



If New York Wins...

By Philip Ehrensaft, *Metro Countryside Research*

"A Crisis is a Terrible Thing To Waste" — Paul Romer, *Economist, Stanford University*

The end point of severe economic crises entails far more than resuming higher growth rates and lower rates of unemployment. Crises reshape economies. Young or previously minor sectors jump to the front of the line. Others move down. Some regions and cities increase their economic and demographic clout. Others see their relative fortunes shrink.

"Creative destruction" was the term famously coined by the path-breaking economist Joseph Schumpeter to depict these upheavals. Nice work if your region and sector end up on the creative half of that equation. Not so nice if fate lands you on the destruction half.

For the Hudson Valley, as for every other region of the country, the \$64,000 question is where we're likely to land. Our landing will be intimately linked to the fate of the entire New York City metropolitan region, which expanded in recent decades to integrate first Dutchess County, and then Ulster County, into what is its outer "exurban" fringe.

The real New York City, the metropolitan region, is a sprawling economic zone defined by commuting patterns between home and work, rather than political boundaries established many decades ago. Our metropolitan region sprawls into New Jersey, Connecticut, and even eastern Pennsylvania. It includes 22 million people.

The leading demographic element in the New York City metropolitan region is no longer the central city. It's the suburbs. America became a suburban nation.

It was not only people that migrated out to the suburbs. Thousands of companies did the same, most often to a second tier of outer suburbs. The motivation was access to larger acreage of less expensive land, where the new, sprawling, low-rise factories, offices, and warehouses could be built — plus access to a labor force that was trained in good suburban public schools.

This industrial and commercial migration to the suburbs upended traditional commuting patterns. Increasing numbers of suburbanites, and even central city residents, were traveling away to work...away from, rather than towards, the urban core.

In turn, people in small towns and rural areas lying immediately beyond the suburbs had entirely new possibilities. They could commute relatively short distances to get to new

jobs in the outer suburbs while living in the more open landscape and smaller communities that they knew and loved.

All of the above was greased by abundant subsidies to build highways, plus high post-war incomes to buy automobiles running on very cheap gasoline.

Integrating a rural fringe into the mushrooming metropolitan region was such a nice proposition that both suburbanites and urbanites flowed into small towns like those along both sides of the Shawangunk Ridge, potentially disrupting the small town life that attracted them in the first place. Small towns within a 100-mile radius of Manhattan became an integral part of a bigger "megalopolis" than anyone had ever imagined.

Again, nice work while you could get it for metro New York's small town fringe. Not so nice when the Big Apple's center-stage financial sector melts down while energy prices go through the roof.

In short order, we went from the post-war boom to post-war gloom.

Countering the prevalent gloom, *The Atlantic's* provocative March 2009 front cover asks "How The Crash Will Reshape America," with a counter-intuitive sub-title reading "The Sunbelt Fades, New York Wins."

Is this for real?

Apparently so. The author is Richard Florida, whose research on the "creative economy" has reshaped our understanding of local economic development. A slice of the labor force that he terms "the creative class" drives the new economy: the scientists and engineers inventing hi-tech, plus people in the arts. The creative class is increasingly clustered in a small number of major metropolitan regions.

Florida identifies strong links between having a high percentage of people working in the arts, a parallel high percentage of the labor force in hi-tech, and high growth rates in urban/suburban economies. Maybe the techies are simply attracted to the arts, or maybe they are attracted to offbeat lifestyles.

What we do know is that places like Chicago take Florida's work very seriously: they direct considerable resources towards the arts as part of their economic development strategy.

This might be well and good for central cities, but does it have any relevance at all for small towns like those lined along both sides of the Shawangunk Ridge? Yes, research does, in fact, demonstrate parallel linkages for small towns, as we'll see in a subsequent column.

And so what if Florida is right about metro New York's core emerging even stronger when the current crisis ends? What will that do for small exurban towns like Ellenville or

Pine Bush? And for all the people there who are not privileged to be part of the purported creative class?

For starters: if Florida's take on what drives local growth is right, it is indeed logical that New York City will climb even further up America's economic pecking order. Metropolitan New York has a science backbone that runs from Princeton through Columbia and NYU through Yale. Add on the dozens of other colleges and universities, plus the labs of corporations like IBM or the defense industry in Long Island, plus the labs of the hospitals and other non-profit organizations, and it's a critical mass unmatched by Boston, Chicago, or the Bay Area.

As to the arts: while Los Angeles' Disney Hall presents serious competition to Lincoln Center, New York City's critical mass of people in the arts far surpasses that of Los Angeles and San Francisco combined. No other place in America comes close. If scientists and hi-tech entrepreneurs want the arts as a central part of their lives, New York is the big IT.

The current hammering of Wall Street's overblown financial sector, Florida contends, could be a great thing for the local economy. Stockbrokers were bidding up real estate prices to unusually crazy levels, even for New York City. This turned away the hi-tech people and artists who make the new economy hum. I could not agree more. When oil prices rise again to pre-crisis levels, and then some, the Big Apple will be better poised to deal with things than other cities. Its high residential buildings and consequent high population density, plus the public transportation system, makes New York City, especially Manhattan, the most energy-efficient city in the country.

Okay. That's downtown. But what about the exurban periphery where we live? A substantial fraction of New York City's artistic talent has already migrated to the Hudson Valley, for the same reasons as so many other people: it's knock-down gorgeous, costs less to live, has reasonably good public schools, and is close enough to do business when necessary in New York City.

When the Hudson Valley was IBM's Valley, it was one of America's original exurban hi-tech belts. IBM may have shrunk from its glory days, but the incentives for hi-tech people to relocate their homes and businesses to the Hudson Valley are parallel to those for artists. High-speed internet is now a standard commodity for most places in the region, which removes one important barrier for hi-tech in exurbia.

What will that do for the average small-town Shawangunk Ridge citizen who is neither a scientist nor in the arts? All those knowledge workers need policemen, plumbers, hairdressers and barbers, K-12 teachers — you name it.

If the creative class flourishes in the small towns of the Hudson Valley, and there is strong reason to expect that it will, the ample benefits will spill over to the entire labor force.

Where Florida very likely got it right is that New York City will emerge from the crisis with increased economic and cultural clout. Where Florida is incomplete is that his inherent conception of the city has places like Manhattan's Upper West Side, the Village, and Brooklyn's Park Slope in mind. The real city now sprawls across four states. A major slice of the creative class now works and lives in the distant suburbs or even further out in the rural and small town "exurbia."

Let's get this concrete with a local example: the international environmental science consulting firm EA has an important branch office in Newburgh, NY. I know several of their scientists who live along the Shawangunk Ridge and happily make the easy commute to Newburgh. A contrary choice could just as easily have been made: to live in, say, a nice suburb in Northern New Jersey so that they could have an easy drive to the theaters, restaurants, and museums of bright-light Manhattan. Their very conscious choice has been small town, semi-rural exurbia.

These EA scientists are not isolated examples. People like them not only increase demand for services from police or plumbers that must be purchased locally. They are also active participants in community affairs and raise kids who usually grow up with a strong emotional attachment to the region. Small towns along the Shawangunk Ridge have very good cards to play in attracting people from Richard Florida's "creative class" — and consequently enhancing the prospects for local economic and cultural development.