, and as centers of research and innovation. Between Princeton University at one end of the region and Yale at the other may be found many other strong private colleges and universities, including Columbia, New York University, and Fordham, not to mention St. Johns, the New School University, Pace, Yeshiva, and numerous others. Private colleges and universities accounted for 9 percent of the employment and 10 percent of the earnings in the nonprofit sector. More importantly, they are major export industries, attracting students, research funding, and contributions from the rest of the country.

In sum, a focus on the high costs of doing business in New York City, its loss of competitive advantage compared to alternative locations in the suburbs, other U.S. regions, or abroad, and the role of high value added activities in the financial services, explains something about New York's resilience but not all that much. The city has certainly benefitted both from its historic role as the nation's major capital market and corporate service complex and from the increasing salience of these activities in the national economy. But we must look further to find the reasons why those who direct these activities chose to stay in New York rather than relocate elsewhere.

Reflecting on The Cultural-Demographic Arguments

While it is hard to deny that New York City's cultural life and production have a scale and vitality that influence the city, it is doubtful – to this observer at least – that they are a driving force in its economic trajectory. In economic terms, these sectors are simply too small relative to the total to explain the city's economic trajectory. For example, taking all artists, performers, museums, and galleries together accounts for two percent of the employment in the city and less than two percent of the earnings. Manufacturing of durable goods accounts for more workers and earnings. Similarly, taking together clothing stores, jewelry stores, department stores, air transport, taxis, hotels, bars, and restaurants yields a bit more than 10 percent of employment (restaurants alone account for 5.5 percent of employment in the city), but only 6 percent of the earnings. Securities, banking, insurance, real estate, law, advertising, and management consulting account for 14 percent of the workers living in the city and a whopping 27 percent of the earnings.

It is more reasonable to argue that the vast scale of immigration since 1965 has played an important part in the city's resilience. While most immigrant arrivals have settled in New York City and nearby inner suburban areas of Nassau County, Westchester, and the west shore of the Hudson, immigrants are steadily diffusing through the region, although they rarely land in the centers of the region's African American neighborhoods. (Even West Indian and African immigrants have largely avoided the black ghettos of the 1960s and 1970s.) Immigrants have been relatively successful in finding work, buying houses, starting businesses, and educating their children – not only relative to the native black and Puerto Rican poor, but also relative to the fading white ethnic working class. Their arrival (and diffusion along the subway and regional commuter rail lines) repopulated neighborhoods, bolstered property values, brought new talents and skills to the labor market, and have increased earnings and assets in the city and region.

It is less clear whether to conceptualize the immigrant influx as a cause or an effect of the city's resilience. To some considerable extent, immigrants rationally pursue opportunity. Thus the availability of economic (and other kinds of) opportunities must in some sense be prior to their arrival. Waldinger (1999) makes a powerful case that, even in industry sectors experiencing economic decline, the departure of native whites (and lately native blacks and Puerto Ricans) from the New York City labor force was more rapid than the decline of jobs themselves, creating vacuums in certain industry/occupation niches that drew immigrants in. (The same could certainly be said of many white ethnic neighborhoods in the outer boroughs.) Once this dynamic generated immigrant flows, of course, they could build upon themselves, creating new markets, new economic niches, easing the way for fellow immigrants, and so on. Perhaps the best way to think about immigration, therefore, is as a factor reinforcing resilience rather than one driving it.

<u>Reflections on Political Explanations</u>

Contrary to the neo-conservative point of view that big government and high taxes undermine a city's economic performance, New York City stands as a clear example of how government can promote economic stability and population growth. The size, breadth, and productivity of the region's public sector can be seen as positive factors. First and foremost, corporate elites, public labor unions, and key elected officials struck deals during the city's fiscal crisis about how to share the short term pain of cutbacks and tax revenue increases and enacted the reforms necessary to restore confidence in the region's core. This "political compact" also enabled the city to recapitalize the regional transit system and other critical components of the region's public infrastructure in the mid-1980s.

As the city recovered its financial footing in the 1980s, it also launched a $5.2 billion local program to rehabilitate the vast supply of housing taken by the city for non-payment of taxes. These investments not only helped to sustain social peace, they made the city function better from an economic perspective. In the wake of rising crime and the crack epidemic in the 1980s, the New York City Police Department implemented key changes in policing practices that helped to bring down the levels of violent crime in a historically unprecedented manner. Murders dropped from almost 2,300 per year in 1990 to fewer than 500 in 2007. The reduction of crime and insecurity contributed to a dramatic increase in the quality of life in the city, including the poor neighborhoods where many residents had been afraid to leave their houses after dark. In short, government undertook key measures to make the city a more convenient and enjoyable place to live.

The region's public sector is a major source of employment and income for its residents, especially its native minority residence. But it also provides services– in secondary and postsecondary education, medical care, social services, cultural activities, and recreation – that help its residence survive and advance in a highly dense environment. Some 15.2 percent of the region's workers are in the public sector (9.6 percent in local government alone) and they take home 14.3 percent of the region's earnings. The public and private non-profit sectors are deeply intertwined; together, they account for a significant part of the region's employment. While influenced by the business cycle, these sectors are less volatile than many of the high-income sectors that drive overall income gains in the region.

Counter to the conservative view that "tough love" saved New York City, most of the positive trends began to develop well before Rudolph W. Giuliani was sworn in as mayor in January 1994. It is fair to say that the decline in violent crime rates that took place, which began during the last several years of the Dinkins Administration, was accelerated by his administration's policies and that this was a transcendent achievement in urban public policy that markedly improved not only day to day personal security, but many other aspects of life in New York City. Yet this was only one element in the overall recovery and, like the impact of immigration, might best be seen as reinforcing the underlying sources of resilience rather than setting them in motion.

Concluding Thought

New York City's remarkable rebound from its low point in the mid-1970s has come with real and substantial costs. The city's income distribution has become noticeably more unequal as households at the top end earn more and pull away from the middle and households at the low end become more numerous and earn less compared to the middle. This polarization has not yet crystallized into overt class conflict partly because the middle has been moving up over the years and partly because many of those at the bottom are part of the process of upward mobility and their replacements over time are often newcomers whose frame of reference may be conditions back home rather than conditions in New York City. But the fantastic gains at the top set a tone which seems out of reach for an increasing share of the city's residents. To the extent that average people feel that upward mobility is out of their reach, to the extent that public services fail to bolster their quality of life, to the extent that rents and housing prices climb ever beyond their means, they will see the city as serving the ends of others, not themselves. In the end, this could be the greatest threat to its long term prospects.

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UNIVERSITY OF CALIFORNIA INSTITUTE OF URBAN AND REGIONAL DEVELOPMENT
316 WURSTER HALL # 1870 BERKELEY, CA 94720-1870 510.642.4874 T 510.643.9576 F iurd.berkeley.edu