Policy Study No. 264

The Future of the Center: The Core City in the New Economy

By Joel Kotkin

Executive Summary

After decades of decline, the urban center is showing signs of a surprising resurgence. Once thought to be doomed in an era of increasing sprawl and decentralization, city cores around the nation are attracting new investment, business, and residents at a healthy clip.

Yet these positive trends do not suggest that we are about to witness the wholesale return of mid-century downtowns or bustling central-city commercial and manufacturing districts. Even under the best of circumstances, center cities are unlikely to ever emerge as the geographically dominant centers of their metropolitan regions as they were in the industrial era. Instead, the new urban core resembles more that of the renaissance city—relatively smaller, and built around classical urban functions such as the arts, cross-cultural trade, and highly specialized small-scale production.

Symbolically, the new center city is not so much defined by high-rise corporate headquarters as by revived warehouses or former manufacturing districts, where older buildings have been brought back to full use as offices for information and fashion-related businesses. Its economy is not so much dominated by the presence of a few looming giants, as by scores of smaller, often highly networked firms.

The new role of center cities—including both downtown central business districts and adjacent “close in” industrial and warehouse areas—in metropolitan geography stems from both geographic and demographic trends. No longer a lure to the vast majority of middle-class families, the cities have been revived by the emergence of what may be called the new urbanites. These are predominately drawn from two groups: immigrants from other countries and a growing cadre of native-born migrants, largely young, single, educated, and childless.

These new urbanites are drawn to the center city for both economic and cultural reasons. As in the past, immigrants cluster in urban areas in order to create zones of familiarity with of their compatriots. They also

both work in, and often own, businesses that require highly concentrated clusters of related firms, in industries from food processing to apparel and furniture.

The other group—the largely childless and educated—is attracted to the city core's cultural resources, architectural sense of place, and to the concentration of single, nonattached people. They also tend to work in many of the burgeoning "knowledge value" industries, such as new media, graphic arts, advertising, and software development.

Although most often written about in reference to a traditional center city such as Manhattan and Lakeside, Chicago, this urban revival actually extends to other, more dispersed places as well. Downtown development is growing both in smaller, suburban communities and in subregional centers, particularly in the large, dispersed metropolitan regions such as Los Angeles and Houston. In this sense even the definition of "central cities" must be reappraised to include many central points that are not within the historic boundaries of the central business district; they also can be also found in smaller, more dispersed urban centers, including some, such as Pasadena in Los Angeles County, that also serve their own well defined hinterland.

The city center is in a period of profound and dramatic change, evolving into something that reflects the broader dynamics of the digital era and shifting demographic trends.

Ultimately, the revival of the urban core, whether in the traditional city or the more dispersed model common to the sunbelt agglomerations, stems from a search for a sense of place and history amidst a society in which the barriers of time and space are under constant assault. As centers of arts and culture, repositories of our past history and architecture, the core—whether in small town or city or Gotham—retains a powerful tug on the consciousness of Americans. It reminds us not only who we are but also what we have been.

Yet, the future of the center city is far from assured. Any downturn in the economy could undermine this trend, just as occurred in the late 1980s and early 1990s, unless steps are taken to maintain the viability of these places. The first order of business is for cities to understand their new role in the emerging metropolitan geography and economy.

Economic, political, and social leaders need to recognize the importance of dispersed, small-scale industries and firms; they must allow for the natural market-driven evolution of neighborhoods and commercial districts resulting from shifts in the technological, demographic, and economic environment. Attempts—through subsidy or federal policy—to bring the urban core back to its mid-century status are likely to fail, as they have in the past, since they will be driven by political concerns, as opposed to responding to new economic, technological, and demographic realities. Instead the core's revival depends on adjusting to the great opportunities that lie before it in the information economy of the 21st century.

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Part 1

Reinventing the Core

The current recovery of central cities around the nation comes on the heels of nearly a half-century of demographic and economic decline. As recently as the early 1990s, cities were lagging far behind the peripheral regions in economic growth.[1] Yet at the same time, even as the class chasm widened, major urban centers were beginning to rebound, adding nearly four million new jobs, attracting new residents, and enjoying improved fiscal health.[2] At decade's end the two largest metropolitan regions—New York and Los Angeles—led the nation respectively in aggregate payroll and new job creation.[3]

Yet the current urban recovery in these and other cities does not suggest downtowns are, "marching again to grandeur" or enjoying "a stunning revival" to the glory days of the mid-20th century.[4] Rather than recovering their place as geographic centers of the entire economy, city centers are adjusting to a more modest but sustainable role based on economic niches performed by the core from the beginnings of civilization (see Appendix).

Today the hope for central business districts and the urban economic core—from Houston and Los Angeles to Baltimore and Boston—lies not in the industrial-age paradigm of high-rises or massive factories, but in recovering their preindustrial role as centers for the arts, entertainment, face-to-face trading, and in providing highly specialized goods and services**.** In this sense, the city center is evolving into something that reflects the broader dynamics of the digital era and shifting demographic trends; they are, in this sense, in a period of profound and dramatic change. "People can't expect the city to be the financial and corporate center anymore," says Ioanna Morfessis, President of the Greater Baltimore Alliance. "It will be where people go for health care, good restaurants, and entertainment."[5]

Such notions represent a critical revolution in perspectives. Traditional boosters of central cities based their strategy on maintaining the manufacturing, corporate bureaucratic, and support services that adhered to the center city for most of this century. When these functions began to disintegrate in many cities, some political

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1 David Birch, Cognetics Inc., Cambridge, Massachusetts, interview with author.

2 "Income Inequality Grows Across America, With Earnings Gap Greatest in New York," The Conference Board, New York, press release, April 27, 1998; City of Baltimore, Planning Department, *Plan Baltimore: A Vision for Baltimore: A Global City of Neighborhoods*, 1999, p. 11; Ronald Brownstein, "Most Cities Vital Signs Strong, Study Says," *Los Angeles Times*, June 11, 1999.

3 "LA County Leads Way in Growth of Business, Employees," *Associated Press*, October 5, 1999.

4 Christopher Farrell, Peter Galuszka, Ann Therese Palmer, Amy Barrett, et al., "Brighter Lights for Big Cities," *Business Week*, May 4, 1998; Sam Walker, "Tales of the Cities," *St. Louis Post Dispatch*, September 7, 1997.

5 Ioanna Morfessis, President of the Greater Baltimore Alliance, interview with author.

leaders and academics in the late 1980s and early 1990s assumed downtowns were destined to serve as "the preserve of the homeless, the so-called underclass and the persistently poor."[6]

But rather than a necessarily dystopic end to the postindustrial city, it has been the essential, classic characteristics of cities that have bequeathed a future to the center. As cities have lost much of their mid-20th century role, the center's essential appeal lies precisely in providing the excitement and diversity unavailable in the countryside or small town. Writing of another city, Berlin, at the dawn of the past century, sociologist Georg Simmel hit close to the essential appeal of the dense urban district:

> *With each crossing of the street, with the tempo and multiplicity of economic, occupational and social life, the city sets up a deep contrast with small town and rural life with reference to the sensory foundations of psychic life.*[7]

Seizing on this "contrast" is at the heart of center-city development strategies across a broad range of cities. This reawakening can be seen not only in older cities, but even in more recently evolved cities such as San Diego, Oklahoma City, and Wichita, Kansas.[8] They are taking place in what may be defined as "global cities"—such as Los Angeles, Chicago, New York, Houston, and the greater San Francisco area—with their growing immigrant populations and international trade centers and in smaller, mid-sized cities, such as Baltimore, Denver, or Columbus, which draw fewer immigrants and are far more domestically focused.

In virtually all these cities, the urban resurgence draws upon a series of social and demographic trends, including the drop in crime, that presage a small, but growing constituency—largely among the young and unmarried—for inner-city living.[9] This is particularly notable in those central cores, such as San Francisco, Seattle, Boston, and Manhattan, that are widely perceived as being attractive and rich in cultural activities.

Yet even with these favorable trends, center cities are unlikely to become a new geographic center for mainstream Americans. Even the most optimistic predictions for downtown population growth over the next decade project an increase of less than 200,000 new residents for all the major downtowns in the nation combined.[10] This is less than the total growth in the suburbs of one midsized city, Seattle, during the decade of the 1990s.[11] By 2010, downtown's share of the metropolitan population will rise, but only from roughly 1.5 percent to, at most, slightly over two percent (see Figure 1).[12]

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6 *Changing Places: American Urban Planning Policy for the 1990s* (Berkeley California: Institute for Urban and Regional Development, University of California Berkeley, January 1992), p. 7.

7 George Simmel, "The Metropolis and Mental Life," in *The Sociology of George Simmel,* with an introduction by Kurt H. Wolff (New York: Free Press, 1950), p. 410.

8 Karen Blumenthal, "Heartland Cities Try to Revive Downtowns," *The Wall Street Journal,* August 21, 1995.

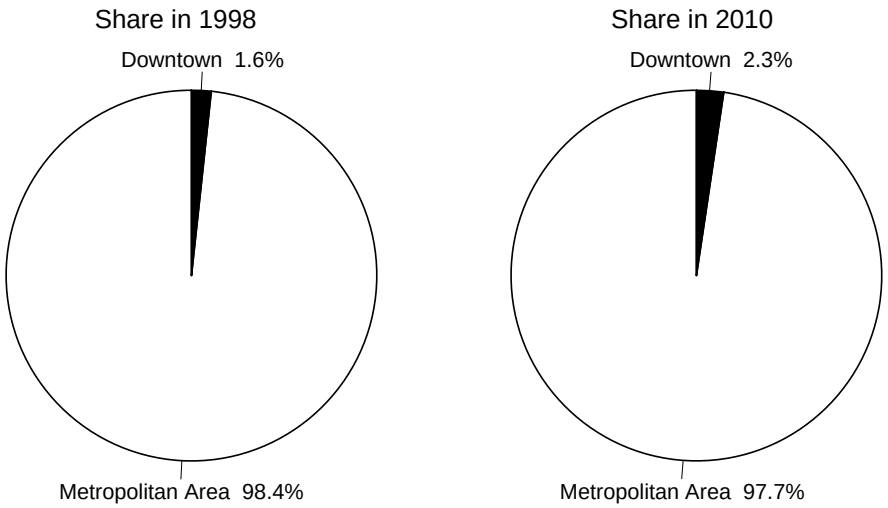
9 Fox Butterfield, "Number of Homicides Drops 11 Percent in U.S.," *New York Times,* June 2, 1997.

10 Calculated by Sam Staley, Director, Urban Futures Program, Reason Public Policy Institute from U.S. Census Bureau data and downtown population estimates from the Center for Urban and Metropolitan Policy, Brookings Institution, and Fannie Mae Foundation, Washington, D.C., November 1998, http://www.brookings.org/es/urban/topzlfin.pdf.

11 *1998 King County Annual Growth Report,* 1998, p. 32

12 This assumes no growth in average metropolitan area population. If the metropolitan area grows, the proportion of residents in the downtown will likely fall. Calculated by Staley, Urban Futures Program, Reason Public Policy Institute from U.S. Census Bureau data and downtown population estimates from the Center for Urban and Metropolitan Studies, Brookings Institution, and Fannie Mae Foundation, Washington, D.C.

Figure 1: Downtown Residents as Proportion of Metropolitan Area (Population 1998 Versus 2010)



Note: Calculation based on downtown population estimates for 1998 and 2010, and population estimates from 1996.

Source: U.S. Census Bureau data and downtown population estimates from the Center for Urban and Metropolitan Studies, Brookings Institution, and Fannie Mae Foundation, Washington, D.C.

Even under the best of circumstances, the center city will not recover the economic pre-eminence enjoyed in the past century. The secular decline in the vitality of the 20th century office culture, brought about by the downsizing and restructuring of major corporations, has reduced the demand for huge blocks of office space. This is one reason why, despite a stronger economy, most major downtowns, in contrast to the 1980s, have seen relatively little new office construction.[13]

In fact, some downtowns long dependent on corporate headquarters, such as St. Louis and Cleveland, have continued to depopulate and decline relative to their regions.[14] In the advanced, postindustrial setting of America, the era of ever more soaring skylines has also come to an end—even amidst a prolonged economic expansion—and the once common perception of the downtown as regional center now only applies to two major cities, Chicago and New York (see Figure 2).[15]

Some urban theorists, such as Susan Fainstein and Saskia Sassen, maintain that some large, global urban cores (i.e., New York and London) can continue to resist the down-scaling trend. They have argued that the "rising importance" of transnational information and financial flows increases the need for "centralized command and control" and a centralized geographic function.[16] They point particularly to the growth of "producer services" that facilitate the development and sales of goods, which grew from 29 to 36 percent of

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13 U.S. Census Bureau data cited in *CB Commercial Market Watch* (Fall 1997), p. 2.

14 Ibid.

15 "Watching the Markets: 1998," *CB Marketwatch* (Fall 1997), p. 2

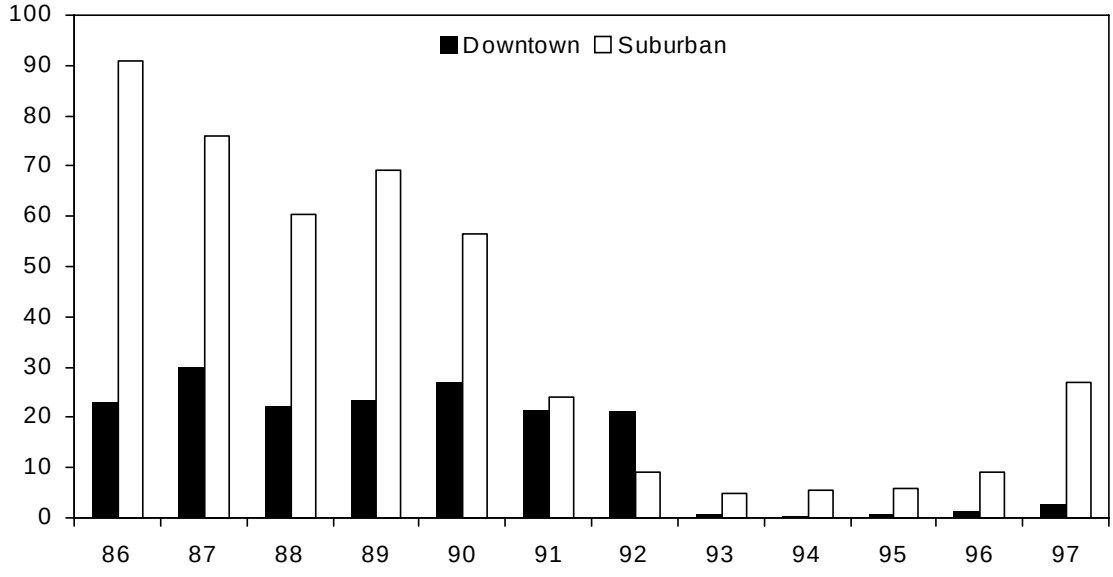
16 Susan S. Fainstein, *The City Builders: Property, Politics and Planning in London and New York* (Oxford, United Kingdom: Blackwell, 1994), p. 27.

Gross National Product (GNP) between 1947 and 1977. This sector has been widely seen as key to the permanent ascendancy of cities that possess sufficient depth in legal, advertising, international trade, and other expertise.[17]

Yet recent experience and the technological revolution make such assumptions somewhat dubious. Indeed throughout the 1990s, high-end producer services, particularly finance, have continued to see employment shift towards the periphery.[18] Traditional financial centers like Chicago's Mercantile Exchange, Board of Trade, and Options Exchange employ some 50,000 people, many of them keypunchers, runners, and clerical positions; yet in the new century, many of these jobs seem likely to be automated (see Figure 3). "Where it has taken hold, [the computer] has driven the open-outcry market [floor trading] out of business," notes pension fund manager Gary Knapp of GM Investment Management Corp. "That would be a huge loss for Chicago."[19]

Indeed throughout the 1990s, high-end producer services, particularly finance, have continued to see employment shift towards the periphery.

Figure 2: Central City and Suburban Office Space Development: 1986 to 1997 (in millions of square feet)



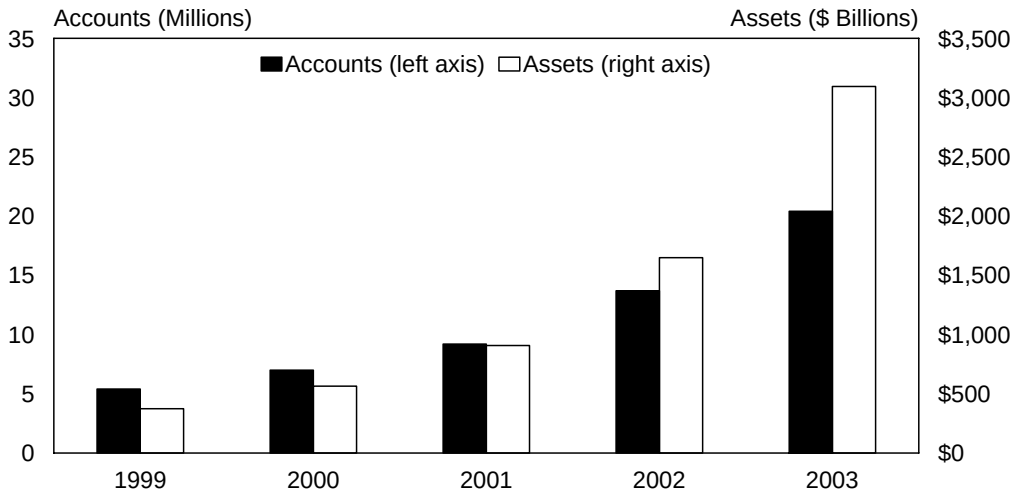
Source: CB Commercial/Torto Wheaton Research, *CB Commercial Market Watch* (Fall 1997), p. 2.

[17] John R. Logan and Harvey Molotch, *Urban Fortunes: The Political Economy of Place* (Berkeley, California: University of California, 1987), p. 262.

[18] Peter Muller, "The Suburban Transformation of the Globalizing American City," *Annals of the American Academy of Political and Social Science* (May 1997).

[19] R.C. Longsteth and Greg Burns, "The Global City: Challenge for the New Century," *Chicago Tribune*, February 7, 1999.

Figure 3: Growth in Electronic Stock Trading



Source: James P. Punishill, "Net Investing Goes Mainstream," Forrester Research, Inc., March 1999.

Increasingly, for New York and other core cities, the real imperative lies not in luring institutions, building or subsidizing new grandiose edifices for them, but in finding ways to retain enough workers with the necessary "knowledge" that now constitutes the prime economic imperative. This includes skilled workers not only in finance but also across a wide range of creative workers in fields as diverse as advertising, graphic arts, entertainment, and internet firms, essentially artisan businesses of the postindustrial era.

New technology, particularly the internet, could allow for more of these relatively well paid, creative workers to "telecottage" comfortably in the urban setting that avails them access to the "privileged information" available by networking personally in a place like Wall Street, Hollywood, or the Silicon Valley.[20] Employers who rely on such creative workers will still be forced to conduct business in a central city, even if their own headquarters are located elsewhere.

At the same time, there are signs of a nascent resurgence of some forms of light manufacturing and warehousing near the urban core. To date, much of the growth in the information industries has taken place by swallowing the very places which in the past housed such blue-collar jobs. Yet the growth in demand for specialized products—fashion, furniture, ethnic and specialty foods—has led to a jump in industrial employment in cities such as Los Angeles and a slowing of manufacturing erosion in such places as New York.[21]

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[20] Peter Hall, "Changing Geographies: Technology and Income," in *High Technology and Low Income Communities*, ed. Donald Schon, Bish Sanyal, and William J. Mitchell (Cambridge, Massachusetts: MIT Press, 1999), pp. 50-54.

[21] "New York, New Jobs," Center for the Urban Future, May 1999; Lisa W. Foderaro, "Made in New York is Coming Back in Fashion," *New York Times*, January 13, 1998; Tom Redburn, "Outlook Improves for Industry in New York," *New York Times*, August 4, 1994.

E-trading and the Future of Wall Street

Even New York's expensive decision to spend an estimated $900 million on a new stock trading complex does not guarantee New York's long-term domination of the financial service industry as "financial bulletin boards" on the internet increasingly replace human "experts."[1] At century's end, even major Wall Street players such as Merrill Lynch are shifting their emphasis to on-line trading in order to stay abreast of such innovative out-of-town rivals as Charles Schwab and E-trade. Although the company could well recover from the shift, the employment base can be expected to diminish over time.[2]

In the process, the long unassailable centrality of Wall Street as a physical center of the financial industry could become itself profoundly assailable, becoming less the description of a place than a kind of virtual community. Al Berkeley, President of Nasdaq, observes:

> *The Wall Street that matters will be more and more electronic. It will exist as a virtual rather than a geographic entity since technology makes it possible for people to work anywhere. The value is going to be in the risk-taking judgment of investors and the knowledge conveyed by broker dealers. What is valued and paid for is giving good advice on which securities to buy and sell.*[3]

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1 Charles V. Bagli, "$900 Million Deal is Reached to Keep Stock Exchange in City," *New York Times,* December 23, 1998; Andreas Crede, "Electronic Commerce and the Banking Industry: The Requirement and Opportunities for New Payment Systems Using the Internet," Science Policy Research Unit, University of Sussex, 1997, p. 12.

2 Charles Garsparino, "Facing Internet Threat, Merrill to Offer Trading Online for Low Fees," *The Wall Street Journal,* June 1, 1999.

3 "It will be More Virtual: An Interview with Al Berkeley," *Forbes ASAP,* August 23, 1999.

Arguably the most dramatic evidence of this trend can also be seen in Los Angeles, the nation's largest industrial region.[22] After savage declines of the early 1990s, the region's manufacturing economy began a sustained recovery in a host of industries including toys, apparel, textiles, furniture, bicycle parts, industrial machinery, and biomedical devices. To the surprise of most economists and academic experts, Los Angeles's share of the nation's "diversified manufacturing" actually grew, and, between 1995 and 1998, it gained over 25,000 manufacturing jobs.[23]

Although the roots of recovery in center cities have some similarities across the nation, the degree, economic origins, and geographic shape differ widely. A vast decentralized city such as Los Angeles simply does not fit into the traditional, highly compact city pattern; its expanse is so huge that it could encompass the entire land mass of Manhattan, San Francisco, Boston, Minneapolis, Cleveland, St. Louis, and Milwaukee, with room to spare.[24] Instead, in Los Angeles the renaissance functions of the core city are being reinvented not so much downtown but in dynamic, smaller "downtowns" such as Beverly Hills, West Los Angeles, Santa Monica, Pasadena, Glendale, and even the oft-joked about "beautiful downtown Burbank."

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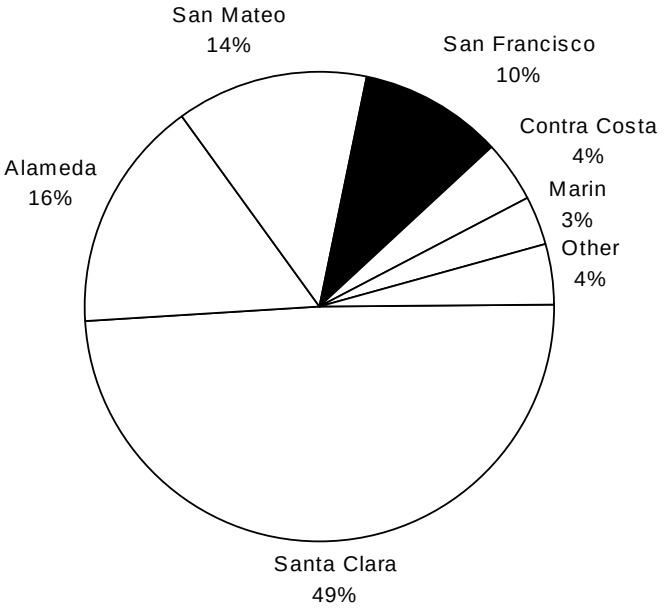
22 Frank Swertlow, "Out of the Spotlight," *Los Angeles Business Journal,* July 13, 1998.

23 Benjamin Mark Cole, "L.A. Manufacturing Jobs on the Rise," *Los Angeles Business Journal,* April 14, 1997, p. 3; Daniel Taub, "Manufacturing Jobs Grow in L.A., Shrink in Rest of United States," *Los Angeles Business Journal,* December 21, 1998.

24 "Life in the Big City," *Los Angeles Times,* April 29, 1997.

In some of the stronger central cores—such as Boston, Manhattan, Seattle, Denver, San Francisco, and the historic core of Chicago—gentrification and tourism could create a new kind of boutique city dominated by demand for the services provided by new urbanite professionals. Yet even as they retain the look of 20th or even late 19th century center cities, these areas will no longer serve, as they once did, so much as headquarters towns for large companies than as boutiques that cater to their diverse needs.[25] San Francisco, for example, accounts for barely one in ten of the Bay Area's ten largest companies (see Figure 4).[26]

Figure 4: San Francisco County Share of Top 500 Bay Area Corporate Headquarters: 1998



Source: Ilana DeBare, "The Chronicle 500: One County is Home to Half the 500 Firms," *San Francisco Chronicle*, April 19, 1998.

Boutiques can thrive even though they no longer serve as the demographic and economic centers of their regions. Seattle, San Francisco, Boston, and Denver now account for an increasingly small fraction of their regions' populations. Similarly, San Francisco, which housed nearly 30 percent of the region's population in 1950, represents less than 13 percent today.[27] By the late 1990s, these cities, feeding largely off economic growth in the surrounding sprawl, all enjoyed extremely low office vacancies, soaring property values, and the largest percentage growth rates in downtown residents.[28] Notes San Francisco economist Lynn Sedway:

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[25] Michael B. Teitz and Karen Chapple, "The Causes of Inner City Poverty: Eight Hypotheses in Search of Reality," *Cityscape: A Journal of Policy Development and Research*, vol. 3, no. 3 (November 1998), pp. 37-40.

[26] Ilana DeBare, "The Chronicle 500: One County is Home to Half the 500 Firms," *San Francisco Chronicle*, April 19, 1998.

[27] *1998 Growth Report*, p. 24; Richard E. DeLeon, "San Francisco: Post-modernist Populism in a Global City," in *Big City Politics in Transition*, eds. H.V. Savitch and John Clayton Thomas (Newbury Park, California: Sage Publications, 1991), p. 203.

[28] "Office Vacancy Rates Drop in North American Cities," *Real Estate Forum* (September 1998); "A Rise In Downtown Living," Center for Urban and Metropolitan Policy, Brookings Institution, and the Fannie Mae Foundation, September 1998, http://www.brookings.org.

> *Ever since the 1980s the real growth in the Bay Area has been San Jose and the other peripheral areas. Everyone realized that San Francisco had to become a subsidiary of Silicon Valley. There's really no choice if we want to grow.*[29]

Other traditional downtowns, even those with attractive natural features such as harbors and riverfronts, could experience a similar downtown revival although mostly at a far lower scale. The boutiquing of cities such as Baltimore, Cleveland, and Philadelphia will remain severely constricted by the preponderance of nearby impoverished neighborhoods that boost security concerns and provide few skilled workers to the emerging postindustrial economy. They also may be less competitive with suburban areas in terms of entertainment and retail than mega-cities such as Chicago or New York, with their highly developed and celebrated central cores.

Many of these downtowns could well end up as something like Potemkin villages, surrounded by continuing decay, poverty, and destitution.

In the worst case, many of these downtowns could well end up as something like Potemkin villages, surrounded by continuing decay, poverty, and destitution.[30] Notes Larry Little, a Baltimore city official in charge of razing dilapidated buildings in the city's inner core:

> *In Baltimore, it's all about the water. It's the mark of the two cities. If you have no skills, you stay in Cherry Hill and try to survive and hope the house doesn't fall on your head. But if something is on the water, you can fix it up and a yuppie will buy it. It may save some of the city, but it won't do anything for the city that is dying.*[31]

And perhaps the most tragic fate awaits those cities—usually built around the mass-industrial base—that lack even the basic amenities and attractions of a Baltimore, Philadelphia, or even Cleveland. Lacking any sustainable appeal for the new urbanites, cities such as St. Louis or Detroit could become the new Carthages, all but deserted relics of a bygone era of urbanism. For one thing, suggests University of Michigan demographer William Frey, there may not be "enough affluent yuppies to go around." Frey's migration data show that there may be enough of these new urbanites to revitalize well-placed cores such as San Francisco, Boston, or Manhattan, and perhaps even Baltimore, but, as he asks, "how many of these people want to move to downtown Detroit?" [32]

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29 Lynn Sedway, interview with author.

30 Ron D. Utt, "What to Do About the Cities," *Heritage Foundation Backgrounder No. 1216* (Washington D.C.: Heritage Foundation, September 1, 1998), p. 14.

31 Larry Little, interview with author.

32 William Frey, interview with author.

Part 2

The Rise and Decline of the Traditional City Center

The precipitous decline of so many American central cities is a relatively recent phenomena, a product largely of the late evolution of industrial society. For most of the history of cities, the center played an important, often dominant role, far greater than its share of the population, serving as the center of artistic creation, cross-cultural trade, space, scale, and highly specialized production.

The earliest American cities essentially cloned this European model, although some, such as William Penn's Philadelphia, were designed along what were hoped to be more logical and humane lines. The vast scale of North America, the availability of cheap land and the agrarian orientation of many of the nation's settlers initially helped discourage urban growth. But eventually the growth of population, the increasing volume of both cross-oceanic and internal trade, and the early stages of industrial development promoted urban development. As they grew into fair-sized towns, each of them quadrupling in the last half century before the revolution, New York, Boston, Baltimore, and Philadelphia planted the seed-bed of urban culture, complete with central markets, commons, and cultural institutions.[33] This process accelerated after independence, as trade and the beginnings of manufacturing expanded. A visitor to Baltimore in 1853 described the city as:

> *A delightful place, either for a man of bustle and business, or a man of quietude and pleasure; for one can find oneself in a flourishing port of entry, of immense traffic, of numerous manufactures, and about the largest market for tobacco and flour in the Union, while the other may enjoy all the advantages of its several literary and scientific institutes. . . .*[34]

The onset of the industrial revolution both quickened and profoundly reshaped central-city development.[35] Long a predominately rural nation, the United States by the 1860s witnessed the rapid development of its cities. As the urban percentage of the population grew—from 8.7 percent in 1830 to nearly 20 percent three decades later—there was an increasing concentration in a handful of larger cities, notably New York, Philadelphia, Baltimore, and Boston on the East Coast. In the emergent West, Cincinnati, Chicago, and St. Louis were also developing enough critical mass in terms of population and wealth to develop their own central business districts, financial centers, and even entertainment districts.[36]

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33 Andrew Hacker, *The Course of American Economic Growth and Development* (New York: John Wiley, 1970), p. 25.

34 Francis F. Beirne and Carlton Jones, *Baltimore: A Picture History* (Baltimore, Maryland: Bodine/MacClay, 1958), p. 24.

35 Alfred Chandler, *Visible Hand: The Managerial Revolution in American Business* (Cambridge, Massachusetts: Harvard University Press, 1977), pp. 215-225.

36 Jonathan Hughes, *American Economic History* (New York: Harper Collins, 1990), pp. 174-175.

Within these cities, railroads, telegraphs, and the setting up of vast factories served to consolidate further urban functions, and the population, towards the geographic center. In 1860 New York, over 95 percent of Manhattan's population lived within a nine-square mile-walking city.[37] Three decades later the Lower East Side registered a density of over 500,000 people per square mile, making it one of the most-crowded places in history.[38]

As the nation and its iron network of rail expanded westward, this dense geographical pattern was duplicated in the nation's vast interior. As frontier commerce shifted from mere subsistence to trade, and the rural population swelled, there emerged a vast new market for interior villages and towns to transform themselves into cities. Although still far smaller than their European or East Coast cousins, these entities sought to duplicate the culture, industry, and economic forms of their predecessors. Suddenly, rising amidst the frontier, one saw the nascent metropolis which, as one western writer commented, sought to bring "a little of Paris, a section of Broadway, a slice of Philadelphia to the backwoods. . . ."[39]

Yet it was not trade or the arts that sparked the rapid growth of many of these new cities, but the dramatic expansion of the industrial economy. The fastest-growing cities of the late 19th century were not New York or Boston, the historic cultural centers and trade entrepots, but industrial cities such as Detroit, Cleveland, Pittsburgh, Akron, and Brooklyn.[40] These cities may have used the same brick and mortar, and copied New York's sense of style, but their economic hearts were sustained not by trade or artisanal activities, but the demands of mass manufacturers, their suppliers, and executive elites.

Mass industrialism also determined the demographic groups who would predominate in these cities. As the demand for low- and semi-skilled labor arose, these cities became magnets for immigrants with lesser educations, poor whites, and, particularly after World War II, African-Americans fleeing the poverty, degradation, and the automation of agriculture in the South. This migration reached the more commercially oriented metropolises of New York, Los Angeles, and Chicago, but took on its most dense form in industrial cities such as Detroit, Newark, St. Louis, Cleveland, and Oakland, California.[41]

Yet by the 1960s these "flowers of industrial urbanization" were wilting faster than the more commercially minded traditional metropolis. Having been built to perfection for the industrial age, they were most vulnerable when manufacturing jobs began fleeing for the suburbs or overseas. Industrial cities such as St. Louis, Detroit, Baltimore, and Buffalo increasingly seemed "overgrown," too large for an economic base that was shrinking and ill-suited to exploit those Renaissance functions that other cities performed more expertly.[42]

To be sure, pockets of vitality exist in areas such as Detroit's Greektown, St. Louis's Soulard, Philadelphia's Rittenhouse Square, or Baltimore's Inner Harbor. Yet for the most part these downtowns have surrendered much of their central geographic role.[43] As recently as 1988, downtown Baltimore's Central Business

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37 Emanuel Tobier, "Manhattan's Business District in the Industrial Age," in *Power Culture and Place,* ed. John Mollenkopf (New York: Russell Sage Foundation, 1988), p. 78.

38 Robert Bruegmann, "The Paradoxes of Anti-Sprawl Reform," in *The Twentieth Century Planning Experience,* ed. Robert Freestone (New York: Routledge), forthcoming, uncorrected draft.

39 Henry Nash Smith, *Virgin Land* (Cambridge, Massachusetts: Harvard University Press, 1950), p. 158.

40 Hughes, *American Economic History*, p. 333.

41 John J. Harrigan, *Political Change in Metropolis* (Boston, Massachusetts: Little Brown and Company, 1976), pp. 36-37.

42 George Sternlieb and James W. Hughes, *Post-Industrial America: Metropolitan Decline and Inter-regional Job Shifts* (New Brunswick, New Jersey: Center for Urban Policy Research, Rutgers University, 1975), pp. 5-6.

43 Larry M. Greenberg, "Ideas of City Thinker Jacobs Promote Urban Renaissance," *The Wall Street Journal,* October 8, 1997.

District accounted for one-fourth of its region's office leasing activity. A decade later it was less than 10 percent. Two out of every five jobs came from the public sector, while the vast majority of new investment was concentrated not in the historic downtown, but in a small entertainment area around the Inner Harbor and the Camden Yards baseball stadium.[44]

Attempts to revive cities around such things as casinos, football stadiums, and arenas created at best a kind of showcase that provides a patina of prosperity inadequate to reverse a more widespread secular decline. Downtown Cleveland boasts an impressive array of symbolic centers—the heavily subsidized Gateway project, which includes Jacobs Field and Gund Arena (home of the NBA's Cavaliers), the Rock and Roll Hall of Fame, and several other retail-oriented developments—but the results for most Clevelanders have been negligible. The city's overall share of employment and income has continued to decline, while its portion of poverty households has increased.[45]

At best, these efforts have helped prevent Cleveland from becoming a modern-day Carthage. Suburbanites, who took most of the new jobs created by the downtown "recovery," may feel better about working in the core, but the bulk of the job creation continues to move to the periphery.[46] "We didn't create a booming economy," explains Richard Shatten, a leader in the comeback effort who now teaches public policy at Case Western Reserve University. "We found a reason to exist."[47]

For all its limitations, this approach is being taken by other old industrial cities, such as St. Louis or Detroit, whose city leaders believe it will arrest their precipitous decline.[48] Both cities have lost roughly half their population since the 1950s and continued to lose population throughout the 1990s despite nearly three decades of civic efforts to turn themselves around.[49] Yet for the most part these cities are likely to remain mere shadows of their past greatness. As in ancient Carthage, one can still admire the magnificent infrastructure—train depots, art-deco office towers, old department-store buildings, decorative streetlights, and clocks.[50] Yet for the most part, these treasures remain derelict or at best underused, much like an old man's clothes now several sizes too large.

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44 "Vision for Downtown Baltimore: Building on Strength for Prosperity," Downtown Partnership of Baltimore, 1997, p. 4; "The State of Downtown Baltimore Report, 1996," Downtown Partnership of Baltimore, p. 4; "The State of Downtown Baltimore Report," Downtown Partnership of Baltimore, 1998, pp. 9-10.

45 "The Cleveland Turnaround: Facts and Figures," Harvard Business School, June 17, 1996, pp. 1-13; Jean Durall, "The Awful Truth about Cleveland's Kids; Our Children are Far from being Part of Coty's Comeback," *The Plain Dealer*, April 13, 1997.

46 Richard D. Binmgham and Veronica Z. Kalich, "The Tie that Binds: Downtowns, Suburbs and the Dependence Hypothesis," *Journal of Urban Affairs*, vol.18, no.2 (1996), pp. 153-174.

47 Richard Shatten, interview with author.

48 Jean Marbella, "Detroit Builds Homes to be Home," *Baltimore Sun*, July 19, 1998; Neal Pierce and Curtis Johnson, "A Call to Action: Area's Problems Demand a Reality Check," *St. Louis Post Dispatch*, March 9, 1997.

49 Wilbur Ruch, "Detroit: From Motor City to Service Hub," in *Big City Politics in Transition*, eds. John Clayton Thomas and H.V. Savich (Newbury Park, California: Sage Publications, 1991), pp. 67-72; Robert L. Simpson, "Detroit's Economic Revival May Stick," *The Wall Street Journal*, August 11, 1998.

50 Hacker, *The Course of American Economic Growth and Development*, p. 241.

Part 3

Roots of Recovery I: The Knowledge-value Economy

Even as cities such as Detroit and St. Louis struggle to recover, the seed-corn of an urban renaissance has been planted in other urban centers. This recovery has its basis in a confluence of demographic, technological, and economic factors that have keyed the resurgence of downtowns and urban cores across the country.

Perhaps most important has been the growth of an information-based economy and, equally important, a secular shift *within* it. Long associated with suburban expansion, the nature of the emerging postindustrial economy now draws heavily on the very attributes that have characterized cities since the beginnings of civilization. As society becomes ever more information based, what sociologist Simmel identified as the psychological characteristics of urbanites (i.e., intellectualism, individualism, and the ability to abstract economic relationships) arguably gain more pertinence.[51]

This unique conjunction between urban culture and the emerging postindustrial economy will be nurtured and developed by the successful cities of the future. Fortunately, in many cities, the basis for future success already exists virtually *in vitro*, with the genetic code already imprinted on their DNA.

The neo-Renaissance reconstruction of cities marks a major departure from the supposedly grim fate of metropolis in the postindustrial era. As early as the 1970s the development of science-based industries—most provocatively described by sociologist Daniel Bell—suggested the emergence of a high-tech society where information supplants energy and conventional manufacturing as the critical source of wealth.[52] By the 1970s, the shape of this society was already quite evident, particularly in places such as California and the eastern seaboard.

At first the result of this shift appeared distinctly hostile to the very idea of cities. The ascendancy of science-based industry over traditional manufacturing created a new paradigm in economic development, shifting emphasis from the traditional urban center's ports, railroads, and large pools of manual labor to those places where concentrations of educated workers could be lured and harnessed.[53] Anchored by complex

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51 George Simmel, "The Metropolis and Mental Life," in *The Sociology of George Simmel* (New York: Free Press, 1950), pp. 409-424.

52 Daniel Bell, *The Coming of Post-Industrial Society: A Venture in Social Forecasting* (New York: Basic Books, 1973), p. 116.

53 Joint Economic Committee, "Location of High Technology Firms and Regional Economic Development," *Staff Study* (Washington, D.C.: Government Printing Office, June 1982), p. 23.

organizations with vast research and development capabilities,[54] the emerging science-based industries early on gravitated not to core cities but to the suburban and even hinterland areas such as Raleigh-Durham, the Santa Clara Valley, Orange County, the Route 128 area outside Boston, and northeastern New Jersey.[55]

At the onset of the new millennium, this shift has produced two consequences largely unpredicted during early transition to the postindustrial area. Although often strictly suburban or even rural at the time of their development, these science-based regions have become increasingly dependent on the close interaction characteristic of urban areas since antiquity. Despite the shift to digital communications advanced industries, even the most "wired," have displayed a powerful need to congregate and network, as can be seen in places such as Silicon Valley, the Houston "Energy Corridor," or the Southern California entertainment complex.

To be sure, these new urban agglomerations do not appear to function like traditional urban areas. They are, among other things, less tied to a defined center, multipolared, and dispersed. Mumford saw Los Angeles as "an undifferentiated mass of houses" headed towards a hellish future dominated by its own automobiles.[56] The City of Angels, for the great urbanist Jane Jacobs, seemed a peculiarly devilish place, wracked by crime, smog, automobiles, "a deathless place for children utterly lacking in proper civic life."[57]

This unique conjunction between urban culture and the emerging postindustrial economy will be nurtured and developed by the successful cities of the future.

Yet in reality, the multipolar metropolis—epitomized by cities such as Los Angeles, Houston, Dallas, San Jose, and Phoenix—represent less the antithesis of urbanism, than its further evolution. In many of these areas, the function of the center is in many ways also being assumed by their older suburbs. These older suburbs have evolved into what can best be characterized as midopolis, a kind of a new "middle landscape," suburban in outward character but increasingly cosmopolitan and city-like, becoming ever more ethnically diverse,[58] dependent on a growing sense of place and proximity, albeit defined in vehicular, not walking, distance.[59]

Second, and perhaps even less expected, the digital economy's continuing tendency to seek central points of contact creates the basis for a new, and potentially sustaining, role for the traditional urban center. Cities have benefited most particularly by the increasing importance of culture-based content in the evolving new economy. In contrast to the first phase of "post industrialism" which focused on the rising influence of quantifiable "hard sciences" such as physics, chemistry, electrical and mechanical engineering, the emerging second phase of the digital economy encompasses a whole host of subjective skills more suited to the natural advantages of dense urban areas.

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54 John Kenneth Galbraith, *The New Industrial State* (Boston, Massachusetts: Houghton-Mifflin, 1967), pp. 59-60.

55 Manuel Castells, *The Informational City* (London: Blackwell, 1989), pp. 47-57.

56 Lewis Mumford, *The City in History: Its Origins, Its Transformations, and Its Prospects* (New York: Hartcourt, Brace, & World, Inc., 1961), p. 510.

57 Jane Jacobs, *The Death and Life of Great American Cities* (New York: Vintage Books, 1961), pp. 32, 80, 91, 343, 350, 354-355.

58 "Study Projects Rising Poverty in LA Despite Immigrants' Upward Mobility," *USC News Service*, January, 1997; James Bock, "Baltimore Population Lowest in Eight Decades," *Baltimore Sun*, March 21, 1997.

59 For an excellent discussion of this phenomena, particularly in Silicon Valley, see Anna Lee Saxenian, *Regional Advantage*: *Culture and Competition in Silicon Valley and Route 128* (Cambridge, Massachusetts: Harvard University Press, 1994); Ross DeVol, *America's High Tech Economy: Growth, Development, and Risks for Metropolitan Areas* (Santa Monica, California: Milken Institute, 1999), pp. 9, 37.

This stems, in large part, from the changes within the digital economy itself. In a trend first identified by Alvin and Heidi Toffler in the 1970s, the postindustrial economy did not, as had been previously thought, serve only as agent of standardization and corporate bureaucracy but also a new economy characterized by customized production, organizational flexibility, and individualized production.[60] This new economy, it turned out, had not only a "hard" but also a "soft" face.

One indication of this change has been gradual shift of high-technology employment away from manufacturing to services.[61] Unlike the "hard" side, with its rationalistic and quantifiable characteristics, this "soft" side intersects increasingly with such fundamentally subjective fields as entertainment, fashion, media, and leisure industries. Although the traditional "hard" industries remain a critical element of the emerging information-age economy, increasing importance lies in those areas where the two converge.

"Knowledge value" represents perhaps the most useful term to describe this convergence. Japanese economist Taichi Sakaiya developed the concept of "knowledge value." Rather than simply a function of superior "high technology," Sakaiya predicted future economic growth would accrue to those nations, regions, industries, or firms adept at incorporating cultural "knowledge," design distinctiveness, and fashionability into products or services. As Sakaiya noted in his landmark book, *The Knowledge Value Revolution*:

> *The significant criteria for the people of the next epoch will not be simplistic, reductive measurements of the quantity of goods or efficiency rates of services; they will be subjective criteria that conform to the ethos of the groups to which particular individuals sense they belong.*[62]

Traditional cities have proven remarkably adept at exploiting such "knowledge value" industries. Their historic role as places of dynamic interaction provides cities with the ability to help to define "the social setting value" of products in a whole realm of industries from high-end business services such as advertising to fashion, entertainment, and merchandising.[63] The proliferation of live theater, opera, and new art museums has also tended to work in favor of cities, as a way of luring skilled creative workers, as well as visiting business people and tourists.[64]

Particularly critical to the resurgence of the city economy has been the expanding role of media-related industries (see Figure 5). By the mid-1990s firms in the new media-related fields were, on average, adding jobs at double-digit rates and enjoyed revenues per employee better than twice that of *Fortune 500* companies.[65] Even older media, like books, have enjoyed an enormous growth, with 430 more volumes published in 1995 than in the early 1980s.[66] Overall, entertainment-related spending in the United States rose from $185 billion in 1995 to a projected $257 billion in 2000.[67]

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60 Alvin Toffler, *The Third Wave* (New York: Morrow, 1980), pp. 260-263.

61 Ross DeVol, *America's High Tech Economy: Growth, Development, and Risks for Metropolitan Areas* (Santa Monica, California, Milken Institute, 1999).

62 Taichi Sakaiya, *The Knowledge Value Revolution or a History of the Future* (New York: Kodansha International, 1991), p. 235, translation of 1985 Japanese edition by George Fields and William Marsh.

63 Ibid.

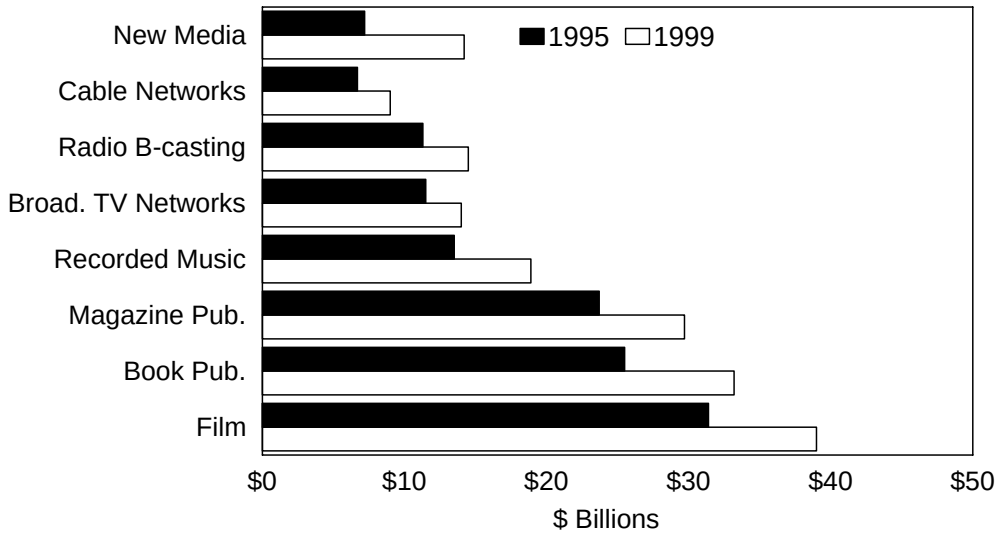
64 Douglas A. Blackmon, "Forget the Stereotype: America is Becoming a Nation of Culture," *The Wall Street Journal*, September 17, 1998.

65 "The Economic Impact of the Interactive Entertainment/Edutainment Software Industry," Coopers and Lybrand, 1996.

66 Blackmon, "Forget the Stereotype."

67 "Fun Money," *Economist*, November 11, 1998.

Figure 5: U.S. Spending on Major Media Industries: 1995 to 1999 (in $ Billions)



Source: Coopers and Lybrand L.L.P.

Urban areas, with their confluence of design, fashion, entertainment, and publishing, are unquestionably well suited to incubate the firms and industries to service this growing and diversifying market. Cities with low rates of start-ups, such as New York or Philadelphia, have nevertheless experienced rapid growth in these generally high-wage, culturally related fields.[68] In the decade between 1982 and 1995, a time of precipitous drops in virtually all other employment fields in Philadelphia, publishing employment grew and advertising jobs rose smartly.[69]

Increasingly cities can thrive in these "knowledge value" niches even as they continue to lose corporate headquarters. One of the fundamental characteristics of what historian Manuel Castells calls "informationalism" has been a "shift from centralized large corporations to decentralized units made up of a plurality of sizes and forms of organizational units."[70] Since various aspects of a task can be linked by internet and other advanced communications, the necessity to do them all in one place has diminished. Larger firms may control more cash, but they tend to distribute their workload across a broader network of suppliers more Venetian than 1980s Gotham:

> *The new coordination technologies enable us to return to the pre-industrial organizational model of tiny autonomous businesses—businesses of one or a few—conducting transactions with each other in the market. But there's one crucial difference: electronic networks enable these microbusinesses to tap into global reservoirs of information, expertise and financing that used to be available only to large companies.*[71]

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68 "Miracle Needed," *Economist*, December 20, 1999; "There's Never Been a Better Times to Do Business in New York City," New York Industrial Development Agency, 1999; H. Carl McCall, "New York's Economic and Fiscal Dependence on Wall Street," Office of the New York State Controller**,** August 13, 1998, pp. 8-9.

69 "An Economic Strategy for the Greater Philadelphia Region," *GPF Regional Benchmarks*, Greater Philadelphia First, May 1997, pp. 11, 17.

70 Castells, *The Informational City*, p. 32.

71 Robert J. Laubacher, "The Dawn of the E-Lance Economy," *Harvard Business Review* (October 1998).

This diversification of function—combined with patterns of locational preference—underlies the transfer of key growth sectors to the urban geography. At such firms, most tasks are performed on an *ad hoc* basis, requiring the input of a diverse, often contingent workforce. Since the ability to marshal various elements quickly can make the difference between success and failure, there is often an intense motivation to locate close to a concentration of specialized firms and professionals, who can be called upon in short order to perform highly particular tasks. Jonathan Katz, founder of Cinnabar, one of Hollywood's premier propmakers, observes:

> *Most people in the film business are organized on specific projects and you can't do that in Orlando or Chicago. We start a film on Friday. You have to have the resources and have a team available on Monday.*[72]

This decentralized, heavily networked model of production, in modern times, perfected by the Hollywood entertainment industry, has spread to other industries, notably multimedia production. Over the past decade this cultural industrial complex—which brings together internet, entertainment, and computer-aided graphics—has mushroomed within a heavily urban environment (see Table 1). The multimedia industry, which barely existed a decade ago, has concentrated most heavily in three cities, including Los Angeles (with 120,000 workers), San Francisco, and New York (with roughly 60,000 workers each).[73]

The growth of such industries has profound geographical consequences, particularly for older districts in cities. For example, many areas once associated with Los Angeles aerospace industry—most particularly in areas such as Glendale, Burbank, Culver City, as well as the coastal sections of Los Angeles—have been reinvented as dense clusters of entertainment, digital effects, and internet-related firms over the past decade.[74] These firms, like their counterparts in lower Manhattan, also see benefits in locating close to traditional media and advertising companies, who often play a critical role in marketing efforts.[75] These areas, along with San Jose and Boston areas, also boast the largest number of internet hosts.[76]

Table 1: Change in Computer and Data Processing Employment (in Thousands)

City	1996	1997	1998
Los Angeles	16.25	9.72	12.29
Orange County	7.09	5.20	6.36
New York	15.65	15.01	15.24
Chicago	12.62	8.22	8.66
Boston	13.12	12.19	9.08
Dallas	14.94	15.65	12.73
Washington, D.C.	10.38	13.09	8.90
Seattle	19.21	23.65	19.44

Source: Ross DeVol, Senior Fellow, Milken Institute, Santa Monica, California, 1999.

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72 Jonathan Katz, interview with author.

73 Rick Wartzman, "Multimedia: An Industry Not Merely a Buzzword," *The Wall Street Journal* (California edition), October 2, 1996.

74 Stacy Kravetz, "Studio's Space Crunch Fuels LA Boom," *The Wall Street Journal*, August 19, 1998.

75 Kimberley A. Strassel, "In Silicon Valley, Campuses Replace Plants," *The Wall Street Journal*, July 21, 1999.

76 "The Changing Telecommunications Environment and New York City," A Three Day Colloquium Sponsored by New York University, June 18, 1995, pp. 10-14.

The need for proximity in high-tech industries also helps explain the massive concentration of new industries—such as virtual reality, web-site development, digital imaging, and computerized animation and multimedia—in urban areas. Contrary to 1960s notions, such as those developed by French sociologist Alain Touraine, who saw a "lessening" in social relationships as a result of the postindustrial society, these new industries are largely sustained by interaction between specific groups who seek out, and find each other, uniquely in the urban milieu.[77]

New businesses in this field generally share the particular architectural preferences of the emerging digital industries and usually locate in older factory or warehouse buildings not in high-rise offices.[78] In Los Angeles, many have moved into the same sprawling facilities formerly used by aircraft and space firms; in Manhattan and other older cities, firms that once insisted on downtown prestige addresses by the late 1990s were relocating to the more open air, high-ceiling environments left behind by warehousing and light manufacturing firms. Such space, explains designer Marty Herz, President of New York-based Environetics Group, "lend themselves to the exchange of group creativity."[79]

It is a matter of community spirit, an ambience that attracts both entrepreneurs and the people they need to build their companies.

But it is not just aesthetics of an individual firm that drive the growth of knowledge-value firms. It is also a matter of a community spirit, an ambience that attracts both entrepreneurs and the people they need to build their companies. Industries that attract highly mobile workers, such as animators, graphic artists, or software writers increasingly need to offer them a "place" that is appealing, exciting, and gives off the requisite "buzz."[80]

Such "hot" districts now proliferate across the country, often in areas that just years earlier seemed consigned to oblivion. This is true throughout much of the western portions of Lower Manhattan, San Francisco's South of Market district and Seattle's Belltown. Not long ago, however, one such area, near Boston's South Station, was little more than a neglected relic of the city's industrial past. In the late 19th and early 20th centuries, the "leather district" adjacent to the station and the nearby Fort Point section once had been vibrant centers of the city's port trade, fishing, textile, and most particularly, the shoe industry. By 1872, it was home to roughly 300 wholesale leather dealers, 189 leather concerns, and one hundred related businesses.

The later decades of the 20th century brought with them a pattern of seemingly irresistible decline. Yet as industrial employers left, artists began to move into the deserted and now inexpensive warehouses and

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77 Alain Touraine, *The Post Industrial Society*, translated by Leonard F.X. Mayhew (New York: Random House, 1971), p. 35.

78 Andrew Blankstein and Karen Robinson-Jacobs, "Star Quality," *Los Angeles Times*, September 3, 1999; Solomon Moore, "New Chapter for Old Airport," *Los Angeles Times*, September 6, 1999; Shelly Garcia, "Disney's Glendale Campus to Fit New-Media Needs," *Los Angeles Business Journal*, September 13, 1999.

79 Morris Newman, "Animators Office is Creative Music," *Los Angeles Times*, February 9, 1999; Irwin Stelzer, "Creating the City of the Future," *New York Post*, May 6, 1998; Daryl Strickland, "Office Space Getting More Down-to-Earth," *Los Angeles Times*, August 10, 1999.

80 Bernard Wysocki, "In an Industry Where Loyalty Means Little, It Pays to Get Around," *The Wall Street Journal*, December 1, 1998.

factories.[81] Art galleries proliferated, and chic small cafes began to sprout up amidst the gritty greasy spoons, which served the remnants of the industrial community.

The Emergence of Boston's Cyber District

As the Boston economy recovered in the mid-1990s, the generally lower rents and the artsy ambience began to attract specialized media, advertising, and internet-software firms. High-income professionals working in these industries also began to move in. By 1999, condominiums and offices were going for $100 a square foot, nearly three times the price five years earlier. Sitting in a restored old leather warehouse on South Street, Israeli-born real estate developer Ori Ron, one of the key players in what is now known as Boston's "cyber district," recalls:

When I bought this building people looked at me as the crazy Israeli who bought this building. … Then the artists and photographers discovered what great space this is. Then restaurants and nightclubs were looking for this kind of space. Now there are the Internet companies—people who are looking for space like this—they want something different.[1]

At millennium's end, the old "leather district" teems with high-tech firms that employ an estimated 3,000 computer, Internet, and other information-related workers. Once neglected, the area around the South Station, extending all the way to the Fort Point Channel, has become a postindustrial beehive of activity, where the artisans of the digital age share ideas over sandwiches and coffee.

Such an atmosphere attracts entrepreneurs such as 30-year old Rebecca Donovan, an MIT graduate who formerly worked for large firms such as Salomon Brothers, Viacom, and Fox. Donovan chose to launch her Opholio, an on-line picture agency, in Boston's Fort Point Channel area rather than in the more conventional confines of the Route 128 suburban ring. Sitting in her high-ceilinged offices in a former warehouse building, Donovan exults:

It's fantastic to be in this part of Boston. We have a great connection here. There are photographers everywhere, computer companies in the area. People are opening businesses up and down. It's a creative environment for young talent. . . . It's a lot better than dragging people out to the suburbs.[2]

[1] Ori Ron, interview with author.

[2] Rebecca Donovan, interview with author.

A. "Sophisticated Consumers of Place"

The appeal of urban districts rests fundamentally on the emergence of a new urban class made up primarily of aging boomers, childless couples, "empty nesters," and singles. This group—the prime demographic of recovering cities—has been growing rapidly over the past generation, their number doubling over the past quarter century. Over the past decade, the percentage of single or single-parent households has grown from

[81] Lee Lockwood and Martha Davidson, "Historical Background," in *The Leather District and the Fort Point Channel*, ed. Susan R. Channing (Boston, Massachusetts: Boston Photo Documentary Project, Artists' Foundation, 1982), pp. 5-12.

29 percent to 38 percent; of the 17 million new households created in the 1980s, a majority were formed by single people and unrelated individuals.[82]

These are precisely the kind of people who tend to flock to cities. Andrew Segal, a 31-year old budding real-estate mogul who has purchased and retrofitted class B office space in such cities as Houston, Dallas, Baltimore, and Hartford, observes: "It's where the single people are, where you go to a bar to meet them. That's what makes it work. In Houston there are few places for people to walk around and promenade—downtown is the exception."

In contrast to most middle- or working-class Americans, these demographic groups tend to hold far more positive views of city life. For the most part, these are city dwellers by choice, what one demographer calls "very sophisticated consumers of place." They tend to like the pace and cultural offerings of cities.[83] During the 1990s, for example, New York City lost many middle-class families, but these were largely replaced by younger, better-educated people, many of whom considered the proliferation of "cultural institutions" as one of the key reasons for settling in the city.[84]

The decade-long reduction in crime rates in many favored cities, notably New York, Los Angeles, and Chicago, may also have accelerated this trend.[85] So too, in the first decades of the century, will be a sea change in generational demographics. The Y or "baby boom echo"— roughly twice the size of the now 20-something "X" generation—will reach maturity and pass their parents' generation in total numbers by 2010 (see Figure 6),[86] virtually assuring a steady supply of young, single, unattached, and childless professionals with a proven proclivity for city living.

The Y or "baby boom echo" will pass their parents' generation in total numbers by 2010.

These often-unattached new urbanites constitute the critical fuel for the postindustrial urban economy. Companies, wherever they might be located, rely increasingly on skilled urban professionals in fields from fashion design, entertainment, and internet commerce to international trade, investment, specialized retail, banking, and other business services. The demand for such people, and their services, has burgeoned with the shift to a digital economy, sparking strong economic rebounds in and around older urban neighborhoods in cities as diverse as New York, Los Angeles, San Francisco, Seattle, Denver, Dallas, Houston, and Chicago.[87]

The emergence of the "soft" side of the technology industry, that which is most cultural or "knowledge-value" oriented, spurs this transformation. As the Internet, once largely a tool for scientists, becomes

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82 Peter Calthorpe, *The Next American Metropolis* (Princeton, New Jersey: Princeton Architectural Press, 1993), p. 18.

83 Richard V. Knight, "City Development and Urbanization: Building the Knowledge Based City," in Richard V. Knight and Gary Gappert, *Cities in a Global Society* (Newbury Park, California: Sage Publications, 1989), p. 237; Christy Fisher, "What We Love and Hate About Cities," *American Demographics* (October 1997).

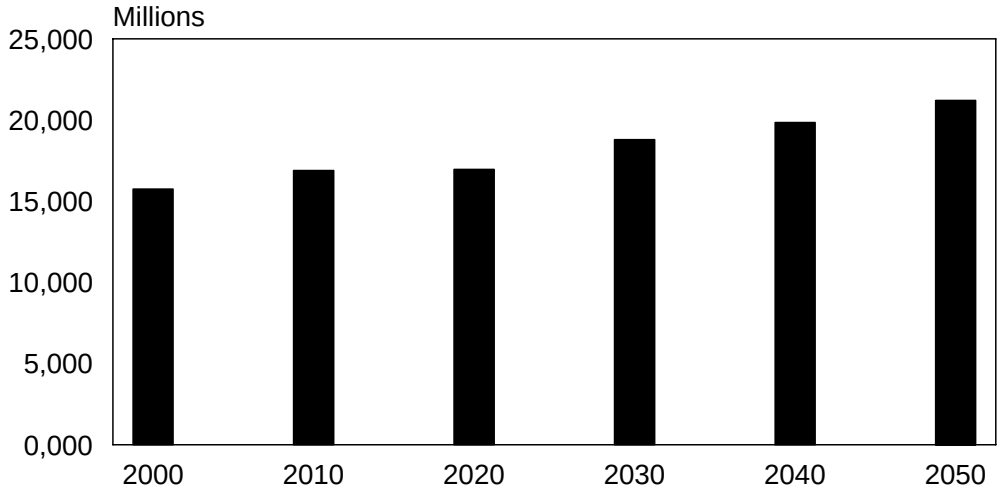
84 William Kornblum, "New York Under Seige," in *The Other City: People and Politics in New York and London*, eds. Susanne MacGregor and Arthur Lipow (Atlantic Highlands, New Jersey: Humanities Press, 1995), p. 37; "Why People Move in and Move Out of New York," Louis Harris Associates, study conducted for the Manhattan Institute and the Commonwealth Fund, 1993, p. 3.

85 Pietro S. Nivola, *Laws of the Landscape: How Politics Shaped Cities in Europe and America* (Washington, D.C.: Brookings Institution, 1999), p. 72.

86 Chris Woodyard, "Generation Y: The Young and the Boundless are Taking Over the Pop Culture," *USA Today*, October 6, 1998.

87 Office of Technology Assessment, *The Technological Reshaping of Metropolitan America*, Washington, D.C., September 1995, pp. 84; Neal Templin, "Downtown Lofts Beckon in Sunbelt," *The Wall Street Journal*, November 26, 1997.

increasingly a device for marketing entertainment and news, dramatic changes in the skills, the kind of person, and thus the best place for the new industry occur.[88] "You can put a chip firm in Boise, Idaho but you'll never have a major media player operating there," noted Tom Lipscomb, founder of Infosafe, a New



York-based multimedia software firm and founder of the Center for the Digital Future. "You can't get the kind of creative people you need to move to Plano, Texas. They want to be somewhere they sense there's action."

Figure 6: Growth of Population between 14 and 17 Years of Age

Source: U.S. Census Bureau.

By its nature, Lipscomb observes, the culture-intensive nature of knowledge-value production draws upon a different, often younger, demographic base, one often more attracted to a distinctly urban environment. Software giant Microsoft, working out of its classically nerdistan headquarters, has seen the need to hire more creative media workers,[89] yet has been stymied in efforts to bring such employees to their sprawling Redmond campus.

Much of this has to do with the proclivities of creative workers. One New York editor, who himself refused to move, has been asked to help recruit such people for Microsoft, but doubts many would want to join the firm as long as it required moving to the Seattle suburbs. Sitting in his apartment in Chelsea, one of the city's growing new media centers, he explained:

> *I have talked to a dozen people in New York about this but only one even bothered to fly out for an interview. Microsoft thinks they'd like to bring in the culture but they don't understand that creative people usually like to work in an urban area where there are options to see and do a variety of things—that's what makes the city a joy.*

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88 Karen Kaplan, "Listening Boom: Music Oriented Sites Lead the World Wide Web Hit Parade," *Los Angeles Times*, July 12, 1995.

89 Steve Lohr, "Analysis: Microsoft Looks Beyond Computer Nerds," *New York Times*, June 10, 1997.

Yet, it would be mistaken to suppose that this demographic reinvention of the central city—so marked in places like Seattle, San Francisco, Manhattan, and along Chicago's lakeshore—comes without a price. For one thing, this promises to degrade the center's historic role as incubators of the broader society. In the past, the core served not only an economic function, but as a place where middle- and working-class families raised their children, and where youngsters adjusted, amidst the often discordant rhythms of urban life. Today many of these neighborhoods—Boston's North End, Greenwich Village, Seattle's Ballard—are losing or already have lost this character, as they become instead domiciles for an increasingly affluent and childless population.

Children, of course, still live in cities, but they are increasingly congregated in the poorer and heavily minority sections. Nationwide, almost two-thirds of all city children are non-white; to an increasing extent, cities have only a small fraction of middle-class, Anglo children.[90] In New York, for example, the outer boroughs, notably Brooklyn and the Bronx, once bastions of the white middle and working classes, remain heavily family-oriented, with a rate of children ages five to seventeen over 50 percent higher than Manhattan. But most of these children are minority and many are poor. In Brooklyn and the Bronx, notes economist Robert Fitch, per capita family incomes are closer to those in Detroit than Manhattan.[91]

The prospects for these low-income residents, and more importantly, their children, are not necessarily brightened by the evolution of the "knowledge-value" economy. This is particularly true in older industrial areas, such as parts of Brooklyn, Baltimore, south Los Angeles, and Detroit where the traditional bulwark of the economy—ship-building, auto manufacturing, and textiles—as well as the migration of large corporate bureaucracies has left a legacy of abandoned shopping districts, ravaged neighborhoods, and broken people. This has led some, such as historian Manuel Castells, to define the postindustrial metropolis as by nature a "dual city," which suffers a kind of "urban schizophrenia" divided between an alternately ravaged and flourishing economy.[92]

Nationwide, almost two-thirds of all city children are nonwhite.

This dichotomy can be seen in the epicenter of inner city revival, Manhattan, which boasts among the highest per capita income in the nation and one of the lowest percentages of children aged five to seventeen. Manhattan's resurgence in the latter part of the 1990s was largely due to in-migration by young, educated singles, as older couples with children continued to leave in large numbers.[93] A 1998 survey of residents in New York's now fashionable downtown area near Wall Street—where some 2,400 housing units have been converted from former office space—found nearly 88 percent were under 45, 60 percent were single, and a similar percentage had household incomes in excess of $120,000 annually.[94]

A similar process can be seen in Chicago, where desirable close-in neighborhoods such as Lincoln Park and Buck Town have become both increasingly childless and expensive. Housing prices have soared, rising as

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90 Christy Fisher, "City Lights Beckon to Business," *American Demographics* (October 1997).

91 Brad Edmondson, "Wealth and Poverty," *American Demographics* (May 1998); "250 Highest and Lowest Per Capita Incomes of the 3110 Counties in the United States," Bureau of Economic Analysis, 1996; Robert Fitch, *The Assassination of New York* (London: Verso, 1993), p. 24.

92 Manuel Castells, "The Information City is a Dual City," in *High Technology and Low Income Communities*, Donald Sexton, Bish Sanyal and William J. Mitchell, eds. (Cambridge, Massachusetts: MIT Press, 1999), p. 27.

93 Louis Harris Associates, study conducted for the Manhattan Institute and the Commonwealth Fund, 1993, pp. 6-8.

94 "Second Annual Rouse Forum on the American City," *Business Wire*, September 28, 1998.

much as 40 percent annually by the late 1990s.[95] In the 1950s, the average residence in Chicago's Lincoln Park, an increasingly fashionable northside neighborhood, had over four occupants; by 1998 that had dropped to less than two. Once, notes Robert Bruegmann, an urban scholar at the University of Illinois at Chicago and Lincoln Park resident, the area was made up of working-class families and surrounded by poorer areas. "Gentrification takes on the character of an invasion pattern," says Bruegmann. "It goes to the center and drives poverty out. . . . My neighborhood is nice because a lot of people left, the poor people left—that's why we like it."

B. The Case of Seattle

Perhaps nowhere is this shift away from traditional families more evident, and less expected, than in Seattle. When he first arrived in Seattle back in 1955, University of Washington demographer Richard Morrill encountered a city that was "very middle class, union blue collar, home owning," with a large preponderance of families. But in the last census, he notes, the city had the *lowest* percentage of population between five and seventeen (10.8 percent) of any major American city, followed closely by Boston, Manhattan, Denver, and San Francisco.[96]

As in these other cities, Seattle's demographic transformation lies in the attraction of upwardly mobile professionals, many of whom have postponed childbearing or intend to remain childless. Today, notes demographer Morrill, once family-oriented, close-in Seattle neighborhoods such as Fremont, Queen Anne, and Capitol Hill have become simultaneously fashionable and almost childfree, with the percentages of five to seventeen year olds as low as 5 percent.[97] Overall traditional families have become a distinct minority in the city population while the number of school children in the public schools dropped in half between 1962 and 1990.[98]

Seattle's demographic transformation lies in the attraction of upwardly mobile professionals, many of whom have postponed childbearing or intend to remain childless.

At the same time, Morrill suggests, child-bearing couples are propelled outwards, both by the generally poor quality of urban education and high real-estate prices; fully one-third of all children born in Seattle move out within five years. "Even the people who want to stay and keep the urban lifestyle have to move. You can't buy a decent house here for less than $240,000," notes Seattle developer David Sucher. "And even if you can pay that, in the end, the schools force the issue for almost everybody. You have kids, you move to the suburbs."[99]

In the process, Seattle's once strong reputation as a blue-collar, white ethnic town has faded into an image more akin to its most famous chain, Starbucks, the quintessential meeting place of the end-of-century upwardly mobile. Pioneer Square, close to the original Skid Row and once scruffy Belltown, has been quietly gentrifying from a homeless haven to a condo heaven for Microsoft millionaires and other professionals. A city that gave the nation its first general strike and whose working-class politics once led

95 William H. Miller, "Sick Cities, Healthy Regions," *Industry Week,* April 5, 1999; Eric Berendorff, "Home Prices Soar," *Chicago Sun Times,* August 3, 1999.

96 Richard Morrill, Analysis of U.S. Census data, University of Washington, 1990.

97 Ibid.

98 1990 Population and Housing Characteristics, US Census Bureau; Margaret T. Gordon, Hubert G. Locke, Laurie McCutcheon, William B. Stafford, "Seattle: Grassroots Politics Shaping the Environment," in Savitch and Thomas, *Big City Politics in Transition*, p. 222.

99 David Sucher, interview with author.

Postmaster James Farley to refer to Seattle as center of the "Soviet of Washington" has lost virtually every trade of its proud proletarian culture.[100]

Even the Ballard neighborhood, long a bastion of Scandinavian union-belonging families, seems to have lost the last traces of ethnic character. "There used to be a strong sense of Scandanavianness in places like Ballard, but now it's just become another yuppie neighborhood," observes Eric Scigiliano, a widely respected columnist for the local alternative *Seattle Weekly*. "You can't even get a decent smorgasbord there."

[100] Maury Morgan, *The Skid Road: An Informal Portrait of Seattle* (Seattle, Washington: University of Washington Press, 1951), pp. 199, 247.

Part 4

Roots of Recovery II: Immigrants and the Global Economy

Perhaps no one factor has more revivified the geography of the American metropolis in recent years than immigration. Before the onset of the renewed immigration wave in the 1970s, most American cities seemed destined for the fate that visited St. Louis—rapid depopulation, a loss of entrepreneurial initiative, and diminishing regional importance. America, noted Irving Kristol in the mid-1970s, seemed to be bent on constructing "an urban civilization without cities."[101]

In the 1990s native-born Americans continued to flee the cities with only two of the nation's ten largest metropolitan areas, Houston and Dallas, gaining domestic migrants in the decade.[102] At a time when Americans were fleeing the biggest cities, immigrants were becoming more urban; as over 2.5 million native-born Americans fled the nation's densest cities, over 2.3 million immigrants came in (see Table 2).[103]

The impacts were greatest in five major cities—New York, Los Angeles, San Francisco, Miami, and Chicago—which have received more than half of the estimated 20 million legal immigrants and 3 to 5 million illegal immigrants arriving over the past quarter century.[104] Without these immigrants, these cities would have likely suffered depopulation as occurred in cities such as St. Louis, Baltimore, or Detroit, which, until recently, have attracted relatively few foreigners.[105]

In the process, America's major cities, and a growing number of their midopolitan communities, have become ever more demographically distinct from the rest of the country. In 1930 one out of four residents of the top four "gateway" cities came from abroad, twice the national average; by the 1990s, one in three was foreign born, five times the norm.[106] Fully half of all new Hispanic residents in the country between 1990 and 1996 resided in the ten largest cities. Asians are even more concentrated, with roughly two in five residing in just three areas, Los Angeles, New York, and San Francisco.[107]

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[101] George Sternlieb and James W. Hughes, eds., *Post-industrial America: Metropolitan Decline and Inter-regional Job Shifts* (New Brunswick, New Jersey: The Center for Urban Policy Research, Rutgers University, 1975), p. 183.

[102] Analysis of U.S. Census data by William H. Frey, Ph.D., University of Michigan and Milken Institute, 1999.

[103] *Location Patterns 1997* (Washington D.C.: Joint Center for Housing Studies, 1997).

[104] Current Population Survey, 1998, U.S. Census Bureau; Peter Salins, *Assimilation American Style* (New York: Basic Books, 1998), p. 200.

[105] Frey, Analysis of U.S. Census data.

[106] Thomas Muller, *Immigrants and the American City* (New York: New York University Press, 1993), p. 111.

[107] Frey, Analysis of U.S. Census data.

Table 2: Net Immigration into Metropolitan Areas (1990-1995)

Metropolitan Area	Net In-Migration
Los Angeles, CA	792,712
New York, NY	705,939
San Francisco, CA	262,519
Chicago, IL	216,309
Miami, FL	157,059
Washington, D.C.	125,479
Houston, TX	110,323
San Diego, CA	85,025
Boston, MA	74,316
Dallas, TX	72,246

Source: U.S. Census Bureau.

As has occurred throughout the history of cities, demographic distinctiveness once again helps define the uniqueness of the urban space (see Figure 7). This occurred not only earlier in American history, but also in the great cities of the past, such as Alexandria, Rome, Venice, Amsterdam, and London. All displayed the same kind of multi-ethnic quilting that now characterizes many of the largest American cities at millennium's edge. Ethnic diversity, in this sense, is not a politically correct notion, but an economic asset of cities, a comparative advantage that is culturally-derived and less subject to undermining by traditional urban weaknesses such as high taxes, regulation, and political corruption.

Similarly, immigration has accompanied the growing importance within cities of another traditional bastion—cross-cultural trade. As world economies have developed through the ages, such exchanges between races and cultures have presented enormous opportunities for cities. As Fernand Braudel notes:

> *A world economy always has an urban center of gravity, a city, as the logistic heart of its activity. News, merchandise, capital, credit, people, instructions, correspondence all flow into and out of the city. Its powerful merchants lay down the law, sometimes becoming extraordinarily wealthy.*[108]

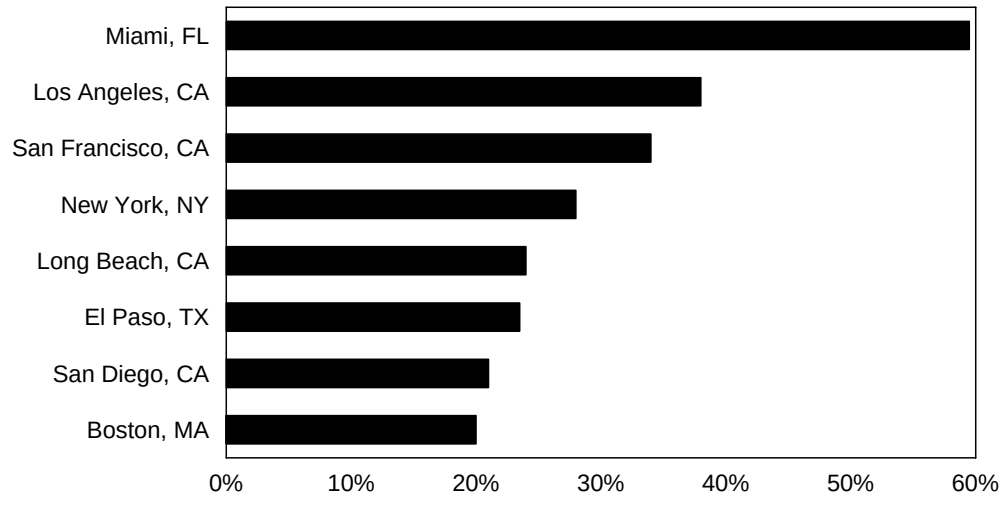

Figure 7: Foreign-born Population in Selected U.S. Cities

Source: U.S. Census Bureau.

[108] Fernand Braudel, *The Perspective of the World*, vol. 3 of *Civilization and Capitalis 15th–18th Century*, trans. Sian Reynolds (New York: Harper and Row, 1984), p. 27.

Miami's Latin-based Global Trading Center

Newcomers have redefined some American cities, once backwaters, into global-trading centers. Miami's large Latino population—including 650,000 Cubans, 75,000 Nicaraguans, and 65,000 Columbians—has helped turn the one time "sun and fun" capital into the dominant center for American trade and travel to South America and the Caribbean.[1] Although much of this development takes place outside the downtown district, in areas such as Coral Cables and around the airport, the area's globally oriented business-service infrastructure remains tied to the central core. Modesto Maidique, himself a Cuban émigré and President of Florida International University, observes:

> *If you take away international trade and cultural ties from Miami, we go back to being just a seasonal tourist destination. It's the imports, the exports, and the service trade that have catapulted us into the first rank of cities in the world.*

[1] *Miami Business Profile*, The Beacon Council, Dade County Aviation Department, Miami International Airport, 1970-1994; Dade County Aviation Department, Miami International Airport, 1970-1994; *Miami International Business Report,* Midyear 1994, p. 4; "Multinational Miami," *Miami: Business Capital of the Americas*, supplement to *Newsweek International,* May 30, 1994, p. 10.

Ethnic diversity, in this sense, is not a politically correct notion, but an economic asset of cities, a comparative advantage that is culturally-derived and less subject to undermining by traditional urban weaknesses such as high taxes, regulation, and political corruption.

As in Renaissance Venice, early modern Amsterdam, or London, the increasing ethnic diversity of America's cities plays a critical role in seizing the "cross-cultural" trade niche. Over the past 30 years cities such as New York, Los Angeles, Houston, Chicago, and Miami have become ever more multiethnic, with many of the newcomers hailing from growing trade regions such as East Asia, the Caribbean, and Latin America. In these cities, the presence of large immigrant clusters often plays a role similar to that played by resident outsiders (e.g., Armenians, Germans, and Jews in Renaissance Venice) in forging not only economic ties, but also critical bonds of cultural exchange and kinship networks.

In the current epoch, this process has been accelerated by technological change over the last half century, which has seen the price of transoceanic calls fall by over 90 percent, air travel by 80 percent, and ocean freight charges cut in half. With the rise of the internet and other communications technologies, such as satellites, global trade-related activities will become ever more important and accessible to a broader range of

cities.[109] Only 6 percent of American GDP in 1970, these activities constituted 8.5 percent by 1980, and today they are up to roughly 12 percent.[110]

A. The Case of Toytown

Cities, with their increasingly diverse populations and concentrations of air, sea, and land transportation infrastructure, are natural beneficiaries of this trend. For decades the industrial area just east of Los Angeles's financial district was an economic wreck. A fifteen-square block area was inhabited largely by pre-World War II derelict buildings abutting the missions, flophouses, and cheap hotels of skid row. Land values in the area—known only as Central City East—stood at $2.75 a square foot (a fraction of the over $100 a square foot that same property commands today after redevelopment). With vacancy rates hovering around 50 percent, most Los Angeles officials all but wrote off the area as anything more than a dumping ground for the city's growing homeless population.

Yet to a handful of immigrants, led by Hong Kong native Charlie Woo, the area was perfectly suited for the wholesaling and distribution of billions of dollars in toys being unpacked at the massive twin ports of Long Beach and Los Angeles, the nation's dominant hub for U.S.-Asia trade and home to the world's third-largest container port.[111]

Toytown is not alone in playing this role in downtown Los Angeles. Specialized districts which a Venetian would have recognized—the downtown Fashion Mart, the Flower District, or Toytown—are crowded with shoppers, hustlers, and buyers, speaking in an odd mixture of Farsi, Hebrew, Spanish, Chinese, Korean, and English. These centrally located districts vitality contrast with the longstanding weakness of downtown's office market, which has been losing companies and tenants to other parts of the city.[112]

Although "Toytown" is located adjacent to the central business district, immigrant driven centers of commerce do not, by necessity, locate next to the core area. Cities in this sense are highly individualistic; some use their traditional centers for such activity, but others, often for historical reasons, see much of their immigrant-driven development dispersed, although in often highly concentrated, smaller "central" districts. In New York, for example, the prime Asian trade district has not developed close to the expensive mid-town or downtown core, but on the Canal Street hub in the city's expanding Chinatown. Similar trade-oriented districts have risen in other cities—such as the "Asia Trade District" along Dallas's Harry Hines Boulevard,[113] or the Harwin Corridor in the area outside the 610 loop in Houston—in often unlikely patches of aging suburbia. For example, the Harwin area is a once forlorn strip of office and warehouse buildings developed during the city's expansion in the 1950s and 1960s. Today the area has been transformed into an auto-oriented *suk* for off-price goods for much of East Texas, featuring cut-rate furniture, novelties, luggage, car parts, and electronic goods.

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[109] Byron Augustine, "What's So New About Globalization?" presentation delivered at Pacific Council on International Policy Global Issues Retreat, Santa Monica, California, November 15, 1997.

[110] James Aley, "New Lift for the U.S. Export Boom," *Fortune*, November 13, 1995.

[111] Customs Data International Intelligence Services, Center for the Continuing Study of the California Economy; Containerization International and Port Development International, 1998.

[112] Neal Templin, "Show Biz Boom Boffo for L.A. Burbs," *The Wall Street Journal*, January 17, 1997; Jesus Sanchez, "Office Rents Continue to Climb in L.A. County," *Los Angeles Times*, April 8, 1997; Joyzelle Davis, "L.A. Office Prices Still about 50% Below 1990 Level," *Los Angeles Business Journal*, February 5, 1998; "Business Centers," *Los Angeles Business Journal*, October 26, 1998, p. 47.

[113] John Kirkpatrick, "A Wholesale Restoration," *Dallas Morning News*, May 11, 1999.

These shops, owned largely by Chinese, Korean, and Indian merchants, have grown from roughly 40 a decade ago to more than 800, sparking a boom in a once-depressed real-estate market. Over the decade, the value of commercial properties in the district has more than tripled, and vacancies have dropped from nearly 50 percent to single digits. "It's kind of an Asian frontier sprawl around here," comments David Wu, a prominent local storeowner.

Charlie Woo and The Rise of L.A.'s Toytown

Charlie Woo is widely regarded as the "Father" of "Toytown," a revitalized manufacturing district in downtown Los Angeles. Woo's *quanxi*, or connections, in Asia helped him establish close relationships with scores of toy manufacturers in Asia, where the vast majority of the nation's toys are produced. The volumes he imported for his company's firm, Megatoys, allowed him to take a 20 percent margin compared to the 40 to 50 percent margins sought by the traditional small-toy wholesalers.

Yet Woo's ambitions extended beyond his own business. To him, the greatest opportunity lay in duplicating the kind of specialized merchandising districts so plentiful in his native Hong Kong. Largely through Woo's urgings, the district now has over 500 different toy importers, warehouses, and distributors, employing roughly 6,000 people and has revenues estimated at roughly $500 million, helping to engender a renaissance as well in local toy making and design.[1] The development of the district has allowed Los Angeles to control roughly 60 percent of the $12 billion in toys sold to American retailers.[2]

For immigrant-dominated businesses such as in Toytown, the geography of downtown—with its transit links, diverse population, and relatively cheap space—still makes sense. For Charlie Woo's customers, most of whom are Chinese, Vietnamese, Latino, and Middle Eastern immigrants, the setting remains the most comfortable meeting place. Woo suggests:

> *There is an advantage to being here. To people from Mexico, if we say we're in downtown LA, then they're comfortable. The same is true for people from China or Taiwan. This is where the information comes together.*[3]

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1 Vicki Torres, "New Games in Town," *Los Angeles Times,* January 21, 1997.

2 Linda Griego, "Rebuilding LA's Urban Communities," *Final Report of RLA* (Santa Monica, California: Milken Institute, 1997), p. 38.

3 Charlie Woo, interview with author.

B. The Case of Houston

Few American cities have been more transformed by trade and immigration than Houston. With the collapse of energy prices in the early 1980s, the once-booming Texas metropolis appeared to be on the road to economic oblivion. Yet the city has rebounded—in large part due to the very demographic and trade patterns seen in the other sunbelt capitals. "The energy industry totally dominated Houston by the 1970s—after all oil has been at the core of our economy since 1901," explains University of Houston economist Barton Smith. "Every boom leads people to forget other parts of the economy. After the bust, people saw the importance of the ports and trade."

Since 1986, tonnage through the 25-mile long Port of Houston has grown by one-third, helping the city recover the jobs lost during the "oil bust" of the early 1980s.[114] Today Smith estimates that trade now accounts for roughly ten percent of regional employment and has played a critical role in the region's 1990s recovery: last year a city renowned for its plethora of "see through" buildings ranked second in the nation in total office-space absorption and third in increases in rents.[115]

As in Miami and Los Angeles, the city's growing immigrant population has enhanced the expanding trade sector. Between 1985 and 1990 Houston, a traditional magnet for domestic migrants, suffered a net loss of over 140,000 native-born residents. But the immigrants kept coming—nearly 200,000 over the past decade, making the Texas town among the seven largest immigrant destinations.[116] In the process, Houston became one of America's most diverse cities; Houston's Latino population increased from 17 percent in 1980 to over 27 percent a decade later while Asians grew from barely 2 percent to over 4 percent (Figure 8). By the year 2000 Houston's minorities will constitute over two-thirds of the city's population.[117]

Among those coming to Houston during the 1970s boom was a Taiwan-born engineer named Don Wang, who in 1987 founded Metrobank with backing from a few Asian friends. Amidst the hard times and demographic shifts, Wang and his clients, largely Asian, Latin, and African immigrants, saw an enormous opportunity to pick up real estate, buy homes, and start businesses in fields such as food processing, distribution, and electronics assembly. Such minority-owned enterprises now account for nearly 30 percent of Houston's business community.[118]

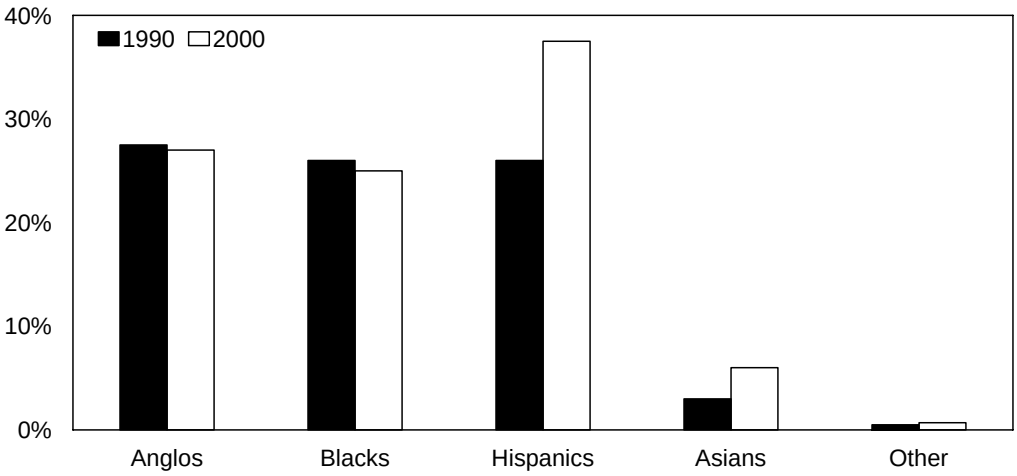


Figure 8: Change in Houston's Ethnicity: 1990 to 2000

[114] "Houston: Economic Highlights," Greater Houston Partnership, January 1996.

[115] Steve Brown, "Dallas, Houston Top Sites in Demand for Office Space," *The Dallas Morning News*, January 30, 1997; Neal Templin, "Rents on Office Space Jumped 10% in First Half," *The Wall Street Journal*, August 22, 1996.

[116] William Frey, "Immigration, Domestic Migration, and Demographic Balkanization in America: New Evidence for the 1990s," *Population and Development Review*, vol. 22, no. 4 (1996), table 2; Stephen Moore, *Immigration and America's Cities* (Arlington, Virginia: Alexis de Tocqueville Institution, March 6, 1996).

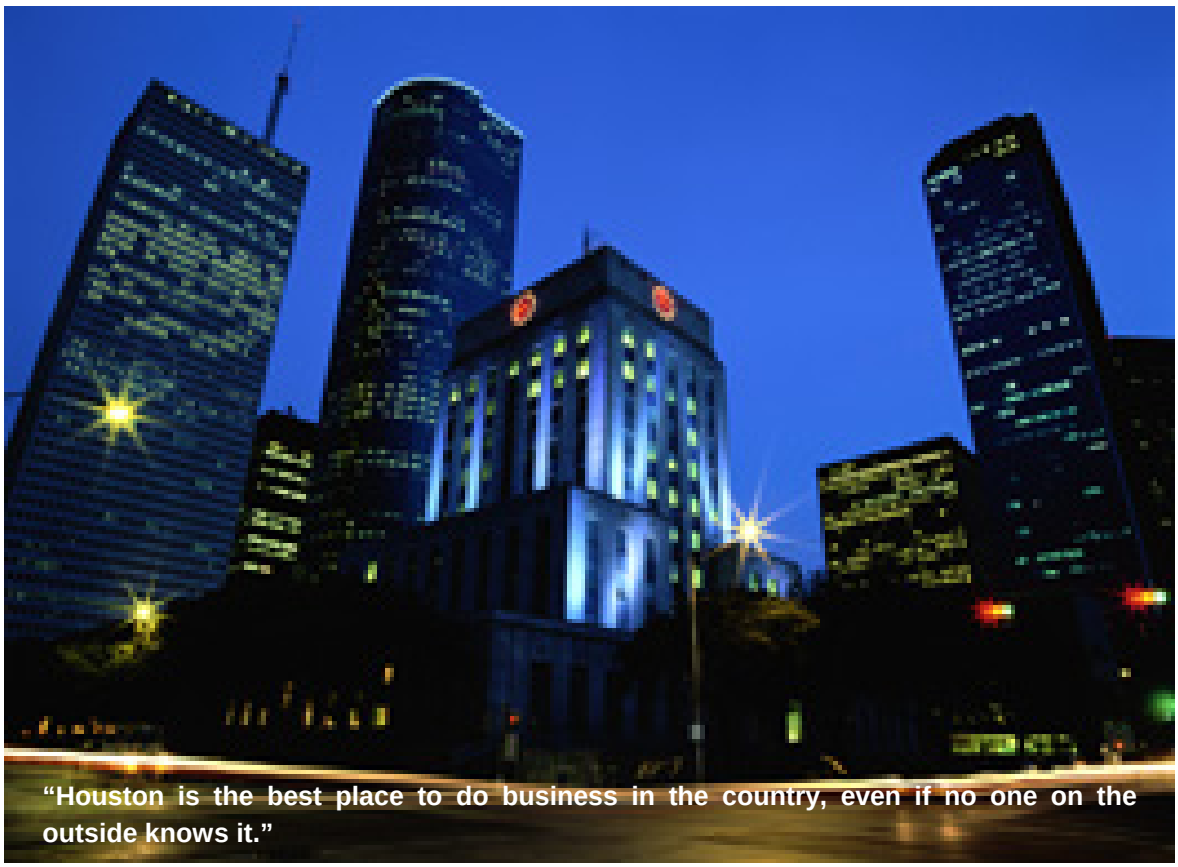
[117] Stephen L. Kleinberg, "Houston's Ethnic Communities," Rice University, Houston, Texas, 1996, pp. 1-2.

[118] U.S. Economic Census, 1997.

Source: Stephen L. Klineberg, *Houston's Ethnic Communities*, Rice University, Houston, Texas, 1996.

In contrast to American-born Houstonians, Wang argues, Asian immigrants, largely drawn from Vietnam, Taiwan, Hong Kong, and Mainland China as well as the Indian subcontinent, saw the region's depression as an enormous opportunity to pick up real estate, buy homes, and start businesses in fields such as food processing, distribution, and electronics assembly. Suggests Wang:

> *In the 1980s everyone was giving up on Houston, but we stayed. It was cheap to start a business here and easy to find good labor. We considered this the best place to do business in the country, even if no one on the outside knows it. . . . When the oil crisis came everything dropped, but it actually was our chance to become a new city again.*



"Houston is the best place to do business in the country, even if no one on the outside knows it."

Part 5

The Quest for a Sense of Place

With the rise of mass-merchandising, the internet, and telecommunications, downtowns, whether in small towns or big cities, offer one thing all too often missing: a sense of place. In an economy where technology has spawned the notion and created the reality of "placelessness,"[119] the ultimate, telling irony is that place—geography—matters now more than ever before. If people, companies, or industries can truly live anywhere, or at least choose from a multiplicity of places, the question of where to locate becomes increasingly contingent on the peculiar attributes of any given location.

In this new geography, lifestyle quality has replaced many of the traditional determinants of locational choice. Historically, people have lived somewhere to be close to such things as natural transportation points (e.g., ports or rail junctions) near vital raw materials, a low-tax environment, and low-cost labor. These traditional factors, of course, still matter, for example, if a company needs to establish a large-scale manufacturing facility, such as a semiconductor plant. But traditional factors increasingly matter less in "knowledge value" fields dependent on creative people or industries tied to cross-cultural trade.

Most particularly, the emergence of a digitally-oriented society places a greater emphasis on individual choice in terms of location (see Figure 9). The primacy of such subjective factors—such as preferred lifestyle options, climate, and physical attractiveness—helps repeal many of the traditional drivers of economic development. In the process an expensive, highly regulated city such as San Francisco remains among the wealthiest and most economically successful places in the nation and also explains why aesthetically unpleasant places such as Fresno, inexpensive and located in a magnificently fertile valley, rank near the bottom in terms of economic health.[120]

Just as new suburbs often offer better schools, newer infrastructure, and the rural countryside's physical beauty, the central cores of towns and cities supply a unique sense of placeness, of history, and meaning that are themselves unique assets in an increasingly homogeneous—and cyber-dominated—commercial world. Like an increasing number of city officials, Ellen Dean, economic director of Downers' Grove, a Chicago suburb, sees the best hope for her town in the restoration of its historic core, with its odd collection of old shops, a vintage movie theater, and brew-pub:

> *We think specialty retailers like the ones here are the future and so is downtown. The future is more interactive and people friendly. Downtown provides something unique—the entertainment, meet and greet venue. This can't be duplicated on the internet at all. Virtual reality is not reality. This is.*[121]

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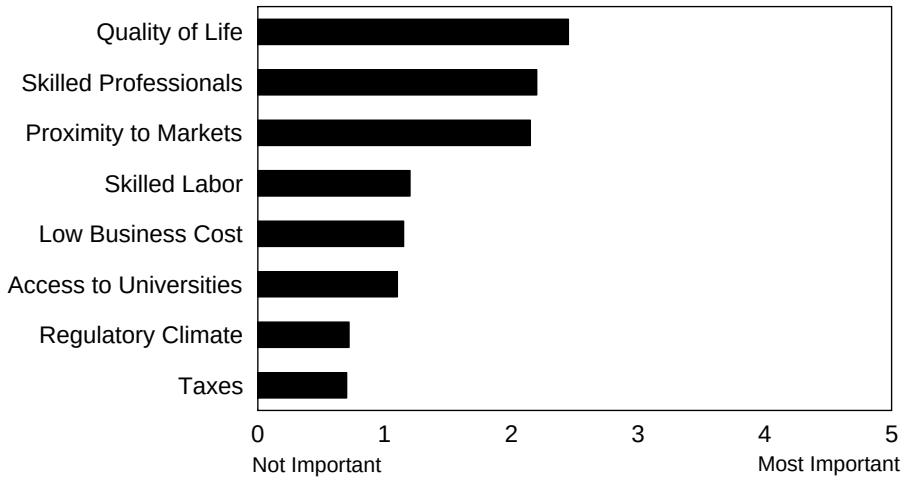
[119] Connie Koenen, "No Borders," *Los Angeles Times,* February 12, 1996.

[120] Carl Nolte, "California Century: At the Edge of Millennium, The Future is Here," *San Francisco Chronicle,* October 8, 1999.

[121] Ellen Dean, interview with author.

Figure 9: Key Factors Determining Company Location



Source: Analysis by Economics Department of BankBoston and published in *Greater Philadelphia Regional Review* (Fall/Winter 1997), p. 15.

The drive to recover the central space involves not only retail development but also the creation of new cultural institutions. Dallas, San Diego, Cleveland, Dallas, and West Palm Beach have invested heavily in creating new cultural institutions, usually in and around their urban cores.[122] Some 600 museums—from the gigantic J. Paul Getty Museum in Los Angeles to Pittsburgh's Andy Warhol Museum—have been built since 1970.[123] By the end of the decade, there were upwards of 50 science centers, and over 30 aquarium projects and specialized museums.

Preserving a sense of the past has been a critical part of this strategy to revivify the central space. Since the Minneapolis Historical Society opened its new building in 1992, the number of visitors has soared from 40,000 annually to well over a half million.[124] Even the most desperate cities see promoting culture as a way to mythologize themselves out of decline. Bereft increasingly of a central economic role, cities see themselves as cultural centers since this is one area where suburbs are particularly deficient. Newark has built a Performing Arts Center as an unlikely boon to civic renewal,[125] while Detroit has placed great stock in its new Museum of African-American History. Cleveland's Rock and Roll Hall of Fame—won after fierce competition with other, arguably more attractive locales—has replaced industrial decline as that city's preferred image to the world. Rena Blumberg, community relations director of WDOK, a local Cleveland radio station, explained:

> *We need something to say, 'Come to Cleveland.' The Rock and Roll Hall of Fame is a signature piece for Cleveland. It is a combination of everything that is best in America, a great repository of what we all share, which is music.*[126]

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122 Bruce Weber, "Arts Sapling Bears Fruit in Downtown U.S.," *New York Times,* November 18, 1997.

123 Suzanne Muchnic, "Exercises in Really Big Thinking," *Los Angeles Times,* September 5, 1999; R.W. Apple, "Where Steel was King, a New Spirit Reigns," *New York Times,* July 30, 1997.

124 "America Smiles at Itself," *The Economist,* June 22, 1996, pp. 81-82.

125 Greg Sandow, "Urban Arts Center Spurs Cultural Revolution," *The Wall Street Journal,* July 28, 1998.

126 "The Cleveland Turnaround: Building on Progress," *Harvard Business School,* November 30, 1996, p. 15.

On a less grandiose level, smaller towns like Downer's Grove focus their identity-building activities by bolstering often-neglected Main Street shopping districts. This approach is already being adopted by midopolitan communities like Bay Shore on Long Island, Mountain View and Redwood City in the San Francisco Bay Area, and Alhambra in California's San Gabriel Valley, as well as Sherman Oaks, Toluca Lake, and Studio City in the onetime mecca of the mall-rat, the San Fernando Valley. The revival of traditional downtowns throughout Virginia—including Roanoke and Petersburg—in the 1990s has added $400 million in new investment and created an estimated 15,000 jobs.[127]

Even as some towns and cities seek to restore their historic role, others seem determined to undermine the very concept of preserving their authenticity and distinctiveness. Authenticity is, by its nature, an imprecise term, yet it is nevertheless recognizable to those who seek it. Authenticity represents a natural outgrowth of a place's past or a reflection of its current distinct reality. For urban centers, this sense of the past constitutes among their greatest intangible assets.

Urban authenticity usually emerges out of "bottom up" grassroots marketplace realities; it is rarely the product of civic engineering or subsidized "urban renewal." In a shopping district, it is often reflected by the presence of individual, locally based merchants, who often sell products and services that are different, or at least delivered in a different manner, than ubiquitous chains found in prototypical suburban communities.

Bereft increasingly of a central economic role, cities see themselves as cultural centers since this is one area where suburbs are particularly deficient.

In some places such as Baltimore's Westside and Chicago's Maxwell Street century-old traditions of retailing—tied to the essence of their city's history—have become battlegrounds between homogenization of urban geography and its restoration. In Baltimore, this can be seen in a massive $500 million plan to bulldoze large parts of the historic commercial core, which is now dominated by Asian, African-American, and other small specialized businesses. Although some historic structures would be restored, the character of the area would be changed significantly into what may best be seen as a "mall in brick," an urban version of suburban mall, with all the predictable stores.[128]

A similar plan threatens to destroy the last remaining vestiges of Chicago's Maxwell Street, which for generations served as the central marketplace for working-class African-Americans, Jews, and other ethnics. With its famous hot dog stands, blues clubs, and specialized retail stores, it epitomized the brawling, diverse, and dynamic culture of the great midwestern city.[129] Yet plans initiated by the nearby University of Illinois campus would essentially destroy the last vestiges of the street, except perhaps to preserve some facades of the historic storefronts.[130]

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[127] Statement of Alex Wise, Director, Virginia Department of Historic Resources, Richmond, Virginia, 1999.

[128] Molly Rath and Brennen Jensen, "West Side Story: What's At Stake in the Rush to Redevelop Baltimore's Original Downtown," *City Paper*, June 18, 1999.

[129] Kari Lydersen, "Maxwell Street's Farewell Blues," *Washington Post*, December 1, 1998; Carolyn Eastwood, "The Demise of an Urban Market: Does It Matter? Who Cares?" paper presented at the 72nd Annual Meeting of the Central States Anthropological Society, March 1995.

[130] Curtis Lawrence, "Will UIC's Ideas Sell?," *Chicago Sun-Times*, June 27, 1999.

Steve Balkin, an expert on informal markets and a professor at Roosevelt University, believes that the university and its allies largely miss the critical importance of Maxwell Street—and its brand of dynamic grassroots capitalism—for the long-term viability of Chicago. Over a "Polish Dog" at Jim's Hot Dog Stand, the short, balding Balkin, sweating in the high '90s summer heat, asserted:

> *The competitive advantage of a place like Chicago is its uniqueness, the feel of the buildings, yes, but also the interaction. This is not preservation but living history. Here you can smell what your grandparents smelled.*

This search for a new sense of "place" also can be seen in such things as the reaction against the imposition of a corporate standard—such as Disney—on communities, whether around the historic Manassas, Virginia battlefield site or along New York's Times Square. Such efforts can also, as one writer observed, turn a city or town into "a giant theme park," robbing it of its essential historical and community character.[131]

Concern with the loss of authenticity and history—and its impact on place—has been rising for much of the past century. In the 1930s, J.B. Priestly observed what he saw as a trend towards sameness, emanating from America, but settling in his beloved England. The island nation, he complained, had improved materially but was also "standardized" and monotonous. "It is a large-scale, mass production job, with cut prices. You could almost accept Woolworth's as its symbol."[132]

Urban authenticity usually emerges out of "bottom up" grassroots marketplace realities; it is rarely the product of civic engineering or subsidized "urban renewal."

By the 1950s, the emergence of this conformist, suburban-oriented retail culture had become obvious to many observers, including the great urbanists Lewis Mumford and Jane Jacobs. Both decried the movement of the marketplace from the city streets to suburban shopping malls. This transition, suggested Jane Jacobs, deprived consumers of the pleasures of spontaneity and unexpected experiences, which she saw as "one of the missions" of cities.[133] As in more tangible products like bread or furniture, consumer tastes in media are diversifying as well, appetites further fed by the growth of cable, satellite broadcasting, and the internet.

Much of the spontaneity Jacobs saw on the streets of her beloved lower Manhattan back in the 1950s is no longer so evident. As cities such as New York, Chicago, and Boston have recovered at the end of the millennium, their retail environments have tended to take on ever more the character of their suburban counterparts. Even the most exclusive districts such Rodeo Drive in Beverly Hills, San Francisco's Union Square, or New York's Fifth Avenue no longer exercise dominion over taste and fashion; the same stores are now duplicated in high-end malls from Costa Mesa to Long Island.

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[131] Beverly Weintraub, "A Perfect City in a Perfect Disney World," *New York Daily News*, June 26, 1995.

[132] Martin Weiner, *English Culture and the Decline of the Industrial Spirit* (Cambridge, United Kingdom: Cambridge University Press, 1981), p. 124.

[133] Jacobs, *The Death and Life of Great American Cities*, p. 238.

But preserving the physical space is not enough to fully exploit the authentic advantage of urban places. Even where the exterior environment has been lovingly restored, the commercial essence of many of these cherished streets is that of a "mall in brick." The dynamic is easy to explain. Old merchants, and adventurous newcomers, come to a district and often bring it back to life. Then the specialty chains arrive. What former Pasadena Mayor Rick Cole calls the "chain-store massacre" begins. Rents rise. The independents leave. The highly differentiated soon dissolves into the all-too-familiar.[134] "Nothing remains authentic for too long," suggests David Webber, a consultant at the New York based "branding" firm of Siegel and Gale. "Our efficiency drive leaves us to duplicate them and eliminate the authenticity."

This can be seen in cities such as Annapolis, Maryland, which decades ago had a downtown dominated by locally owned businesses. Rents in the 1960s were about $9 or $10 a square foot. In the 1980s the rent rose to $30 or $40 a square foot. By the late 1990s they had risen to as much as $50 a square foot, about 18 percent faster than inflation.[135] "You can just about count on one hand the remaining independent operators downtown," notes Annapolis native and local real-estate agent Bill Greenfield. "None of them are paying the high-dollar rents. That's the key."[136]

Our efficiency drive leaves us to duplicate them and eliminate the authenticity.

This process is being accelerated by the automation not only of form, but also of the technology of retail construction. As traditional Main Streets battle an invasion of chains, malls and new developments have learned how to duplicate *faux* environments ranging from Italian piazzas to western villages. As Roberta Perry, executive vice president of Edwards Technologies, an El Segundo, California creator of kiosks and other products used in the theming industry, explains:

> *Competition is doing this to everyone. I get calls from retailers every day. Shopping has boiled down to choice or chore—and most retailers would much more like to make it a choice. Even for a sandwich shop, just having a good sandwich doesn't do it anymore.*

Firms such as Edwards Technologies help merchants create "a sense of place" by seeking to provide an "experience" in a commercial setting. In this new retail paradigm, merchants don't merely go for the sale; they seek to "transform" the customer through the recurring use of particular themes.[137] Although clearly the cutting edge of place development, the new "theme" mall often ends up morphing into the most predictable of places, particularly as they begin to proliferate. In Orange County, California alone nearly five such "entertainment" oriented centers have been built since 1993. And this does not include the biggest themed-retail project of them all, the expanded Disneyland.[138]

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[134] T.J. Sullivan, "Cookie Cutters Shaping U.S. Cities," *Ventura County Star*, January 3, 1999.

[135] An increase in rents from $9 to $50 per square foot represents a 351 percent increase. Inflation, in contrast, increased by 284 percent from 1965 to 1995.

[136] Cherl Lu-Lien Tan, "Annapolis Laments Loss of Small Town Business," *Baltimore Sun*, January 4, 1999.

[137] Joseph Pine II and James H. Gilmore, *The Experience Economy* (Cambridge, Massachusetts: Harvard Business School Press, 1999), p. 165.

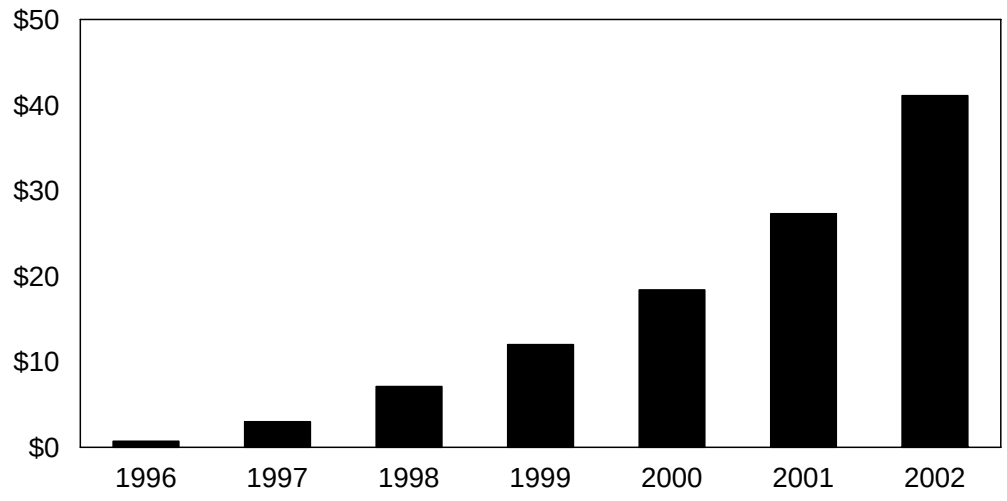
[138] Susan Deemer, "Entertainment Centers Sprouting All Over," *Orange County Business Journal*, July 30, 1998.

For some, such as Yves Sistron, a partner at Global Retail Partners in Los Angeles, the quest to create an environment for localized, authentic places is foredoomed as large firms gobble up everything from coffee shops to dry cleaners and developers rush to embrace the newest "theming" trend.[139] The independent merchant, the distinctive symbol of the old Main Street, ends up, inevitably, largely a marginal player:

> *Who gets beat—the smaller, independent stores, the Mom and Pops. I'm not saying it's not dreary but it's true. If you want to see what Main Street used to be down the road, it's going to be Main Street, Disneyland.*

To this picture, electronic commerce now adds yet another dimension (Figure 10). Now, for the first time, consumers are being presented with greater choices, convenience, lower prices, and more engaging graphics on the internet. The electronic casbah could prove the final undoing of the culture of retail that has predominated in cities for millennia.

Figure 10: Growth in E-tailing ($ Billions U.S.)



Source: Jupiter Communications, 1998

Yet even as cyberspace evolves, and commerce automates, there remains compelling evidence—as seen in Downers' Grove and cities across the country— of a growing market for something that seems, or feels, real. People still feel the need to shop in a "brick and mortar" environment and a large, if somewhat undetermined, proportion of the population seems to desire something other than the prepackaged and predictable— something different, *authentic*, rooted in a specific place—a town square, a downtown, along a river or bayside.

In the 1990s, this spirit was reflected in the widespread popularity of "new urbanist" development, which, despite its name, really sought to recreate the ideal of the small town or village as opposed to the densely packed urban community. Indeed, most of the major showplaces of the "new urbanist" design were in decidedly nonurban locations such as Laguna West in suburban Sacramento; Kentlands, Maryland;

[139] Paulette Thomas, "Staples Executives Now Aim to Reinvent Dry-cleaning," *The Wall Street Journal*, April 27, 1999.

Celebration and Seaside, Florida. To date, new urbanism functions more as an "alternative to suburban sprawl," to "make new development more town-like."[140]

Ultimately the appeal of new urbanism is about what one of its leading advocates, Peter Calthorpe, calls the "aesthetics of place"—a reaction against the rampant "modernism" that seems out of touch with the human values associated with traditional village life.[141] As growth moves to the periphery, there is a growing need for new centers that are accessible to the growth parts of the metropolis. Notes urban theorist Arthur Sullivan:

> *Most cities in the United States are experiencing the urban-village phenomenon. Subcenters are developing in the rapidly growing Sunbelt cities…as well as cities with less rapid growth. . . . The development of the urban village is explained by the suburbanization of retailers and office firms.*[142]

Yet the "new urbanism," largely driven by architects and planners, often misses the essential components of authenticity, such as the importance of locally owned and distinctive shops. Often "new urbanists" concern themselves not so much with the survival of local cultures or businesses, but respond to the disgust with aesthetic concerns such as the predictable, often unattractive architecture associated with malls and other retail projects. Adjusting signage and blending in with older buildings usually suffices for such critics, who often object more to a Rite-Aid or Burger King than to high-end boutiques.

The appeal of new urbanism is the "aesthetics of place"—a reaction against the rampant "modernism" that seems out of touch with the human values associated with traditional village life.

"What it really boils down to," suggests Helen Bulwik, a retail specialist at Andersen Consulting, "is who is the customer that the particular store attracts, and whether that kind of person is the kind of person [the resident] wants to see in the community."[143]

In some cities, the desire to preserve authenticity has led to ordinances that make it hard for developers to bring in Wal-marts, fast food places, Borders, and even Starbucks, which, it is argued, could drain business away from established downtowns and locally owned firms.[144] Other cities, such as Long Beach, California, have taken a less confrontational approach, passing retail ordinances to slow the building of new restaurants

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[140] Fulton, "The New Urbanism," pp. 2-3; Andres Duany and Elizabeth Plater-Zybeck, *Towns and Town-making Principles* (Cambridge, Massachusetts: Harvard University School of Design, 1992), p. 15; Ann Carrns, "Architects Attack Development; Purists Attack Hybrids Over Claims of New Urbanism," *The Wall Street Journal*, June 11, 1997.

[141] Peter Calthorpe, *The Next American Metropolis* (New York: Princeton Architectural Press, 1993), p. 11.

[142] Edward J. Blakely and David Ames, "Changing Places: American Urban Planning Policy for the 1990s," Institute for Urban and Regional Development, University of California at Berkeley, January 1992, p. 9.

[143] Victoria Colliver, "The Chain Reaction," *San Francisco Examiner*, November 15, 1998.

[144] Examples of this can be seen in cities such as Ojai, California and San Juan Capistrano. An interesting discussion of the issue can be found in Julia Thomsen, "How Can One Small Town Environment and its Charming Character Provided by 'Mom and Pop,' 'One-of' Shops Be Preserved in this Mass-Marketed, Mass Produced 'Bigger is Better,' 'Greed is Good,' More, More, More Society," paper presented in "Southern California as World Microcosm," Pepperdine University School of Public Policy, Fall 1998, available from the author.

as they seek a better "balance" between chains and locally owned businesses.[145] Much of the opposition to chains is based on the fear that unique areas are being transformed—sometimes seemingly overnight—into "just another neighborhood." Disgusted with the sudden proliferation of Tower Records, Dunkin Donuts, and other chains, realtor Pebble Gifford, president of the Harvard Square Liberation Front, asks:

> *Why destroy it? Why screw up one more unique place in urban America. The developers' want to leave it quite bland. And what always brought people to the square was the quirkiness, the chance to see the crazies. We just feel so much is done in the name of profit, and bottom line is destructive. There have to be other considerations.*[146]

But in a fundamentally capitalistic society, such regulatory efforts usually are doomed to fail, often protecting what become entrenched interests from competition. Ultimately, the most important forces defending uniqueness and authenticity must come from the marketplace itself. Even the most successful formula can now fail due to overduplication. The Disney Stores, now spread to hundreds of locations around the country, have become so commonplace as to be losing their appeal, with sales dropping by double digits at century's end.[147]

The most important forces defending uniqueness and authenticity must come from the marketplace itself.

In recent years, even such heavily hyped, well-financed "themed" restaurants as Planet Hollywood, the Official All Star Café, the Hard Rock Café, and Dive! have either gone bankrupt or face hard financial times. "The life cycle of theme restaurants has been a lot shorter than anyone expected," notes Ron Paul, president of Technomic, Inc., a Chicago-based restaurant-consulting chain. "Even in New York, where there's a huge tourist population, the novelty's gone. It turns out that the consumer had a lot more entertainment alternatives."[148]

At the same time, there appears to be a market for more varied kinds of experiences. One sign of this has been the rise of farmer's markets throughout the nation, which grew from 1,700 in 1994 to over 2,700 by 1998.[149] A throwback to the earliest markets of antiquity, these food *suks* bring farmers, cheese, and sausage-makers together with customers.[150] Musicians, itinerant actors, and independent artists all converge on market days—much as occurred from the earliest periods of commerce.

In the 21st century, maintaining these central functions represents one of the key elements behind urban recovery. Clearly the internet and the forces of duplication will threaten the local providers of standardized

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145 Kurt Helin, "Chain Reactions," *Entrepreneur* (October 1998).

146 Debbie Gifford, interview with author.

147 Nola L. Sarkisian, "Mouse Getting Mauled," *Los Angeles Business Journal,* May 10, 1999.

148 Charles V. Bagli, "Their Novelty Gone, There Restaurants are Tumbling," *New York Times,* December 27, 1998; "Planet Hollywood Planning Makeovers," *Reuters,* January 15, 1999; Richard Gibson, "Lost Appetite: Fame Proves Fleeting at Planet Hollywood," October 7, 1998; Nola Sakisian, "Themed Eatery Dive! Goes Under for Good," *Los Angeles Business Journal,* January 18, 1999.

149 U.S. Department of Agriculture estimate, press release, November 23, 1998.

150 Savid Karp, "Market Force," *Los Angeles Times,* June 16, 1997.

goods and services, where price and convenience are the prime considerations. Many of the businesses at the mall or on a traditional Main Street—brokers, real-estate agents, travel agents, computer stores, banks, records, flower, and gift shops—are vulnerable to massive undermining by web-based businesses. Travel, p.c. hardware, software, tickets, gifts, toys, books, music, apparel, consumer electronics were all among the hot sellers in this nascent period of the web.[151]

Yet to maintain the city center, something else, perhaps less intangible, must be offered. Some observers, such as land-use analyst William Fulton, believes that the growth of cyberspace—coupled with the "chaining" of America—has reached such a level that shopping districts are no longer expected to provide the "social and cultural glue" holding together the local community. Indeed virtually every traditional linchpin institution, not only Main Street stores, but a community's banks, newspapers, and even hospitals now often appear as little more than a link in a vast national, or even global, corporate chain. As a result, Fulton envisions that the focus of community life, of necessity, will shift from Main Street to elsewhere, to libraries, performing arts centers, schools, and service clubs.[152]

For many cities, this has turned cultural and arts-related activities—art museums, theaters, ballet, and video production—into potential sources for urban recovery. "The downtown already had most of the museums," explains Lois Weisberg, Chicago's cultural affairs commissioner. "It had the most interesting architecture that people came to see. I would say Chicago is pinning its hopes on cultural institutions to redevelop downtown."[153]

Such an approach can be seen even in the traditionally most anonymous suburbs—from San Fernando Valley, California to Long Island, New York—that are seeking identity by building cultural centers and either rediscovering their community past, or in newer communities, creating gathering centers from their inception.[154] The construction of "town centers" built around community institutions certainly could take place, but the vitality, the centrality of the marketplace would not easily be replaced as a motivation to bring people out of their homes. Only the lure of seeing, and having the chance to purchase, the goods and services can create a truly spontaneous space; a center unhinged from the marketplace can only serve as a center of spectacle driven by above, rather than a place of wonder, created by the natural diversity and creativity drawn to the central place.

Without retailing, the commercial role of the center or Main Street, the very geography of space, will have been repealed. A library, concert hall, or art museum can lure visitors on special occasions, but only the marketplace can create a true permanent central place. Ultimately, a revived center city, and its successors in the peripheral regions, will have to combine both this community sense and a sense of uniqueness with a strong market-driven commercial appeal.

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[151] Forrester Research, 1997; George Anders, "Click and Buy: Why—and Where—the Internet is Succeeding," *The Wall Street Journal*, December 7, 1997.

[152] William Fulton, "Rebuilding a Sense of Community," *Los Angeles Times*, August 9, 1999.

[153] Bruce Weber, "Arts Sapling Bears Fruit in Downtown U.S.," *New York Times*, November 18, 1997.

[154] Diana Shaman, "Reviving Main Streets by Historic Observation," *New York Times*, July 26, 1998. "Manufactured Downtowns," editorial, *Detroit News*, January 16, 1996; Sue Doerfler, "Cohesive Community: Scottsdale's DC Ranch Stresses Neighborliness," *Arizona Republic*, December 19, 1998.

Part 6

Learning from Reality: Guidelines for Policymakers, Investors, and Entrepreneurs

To survive in the new century, cities will have to secure a new place in the nation's geography. They will not be able to rely on advantages—concentration of large firms, location near ports, cheap labor, or raw materials—that helped propel their growth during the previous century. Instead they must refocus on those functions carried out by cities for the past three millennia, such as cross-cultural trade, the arts, and making of highly specialized goods. The previous analysis suggests four lessons for local policymakers, investors, and urban entrepreneurs.

Four Lessons from Reality

1. Emphasize Qualitative over Quantitative Values
2. Concentrate on Appropriate Niches
3. Nurture the Grassroots Economy

A. Lesson One: Emphasize Qualitative over Quantitative Values

The primacy of qualitative over quantitative values represents the key to this renaissance. The city of the 21st century is unlikely to thrive, like its industrial-age antecedent, by simply feeding off ever-greater population growth or economies of scale. In the past decade, most urban areas have actually "thinned out," becoming half as densely populated as in the immediate post-World War II era; only 11 of the 30 largest have more people than they did in 1950.[155] Even in Los Angeles, a city long synonymous with explosive growth, increases in population grew by only 2 percent between 1990 and 1996.[156] Indeed, much growth that has taken place, even in western or southern cities, has been more the result of annexation than greater density in the historic space.[157]

Yet these demographic trends need not reflect a permanent decline for urban areas. Indeed, slowing or even reduced population can provide the basis for creating a more livable city that is more like its preindustrial antecedents. Florence in the 14th century numbered less than 100,000, yet profoundly influenced not only Italy, but also the entire European world. At its height Venice's population of 190,000 flourished by serving a mainland hinterland of two million as well as its far-flung global clientele.

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[155] David Rusk, *Baltimore Unbound* (Baltimore, Maryland: the Abell Foundation, 1996), p. 1; City of Baltimore, *Plan Baltimore*, p. 11.

[156] "1997 Business Almanac," *Los Angeles Business Journal*, June 23, 1997, p. 4.

[157] See David Rusk, *Cities Without Suburbs* (Baltimore, Maryland: Woodrow Wilson Center Press/Johns Hopkins University Press, 1993).

One can still sense this kind of concentrated influence in older cities such as Amsterdam, which achieved greatness in influence without ever achieving much girth. At its height in the 17th century, Amsterdam's 200,000 souls dominated a province (Holland) with more than three times its numbers, a nation (the United Provinces) with tenfold its population, and, over time, an empire many times larger.[158] "Amsterdam has been a world city for a long time, but it's always been a small world city," observes Dutch historian Geert Mak. "You could conduct business globally but walk from one end to the other in 20 minutes."[159]

In its physical aspect as well, the future city resembles increasingly its archaic predecessors. Unlike the mass-industrial city of recent memory, where development could be seen as a city's "basic industry," urban areas no longer can identify their futures through building ever taller buildings, or building ever more dense downtown office districts.[160] Such massive development projects are more common today in cities within developing economies, such as Malaysia and China.[161] None of the hundred tallest buildings built in the last five years has been built in America and only one, an apartment tower under construction near the United Nations, will join the top one hundred club.[162]

B. Lesson Two: Concentrate on Appropriate Niches

Whether in the form of a sprawling agglomeration like Los Angeles or Houston or a compact city such as Boston, Seattle, or Baltimore, the archetypical future city must see itself, first and foremost, as a collection of cosmopolitan, functional, and living neighborhoods. These communities, or urban villages, both separately and as part of a citywide archipelago, seek to offer residents a wide range of experiences, sights, and sounds not readily accessible through a computer console or in the suburban expanse.

The potential of this new dynamic can be seen in hosts of neighborhoods around the nation where so much of the cutting-edge activity of the knowledge-value economy now clusters.[163] This occurs even in unexpected places, such as downtown Dallas, where the old African-American entertainment district know as Deep Ellum has become a hotbed for homesteading young professionals, visiting suburbanites and new technology firms, including Broadcast.Com.[164] Brady Wood, a 31-year-old New Orleans-reared developer, restaurateur, and nightclub owner, suggests:

> *People are getting bored with housing tracks and strip malls. They want to go someplace where they can experience something different. It's all about texture and character. People want a sense of the past, the spontaneous and more than anything, the different.* [165]

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158 Peter Burke**,** *Venice and Amsterdam* (Cambridge, England: Polity Press, 1994), pp. 50-51; John J. Harrigan, *Political Change in the Metropolis* (Boston, Massachusetts: Little Brown, 1976), p. 25; Peter Hall, *Cities and Civilization* (New York: Pantheon, 1998), p. 69.

159 Geert Mak, interview with author.

160 Susan S. Fainstein, *The City Builders: Property, Politics and Planning in London and New York* (London: Blackwell, 1994), p. 24.

161 Andrew Tanzer, "The Shanghai Bubble," *Forbes,* April 20 1998; Craig S. Smith, "Race for the Sky," *The Wall Street Journal*, June 2, 1999.

162 Rick Hamson, "High Hopes Chicago Skyscraper would be Worldbeater," *USA Today*, October 8, 1999.

163 Jill Schachner Chanen, "In Chicago's Loop, Office are Converted to Condo's," *New York Times*, July 27, 1997.

164 "Downtown Dallas," Community Profile, 1999; Tony Hartel, "Downtown Population Booming," *Dallas Morning News*, September 25, 1998.

165 Brady Wood, interview with author.

To bolster this economy, cities must learn to do those things that the young people Wood targets care about—whether in terms of safety, tax policy, and a tolerant regulatory regime. Most of all, the economy and culture should be given free rein to express its spontaneity and diversity—without the deadening hand of government or city-sponsored "urban renewal."

The urban-renewal approach was lethal in the 1990s—leading to failed office projects, deserted inner-city malls, and underused transit projects. As a general rule, the city should be allowed to renew itself from the marketplace and the ground up; replacing a Maxwell Street or Westside Baltimore with a "mall in brick" undermines the very message of differentiation that cities need to convey. If gentrification does come, suggests Lou Boulmetis, a hatter leading the opposition to Baltimore's Westside development, it should stem from marketplace forces:

> *It would be one thing if this was driven by some demand from the consumers. This area evolved because it serves the market. Let it evolve. Not everything has to be the same like any suburban mall. It's not just a matter of pretty buildings. It's our livelihood.*[166]

C. Lesson Three: Nurture the Grassroots Economy

The promise of the knowledge-value economy will not be enough for most cities. Ultimately this depends on the ability of future cities not only to attract the young and adventurous but also to incorporate a large enough share of its population into its civic and economic web. The growth of knowledge-value industries and the migration of the new urbanites that service them represent a starting-point for an urban renaissance, but not an end in itself.

Communities need to maintain a strong presence of specialized industrial, warehousing, and other blue-collar industries in addition to the postindustrial sectors. The great European cities of the Renaissance and early modernity—Florence, Venice, Amsterdam, Antwerp, London—reached their economic peaks by combining thriving shipbuilding, textiles, and glass industries with their traditional trade functions. On the other hand, historian Lauro Martines traces much of the decline of great trading cities such as Florence and Genoa to the gradual weakening of the artisanal sectors even as the transactional economy continued to expand.[167]

In the late 20th century, decline in the artisanal economy has had tragic consequences. As recently as 1960, New York's manufacturing industries employed over 900,000 workers. Since 1974 that number has dropped from 610,000 to roughly 280,000 two decades later, a 54 percent decline.[168] Philadelphia lost well over a third of its manufacturing workforce in a single decade between the early 1980s and early 1990s.[169] Chicago, another major artisanal center, suffered a similarly huge drop, losing 60 percent of its manufacturing jobs between 1970 and 1996.

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[166] Lou Boulmetis, interview with author.

[167] Lauro Martinez, *Power and Imagination: City-states in the Renaissance* (New York: Knopf, 1979), p. 337.

[168] Mitchell L. Moss, "Made in New York: The Future of Manufacturing in New York," Taub Urban Research Center, August 1994.

[169] "An Economic Development Strategy for the Greater Philadelphia Region," *GPF Benchmarks*, p. 11.

The consequences of this decline—as occurred earlier in Venice, Amsterdam, and other cities—was to pull up one of the traditional vital ladders of upward mobility for the urban poor. Even with the trend towards lower pay and less unionization in manufacturing, industrial jobs generally still pay higher than service positions; overall industrial workers remain half as likely to earn incomes below the poverty line than their service counterparts.[170] In Chicago, the city was basically replacing industrial jobs paying $37,000 with service positions earning an average of $26,000.[171]

This deindustrialization may also help explain why—despite an unprecedented Wall Street boom—unemployment in New York remained at better than twice the national average at the end of the 1990s, well above most major cities.[172] The city's geography of wealth has also been transformed, becoming more concentrated in Manhattan, which accounts for barely seven percent of the city's landmass, while poverty has remained stubbornly persistent in predominately minority and working-class areas in Queens, Brooklyn, and the Bronx.[173] The repeal of much of the industrial geography particularly harmed new immigrants with modest educational backgrounds. In 1960 nearly 85 percent of working-age Puerto Ricans in the city were in the labor force. Four decades later, that had dropped to barely half.[174]

Successful cities in their prime—like Florence in the 15th century, Amsterdam in the 16th century, London in the 19thcentury, or New York in the early 20th century—have often been driven by grasping "new men" from the countryside, abroad, or even their own slums.

This decline has been exacerbated by the tendency in many cities to ignore industrial firms while lavishing tax breaks and other incentives on favored sectors such as financial services or large firms. Today most business, professional, and political elites see the future of their cities as connected almost exclusively to the growth of a few coveted high-end sectors and name-brand companies. Attracting capital, corporations, and talent, from the rest of the country or abroad, often becomes the primary focus of their economic-development activities. Even in times of budgetary stress, and in the face of enormous public debt, cities such as New York have lavished hundreds of millions to retain large multinational firms as a primary part of their economic-development strategy.[175]

In comparison, a strategy that also looks to boosting a broader industrial economy, often with the use of well-developed producer networks, represents a more "progressive" economic policy than that usually suggested by most activist city governments. Rather than obsess on large firms or symbolic projects like stadiums, center cities need to encourage grassroots entrepreneurship, which taps the skills and energies of their own people, both as entrepreneurs and workers.

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[170] Kim Phillips-Fein, "The Still Industrial City: Why Cities Should Not Just Let Manufacturing Go," *The American Prospect* (September-October 1998).

[171] R.C. Longworth and Greg Burns, "The Global City: Challenge for a New Century," *Chicago Tribune Company*, February 7, 1999.

[172] Kirk Johnson, "Report Shows a Strong and Diverse Job Growth," *New York Times*, March 5, 1998.

[173] Kirk Johnson, "New York City Jobless Rate is Worse in 3 Years," *New York Times*, March 6, 1997; Kirk Johnson, "New York City Economic Performance Lagged in `96," *New York Times*, February 27, 1997; Ken Auletta, *The Streets Were Paved with Gold* (New York: Random House, 1975), p. 287.

[174] Fred Siegel, "New York, New York: The Life and Times of Gotham, City by the Sea," *The Weekly Standard*, February 8, 1999.

[175] Thomas J. Lueck, "Tax Breaks for Companies Flow Despite Budget Cuts in New York," *New York Times*, July 5, 1995.

Successful cities in their prime—like Florence in the 15th century, Amsterdam in the 16th century, London in the 19th century, or New York in the early 20th century—have often been driven by grasping "new men" from the countryside, abroad, or even their own slums.[176] Writing about New York in the 1950s, urbanologist Jane Jacobs observed: "A metropolitan economy, if it is working well, is constantly transforming many poor people into middle class people. . . greenhorns into competent citizens. . . . Cities don't lure the middle class, they create it."[177]

Creating this middle class means promoting the growth of smaller firms across a broad spectrum of industries. This notion is even more relevant in an economic geography where large companies are increasingly rootless and where most new job creation stems from smaller, upstart firms. A quarter century ago, for example, *Fortune 500* companies provided one out of every five private-sector jobs; today that ratio is less than one in ten.[178]

This is as true today in the industrial sector as in the internet. In 1980 roughly half of all industrial employment took place in plants of fewer than 500 workers; by 1994 roughly two-thirds of industrial workers labored in small factories. These firms tend to pay somewhat less than larger ones, yet they also provide greater opportunities for entrepreneurship; roughly 40 percent of owners of factories with less than 33 employees were themselves once production workers.[179]

Like their counterparts in New York and elsewhere, small firms heavily reliant on close cooperation between suppliers, designers, and customers increasingly dominate the Los Angeles industrial economy. Los Angeles's furniture makers, for example, tend to be far smaller, averaging around 34 per establishment compared to a national average of 54 and 129 for North Carolina, the largest center for the industry.[180] The same can be said in the garment industry, where Los Angeles has surpassed longtime rival New York as a manufacturer. Since 1990, the number of garment and textile firms in the region has grown from slightly over 4,000 to near 5,700. Only eleven of these firms have over 500 employees; Los Angeles has only five percent of the nation's large garment firms but almost 20 percent of firms of less than one hundred.[181]

Much of this growth has generated largely low-wage employment, yet immigrants, the primary working population in Los Angeles, generally enjoy higher wages in more deindustrialized cities such as New York, in part because of the proliferation of such small factories.[182] Ultimately, these firms cannot survive simply by paying lower wages, but by becoming more specialized, and artisanal in their approach. This model of production—described by MIT economists Michael Priore and Charles Sabel as "flexible specialization"—which stresses co-operation between networks of small firms already has become widely credited with boosting wages and opportunities in other urbanized parts of the world, most notably in southern Germany and Northern Italy.[183]

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176 Hall, *Cities in Civilization*, p. 88, 116.

177 Fred Siegel, *The Future Once Happened Here* (New York: Free Press, 1998), p. 61.

178 Thomas W. Malone and Robert J. Ludbacker, "The Dawn of the E-Lance Economy," *Harvard Business Review* (September-October 1998), p.147.

179 Numbers compiled by Dr. Dan Luria, Industrial Technology Institute, Ann Arbor, Michigan, 1998.

180 Arthur Herman, *The Idea of Decline in Western Civilization* (New York: Free Press, 1997), p. 22.

181 Stacy Kravetz, "Fashion Designers Exhibit Odd Trait: Cooperation," *The Wall Street Journal*, November 26, 1997; "Apparel Jobs Push State Gain to 13-year High," *California Apparel News*, March 6, 1998.

182 "How to Remake a City," *The Economist*, May 31, 1997, p. 25; David Friedman, *The New Economy Project*, City of Los Angeles, 1994, p. II-4; 1990 Census, prepared by Gregory Rodriguez, Pepperdine University, 1998.

183 For a further discussion on Silicon Valley's "network economy," see Saxenian, *Regional Advantage.*

D. Lesson Four: Decentralize Government

Across both Europe and Asia, as well as in America, notes Japanese economist Kenichi Ohmae, there has been a similar flowering of what he calls "global regionalism," where various regions jockey with rivals both domestically and abroad for capital, skilled labor, and markets.[184] At some level the devolutionary pressures could serve to weaken, and even eliminate, some national governments around the world, in places as disparate as Scotland, Flanders, Lombardy, Catalonia, Quebec, and western Canada. The breakup of the former Soviet Union and Yugoslavia, as well as resurgent regionalism inside China, may only be harbingers of future trends.[185]

America's existing federal form of government and the nation's historic affection for decentralized structures makes it ideal for reanimating local government.

Changes in information technology promote this "reverse flow of sovereignty." As news, currency, and technologies now flow seemlessly and ever more cheaply across national borders,[186] particularly with the advent of the internet, states and localities and even small towns now must struggle to position themselves within global competition.[187] As John Eger, executive director of San Diego University's International Center for Communications, points out:

> *Locally based companies that once competed with firms only in their own area code, for instance, now must battle companies throughout the world for their customers' loyalty and dollars; local governments that once had to compete for high-value residents against only nearby municipalities now must struggle to attract such residents in a world where a growing number of people can live nearly anywhere they want and still have access to the same jobs, the same income, and the same products and services to which they have become accustomed.*[188]

This new competitive reality has also expressed itself in negative terms—such as with moves to break up existing cities like Los Angeles and New York—by those who feel that these municipal leviathans have become too bureaucratic and self-absorbed. Several states, California, Kansas, as well as New York, have had periodic secessionist movements. Some observers, like economist Robert Reich, have denounced some of these movements as "secessions of the successful," yet they reflect a healthy debate about the proper scale for conducting public policy.[189]

Whatever its final form, America's existing federal form of government and the nation's historic affection for decentralized structures makes it ideal for reanimating local government. Critically this appeals not only to conservatives, who traditionally have favored smaller government, but also many progressives. Elaine

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184 Kenichi Ohmae, "Towards Global Regionalism," *Los Angeles Times,* April 27, 1990.

185 Robin Wright, "The Outer Limits," *Los Angeles Times,* August 25, 1992; "Can the Centre Hold?," *Economist,* November 6, 1993, p. 32.

186 "One world?" *Economist,* October 18, 1997.

187 Carrie Dolan, "Desperately Wooing Tokyo," *The Wall Street Journal,* September 29-30, 1989.

188 John Eger, "Cyberplace: Building the Smart Communities of the Future," International Center for Communications, San Diego University, 1998, unpublished paper.

189 Elizabeth Neindorf, "The Sweet Smell of Secession," *Governing* (October 1983), pp. 22-26; Peter Overby, "We're Outta Here," *Common Cause Magazine* (Winter 1992), p. 23; Howard Husock, "Let's Break Up the Big Cities," *City Journal* (Winter 1998), pp. 71-87.

Kamarck, shortly before assuming her post as chief domestic policy advisor to Vice President Gore hailed "devolution" as a movement "rooted in the reaction against centralized, bureaucratic command-and-control structures that have been undermined all over the world by the information age."[190] Her successor at the Vice President's office, Morley Winograd, also co-authored a major book that endorsed devolutionist principles.[191]

Similarly, the most effective practitioners of devolutionary principles include not only Republicans such as Indianapolis's Mayor Steven Goldsmith and San Diego's Susan Golding, but Democrats like Milwaukee Mayor John Norquist and Cleveland's Michael White.[192] At the same time opposition to the idea comes from within both parties—Republicans, who seek a conservative "American Imperium" directed from Washington and those left-liberals still wedded to an expansionist central state.[193] These ideological disparate elements, as *Reason* magazine editor Virginia Postrel has pointed out, often share a common dismay over the development of technology, the internet, or the breakdown in the unitary nation-state.[194]

Political practicality recommends a new emphasis on localism to central cities since their representation in both Washington and the statehouses has declined. It is increasingly irrelevant to most of the nation what constitutes the "urban agenda." Today it matters mostly to precisely those who reside, invest, or work in cities—it cannot be expected to be front and center in any national debate for the foreseeable future (see Table 3).

Table 3: Political Power of Cities Faded

City	% of Statewide Vote 1952	% of Statewide Vote 1996
New York	48	31
Chicago	41	20
Philadelphia	21	12
Detroit	29	8
Boston	15	7
Baltimore	39	10
Milwaukee	19	9

Source: Rhodes Cook, Cities: Decidedly Democratic, Declining in Population, July 12, 1997, p. 1648.

Notably, in the current environment, the U.S. Conference of Mayors asks not if an agenda is liberal and conservative, but whether it is in tune with the new economic, technological, and social challenges facing each community. What is needed, suggests Peter Drucker, cannot be found in repeating the mistakes of the recent past or a nostalgic return to the mid-20th century:

> *The government will need to transcend both groups. The megastate that this century built is bankrupt, morally as well as financially. It has not delivered. But its successor can not be `small government.' There are too many tasks, domestically and internationally. We need effective government—that is what the voters in all developed countries are clamoring for.*[195]

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190 Elaine Ciulla Kamarck, "Congress: A Job Without a Future," *Los Angeles Times*, April 16, 1992.

191 Morley Winograd and Dudley Buffa, *Taking Control: Politics in the Information Age* (New York: Henry Holt, 1996).

192 William D. Eggers and John O'Leary, *Revolution at the Roots: Making Our Government Smaller, Better and Closer to Home* (New York: Free Press, 1995), pp. 11-12, 14-16.

193 Irving Kristol, "The Emerging American Imperium," *The Wall Street Journal*, August 18, 1997.

194 Virginia Postrel and James K. Glassman, "National Greatness' or Conservative Malaise," *The Wall Street Journal*, September 25, 1997.

195 Peter F. Drucker, "Really Reinventing Government," *Atlantic Monthly*, February 1993, p. 61.

Drucker's challenge to find a means to "effective government" and challenges of governance should represent the central task of policy makers. But this should not be regarded merely as modern-day version of the national approach adopted during the 1950s and 1960s.

Given the devolutionary realities of these times, a reinvigorated public policy debate will also, by necessity, focus far more on local concerns. This is particularly necessary given the demographic and cultural differences between different regions of the country. Many urban centers (i.e., Los Angeles, New York, Chicago, Miami, and Houston) have as much as three to four times the percentage of foreign-born residents as other cities, much less small towns and suburbs. At the same time patterns of demographic and economic growth are also shifting, away from the northeast, where the governmental and public policy apparatus is concentrated, and towards the southern and western parts of the country.[196]

In response, the policy debate likewise needs to shift its traditionally centralized focus towards a greater emphasis both on the differing regions of the country and towards more focus on initiatives relevant to the ascendant west and south. Clearly the policy imperatives in one part of the country can differ significantly from one region to another. Multimedia, digital animation, or fashion-related training programs might make sense in Los Angeles, San Francisco, or New York, but the needs in mid-south cities might be in other fields.

The fate of the center city, indeed that of all communities, turns on recovering their economic and political sense of uniqueness.

E. Conclusion

The fate of the center city, indeed that of all communities, turns on recovering their economic and political sense of uniqueness. In their struggle for capital, skilled workers, and entrepreneurs core cities must calculate what their natural advantages are and then market themselves on that basis. This contrasts markedly with the traditional urban political approach, which has sought out aid from outside by emphasizing dysfunction and what historian Fred Siegel calls "the riot ideology," that is, basing appeal in the not-to-subtle threat cities hold to the overall social order.

In the emerging digital age, where cities hold a diminishing share of the population and where economic function can take place increasingly in a variety of locations, cities must instead seek their salvation not from outside, but within. The role of civic elites—business people, labor leaders, educators, media—will prove increasingly critical. If the elites do not believe in the city and its unique role for the future, it is unlikely that the bulk of urban residents will do so.

The lack of assertive civic elites, perhaps more than anything else, is what distinguishes the classical, Renaissance, and early modern city from its contemporary successors. As late as the mid-1950s sociologist E. Digby Baltzell could still talk about "goal integrating" and assertive elites committed to the fate of Philadelphia.[197] New York's dominant classes, notes former Tammany Hall boss Edward Costikyan, may

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[196] James Dao, "Population Shift is Causing Northeast, Midwest to Lose Clout," *New York Times*, March 18, 1998; "Americans Still Moving South and West," *Associated Press*, March 17, 1998.

[197] E. Digby Baltzell, *Philadelphia Gentlemen: The Making of a National Upper Class* (New Brunswick, New Jersey: Transaction Publishers, 1989), p. 36.

have been ruthless and self-interested, but they identified themselves explicitly with Gotham; the same can be said of leadership groups in Los Angeles, Chicago, and a host of other cities.

In recent decades this web of loyalties has begun to fray as ever more sophisticated telecommunications technologies have made it easier for companies and elites to ignore their responsibility to a particular city or place. In the new century, some believe this rootlessness will be further exacerbated by the development as well of virtual communities that will replace communities built of brick and mortar. The "cities of the future," argues William Mitchell, are by nature antispatial:

> *The worldwide computer network—the electronic agora—subverts, displaces and radically redefines our notions of gathering place, community and urban life. The Net has a fundamentally different physical structure, and it operates under quite different rules from those that organize the action of public places of traditional cities.*[198]

To some enthusiasts, these "virtual communities" represent the ultimate solution to urban, indeed all human, problems. Just as Edison saw that electricity would do everything from improve women's mental capacities to eliminate the need for sleep and allow communication with the dead, some, such as MIT's Nicholas Negroponte, see "digital technology" as "a natural force drawing people into a greater global harmony."[199]

Technology changes reality, and the geography of cities and communities, but ultimately does not solve the essential problems of human relations. As Daniel Bell argued almost three decades ago, the nature of postindustrial economy, can also serve to divide and individualize, breaking people into more nonspatially oriented interest groups, epitomized in our time by the rise of "chat rooms" on the internet.[200] If the new technology opens both utopian perspectives of a better, more livable city, it also conjures up the recurring vision of the cult movie classic *Blade Runner,* which portrays a polarized, polluted and decayed 21st Century Los Angeles.

In this sense, perhaps more than any other, the great cities of the past, and their cultures, loom most impressively as models for those communities seeking to secure their place in the geography of the future. The leading citizens of the ancient Greek *polis,* the Italian city-state, early-modern Amsterdam and London all shared a peculiar passion for the mythology, history, sites, sounds, and smells of their cities. This remains the critical intangible element in urban culture. Even in a virtualized world, cities remain, as Jane Jacobs noted, "thoroughly physical places."[201] Cities, indeed all communities, need to survive as something more than soulless zip codes of brick and glass interconnected by fiber-optic cables.

Residents of New York, Chicago, Los Angeles, Houston, and a host of other, smaller communities must seek first and foremost to revive the ancient civic spirit in the new. They can do this only by fostering a sense of connectivity—in human bonds, not just electronic links—between the various communities, businesses, and neighborhoods of the city. More than anything, this reclaimed sense of civic spirit, not technology or

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[198] William Mitchell, *City of Bits: Space, Place, and the Infobahn* (Cambridge, Massachusetts: MIT Press, 1997), pp. 5-8.

[199] Leon Marx, "Information Technology in Historical Perspective," in *High Technology and Low Income Communities,* eds. Donald Scxhon, Bish Sanyal and William J. Mitchell (Cambridge, Mass.: MIT Press 1999).

[200] Daniel Bell, *The Coming of Post-Industrial Society: A Venture in Social Forecasting* (New York: Basic Books, 1973), pp. 374-376.

[201] Jacobs, *Death and Life of Great American* Cities, p. 95.

government intervention, will determine how central cities can secure their place in the geography of the digital age.

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Appendix

Retro Cities: How the Key to the Future Lies in the Past

The present revival of the central city hearkens back to the oldest traditions of urban life. Early cities were by necessity compact places with defined centers where people could worship, go to market, and interact with others of their community. The early city, Lewis Mumford notes, needed to be "sufficiently condensed" to allow the efficient storage, marketing and transmission of goods, both tangible and intangible, to the surrounding populace. They also needed to stay within containable borders for defensive purposes. Even Babylon, the greatest of Mesopotamian cities, covered an area no larger than 3.2 square miles. Shrines, marketplace, the palace, the spring, all conspired to create new central places.[202]

Over time, particularly as villages grew into small cities, and those into larger ones, these central districts took on an ever-greater significance. In the Greek cities and, later, in Rome, these areas were consecrated as the founding place, the central stones upon which the ever-expanding urban edifice would be constructed. These were frequently connected to the homes and tombs of the city founders, who in turn were worshipped as deities. Rome's core, noted Livy, was "impregnated by religion. . . . The Gods inhabit it."[203]

Beyond its religious significance, the city center also took on a vital commercial role. The central meeting place—the Mesopotamian market, the Egyptian temple square, the Greek *agora*, the Forum in Rome—allowed for the trading in goods and ideas essential to the urban ideal. Writing, symbolic methods of storing goods and ideas, were born in these central places.[204] Due to the temperate climates enjoyed by most early cities, this activity could be conducted out of doors, without any of the shadowing darkness associated with the contemporary city-center.[205] It was here, amidst the shade of olive trees and Mediterranean light, that the earlier emergence of such key center-city functions, such as banking, first took root.[206]

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[202] Mumford, *The City in History*, pp. 15-16; John J. Harrigan, *Political Change in Metropolis* (Boston: Little Brown and Company, 1976), p. 25.

[203] Numa Denis Fuftell de Coulanges, *The Ancient City* (Baltimore, Maryland: Johns Hopkins University Press, 1980), pp. 132-134.

[204] Mumford, *The City in History*, pp. 94-98.

[205] Michael Grant, *The Ancient Mediterranean* (New York: Penguin, 1969), p. 202.

[206] Michael Grant, *From Alexander to Cleopatra: The Hellenistic World* (New York: Scribners, 1982), p. 124.

These patterns reasserted themselves in the Renaissance. Since there had been no real essential revolution in transportation or communications technology—writing was still by hand, transport by wind or human-powered ships or on horseback—the need to cluster services close together remained paramount. Indeed the greater reliability of water traffic tended to shift commerce to define port location, accentuating the importance of concentrated market towns such as Bruges, where consumers could gather and sample, in the words of one traveler, "everything that the whole world produces."[207]

As is increasingly the case in today's urban cores, the denizens of these cities often differed dramatically—ethnically, culturally, and often religiously—from their hinterland cousins. For one thing, foreigners (including religious minorities such as Jews or Huguenots) heavily populated them. They also attracted those who chose to live unconventional lifestyles such as actors, artists, educated women, and those without children as well as the usual urban assortment of charlatans, criminals and con-men. At the height of the Renaissance, roughly 50 percent of Venice's "men of good birth" remained unmarried.[208] From the 14th century, particularly between the upper and middle classes, extended families tended to weaken and individualism grow. Notes historian John Hale:

> *Increasingly, those who were reasonably well-off felt themselves, and were perceived by others, emotionally and financially, to be separate units. Increased urban prosperity led to greater mobility—from country to town and country to country—which drew the ambitious individual away from the settled kinship group into a house of his own and a self-sufficient way of life.*[209]

This individualism expressed itself in everyday life—in art, in crime and often for the disregard, both for better and worse, of social norms. The residents of Florence, noted historian Jacob Burkhardt, regarded such things as dress as "a purely personal matter, and every man set fashion for himself. . . ." Burkhardt, writing at the height of the industrial revolution in the late 19th century, contrasted this individualistic spirit with "our own age which, in men's dress at least, treats uniformity as the supreme law. . . ."[210]

By the 16th and 17th centuries, the individualism and diversity characteristic of Renaissance cities could be found as well in London, Paris, and Amsterdam. Changes in technology, science, and theology were ripping away the bonds of the older society and laid the foundation for a new freedom of thought that housed itself most comfortably in the urban core.[211] Sophisticated urbanites, freed from medieval restraints, embraced the idea that "nothing human is foreign." This openness to the exotic could be seen in everything from dress to architecture to the plays of Shakespeare and writings of Samuel Johnson or Montaigne.[212]

As in the Renaissance cities, urbanity also produced a new core of liberated women who in 17th century Amsterdam could go, unchaperoned, to work, conduct business, and converse with men. Higher levels of public safety and the advent of street lighting further bolstered this process. By removing the dark corners,

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[207] Barnet Litvinoff, *1492: The Decline of Medievalism and the Rise of the Modern Age* (New York: Avion, 1991), p. 65; John Hale, *The Civilization of Europe in the Renaissance* (New York: Touchstone Books, 1993), p. 175.

[208] Hale, *The Civilization of Europe in the Renaissance*, pp. 428-441.

[209] Ibid., p. 438.

[210] Jacob Burkhardt, *The Civilization of the Renaissance in Italy* (New York: Mentor Classic, 1960), p. 264.

[211] Jonathan Israel, *The Dutch Republic: Its Rise, Greatness and Fall* (Oxford, United Kingdom: Oxford University Press, 1995), pp. 148-149.

[212] Stephen Toulmin, *Cosmopolis: The Hidden Agenda of Modernity* (Chicago: University of Chicago Press, 1990), pp. 27-28.

street lights allowed Amsterdamers, male and female, to expand the hours of both commerce and pleasure for the first time; lighting also, incidentally, reduced the incidence of drunks drowning in the canal.[213]
These same canals, indeed the entirely artificial system that made Amsterdam the great port of its time, also provided a new impetus for an expansion of the role for the city-center. With the expansion of world trade, there developed an immediate need for a centralized area, which could not only collect or warehouse goods, but also provide financial, insurance, and other needs on a global basis at single location. Amsterdam, compact and situated by the water, was ideal for this function. As one contemporary wrote:

> *I compare it to a fair where merchants from many parts displaying their merchandise, which is sure to find a customer; as in ordinary fairs the merchants one meets do not use the things they sell, so the Dutch who collect goods from every corner of Europe, keep for their own use only what is strictly necessary for life and sell to other nations the products they consider superfluous and which are always more expensive.*[214]

This centralization process took place in other emerging great cities as well. As the population of cities like London grew exponentially, expanding fourfold just within the 16th century, their cores evolved into centers for ever-more sophisticated activities beyond the simple trade in goods.[215] London became more conscious as the stage of urban spectacle and provider of the arts to an ever more literate populous.[216] Modern information-based industries like finance, publishing, insurance, and shipping can trace their to developments at this time in specific areas such as St. Paul's, Fleet Street, the Lloyd's coffee shop and, the city itself. [217]

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[213] Israel, *The Dutch Republic*, pp. 677-681.

[214] Braudel, *The Perspective of the World*, pp. 236-239.

[215] Hale, *The Civilization of Europe in the Renaissance*, p. 456.

[216] Hall, *Cities and Civilization*, p. 143.