

Urban Opportunities in the New Millennium: An Introduction

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This issue of *Cityscape* examines how social, economic, and technological changes pose immediate and long-term challenges and opportunities for cities and, as a consequence, for national urban policy. The authors' perspectives raise vital questions about the shape, substance, and function of urban and regional places in an increasingly interdependent and competitive global economy. They provide both retrospective and prospective insights into the ways in which poverty, immigration and migration, economic globalization, and technological innovation affect public-sector choices for urban communities approaching the turn of a new century.

The central theme emerging from this collection of articles is that the responses of the past will not necessarily provide a path to the future. Cities must innovate and adapt when seeking solutions to problems caused by rapid changes in their environment. Flexibility and creativity are key to designing public policies to deconcentrate poverty, increase opportunity, and furnish a better quality of life. For example, the continuing loss of jobs and population in many large cities can be reversed only with public policies that profit from the emerging global economy. Cities must strategically adapt to the information age by mobilizing public and private resources to be successful in our new, highly competitive economic environment.

In "A Top 10 List of Things To Know About American Cities," Elvin K. Wyly, Norman J. Glickman, and Michael L. Lahr provide an excellent point of departure for examining the formidable challenges that cities face in the future. The unfolding debate about appropriate Federal and local policy approaches to city development and growth must consider the lasting effects of the past three decades of economic restructuring along with emergent social dynamics, such as immigration, and technological advances that shape policy options for the future.

By constructing a top 10 list of changes that stress the interplay of economic and demographic forces on employment growth, social relations, and the fiscal health of the Nation's metropolitan areas, Wyly, Glickman, and Lahr highlight the magnitude of the

difficulties hindering the development of cities during the past 30 years. As employment opportunities shift from the industrial to the service sector, cities suffer from income inequality, high concentrations of poverty and joblessness, and a lack of affordable housing. The problems of cities have been aggravated by the loss of job opportunity and subsequent outmigration of the middle class to the suburbs and by uneven regional growth that has increased social and spatial polarization. Patterns of immigration and migration have added to the already precarious financial situations of cities. Paradoxically, for the most fiscally hard-pressed cities expenditures continue to rise with increased need for public services as resources to pay for these services decline.

The concentration of poverty in America's cities remains a significant obstacle to growth and development. Identifying the fundamental causes of inner-city poverty is a critical first step to successfully reversing concentrations of poverty that inhibit economic revitalization. Michael B. Teitz and Karen Chapple take a multidimensional approach to their research review, which stresses the intersection of sociological and economic literature to explain the persistence of poverty in inner cities.

Teitz and Chapple focus on economic structure, population characteristics, societal institutions, and location to construct a series of hypotheses that they use to examine the breadth of empirical studies on poverty. The authors discount the effects of migration and social behavior as factors that buttress urban poverty. Rather they suggest that industrial transformation and the lack of human capital are the primary causes of urban poverty. The spatial mismatch of jobs between cities and suburbs, as well as entrenched patterns of discrimination, also contribute to enduring inner-city poverty.

The issue next turns away from retrospective analysis to address future concerns. A prospective viewpoint is essential to solving the pressing array of problems that cities confront, including the concentration of poverty. Looking to future prospects for growth and development, public policy must coincide with the new social and economic realities to which cities must rapidly adapt in the next decade. Any key-issues list of immediate concern to cities must include the growing impacts of technological change and immigration. These two elements carry the potential for economic revitalization but nevertheless entail risks of greater social and economic distress for metropolitan areas. The next four articles in this issue explore these elements and their importance to urban economic development in the new business environment of the 21st century.

Dennis A. Rondinelli, James H. Johnson, Jr., and John D. Kasarda contend that cities must take advantage of global interactions for which technological advance reduces the cost of distance. Private and public institutions must forge synergetic arrangements to aid participation of local firms in international trade. Cities must improve infrastructure and develop an array of programs to provide technical assistance and financial incentives for attracting competitive businesses. Cities also need to establish a labor pool of skilled, educated workers with the flexibility to respond rapidly to changes in demand and opportunity in international markets.

Government policymakers and private-sector leaders must work together and take vital steps to promote competitiveness in the world economy. Of particular interest is the concept of the decentralized, "virtual organization" in which managers and workers fuse their talents to achieve specific, temporary goals and speed the delivery of products and services to market and then refashion internal operational structures as new business opportunities arise. Such flexibility demands a technically sophisticated labor pool, which in turn relies upon public and private institutions that are critical in training a work force skilled in mathematics, science, and language.

Rondinelli, Johnson, and Kasarda contend that governmental policy directed at urban areas will fail if the emphasis remains on picking “winners and losers” in the marketplace because of the speed with which the global economy alters levels of demand. The focus of policy must be shifted to programs such as small business development, technology transfer and assistance, and local business retention and expansion. Moreover, urban policy should center on attracting and developing globally competitive industries through the development of high-technology enterprise zones, advanced telecommunications and trade logistics infrastructure, and mechanisms for tax base sharing.

Globalization and technological change hold out considerable promise for revitalizing urban economies. The greatest challenge for cities is to adapt creatively and to embrace competition in a rapidly changing economic environment. The articles by Mitchell L. Moss, “Technology and Cities,” and Robert D. Atkinson, “Technological Change and Cities,” explore how technological change is likely to affect urban areas. Both authors agree that although some types of office work may be appropriate for telecommuting, spatial proximity will remain important in most industries. Information technology will not replace traditional economic clusters, but businesses will likely relocate from large cities if skilled labor is unavailable. Atkinson notes that cities maintain an edge for the retention of offices because interpersonal communication is necessary in most industries, and cities make convenient meeting locations.

The danger, as Atkinson points out, is that cities may encounter considerable difficulty adapting to the new global information-based economy. If high-technology employment flows from the cities to the suburbs, job loss in urban cores will exacerbate poverty. The challenge is to direct the technology revolution to the advantage of urban places. Moss suggests that local governments must foster competition for telecommunications services and use public policy to attract and retain information-based industries. In particular, cities can manage competition for telecommunications facilities and use their regulatory power for broad social and economic objectives, including the expansion of services to city neighborhoods. The Internet may also be a key tool for bringing people in cities closer together to pool their human resources through community networks that advance social goals.

In this age of great technological change, cities can profit from the influx of immigrants who may provide a core pool of qualified labor for the new business environment of the next century. Citing census data, Franklin J. James, Jeff A. Romine, and Peter E. Zwanzig in “The Effects of Immigration on Urban Communities,” find that immigration accounts for almost all population growth in cities from 1980 to 1990 and a considerable amount of population growth in suburbs. And, although a substantial number of immigrants remain in gateway cities and distressed urban areas, the foreign-born population is becoming more evenly distributed as high-growth urban communities with expanding job opportunities become a magnet for immigrants.

The impact of immigration on urban labor markets is variable and inconclusive, but the data tend to show a net benefit to the national economy despite some short-run, negative local consequences. Because immigrants are well disposed to entrepreneurship, they launch new businesses. They stimulate industries such as manufacturing and construction, and their ties to overseas markets spur international trade. Nevertheless, significant challenges remain for urban communities with large foreign-born populations. As immigration increases the supply of low-skill labor, nonforeign-born workers may leave cities in search of work elsewhere. There may also be short-run, negative fiscal impacts on urban government budgets. A substantial number of immigrants remain in economically

distressed, large cities where homeownership is low and housing is overcrowded. The negative fiscal impact of immigration is greatest for State and local governments that must bear the brunt of the costs for providing social services.

Given the lasting effects of economic restructuring on cities over the past three decades and the urgency with which cities must adapt to new social and economic realities in the coming decades, much debate is focused on the structure and substance of national urban policy. What is the appropriate urban policy response for the Federal Government?

Articles by William N. Goetzmann, Matthew Spiegel, and Susan M. Wachter and by Joseph Gyourko explore new—yet controversial—alternative approaches to national urban policy strategy that diverge significantly from past models but may be more appropriate for the rapidly changing environments of future cities. These authors suggest that future Federal policies must consider elements of geography and space and that the complex linkages between individuals and places, heretofore not found in urban policies, also be considered.

The degree to which the economic fortunes of cities and their suburbs are connected is of substantial concern for national urban policy. Goetzmann, Spiegel, and Wachter address the controversial subject by analyzing the spatial linkage of housing markets in “Do Cities and Suburbs Cluster?” Using statistical clustering procedures for housing markets in four California regions, the authors find that city and suburban housing prices tend to fluctuate together. The housing markets of the four central cities studied, however, share few commonalities. The more important implications of the study suggest that because suburbs do not create markets independent of the cities they surround, the common economic fate shared by cities and their suburbs requires a comprehensive approach to solving urban economic and social distress.

What immediate steps can policymakers take to alleviate urban poverty and distress? In “Place-Based Aid Versus People-Based Aid and the Role of an Urban Audit in a New Urban Strategy,” Gyourko posits that policy responses to heightening urban problems must consider the spatial component to poverty. Policymakers implementing placed-based aid can significantly complement the existing programs of direct transfer of aid to individuals and households by recognizing that cities with high concentrations of poor residents have the increased burden of delivering services without sufficient resources from own-source revenues. Gyourko develops an urban audit strategy that could provide estimates of how much and which types of aid could balance the share of public services costs across jurisdictions to create incentives for localities to use resources more efficiently.

The collection of articles presented in this issue of *Cityscape* accentuates the need to move beyond continued retrospective analysis of the plight of urban areas. The challenges facing cities in the new millennium diverge significantly from the problems of yesteryear. The first step to shaping efficient, pragmatic policies that conform to urban actualities rests in an informed debate that HUD is committed to expanding.

Authors

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