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The Changing Economic Role of Central Cities

By
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Urban Land Institute

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The Institute is committed to conducting practical research in the various fields of real estate knowledge; identifying and interpreting land use trends in relation to the changing economic, social, and civic needs of the people; and disseminating information which can facilitate the orderly and more efficient use and development of land.

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Foreword

This is the first of a series of issue papers designed to raise important land use issues for public discussion and debate. The subject of this paper—the future of central cities in the United States—has been hotly debated for many years. It is a debate that has been raised to new prominence by the strain placed upon central cities by recent economic events and announcements of federal urban policy changes. Both the debate and current federal policies are dominated by some very pessimistic conclusions regarding the viability of central city economies. The author of this paper chooses to challenge conventional wisdom; he is reasonably optimistic about the future of many central cities. We believe that the arguments he presents are timely and deserve attention. Therefore we offer this paper for those who are willing to look beyond the dreary statistics of central city decline.

It must be emphasized that this paper and the papers that will follow are not intended to be definitive research reports. Our modest objective is to stimulate decision makers in both the private and public sectors to consider new problems or viewpoints of special interest. The views expressed will be those of the authors, not those of the Urban Land Research Foundation or the Urban Land Institute. We have asked each author to provide only enough evidence to justify serious consideration of his or her thesis. We hope that other individuals and organizations will be encouraged to undertake the studies necessary to provide the basis for public policy actions in the future. If this occurs, the papers will have achieved their purpose.

Donald E. Priest
Director of Research
ULI–the Urban Land Institute

Introduction

The changing economic geography of urban areas in the United States has received a great deal of attention in recent years, particularly from those who are concerned about the economic health of central cities. The changes in the spatial distribution of economic activity have left many central cities with economic problems due to a loss of business, jobs, income, and a lowered tax base, all of which have brought about high rates of unemployment. The combination of these factors has lead to severe governmental problems, as such cities try to maintain public services in the face of a declining base.

These problems of course are not new, nor are they unanticipated. Decentralization of economic activity and the exodus of the middle class to outlying areas have been happening for a long time. The general and prolonged prosperity of the 1960s enabled many cities to survive that period without major difficulties. But the general recession and economic slow down of the 1970s has as usual hit the weakest elements of the economy the hardest, and too many of these marginal enterprises are concentrated in central cities.

The latest round of economic difficulties gives rise again to the debate over whether or not the old core areas of our metropolises can be moved toward economic self-sufficiency. Most of the commentary on the subject would lead one to believe that there is little hope except for a few cities in the booming Sunbelt such as Houston and Dallas.

A Congressman finds:

> The American city is in trouble, deep trouble, and when the city is in trouble, the country is in trouble. The sickness of our cities shows in its symptoms: losing population, losing jobs, losing fiscal solvency, losing the sense of neighborhood, of community, losing the convenience, safety and attractiveness that was the city's main reason for being.[1]

An economist argues that the central city is already dead and that things are not going to get better:

> The forces which fostered the growth of the suburbs and led to the demise of the central city in the postwar period will continue to dominate the near future.[2]

The Advisory Commission on Intergovernmental Relations, after analyzing data on 85 central cities, concludes:

> Central cities which cannot reach out to encompass the growth occurring outside their boundaries are in a dangerous condition of decline in economic and political importance. The relative decline of the economic base of these central cities is proceeding at a faster pace than the relative decline in the income of city residents as compared to suburban residents.[3]

More recently President Carter's Urban and Regional Policy Group concluded that:

> . . . today some cities are finding it increasingly difficult to fulfill their historical roles. Cities are often unable to afford the services their citizens need. Pollution, poor public school systems, fear of crime, congestion, high taxes, physical decay, and the need for space drive people and industry away from many cities, eroding their fiscal resources and increasing the problem of unemployment.[4]

Some see the decline of the Northeastern and North Central regions as closing out any hope for the older cities in these regions. As urban researchers Sternlieb and Hughes state:

> A very powerful momentum has built over the past fifteen years, sweeping employment and population growth away from the older metropolitan centers of the Northeast and North Central states to the newer growth poles of the South and West.[5]

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[1] Henry S. Reuss, "To Save A City," Subcommittee on the City, Committee on Banking, Finance, and Urban Affairs, U.S. House of Representatives (Washington: GPO, 1977), p. 1.
[2] See Werner F. Hirsch, "The Coming Age of the Polynucleated Metropolis," in Herrington J. Bryce, *Small Cities in Transition* (Ballinger: Cambridge, 1977).
[3] Advisory Commission on Intergovernmental Relations, *Trends in Metropolitan America* (Washington: ACIR, 1977), p. 1.
[4] The President's Urban and Regional Policy Group, *A New Partnership to Conserve America's Communities*, March 1978.
[5] George Sternlieb and James W. Hughes, "New Regional and Metropolitan Realites of America," in Subcommittee on the City, Commiteee on Banking, Finance, and Urban Affairs, U.S. House of Representatives, *How Cities Can Grow Old Gracefully* (Washington: GPO, 1977), p. 5.

With pronouncements of this kind from the urban experts, one wonders whether economic soundness will ever be restored to central cities. The pronouncements themselves tend to undermine private investments that might have otherwise occurred; thus they add to the problem. Politicians and product merchandisers have realized that image is the critical factor in selling a product, but the supporters of the cities have not. Their announcements about declining cities and the problems contributing to this decline may bring a few extra federal dollars, but they also drive away many more private dollars. Why should any private investor make commitments to Northeastern or North Central cities when the entire region is declining, the large metropolitan areas are declining, and the central cities are doing worse.

Despite the conditions and the dire forecast that things are going to get worse unless something major is done (no one has specified what has to be done, or whether what has to be done is feasible), a distinct minority think that things are not as bad as some would lead us to believe, and that indeed favorable changes are occurring in cities which may lead to the restoration of economic self-sufficiency.

What are some of the favorable signs? The first is the tremendous boom in office construction in the downtown areas of central cities. In 1975, an Urban Land Institute report which reviewed recent building activity in downtown areas found:

> In downtown Philadelphia, 2.9 million square feet of office space was added in the past four years and an additional 2.7 million square feet will be added this year, as the Central Square 1-2-3-4 Market Street, and the Federal Courthouse projects achieve first occupancy. In downtown Pittsburgh, 3.5 million square feet of office space has been added since 1970. Denver has experienced an expansion of 3 million square feet of new office space in the last two years, with the majortiy in the CBD. In downtown Detroit, 8 million square feet of its 11 million total was added in the last 10 years. Downtown Milwaukee is currently experiencing its largest office building boom in decades. Downtown Columbus, Ohio, will gain 2.5 million square feet of new space over the 1973 to 1974 period. Downtown Chicago absorbed about 4.1 million square feet of new space in 1972–1973 and another 5.3 million square feet is under construction. New office expansion has brought with it an expansion of retail and service facilities to serve the new offices and employees. The story is the same for most other major cities.[6]

In addition, a survey of the growth in office space from 1960 to 1972 in nine metropolitan areas found that in five of the nine areas office space expansion in the central business district (CBD) equaled or exceeded that added in the remainder of the area, and that in 1972, seven of the nine CBDs accounted for more than half of the total office space in their respective metropolitan areas.[7]

. . . there are likely to be substantial private investment opportunities in continuing office expansion, in office-related retail and service businesses, in speciality shopping centers, in housing, and in commercial activities related to housing.

More recently, there have been signs of a resurgence of demand for middle-income housing and retail activity in older, formerly depressed central city areas. A 1975 survey of central cities by the Urban Land Institute found that approximately three-fourths of the central cities over 500,000 in population were experiencing substantial resettlement of middle- and upper-income family areas.[8] Subsequent investigations have confirmed a significant resettlement of middle- and upper-income households back into old neighborhoods.[9]

The increase in office jobs employing a high proportion of well-paid white collar professionals, the decline of the manufacturing sector, the out-migration of the blue collar labor force, the decline in rural and foreign in-migration, and the resettlement of older neighborhoods by the professional class all suggest that major central cities may be changing, or at least that they have the potential for change—from national manufacturing centers with a large blue collar population to national and regional business service, finance, and governmental centers with smaller populations, but a larger number and proportion of middle- and upper-income households.

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[6] Research Division, Urban Land Institute, *New Opportunities for Residential Development in Central Cities*, Research Report No. 25 (Washington: ULI, 1976), p. 10.

[7] Gerald Manners, "The Office in Metropolis," *Economic Geography*, April 1974.

[8] J. Thomas Black, "Private-Market Housing Renovation in Central Cities: A ULI Survey," *Urban Land*, November 1975.

[9] See *Urban Housing Rehabilitation in the United States* (Chicago: U.S. League of Savings Associations, 1977), and National Urban Coalition, "Effects of Private-Market Housing Rehabilitation on Urban Neighborhoods," unpublished.

This potential for transforming the city has widespread implications for both private investment decisions and public policy. On the private side, it suggests that there are likely to be substantial private investment opportunities in continuing office expansion, in office-related retail and service businesses, in specialty shopping centers, in housing, and in commercial activities related to housing.

On the public side, this potential will force us to make some difficult political decisions at all levels of government: should the emphasis in economic development programs and dollar allocations go toward increasing essentially white collar downtown office jobs and middle-income housing? Or should they go toward retaining and expanding blue collar jobs for the current low-skilled labor force and improving their housing and neighborhood conditions? These objectives are to some extent conflicting, as Irving Kristol has noted.

> Any sensible urban policy has to distinguish between two goals. Do we want to assist our declining cities? Or do we want to subsidize the poor so that they can continue to reside in those cities? These are incompatible intentions—though one can understand why many politicians, in deference to their constituencies, should insist on conflating them. Any policy which anchors poor people in a declining city—whether it be by generous welfare payments, subsidized housing or subsidized employment—is bound to be cruelly counter-productive. The kinds of jobs (unskilled for the most part) these people can work at are not in these cities, nor will they ever be again.[10]

Although others, including Secretary of the Department of Housing and Urban Development, Patricia Harris, play down this conflict, responses to the recent announcement of Urban Development Action Grant awards demonstrate the political problem. In this case, most of the $150 million in grants went to support the development of downtown office, hotel, and retail facilities. HUD was immediately criticized for not providing more money to support neighborhood projects, and several cities and HUD are being sued by neighborhood groups for not giving priority to neighborhood projects. In response, HUD's Assistant Secretary for Community Planning and Development has promised that the next round of action grants will be heavily weighted toward neighborhood projects.[11] Given these opportunities and problems, in combination with the politics of economic development, such conflicts are likely to continue.

The aim here is not to suggest a resolution to political problems but to explore some of the trends which suggest where the economy of the central city might be headed, how well it can be expected to play its historical roles, and the implications of these trends in terms of the future economic viability of central cities and related public policy.

Because the future economic potential of the Northeastern and North Central cities is caught up in the question of regional economic vitality, the exploration begins with a look at post-1970 economic trends with a comparison of the Northeastern and North Central regions to the Southern and Western regions. Next, metropolitan area trends are explored to assess the economic strength of the large metropolitan economies, which according to some, have been showing signs of decline. Finally the focus shifts to recent economic trends in central cities and examines their performance as marketplaces, producers of goods and services, and providers of jobs and income for residents. Based on the review of the economic changes which have been occurring, conclusions are drawn regarding future revitalization prospects for central cities and directions which public policy might take to achieve economic development objectives.

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[10] Irving Kristol, "Sense and Nonsense in Urban Policy," *The Wall Street Journal,* December 21, 1977. See Alexander Gans and Thomas O'Brien, "The City: Sandbox, Reservation, or Dynamo?", *Public Policy,* Winter 1973, for an earlier presentation of this view.

[11] *Housing and Development Reporter,* April 17, 1978, p. 1,106.

WELLS FARGO

Regional Economic Conditions and Trends

Judging from most of the commentary about the recent growth rate of population and jobs in the South and West, relative to the North Central and Northeastern regions, one would think that the latter regions, especially their cities, are in a rapid state of economic decline and are headed for disaster. This is far from the truth. A misleading picture results from an over-emphasis on relative population and employment growth rates and under-emphasis on more fundamental measures of economic strengths, such as growth in absolute amounts of personal income, income per capita, and jobs per 1,000 population. Absolutely *all* regions of the country are growing in income, jobs, income per capita, and population, and the Northeastern and North Central regions are still considerably ahead of the South and equal to the West in per capita income.

As Table 1 indicates, the Northeastern and North Central regions gained $274 billion in personal income from 1970 to 1976, raising the total personal income to $720 billion, or 52 percent of the U.S. total. Moreover, the so-called Frostbelt accounted for 48 percent of the total U.S. increases in personal income over the period, not bad for a "declining" area. In terms of per capita income, states in the Northeastern and North Central regions have much higher levels than states in the other regions of the country, with the exception of California and Alaska. For the North Central and Northeastern regions as a whole, both exceed the national average in per capita income, with the South lagging considerably behind (see Table 2), although it is true that the South increased its per capita income at a slightly greater rate than the other regions.

Table 1
Regional Change in Personal Income ($ billions)

Region	1970	1976	Change	Percent of Total U.S. Change
Northeast	217.9	338.9	+121.0	21.1
North Central	228.1	381.1	+153.0	26.7
South	215.7	400.2	+184.5	32.1
West	146.6	262.3	+115.7	20.1
U.S. Total	808.2	1,382.5	+574.3	

Source: U.S. Bureau of Economic Analysis, *Survey of Current Business*, April 1977.

Table 2
Regional Change in per Capita Income, 1970–1976 ($)

Region	1970	1976	Percent Increase 1970–1976	Percent of U.S.—1976
Northeast	4,432	6,846	54.5	106.3
North Central	4,025	6,600	64.0	102.5
South	3,422	5,812	69.8	90.2
West	4,194	6,802	62.2	105.6
U.S.	3,966	6,441	62.4	

Source: U.S. Bureau of Economic Analysis, *Survey of Current Business*, April 1977.

In terms of another critical indicator, jobs per 1,000 people, one finds that the Frostbelt regions are outperforming the Sunbelt regions. In 1976, the Northeast provided 371 jobs for every 1,000 people, while the South provided only 352 and the West only 355 (see Table 3). Similarly, the North Central region outranked the South and West, with 365 jobs per 1,000 in population. Again the South and West are gaining on the North Central and Northeastern regions in this indicator, but they still have some distance to go.

. . . the North Central and Northeastern economies are still healthy and growing, providing a high standard of living for the large majority of their residents.

The changes in employment totals and growth shares for each major region of the country for the periods 1960 to 1970 and 1970 to 1976 are presented in Tables 4 and 5. As can be seen, all of the major regions experienced a relatively high rate of job growth and shared in the general prosperity of the 1960s, although the South and West grew slightly faster than the other regions. Since 1970, however, growth rate differentials have increased, with the South gaining over 4.2 million jobs on a 1970 base of 20.4 million, accounting for roughly 50 percent of the total U.S. increase. The West accounted for the second largest absolute increase, overtaking the North Central region as the second fastest growing region. In the Pacific and Mountain states, 2.5 million jobs were added to a 1970 total of 11.8 million, accounting for 30 percent of the national increase.

But even in the "declining" Northeast, 118,000 jobs have been added since 1970 to its 1970 total of 4.5 million. Actually most of the states in the Northeast did better than this total indicates, but a loss of 380,000 jobs in New York state caused the regional totals to be relatively low. The North Central region has also continued to gain employment, with an increase of roughly 1.7 million jobs since 1970, accounting for 20 percent of the national increase.

Table 3
Jobs per 1,000 Population, by Region, 1970 and 1976

Region	1970	1976
Northeast	372	371
North Central	342	365
South	317	352
West	320	355

Source: Computed from U.S. Bureau of Census and U.S. Bureau of Labor Statistics data.

Thus, while changes in the distribution of growth have favored the South and West, the North Central and Northeastern economies are still healthy and growing, providing a high standard of living for the large majority of their residents. The relative higher rates of growth in the Southern and Western regions have not meant that opportunities for economic revitalization of central cities in the North Central and Northeastern regions have been foreclosed because of regional economic stagnation or decline.

Table 4
Regional Employment Shifts, 1960–1970 and 1970–1976 (1,000s of workers)

Region	1960–1970 Total Change	1960–1970 Annual Change	1970–1976 Total Change	1970–1976 Annual Change
Northeast	+ 3,044	+ 304	+ 118	+ 20
North Central	+ 4,116	+ 412	+1,671	+ 278
South	+ 6,134	+ 613	+4,285	+ 714
West	+ 3,451	+ 345	+2,520	+ 420
U.S. Total	+16,686	+1,669	+8,523	+1,420

Source: U.S. Bureau of Labor Statistics, *Employment and Earnings.*

Table 5
Comparison of Regional Share of Employment in 1970 to Share of Growth, 1960–1970 and 1970–1976 (percent)

Region	1960–1970 Share of U.S. Job Growth	1970 Share of U.S. Employment	1970–1976 Share of U.S. Job Growth
Northeast	18.3	26.3	1.4
North Central	24.7	28.1	19.6
South	36.8	28.7	50.2
West	20.7	16.6	29.5

Source: U.S. Bureau of Labor Statistics, *Employment and Earnings.*

Table 6
Change in Distribution of Non-Agricultural Workers by Industry, 1970–1976

Major Industry	1970 Number	1970 Percent	1976 Number	1976 Percent	Change 1970–1976 (percent)
Manufacturing	19,349	27.3	18,956	23.9	− 2.0
Services	32,373	45.6	38,417	48.4	+18.7
Trade	15,040	21.2	17,694	22.3	+17.6
Construction	3,536	5.0	3,594	4.5	+ 1.6
Total[1]	70,920	100.0	79,443	100.0	+12.0

[1]Total includes mining workers not shown separately.

Source: U.S. Bureau of Labor Statistics, *Employment and Earnings.*

NEWS

Metropolitan Economic Conditions and Trends

The economy of the central city is to some degree related to the economy of the metropolitan area of which it is a part. Income, jobs, sales, and economic growth potentials of the city are all a function of the economy of the area as a whole. With over 270 metropolitan areas in the United States and a great deal of variation in their economic structure, conditions, and trends, it is a difficult and costly task to analyze each to develop useful generalizations. To simplify matters, the following discussion of metropolitan economies focuses on the large metropolitan areas—that is, those with a population of roughly one million or more.

The major concern in this discussion is with changes taking place in the overall metropolitan economy which may have some effect on the economy of the central city. The key variables are market size, jobs, personal income levels, and industry mix or economic structure.

In spite of the fact that metropolitan areas have accounted for the vast majority of product, job, and income increases in the United States in recent years, many have argued that most of the larger metropolitan areas, particularly the older Northern ones, are in a state of economic decline. Indeed, if one looks only at population statistics, this conclusion seems valid. Twenty-six of the 159 metropolitan areas with an estimated population of 200,000 or more have experienced a net loss of population since 1970. Half of the standard metropolitan statistical areas (SMSAs) with populations over 1,000,000 lost inhabitants from 1970 to 1975. These include Boston, Buffalo, Cincinnati, Cleveland, Detroit, Los Angeles, Newark, New York, Philadelphia, Pittsburgh, Seattle, and St. Louis. The other half, with the exception of Miami, Houston, Dallas, Phoenix, Portland, San Diego, and Atlanta, grew at a much slower rate than the nation as a whole.

The correlation between population change and economic strength however is relatively weak. If employment, gross personal income, and per capita income are examined, one finds that on the whole the larger metropolitan areas are *growing* economically, not declining, and that they still dominate the national and regional economies.

Tables 7, 8, and 9 show the recent levels and changes in personal income, employment, and per capita income for the 35 largest SMSAs in the United States. This group accounts for 43 percent of the non-agricultural employment in the United States and 45 percent of the total personal income in the United States.

Growth in Personal Income

Table 7 indicates that all of the metropolitan areas except New York experienced real increases in total personal income from 1969 to 1975. Not surprisingly, the Houston SMSA experienced the largest gain ($4.6 billion dollars in 1975 dollars), but others also experienced sizeable gains, with 22 of the 35 adding over $900 million in real personal income and the group experiencing an average real gain of $1.2 billion. Interestingly, the Chicago SMSA out distanced all of the Sunbelt's large metropolitan areas except Houston in this category. Even the Boston SMSA, which lost population and jobs over the period, experienced a real gain in total personal income of over $1 billion.

The Sunbelt metropolitan areas generally experienced higher personal income growth rates than the nation or the metropolitan areas in the North. Thirteen of the 16 Sunbelt metropolitan areas exceeded the national average growth rate, while all 19 of the Frostbelt metropolitan areas lagged behind the national growth rates.

There is little relationship between the structure of the metropolitan economy (that is, the industry mix and export base) and the growth in personal income. One might expect, for example, that manufacturing-oriented areas would perform more poorly than service-oriented areas. However the Chicago, Milwaukee, Detroit, Pittsburgh, St. Louis, and Philadelphia SMSAs, all areas with a heavy manufacturing base, experienced substantial real gains (over $900 million) in personal income, out distancing some service-oriented metropolitan areas such as New York, Seattle, New Orleans, and Nashville.

Table 7
Change in Total Personal Income (constant dollars) in 35 Large SMSAs, 1969–1975 (1975 $)

Metropolitan Area	1969	$ millions 1975	Change
Atlanta	$ 8,934	$11,049	$2,115
Baltimore	11,871	12,965	1,094
Boston	23,746	24,762	1,016
Buffalo	7,791	7,835	44
Chicago	46,851	50,307	3,456
Cincinnati	7,841	8,264	423
Cleveland	13,210	13,333	123
Columbus	5,403	6,040	636
Dallas	13,204	16,244	3,040
Denver	7,022	9,327	2,304
Detroit	29,094	30,336	1,242
Hartford	6,851	7,182	330
Houston	10,976	15,611	4,635
Indianapolis	6,635	7,085	450
Kansas City	7,321	8,279	958
Los Angeles	45,105	47,225	2,120
Miami	7,172	9,255	2,082
Milwaukee	8,422	9,343	921
Minneapolis–St. Paul	12,116	13,246	1,130
Nashville	3,454	4,246	792
Newark	14,439	14,734	295
New Orleans	5,334	6,241	906
New York	72,496	68,272	4,224
Philadelphia	29,218	30,319	1,101
Phoenix	5,023	7,017	1,993
Pittsburgh	13,219	14,359	1,140
Portland	5,755	7,031	1,276
Rochester	6,099	6,412	312
San Antonio	4,105	4,973	867
San Diego	8,040	9,545	1,505
San Francisco	22,080	24,289	1,108
Seattle	8,981	9,697	715
St. Louis	13,730	14,650	920
Tampa–St. Petersburg	5,072	7,413	2,341
Washington, D.C.	19,179	23,655	4,475

Source: U.S. Bureau of Economic Analysis, *Survey of Current Business*, April 1977.

Growth in per Capita Income

Growth in total personal income has meant a higher standard of living in all of the metropolitan areas except the New York area, which suffered a reduction in real per capita income from 1969 to 1975.

The 1975 average per capita income for the 35 metropolitan areas examined was $6,475, about $570 above the U.S. average. Indeed, of the 35 large SMSAs examined, in 1975 only six—New Orleans, Columbus, Phoenix, Nashville, Tampa, and San Antonio—had average per capita incomes below the U.S. average (see Table 8). The older service-oriented metropolitan areas tend to have the highest per capita incomes: Boston, $8,328; Washington, D.C., $7,843; and San Francisco, $7,763. Several metropolitan economies which have not performed exceptionally well in other respects still provide high levels of per capita income: for example, New York at $7,086; Cleveland at $6,750; Hartford at $6,777; and Newark at $7,382.

Table 8
Change in per Capita Income in Large SMSAs, 1969–1975

SMSA	1969	1975	Percent of U.S. in 1975	Percent Increase 1969–1975
Atlanta	$3,857	$6,117	1.04	58.6
Baltimore	3,865	6,067	1.03	57.0
Boston	5,652	8,328	1.41	47.3
Buffalo	3,927	5,903	1.00	50.3
Chicago	4,721	7,204	1.22	52.6
Cincinnati	3,901	5,969	1.01	53.0
Cleveland	4,480	6,750	1.14	50.7
Columbus	3,687	5,608	0.95	52.1
Dallas	4,053	6,363	1.08	57.0
Denver	3,950	6,609	1.12	67.3
Detroit	4,552	6,825	1.16	49.9
Hartford	4,571	6,777	1.15	48.3
Houston	3,755	6,795	1.15	81.0
Indianapolis	4,137	6,175	1.05	49.3
Kansas City	4,053	6,432	1.09	58.7
Los Angeles	4,455	6,800	1.15	52.6
Miami	3,909	6,433	1.09	64.6
Milwaukee	4,210	6,550	1.11	55.6
Minneapolis–St. Paul	4,288	6,533	1.11	52.4
Nashville	3,412	5,638	0.95	65.2
Newark	4,833	7,382	1.25	52.7
New Orleans	3,502	5,703	0.97	62.8
New York	4,862	7,086	1.20	45.7
Philadelphia	4,119	6,320	1.07	53.4
Phoenix	3,617	5,763	0.98	59.3
Pittsburgh	3,805	6,200	1.05	62.9
Portland	4,010	6,499	1.10	62.1
Rochester	4,386	6,603	1.12	50.5
San Antonio	3,181	5,089	0.86	60.0
San Diego	4,083	6,013	1.02	47.3
San Francisco	4,952	7,763	1.32	56.8
Seattle	4,479	6,869	1.16	53.4
St. Louis	4,059	6,183	1.05	52.3
Tampa–St. Petersburg	3,241	5,429	0.92	67.5
Washington, D.C.	4,622	7,843	1.33	69.7
U.S. Total	$3,733	$5,903	—	58.1
SMSA	4,031	6,273	1.06	55.6
Non-SMSA	2,899	4,884	0.83	68.5

Source: U.S. Bureau of Economic Analysis, *Survey of Current Business,* April 1977.

The general pattern of change since 1969 has been that the lower-income metropolitan areas have gained on the higher-income areas. Houston, New Orleans, Pittsburgh, San Antonio, Nashville, Tampa, Miami, and Denver were below average and increased at above average rates, while Boston, Chicago, New York, Newark, Detroit, Los Angeles, and Cleveland were above average in 1969, but grew at less than average rates. This again reflects regional changes with the lower-income Southern areas gaining on the Northeastern and North Central areas, although the Northeastern and the North Central metropolitan areas remain ahead of the Southern areas. It should be noted, however, that a comparison of actual incomes may not reveal differences in standards of economic well-being unless adjusted for cost of living differences. When these adjustments are made to standardize incomes, some major changes occur, as indicated in Table 9. Some of the higher-income areas (for example, New York and Boston) drop considerably, and some of the lower-income areas (for example, Atlanta, Dallas, and Houston) rise considerably. In fact, a $6,363 per capita income in Dallas affords a higher standard of living in material terms than a $8,328 per capita income in Boston, although the standard of living in Boston is still high in comparison with most areas.

Table 9
Comparison of per Capita Incomes in Selected SMSAs, Adjusted for Cost of Living Differences[1]

High-Income Areas	Actual per Capita Income	Adjusted per Capita Income
New York	$7,086	$6,098
Chicago	7,204	7,062
Boston	8,328	6,975
San Francisco	7,763	7,327
Low-Income Areas		
Atlanta	$6,117	$6,697
Dallas	6,363	7,028
San Diego	6,013	6,106
Houston	6,795	7,366

[1] Adjustments based on the cost of an intermediate standard of living for a family of four as determined by the U.S. Bureau of Labor Statistics.

Source: U.S. Bureau of Economic Analysis, *Survey of Current Business*, April 1977.

Growth in Metropolitan Employment

In most of the country, the increases in personal income in metropolitan areas have been related to growth in employment. Of the 35 largest metropolitan areas, 31 gained jobs over the 1972 to 1976 period, and excluding the New York SMSA, which suffered a loss of approximately 360,000 jobs in the 4-year period, the group accounted for 33 percent or one-third of the total increase in employment in the United States over the period. The average increase was 42,000 jobs, with the range extending from a 360,000-job loss in the New York metropolitan area to a 258,000-job gain in the Houston area. Most of the older, large metropolitan areas experienced significant gains. Chicago gained 58,000 jobs; Cincinnati, 29,000; Cleveland, 25,000; Pittsburgh, 40,000; Minneapolis, 82,000; Milwaukee, 28,000; Baltimore, 34,000; Los Angeles, 219,000; Columbus, 24,000; Hartford, 21,000; and Detroit, 46,000. Other than New York, the only losses were Boston (20,000 jobs or 1.6 percent of its total) and Philadelphia (4,200 or 0.2 percent of its total). Employment in the Newark SMSA remained constant at 857,000.

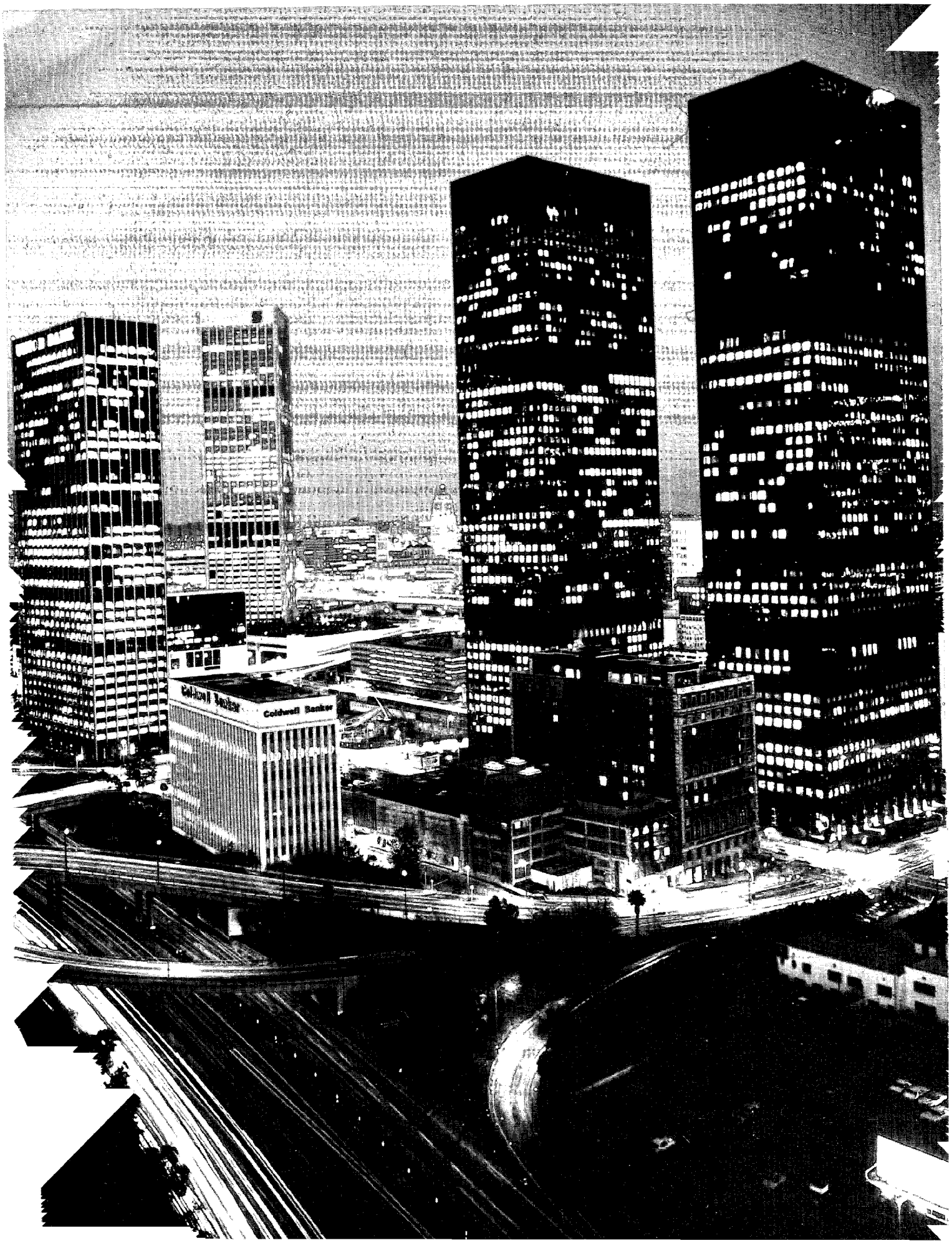
Consistent with other trends, the higher employment growth rates were in the Sunbelt metropolitan areas. Houston again was in first place with an increase of 31 percent from 1972 to 1976. Phoenix, Dallas, San Diego, Nashville, San Antonio, and Portland vied for second place honors with gains in the 12 to 17 percent range.

Thus, on the whole, the larger metropolitan areas are continuing to expand their employment base, although the New York area is a significant exception with its major loss in employment. Sixteen of the 19 Northeastern and North Central metropolitan areas are continuing to gain jobs, while all 16 in the South and West are gaining.

Table 10
Change in Employment in 35 Large SMSAs, 1972–1976 (1,000s of jobs)

	1972	1976	Change	Percent Change
Atlanta	712.9	767.3	54.5	7.6
Baltimore	819.5	853.9	34.4	4.2
Boston	1,282.2	1,261.9	−20.3	−1.6
Buffalo	485.3	489.5	4.2	0.9
Chicago	2,945.3	3,003.4	58.1	2.0
Cincinnati	512.0	540.7	28.7	5.6
Cleveland	538.0	862.9	24.9	3.0
Columbus	431.6	455.4	23.8	5.5
Dallas	974.1	1,118.4	144.3	14.8
Denver	561.3	612.5	51.2	9.1
Detroit	1,582.2	1,628.4	46.2	2.9
Hartford	319.7	340.7	21.0	6.6
Houston	838.8	1,094.4	258.6	30.9
Indianapolis	435.1	463.7	28.6	6.6
Kansas City	526.3	549.9	23.6	4.5
Los Angeles	2,888.1	3,106.8	218.7	7.6
Miami	563.8	585.6	21.8	3.9
Milwaukee	579.0	607.2	28.2	4.9
Minneapolis–St. Paul	825.0	907.1	82.1	10.0
Nashville	277.7	315.8	38.1	13.7
Newark	857.0	857.0	0.0	0.0
New Orleans	395.6	435.5	39.9	10.1
New York	3,950.3	3,591.2	−359.1	−9.1
Philadelphia	1,802.3	1,798.1	−4.2	−0.2
Phoenix	384.3	449.7	65.4	17.0
Pittsburgh	858.1	898.4	40.3	4.7
Portland	409.6	459.9	50.3	12.3
Rochester	371.2	387.0	15.8	4.3
San Antonio	291.6	328.8	37.2	12.8
San Diego	423.6	493.6	70.0	16.5
San Francisco	1,250.1	1,362.3	112.2	9.0
Seattle	506.4	587.9	81.5	16.1
St. Louis	903.4	905.8	2.4	0.3
Tampa–St. Petersburg	379.1	420.4	41.3	10.9
Washington, D.C.	1,258.6	1,363.7	105.1	8.4

Source: U.S. Bureau of Labor Statistics, *Employment and Earnings,* September 1977.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Central City/Suburban Shifts and the Changing Role of the Central City

While the overall trends in the metropolitan economies are important factors in drawing any conclusions about the future of both the whole and the parts of area economies, these trends conceal major geographical shifts within the metropolitan economy. The major trends of decentralization and deconcentration of jobs, residents, and retail and wholesale trade in the post-World War II era have been well documented in other studies. By 1970, the suburban share of population in the larger metropolitan areas far exceeded that of the central city. In the 25 largest metropolitan areas, 62.7 percent of the population resided in the suburban ring. In the 1960s, jobs in the suburbs of the large areas grew by 44 percent, while employment decreased in central cities by 7 percent.

The dispersal of population and jobs away from central cities has been explained by a combination of forces and circumstances—some pulling people and businesses out, others pushing people and businesses out. Factors typically cited include changes in transportation and manufacturing technology which have made outlying locations with inter-city highway linkage more attractive to industry, the rural ethic which plays up the pastoral rural village as the ideal lifestyle and downplays the urban lifestyle, high densities and congestion in the cities, the in-migration of low-income rural blacks and whites to the inner city creating problems of blight and crime, federal policies and programs favoring suburban growth, the aging of the physical plant of the city, and the development of freeways which provide good access between suburbs and the city.

Whatever the causes in any given situation, a transition has occurred from a city-dominant and suburban-dependent structure to a far more complex and sprawling structure with multiple activity centers and far less dependency on the central city for employment, shopping, cultural activities, and a place to live.

The increasing independence of the suburban economy and population brings into question the future of the central city as a place to work, shop, and live, and generally as a viable economic unit. In the following section, the performance of the central city is explored in terms of its traditional roles as a marketplace, a producer of goods and services, and a provider of employment for its residents, as a basis for evaluating the potential for the city to play a viable economic function.

. . . a significant number [of central cities] are still growing retail centers. . . .

In discussing the economic conditions and functions of central cities one must make a distinction between those cities which have been able to expand their boundaries to capture the suburban growth and decentralization which has occurred and those which have not. Of the 85 central cities with a resident population of more than 150,000 in 1970, 16 have been able to capture the major portion of suburban growth since 1960 through annexation or city-county consolidation (see Table 11). Houston, which already had encompassed considerable territory, extended its boundaries to encompass another 115,000 acres of land. Indianapolis extended its boundaries to coincide with those of Marion County, increasing its size by five times from 44,800 acres to 242,800 acres. Nashville and Jacksonville consolidated their jurisdictions with the surrounding counties.

Table 11
Large Central Cities Which Have Expanded Boundaries Significantly Since 1960

City	1,000s of acres 1960	1973	Percent Increase
Indianapolis	44.80	242.81	442.0
Kansas City	83.20	202.43	143.3
Columbus	55.68	100.67	80.8
Jacksonville	19.20	490.24	2,447.9
Oklahoma City	205.44	406.84	98.0
Memphis	82.56	166.84	102.1
Nashville	18.56	324.99	1,651.0
Corpus Christi	23.68	110.27	366.7
Fort Worth	89.60	147.13	64.2
Houston	205.44	319.04	55.3
San Antonio	94.72	162.36	71.4
Phoenix	119.68	160.89	34.4
San Diego	124.80	206.65	65.6
San Jose	34.56	93.63	107.9
Sacramento	28.80	60.09	108.6
Albuquerque	35.84	56.06	56.4

Source: Advisory Commission on Intergovernmental Relations, *Trends in Metropolitan America* (Washington: ACIR, 1977), p. 17–19.

While the central portions of these cities may be undergoing the same transformation as the cities which have not been able to expand their boundaries, their overall economic conditions and trends are substantially different and not really comparable. For this reason, we will restrict our discussion of central cities to those cities which have not been able to expand their boundaries. This group includes virtually all of the Eastern and Midwestern central cities, as well as a smaller number of cities in the South and West such as Atlanta, New Orleans, Birmingham, Los Angeles, and San Francisco.

Role as Regional Marketplace

Clearly most central cities are no longer the major marketplaces they once were. The growth of suburban residential areas and shopping centers aided by the out-migration of a large segment of the middle-income population has resulted in a substantial downgrading of the retailing function of the central city. By 1972, only three central cities dominated their area in retail sales, New York, Dallas, and New Orleans, while most other central cities accounted for only 25 to 45 percent of the total market. Of 20 central cities reviewed all were experiencing a decline from 1963 to 1972 in their share of the market, but only half were experiencing a decrease in constant dollar sales. Only Newark, Cleveland, St. Louis, Pittsburgh, and Detroit suffered substantial real losses (12 percent or more). In contrast, Philadelphia, Baltimore, Chicago, and New York experienced modest percentage gains, while Atlanta, Denver, New Orleans, and Los Angeles recorded sizeable gains.

Table 12
Change in Retail Sales in Selected Central Cities, 1963–1972

City	1972 millions $ 1963	1972	Percent Change	Percent of SMSA 1972
Atlanta	1,323	1,726	+30.5	43.7
Baltimore	1,719	1,740	+ 1.2	38.5
Boston	1,627	1,625	− 0.1	23.8
Chicago	6,560	6,619	+ 0.9	41.1
Cincinnati	1,070	1,005	− 6.1	34.6
Cleveland	1,708	1,361	−20.3	31.1
Dallas	1,700	2,453	+44.3	61.1
Denver	1,116	1,318	+18.1	38.2
Detroit	3,062	2,673	−12.7	27.2
Los Angeles	6,682	7,467	+11.7	44.5
Milwaukee	1,432	1,384	− 3.3	46.1
Minneapolis	1,720	1,673	− 2.7	39.8
Newark	884	620	−29.9	15.5
New York	13,963	14,691	+ 5.2	60.8
New Orleans	1,037	1,170	+12.8	50.7
Philadelphia	3,227	3,378	+ 4.7	33.3
Pittsburgh	1,306	1,099	−15.8	23.0
St. Louis	1,430	1,163	−18.7	23.3
San Francisco	2,888	2,796	− 3.2	36.6
Washington, D.C.	1,885	1,753	− 7.0	23.7

Source: U.S. Bureau of the Census, *Census of Retail Trade: 1963* and *1972.*

Thus, while it is fair to state that the large majority of central cities have lost their dominant role as regional retailing centers, a significant number are still growing retail centers and only a few have suffered a severe reduction in retail activity. Moreover, a number of recent developments in central cities indicates that there are opportunities for central cities to recapture a share of the retail market through the development of specialty retail areas such as the Quincy Market in Boston, Pike Place in Seattle, and Larimore Square in Denver. Private entrepreneurs and city governments are increasingly recognizing that the central city can expand its retail business by taking advantage of historic buildings, choice waterfront locations, and good regional access for specialty shopping and entertainment activity. Old downtown retail stores have already shifted to a community, office worker, and transient market for the most part, but with the expansion of office employment in central business districts and the increased convention business which will be discussed later, there appear to be opportunities to expand the downtown retail activity. The initial success of The Gallery, a new shopping center in downtown Philadelphia, tends to support this contention.[12]

Since 1970, however, available data suggest a further major change has occurred.

[12] The Gallery experienced rental rates of $250 per square foot during its first five months of operation (8 *Project Reference File* 4, Urban Land Institute).

Role as Producer of Goods and Services

As far back as 1959, the declining role of central cities as producers of goods was noted. Older manufacturing firms in the cities were closing down their factories and new factories were being built in suburban areas. More recently, the old factories continue to be closed at a rapid rate with new factories opening in the South and West and in foreign countries. The early commentators on this change in the central city economy pointed out that while manufacturing was shifting out of the cities, the general trend toward a more service-oriented economy would mean a new major role for the cities as service centers.

Experience over the 1960s seemed to bear out this conclusion. During this period, virtually all of the older fixed boundary cities lost manufacturing firms and jobs, but in many cities these losses were more than offset by the expansion of service activities. Table 13 shows the structural change in 11 large cities from 1960 to 1967. In aggregate, these cities lost about 150,000 manufacturing jobs but gained over 500,000 jobs in service sectors (transportation, communication, finance, insurance, real estate, business services, health, education, and others).

Table 13
Structural Change in 11 Large Cities, 1960–1967

	1,000s of workers		
	1960	1967	1960–1967
Total employment	7,900	8,310	+440
Agriculture and mining	17	19	− 2
Construction	302	292	− 10
Manufacturing	1,953	1,804	−149
Transportation, communication, and public utilities	721	710	+ 19
Wholesale and retail trade	1,707	1,725	+ 18
Finance, insurance, and real estate	713	780	+ 67
Services	1,301	1,538	+237
Government	1,186	1,442	+256
	Percentage Distribution		
Total employment	100.0	100.0	—
Agriculture and Mining	.2	.2	0.0
Construction	3.8	3.5	−0.3
Manufacturing	24.7	21.6	−3.1
Transportation, communication, and public utilities	9.2	8.9	−0.3
Wholesale and retail trade	21.6	20.7	−0.9
Finance, insurance, and real estate	9.0	9.4	+0.4
Services	16.5	18.4	+1.9
Government	15.0	17.3	+2.3

Sources: M.I.T. Laboratory for Environmental Studies, Alexander Ganz. Based principally on data made available by individual state offices of employment security affiliated with the Manpower Administration of the U.S. Dept. of Labor. In some cases data from the U.S. Bureau of the Census, *County Business Patterns*, were used. Data published in Alexander Ganz and Thomas O'Brien, "The City: Sandbox, Reservation, or Dynamo," *Public Policy*, Winter 1973.

Since 1970, however, available data suggest a further major change has occurred. From 1970 to 1975, the same cities showing an aggregate loss of 150,000 manufacturing jobs from 1960 to 1967 suffered an aggregate loss of 312,000 manufacturing jobs, with all of the cities showing substantial losses except for Denver. The average loss was 22.4 percent, or slightly more than one out of every five jobs in 1970. It appears then that the loss of the manufacturing function has greatly accelerated since 1970 for most central cities.

Denver and probably a few other cities have not experienced losses because in the early 1970s they still had outlying industrial land within city boundaries and thus were able to capture some of the new plants established on the urban fringe during this period.

More importantly, it appears that the 1960s trend toward an expansion in service activity in central cities was reversed in the first half of the 1970s. Again data are available for only a small group of cities, but this group appears to be fairly representative of a larger set of cities (see Table 14). In the ten cities for which data on employment by sector are available, six experienced losses in service jobs since 1970—New York, St. Louis, Baltimore, Boston, New Orleans, and Philadelphia. New York suffered the greatest absolute loss (125,000 service jobs), while St. Louis suffered the largest relative loss (15 percent, or roughly one out of every six service jobs there in 1970). The four cities that continued to gain service jobs were Atlanta, Denver, San Francisco, and Washington, D.C.

The growth of service jobs in Atlanta, Denver, and San Francisco is apparently related to the expansion of regional service activities in rapidly growing regions. The growth in Washington, D.C., is explained by the expansion of central federal government activity. Most central cities, particularly those which have not been able to establish themselves as regional service capitals, have suffered a dispersal of their service activity which consisted primarily of local consumer and business services.

Whatever the reasons, the post-1970 trends indicate that most of our large central cities are not and can not expect to replace manufacturing job losses with service job gains to maintain their past scale of employment (see Table 15). Even Atlanta, which gained a substantial number of service jobs, still suffered a net loss in total jobs.

Table 14
Change in Service Employment[1] in Selected Cities, 1970–1975

City	1970	1975	Amount	Percent
Atlanta	155.4	165.6	+ 10.2	+ 6.6
Baltimore	147.5	138.9	− 8.6	− 6.1
Boston	354.0	348.2	− 5.7	− 1.6
Denver	109.0	120.7	+ 11.7	+10.8
New Orleans	109.5	108.1	− 1.4	− 1.3
New York[2]	2,089.3	1,963.8	−125.0	− 6.0
Philadelphia[2]	478.1	476.4	− 1.7	− 0.4
St. Louis	140.3	118.5	− 21.8	−15.6
San Francisco	215.9	269.6	+ 53.7	+24.9
Washington, D.C.	199.7	206.5	+ 6.8	+ 3.4
U.S. Total Change				+18.7

[1] Includes employment in transportation, public utilities, finance, insurance, real estate, health, business, education, and other services. New York, Boston and Philadelphia figures include government employees also.

[2] For 1972 to 1976 period.

Source: Boston figures furnished by the Research Department, Boston Redevelopment Authority, and New York figures are from U.S. Bureau of Labor Statistics, *Employment and Earnings*. The remainder are from U.S. Bureau of Census, *County Business Patterns, 1970* and *1975*.

Table 15
Change in Manufacturing Employment in Selected Cities, 1970–1975

City	1,000s of workers 1970	1975	Percent Change
Atlanta (Fulton County)	71.7	50.6	−29.4
Baltimore	105.1	78.0	−25.8
Boston	63.5	50.3	−20.8
Denver	47.9	48.0	+ 0.2
New Orleans	32.3	25.6	−20.7
New York	675.8	544.2	−19.5
Philadelphia	237.8	165.5	−30.4
St. Louis	132.6	93.7	−29.3
San Francisco	58.9	43.5	−26.1
Washington, D.C.	24.0	18.7	−22.1
Total	1,449.6	1,118.1	−22.4

Source: Boston figures furnished by the Research Department, Boston Redevelopment Authority, and New York figures are from U.S. Bureau of Labor Statistics, *Employment and Earnings*. The remainder are from U.S. Bureau of Census, *County Business Patterns, 1970* and *1975*.

The poor performance of central cities in attracting and maintaining service activity is particularly striking when one compares their experience to that of the nation as a whole, which experienced an 18.7 percent increase in service employment from 1970 to 1975. Of the four cities with expanding service sectors, only one, San Francisco, expanded service employment at a faster rate than the nation. It is clear then that central cities generally do not have the locational advantages for most service activities that they were once thought to have.

... the development of new CBD-oriented rapid transit systems in a number of large metropolitan areas ... should reinforce the downtown office expansion trends....

Consequently, overall performance of most central cities relative to their metropolitan areas has declined, as Table 16 indicates, for the ten cities discussed above. In 1970, these central cities accounted for 49 percent or roughly half their metropolitan area's employment on an average. By 1975, the average central city share was down to 43.1 with nine of the ten losing in relative share of employment. Only San Francisco managed to increase its share, but even there only a slight gain of less than 1 percent was made.

While the overall economy of most central cities is continuing to shrink due to decentralization of the manufacturing and retailing functions and, more recently, the service function, most cities are experiencing a significant expansion of office activity in their downtown areas. A recent study of central business district office space found that almost all of the large central cities had experienced sizeable gains in downtown office space since 1970. Data on 20 central cities (see Table 17) indicate an average increase of 27 percent over the period.

With the recent expansion in office activity, downtowns have remained the dominant concentration of office activity in metropolitan areas. On an average the large central cities contain approximately 40 percent of the metropolitan office market. New York, Washington, D.C., and Dallas have heavier than average concentrations of downtown office activity, while Los Angeles, Detroit, and Cleveland have below average concentrations.

There have been a few studies which analyzed the reasons for the expansion of downtown office functions in the face of general deconcentration and dispersal of economic activity. The most important reason appears to be that central corporate offices, financial institutions, and the more specialized business and consumer services, all of which have been expanding generally, continue to

Table 16
Change in Employment in Ten Metropolitan Areas and Their Central Cities, 1970–1975

Area[1]	1,000s of workers 1970	1975	Change Amount	Percent
Atlanta—SMSA	614.1	741.3	+127.2	+20.7
Central City	372.7	345.7	− 27.0	− 7.2
Percent in Central City	60.7	46.6	− 14.1	
Baltimore—SMSA	806.0	841.2	+ 35.2	+ 4.4
Central City	367.2	310.0	− 57.2	−15.6
Percent in Central City	45.6	36.9	− 8.7	
Boston—SMSA	1,297.9	1,259.8	− 38.1	− 2.9
Central City	575.7	521.1	− 54.6	− 9.5
Percent in Central City	44.4	41.4	− 3.0	
Denver—SMSA	479.7	598.1	+118.4	+24.7
Central City	305.0	357.0	+ 52.0	+17.0
Percent in Central City	63.6	59.7	− 3.9	
New Orleans—SMSA	373.8	425.4	+ 51.6	+13.8
Central City	226.2	208.3	− 17.9	− 7.9
Percent in Central City	60.5	49.0	− 11.5	
New York—SCA[2]	6,675.8	6,311.0	−364.8	− 5.5
Central City	3,743.6	3,287.8	−455.8	−12.2
Percent in Central City	56.1	52.1	− 4.0	
Philadelphia—SMSA	1,794.6	1,780.5	− 14.1	− 0.8
Central City	919.4	810.8	−108.6	−11.8
Percent in Central City	49.1	45.3	− 3.8	
St. Louis—SMSA	898.0	898.6	+ 0.6	+ 0.1
Central City	376.1	303.2	− 72.9	−19.4
Percent in Central City	41.8	33.7	− 8.1	
San Francisco—SMSA	1,254.7	1,331.8	+ 77.1	+ 6.1
Central City	401.9	433.9	+ 32.0	+ 8.0
Percent in Central City	32.0	32.6	+ 0.6	
Washington, D.C.—SMSA	1,171.2	1,336.8	+165.6	+14.1
Central City	549.3	577.6	+ 28.3	+ 5.2
Percent in Central City	46.9	43.2	− 3.7	

[1]Figures for Atlanta, Baltimore, New Orleans, St. Louis, and San Francisco do not include government or self-employed workers.

[2]Standard Consolidated Area.

Source: Boston figures are from the Research Department, Boston Redevelopment Authority. New York and Philadelphia figures are from U.S. Bureau of Labor Statistics, *Employment and Earnings*. Denver figures are from the Office of Policy Analysis, City and County of Denver. The remainder are from U.S. Bureau of the Census, *County Business Patterns*.

Table 17
Office Space Expansion in CBDs of Selected Cities, 1970–1975

City	millions of square feet 1970	1975	Increase Amount	Percentage
Atlanta	17	21	4	24
Baltimore	8	10	2	25
Boston	34	45	11	32
Chicago	63	84	21	33
Cincinnati	12	13	1	8
Cleveland	11	15	4	36
Dallas	21	24	3	14
Denver	8	11	3	38
Detroit	18	22	4	22
Los Angeles	33	42	9	27
Milwaukee	9	11	2	22
Minneapolis	10	13	3	30
Newark	14	14	0	0
New York	240	290	50	21
New Orleans	6	10	4	67
Philadelphia	34	43	9	26
Pittsburgh	22	26	4	18
St. Louis	17	20	3	18
San Francisco	26	37	11	42
Washington, D.C.	54	71	17	31
Average Percent Increase				27

Source: Regional Plan Association, New York

value central locations because of the benefits of face to face contact among the professionals and managers and the economies in the agglomeration of different high-grade and specialized service and other business and financial activities. Also, space cost and tax differentials between central core locations and suburban locations are less critical to office functions in general, because they amount to a very small proportion, generally less than 10 percent, of operating costs.

Some have questioned the strength of the forces keeping and expanding offices in downtowns, pointing to (1) the corporate movements from New York City and to a lesser extent from other cities, (2) the development of large office complexes in the suburbs which may at some time reach the critical mass necessary to support the specialized services now concentrated in downtowns, and (3) trends toward the relaxation of branching restrictions on banks and other financial institutions which have forced them to stay in the city. Recent studies of office expansion in New York City indicate, however, that while some corporate headquarters have been relocated to suburban areas, they still rely on firms in the city for banking, legal services, accounting, advertising, and marketing, and that expansion in these corporate service activities more than offsets losses due to headquarter moves. Moreover, while the office market in downtowns was depressed following the 1974–75 recession and the overbuilding of downtown office space in the early 1970s, recent reports from most central cities indicate a continuation of the office expansion of earlier years. Reports are that Chicago has ten major office buildings under construction or announced which will add approximately 6 million square feet of office space to its inventory, and that Boston, San Francisco, Cincinnati, New York, Los Angeles, Washington, D.C., and most other central cities are experiencing new office construction activity.

The dynamics of the overall urban economy are making it increasingly difficult for the central city economy to support its labor force.

Also, the development of new CBD-oriented rapid transit systems in a number of large metropolitan areas, such as in San Francisco, Washington, D.C., Atlanta, should reinforce the downtown office expansion trends by improving regional access to downtowns. Possibly more important is the change in image of downtowns brought about by the tremendous investment in the late 1960s and early 1970s. New office buildings, public plazas, convention centers, hotels, and restaurants have made downtowns more exciting and aesthetically pleasing places to work and visit and have generally added an air of prosperity and activity.

Role as Provider of Jobs and Income for Residents

Cities are by definition political entities; their economic performance is very much a political issue. The major local political issue related to the economy of the city is how well the local economy is serving central city residents, that is, is it providing adequate jobs and income for its residents? Performance of the resident support role can be a problem when the economy of the city is declining faster than the labor force, when structural changes result in the creation of new jobs which the existing labor force is ill-suited for, and when population shifts result in the concentration of the poor, dependent, and low-skilled population in central cities.

The available data indicate that the city economies are not fulfilling their residential support role very well. For the ten large central cities shown in Table 18, nine experienced unemployment rates higher than the national average in 1976, and eight

Table 18
Change in Employment to Population Ratios and Unemployment Rates for Ten Central Cities, 1971–1976

	Employment-Population Ratio			Unemployment		
City	1971	1976	Change	1971	1976	Change
Baltimore	53.4	48.9	−4.5	7.9	10.3	+2.4
Chicago	57.0	52.0	−4.0	5.5	9.0	+3.5
Cleveland	51.1	55.2	+4.1	11.8	9.5	−2.3
Dallas	65.1	64.5	−0.6	4.9	4.9	0.0
Detroit	52.0	44.6	−7.4	10.0	13.1	+3.1
Milwaukee	56.6	57.4	+0.8	6.0	8.7	+2.7
New York	52.6	48.3	−4.3	6.7	11.2	+4.5
Philadelphia	53.7	44.6	−9.1	5.5	11.3	+5.8
St. Louis	51.3	48.5	−2.8	7.3	12.8	+5.5
Washington, D.C.	66.0	59.1	−6.9	3.7	9.1	+5.4
United States	56.6	56.8	+0.2	5.9	7.7	+1.8

Source: U.S. Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment, 1971* and *1976*.

of the ten experienced increases in the rate of unemployment since 1971. The average unemployment rate for the ten cities was 10.7 percent in 1976, compared to 7.7 percent nationally. While the unemployment rate increased by 1.8 percentage points nationally, it went up an average of 3.1 percentage points in the ten cities. The ratio of the number of city residents employed to the total population declined in most cities with the increase in unemployment.

Moreover, unemployment rates are high in central cities despite the fact that most central cities have favorable jobs to labor force ratios (see Table 19), and in fact, central city unemployment rate trends appear not to be highly correlated with the change in the number of jobs. Washington, D.C., for example, gained about 30,000 jobs from 1970 to 1975, yet unemployment increased from 4.8 percent to 7.6 percent despite a decline in the resident labor force of over 7,000 people. In Philadelphia, the labor force declined faster than jobs (a loss of 80,000 jobs but 97,000 people from the labor force), yet unemployment still increased from 5.5 percent to 9.7 percent. While the overall loss of jobs no doubt has some relationship to total employment of central city residents and unemployment rates, the structural shifts in central city jobs (i.e., the proportionate decline in blue collar jobs and proportionate increase in white collar jobs), and the out-migration of those members of the labor force who find it easier to obtain jobs than those left behind, probably account for the much greater increase in unemployment rates than can be explained by changes in the number of available jobs. Indeed, the experiences of Washington, D.C., and Philadelphia suggest that significant increases in service jobs, or a tightening of the center city labor market due to out-migration of a large segment of the labor force, will do little to reduce unemployment rates in central cities in themselves.

The dynamics of the overall urban economy are making it increasingly difficult for the central city economy to support its labor force. Fortunately most central city resident-workers are adapting to the changes by moving to locations where suitable jobs are available. From 1967 to 1976, a net total of some 760,000 workers migrated out of the large central cities to smaller cities, suburban rings, or rural areas. On an average these out-migrants improved their earnings considerably by moving.[13] The typical large central city out-migrant in the 1967 to 1970 period increased his earnings by 27.2 percent compared to a 17.3 percent increase for the total work force over the same period. The same result accrued in the 1970 to 1973 period, when out-migrants from central cities increased their earnings by 25.0 percent, while the average increase for the entire work force was only 21.6 percent.

Table 19
Change in Central City Jobs to Resident Labor Force Ratios for Five Central Cities, 1970—1975[1]

City	1970	1975	Change 1970–1975
Baltimore	99	91	− 8
New York	107	102	− 5
Philadelphia	110	114	+ 4
St. Louis	152	147	− 5
Washington, D.C.	158	169	+11

[1] Time-series data on both number of jobs and persons in labor force are available for only the five cities shown.

Source: Research Division, Urban Land Institute

The failure of central cities to provide adequate jobs for their residents is related to their failure to keep up with the rest of the country in personal income. From 1960 to 1973, real per capita income increased by about 51 percent nationally. For 20 large central cities, the average increase was 24 percent, or less than half of the national increase (see Table 20). Even cities doing well in terms of production and jobs, such as San Francisco, Denver, and Washington, D.C., failed to keep pace with the nation. Those cities with per capita incomes above the national average in 1960 (Chicago, Denver, Los Angeles, New York, San Francisco, and Washington, D.C.,) dropped below the national average in 1973. On the whole, then, the large city economy is not performing its resident support role very well, and given the structural changes occurring in the city economy with the shift in the distribution of jobs toward white collar occupations, it is unlikely that performance in this area will improve in the foreseeable future.

[13] U.S. Bureau of Economic Analysis, *Survey of Current Business*, October 1976 and February 1978.

Table 20
Real per Capita Income of Residents for 20 Large Central Cities, 1960–1973

City	constant 1973 dollars 1960[1]	1973	Percent Change
Atlanta	2,908	3,903	34.2
Baltimore	2,806	3,595	28.1
Boston	2,886	3,678	27.4
Chicago	3,448	3,984	15.5
Cincinnati	3,072	3,657	19.0
Cleveland	2,791	3,160	13.2
Dallas	3,337	4,432	32.8
Denver	3,421	4,560	33.3
Detroit	3,015	3,817	26.6
Kansas City	3,272	4,012	22.6
Los Angeles	3,914	4,569	16.7
Milwaukee	3,165	3,809	20.3
Minneapolis	3,336	4,141	24.1
Newark	2,695	2,964	10.0
New York	3,468	4,309	24.2
Philadelphia	2,820	3,678	30.4
Pittsburgh	2,922	3,618	23.8
St. Louis	2,708	3,292	21.6
San Francisco	3,904	4,762	22.0
Washington, D.C.	3,618	4,901	35.5
Total U.S.	3,341	5,041	50.8

[1] 1960 income figures adjusted by 1.504 to convert them to 1973 dollar equivalents.

Source: U.S. Bureau of the Census, *Current Population Reports, Series P. 25* and *Census of Populations 1970.*

Prospects and Public Policy

The continuing economic growth of the older predominantly manufacturing areas in the North Central and Northeastern regions, despite a major shift in growth rates, suggests that at least there is more potential for the older cities of these regions than one would expect from reading most articles on urban economic problems. Based on post-1970 trends, the regional economies, with the exception of New York, can be expected to grow in jobs and personal income, thereby creating new employment and business opportunities. As a general rule, growth rates will be greater in the metropolitan areas of the South and West, although some of the Northeastern and North Central areas will grow by larger amounts than some areas of the South and West. In any case, in the large majority of metropolitan areas there will be opportunities for business expansion, new firms, more jobs, and higher pay.

What this means for the large central cities is somewhat mixed. The transition of large metropolitan area economies from manufacturing to service activity has continued in the 1970s. While the experience of the 1960s indicated that this transition meant economic expansion of the central cities, the available evidence indicates that in the 1970s, a large proportion of central cities have lost their power to attract a substantial share of service sector expansion, although a small proportion of the central cities are displaying considerable strength in this area. Apart from Washington, D.C., which has grown substantially because of federal government expansion, other cities which have experienced service sector expansion such as San Francisco, Atlanta, and Denver have become regional administrative, service, and finance centers in growing regions. This trend reinforces the notion that the continuing transition to a service economy will benefit some of the large central cities more than others, and that those cities which have established or can establish themselves as major regional service nodes will do much better than those which have not or can not.

For most cities the recent trends clearly indicate a general shrinkage in overall economic activity in the foreseeable future. This does not mean, however, that central cities will become completely dysfunctional. Many manufacturing plants dependent on existing rail system and waterfront locations will find it desirable to remain in their present locations. Cities are also becoming more adept at serving the needs of existing industry; we can therefore expect to see the retention of a significant share of manufacturing activity in cities.

Most central cities have retained other assets which blend well with the expansion of the city's role as a highly specialized business and finance center.

In the face of national declines in manufacturing employment, however, the key to economic viability for most cities will lie in the service sector. While cities are experiencing a weakness in their ability to retain and attract the more common business and consumer services, there are definitely opportunities for expanding the specialized service and office functions associated with CBD locations. These activities have been expanding in recent years in most cities in spite of their general economic, social, and fiscal problems, indicating that there is considerable strength in this movement. Although some cities have focused a portion of their economic development activities on strengthening this function, more often cities have emphasized industrial development activities in their economic development programs.

Much can be done to nurture the financial and specialized service functions in cities through improvements in downtown access, circulation, and parking, assistance in land assembly for new projects, and assistance in the creation of support facilities (such as conference centers, hotels, and restaurants). The recent proposals of President Carter for policies favoring central city investments and locations for federal offices would be helpful if implemented.

Most central cities have retained other assets which blend well with the expansion of the city's role as a highly specialized business and finance center. Major regional institutions, including medical centers, colleges and universities, museums, and performing art theatres have remained for the most part in central cities. This is reflected in the results of a recent survey of public attitudes toward cities conducted in January 1978 which indicates that the large majority of U.S. residents view cities (rather than suburban areas, small towns, or rural areas) as offering the best employment opportunities, the best medical care, the best colleges and universities, the best cultural attractions, and the best entertainment.[14]

The presence of cultural attractions, good entertainment, and an expanding highly educated professional work force downtown is a situation ripe with opportunities for creating middle- and upper-income residences in the city. The potential market for such housing in central cities is being clearly and forcefully demonstrated in those cities which have experienced the most rapid and the strongest transition to the high-grade service and administrative functions—Washington, D.C., Atlanta, and San Francisco. The young and highly educated professionals that form the work force for the expanding jobs in downtown offices have shown a strong proclivity for residing in the city. In Washington, all of the residential areas within a 2-mile radius of the downtown office area are under strong pressure for housing from this group. Areas that were almost exclusively low-income and experiencing abandonment and declining housing prices in 1965 are now undergoing renovation and rapid price escalation. In these areas, houses that were traded for $12,000 to $20,000 in 1970 are now selling unrenovated for $50,000 to $90,000. San Francisco is experiencing the same phenomenon in the extensive Victorian Crescent which wraps around its downtown. The close-in Atlanta neighborhoods are all experiencing resettlement by the higher-income more highly educated households that work in downtown. There have been few attempts to measure the extent or nature of the trend, which post-dates for the most part the 1970 census; however, a ULI survey of central city planning agencies, building officials, and real estate broker associations in 1975 indicated that approximately 75 percent of central cities over 250,000 in population were experiencing significant private-market housing renovation in formerly deteriorating areas. More recently (1977), surveys of recent in-migrants to older neighborhoods in Washington and Atlanta have been conducted.[15] The study of the Virginia Highlands neighborhood in Atlanta found that new migrants are generally young (median age 26.8 years), married, extremely well educated, employed in high-status professional occupations, with high incomes. They chose the Virginia Highlands neighborhood because of its proximity to downtown, the low cost of the housing, and their preference for old houses and city living. The recent movers into the Capitol Hill area of Washington, D.C., have similar characteristics. More than 75 percent possessed graduate degrees, the median age group was 30 to 34 years, and more than three out of four households earned over $25,000 in income. They moved to Capitol Hill to be close to work, because they felt their investment in a Capitol Hill house would appreciate substantially, because of the favorable price of housing there relative to other locations, and because of the historical and architectural character of the area.

The continued loss of manufacturing jobs, retailing jobs, and lower-grade service jobs from the city has created and will continue to create economic problems for this class [lower-skilled residents].

The extensive resettlement of older areas by middle- and high-income households in Washington, D.C., Atlanta, and San Francisco is indicative of what can occur in most central cities as a result of the expansion of the high-status jobs in downtown areas. Such resettlement provides obvious benefits to cities in the form of an increased tax base, increased consumer buying power, physical improvements, and a labor force which can attract economic activities which have a greater propensity for central city locations than activities such as manufacturing geared to a blue collar labor force.

[14] *HUD NEWS* (U.S. Dept. of Housing and Urban Development), March 23, 1978.

[15] Donald S. Bradley, "Back to the City?," *Atlanta Economic Review*, March–April 1978, and Dennis Gale, "The Back-to-the-City Movement Revisited," (Occasional Paper Series, Department of Urban and Regional Planning, George Washington University, Washington, D.C., 1977).

While extensive middle- and upper-income resettlement of older formerly low-income residences is occurring in several cities without any sort of significant government assistance to the movers-in or movers-out, government could play a useful role in facilitating this process. In most cities, the competition for the older houses in close-in neighborhoods is very weak. If anything, housing abandonment is a problem. In such areas, cities with federal assistance could aid in resettlement by offering incentives (acquisition and rehabilitation loans, tax abatements for renovation, and so on), by funding renovation demonstration projects, by actively marketing such areas to the middle-income market (as Seattle, Boston, and Baltimore are now doing), and by promoting the historic character of older areas.

The support for the middle-income household resettlement into older formerly declining areas is vastly important to providing residential support for the economic sectors of the city that show growth potential (office and speciality retail in particular), but it is also important in reversing the general negative image of the city as a place to live. In those cities that have experienced substantial renovation and resettlement of previously declining areas, the image of the city has changed greatly; this reversal must have an effect on business and residential location and investment decisions. At some point residential renovation may be more important in this regard than additional downtown commercial investment because the former contrasts more dramatically with previous trends and demonstrates that the city can be a desirable place to live and work for many people of middle and upper incomes.

The trends at work in central cities are definitely at odds with the needs of many of the current lower-income, lower-skilled residents. The continued loss of manufacturing jobs, retailing jobs, and lower-grade service jobs from the city has created and will continue to create economic problems for this class. As in the past, many will leave the city in pursuit of better opportunities elsewhere. As a result the population of most cities will continue to shrink for some time and housing demand in most areas of our cities will continue to weaken. Federal and local government efforts to "conserve" neighborhoods, except in resettlement areas, are likely to be severely undermined in most areas by the economic and population dynamics at work.

It seems likely that federal subsidy programs which provide incentives to manufacturing firms which expand employment for central city workers will have only a marginal impact on economic opportunities for the lower-skilled labor force and out-migration.

The loss of manufacturing jobs is more likely to slow down for two reasons. First, the tremendous loss during the recent recession has reduced the base in most cities to the point that at past rates the absolute number of job losses will be lower. Second, the firms still left in the city probably have survived as a result of some advantage in their location. In any case, the only way to expand jobs in the cities, particularly manufacturing jobs for the lower-skilled work force, is likely to be through massive subsidies.

The argument for bringing jobs to the people is generally founded on the premise that the majority of the poor and uneducated, especially blacks, are relatively immobile or do not have equal access to jobs in suburban locations due to lack of affordable housing, lack of public transportation, and racial discrimination. The record of rural to urban and South to North migration of the poor whites and blacks along with the recent reports of out-migration of whites and blacks in large numbers from the Northeast (about 1 million whites and 147,000 blacks moved out of the Northeast from 1975 to 1977[16]) lead one to question whether there is a lack of mobility for most of this population. Moreover, housing opportunities for blacks in suburban areas have increased dramatically in recent years as evidenced by the higher annual growth rate for the black population in suburban areas than for whites (4.4 percent compared to 1.8 percent since 1970), although the absolute numbers are still relatively small.[17]

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[16] *U.S. Department of Commerce News,* March 10, 1978.

[17] *The Washington Post,* March 4, 1978.

The attempt to keep or increase jobs for the current blue collar labor force in the city can also be questioned on the grounds that a large proportion of current city residents would prefer not to live in the city. A recent Gallup poll found that over a third of current central city residents would prefer to live elsewhere, with lower socio-economic status blacks expressing the preference as often as whites.[18] A separate and larger survey conducted at the beginning of 1978 revealed similar preferences, except this time, 35 percent of the city dwellers said they definitely or probably would move in the next two or three years to a suburban or rural location—47 percent, almost one-half of the city black population indicated a preference for a residential location outside of the city.

Given the expressed preference for a very large percentage of current city residents, including blacks, to move out of the city, and the relocation of jobs suitable for the current population out of the city, it seems very unlikely that the federal and local governments' current efforts to gild the ghetto will be successful. It would probably be more helpful to cities as a whole, and the poor and unemployed, for the federal government to devote a substantial portion of its urban assistance funds to providing families and individuals who are unemployed or threatened with unemployment in the near future assistance to relocate in areas of better opportunities. The opposite policy—the subsidization of the city's labor force—will hold many people in the city who could be self-supporting elsewhere, and who would prefer to be elsewhere, but find that because of the subsidies, it more beneficial to stay in the city. Cities then find themselves locked into the costly and depressing role of caretakers of the poor—a role which has had a devastating effect on cities so far. The lost opportunity costs of such a policy in terms of precluding attention to efforts which would create more economically balanced central cities are substantial. The cities do have an expanding role as high-grade service, administrative, and cultural and entertainment centers, and potentially as a place of residence for an economically balanced population. Public policies and programs could do a lot more to assist cities as a whole, and those adversely affected by the adjustments taking place, if the changing role of central cities is recognized and if public actions accommodate these changes.

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[18] *The Washington Post,* March 24, 1978.

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