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ISOLATION OR INTERDEPENDENCE?

THE IMPACT OF CENTRAL CITY AND METROPOLITAN AREA ECONOMIC GROWTH ON THE WELFARE IN POOR, INNER-CITY CENSUS TRACTS

An internship report submitted in partial fulfillment of the requirements for the degree of Master of Science

By

AMY C. NOVAK
B.A., University of Notre Dame. 1993

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DEPARTMENT OF ECONOMICS

I HEREBY RECOMMEND THAT THE INTERNSHIP REPORT PREPARED UNDER MY SUPERVISION BY Amy C. Novak ENTITLED "Isolation or Interdependence? The Impact of Central City and MSA Economic Growth on the Welfare in Poor, Inner-City Census Tracts" BE ACCEPTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF Master of Science.

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Abstract

Isolation or Interdependence?

The Impact of Central City and MSA Economic Growth on the Welfare of Poor, Inner-City Census Tracts

This paper critically analyzes the relationship between the central city low income census tract and the economic vitality of the central city and the metropolitan statistical area. It attempts to provide an understanding of the impact of central city and metropolitan statistical area (MSA) economic activity on inner-city, poor census tracts. This study began by examining ninety-six low income census tracts in twenty-four of the fifty largest US cities. The variables examined included, income levels, employment, and social variables (educational attainment, female-headed households, type of employment, percent of persons in poverty, percent of persons receiving federal public assistance dollars\(^1\)) in each of the tracts in 1980 and 1990. This study suggests that two primary factors determine whether a low-income census tract is positively affected by city, and metropolitan-wide growth. The first factor investigates the proximity of the low-income census tract to the central business district (CBD). The second factor investigates how tract level variables -- educational attainment or number of persons in poverty -- influence the economic activity of the census tract. The findings suggest that distance between the census tract and the central business district did not positively impact the welfare of the low-income census tract. While a statistically significant relationship existed between

\(^1\) For a full explanation of the variables see Appendix I.
economic growth in the central city, and MSA, and the inner-city, low-income census tract, the relationship for practical and policy purposes was extremely weak. Further, the tract variables education, percent of female-headed households, and percent of persons in poverty were found to influence the likelihood of increased economic welfare in the tract. These findings yielded a number of policy implications and recommendations which support current efforts to reengage these isolated, inner-city, poor tracts in the economic activity of the city and metropolitan area.

The first section presents the purpose and context for this study. Chapter two examines in general terms the transformation of cities over the past half century. Specifically, it looks at the implications on the city of suburbanization and the decline in the manufacturing base of the economy. Further, this chapter provides a context for the growing population of city residents residing in poverty. The implications of a growing poor population on the economic health of the city and the metropolitan region are explored.

Chapter three examines the significant research conducted on the relationship between the central city and its suburbs. Known commonly as the suburban dependency thesis, or as city-suburb interdependence thesis, this theory suggests that an interdependent relationship exists between the economic vitality of the city and that of the suburb. While some research on this topic suggests that the two entities are dependent on one another, other research suggests that metropolitan areas need to be examined as a whole unit in order to accurately assess economic health. The study presented in this report extends the suburban dependency thesis by examining whether an interdependent
relationship exists between the census tract and economic growth in the city, and metropolitan region.

Chapter four explores the research being conducted on the sociological changes shaping the city. Notably, these researchers have concluded that a number of factors -- changing demographics, racial composition, education levels, and changing family structures -- have contributed to the isolation of poor census tracts from the region’s economic activity. Their research lends support to the findings in this report that inner-city, low income census tracts are increasingly isolated from the economic activity of the region. Importantly, this report provides evidence which bridges the two areas of research (suburban-dependency thesis, and sociological expletives) by investigating the impact of economic activity in the city, and metropolitan region on the welfare of poor, inner-city census tracts.

As indicated, the findings presented in this report provide empirical evidence to support a positive correlation between economic growth in the region and improved welfare for the low-income census tract. However, the correlations, are low and do not explain a high proportion of change in welfare indicators in the central city or census tract.

Chapter five presents the methodology and theory used in the study, as well as the study’s findings. Chapter six examines the implications of the findings on urban policy and economic development efforts. In chapter seven, recommendations are presented which explore the possibilities of revitalizing the low income, isolated census tracts. Specifically, this chapter provides policy recommendations which serve to suggest ways
(political and socio-economic) in which these tracts may be reengaged in order to ensure the economic vitality of the whole metropolitan area.
Chapter 1

Urban Transformation: A Step Toward Understanding the Changing Dynamics

As the shift from an agriculture-based economy to an industrial-based economy occurred, the nature of the city was dramatically altered. Similarly, the shift now occurring from an industrial-based economy to a knowledge-based economy will continue to alter the nature of the city. In the early part of this century as people left the farms for the cities in search of new opportunities, city populations grew, racial compositions changed, and the industrial organization began to flourish supported by cheap labor and a burgeoning export market. The increase in city populations coupled with the rising tide of immigrants and the awakening of the industrial machine presented numerous challenges. Today, many of the same challenges continue -- demographic and racial compositions have changed, the manufacturing base continues to deteriorate, an increased demand for higher educated workers with technical skills all present unique challenges for the city. The task, therefore, for urban research is to provide a context as well as a pathway for ensuring the economic vitality of the city. This challenge requires an understanding of how the city interacts with its citizens, the surrounding communities, and the region.

This paper critically analyzes the relationship between the central city low income census tract and the economic vitality of the central city and the metropolitan statistical area. It attempts to provide an understanding of the impact of central city and metropolitan statistical area (MSA) economic activity on inner-city, poor census tracts. This study began by examining ninety-six low income census tracts in twenty-four of the
The fifty largest US cities. The variables examined included, income levels, employment, and social variables (educational attainment, female-headed households, type of employment, percent of persons in poverty, percent of persons receiving federal public assistance dollars\textsuperscript{ii}) in each of the tracts in 1980 and 1990. This study suggests that two primary factors determine whether a low-income census tract is positively affected by city, and metropolitan-wide growth. The first factor investigates the proximity of the low-income census tract to the central business district (CBD). The second factor investigates how tract level variables -- educational attainment or number of persons in poverty -- influence the economic activity of the census tract. The findings suggest that distance between the census tract and the central business district did not positively impact the welfare of the low-income census tract. While a statistically significant relationship existed between economic growth in the central city, and MSA, and the inner-city, low-income census tract, the relationship for practical and policy purposes was extremely weak. Further, the tract variables education, percent of female-headed households, and percent of persons in poverty were found to influence the likelihood of increased economic welfare in the tract. These findings yielded a number of policy implications and recommendations which support current efforts to reengage these isolated, inner-city, poor tracts in the economic activity of the city and metropolitan area.

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Chapter II

Urban Transformation: Two Shifts Which Changed the City

A Changing Business Landscape

Two major developments contributed to the transformation of the city in the last half century: the development of the suburb and the transition from a manufacturing-based economy to a more service/information-based economy. The end of World War II coupled with an expanding manufacturing economy lured many Americans away from the farms and into the city. By 1950, nearly seventy percent of the population who lived in 168 metropolitan areas lived in 193 central cities.1 Ironically, just as the city population was increasing and cities began marketing themselves as the center of commerce and trade, Federal policy shifted in support of the bedroom community or suburb. Many traditionally city-based jobs shifted to the suburbs, and concurrent with the move came the residential relocation of millions of city dwellers. Support for the movement to the suburbs was bolstered by federal policy. The Federal Housing Administration and the Veterans Administration backed millions of low-interest mortgages for single family homes in the suburbs. Further, the US Department of Transportation spent nearly $130 billion for roads and highways to connect suburbs to their central cities. Urban policy analyst, David Rusk notes that this amount of transportation aid was five times the amount of city-oriented federal aid for mass transit systems.2 As the Federal government expanded its subsidization of Federal interstates and highways, locating and living in the suburbs became more possible for many middle class Americans. Many economists have argued
that the federal subsidization of the suburb which began in the late 1950s and early 1960s hung a noose around the city, effectively killing much of its economic potential. The additional land, inexpensive mortgages, and expanded transportation infrastructure lured the middle class tax base out of the city and into the suburbs. Unfortunately, the communities most adversely affected by these changes were the minorities, who because of lack of transportation to the suburbs, unequal housing practices, the absence of low-income housing in suburbs, and hiring discrimination were left unemployed as the jobs shifted from city and to the suburb. Rusk extends, “By 1990 over 60 percent of the population of 320 metropolitan areas lived in suburbs.. By 1990 a majority of jobs in metro areas were located in suburbs.” While some urban analysts argue that discrimination in hiring and housing was limited, others point out that the communities of minorities which formed in the city were culturally important. Many minorities found support within their communities, and by moving out of the city, they risked losing the bond with the strong community of which they currently belonged.

The shift from a manufacturing base to a service/information base within the city left a pool of jobless individuals in the city. Traditionally, the manufacturing sector hired a large number of unskilled individuals and would place them through the appropriate training. However, as the manufacturing base began to decline, the central business district, populated by centers of finance and professional services, demanded college-educated individuals. While many entry-level service jobs were created, the salaries associated with these jobs were considerably lower then the unionized manufacturing worker traditionally made. This gap in income opportunity led many individuals to the
underground -- often illicit -- economy. Further, as the jobless rates in America’s central cities began to grow, a sense of alienation and isolation characterized this once thriving population. John Kasarda’s investigation of the growth of extreme poverty census tracts in America’s cities suggests that these tracts are growing in number and size. The sense of isolation and alienation which once characterized only a small percentage of the urban population has grown significantly since 1970.

A Perspective on Poverty in America’s Cities

The realization of an impoverished population living in American cities goes back to our revolutionary period. In the early 1800s references by Baptist preachers in the South alluded to two divisions of the poor: the “able-bodied” and the “impotent”. As the Industrial Era revolutionized the role and importance of the American city, social reformers voiced strong concern over the “pauperism” which was heralding itself as a viable occupation. Political debate focused on this subsector of the poor -- most discussion viewing such livelihoods as dreadful, dishonorable, and the product of willful choice. There was significantly less criticism of those who, out of “misfortune” and the “gracious Providence of God,” ended up in poverty. This more acceptable sector of the poor usually included widows or the handicapped. The “less tolerable” poor included men who were unemployed, alcoholics, and others who were believed capable of earning an honest and decent living for themselves and their families. Idleness according to the social reformers and the politicians of the era was synonymous with crime and poverty. And it was such idleness which was responsible for the “reprehensible” growth of an increasingly alienated sector of urban populations.
Until well into the twentieth century, the views of the poor remained the same. After World War II, and more prominently at the start of the Civil Rights movement in the early sixties, attention began to be focused on the growing plight of impoverished individuals isolated in the inner-cities. Moreover, race began to become associated with the growing numbers of impoverished persons. In particular, the migration of rural Southern blacks into Northern cities in the Northeast and Midwest caused a restructuring of the demographic profiles of many Northern cities. Lured by the growth in the manufacturing sector, many blacks, often unskilled were readily employed in the low-skilled manufacturing jobs.\textsuperscript{6} The growth in manufacturing industries coupled with readily available labor made the city a center for business expansion. The once racially isolated population of the central city found hope in the growing manufacturing businesses located in their neighborhoods and throughout the city.

The economic prosperity experienced by many of these cities from the 1950s through the mid 1970s yielded many benefits for its citizens. Additional schooling and training were received by many traditionally unskilled employees. Further, the growth of industrial sectors to support the manufacturing community began to mean the promotion of blacks and other once-isolated individuals into more managerial positions, often complimenting their training and experience. However, as the US manufacturing sector was experiencing record growth, it was also in decline. John Kasarda documented the trend concluding that between 1950 and 1980, the manufacturing base in America’s largest cities declined by nearly thirty percent.\textsuperscript{7} In its place central business district expanded, comprised primarily of high-skilled service and information-based industries.
The implications of this economic transformation can be seen in the number of workers who were left unemployed and remained so, due to the absence of education, hiring discrimination, the absence of viable transportation to low-skilled service jobs often located in the suburbs and other reasons.

This growing unemployed sector of the population clustered in communities in the inner city. Time magazine reported on the distress experienced by a growing, isolated, impoverished inner-city populace.

Behind the ghetto’s crumbling walls, lives a large group of people who are more intractable, more socially alien and more hostile than almost anyone had imagined. They are the unreachables: The American underclass...Their bleak environment nurtures values that are often at odds with those of the majority.... Thus the underclass produces a highly disproportionate number of the nation’s juvenile delinquents, school dropouts, drug addicts and welfare mothers, and much of the adult crime, family disruption, urban decay and demand for social expenditures.  

The popular press began to classify this sector of the population as “America’s Underclass”. More distinctly now than before, the underclass became identified with the set of social problems and behaviors associated with them. Ken Auletta’s publication of The Underclass in 1982 further documented the trends described by the Time article. Auletta asserted that there were four categories of the underclass: “(a) the passive poor, usually long-term welfare recipients; (b) the hostile street criminals who terrorize most cities, and who are often school dropouts and drug addicts; (c) the hustlers, who, like street criminals, may not be poor and who earn their livelihood in an underground economy, but who rarely commit violent crimes; (d) the traumatized drunks, drifters,
homeless shopping-bag ladies and released mental patients who frequently roam or
collapse on city streets.  

More recently, William Q. Wilson’s book, The Truly Disadvantaged, presented
systemic evidence that the underclass -- now somewhat associated with young black
persons whose behavior reflected alienation and who remained separated from economic
productivity and employment -- was growing.  

James Jennings in his book, Understanding the Nature of Poverty in America,
suggested further that the underclass was most typically found in the poor neighborhoods
of today’s large, declining central cities. Regardless, of how one defines this sector of the
population, there remains indisputable evidence that a poor population exists which
exhibits some or all of the characteristics mentioned above. Equally disturbing, Yvette
Alex-Assensoh’s research on the growing numbers of alienated and isolated poor in
America’s inner cities suggests that this sector of the population continues to grow, not
only among the African-American community, but also among Caucasians and other
minority communities.iii

Many relevant questions remain to be investigated concerning this sector of the
population. How isolated is this population? Are they largely isolated from the economic
activity of the central city and the metropolitan region? Would expansion of economic
opportunity or economic activity in the city and MSA benefit these individuals. This
research examines these questions by asking whether the economic activity of the central
city and metropolitan area positively affects the welfare of low-income census tracts,
located within the central city. To understand the basis of the research conducted for this

iii This will be explored further in the section, Urban Transformation: A Socio-Economic Perspective.
report, one must understand the current research being conducted on the relationship between the census tract, city, and MSA, as well as the investigation of the social and economic factors affecting residents in the low-income census tract.
Chapter III

Urban Transformation: City and Suburb—The Question of Interdependence

The rapid suburbanization of jobs and people have led to a number of debates concerning the importance of the central city to the regional economy. Several key works have been particularly influential in the discussion about the relationship between the central city and the regional economy. Specifically, these authors have statistically correlated central city and suburban growth suggesting that the economic behavior of central cities and suburbs are interdependent.

In their 1993 article, "All In It Together", Ledebur and Barnes suggest that metropolitan economies need to be viewed as an interdependent whole; separate central city and suburban economies did not exist. They were able to correlate city income growth with suburb income growth by examining absolute values changes in suburban and central city income between 1979 and 1989. They concluded that "for every one dollar increase in central city income, suburban income increases by $1.12. Conversely, for every increase of $1.12 in suburban income, central city income increases by one dollar."11 This provided evidence for their conclusion that where there is less disparity between central city income growth and suburban income growth, the overall metropolitan growth rates were higher, and therefore, that cities and suburbs were dependent on one another in increasing the prosperity of the metropolitan area. Ledebur and Barnes contend, "Cities and suburbs have a common and essential stake in their shared economies. Growing disparities between these jurisdictions erode and eventually undermine the vitality of the regional economy and, hence, the welfare of both cities and suburbs."12
In his book, *Cities Without Suburbs*, David Rusk provides findings consistent with Ledebur and Barnes: Rusk asserts that low income disparities between cities and suburbs increases the likelihood of economic vitality. Further he shows that cities which can expand their boundaries to capture vacant land for new or expanded development generally experience a higher level of economic growth and development. Rusk’s evidence supports the conclusion that suburbs and cities are interdependent, and most notably, central cities which are capable of expanding are most likely to enhance the complimentary relationship they have with their suburbs.

R.J. Voith’s research supports Ledebur and Barnes conclusion that cities and suburbs are interdependent. Voith investigated correlations between population growth, employment and income changes in the central city and suburbs within the Philadelphia Federal Reserve District. He found that in the 1960s there was a negative correlation between growth of the city and growth of the suburb suggesting that the city and suburb were substitute locations. In other words, if growth occurred in the suburb, the city lost growth at the expense of the suburb. The demographic profile of the 1960s further validated Voith’s findings as the suburbs at that time remained largely undeveloped and were viewed primarily as inexpensive living alternatives to the city. In the 1970s and the 1980s, Voith found a positive correlation between city population and income growth and suburb population and income growth suggesting that the city and suburb were compliments. He extended, “continued suburban growth has become increasingly dependent on the overall desirability of the region, rather than simply the lower cost associated with moving into undeveloped and uncongested areas.” Voith’s findings
further suggested that declines in central cities were connected to slower growth in the metropolitan area suburbs. Voith argued that in the long run, continued decline of central city growth would drain the economic and social vitality of the entire region.\(^{15}\)

H. V. Savitch and colleagues presented a third dimension to the suburban dependency thesis. Savitch examined the change in the correlation coefficient in fifty-nine metropolitan areas between 1979 and 1989. Savitch found that suburban income explained by central city income increased eleven percent between 1978 and 1987 suggesting that the interdependence between central city and suburb was increasing.\(^ {16}\) In further research, Savitch and colleagues argued that when the central business district prospered, increases in the per capita income and earnings of the “inner ring” suburbs occurred. This suggested that the suburbs and their central cities were complements supporting Voith’s conclusions on the complimentary relationship which existed between city and suburb.

Finally, Keith Ihannfeldt in his review of the literature on the suburban-dependency thesis concludes that there are several important reasons why interdependence exists between the city and suburb.

First, the fortunes of suburbs may be tied to those of their central cities to the extent that outsiders’ perceptions of the region are influenced by conditions prevailing within the core. Second, because of their location or history, central cities may contain amenities that are valued throughout the region. Third, individual central cities may provide a “sense of place” that is valued not only by their residents but also by outsiders. Fourth, the fiscal problems endemic to a declining central city may raise tax burdens in suburban areas and thereby retard economic development. Finally, central cities may offer unique agglomeration economies that define an important and specialized role for the central city in the regional economy.\(^ {17}\)
J. Blair and Z. Zhang in their article ""Ties That Bind' Reexamined" note an important critique of both Voith and Savitch's work. They assert that "neither Savitch et al nor Voith provided an explanation for the increased interdependency between central cities and suburbs, as suggested by their correlations."18 Blair and Zhang conclude that state and regional factors are often important variables to consider in explaining the disparities between central city and metropolitan income growth. Further, E. Hill, H. Wohlman, and C.C. Ford, criticize, Ledebur and Barnes, Voith, and Savitch, for examining the economic activity of the metropolitan area independently by looking at the city and suburb as independent units. Hill and colleagues assert that "central-city performance and suburban economic performance are interdependent because they are both part of the same metropolitan economy. It is the performance of that metropolitan economy that drives economic outcomes in both central city and suburbs. Because they are both parts of the same whole, it makes no theoretical sense to attempt, as they do, to correlate the economic performance of central city and suburbs."19 Nonetheless, despite their valid criticisms, both the Hill and Blair models conclude that there is an interdependent relationship between the two entities, although the degree of interdependency may differ between the various works. Growth, therefore, in the metropolitan area necessarily equates to growth of the central city and its suburbs. Whether, the suburb and city is viewed independently or as a whole, and taking into consideration that metropolitan areas are not homogenous entities, the conclusions reached by urban economists yield similar results: a complimentary and interdependent relationship exists between activities in the city and metropolitan area.
The suburban-dependency research, while solidly grounded and comprehensive, examines the metropolitan area as the primary unit of measure. Through this set of glasses, one is not able to understand the economic dynamics experienced by residents at the census tract level. The suburban dependency research raises the question: When the metropolitan area is looked at through the magnifying glass, how is the census tract affected by growth of the region? This study extends the suburban dependency debate by examining closely the impact of metropolitan-wide growth on the low-income, inner-city census tract. Are they compliments? Substitutes? Are they impacted by economic growth? Or is the census tract isolated from the economic growth?
Chapter IV

Urban Transformation: A Socio-Economic Perspective

On a macro level, the suburban-dependency thesis can be used to explain economic growth in the metropolitan region. Concurrent with the macro-level debate about the relationship between the central city, suburb, and metropolitan economy has been the growing research examining the social dynamics of the city. University of North Carolina urban specialist, John Kasarda proposed the most prominent analysis of the changing social nature of the city. Kasarda argued that the deterioration of the manufacturing base has left the infrastructure and cityscape of many central cities bleak and vacant. Further, as many of the information/knowledge-based industries have begun to develop within the suburbs, employment opportunities have shifted from the manufacturing base typically located in the central city to the professional service employment base located in the central business district or the suburbs.20  

In a more recent article, “Urban Industrial Transformation and the Underclass”, Kasarda noted that the CBD remains the only beacon of economic success in many central cities.21 The CBD supports a vast network of professional service based jobs, often complimenting the economic transition to an information-based economy. Up until the mid-1970s, many of the central cities were still highly dependent on the manufacturing base; however, with the increase in automation, increased global competitiveness, and the surge of information-based industries, the employment base in manufacturing industries slowly declined. Kasarda suggested that the decline of the manufacturing base, a  

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20 According to Kasarda and others, the information/knowledge based industry typically relies on high technology and the sale of information and knowledge as primary products and services. Such jobs often require college-level or higher education.
traditional employer of low-skilled labor, and often immigrant labor, left a large sector of
the population of the central city without gainful employment. The rise of the
information-based industries in the CBD and central city has been complimented by a
demand for higher-skilled--baccalaureate degree or higher--labor. The resulting
discontinuity in central cities--low skilled labor and high skilled jobs--has been described
by Kasarda as the urban mismatch.\textsuperscript{22} According to his research, this mismatch was further
magnified between 1980 and 1990 by the rising presence of immigrants and minority
residents settling in the central city.\textsuperscript{23} Often these immigrants and minorities were
precluded from gainful employment by their low education levels. Further research
conducted by Kasarda and his colleagues suggested that the absence of low-skilled jobs
resulted in increases in the number of severely distressed census tracts (or high poverty
census tracts).\textsuperscript{24} v

Notably, Kasarda is unable to provide a direct statistical link between the growing
number of severely distressed census tracts and the absence of low-skilled jobs. Further,
his contention, while certainly plausible, that the shift of the CBD focus from a
manufacturing base to a knowledge base has resulted in a shift of skill level from low skill
manufacturing jobs to high skilled service jobs is not well documented. His research
provides little statistical evidence to show what types of jobs have been created in the
CBD and what type of skill level is necessary in these newly created jobs. Finally, Kasarda
provides no statistical link between what happens in the CBD and its impact on poor
census tracts.

\textsuperscript{v} According to the Bureau of the Census, severely distressed poverty tracts are those in which at least forty
percent of the residents are in poverty.
Yvette Alex-Assensoh and others extend Kasarda’s argument by examining the implication resulting from a growing number of high poverty census tracts. She suggested that in many cases residents of these poor tracts are forced to turn to the underground economy. In so doing, the resident experiences a sense of isolation and despair that acts as an attitudinal barrier to reentry into the formal economy. Concurrently, the alienation aspect experienced and exhibited by the isolated census tract resident magnifies the social problems associated with these distressed tracts. Culturally deviant behavior becomes acceptable, considered “normal and presumably necessary behavior for social and economic mobility” in their environment. Nicholas Lemann continued, observing that “the ghetto’s distinctive culture is now the greatest barrier to progress by the black underclass, rather than unemployment or welfare... The negative power of the ghetto all but guarantees that any attempt to solve the problems of the underclass in the ghetto won’t work.”

Yvette Alex-Assensoh’s investigation of those in structural poverty in Columbus, Ohio found that the composition of low-income census tracts were changing. In her study she found that in the early 1980s, these tracts were characteristically defined by young black persons, however in the last decade the increase in the number of white and Latin-American members has grown dramatically. No longer able to find work in the unskilled sector or to find work at salaries which they once received, many Caucasian and Latin-American manufacturing workers have become alienated and in many cases have been forced to turn to the underground economy for their subsistence. She predicted that by the turn of the century, the growth of structural poverty among Caucasians, African-

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Employment data suggests that the majority of workers in the manufacturing plants operated in the South and Southwest are of Latin-American descent.
While the median age of the Caucasian in structural poverty is currently about ten years higher than the Black individual, Alex-Assensoh predicted that the median age will decline as children are born to individuals living in structural poverty who are in turn raised in this environment of social isolation.

In addition to skill mismatches, Carter Wilson proposed additional reasons for the growing poverty and alienation experienced by residents in poor tracts. Wilson provided evidence which linked the rise of low-income census tracts, and concurrent rise in structural poverty to the increase in low-wage service jobs in the city. Further he suggested that racial discrimination, uneven efforts at city economic development and overall industrial decline have resulted in the increase in structural poverty and alienation experienced by many low-income census tract residents. Finally, Wilson challenged Kasarda's mismatch theory by providing evidence to suggest that the growing jobs in the information/knowledge-based sector are entry level, low-wage service jobs, rather than the high-skilled knowledge-based jobs which Kasarda described.

While Wilson, Kasarda, Alex-Assenoh and others conclude that the low-income census tracts are experiencing increased structural poverty and alienation, their research neglects to provide any empirical evidence to determine if a relationship exists between the overall economic conditions in the central city, MSA, and the census tract. Their research, instead focuses on the demographic statistics which describe the census tract resident.

Importantly, neither the sociological research or the suburban-dependency research provides any empirical evidence for whether the central city and MSA economic activity
have any impact on the economic welfare of the census tract. Are the low income
neighborhoods so isolated that they are not significantly affected by the economic
conditions in the rest of the region? The research presented in my study extends portions
of the both the socio-economic and suburban dependency debate by examining the
statistical link between economic activity in the central city and MSA, and welfare in the
census tracts.
Chapter V

A New Investigation—Theory and Methodology

Theory

The hypothesis proposed in this research suggests that economic growth and development in both the city and metropolitan area will positively influence the economic development prospects in low-income tracts, thereby, validating an interdependent relationship between tract, city and MSA. Previous research has suggested that since most central city economic activity occurs near or around the central business district, low income census tracts relatively close to the CBD would most likely be positively affected by growth of the central city. Further this hypothesis suggests that two primary factors determine whether a low-income census tract is positively affected by city, and metropolitan growth. The first factor investigates the proximity of the low-income census tract to the central business district (CBD). The second factor investigates how tract level variables -- educational attainment, number of persons in poverty, or percent of female-headed households -- influence the economic activity of the census tract.

Methodology

The findings to be presented in this study examined the relationship between economic activity in the central city and MSA on the one hand, and welfare in poor, inner-city census tracts, on the other. Ninety-six low income census tracts were examined in
twenty-four of the largest fifty cities in the US. The cities were selected at random. Within each city four low-income census tracts were selected. Three criteria were used to select the census tracts. First, the census tract had to be located within a three mile radius of the central business district. This was determined by measuring three miles out from the CBD using the census maps for 1980 and then drawing a circle from the center point (See Figure 1). To determine the location of the CBD, city maps were utilized which provided the location of the “downtown business district”. Since there is no specific center point given on the CBD census maps, a point was approximated. Second, the census tract had to maintain geographic consistency between 1980 and 1990. If the size and position of the census tract remained the same, then the census tract was eligible for the random selection process. Third, the census tract had to have at least 1200 residents residing in it in 1980 and it had to maintain a population of at least 1000 in 1990. Last, the census tracts examined had to fit into the classification of “low-income” or “distressed” tracts as defined by the census bureau. All the census tracts used in this study had median income levels of $12,500 or less in 1980.
Figure 1: Distance Classification

Figure 1 illustrates a portion of the method used in selecting a census tract. Sadowich (1992) concludes that inner-ring suburbs proper from the economic activity of the CBD. Given that most inner-ring suburbs fall between one and five miles from the CBD, it is concluded for this study that census tracts within a three-mile radius of the CBD would be most likely to be affected by the economic activity of the CBD. Using census maps, a central point in the CBD was selected. From this point, a three-mile radius was drawn from the center to provide a target area for census tract selection.

Table 1 lists the variables collected for each census tract, central city, and MSA for 1980 and 1990.

<table>
<thead>
<tr>
<th>Table 1: Research Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tract Number</td>
</tr>
<tr>
<td>Total Persons In Tract</td>
</tr>
<tr>
<td>Number of Female Headed Households with Children Under 18</td>
</tr>
<tr>
<td>% HS Graduates</td>
</tr>
<tr>
<td>Number Employed in the Labor Force</td>
</tr>
<tr>
<td>% of Eligible Persons Employed</td>
</tr>
<tr>
<td>Number Employed In Manufacturing</td>
</tr>
<tr>
<td>Number Employed in Wholesale and retail Trade</td>
</tr>
<tr>
<td>Number Employed in Professional Services</td>
</tr>
<tr>
<td>Median Household Income</td>
</tr>
<tr>
<td>Per Capita Income of Tract</td>
</tr>
<tr>
<td>Wage and Salary Earnings (Median)</td>
</tr>
<tr>
<td>Public Assistance Income (Median)</td>
</tr>
<tr>
<td>Number of Persons in Poverty</td>
</tr>
<tr>
<td>% of Persons in Poverty</td>
</tr>
<tr>
<td>% Below Poverty Level</td>
</tr>
<tr>
<td>Median Income of Female Headed Households with Children Under 18</td>
</tr>
</tbody>
</table>
The models shown in tables 2 and 3 were used to test the relationship between the economic growth of the larger geographic areas -- central city and MSA -- with the economic welfare of low-income census tracts. The study also tested whether certain tract characteristics could influence the potential for economic activity in the tract. Two indicators of economic growth in the twenty-four MSAs and twenty-four central cities were examined: the percentage change in median income between 1980 and 1990 and the percentage change in employment between 1980 and 1990 (See tables 2 and 3). Consistent with the suburban dependency thesis, the income and employment models are expressed as a function of central city and MSA economic growth. The economic models presented attempt to explain the factors which affect the economic welfare of the tract.

After much investigation it was determined that data are not available in the agglomerate for the urban location, “central business district”. Since the research and reviews conducted by Kasarda, Savitch, Ihanfeldt and others suggest that the CBD accounts for a significant percentage\(^{viii}\) of the economic activity of the central city, the study uses the “central city” statistics available in the US Census of Population for 1980 and 1990. It is noted that their is much dispute over what percent the CBD contributes to the total central city economy. Using a conservative estimate that the CBD contributes 40% to the economy, the implications of the findings in this study remain significant. Given, however, the theories of CBD economic importance suggested by Savitch, Kasarda and others, it was concluded that to study census tracts within a three mile radius of the

\(^{viii}\) Depending on the author and the area defined by the author as the central business district, this area represents between 35% and 70% on average of the central city economy.
CBD would provide evidence which would either validate or invalidate the existence of an interdependent economic relationship between the CBD, central city and census tract.

**Table 2: Distance-Income Models**

<table>
<thead>
<tr>
<th>Equation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2.0) MEDY(_i) = B(_1) + B(_2)(DCBD(_i)) + e (\text{where}) MEDY(_i) = percentage change in the median income of the tract from 1980-1990 (\text{where}) DCBD(_i) = distance, as measured in miles, of the census track from the central business district</td>
<td></td>
</tr>
<tr>
<td>(2.1) MEDY(_i) = B(_1) + B(_2)(DCBD(<em>i)) + B(<em>3)(MEDY(</em>{cc})) + e (\text{where}) MEDY(</em>{cc}) = percentage change in the median income of the central city from 1980-1990</td>
<td></td>
</tr>
<tr>
<td>(2.2) MEDY(_i) = B(_1) + B(_2)(DCBD(_i)) + B(<em>3)(MEDY(</em>{cc})) + B(_4)(EDU(_i))e (\text{where}) EDU(_i)= the percent of high-school graduates twenty-five years and older living in the tract in 1980</td>
<td></td>
</tr>
</tbody>
</table>

**Table 3 Distance-Income Models: Regression Analysis**

<table>
<thead>
<tr>
<th>Equation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2.0) MEDY(_i) = .3656 + .013375(DCBD(_i)) + e (\text{Adjusted } R^2 = .008)</td>
<td></td>
</tr>
<tr>
<td>(2.1) MEDY(_i) = .17334 + .007961(DCBD(<em>i)) + .48895(MEDY(</em>{cc}))(^*) + e (\text{Adjusted } R^2 = .08)</td>
<td></td>
</tr>
<tr>
<td>(2.2) MEDY(_i) = .0652 + .0100(DCBD(<em>i)) + .4505(MEDY(</em>{cc}))(^*) + .0024(EDU(_i))(^{**}) + e (\text{Adjusted } R^2 = .128)</td>
<td></td>
</tr>
</tbody>
</table>

Note: \(^*\) indicates a .01 significance level; \(^{**}\) indicates a .05 significance level; \(^{***}\) indicates a .15 significance level.

Equations 2.0, and 2.1 test the impact of a low-income census tracts distance from the CBD on economic activity in the tract. Equation 2.3 tests the impact of tract educational attainment levels and distance from the central business district on economic welfare in the tract. Kasarda’s hypothesis suggests that tract welfare is affected by the rise
in required skill levels of jobs in the CBD; Therefore, one would expect that tracts with low educational attainment levels would not be affected by economic activity in the CBD.

Table 3 presents the ordinary least squares regression results. Models 2.0 and 2.1 confirm that despite the proximal relationship of the tracts to the CBD, the low-income tracts remain isolated, perhaps due to factors previously mentioned: lack of skills, hiring discrimination, and unequal development efforts. Specifically, in equation 2.1 the variable $d_{cbd}$ was combined with $\text{MEDY}_{cc}$ to determine whether the variables in combination would have a statistically significant impact on tract income. While the distance variable in equation 2.1 remained statistically insignificant, $\text{MEDY}_{cc}$ did have a statistically significant correlation with tract level income (Table 3). Notably, in model 2.3, the distance variable remained insignificant and the addition of the education variable, while statistically significant, resulted in only a slight increase in overall $R^2$, from .08 to .12 (Table 3).
### Table 4.0: Income Models

<table>
<thead>
<tr>
<th>Model Number</th>
<th>Equation</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0</td>
<td>( \text{MEDY}<em>t = B_1 + B_2(\text{MEDY}</em>{cc}) + e )</td>
</tr>
<tr>
<td></td>
<td>where ( \text{MEDY}_t ) = percentage change in the median income of the tract from 1980-1990</td>
</tr>
<tr>
<td></td>
<td>where ( \text{MEDY}_{cc} ) = percentage change in the median income of the central city from 1980-1990</td>
</tr>
<tr>
<td>3.1</td>
<td>( \text{MEDY}<em>t = B_1 + B_2(\text{MEDY}</em>{msa}) + e )</td>
</tr>
<tr>
<td></td>
<td>where ( \text{MEDY}_t ) = percentage change in the median income of the tract from 1980-1990</td>
</tr>
<tr>
<td></td>
<td>where ( \text{MEDY}_{msa} ) = percentage change in the median income of the MSA from 1980-1990</td>
</tr>
<tr>
<td>3.2</td>
<td>( \text{MEDY}<em>t = B_1 + B_2(\text{MEDY}</em>{cc}) + B_3(\text{POV}_t) + e )</td>
</tr>
<tr>
<td></td>
<td>where ( (\text{POV}_t) ) = the percent of persons in poverty in the tract in 1980</td>
</tr>
<tr>
<td>3.3</td>
<td>( \text{MEDY}<em>t = B_1 + B_2(\text{MEDY}</em>{cc}) + B_3(\text{EDU}_t) + e )</td>
</tr>
<tr>
<td></td>
<td>where ( (\text{EDU}_t) ) = the educational attainment level (percent high school graduates) in the tract in 1980</td>
</tr>
<tr>
<td>3.3a</td>
<td>( \text{MEDY}<em>t = B_1 + B_2(\text{MEDY}</em>{cc}) + B_3(\text{EDU}_{150})e )</td>
</tr>
<tr>
<td></td>
<td>where ( \text{EDU}_{150} ) = the educational attainment level of the forty-eight tracts (top 50% of the tracts with the highest educational attainment in 1980)</td>
</tr>
<tr>
<td>3.4</td>
<td>( \text{MEDY}<em>t = B_1 + B_2(\text{MEDY}</em>{cc}) + B_3(\text{FHH}_t) + e )</td>
</tr>
<tr>
<td></td>
<td>where ( (\text{FHH}_t) ) = the percent of female-headed households with children under 18 residing in the tract in 1980</td>
</tr>
</tbody>
</table>
Table 5: Income Models -- Regression Results

<table>
<thead>
<tr>
<th></th>
<th>Equation</th>
<th>Adjusted R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.0</td>
<td>( \text{MEDY}<em>i = 0.1873 + 0.4918(\text{MEDY}</em>{ce}) + e )</td>
<td>0.0950</td>
</tr>
<tr>
<td>3.1</td>
<td>( \text{MEDY}<em>i = -0.0873 + 1.090(\text{MEDY}</em>{mse}) + e )</td>
<td>0.0876</td>
</tr>
<tr>
<td>3.2</td>
<td>( \text{MEDY}<em>i = 0.2264 + 0.5061(\text{MEDY}</em>{ce}) - 0.0002(\text{POV}_i) + e )</td>
<td>0.1052</td>
</tr>
<tr>
<td>3.3</td>
<td>( \text{MEDY}<em>i = 0.0836 + 0.4544(\text{MEDY}</em>{ce}) + 0.0024(\text{EDU}_i) + e )</td>
<td>0.1362</td>
</tr>
<tr>
<td>3.3a</td>
<td>( \text{MEDY}<em>i = 0.852 + 0.4505(\text{MEDY}</em>{ce}) + 0.0024(\text{EDU}_{15a}) + e )</td>
<td>0.1398</td>
</tr>
<tr>
<td>3.4</td>
<td>( \text{MEDY}<em>i = 0.2339 + 0.5657(\text{MEDY}</em>{ce}) - 0.00023(\text{FHH}_{80y}) + e )</td>
<td>0.1708</td>
</tr>
</tbody>
</table>

Note: * indicates a .01 significance level; ** indicates a .05 significance level; *** indicates a .15 significance level.

Table 5 provides the results of the income model regressions. Since the R² values are low, the models reflect a great deal of volatility. In some cases, the volatility of the models is reflected in the apparent instability of the coefficients. We would expect this instability given the low R² values; however, the models remain statistically significant and the importance of the findings should not be diminished.

While a statistically significant correlation existed between changes in median income in low income census tracts and income changes in the central city (see equation
neither variable alone explained a large proportion of the variance in census tract income as evidenced by the low $R^2$ values (see Table 5). Thus, increases in median income in the central city or MSA appear unlikely to have a major effect on low-income census tracts.

The inclusion of variables that reflect potentially important economic characteristics of the census tract itself -- as discussed by the socio-economic theorists -- poverty (3.2), educational attainment (3.3 and 3.3a), and female-headed households (3.4), resulted in a slight improvement in overall $R^2$. However, the explanatory power of the model remained low.

Equations 3.3 and 3.3a test a further assertion of the Kasarda theory. Kasarda hypothesized that educational attainment increases the likelihood of raising the median income level of low-income tracts, thereby, improving overall welfare. A test of this assertion showed that the $R^2$ increased only slightly -- from .10 to .13 -- when the tract variable educational attainment was added to the model (equation 3.3, Table 5). When the top 50% of the tracts with the highest educational attainment levels were tested (equation 3.3a, Table 5) along with the distance variable, the $R^2$ remained at .13, the same value attained when all the tracts were included in the regression. This evidence suggests that even in tracts where sixty-eight percent$^{x}$ or more of the eligible$^{x}$ tract population had graduated from high school, a great degree of isolation still existed between the activity in

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$^{x}$ Sixty-eight percent and higher high-school graduation rates characterized the forty-eight tracts (top fifty percent) with the highest educational attainment levels.

$^{x}$ Census data on education provides the percent of individuals, twenty-five and older who had graduated from high school.
the CBD and employment opportunity in the tract. Based on these findings one may argue that larger economic and sociological factors -- uneven development efforts, necessity of specific technical skills, and hiring discrimination -- may in fact be more significant indicators of isolation and alienation than is level of education. Further research is necessary to examine how much education is necessary to positively and significantly improve opportunities for CBD employment.

Equation 3.4 suggests that the lower the number of female-headed households with children under 18 in the tract in 1980, the more likely the tract would be positively affected by the city's and region's economic growth. When the variable percent of female headed households was added to the model, the $R^2$ increased from 10 to .17. This result provides some validation of the socio-economic theorists arguments that female-headed households and other at-risk groups in low-income census tracts are on average three times more likely to be under-educated and unemployed. The above mentioned models suggest that in addition to being a low-income census tract, tract level variables influence to a slight degree the ability of the tract to be affected by the economic activity occurring in the central city.

The correlation matrix (see Appendix 2) validates the multicollinearity between median income in the central city and median income in the MSA. As a result, the models outlined above were tested first to determine the impact of central city income growth on

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There is significant debate today among education analysts about whether or not a high school education provides training for the work place. Many analysts suggest that students today come out of schools with limited skills, and little or no job training. It may, therefore, not be surprising that even in the tracts with the highest percentage of high school graduates, employment opportunities for these individuals were negligible. Kasarda's premise that most CBD jobs require higher education suggests that high school graduates may not qualify for CBD employment.
the tract and then using the median income figures for the MSA. In all cases, when the MSA income variable was used instead of the central city income variable, the $R^2$ dropped between .1 and .3 points in value. This provided further evidence, that these tracts were isolated both from the central city and from the economic activity of the metropolitan region. Wilson’s assertions that uneven development efforts, the absence of transportation to the suburbs, and the absence of a significant amount of low-income housing in suburbs prevent low-income tract residents from benefiting from the economic activity of the MSA are all likely to be valid reasons for weak linkages between census tract and the metropolitan economy.

The income model regression results indicate that to a very limited degree income growth in the central city and the entire metropolitan statistical area positively impact the economic state in low-income census tracts. The data in Table 5 does show a positive, statistically significant correlation between growth of central city income and growth of the low income census tract median income level; however, the correlation coefficient and $R^2$ values remain low. The interdependence between low income census tracts and the metropolitan region appear to be much weaker than the relationship between the central city and suburbs. The figure below shows a comparison between the correlation coefficients and the $R^2$'s found for the suburban dependency research previously presented and those found in this study.
Voith Income Regressions Results | Savitch et al Income Regression Results | Ledebur and Barnes Income Regression Results | This Study Income Regression Results
--- | --- | --- | ---

While one must be cautioned that the data presented in Table 8 are not comparable, the comparison does provide a good sense of how loose inner-city linkages are with the rest of the region. Voith’s evidence of a positive, interdependent relationship is shown in the positive correlations between high city per capita income growth and high suburban per capita income growth. He found a .91 correlation between city and suburb income growth during the 1980s. He elaborated, “metropolitan areas with high city income growth were very likely to have high suburban income growth, while those with slow city income growth were likely to have a low suburban income growth.”

In Savitch’s test to determine the level of interdependency between city and suburb, he developed a bivariate regression equation which regressed central city per capita income and central-city density on suburban per capita income for the years 1979 and 1987. The regression results yielded a $R^2$ value of .61 for 1987. Savitch concluded, “cities and suburbs have become more intertwined...The data indicate that hope for suburbs lies in developing closer ties to central cities.”

The Ledebur and Barnes study regressed the change in real suburban median household income on the change in real city median household income. The percentage of explained variation ($R^2$) was .82. In further equations, they investigated suburban median household income as a function of city
median household income. Between 1979 and 1989, the percentage of explained variation \( R^2 \) increased from .07 to .31. From the first equation they concluded that the relationship between city and suburb was very dynamic, "the relationship is mutual, interactive, and interdependent." Further, they claimed that the second set of regressions suggested that the interdependence between city and suburb increased during the 1980s.

In the model used in this study, the percentage change from 1980 to 1990 in median household income in the tract was the dependent variable, and change in central city median household income and MSA median household income were the independent variables, along with tract level variables such as educational attainment levels in 1980, or percent of persons in poverty in 1980. The percentage of explained variation was .13. When the tract level independent variables were added to the equation, the percentage of explained variation rose only slightly -- from .13 to .14 or from .13 to .15. The regression results in the study conducted for this report indicated that income growth in the central city and entire metropolitan statistical area had a negligible impact on economic welfare in low-income census tracts. The correlation data in Appendix 2 does showed a positive statistically significant correlation (.32) between central city median income levels and census tract median income levels; however, when the correlation coefficient was compared to the results found in the Voith or Savitch study, the coefficients and \( R^2 \) values were considered low. The findings in this report, while to a limited degree consistent with the theory suggested above, are too weak for policy makers to leave it to metropolitan growth alone to significantly enhance the inner city tract.
### Table 6: Employment Models

4.0 \( \text{EMP}_t = B_1 + B_2(\text{EMP}_{cc}) + e \)
where \( \text{EMP}_t = \) percentage change in the percent employed in the tract from 1980-1990
where \( \text{EMP}_{cc} = \) percentage change in the percent employed in the central city from 1980-1990

4.1 \( \text{EMP}_t = B_1 + B_2(\text{EMP}_{msa}) + e \)
where \( \text{EMP}_{msa} = \) percentage change in the percent employed in the MSA from 1980-1990

4.2 \( \text{EMP}_t = B_1 + B_2(\text{EMP}_{cc}) + B_3(POV_t) + e \)
where \( (POV_t) = \) the percent of persons in poverty in the tract in 1980

4.3 \( \text{EMP}_t = B_1 + B_2(\text{EMP}_{cc}) + B_3(EDU_t) + e \)
where \( (EDU_t) = \) the educational attainment level (percent high school graduates) in the tract in 1980

4.4 \( \text{EMP}_t = B_1 + B_2(\text{EMP}_{cc}) + B_3(FHH_t) + e \)
where \( FHH_t = \) the percent of female-headed households with children under 18 residing in the tract in 1980

### Table 7: Employment Models -- Regression Analysis

4.2 \( \text{EMP}_t = .2101 - .3078(\text{EMP}_{cc}) - .00019(POV_t)** + e \)
\( (-1.30) \quad (-2.731) \)
Adjusted \( R^2 = .0638 \)

4.3 \( \text{EMP}_t = -.5608 - .1733(\text{EMP}_{cc}) + .0093(EDU_t)** + e \)
\( (-.730) \quad (2.535) \)
Adjusted \( R^2 = .0536 \)

4.4 \( \text{EMP}_t = .3072 -.2000(\text{EMP}_{cc}) + 4.838(FHH_t)* + e \)
\( (-.883) \quad (-3.921) \)
Adjusted \( R^2 = .1318 \)

Note: * indicates a .01 significance level; ** indicates a .05 significance level; *** indicates a .15 significance level;
The results of the employment model regressions and correlations between central city, MSA and the census tract for the period 1980 through 1990 showed a negative correlation in the case of the central city and a very low positive correlation in the case of the MSA (Appendix 2). Model 4.0 (Table 6) which regressed tract level employment on central city employment was not significant, and the $R^2$ value was zero. Further, when percent of tract employment was regressed on metropolitan area employment, similar results were obtained. Only when tract level variables -- percent of persons in poverty (4.2), educational attainment (4.3), and female-headed households (4.4) -- were added to the model, did the model become significant. However, the $R^2$ values remained extremely low, indicative of the volatility of the model. The low $R^2$ values account for the volatility of the coefficients, thereby making interpretation of the model difficult.

The findings for model 4.3 confirm the Kasarda hypothesis that these tracts remain significantly isolated from employment opportunity in the central business district and central city. Wilson’s argument that poor, inner-city workers are often unable to secure jobs in the suburbs due to the absence of mass transit systems between city and suburb as well as the lack of low-income housing available in the suburbs is validated by the findings for models 4.0 and 4.1: these regressions showed no statistically significant correlation between economic activity in the city and metropolitan area and employment opportunity in the tract. Other employment regressions showed no statistically significant correlation between economic activity in the city and MSA and employment opportunity in the tract.

When the employment regression results are considered in light of the distance regression results, there is clear evidence to suggest that these low-income census tracts
are isolated from the rest of the growth centers in the metropolitan economy. Clearly, the
jobs available in the central city are not accessible by the low-income census tract resident.
Chapter VI

Urban Transformation: Policy Implications

The disparities noted in the findings between central city-MSA income and inner-city tract level income are cause for concern. As these low-income census tracts become increasingly isolated in the central city, the demands on cities’ public resources will continue to increase. Hill and Wholman elaborate,

Demands to support the poor will result in higher taxes being paid by central-city and central-county residents and businesses, which, in turn, increase the cost of living and doing business in those places. Consequently, public services deteriorate as public capital expenditure are not made, maintenance is deferred, and nonessential services are either cut back or curtailed.52

Economist Charles Tiebout suggested that in cases where residents are taxed without seeing the additional services for their taxes, residents are likely to relocate, in this case, outside the city in a suburb.33 As a result, the tax base decreases and the funds available for additional economic development efforts, as well as health and public service benefits to the poor decreases.

Not only are the poor adversely affected, but the city itself can be negatively affected. For example, infrastructure expenditures may be curtailed resulting in the potential relocation of firms currently located in the city who may be dependent on a well maintained infrastructure. Hill and Wohlman extend, “because suburban firms purchase goods and services from firms located in the central city, reductions in the operating efficiency of supplier firms will be reflected in gradual increases in the operating costs of
suburban firms. The deterioration in public capital will, therefore, cause the metropolitan production possibility frontier to shift in and the growth rates to slowly wither.\textsuperscript{34}

Further, the federal mandates imposed on the city to care for the urban poor, force the city to spend the money on specific programs -- many of which are not efficient or are unable (due to Federal guidelines and regulations) to be tailored to the specific needs of a given city's poor population. Therefore, cities are prevented by such mandates from redistributing funds to the needs they see as most urgent.\textsuperscript{35} Finally, the health of the central city and the entire region is threatened by an ever increasingly isolated poor population. Not only does their limited income create a demand for additional public services, but their isolation in many cases leads to deterioration of neighborhoods, increases in violence, promotion of an underground\textsuperscript{iii} economy, and increases in crime -- all of which have severe implications on the economic development opportunities of the region. In the recently published literature on business expansion, the analysis provided factors which were influential in the expansion or relocation of businesses. Among the professional service and healthcare sectors, quality of life factors in a region were ranked among the top three factors considered in an expansion or relocation.

\textsuperscript{iii} Often this is a drug-based economy.
Chapter VII.

Urban Transformation: Policy Recommendations

Place Prosperity versus People Prosperity

The debate over whether the central city should work to improve the livelihood of people or improve the overall condition of a particular “place” and thereby improve the livelihood of the people residing in such place remains a complex one. In particular, the findings in this study suggest that the low-income census tracts remain isolated elements of the central city. Should efforts be made to reengage the tracts as a whole, or just the people in the tracts?

Bolton argues that “people attach value to a ‘sense of place’. He defines this place as a “sense of community and cooperation that is shaped by a particular geographical setting, including the natural and built environment, culture and past history.”36 Ihanfeldt extends the Bolton thesis arguing that by strengthening the sense of place in a particular city, the out-migration of middle-class residents would be less likely, and thereby the negative externalities experienced by those individuals who choose to reside within the city would be lessened.37 Further, the sense of place may not only be important to residents from a particular city, but also to outsiders who may choose to move into a city.

Consider, for example, the different perceptions people have of Detroit or Washington DC and Denver or Seattle. Peoples perceptions of Detroit and DC are shaped by news accounts of high crime, a deteriorating industrial base, and declining infrastructures (e.g., schools, highways, etc.). On the other hand, the number of persons
choosing to reside in the central cities of Denver and Seattle are significantly higher. The unique character of each city’s downtown, accompanied by strong school systems and well supported infrastructure has made the perception of these cities significantly different than that of others. These cities are able, therefore to attract more industry and to retain more residents who are willing to pay the taxes in exchange for the sense of place they feel exists in the central city. Further, Bolton asserts that outsiders and residents alike will attach “pure existence value” to a place if they believe it is worthwhile preserving.

Proponents of “place prosperity” argue that by endorsing policies which advocate “people-prosperity,” the central city continues to remain in overall decline. While some individuals achieve the higher education levels, these individuals often leave the city for the suburb, and as a result the potential tax earnings from these policies are lost. The evidence presented by Kasarda, Alex-Assenho, Wilson and others, suggest that the number of extreme poverty tracts in large central cities across the US continues to expand. With this expansion comes a rising burden on central cities to provide services to meet the needs of a growing poor population. In addition, as monies are shifted from economic development and infrastructure repair efforts to expanded healthcare and welfare policies, the sense of place which defines the city suffers. Unable to attract suburban residents or outsiders back to the central city leads to a continued decline and deterioration of a once thriving center of commerce. Clearly, by only endorsing “people prosperity” policies, the central city continues to suffer and thereby, as suburban-dependency proponents suggest, the whole region suffers. Efforts must be made to reengage the people, however, not at the expense of their community or the city’s sense of place.
The Possibility of Metropolitan Government

Throughout history cities have been viewed as the center of opportunity and mobility. Since World War II, America has redefined the "city". Today, the city is the whole metropolitan area -- city and suburbs. Reinvigorating the inner-city, in particular, the low-income census tracts, requires a reintegration of inner-city with city and suburb. Perhaps, metropolitan government may be the starting point for this process. It is critical that all local and state government adopt policies which will diminish the racial and economic segregation which now distinctly defines the inner-city and suburb.

David Rusk suggests that metropolitan government contain the region's central city and should contain at least sixty percent of the region's population. A metropolitan government would act as a general purpose local government. It would have control over zoning and planning powers, and have the authority to exercise exclusive powers within its jurisdictions. In addition, the metropolitan government would have all the power of a municipality and act as the overall governing body of the region. By adopting metropolitan government, regions would have the capacity to more equitably distribute aid, resources, and funding to promote the region as a whole, and revive portions of declining central cities. Under the auspices of metropolitan government, federal grants could better be distributed across the metropolitan area, minimizing the economic and racial segregation that has characterized much of our city-suburb landscape. Given that 190 million people live in metro areas (almost eighty percent of the entire country's population), significant federal incentives to move toward metropolitan government could

\xiii In this case, region is understood to be the metropolitan statistical area.
have a substantial impact. Rusk outlines several key actions regions may endorse as they adopt metropolitan government as their political structure:

First, a metro government should adopt a jurisdiction-wide plan to stimulate affordable housing. Second, it should reorganize the local public housing authority on a jurisdiction-wide basis. Rent-subsidy programs should immediately be implemented in all areas, and plans to build future public housing projects should be adopted on a small-unit, scattered-site basis. Third, a metro government should implement an aggressive fair housing and fair employment practices compliance program either through a metro government agency or state human rights agency (if the state agency has a record of effectiveness).

In addition, federal incentives could be offered to those cities which equitably distribute their federal transportation dollars between highway and road construction improvement, and mass transit systems.

*Socio-Economic Actions*

While the causes of disparity between low-income census tract growth and central city and MSA economic growth are numerous, action can be taken to reverse the trends we are now witnessing. First, continuing the current development efforts to promote growth and development in the central city, specifically the CBD, and the MSA is important as the findings indicate; however, trickle down economics will not suffice in this case. Swift policy intervention to assess and adjust current development efforts must be made to eliminate bias and racism in the current processes. Also, our findings suggest that the employment in durable goods and other manufacturing sectors continues to decline. Hill and colleagues argue that the implication of a decline in manufacturing jobs can be seen in the abandoned infrastructures which now define many cityscapes. Brownfield
redevelopment grants, and the use of federal monies to improve infrastructure may help
revitalize many of these abandoned areas now home to a flourishing, yet dangerous
underground economy.

Importantly, the metropolitan region as well as the state and federal governments
must make investments in education. Improving central city elementary and secondary
school systems, reducing central city drop out rates, and promoting job training and
apprenticeship programs, such as *Tech Prep* and the *School-to-Work Apprenticeship*
program, will likely yield greater employment opportunities within the central city for
these tract residents. In addition, efforts aimed at improving education will likely lessen
the disparities between the tract, central city, and MSA. Further, Hill and colleagues
argue that if cities are better able to attract and retain residents with higher levels of
education, the quality of life factors are also likely to improve. To achieve this end, they
suggest that, “higher levels of government...better distribute metropolitan and fiscal
resources between suburbs and cities...Economic development that brings about an
increase in the number of higher level professional, managerial and technical jobs located
in the central city, or at least retention of the present level of such jobs, will probably also
induce some central city residential location by higher educated individuals.”

Additionally, by attracting more higher educated individuals, the tax base increases, and
the services which can be rendered to the low-income residents, can be increased.
Finally, while this study did not investigate racial issues, much evidence exists which
suggests that many of the low-income tracts can be investigated along racial lines.
Wilson’s assertion that uneven development efforts and race discrimination have isolated
these tracts may be well-founded. Therefore, continued affirmative action programs, as well as incentives offered to companies who hire minorities may improve the current conditions. However, much work and effort is still needed to determine how best to assist these individuals in their reentry into the formal economy.

The work by Wilson, Rusk and others suggests that urban underclass behavior or the behavior characteristic of isolated and alienated census tract residents dissolves with integration into the larger community. By equitably investing throughout central cities and utilizing the support and resources of metropolitan government, the low income census tracts could likely be reintegrated into the formal economy. Rusk extends,

Individual poverty and dependency or individual acts of crime certainly do not disappear, but they lack critical mass to blight whole communities. Within all metro areas the proportion of poor minorities, if dispersed, is not so large as to overwhelm middle-class culture. It is the very isolation and hyperconcentration of poor minorities that overwhelms them individually. Neither poor people nor inner cities can succeed if they are cast into the sociological equivalents of giant public housing projects.41

Clearly, to adopt a “people-prosperity” only policy will hinder prospects for improving the economic vitality of the central city. The evidence presented in this research suggests that strong socio-economic programs aimed at developing the people coupled with economic development efforts aimed at improving the development of the city will likely yield the most promising results. Metropolitan government appears as a positive starting point to developing the collaboration and political structure necessary to ensure the entire region benefits from an interdependent relationship and to ensure that the isolation and alienation of poor persons which is growing throughout major US cities is
halted before the resource demand required by these low-income census tracts bankrupts
the city, and thereby, the region.

*Inner-City “Community”: Ideology or Reality? A Personal Perspective*

The road to reviving American cities must begin with reviving the residents of
today’s inner cities. Cities are people, and unless we address the people issues, we can not
revive the sense of place commonly defined as “city”. The increasing concentration of
poor, alienated individuals living in America’s inner cities remains an insidious issue for
America’s cities and for Americans themselves. The growing violence, the increases in
teen-age birth rates, the rising death rates among teens, the growing gang activity and the
litany of other social problems masked behind the deteriorating infrastructures of our cities
calls for a renewed effort targeting this alienated mass. Who is responsible?

Rhetorical support for the poor is popular, but specific programs impacting inner
city poor are usually divisive since welfare has conflicting meanings to many conflicting
groups. As typically characterized, liberals see welfare policy as “economic assistance and
social services that will put a floor under family income and lead the way toward self
sufficiency.” On the otherhand, conservative rhetoric issues appeals for personal
responsibility, advocating for the dismantling of a welfare system which “encourages
dependency and subsidizes untraditional or broken families”. Both liberals and
conservatives claim the moral high ground. Neither approach, however, has engaged the
issue.

I have either participated or observed numerous grass-roots movements aimed at
improving the welfare of the inner-city resident in several cities across the country. From
working in inner-city schools with attention-deficit disorder students and their families in South Bend, Indiana, to single teen-age mothers in Boston, to the Tech-Prep and School to Work education initiative in Dayton, Ohio, I have gained insight, although not comprehensive or complete, which has enabled me to draw several conclusions.

First, development from within is extremely important. Top-down initiatives, without pre-organized and pre-approved grassroots support fail. Top-down initiatives fail the same way allopathic medicine in many cases fails: they treat only a symptom, and many times treats it with a generic response. Top-down initiatives tend not be flexible and therefore do not offer the opportunity to customize a particular solution to a particular area.

Second, the necessity for customization being noted, there are a core set of problems which are experienced by every major US city. Behavior of this isolated and alienated sector of the poor has demographic similarities: minorities tend to be clustered in pockets in these inner city tracts, the percentages of female-headed households living in poverty is higher than in the suburbs, the number of persons who have attained high school diplomas is on average ten to twelve percent lower than in the suburbs, and the murder and violent crimes rates appear to be significantly higher in the city than in the suburb.

Third, garnering political will or building political clout among the urban poor is not possible. To address this litany of social concerns, activists have called for community action. Their aim is to increase the political power of this sector of the poor, as well as to work from within to address some of the social and economic issues these
individuals are facing. While there are good examples of small, grass-roots programs which are working to improve the welfare of the inner city census tract resident, the impact has been slight at best. For one, these programs often do not receive the federal or state aid and attention they require to meet the needs of the many individuals requiring such services. Second, the inability of these community organizations to build the political support from within the isolated poor is largely due to the increasing level of distrust which exists among the urban poor. There is no community among these tracts of urban poor. Fear, alienation, and disillusionment characterize the attitudes of the low-income, inner-city resident.

Current social programs enable some individuals to escape this alienation, however, once the individual escapes the bonds of poverty, she is unlikely to return to help revitalize the community. Our social program goals, while amiable and workable require a second element to be successful. The support of suburban Americans, of all races and socio-economic backgrounds is a necessity to revive the tracts. Community programs supported by leaders from both the city and the suburbs and support and development of infrastructures (transit systems, low-income housing) which enable the reintegration of classes in the work force across the metropolitan area is essential to addressing the needs of America’s urban poor.

Tragically, functionalism and pragmatism have become the essence of life in American society. Society’s lack of altruism, the robotization of living, and the desensitization and dehumanization of poverty, violence and death -- as magnified by the numerous forms of media and thousands of information blips that inundate us daily-- has

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xiv Gang communities exist; however, not for the goal of nurturing of improving neighborhood harmony.
resulted in the abandonment of true community and responsibility. William Bennett argued that a nation is generally a reflection of its families. If family is a community, and the larger family is our society, then a non-functioning family is a non-functioning or ill-functioning society. We must strive to rebuild community, by removing ourselves from the complacency of our suburban lives and accepting responsibility for improving the lives of those trapped in the urban cycles of poverty and alienation. By coming together as city community, as metropolitan community and as global community, we shatter the political and infrastructure barriers that separate us into voting districts and census tracts, and we begin to reunite ourselves into a truly human community. By supporting community through grass roots involvement, our social programs will be more effective, our money more well spent, and our cities seen as centers of thriving commerce, rather than centers of dilapidated infrastructure and increasing violence. As idealistic as this appears, it is my strong belief in the spirit of the American people, and my often frustrating experience working with too little resources and too little support in grass-roots social programs that leads me to the conclusion that Americans --city and suburban dwellers alike-- must intercede to address the needs of our urban poor.

The solution to the isolation of urban census tracts is a complex one. This chapter attempted to address it from four fronts: first, the economic perspective provided insight into the importance of place-prosperity focused development policy; second, the outline of metropolitan government presented a political structure in which our cities might more effectively team together to address the problems of the inner-city; third, the socio-economic solutions presented provide processes and policies to address education and
employment issues, finally, the last section examined our personal responsibility in rebuilding community among the isolated, urban poor.
Chapter VIII

Urban Transformation: Conclusions -- Isolation or Interdependence?

The analysis of ninety-six low-income census tracts in twenty-four of the largest fifty US cities yields mixed results. Income growth is positively correlated between the central city, metropolitan statistical area, and the low-income census tract; however, this link while statistically significant is for practical and policy purposes very weak. There is evidence to suggest that this growth appears to be linked to tract level variables such as the percent of persons in poverty, educational attainment levels, and percent of female-headed households. In cases where the educational attainment levels are high, the tract appears to benefit more from the economic growth and overall development efforts supported by the central city and MSA, than do those tracts with low educational attainment levels and female-headed households. The absence of a statistically significant correlation between distance from the CBD and welfare of the tract and between the percent employed in the central city or MSA and the percent employed at the tract level further validates the claims that these tracts remain isolated and disassociated from the formal economy. While tract level variables appear to have a slight influence in determining the likelihood that the tract may be able to regain its economic vitality, one may conclude that without swift and deliberate development efforts (e.g., metropolitan government), social program efforts (e.g., support of apprenticeships, Tech-Prep, School to Work programs), and personal commitment to community building in the inner-city, these tracts may be enveloped by the disassociation and alienation characterized by Kasarda, Alex-Assenbuh, Jennings and others. Future research may be needed to examine
the magnitude of the disassociation as well as to examine tract level variables which may lend themselves more toward economic rejuvenation. Measures must be taken to halt the sprawl of structural poverty in many of these low-income tracts. A structural and political shift toward metropolitan government appears to yield the most promising potential for revitalizing these isolated tracts. In addition, while education is indeed one measure which appears to have a positive impact on the economic welfare of a tract, other variables such as technical skill level, discrimination, housing and transportation availability will need to be considered in order that the most appropriate policy be implemented. Future research must also investigate why the weak linkages exist between the central city, MSA, and low-income census tracts and what particular variables, if any, provide a breath of economic hope to low-income central city census tract residents.
Clarification of Terms

Low-income census tract: The low income census tract was defined in this study to be a tract with a median income in 1980 between $0 and $12,500. This figure places the resident below the government poverty line of $14,900 in 1980.

High population census tract: The high population census tract was defined as a region having at least 1,000 persons residing in it in 1980.

Census Tract: Defined by the Bureau of the Census as a “relatively homogenous area with respect to population characteristics, economic status, and living conditions with an average population of 4,000.”

Metropolitan Statistical Area (MSA): The area defined by the Census Bureau as a specific employment region. It contains at least one central city of at least 50,000 and possibly other cities or suburbs.

Central City: A city within a region which has a population of at least 250,000 and contain at least 100,000 workers. It is also the largest municipality in the MSA.

Inner Ring Suburbs: The suburbs which directly border the central city.
Appendix II

Correlation Matrix of Research Variables
## Correlation Coefficients

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<th>DCBD</th>
<th>EDU.80</th>
<th>P.FHH.80</th>
<th>PC.EMP.C</th>
<th>PC.EMP.M</th>
<th>PC.EMP.T</th>
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<tr>
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* - Signif. LE .05  ** - Signif. LE .01  (2-tailed)

"." is printed if a coefficient cannot be computed.

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"." is printed if a coefficient cannot be computed.
2 Ibid., p. 105.
3 Ibid., p. 5.
5 Ibid., p. 6-7.
13 Rusk, p. 121-2.
20 Kasarda, p. 79.
22 Kasarda, Jobs Growth and the Emerging Urban Mismatch, p. 79.
26 Ibid, p. 128.
29 Voith, “City and Suburban Growth,” p. 28.
30 Savitch, p. 343.
31 Ledebur and Barnes, “All In It Together,” p. 4.
37 Ihanfeldt, p. 127.
38 Rusk. p. 89
41 Rusk, p. 122.