

## REAL HELP FOR AMERICA'S CITIES

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The riots in Los Angeles and the flooding of Chicago's central business district are stark symbols of the neglect American cities have suffered over the past twenty-five years. But it would be easy to draw the wrong conclusion from these events. Cities do not need charity because they are old and falling apart, nor does the nation owe them some kind of moral debt. Furthermore, cities do not need band-aid programs to avert angry mobs from burning downtown office buildings, much less their own neighborhood stores.

Cities merit federal funds because cities play an essential role in the nation's economy; indeed, they are the most productive part of our economy. A program of public investment in cities constitutes the best strategy for reviving the long-term economic growth and productivity of the American economy. Such a program provides a vision of urban America capable of overcoming despair and mobilizing private resources.

In the new global marketplace, central cities provide an essential concentration of services, information systems, jobs and workers. Jobs in the city are more

productive and therefore pay more than suburban jobs because of modern “agglomeration” economies -- areas of high density that facilitate the rapid exchange of information. Economic coordination, high-level information processing, and technological and organizational innovation are all concentrated in cities.

Decentralization has reached its limits, as suburban “edge cities” have become more like downtowns and subsequently require massive infrastructure investments to function. Central cities contain the greatest number of under-utilized workers, the largest stock of usable or repairable infrastructure, and the biggest amount of advantageously located land.

Whatever the claims of morality or safety, a new federal urban strategy is needed for the nation’s continued international competitiveness and productivity. It must have three components: rebuilding cities and neighborhoods through infrastructure improvements; developing the workforce through basic education and training; and improving the quality of life through family support and housing programs. Many of these elements are already on the drawing board. We need only the political will to bring them to fruition.

Specifically, we recommend the following:

1. *Stimulate the growth of jobs and improve urban productivity* through a strong federal program to rebuild physical infrastructure, particularly public transportation, water, and sewer systems. Several recent studies have documented that public infrastructure investments translate into private investment and jobs. After the explosive growth of suburbs over the past

thirty years, and the successful refurbishing of many downtowns during the 1980s, it is now time to focus on central city neighborhoods and older suburbs. Bills introduced by Senators Sarbanes and Sasser and Congressman Conyers would provide \$20 billion in grants and \$10 billion in loans to state and local governments to start infrastructure projects. Initially intended as an **anti-**recession measure, this initiative should be recast to target inner cities.

2. Prepare *the future workforce* by focusing on the key transition periods of infancy to elementary school and high school to work. Turn Head Start into an entitlement program which would help children and create a large number of jobs in the inner city. (The Children's Defense Fund has already developed a proposal along these lines.) For older students we need to create bridges between school and work. A major work-study apprenticeship initiative, such as those common in Germany and other Western European countries, is long overdue. To deal with those who have already dropped out of school or are on the verge of doing so, the Job Corps is a proven solution. While not cheap, it is cost-effective.
3. *Ensure that affordable rental housing and home ownership*, as well as local employment and shopping opportunities, are available in urban neighborhoods. Aid to individuals can be increased through expansion of rent subsidies and assistance to first-time home buyers, and aid to neighborhoods can be augmented by supporting the efforts of non-profit community development organizations. For instance, the National Economic Development

Partnership Act, introduced in Congress by Senator Kennedy and Congressman Matthew Martinez, provides funding to establish revolving loan funds for business creation and expansion; it also provides operating support and research and planning funds for Community Development Corporations.

These and similar programs could be paid for by a combination of shifting funds from defense spending; selective tax increases (the U.S. is still greatly undertaxed compared to its economic rivals); and borrowing (borrowing for investment makes far more sense than the spending binge we have been on during the 1980s). The question is no longer whether we can afford to make these investments in the nation's future; Los Angeles and Chicago make clear we can't afford not to.

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