



How Will Our Economic Transformation Change Our Political Geography?

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Urban theorist Richard Florida has a [terrific article](#) in the current issue of the Atlantic:

The historian Scott Reynolds Nelson has noted that in some respects, today's crisis most closely resembles the "Long Depression," which stretched, by one definition, from 1873 to 1896. It began as a banking crisis brought on by insolvent mortgages and complex financial instruments, and quickly spread to the real economy, leading to mass unemployment that reached 25 percent in New York.

During that crisis, rising industries like railroads, petroleum, and steel were consolidated, old ones failed, and the way was paved for a period of remarkable innovation and industrial growth. In 1870, New England mill towns like Lowell, Lawrence, Manchester, and Springfield were among the country's most productive industrial cities, and America's population overwhelmingly lived in the countryside. By 1900, the economic geography had been transformed from a patchwork of farm plots and small mercantile towns to a landscape increasingly dominated by giant factory cities like Chicago, Cleveland, Pittsburgh, Detroit, and Buffalo.

New York City is one of the epicenters of the current crisis. Many people in the financial services industry have lost their jobs, and many sectors of the financial industry will not get back to the same employment levels for a long time, if ever. But New York may fare much better than plenty of other places in the U.S.. New York has a very diverse economy, and financial jobs only make up about 8% of the region's jobs, compared with 5.5% nationally. But look at the percentages in other places:

they make up 28 percent of all jobs in Bloomington-Normal, Illinois; 18 percent in Des Moines; 13 percent in Hartford; 10 percent in both Sioux Falls, South Dakota, and Charlotte, North Carolina. Omaha, Nebraska; Macon, Georgia; and Columbus, Ohio, all have a greater percentage of population working in the financial sector than New York does.

Job loss, and at a minimum a failure to grow new jobs, could devastate many places dependent on the financial services industry. As the figures above show, the pain probably won't be felt uniformly across the country, but will be concentrated in some regions.

But the industrial crisis that's more likely to devastate areas is the collapse of manufacturing. I was recently told by a friend that 15% of the membership of the union he works for have lost their jobs since September. The job losses are in every sector, but especially in any kind of manufacturing. As Florida notes, unemployment is much worse among manufacturing workers:

In November, nationwide unemployment in manufacturing and production occupations was already 9.4 percent. Compare that with the professional occupations, where it was just a little over 3 percent. According to an analysis done by Michael Mandel, the chief economist at BusinessWeek, jobs in the “tangible” sector—that is, production, construction, extraction, and transport—declined by nearly 1.8 million between December 2007 and November 2008, while those in the intangible sector—what I call the “creative class” of scientists, engineers, managers, and professionals—increased by more than 500,000. Both sorts of jobs are regionally concentrated. Paul Krugman has noted that the worst of the crisis, so far at least, can be seen in a “Slump Belt,” heavy with manufacturing centers, running from the industrial Midwest down into the Carolinas. Large swaths of the Northeast, with its professional and creative centers, have been better insulated.

Florida goes in to detail to describe the devastation in [my hometown, Detroit](#). There's no surprise there, and not much new. Something less expected is the distress in many Sun Belt metro areas, such as Las Vegas and Phoenix. Driven by housing, these metro areas grew mostly on the wealth of the housing itself. As housing values increased, there was more overall development, but it was mostly fueled by growth based on housing wealth. According to Florida, "whole cities and metro regions became giant Ponzi schemes":

Phoenix, for instance, grew from 983,403 people in 1990 to 1,552,259 in 2007. One of its suburbs, Mesa, now has nearly half a million residents, more than Pittsburgh, Cleveland, or Miami. As housing starts and housing prices rose, so did tax revenues, and a major capital-spending boom occurred throughout the Greater Phoenix area. Arizona State University built a new downtown Phoenix campus, and the city expanded its convention center and constructed a 20-mile light-rail system connecting Phoenix, Mesa, and Tempe.

And then the bubble burst. From October 2007 through October 2008, the Phoenix area registered the largest decline in housing values in the country: 32.7 percent. (Las Vegas was just a whisker behind, at 31.7 percent. Housing in the New York region, by contrast, fell by just 7.5 percent over the same period.) Overstretched and overbuilt, the region is now experiencing a fiscal double whammy, as its many retirees—some 21 percent of its residents are older than 55—have seen their retirement savings decimated. Mortgages Limited, the state's largest private commercial lender, filed for bankruptcy last summer. The city is running a \$200 million budget deficit, which is only expected to grow. Last

fall, the city government petitioned for federal funds to help it deal with the financial crisis. “We had a big bubble here, and it burst,” Anthony Sanders, a professor of economics and finance at ASU, told USA Today in December. “We’ve taken Kevin Costner’s Field of Dreams and now it’s Field of Screams. If you build it, nobody comes.”

It surely wasn't a coincidence that last week, when Barack Obama announced his housing relief plan, the event was held in Mesa, AZ.

Beginning in England in the late 18th century, industrialization pulled people off farms and in to urban centers. Patterns of socialization, family structure, political institutions and just about anything that can be imagined was influenced by the shift from rural living and agrarian production to urban living and industrial production. The election of 1896, which brought in a long era of Republican dominance, was influenced by the Republicans' ability to build a coalition that was based on the "winners" of industrialization and the move to urban living. Throughout the era, up to 1932, Republicans typically won major urban areas.

I've written a great deal, beginning in November 2007, on the parallels between the elections of 1932 and 2008 ([here](#), [here](#), [here](#) and [here](#)). With that election and especially his reelection in 1936, Roosevelt and the New Deal Democrats solidified a coalition of Northern urban "ethnic" voters—primarily Catholics and Jews—and Southern White Protestants. It was a period of dramatic population movements, especially as war production in the North and Pacific Coast pulled people from the interior of the country, a pattern that accelerated as conscripts came back from WWII and settled in places far from their original homes.

That coalition began to fall apart in 1968, when Nixon (with help from George Wallace) was able to split the White Southerners and substantial numbers of the Northern ethnics away from the Democrats. The "Reagan Revolution" was a culmination of a long period of transition that goes back to the 1968 election. This period was marked by another major demographic shift, as the Northern ethnics left the center cities for the suburbs, and as the defense industries and major shifts of federal monies to develop the South (which had begun with the New Deal) drew industry and retirees to the Sun Belt.

Florida, in books like [The Rise of the Creative Class](#), has been describing a similar shift in the US and beyond, of clustering of "creative class" workers; the creative class is, according to Florida:

a fast-growing, highly educated, and well-paid segment of the workforce on whose efforts corporate profits and economic growth increasingly depend. Members of the creative class do a wide variety of work in a wide variety of industries---from technology to entertainment, journalism to finance, high-end manufacturing to the arts. They do not consciously think of themselves as a class. Yet they share a common ethos that values creativity, individuality, difference, and merit.

More and more businesses understand that ethos and are making the adaptations necessary to attract and retain creative class employees---everything from relaxed dress codes, flexible schedules, and new work rules in the office to hiring recruiters who throw Frisbees. Most civic leaders, however, have failed to understand that what is true for corporations is also true for cities and regions: Places that succeed in attracting and retaining creative class people prosper; those that fail don't.

Stuck in old paradigms of economic development, cities like Buffalo, New Orleans, and Louisville struggled in the 1980s and 1990s to become the next "Silicon Somewhere" by building generic high-tech office parks or subsidizing professional sports teams. Yet they lost members of the creative class, and their economic dynamism, to places like Austin, Boston, Washington, D.C. and Seattle---places more tolerant, diverse, and open to creativity. Because of this migration of the creative class, a new social and economic geography is emerging in America, one that does not correspond to old categories like East Coast versus West Coast or Sunbelt versus Frostbelt. Rather, it is more like the class divisions that have increasingly separated Americans by income and neighborhood, extended into the realm of city and region.

In the past, political transformation occurred in conjunction with economic, demographic, social and cultural transformations. Like the movement of people from farms to big cities, the economic and social landscape have shaped American politics. Areas that have attracted a lot of creative class workers have become more liberal and more likely to vote Democratic; the growth of creative jobs in Arlington/Alexandria/Fairfax/Loudoun county in Virginia helped flip that state to Obama, just as the Research Triangle helped flip North Carolina. (Massive increases in African-American turnout also helped tremendously.)

Conversely, some of the areas where Obama did poorly are among the least economically dynamic and demographically diverse in the country. During the primaries I chronicled [Obama's difficulties winning votes in Appalachia](#). Most of the [22% of counties where Obama did worse than Kerry](#) share the same characteristics.

But economic distress probably helped Obama in many other places, such as Ohio, Michigan and Indiana. Many factors play in to demographic change in political transformations. But two factors appear stronger than others. One is the civic traditions that were shaped by the original settlers to the area, and which of the four British folkways they represent, using the typology of historian David Hackett Fischer. For instance, regions initially settled by Yankees descended from the Puritan settlers of New England—including the Great Lakes states, the Upper Midwest and Pacific Northwest—have tended to be much more liberal than those settled by poor English-speakers from Scotland, Northern Ireland and the north of England who settled the backwoods south, including Appalachia, and eventually spread out to the Ozarks, Oklahoma and eventually Southern California. (There's a fuller discussion [here](#).)

The tension is with new migration, especially diverse migration. The areas where Obama did worse than Kerry are almost all with almost no in-migration for over a hundred years.

The areas where he improved the most include many regions with dramatic change, especially from creative class-type industrial growth and the corresponding diversification of the regional population.

What will happen this time? In his Atlantic article, Florida notes one of the paradoxical problems of the housing crisis:

As homeownership rates have risen, our society has become less nimble: in the 1950s and 1960s, Americans were nearly twice as likely to move in a given year as they are today. Last year fewer Americans moved, as a percentage of the population, than in any year since the Census Bureau started tracking address changes, in the late 1940s. This sort of creeping rigidity in the labor market is a bad sign for the economy, particularly in a time when businesses, industries, and regions are rising and falling quickly.

With housing (and stock market) wealth wiped out, we'll probably see fewer retirees moving to Florida and Arizona. With more people under water—owing more on their mortgages than their home is worth—fewer people are able to easily move to a more economically appealing locale. But with fewer jobs for young people, and credit largely unavailable to them even if housing were a good investment, there's more incentive for young people to leave downtrodden regions and go to a more economically vibrant and promising—and thus, often more socially diverse, tolerant, and politically liberal.

A few years ago Florida tweaked Thomas Friedman by publishing an article in the Atlantic titled [The World is Spiky](#)(pdf). Definitely check out the maps at that link. Economic activity is concentrated. So is population. But increasingly so, in the US it's likely that Democratic votes will be spatially concentrated. Democratic votes have been concentrated in part due to the concentration of minority voters in central cities. But metro areas such as New York, Boston, Washington DC/Northern VA, Charlotte, Austin, Minneapolis, Seattle, San Francisco, Boulder and other concentrations of "creative" industry jobs will probably continue to grow, and those concentrations of Democratic voters, while containing many minority voters, will be Democratic for reasons beyond racial voting patterns.

On the other hand, retiree havens like Florida and Arizona could see a dramatic decrease in their population growth (and housing wealth). And retirees may stay longer in Snow Belt communities, as they can no longer sell their home and buy a condo in Boca or Fort Meyers or Mesa.

In 2004 at the Democratic convention, [Barack Obama](#) talked about the Red State/Blue State divide:

The pundits, the pundits like to slice and dice our country into red states and blue States: red states for Republicans, blue States for Democrats. But I've got news for them, too. We worship an awesome God in the blue states, and we don't like federal agents poking around our libraries in the red states.

We coach little league in the blue states and, yes, we've got some gay friends in the red states.

He was right then, and his campaign proved it this year when he won states previously thought "too red" for a Democrat to win. But he won those states in large part by garnering enough votes in the "spiky" liberal enclaves to overwhelm the Republican votes in the areas of demographic homogeneity and economic decline. The success of Obama and our current crop of Democrats in creating a long-term collation like the New Deal Coalition will be in adapting their policies and politics to an electorate with less mobility than in the past, but with past patterns of ethnic migration as a declining factor of movement, while education, career and social and cultural preferences helping to determine where people move and where they stay put.

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