

New York City: 1945 – September 11, 2001 and Beyond

Frank Branconi

New York University;

Director of the Citizens' Housing and Planning Council

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When Mike [Wallace] gave us a kind of mandate here, he said he wanted a bird's eye view of the city's last half century, but that we should do it in eight minutes. So I think we'll have to have a higher altitude here—maybe a satellite view—to get it all in.

I do agree with a number of the previous speakers in the sense that the fundamental dynamic of New York since World War II has been the transition from an industrial economy to a service economy. Or, as John Cassada put it first, from a goods processing to an information processing economy. And I would point out that in a sense we've come full circle. New York first achieved its preeminence in North America as a commercial city and not as a manufacturing city, and we kind of went through an industrialization and deindustrialization phase which roughly lasted from 1825 to 1975. Now we're back full circle as essentially a commercial city.

The old economy was characterized by the railroads and the shipping port jobs that were talked about—food processing, sugar refining, fabricating metals, textiles—those kind of goods. The new economy certainly is characterized by finance, as Rosemary was indicating, but also by many other industries as well, and I wouldn't want to lose sight of those. Industries such as healthcare, education

and higher education, media and culture and tourism are all important parts of the new economy, as well as finance.

I think over the last fifty years you've basically had two lines going in opposite directions: the declining of industrial employment and the rising of service and information employment. For a while the net result was decline—certainly in the seventies and eighties because there was a lot of industry *to decline* and there were great job losses. And although the *rate* of decline in industry hasn't changed all that much, we have reached such a low level of industrial employment now that the gross magnitudes of those job losses are rather trivial in the overall scheme of the economy. At the same time, as the service sector continues to grow at a similar rate as in the past, the gross change is greater today.

The lines crossed sometime around 1990 and since then we've been having a kind of net growth in the economy. What have these changes brought? I think initially they were very difficult. They produced a lot of social and physical stress: rising unemployment and poverty, the rise of a totally marginalized urban underclass during the seventies and eighties, the crime and social problems that flowed from the fiscal stress of the mid-seventies, and the near bankruptcy of the city. And one of the central dynamics of modern America has been the imbalance between city and suburb and the racial polarizations and class divisions that have so often followed from this imbalance. But I think that now the transition has been substantially completed, and it's a transition we should embrace and not resist.

Sometimes New York City's policy tends to resist change and get nostalgic for the past, but I don't think we should. I think we should rush headlong into these changes because they're positive and in fact they're consistent with the overall direction that American society is going. For instance, a growing portion of Americans' budget—the average household budget—is spent on education, on healthcare, on travel and entertainment. These are all things that New York City is a leader in. We are going in the right direction, swimming with the tide. Also, in the sense of businesses, more business spending goes to finance, marketing, research, and so on—again areas where New York City is strong. Even in the average American factory more of the jobs are white collar than they once were. There is a shift toward service production even on the factory floor, so to speak. These are all areas of advantage to New York City.

There are certainly some benefits to this new economy, one of which was mentioned earlier: it's more environmentally benign. We can have nostalgia for the kind of industry that our parents and grandparents worked in, but do we really want to live these days next to paint manufacturing or sugar refineries? While it can be nice to be nostalgic, we simply don't want these things around anymore. This is partly because there is a new environmental awareness. Cities as dense as New York appropriately have more environmentally benign economies than they once did.

Another positive aspect of the change to a new economy is that it's a wealthier city in general. There was essentially a limit to how much prosperity the old industrial economy could support. And in fact that industrial economy—not

only in New York City, but in the region and in the United States in general—is being spun off to other parts of the world, parts of the world where it represents an important ladder to progress. I think we should applaud the fact that other regions of the world are getting into modernization as we move from our 20th century economy to the 21st century economy.

Another important effect of the new economy is that there is greater scope for individual advancement and fulfillment. I have a friend whose father worked in manufacturing here in the city and he said his father's one mandate to him was: "I don't care what you do in life, but just don't work in a factory." The point is, I don't know how much we want to idealize what assembly line work was about. The modern economy, I think, with all its variations and its greater educational requirements, its greater novelty and inventiveness, provides much more opportunity for individual fulfillment, as long as we can educate our kids to take advantage of it, which is a key task.

The new economy is also combined with some other trends in America that were not our doing but that work in our favor. Things like the growing role of women in the workplace, two earner families, smaller families, a more educated population and delayed marriages all are helping to pull the middle and professional classes back to the central city. And this is not a matter of fashion. It's very much a matter of well established location theory, the idea being that there would be a gravitational force pulling back to the cities as these changes in lifestyle occur. I think these developments give us the opportunity to achieve some very important things. It gives us the opportunity to mitigate the racial and

economic segregation that we saw in the second half of the 20th century and to redress the fiscal imbalances between city and suburbs that were so much a part of the American terrain.

I think that in the coming years—should current trends continue—the cities and suburbs will look more alike in their economic and social composition and consequently will, I think, promote a greater harmony in the country's politics and a greater ability to deal with social problems that we all share rather than that are consigned only to the inner city. This is not to say that there are not drawbacks, for instance the gentrification that comes with the return of the middle-class to the cities and the potential that the poor can be displaced from urban neighborhoods. But we can deal with issues like these through wise public policies—like rent stabilization—and I think that such effects could be easily mitigated.

Finally, how does all this stand after 9/11? I really do think, and had thought, that up until a few weeks ago New York City was heading for a golden era in its history. I'm concerned about that now as a result of the atrocity of September 11. And I think that Kenneth Jackson said something very true in his opening remarks. [The terrorist attacks] struck at the very heart of modern urbanism, among the other things it struck. Dense cities are more environmentally, economically, and culturally efficient, but they are very vulnerable to disruption and we saw that a few weeks ago. I truly believe that the developed world must react very strongly to this tragedy and not allow cataclysmic terrorism a standard means of voicing political grievance. If that

happens, I think we will see the kind of effects that Ken mentioned earlier: dispersement of population and businesses out of central cities and into more secure suburban and exurban areas. I think that would be a tragedy, on a whole number of levels. That would be with us for a long time.