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CONFERENCE OVERVIEW AND SUMMARY OF PAPERS

1. INTRODUCTION

Over the past two decades, researchers and practitioners alike have increasingly focused their attention on cities. This attention arises for a variety of reasons. Urban agglomerations can be seen as laboratories for studying the mechanisms of sustained economic growth, the dynamics of economic activities, and the trajectories of immigration flows. By the same token, cities are also viewed as volatile and fragile organisms that can rise and decline dramatically over a short time span. New York City, in particular, has weathered long-run adverse trends as well as sudden unanticipated shocks.

To promote the discussion of these important processes, in April 2005 the Federal Reserve Bank of New York organized a conference on “Urban Dynamics in New York City.” The goal of the conference was threefold: to examine the historical transformations of the engine-of-growth industries in New York and distill the main determinants of the city’s historical dominance as well as the challenges to its continued success; to study the nature and evolution of immigration flows into New York; and to analyze recent trends in a range of socio-economic outcomes, both for the general population and recent immigrants more specifically.

2. SPATIAL DYNAMICS AND GROWTH

New York City has demonstrated remarkable growth over the past four centuries. Edward L. Glaeser offers an in-depth historical account of the major contributors to the city’s economic dominance over such a long period. The first of the three central themes identified by Glaeser is the importance of geography in determining New York’s early success. The city enjoyed a natural advantage provided by its port and by its proximity to the Hudson River and a water-borne connection to the Great Lakes. The second theme is the value of simple transportation cost and scale economies. The rise of manufacturing in the city, observes Glaeser, hinged on New York’s place at the center of a large transport hub and the benefits afforded by that prime location. Lastly, the author describes the city’s clear advantage in facilitating information flows and face-to-face interactions. The fast and convenient dissemination of knowledge, for example, has been essential to the success of information-intensive industries such as finance—the undisputed engine of growth in New York’s more recent history.

The discussion by J. Vernon Henderson complements Glaeser by emphasizing two other themes that have been instrumental in the city’s success. One is the role played by New York’s vibrant ethnic neighborhoods in providing

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networks of contacts to new immigrants. These networks have made it easier and more desirable for immigrants to stay in New York. The other is the importance of the knowledge spillovers that arise from the city's dense centers of commercial activities. Knowledge spillovers are vital not only to the health of finance, notes Henderson, but also to the health of other innovative New York City industries, such as fashion, advertising, and the arts.

Another key aspect of New York's dynamism is the city's entrepreneurs. Stuart S. Rosenthal and William C. Strange analyze the geography of entrepreneurship in the New York metro area to uncover its determinants. They find that births of new establishments and the number of jobs in new establishments—their measures of entrepreneurial activity—are positively affected by the density of local employment and even more so by the amount of local employment in the entrepreneur's own industry. Interestingly, the most powerful effects are for the smallest distances—within a city block or so. The results obtained by Rosenthal and Strange provide fresh evidence on the importance of very local agglomeration economies to sustained growth.

Robert Inman's commentary argues that the very local nature of the agglomeration economies identified by the Rosenthal-Strange analysis suggests that economic development policies can be locally designed and, more significantly, locally funded. Countrywide or statewide policies, according to Inman, should then be limited to projects that have clear effects on multiple communities.

To advance the understanding of the dynamics of city growth, Andrew F. Haughwout and Bess Rabin examine the response of New York City's economy to an exogenous, unanticipated, and large—yet localized—shock. Specifically, they study the response in terms of the spatial distribution of activities following the September 11 terrorist attacks. The authors identify several patterns: long-run demand for city locations relative to locations elsewhere in the country was hardly affected; after a temporary weakening, long-run demand for residential space in Lower Manhattan strengthened; and both short- and long-run demand for office space weakened in Lower Manhattan while it strengthened in Midtown. Haughwout and Rabin conclude that the city's economy was remarkably resilient to the shock, and that the shock itself only accelerated a preexisting trend that was making Lower Manhattan a mixed-use community as offices gravitated toward Midtown, to be replaced by residences and shops. They also suggest that government activities and announcements can serve as valuable coordination tools in the presence of agglomeration economies.

An alternative and complementary explanation for the attacks' relatively minor impact on the city economy is put forth in the remarks by Stephen L. Ross. The shock was small compared with the total stock of commercial real estate in the New York metro area, Ross argues. Furthermore, the relatively high mobility of workers and firms throughout the area enabled the shock to be absorbed fairly quickly.

3. THE MAKING OF A WORLD METROPOLIS

In the sessions' keynote address, Kenneth T. Jackson offers his insight into the characteristics that continue to make New York a unique and vibrant city. He observes that New York is very different from other American cities in the sense that wealth is concentrated in its center, Manhattan, rather than in its suburbs; its population density is several times that of most U.S. cities; and the density is increasing rather than declining over time. Another unique characteristic of New York is its openness to newcomers, whether they take the form of new ideas, new communities, or new religious groups. The constant inflow of innovations embodied by newcomers, explains Jackson, has enabled the city to reinvent itself amid such economic challenges as the decline of its port and of manufacturing in general. Jackson adds that a long history of diversity has made New York a haven for dissent and tolerance—a characteristic that he views as one of the city's fundamental strengths.

4. IMMIGRATION

The nature and evolution of immigration flows into the New York metro area offer myriad avenues of research. George J. Borjas focuses on immigration trends from 1970 to 2000, characterizing the skill levels and earnings of immigrant workers in the New York area relative to those of immigrants who settle elsewhere in the United States and to those of native New Yorkers. He finds that in terms of educational attainment over the thirty-year period, skill levels increased more for native- and foreign-born workers in the New York metro area than for their counterparts elsewhere in the country. Over the same period, though, the skill gap between New York native and immigrant workers has widened. Wages reflect the same pattern: immigrant wages have risen in New York relative to other areas of the country, but they have fallen relative to

those of New York natives. Borjas' results also reveal that immigrants in New York are substantially more skilled than immigrants in Los Angeles or Miami.

The immigrant population in New York is remarkably diverse relative to other immigrant populations in the United States. Stephen J. Trejo, in his commentary, suggests that a large share of the skill differential between immigrants in New York and those elsewhere can be explained by differences in national origins. He places Borjas' findings in the larger context of optimal immigration policy, touching upon questions of the optimal skill mix of immigrants to the United States as well as the spatial distribution of immigrants within the country.

Focusing on the socioeconomic achievements of second-generation immigrants, John Mollenkopf sheds light on the intergenerational trajectories of immigrant groups, linking the experiences of U.S.-born children of immigrants to those of their parents. He paints a varied picture. Children of South American, Dominican, and West Indian immigrant families fare slightly better on a range of outcome measures than do children growing up in very similar native Puerto Rican or African American families. Moreover, second-generation Chinese and Russians have made extraordinary educational progress vis-à-vis their parental backgrounds. These two groups in fact have outdistanced the native white children who grew up and stayed in New York, even after the author controls for parental background. Mollenkopf's findings suggest that intergenerational transmission strategies interact with perceptions about race and neighborhood conditions in complex ways when determining second-generation immigrant trajectories.

A reductive view of segmented immigrant assimilation revolving only around race and ethnicity warrants caution, observes Douglas S. Massey. His comments on Mollenkopf identify a variety of factors that can also play important roles in shaping intergenerational trajectories. Massey points to the original motivation for migration, the immigrant's legal status, and the characteristics of the residential location in which the immigrant family resides as the most notable factors.

5. SOCIOECONOMIC OUTCOMES

The relationship between immigration and health outcomes motivates the work by Guillermina Jasso, Douglas S. Massey, Mark R. Rosenzweig, and James P. Smith. The authors employ

a novel data set on new legal immigrants to the United States to study health trajectory from the beginning of the immigration process and continuing after arrival in the United States. This approach enables the authors to identify three distinct sources of health change: visa stress, migration stress, and U.S. exposure. Jasso et al. find that the combined effects on health outcomes of visa stress and migration stress are negative, while the pure effect of U.S. exposure is positive, especially for men. Weight measures are found to increase with time in the country, suggesting a role for environmental and dietary influences. In addition, the study finds that immigrants in New York tend to be healthier on arrival relative to immigrants who settle elsewhere and that their subsequent trajectories do not differ significantly from those of other immigrants.

Adriana Lleras-Muney discusses biases that could affect the Jasso et al. analysis, including cultural differences across countries of origin and recollection bias. Should one, she asks, provide special health services to particular immigrant groups during the immigration process? Can one disentangle the impact of changes in job and earnings upon arrival from that of environmental conditions? As these questions suggest, Lleras-Muney argues that the authors' findings must be viewed in the broader context of immigration and health policy.

Pursuing a different line of inquiry, Amy Ellen Schwartz and Leanna Stiefel offer a rich portrait of changing educational outcomes and public education in New York City. One of their most striking results is that children of immigrants tend to perform better than native children on several standardized tests, despite their less favorable initial background. Moreover, this "immigrant advantage" tends to increase in higher grades. Their finding that immigrant students of Russian or Chinese descent perform especially well is consistent with Mollenkopf's results. Furthermore, Schwartz and Stiefel conclude that several recent reforms to the New York City public school system—aimed at, among other things, improving resource allocation and opening new and smaller schools—have had slightly positive effects on the test scores of immigrant and native children alike.

Dalton Conley adds a few cautionary notes to the Schwartz-Stiefel paper. A study of the peer effects of immigrants on native-born students, he contends, would be useful for gaining a better understanding of the overall impact of immigrant students on the New York City public school system. Attrition out of the system could bias the "immigrant advantage" results. With respect to the effects of school reform, Conley observes that such reforms could be endogenous to school quality.

6. CONCLUSION

How does a large urban agglomeration such as New York City survive, even thrive, in an ever-changing environment? How does this dynamic affect a city's population and institutions? The papers and discussions from this conference consider these two fundamental questions from a variety of perspectives. A central theme that emerges is the importance of "openness," both to new ideas and to newcomers. A degree of openness

and the cross-fertilization it allows seem essential to ensuring a city's ability to reinvent itself in the face of adverse circumstances. With this openness, however, come challenges, including the need for institutions to coordinate individual actions and integrate newcomers in a productive way. Challenges like this and the ways in which cities meet them will no doubt command the attention of future researchers on urban dynamics.

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