A Top 10 List of Things To Know About American Cities

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Abstract

Strong job growth, a vigorous bull market, and other indicators are taken by many as evidence that the Nation is healthy and well positioned for the next century. Yet in recent decades income inequality has widened, poverty rates have remained high even during economic expansions, and disparities between cities and suburbs have grown more pronounced than ever before. In this article we draw on the Center for Urban Policy Research "State of the Nation's Cities" database to document 10 prominent changes affecting large cities in the past 30 years. We show how the technological change, globalization, demographic trends, and selective flows of people, jobs, and wealth have magnified inequality at the regional, metropolitan, and neighborhood levels. Particularly for older industrial cities, the processes driving national growth continue to reinforce inequalities in opportunity for individuals and communities.

Henderson, Nevada, is not well known to urbanists, but it has the distinction of being the fastest-growing city in America: Its population ballooned by fully 88 percent from 1990 to 1996 (Holmes, 1997; Bureau of the Census, 1997). This desert suburb and the other nine fastest growing cities reported by the Census Bureau shared several characteristics:

- They were relatively small—all but one had a 1990 population of less than 200,000.
- Several were suburbs of larger urban centers.[1]
- Several were cities close to the Mexican border.

All were in five Sunbelt States—Arizona, California, Florida, Nevada, and Texas. The slow-growing end of the census bureau list was dominated by large Frostbelt/Rustbelt cities: St. Louis; Washington, D.C.; Baltimore; and Philadelphia. St. Louis placed at the bottom of the list with a more than 11-percent population loss, continuing its decades-long tumble from nearly 900,000 people in 1950 to about 350,000 today.

Although the census list for the 1990s provides the latest snapshot of how our cities are developing, it also highlights well-known trends of the past quarter century. Interregionally, growth occurred in the South and West while the Frostbelt experienced a decline—especially in large cities.

Those areas that grew had well-educated work forces, high-technology industry, lower-than-average wages, a good quality of life, proximity to universities, and agglomeration economies springing up from proximity to other high-technology firms (Atkinson, in this issue). Within our metropolitan areas (MAs) a seemingly endless decentralization from central cities to the suburbs and exurbs continued.

As part of this issue of *Cityscape* devoted to analysis of national urban policy, this article highlights the state of the Nation's cities to set the context for discussions that come later. Primarily, we use the Center for Urban Policy Research's (CUPR's) comprehensive state of the Nation's cities database on 77 large American cities and 74 MAs (SONC) developed for the U.S. Department of Housing and Urban Development to produce an overview of urban change since 1970.[2] We concentrate on what we believe to be the most important trends in understanding the cities' economies and national urban policy.

Our top 10 list is constructed around two main phenomena resulting from recent changes in the Nation's economy: the uneven growth of MAs and the ever-increasing imbalances within regions. In this article we discuss:

- The *context* of urban change—macroeconomic, technological, and demographic forces.
- The *uneven growth* of MAs.
- Increased *income inequality* among MAs.
- The effects of *international migration* streams on the system of cities.
- The *decentralization* of MAs.
- *Interregional migration* and continued *urban flight*.
- Income inequality and social *polarization* within cities.
- The changing conditions of inner-city *neighborhoods.*
- Changes in *housing* affordability and homeownership.
- *Fiscal* issues facing large cities in particular.

Although these changes are interrelated, each is a distinct facet of contemporary urban dynamics. These factors are critical for understanding the challenges and opportunities of large cities. In the remainder of this article, we address each issue on several spatial scales, from the national and regional levels to the neighborhood level.

Technological Change, Economic Internationalization, and Demographic Trends

The economic, social, and technological context within which cities grow or decline is the starting point for our top 10 list. Advances in technology, changes in the international economy, relative shifts of employment and production among the Nation's industries—and a variety of other demographic and social transformations—affect urban growth. In response to these broad forces of economic and social history, firms and families relocated from city to city, from city to suburb, and from region to region (Frey 1993, 1995b; Glickman, Lahr, and Wyly, 1996).

Technological Change

In the mid-1970s, the introduction and spread of several new technologies altered the nature and organization of work and, hence, the ways that cities function. In particular, advances in computers and telecommunications—the speed of information processing—made it possible for firms to produce and market goods and services practically anywhere on the globe. In addition, new production processes could be quickly introduced worldwide. Information technologies, in particular, permitted the spread and separation of functions. As a result, management, design, production, research, and the other parts of the production process were freed from traditional spatial constraints, particularly from their ties to the central business districts (CBDs) of big cities (Castells, 1985). Consequently, corporations gained far more freedom to relocate jobs to areas of lowest cost and maximum market potential. Internationalization, facilitated by new production technologies, thus changed the face of work in, and the primary functions of, U.S. cities.

Information technologies facilitated intra-metropolitan change too, reinforcing other elements that promoted suburbanization. These technologies allowed firms to decentralize operations within metropolitan areas as well as across regions and around the world. Corporations no longer needed to locate many of their clerical functions near the head office. For instance, information technologies have allowed many back office functions associated with the rapid expansion of security sales and other activities on Wall Street to relocate to the suburbs. This phenomenon has been replicated in most large cities and in other industries. Thus the vertical disintegration of large firms has not only propelled a rise in producer services but also industrial suburbanization (Schwartz, 1993). Growing firms in high-technology industries also tend to locate in suburbs (Herzog and Schlottmann, 1986).

International and National Economic Forces

Technological change eased the way for information and capital to transcend international borders. But it was just one of a myriad of factors that helped to disperse economic activity around the globe and profoundly alter the nature of work and urban development. From 1970 to the present, international trade doubled its share of the Nation’s gross domestic product. At the same time, foreign direct investment swelled enormously. Foreign investors and traders continued to come to this country to tap its $7 trillion market for goods and services, its technology, and its skilled labor. Similarly, U.S. firms went abroad in search of new markets and, in some industries, low-wage workers to reduce production costs. As a result, Americans increasingly worked for multinational corporations (and large, multisite U.S.-based companies) that had fewer ties to localities than did home grown companies. Thus communities had less economic security, as plants and offices opened and closed more rapidly than previously.

Increasing economic internationalization was one of several factors that caused major shifts in the types of successful industries. The net effect of internationalization, however, was one of dispersion of population and jobs through the urban hierarchy from larger to smaller cities. Thus larger cities now find themselves with fewer jobs and deteriorating tax bases to pay for local services.

In particular, economic internationalization brought about the process of deindustrialization, the widespread effects of which rippled throughout the economy. Deindustrialization of the U.S. economy resulted in two opposing trends. One was the dispersion of manufacturing and many services to medium-size cities, rural areas, and other countries. The other trend was an increasing spatial centralization of two types of industries: selected service activities oriented toward businesses and manufacturing industries that depend on rapidly evolving technologies.

These trends resulted in the declining share of wealth produced through manufacturing. The descent of manufacturing resulted from many factors, including the increased international competition that reduced the national demand for U.S. workers. In 1970 manufacturing employment boasted 19.4 million workers—27 percent of all nonfarm employment. By 1997 only 15 percent of Americans (18.6 million workers) had jobs in manufacturing. As a result, cities formerly dependent on manufacturing—many in the Northeast and Midwest—suffered debilitating employment losses from the decline in this once robust sector.

Simultaneously, service industries grew rapidly, from 67 to 80 percent of nonfarm employment. Services include a broad array of jobs, primarily in retail trade and personal services firms, which tend to pay low wages and offer few advancement prospects. An increasing proportion of the service industry's employment is part-time with few, if any, employee benefits. Further, these consumer-oriented service jobs continue to move to the suburbs to meet the needs of households with high disposable incomes.

Although the splintering of old corporate structures into more flexible arrangements has threatened job security in many areas, some central cities have prospered. In particular, those with a suitable mix of skilled workers, entrepreneurial capital, and interfirm linkages have been able to profit from the surge in certain business-oriented services. In particular, many firms in large cities at the top of the Nation's urban hierarchy suddenly needed the administrative and financial services required to manage their expanding global trade networks. These kinds of service jobs are what Robert Reich (1991) called "symbolic-analytic services" and are a far cry from the jobs that dominate consumer-oriented services. These "producer service industries" include problem-solving and strategic brokering activities and employ a high number of research scientists, design engineers, biotechnical engineers, management information specialists, public relations executives, and other technologists and scientists (Beyers, 1992). These jobs are high paying and compete with foreign producers based in the United States and abroad.

The business districts of many cities with high concentrations of producer services have been growing quickly, leading the Nation's transformation to a service-oriented economy. Important centers for advanced corporate and producer services include the large banking and corporate headquarters cities—New York, Chicago, and San Francisco. These cities gained employment in producer services while losing jobs in manufacturing. At the same time, growing clusters of producer services emerged in office parks throughout U.S. suburbs. As a consequence, the growth of services generally helped the suburbs as much as, if not more than, it did central cities.

Key Demographic Forces

Economic changes over the past quarter century were accompanied by dramatic demographic shifts. Nationally, the white population share declined from 88 to 83 percent between 1970 and 1995, whereas the Hispanic share grew to 10.3 percent by 1995. Family and household arrangements have changed radically since 1970: The proportion of the adult population that is married declined from 72 to 61 percent between 1970 and 1995, while the proportion of both divorced and single adults tripled (to 9.2 percent). Households conforming to the "traditional" norm—married-couple families with children present—now account for only one-fifth of all households.

The share of the population that is foreign born is currently at its highest level since World War II due to a resurgence in immigration during the 1980s. In addition, the rise in female labor-force participation—begun in the 1960s—continues apace, reflecting changes in cultural attitudes as well as a response to declining real earnings per worker.

Finally, the aging of the Nation's population continues. Since the 1970s, the proportion of the population under 25 has declined, largely offset by the entry of baby boomers into the 30 to 50 age cohort, which increased its population share from 17.0 percent to 24.5 percent. In addition to this large expected jump among baby boomers, those age 65 and older increased their population share from 9.8 to 12.7 percent of total population.

Many of these differences affected the relative demographic composition of cities and their suburbs. Immigrants tended to select the Nation's largest central cities as places to live and work. In the general population, married-couple families with children made up 28 percent of suburban households but only about 20 percent of all households in the central cities. Additionally, although the share of all households headed by single parents rose in both cities and their suburbs, the suburban rises tended to be somewhat smaller on lesser starting shares. Hence, it is clear that a disproportionate burden of demographic shifts is being shouldered by the Nation's larger cities.

Changes in household and family composition have left many Americans in precarious social and economic conditions. With both parents participating in the work force, a generation of latch-key children return home after school to be unsupervised for several hours. In addition, the rise in single-parent families induces economic hardship because many of these heads of family work in jobs at below or near-poverty wages—when they can work at all (see Blank, 1997).

It is due to these recent phenomena—the resurgence in the immigration of low-skilled workers and a rapid rise in part-time retail trade jobs—that recent national economic expansions have proved less able to shrink the number of poor people than they had historically. This heralds a change in the basic workings of the economy.

Income Distribution and Poverty

The persistence of poverty remains a difficult problem for many people in our cities. From 1960 to 1973, the rate of poverty fell by nearly one-half, continuing a decline that had begun with the birth of the New Deal during the Great Depression. Then, a substantial turnaround occurred: Urban poverty rates rose sharply in the early 1980s and again in the early 1990s when national recessions occurred. Indeed, from the 1981–82 recession to the present, the poverty rate has fallen only slightly. In particular, cities with significant concentrations of poverty improved little, if at all, even during sustained periods of economic growth. The inability of policymakers to reduce poverty substantially even in flush economic times is perplexing to economists and society as a whole.

Particular groups, most notably children, suffered the greatest amounts of poverty: 23 percent of all children and 46 percent of black children lived in poverty in 1993. Blacks (33 percent) and Hispanics (31 percent) experienced far higher incidences of poverty than whites (10 percent). Importantly, poverty remained heavily concentrated in central cities—43 percent of all the poor in 1993—especially large industrial cities, and in some neighborhoods (Blank, 1997; Jargowsky, 1997). Finally, the "safety net" of social supports, taxes, and transfers—Aid to Families with Dependent Children, food stamps, the Earned Income Tax Credit, and others—proved less able to keep families out of poverty in the 1980s and 1990s (Mishel and Bernstein, 1996). Many analysts believe that the 1996 changes to Federal welfare laws will likely make life more difficult for poor families, especially those who cannot get from their inner-city housing to suburban job locations.

Increasing income inequality partially reflects demographic changes. From 1970 to 1994, the dual-earning, married-couple family was the only household category to gain income (22 percent in real dollars), while all others lost ground. Where these families choose to

Exhibit 1

Selected Indicators of Urban Change, 1969–95

	Metropolitan Population Change		Central City Job Change		Metropolitan Job Change				MSA Per Capita Income[a]			Change in Housing Affordability[b]	
	1970–95	Rank	1970–90	Rank	1970–90	Rank	1990–95	Rank	1995 $	Ann. Change 1969–95	Rank	1970–90	Rank
Northeast	**0.0%**	***4 of 4***	**0.2%**	***3 of 4***	**0.9%**	***4 of 4***	**-0.1%**	***4 of 4***	**28,412**	**0.6%**	***4 of 4***	**na**	**na**
Boston, MA	0.3%	*63*	0.6%	56	1.7%	62	0.6%	61	28,686	1.4%	*62*	-0.1%	16
Buffalo, NY	-0.5%	*77*	-0.7%	72	0.6%	76	0.2%	65	22,645	0.4%	*76*	-5.8%	70
Burlington, VT	1.4%	*34*	1.4%*	44	3.3%	21	1.6%	42	22,687	3.1%	*22*	-7.4%	74
Hartford, CT	0.3%	*65*	0.9%	53	2.0%	54	-1.3%	75	28,962	1.3%	*64*	-3.9%	59
Manchester, NH	1.8%	*25*	1.0%*	51	3.0%	29	0.8%	56	26,678	2.5%	*38*	-5.4%	68
New York, NY	-0.2%	*74*	0.6%	57	0.1%	77	-0.7%	74	30,896	-0.1%	*77*	-2.3%	45
Newark, NJ	-0.1%	*72*	-1.3%	75	0.8%	73	-0.4%	72	32,346	0.6%	*73*	-2.0%	41
Philadelphia, PA	0.1%	*69*	-0.8%	73	1.0%	71	-0.1%	68	26,959	0.7%	*72*	-6.5%	73
Pittsburgh, PA	-0.4%	*76*	-0.1%	68	0.6%	75	0.7%	57	24,071	0.6%	*75*	-3.3%	54
Portland, ME	1.0%	*48*	3.0%	21	3.1%	26	0.9%	52	25,127	2.6%	*34*	-3.8%	56
Providence, RI	0.3%	*66*	-0.2%	69	1.3%	67	0.2%	66	23,730	1.0%	*70*	-6.1%	71
Midwest	**0.4%**	***3 of 4***	**0.1%**	***4 of 4***	**1.7%**	***3 of 4***	**1.5%**	***2 of 4***	**26,152**	**1.5%**	***3 of 4***	**na**	**na**
Chicago, IL	0.3%	*64*	-0.4%	71	1.3%	68	1.2%	49	28,177	1.2%	*68*	-1.8%	37
Cincinnati, OH	0.4%	*61*	0.3%	60	1.8%	59	1.5%	44	24,199	1.7%	*56*	-1.2%	32
Cleveland, OH	-0.3%	*75*	-1.4%	76	0.6%	74	0.9%	54	25,303	0.6%	*74*	-5.2%	67
Columbus, OH	1.0%	*45*	2.2%	33	2.5%	41	2.3%	22	24,132	2.5%	*40*	0.4%	11
Des Moines, IA	0.9%	*51*	1.2%	47	2.3%	44	2.6%	18	25,331	2.5%	*42*	-0.6%	23
Detroit, MI	-0.2%	*73*	-2.4%	77	1.1%	70	0.8%	55	26,889	0.9%	*71*	-8.9%	75
Fargo, ND	1.3%	*39*	3.6%	15	2.6%	39	3.2%	10	20,433	3.0%	*24*	3.8%	4
Indianapolis, IN	0.7%	*56*	2.1%	37	2.0%	57	2.1%	25	24,664	1.9%	*51*	-1.2%	31
Kansas City, KS	0.8%	*53*	0.7%	55	2.0%	55	1.8%	36	24,576	1.9%	*49*	-3.3%	53
Kansas City, MO	0.8%	*53*	0.4%	58	2.0%	55	1.8%	36	24,576	1.9%	*49*	-2.7%	48
Milwaukee, WI	0.2%	*68*	-0.0%	65	1.5%	64	1.3%	46	25,906	1.4%	*61*	-3.6%	55
Minneapolis, MN	1.2%	*42*	0.3%	59	2.8%	32	2.1%	26	27,436	2.6%	*32*	2.6%	7
Omaha, NE	0.7%	*58*	2.1%	36	2.1%	53	1.9%	33	24,002	2.2%	*46*	-0.5%	21
Sioux Falls, SD	1.4%	*32*	4.0%	11	3.1%	24	3.:%	4	24,320	3.4%	*17*	0.5%	10
St. Louis, MO	0.2%	*67*	-0.8%	74	1.4%	66	1.0%	50	25,170	1.3%	*66*	-2.:%	50

Exhibit 1 (continued)

	Metropolitan Population Change		Central City Job Change		Metropolitan Job Change				MSA Per Capita Income[a]			Change in Housing Affordability[b]	
	1970–95	Rank	1970–90	Rank	1970–90	Rank	1990–95	Rank	1995 $	Ann. Change 1969–95	Rank	1970–90	Rank
St. Paul, MN	1.2%	*42*	0.3%	61	2.8%	32	2.1%	26	27,436	2.6%	*32*	-2.1%	43
Toledo, OH	0.1%	*70*	-0.1%	67	1.1%	69	1.5%	45	22,971	1.2%	*69*	-4.4%	65
Wichita, KS	0.8%	*55*	2.3%	31	2.2%	49	1.3%	47	22,823	1.8%	*54*	-1.8%	35
South	**1.8%**	***2 of 4***	**2.2%**	***2 of 4***	**3.0%**	***2 of 4***	**1.8%**	***1 of 4***	**24,233**	**2.8%**	***2 of 4***	**na**	**na**
Atlanta, GA	2.7%	*10*	0.9%	52	3.9%	16	3.3%	9	25,563	3.7%	*10*	-3.9%	61
Austin, TX	3.8%	*2*	6.1%	2	5.3%	4	5.1%	3	22,185	5.3%	*2*	7.1%	1
Baltimore, MD	0.7%	*57*	-0.1%	66	1.8%	61	-0.2%	71	25,347	1.4%	*63*	-1.1%	28
Birmingham, AL	0.8%	*52*	1.1%	49	1.9%	58	1.9%	35	22,830	1.9%	*48*	-5.0%	66
Charleston, WV	-0.0%	*71*	1.5%	43	0.8%	72	2.4%	20	22,562	1.2%	*67*	na	na
Charlotte, NC	1.8%	*26*	3.7%	14	2.8%	35	2.4%	21	24,022	2.7%	*29*	0.1%	15
Columbia, SC	1.7%	*28*	3.1%	19	3.1%	27	1.6%	43	21,733	2.8%	*28*	na	na
Dallas, TX	2.5%	*14*	2.6%	24	3.9%	17	2.5%	19	26,803	3.5%	*14*	-0.4%	20
El Paso, TX	2.4%	*16*	3.8%	12	3.0%	30	2.0%	31	13,702	2.6%	*35*	-3.1%	52
Fort Worth, TX	2.6%	*12*	2.8%	23	3.9%	14	2.1%	28	22,665	3.4%	*16*	-1.9%	39
Houston, TX	2.7%	*8*	3.3%	18	4.0%	12	2.0%	30	25,449	3.6%	*12*	-1.0%	27
Jackson, MS	1.5%	*31*	2.4%	29	2.4%	43	2.9%	14	20,646	2.6%	*36*	-3.8%	57
Jacksonville, FL	1.8%	*23*	2.5%	26	3.2%	22	1.7%	39	22,617	2.9%	*27*	-0.4%	18
Little Rock, AR	1.4%	*33*	2.0%	38	2.7%	38	2.8%	17	21,954	2.7%	*31*	-1.8%	36
Louisville, KY	0.4%	*62*	0.1%	64	1.4%	65	2.2%	24	23,552	1.5%	*57*	-2.2%	44
Memphis, TN	0.9%	*50*	1.9%	42	2.2%	50	1.8%	38	23,640	2.1%	*47*	-4.2%	64
Miami, FL	1.9%	*21*	2.4%	28	2.6%	40	0.9%	53	21,058	2.3%	*44*	-3.9%	60
Nashville-Davidson, TN	1.8%	*24*	2.4%	30	3.1%	25	3.5%	7	25,077	3.2%	*20*	-1.9%	40
New Orleans, LA	0.6%	*59*	0.2%	63	1.6%	63	1.3%	48	21,374	1.5%	*58*	-5.4%	69
Oklahoma, OK	1.5%	*30*	1.9%	40	2.5%	42	2.0%	32	20,139	2.5%	*41*	-1.5%	34
San Antonio, TX	1.9%	*20*	3.0%	20	2.8%	36	3.0%	13	20,034	2.7%	*30*	-3.8%	58
Tampa, FL	2.7%	*7*	3.4%	16	4.6%	5	1.9%	34	22,646	4.2%	*6*	-3.0%	49
Tulsa, OK	1.4%	*37*	2.2%	32	2.8%	34	1.7%	40	21,789	2.5%	*39*	-1.1%	29
Virginia Beach, VA	1.3%	*41*	6.0%	3	2.3%	47	0.3%	64	20,020	1.8%	*55*	4.8%	3
Washington, DC	1.4%	*35*	1.2%	46	3.1%	28	0.4%	62	30,650	2.5%	*37*	3.2%	5
Wilmington, DE	0.9%	*49*	-0.3%	70	2.2%	52	0.7%	58	27,924	1.9%	*52*	-1.8%	38

Exhibit 1 (continued)

	Metropolitan Population Change		Central City Job Change		Metropolitan Job Change				MSA Per Capita Income[a]			Change in Housing Affordability[b]	
	1970–95	Rank	1970–90	Rank	1970–90	Rank	1990–95	Rank	1995 $	Ann. Change 1969–95	Rank	1970–90	Rank
West	**1.8%**	***1 of 4***	**2.5%**	***1 of 4***	**3.1%**	***1 of 4***	**0.4%**	***3 of 4***	**25,178**	**2.8%**	***1 of 4***	**na**	**na**
Albuquerque, NM	2.2%	*17*	4.5%	6	4.2%	9	3.8%	5	21,452	4.1%	*7*	-1.2%	30
Anchorage, AK	2.8%	*6*	4.4%	7	4.3%	7	1.6%	41	27,914	3.8%	*9*	6.4%	2
Billings, MT	1.4%	*38*	3.0%	22	2.9%	31	2.8%	16	21,345	3.0%	*26*	-0.3%	17
Boise, ID	2.9%	*5*	4.8%	4	3.9%	15	5.4%	2	23,052	4.4%	*4*	-0.5%	22
Cheyenne, WY	1.3%	*40*	0.7%*	54	2.3%	48	2.3%	23	21,201	2.3%	*43*	-2.6%	46
Denver, CO	2.0%	*19*	1.3%	45	3.4%	20	2.9%	15	27,069	3.3%	*19*	0.1%	14
Fresno, CA	2.5%	*15*	4.4%	8	3.4%	19	2.1%	29	18,014	3.4%	*15*	-1.4%	33
Honolulu CDP, HI	1.4%	*36*	2.5%	25	2.2%	51	-0.1%	69	26,300	1.8%	*53*	-0.8%	25
Las Vegas, NV	5.3%	*1*	6.2%	1	6.3%	1	5.4%	1	22,927	6.1%	*1*	-0.4%	19
Long Beach, CA	1.0%	*46*	1.2%	48	2.3%	45	-1.3%	76	23,501	1.5%	*59*	-2.6%	47
Los Angeles, CA	1.0%	*46*	2.0%	39	2.3%	45	-1.3%	76	23,501	1.5%	*59*	-4.1%	63
Oakland, CA	1.2%	*44*	0.3%	62	2.7%	37	0.6%	59	28,729	2.3%	*45*	-3.0%	51
Phoenix, AZ	3.8%	*3*	4.3%	9	5.3%	3	3.4%	8	21,839	5.1%	*3*	-0.7%	24
Portland, OR	1.9%	*22*	2.1%	35	3.2%	23	3.0%	12	24,553	3.1%	*23*	0.6%	9
Sacramento, CA	2.7%	*9*	2.5%	27	4.4%	6	0.6%	60	23,459	3.6%	*13*	-4.1%	62
Salt Lake, UT	2.2%	*18*	2.2%	34	3.7%	18	3.7%	6	19,825	3.7%	*11*	0.3%	12
San Diego, CA	2.6%	*11*	3.8%	13	4.1%	11	0.0%	67	23,263	3.2%	*21*	2.7%	6
San Francisco, CA	0.4%	*60*	1.0%	50	1.8%	60	-0.4%	73	36,989	1.3%	*65*	0.6%	8
San Jose, CA	1.6%	*29*	4.6%	5	4.2%	8	0.3%	63	31,487	3.4%	*18*	-2.1%	42
Santa Ana, CA	2.5%	*13*	3.4%	17	5.5%	2	-0.2%	70	27,420	4.3%	*5*	-6.3%	72
Seattle, WA	1.7%	*27*	1.9%	41	4.0%	13	1.0%	51	28,773	3.0%	*25*	0.2%	13
Tucson, AZ	3.1%	*4*	4.2%	10	4.2%	10	3.1%	11	19,556	4.1%	*8*	-1.0%	26

Sources: U.S. Bureau of the Census (1970, 1980, and 1990); REIS (1997)

[a]Per capita income for regions is weighted by population; counts duplicate MAs only once.
[b]The change in housing affordability equals 12 times the median gross rent in 1970 divided by the median household income in 1969 minus 12 times the median gross rent in 1990 divided by the median household income in 1989. Positive changes mean increasing affordability.

live influences the nature of fiscal disparities among different units of local government in sprawling fragmented metropolitan areas. Cities losing middle-class families are left with more households in poverty; more single-parent families; declining property values; and underfunded, deteriorating infrastructure and schools. By contrast, suburbs gaining upper-income families enjoy low poverty rates, rising property values, and well-funded infrastructure and schools. In addition, continued decentralization has widened disparities from suburbs, from affluent municipalities with lucrative tax bases of commercial and industrial development to poorer, aging municipalities with static or declining tax bases (Downs, 1997; Orfield, 1997).

Nearly three decades of rapid income growth and narrowing income differentials ended in the 1970s. Then, incomes not only grew more slowly, but also became more unequally distributed (Blank, 1997; Danziger and Gottschalk, 1995; Harrison and Bluestone, 1990; Levy and Murnane, 1992). The dimensions of the increase in interpersonal inequality in the 1970s and 1980s have been substantial.[3] The average real incomes of families in the lowest quintile declined by 2.1 percent from 1979 to 1989, while incomes in the top quintile grew by 13.9 percent (Mishel and Bernstein, 1996). The increasingly suburbanized middle class declined as the proportion of both lower income and upper income families increased.[4] Unfortunately, our major cities experienced the brunt of the Nation’s increasingly unequal distribution of income and the slow growth of personal income due to the continued suburban flight of middle-class families and jobs.

Uneven Metropolitan Growth

SONC data show that MAs have grown steadily in population and spatially over the last quarter century. This growth, especially that in central cities, has been highly uneven geographically. Population growth in MAs in the South (2.3 percent annually) and West (2.6 percent) far outpaced that in the Northeast (no growth) and Midwest (0.3 percent) from 1970 to 1996. Cities with big service bases, State capitals, and high-technology and producer services industries were among the winners. The losers were the usual suspects: mostly large cities in the old industrial North and Midwest. Employment in central cities of the Northeast averaged an increase of 0.6 percent annually from 1969 to 1995, compared with much more rapid growth in the South and West (2.8 percent per year).

Exhibit 1 clearly shows the growth patterns of employment from 1969 to 1996 for the SONC urban areas. The slowest growing cities are in the Northeast and Midwest: New York, Buffalo, Pittsburgh, and Cleveland were the slowest growing MAs in the country. In fact, the New York metropolitan statistical area (MSA) was the only SONC area to lose employment over that time span. The MAs that grew most quickly were in the South and West: Las Vegas, Austin, Phoenix, Boise, and Santa Ana. Las Vegas is an entertainment center that grew from a low base (as did Boise); Austin is a both a high-technology center and a State capital, and Santa Ana is a suburb of the borderland city, Los Angeles. These trends over the past 25 years also have important component stories that can be delineated by decade.

The 1970s

SONC data show that the Nation’s industrial shifts had strong effects on major U.S. cities during the 1970s. In general, jobs and production relocated from the higher cost Frostbelt to the Sunbelt. During this period, employment in the Northeast and Midwest grew by only 0.4 and 1.4 percent a year, respectively. Simultaneously, average annual employment growth in the Sunbelt was about 3.5 percent. The MAs with the worst employment records were Buffalo, Cleveland, Detroit, New York, and Philadelphia. The fastest growing large MAs were Houston, Phoenix, and San Jose. Austin, Las Vegas, and Santa Ana led the medium-size regions in employment growth.

The 1980s

There was a transition at the end of the 1970s: A partial recovery took place in some of the northern MAs, whereas certain locations in the South (especially those areas dependent on energy development) lost the ground they had gained in the previous 10 years. In particular, cities with employment concentrated in advanced corporate and producer services, high-technology industry, and diversified economies gained jobs and residents during the 1980s (mostly cities on the Pacific and Atlantic coasts; for example, New York, Boston, Phoenix, San Jose).[5] Several State capitals also were winners during this decade. However, cities that continued to rely on manufacturing and failed to develop substantial advanced corporate services declined (for example, Chicago, Detroit, Pittsburgh, and Philadelphia). Overall, the South and West continued to outperform the North. Employment in the Northeast and Midwest grew at annual rates of 1.3 and 1.7 percent, respectively, from 1980 to 1990—far less than the growth rates recorded in the South and West.[6]

The 1990s

The recession of the early 1990s savaged many of the cities that grew quickly during the latter half of the 1980s. The recession altered the course of economic progress in many ways. Its detrimental effect on white-collar, upper-middle-class workers—rather than blue-collar manufacturing workers who traditionally are affected during times of recession and depression—made it particularly notable to members of the media because it hit close to home. Banking and insurance businesses, utilities, and certain manufacturing industries felt the greatest effects of the recession. Hardest hit were centers of these industries, located mostly on the eastern seaboard and in California, although some urban areas in the Midwest and South also were affected. These losses were exacerbated by large-scale Federal budget cuts that included reductions both in military bases and in the number of Federal contracts. Losses of military and civilian jobs added heavily to the economic woes of California’s urban areas.

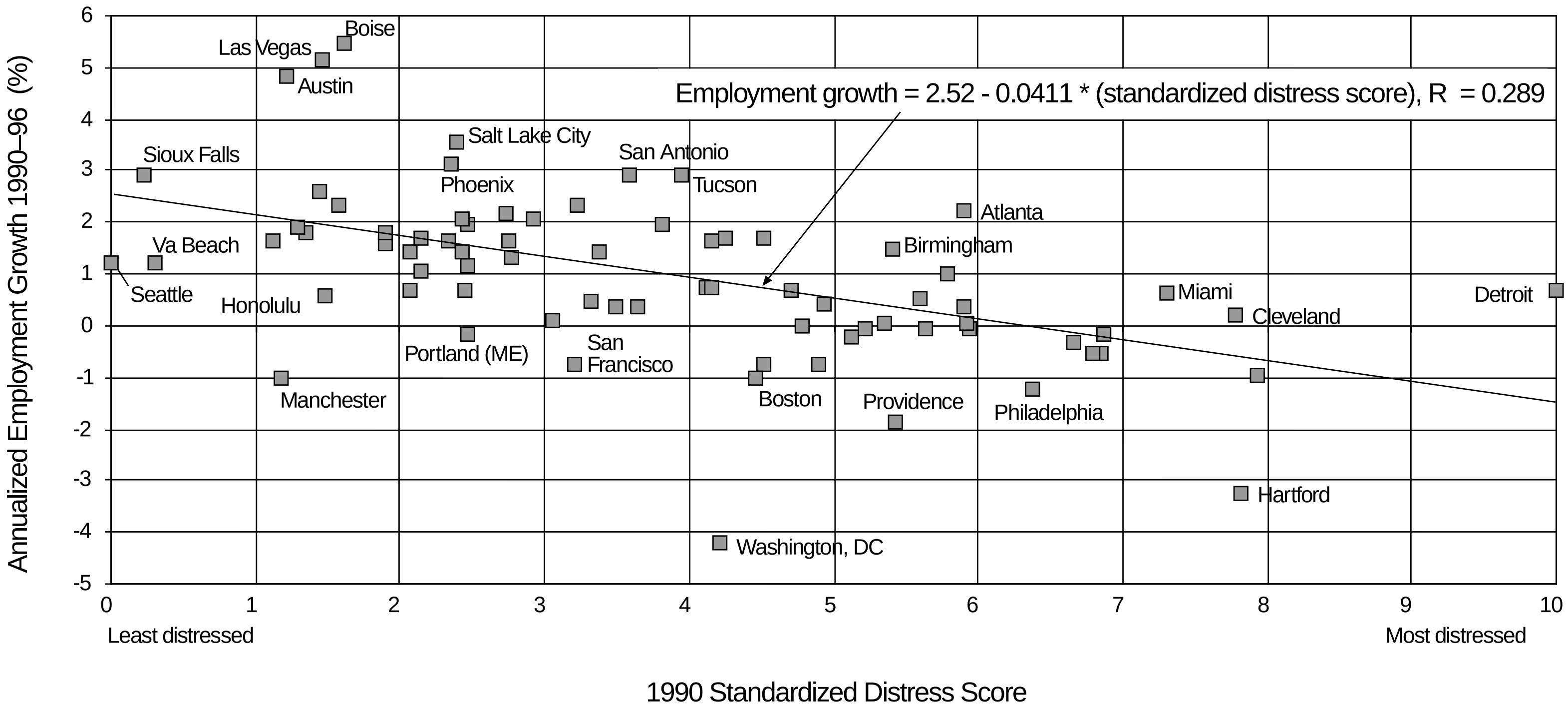
The South and West again—although this time without California—led the Nation in employment growth from 1990 to 1996. Atlanta, Austin, Boise, Las Vegas, Nashville, and San Antonio were the fastest growing. At the same time, after some industrial regrouping during the recession, many cities rebounded (albeit by varying degrees), including Charlotte, Detroit, Jackson, Jacksonville, Memphis, Miami, Tampa, and Toledo. The growing cities in the Midwest and South exploited the Nation’s recession-charged, pent-up demand for durable goods. For some other urban areas, the retrenching of the recession gave them footing that enabled them to compete better internationally.

Large Cities and Urban Distress

Throughout the past 25 years, many large cities have confronted serious social, economic, fiscal, and environmental conditions. Although these conditions are not uniquely urban, their concentration in urban areas has induced further problems for the cities and their residents, propelling outmigration of population and jobs. To understand urban change better, we used 20 urban stress indicators of 1990 to construct a single index. We then applied this index across the 77 cities in the SONC database to rank areas by their levels of distress.[7] Income inequality, pollution, housing affordability, and fiscal problems contribute heavily to the distress of older cities. Detroit and Newark were the most distressed cities in 1990, whereas Seattle and Sioux Falls were the least distressed.

Exhibit 2

Annualized Employment Growth, 1990–96 (in Percent, Based on 1990 Standardized Distress Score)



Not surprisingly, the level of urban distress also affected growth. Exhibit 2 charts the urban distress index against subsequent annualized growth in the employment of city residents. The graph clearly shows that distress relates to significant drag on a city's economy. It further reveals that a city with a 10-point higher standardized urban distress score than another city in 1990 could expect to have an annualized 1990–96 employment growth rate of 0.4 percentage points less than that other city. The simple average annualized employment growth of the cities analyzed was 0.95 percent from 1990 to 1996. Hence, the magnitude of such a difference is relatively high.

Increased Income Inequality Among MAs

For the past 30 years, secular changes in employment structure, technology, and international trade have widened income inequality among individuals as well as regions. Interregionally, the ratio of average income earned by the top one-tenth of central-city families to that earned by the bottom one-tenth widened in 70 of 77 cities from 1969 to 1989.[8] In 1969 families in the richest tenth earned more than 10 times that of the poorest in only one city (New Orleans). By 1979 this ratio appeared in nine cities, and by the end of the 1980s, nearly one-half of the SONC cities (32) exceeded this threshold (see exhibit 3).

Historically, inequality has been most pronounced in older cities and those in the South with the highest ratios appearing in Atlanta, New Orleans, Cincinnati, and Washington, D.C. The uneven growth of income polarization across cities in the 1970s and 1980s, however, highlights the effects of nationwide industrial shifts. Although inequality moderated in several small or distinctive settings, it worsened considerably in older goods-producing centers as high-paying industrial jobs vanished and middle-class families moved to the suburbs or beyond. Rapid growth in the service sector magnifies inequality, increasing the process of bifurcation in the job market between well-paying, white-collar positions and poorly paid, insecure, or temporary jobs with few or no benefits.

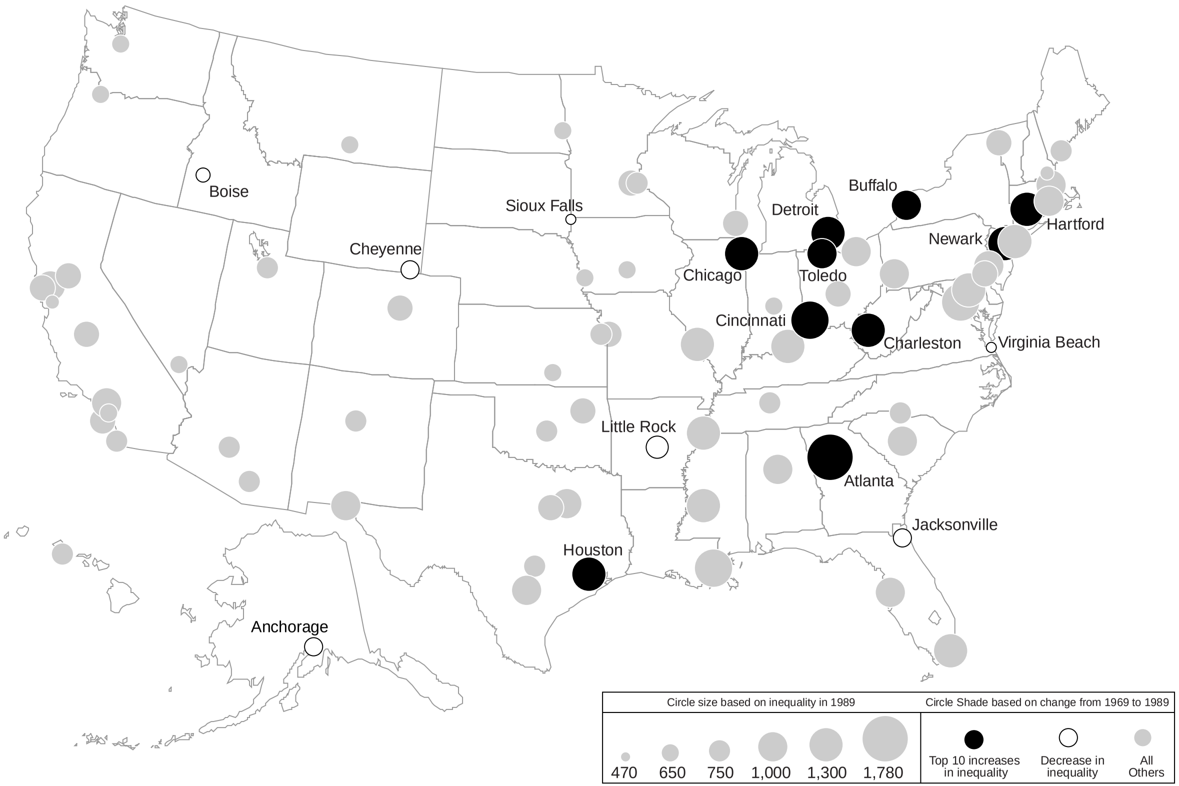
Effects of International Migration

New immigrants have always helped mold the character of our cities. Yet after the elimination of national origin quotas in the 1960s, immigration levels increased dramatically and the source countries of arrivals changed. Thirteen million legal immigrants entered the United States from 1981 to 1996—more than 80 percent of them from Asian and Latin American countries. This immigration is in addition to the 4.5 million legal immigrants entering from 1970 to 1980 (U.S. Immigration and Naturalization Service, 1997). As a result, the proportion of the foreign-born U.S. population (8.8 percent in 1995) stands at its highest since World War II.

The concentration of immigrants in five gateway cities is striking: In the 1980s nearly one-half of all international migrants to cities in the SONC database went to Chicago, Los Angeles, Miami, New York, and Washington, D.C. By the end of the decade, at least 5 percent of all residents in 13 SONC central cities had immigrated from abroad during the previous 5 years. Moreover, a majority of central-city Miami and Santa Ana residents had been born abroad. Fully one-half of all immigrants in 1995 settled in California, New York, and Florida. What is more striking is that 1 out of 6 settled in the New York metropolitan area while 1 of 12 went to Los Angeles. This destination selectivity is likely to continue for the remainder of this decade since the family reunification and immediate relative provisions of the U.S. immigration code account for 60 percent of migrants admitted each year.

Exhibit 3

Average Income of Richest 10 Percent of Families, as Percentage of Average Income of Poorest 10 Percent of Families



Source: Center for Urban Policy Research, 1997
Data Source: U.S. Bureau of the Census, Census of Population and Housing, 1970, 1990

Immigration policy is commonly discussed as a national issue, yet the most dramatic consequences—the revival of inner-city neighborhoods and the formation of vibrant enclave economies—are uniquely urban. On balance, the benefits of immigration for the U.S. economy—for instance, immigrants' employment in sectors that pay low wages, a reality that helps the Nation remain competitive internationally—appear to be distributed throughout the Nation through interstate trade in goods and services. The costs, however, are borne primarily at the local level. Where immigrants cluster, schools must provide multilingual curricula, while police, emergency services, and government agencies require translators and related services. Moreover, the arrival of large numbers of low-income immigrants widens inequality in gateway cities. Whether this disparity will narrow as immigrants assimilate into the U.S. economy is uncertain because the economic forces described earlier have drastically reduced the need for relatively well-paying, low-skilled labor (Borjas, 1993). The conflict between national-level immigration policy debates and local concerns is likely to intensify in the coming years due both to continued immigration and regional migration (Frey, 1995a) and to government devolution (Staeheli, Kodras, and Flint, 1997).

Decentralization of Metropolitan Areas

MAs continued to spread out, furthering trends set in place at the beginning of the 20th century. As discussed earlier, a surge in producer service employment lent an air of rebirth to the urban core. Much of this growth went to central cities of major MAs, propelling a massive wave of CBD office construction.[9] Attention by journalists, scholars, and policymakers on other highly visible changes in the urban landscape also suggested a revival of urban commercial districts and residential areas near CBDs. For example, the positive publicity about large cities' festival marketplaces—such as Atlanta's Underground, Baltimore's Inner Harbor, Boston's Faneuil Hall, and San Antonio's Riverwalk—has contributed to enhanced public perception of the Nation's cities.

Yet this revival has been overshadowed by the seemingly inexorable decentralization of urban regions. While four of five Americans now live in MAs, the share of central city dwellers declined rapidly, from 43.0 percent in 1970 to 33.8 percent in 1994. In the 1970s, 11 SONC central cities registered absolute job losses. In the 1980s, 19 cities experienced job declines. By contrast, suburbs in nearly all SONC MAs gained jobs during this period.[10] While the dispersal of manufacturing and retail functions has been under way for most of this century, the decentralization of sectors traditionally tied to the agglomeration economies of CBDs is a phenomenon unique to the last two decades. As a result, suburban growth in producer services—particularly finance, insurance, and real estate—has overshadowed that of central cities in one-half of our MAs.[11]

These trends reflect the maturation of suburban employment and the potential emergence of agglomeration economies at the urban fringe—variously dubbed *suburban downtowns, urban subcenters*, or *edge cities.* These areas enjoy superior access to new infrastructure and highway interchanges, relatively inexpensive land, less-restrictive land-use controls, reduced taxes, and other incentives. As residential growth continues to expand at ever-lower densities, however, these suburban job centers have endured worsening traffic congestion. Mean commuting times lengthened by more than 20 percent in the 1980s for suburbanites in New York and Chicago (Cervero, 1995). One-third of SONC MAs now suffer from systemwide traffic congestion, up from only about one-seventh in 1982. Nationally, however, average travel times remained stable despite the longer distances and greater congestion of suburb-to-suburb commuting. The continuing shift to the private automobile is a main factor in making this possible, but the movement of population and jobs to smaller cities also plays a role. Even in central cities, the convenience and speed of solo commuting is reducing carpooling and transit ridership. Solo commuters account for at least two-thirds of all workers in 50 of the 77 SONC central cities.

The internal differentiation of MAs has been most pronounced in cities severely affected by industry shifts. Here, CBD revitalization is juxtaposed with continued deterioration of inner-city neighborhoods as well as further expansion and functional differentiation at the suburban fringe. Yet, decentralization and spatial reorganization continue in all regions, even as the consequences for central cities vary. All 11 northeastern MSAs in the SONC database gained employment in the 1980s, but the central cities of 4 (Buffalo, Newark, Pittsburgh, and Providence, Rhode Island) lost jobs. In contrast, the flexibility of municipal boundaries in many States of the South and West allows some cities to reap the benefits of decentralized growth, in part through annexation of unincorporated land. In the 1980s city job growth outpaced that of the suburbs for 6 of SONC's 21 cities in the West, compared with only 1 each in the Northeast (New York), the Midwest (Fargo), and the South (Charlotte).

Interregional Migration and Continued Suburban Flight

That Americans continually seek new places to live and work is a widely held perception. Indeed, the fluidity of home locations is a main societal attribute that has enabled changes in the Nation's urban network as well as in the internal structure of urban areas. Each year, 3 of 10 renters and 1 of 10 homeowners move their place of residence. Similarly, many workers leave their current jobs (or are laid off) to search for new opportunities elsewhere.

Across the Nation's urban system, migration currents continue to favor the South and West. From 1970 to 1994, the Northeast experienced a net outflow of 6.7 million people. The Midwest lost 3.8 million people (mostly in the 1970s and early 1980s), and net in-migration flowed into the West (3.3 million) and the South (7.2 million). These interregional shifts have been under way for much of the postwar period, however, as evidenced by SONC migration data. Southern and western MAs consistently have higher proportions of residents who have moved from out of State. In each decade since the 1960s, for example, at least one-fifth of all metropolitan residents of Anchorage; Cheyenne; Las Vegas; Phoenix; Tampa; Virginia Beach; and Washington, D.C., were out-of-State newcomers. In contrast, older industrial centers are now bypassed by interregional migration streams: In 1990 fewer than 1 in 20 metropolitan residents of Buffalo, Cleveland, Detroit, New York City, and Pittsburgh were from out of State. Interregional migration streams, however, are diverging for different population groups: The Nation's gateways for international immigration continue to grow more racially and ethnically diverse, while older retiring whites and less-skilled native-born workers gravitate to more homogeneous centers in the U.S. heartland (Frey, 1995a; Frey and Liaw, 1996).

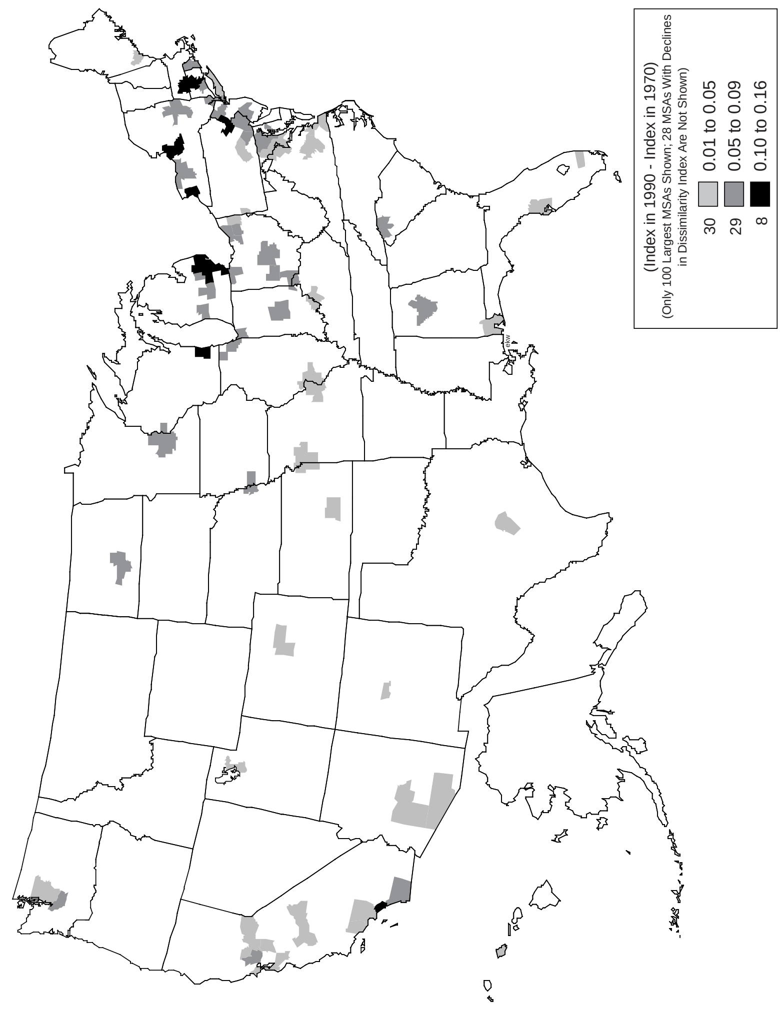
Within MAs, the flight outward to the suburbs continues. From 1985 to 1990, the 77 SONC cities saw a net loss of 5.4 million people to their suburbs, corresponding to a 13-percent loss of the population.[12] For every suburbanite moving to the central city, three city residents had left for the suburbs.[13]

Income Inequality and Social Polarization Within Cities

Decentralization of MAs and continued middle-class flight to the suburbs interact to widen differences in economic opportunity and demographic composition between different parts of MAs. Central-city neighborhoods became more racially and ethnically diverse and poor as suitable employment shifted to the suburbs and as nearby office districts provided professional jobs for affluent suburban commuters (Stanback 1991, 1995).

Figure 4

Increase in Dissimilarity Index Between Poor and Nonpoor Households, 1970–90



Source: Center for Urban Policy Research, 1997
Data Source: Abramson, Tobin, and VanderGoot (1995)

As a result of the forces that we have discussed, the ratio of city-to-suburban poverty rates widened from 1.9 to 2.3 for the SONC MAs. By 1990 suburban per capita income exceeded city levels in all but one-tenth of the SONC MSAs, and these exceptional MSAs contained relatively new, actively annexing central cities of the South and West that were surrounded by largely rural suburbs. In the Nation's 100 largest MAs, the dissimilarity index for the poor population, which measures the proportion of the population that would have to move to achieve an integrated spatial distribution, increased from 33 in 1970 to 36 in 1990 (Abramson, Tobin, and VanderGoot, 1995).

In aging industrial MAs, segregation of the poor is substantially increasing. MSAs posting increases of at least 10 points in the dissimilarity index from 1970 to 1990 include Allentown, Pennsylvania; Buffalo; Detroit; Hartford; Milwaukee; Orange County, California (SONC's Santa Ana MSA); Springfield, Massachusetts; and Syracuse, New York (see exhibit 4). Increasing income inequality is also evident within central cities. As noted in exhibit 1, our inequality index registers the widest disparities in family income in Atlanta, Cincinnati, Hartford, New Orleans, New York, and Washington, D.C.

Changing Conditions of Inner-City Neighborhoods

Polarization within MAs is even more pronounced at the neighborhood level. The processes leading upwardly mobile families to the suburbs leave those who remain behind in the cities to face the consequences of concentrated poverty, high crime rates, deteriorating home values, and poor schools. In many instances, these areas of poverty and disinvestment are in the shadow of center-city office districts that make the wealth of the suburbs possible and near high-income residential enclaves close to downtown.[14] The ghettos and barrios are also within commuting distance of suburban jobs for those people with cars—although many of the inner-city poor do not have cars. Thus the poor in these areas are isolated from job opportunities that have moved outward.

In 1990 there were about 3,000 neighborhoods with concentrated poverty—those with greater than 40 percent poverty rates. Although blacks dominate two-fifths of these areas, others are either heavily Hispanic (17 percent of these poverty neighborhoods), white (14 percent), or mixed (27 percent). Poverty continues to spread: From 1970 to 1990, the number of census tracts with concentrated poverty and the number of people living in such neighborhoods doubled; the number of Hispanics living in barrios tripled (Jargowsky, 1997).

In addition, long-term suburbanization of employment continued during the 1990s, widening the spatial mismatch between affordable housing and employment opportunities. In 10 large cities from 1990 to 1994, the ratio of city-to-suburban manufacturing jobs declined in 6 MAs, while the ratio for retail employment fell in 9 (Wyly, 1997).[15]

Poverty rates varied greatly among MAs—those in the Northeast and South led the way—and followed trends in regional economies. In New York, New Jersey, and Pennsylvania, concentrated black poverty tripled during the stagnation-inflation-charged 1970s but recovered a bit during the 1980s when growth increased in that region of the country. In southwestern MAs, the decline in the oil industry in the 1980s was associated with an increase in poverty, reversing a reduction in poverty in the previous decade. SONC data show great variations in central-city poverty rates. In 1990 Detroit registered a 32-percent poverty rate (the highest among the 77 SONC cities)—4 times the ratio in Honolulu, which registered the Nation's lowest poverty rate (Glickman, Lahr, and Wyly, 1996).

Racial segregation remains as deleterious as it was in the 1960s. To achieve a perfectly integrated distribution of blacks and whites in 1990, more than three-fourths of the residents of Atlanta; Baltimore; Chicago; Cleveland; Jackson; Louisville; Miami; Newark; New York City; Philadelphia; St. Louis; and Washington, D.C., would have had to move to a different neighborhood. More ominously, racial segregation interacts with income segregation—both of which are deeply embedded in urban housing markets, given the concentration of affordable housing—to intensify the social polarization described earlier. The magnitude of forces and incentives that encourage people, jobs, and wealth to leave these inner-city neighborhoods is staggering. It includes such seemingly benign policies as the deductibility of home mortgage interest costs, the local financing of school districts, and marginal cost pricing of suburban infrastructure that encourages de facto exclusionary suburban development. The difficulty of solving problems in the inner city with limited resources has thus created an ongoing tension between arguments for dispersal—which reproduces the condition of disinvestment unless done on a massive scale—and those for redevelopment—which has been dubbed *gilding the ghetto*. This is an ongoing policy and theoretical debate. Trends in the concentration of poverty suggest that it will become more crucial in the remainder of the decade: Even as national poverty rates declined in the recovery of the mid-1990s, the ratio of city to suburban poverty widened from 1.9 to 2.3.

Now that we have traced the effects of national demographic and industrial shifts on income inequality within and across regions, we focus on tracking their effects on the ability of cities to shelter their inhabitants and to effect economic development.[16] We focus on the effects of income inequality as it relates to the fiscal prospects of cities and the localities' ability to provide adequate housing for their poor.

While Housing Quality Edged Up, Affordability Fell

A Return to Homeownership

An increase in homeownership is improving housing quality nationwide. After bottoming out at just below 63.9 percent in 1988, the homeownership rate has increased, climbing to 66.0 percent in 1996, a rate that surpassed the previous all-time record set in 1981 (Federal Housing Authority, 1997; U.S. Department of Housing and Urban Development, 1997). Ownership provides an inherent incentive for the rehabilitation, repair, and expansion of homes. In addition, a large share of the new housing that is being added to the existing stock is in single-family units, further improving the amount of housing available per capita—a measure of housing quality. The return to the long-term trend of increasing homeownership reflects two main factors: strong baby-boom demand for homeownership and a recent improvement in housing affordability due to moderate home mortgage rates, stable home prices, and greater credit availability predicated on strong economic growth prospects. Since 1990, homeownership rates have increased in suburbs outside the Northeast. They have risen rapidly even in many older cities, such as Boston, Buffalo, Chicago, Cleveland, Detroit, New Orleans, San Francisco, and St. Louis. Since these cities have traditionally had relatively low homeownership rates, their increasing rates may simply be part of a nationwide process of regions converging toward the national average rate.

Unaffordable Housing Induces Crowding

Rapid population growth coupled with high housing costs forced some lower income families to share housing with family and friends or purchase less housing, starting as early as the 1970s. The situation worsened for non-high school graduates as homeownership increasingly became tied to the educational attainment of potential homebuyers (Gyourko and Linneman, 1997).[17] From 1970 to 1994 the real median income of renters fell by 16 percent, while gross rents increased more than 11 percent (Joint Center for Housing Studies, 1995). This increased the budgetary pressure on lower income groups, which make up the largest share of the rental market for housing. In 1990, nearly one-third of all renting households were classified as spending an excessive proportion of their budgets on housing (see exhibit 1). In Buffalo, Detroit, Miami, New Orleans, Oakland, and Santa Ana, more than 40 percent of rental households paid in excess of 35 percent of their income for shelter. Rapid rises in home prices also increased financial pressures. Indeed, the National Association of Home Builders (1997) estimates that in 1996 only 36.5 percent of households had income sufficient to purchase the Nation's median-priced home, as opposed to 44.8 percent in 1976. The alternative to homebuying or spending too much income on rent was to double up with family or friends. This phenomenon occurred most often in cities of the Northeast and West. In 1990, crowded housing (more than one person per room) existed in more than 13 percent of all housing units in El Paso, Honolulu, Los Angeles, Miami, Newark, New York, San Jose, and Santa Ana. Many of these urban areas had gained the status of a major gateway city during the previous 20 years. Since 1990, losses of low-cost stock and cutbacks in Federal subsidies increased the already large number of poor households that either pay excessive portions of their income for housing or live in structurally inadequate housing (Joint Center for Housing Studies, 1996).

City Fiscal Conditions Tenuous—Outlook, Bleak

The relative financial condition of cities has not improved over the past 25 years. As Roy Bahl (1994) points out, "[T]heir infrastructure is arguably in poorer condition, their unemployment rates higher, and their governments more impoverished than those of the suburbs." The revenue-raising capacity of cities continues to decline relative to that of their suburban counterparts, as the suburb-city gap in household income noted earlier continues to rise. The New Federalism, which leaves all cities experiencing the effects of more stringent Federal and State fiscal restraint, is forcing urban areas to rely heavily on their own funding sources, which are already strained close to—or even beyond—their revenue-raising capacity.

SONC data reveal that in 1972 smaller, newer cities, such as Charlotte, Santa Ana, and Virginia Beach, were in the best fiscal shape and that larger, older cities, such as Detroit, New Orleans, and New York, were in the worst shape.[18] Ten years later, the financial capacity of 70 major U.S. cities had declined by 10.7 percent on average. In 1982, the average standard expenditure need of cities with more than 1 million inhabitants was 62 percent higher than their average revenue-raising capacity.[19, 20] Finances of cities such as Baltimore, Cleveland, Detroit, and Newark declined particularly rapidly. Although financial conditions improved by 1990 for most cities—because of a long economic upturn—those of Detroit and New York City languished.[21] Many cities returned to the brink of financial disaster during the recession that followed. Although city finances nationwide, including New York City's, have taken a positive turn since 1990, their long-run financial state remains precarious.

Intrametropolitan spending trends paint a picture of great city-suburb disparities. City governments spend $1.51 for every $1 expended by their suburban counterparts.[22] As noted earlier, the increasing fragmentation of many MAs is exacerbating the city-suburban dichotomy of government spending. Paul Lewis (1996), for example, attributes the declining fiscal well-being of many central cities to the highly fragmented nature of their MAs. One of the main forces increasing metropolitan fragmentation is the rising importance of special-purpose government districts (for example, water, utility, and fire) at the county or subcounty level. Special districts may provide high-quality services, but they tend to result from the lobbying of developers for politically unpalatable capital investments. The general problem with this form of government is that although it often has taxation powers, its leadership is unlikely to be responsive to the public because board members are usually appointed. It is no surprise, therefore, that municipalities dependent on specialized governments also provide services at higher cost per capita than those that rely more on general-purpose local governments, such as townships, cities, and counties (Foster, 1997). Hence, when these districts overlap or coincide with city governments, they increase the tax burdens of city residents for the services provided compared with what they had been prior to the district's existence.

The flight of businesses and middle-class households from cities is inducing an economic, social, and fiscal self-aggravating downward spiral. Because poorer households have a greater need for public services, city costs continue to rise on a per capita basis.[23] Unfortunately, the Federal Government has pulled back its direct assistance, and States have not filled the gap. Consequently, local governments often have resorted to increasing property tax rates to make up the shortfall (Bahl, 1997). Partially because of this increasing local burden, the most lucrative portion of the urban tax base is escaping to the suburbs and beyond, giving cities fewer own-source revenues. Hence, although MAs are likely in their best financial shape ever, the flows of revenues to major central cities are more subject to the gyrations of their local economies than they have been in one-half of a century. This insecurity is worrisome to many cities that only recently started reducing their indebtedness. For such cities, the process that strengthens our Nation's economy appears, indeed, "fundamentally inequitable and unjust" (Downs, 1997). Given the lack of potential changes in the growth process and in intergovernmental revenue sharing, the financial prospects of our Nation's cities are bleak. Indeed, when the next recession occurs, cities are likely to find themselves in even worse condition than they had experienced in the midst of the 1990–91 trough.

Conclusion

We have highlighted some long-term trends in urban areas. U.S. cities and suburbs have undergone dramatic economic changes during the past quarter century. The transformation of cities has been both the cause and the effect of where people live, the industries in which they work, and the incomes they earn. In this transformation, the forms and functions of cities have been altered, and relations among cities and among neighborhoods have been drastically reshaped.

Cities are the heart of the Nation's economic and social life. They are dynamic and vital concentrations of economic activity and innovation where firms and households make and trade goods, money, and information. They are centers for education, entertainment, cultural enrichment, and artistic creativity. Yet, in the past quarter century, neighborhoods, workers, and families in U.S. cities have endured increasing distress. Trends in global and national economic restructuring begun in the late 1960s have led to a deepening of inequality in income, wealth, and opportunity. The continued flight of the middle classes to the suburbs has left cities with increasing concentrations of unemployment, poverty, and social dislocation. The selective revival of financial districts and downtown office construction during the 1980s improved the balance sheet of some cities, but most of the long-term benefits went to white-collar workers living in affluent suburbs where most new economic activity continues to gravitate. Taken together, all of these trends have led to a deepening social and spatial polarization of large cities.

These developments carry important implications for national urban policy. U.S. competitiveness remains, as it has been for much of this century, based on the flexibility and adaptability to change on the part of people and businesses in the Nation's cities. Industrial change and the dynamic flow of jobs, people, and wealth have always widened inequality in some places and disadvantaged some cities while others met the challenges of new economic realities and rose to prominence. For much of the post-World War II period, however, prospects for long-term mobility remained optimistic for most groups, and there was general consensus that improving the Nation's development required a strong national commitment to counterbalancing the costs of industrial change in different regions and cities. Although the record of urban policy was certainly mixed, debate focused mainly on the means, not the ends. But in the early 1980s, this commitment was abandoned. Along with the polarization of the world economy and national economic growth has come a division in mobility opportunity for workers and families; and with the devolution of Federal authority to State and local governments, both public and private sectors are competing among themselves and throughout the world. Reconciling the costs and benefits of this dramatic experiment in the geographical structure of urban and regional policy is a challenge to policymakers, cities, and scholars. This challenge is discussed in the remaining articles in this volume of *Cityscape*.

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Notes

1. For instance, Henderson is a suburb of Las Vegas, which also made the top 10 list of the fastest growing cities.

2. Parts of this article draw from Glickman, Lahr, and Wyly (1996). The SONC database contains information on the most important cities from the standpoint of national urban policy. It includes the Nation's 50 largest cities as well as a number of smaller urban areas. Our data include more than 2,000 variables drawn from a wide array of sources. We made every effort to facilitate data comparability over time, including consistent metropolitan area definitions. For most items, the database contains information on central cities as well as their surrounding MAs. Variables include those on employment and economic development; demographic factors; housing and land use; poverty and income distribution; fiscal conditions; and social, environmental, and health conditions. The full database is available at the CUPR Web site at

http://www.policy.rutgers.edu/cupr. We derived all the data in this paper from the SONC database, except national totals, which come from the *Statistical Abstract of the United States.*

3. Changes in income distribution and slow income growth during the 1970s and 1980s had mixed effects on the relationships between racial and ethnic groups. The ratio of black to white incomes was virtually unchanged (at about 57–58 percent) from 1973 to 1993. Conversely, Hispanics lost ground to whites: Their incomes fell from 74 percent of the income of whites in 1973 to 69 percent in 1993. This resulted partially from the influx of poor immigrants from Latin America.

4. Essentially, the only winners in the labor market were the upper 20 percent of earners. Nearly everyone else lost ground. Differences increased between many groups: Younger workers gained less than older ones, the gap between the less educated and the more educated widened, and blacks and Hispanics continued to lag behind whites. Moreover, income differentials grew not only *between* income and demographic groups (for example, college-educated versus those with high school diplomas), they increased *within* them as well (for example, among high school graduates). No single factor accounts for the many complex changes in the distribution of income, but there are several explanations. These include changes in technology, changing patterns of international trade and production, deindustrialization, the relative decline in productivity growth, changes in the demand for and supply of labor, and declining unionization.

5. New York City, whose financial collapse made it the symbol of urban fiscal distress during the mid-1970s, saw population grow by 3.5 percent between 1980 and 1990. This reversed its 1970s decline, and the city grew more than twice as fast as its own suburbs. Boston's expansion was based on its service industries, especially real estate development aimed at corporate headquarters. Other large cities, particularly on the Atlantic and Pacific coasts, did well as a result of service growth.

6. Decline in the Northwest and Midwest was particularly sharp in some large cities. In four of the Nation's largest cities—Chicago, Detroit, Pittsburgh, and Philadelphia—population declined during the decade, while Houston (at least at the beginning of the decade), Phoenix, San Jose, and many other Sunbelt cities prospered. Several medium-size MAs also did well during the 1980s: Anchorage, Austin, Charlotte, Fresno, Las Vegas, Santa Ana, and Virginia Beach were among the fastest growing.

7. The variables for 1990 were the following: Gini income coefficient, poverty rate, percentage of households headed by a single parent, percentage of population under 18 and over 64 years of age, percentage of population employed, personal income per capita, percentage of population completing college, percentage of crowded housing, cost-of-living index, percentage of renters spending more than 35 percent of their income on shelter, corporate taxes per unit of aggregate personal income, death rate, crime rate, effective property tax rate, interest on general debt per capita, public administration expenditures per capita, effective general sales tax rate, effective income tax rate, air pollution per land area, and water pollution per water area.

8. This is an extremely conservative measure of inequality because it ignores wider disparities in savings and wealth as well as differences between family and nonfamily households.

9. CBD construction was only part of a dramatic building boom during the 1980s: In this decade the inflation-adjusted value of new construction was 22 percent higher than in the 1970s and 56 percent higher than in the 1960s. Some analysts argue that real estate investments became more attractive as profits sagged in industrial production in the 1970s for a review and evaluation of this argument (see Beauregard, 1994).

10. The exceptions to this phenomenon were New York City in the 1970s and Charleston, West Virginia, in the 1980s.

11. Our figures on total jobs for cities and suburbs are based on place of employment totals. Sectoral breakdowns, however, are based on place of residence (and thus do not account for the increasing importance of commuting in redistributing earnings from employment concentrations to (often politically separate) residential areas (Stanback, 1991, 1995). We are currently adding sectoral breakdowns by place of employment to the SONC database.

12. This measure is only a rough estimate of intra-urban migration, since it relies on respondents' interpretation of the term *central city* in the census questionnaire, does not count repeated moves from 1985 to 1990, and underestimates outward migration in overbounded cities or those with significant boundary changes.

13. Our findings amplify the conclusions of Kasarda et al. (1997), whose study of 12 large MSAs shows that central cities continue to lose higher income households while they gain lower income immigrants or households.

14. Suburbs are heterogeneous: Some house and employ high-income people, while others have characteristics little different from central cities. For example, many inner suburbs, such as Darby, Pennsylvania, or Brooklyn Center, Minnesota, are as low-income as most of their nearby big cities, Philadelphia and Minneapolis (Orfield 1997).

15. These figures are based on data from the Bureau of Economic Analysis, U.S. Department of Commerce, Regional Economic Information System (REIS) for MAs in which county boundaries coincide with central-city boundaries. These MAs are Baltimore, Denver, Jacksonville, Nashville-Davidson, New Orleans, New York, Philadelphia, San Francisco, St. Louis, and Washington, D.C.

16. Not accidentally, housing and urban economic development are two of the responsibilities of the U.S. Department of Housing and Urban Development.

17. The incomes of high school dropouts decreased about 20 percent in real terms between 1960 and 1990, while incomes of college graduates climbed nearly 33 percent (Gyourko and Linneman, 1997).

18. The source of much SONC data in this paragraph is Ladd and Yinger (1989).

19. Ladd and Yinger (1989) define *standardized expenditure need* as a local weighted average cost of providing a unit of general, police, and fire services. It uses the manufacturing wage rate to measure inputs price for general and police services and the local consumer price index (excluding taxes and housing) to measure the input price for fire services. For more information, see the appendix of Chapter 10 in Ladd and Yinger (1989).

20. Ladd and Yinger (1989) define *revenue-raising capacity* as the total revenue a city could raise at revenue-maximizing tax rates, which they derive econometrically.

21. Data for 1990 are from Yinger (1995).

22. See Bahl, Martinez-Vasquez, and Sjoquist (1992) and Nathan (1992) for more details.

23. Bahl (1997, table 2) reveals that of the 22 largest cities in the Nation only 5 (Baltimore, Detroit, El Paso, Jacksonville, and San Jose) had declining real spending from 1992 to 1994.

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