# Testimony before the U.S. – China Economic and Security Commission

## "Impact of Globalization and Trade with China on New York Companies and Communities"

**Presented by**

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To the co-chairs of this public hearing, Patrick A. Mulloy and Dennis C. Shea, I thank you for the invitation to speak at this hearing. At the outset, I should indicate that my presentation will take a somewhat different direction than the other speakers, focusing on more generalized conditions of urban decline rather than on the specific conditions of globalization and trade. This is done with the prior knowledge and consent of the co-chairs and commission staff, based on our preliminary discussions at the time this hearing was being planned.

I have no empirical studies to cite, or original research to report. I am still in a data gathering and assessment phase of my research on declining cities. I am able to share a narrative with this panel today based on more than forty years of experience as an urban policy maker and practitioner. Hopefully these subjective field observations will be helpful in your on-going deliberations about the patterns of urban decline that are so pervasive in certain regions of this nation.

Let me briefly describe my professional background, which will illuminate the perspective that my testimony will take. I have been on R.I.T's faculty since January 1, 2006, and I hold a joint appointment in the departments of Science, Technology and Society/Public Policy; and Urban and Community Studies. My courses focus on urban policy and planning, with a particular concern about the contemporary relevance of local governance structures, past and present performance of community economic development initiatives, and the process for engaging citizens in reform and accountability efforts for local governments. I came to this appointment immediately after retiring as Mayor of Rochester.

Since completing graduate school forty-two (42) years ago, I have been engaged in a diverse array of urban governance and community development activities. For twenty-one (21) years I served as the chief executive officer of one of Rochester's leading human service and planning organizations, the Urban League; for two (2) years as the deputy director of the Urban League in Flint, Michigan; for twelve years (12) as the elected Mayor and chief administrative officer of New York's third largest city; and for seven (7) years as a political science and urban policy professor in Flint and Rochester.

During this period I have worked in two "rust-belt" cities, one each in the Northeast and Midwest, which have undergone unrelenting transformation and decline. The 1950 census reflected the peak populations for many communities in these regions, with marked declines occurring in subsequent decades. Between 1950 and 2000, Rochester registered a 34% population loss, from 332,488 to 219.773. If current projections for this decade are confirmed by the 2010 census, Rochester will have around 200,000 people, the lowest level since 1910. [Note: All population data cited throughout this paper is taken from various Census reports, unless otherwise indicated.]

Flint, the birthplace of both General Motors and the United Auto Workers, experienced a 1094% population increase between 1900 and 1930, from 13,103 to 156,492, most of which can be attributed to the rapid expansion of the automotive industry. At one point, every Chevrolet and Buick automobile was built in a Flint factory. This growth was so phenomenal that when most other northeastern and Midwestern cities were experiencing a population decline between 1950 and 1960, Flint registered a **20.5% increase**, from 163,143 to 196,940. Rochester [ -4.2%], Buffalo [ -8.16%], Pittsburgh [ -10.7%], Cleveland [ -4.2%], Detroit [ -9.7%] and St. Louis [ -12.46%] were moving in the opposite direction.

Between 1970 and 2000, Flint has lost 35.5% of its population, down to 124,943. Like Rochester, its population has continued in free fall during the past eight years, where estimates project an almost 9.5% loss of its residents.

Both cities have suffered huge losses in jobs in their leading industries. The photographic giant, Eastman Kodak, has eliminated nearly 90% of its 60,000 jobs in the Rochester area since the early 1980's. The General Motors companies that employed more than 80,000 people in the Flint area as late as 1978 have also shed 90 % of their workforce. This is a shock to the community's central nervous system that is impossible to absorb.

It is customary to look to conventional and very obvious explanations when seeking reasons to explain this level of decline. Factors like disinvestment, deindustrialization, globalization and technology improvements are often identified as causal factors. However my experience and research have revealed that other factors, sometimes overlooked and sometimes deliberately minimized, can often play a crucial role in destabilizing communities. It is my belief that one such overlooked factor played a contributory role in the early stages of Flint's decline, which was made irrevocably worse by General Motor's massive downsizing two decades later.

Let me indicate at the outset of this particular anecdote that I have discussed this theory with several of my former Flint academic and political colleagues, to first ascertain if any empirical studies were conducted, and to validate my recall of the facts. While the factual recall was verified, I could find no evidence of hard research into the matter. I even raised this subject when I was twice invited to lecture in Flint a few years ago, but my presentations did not generate any follow up. Nor have I had the time or resources to spend in any follow up research of my own.

My connection to Flint began in September 1967 when I relocated from Washington DC to teach, two months after the major riot in Detroit and a couple of lesser skirmishes in Flint. In January 1968, it became one of the first cities to install a Black mayor. There was in place at the time the commission-manager form of government, where the Mayor was elected by his fellow commissioners as the presiding officer for official meetings and ceremonial events. Floyd J. McCree, a beloved community leader and commission member, won this designation, but he resigned shortly afterwards in protest when the commission voted down an historic open-housing ordinance that was designed to overturn housing segregation patterns in the city. The mayor's resignation sent shock waves throughout the entire community, but McCree would not budge from his decision unless the commission reversed itself, which occurred after much emotional public discourse over the period of a few weeks.

Until that time, the majority of Flint's Black population was confined to intolerable living conditions in the northeast quadrant, in the vicinity of many of GM's manufacturing facilities. The imaginary dividing line was Detroit Street (later renamed Martin Luther King Boulevard); few Blacks lived west of Detroit Street and few whites lived on the eastern side. Yet, after open housing this changed. Once a few Black families began to move, racial fears began to escalate. Some realtors were suspected of engaging in "blockbusting" tactics, which the Urban League and the NAACP, along with the white religious community, worked hard to overcome. News media accounts of increasing crime overtaking formerly peaceful white neighborhoods and of persons selling their homes for below-market prices were standard fare. White flight and Black pride abounded in an atmosphere of hysteria and fear. This was not Flint's "finest hours", which might account for why so many people are still trying to push these memories out of mind without reflecting on what this situation did to disrupt the overall sustainability of the community.

Within a couple of decades, Flint was transformed from a majority-white to a majority-Black city. By 2000, over 53% of the population was African-American. Today, Flint has one of the highest rates of abandoned and vacant properties of any city in America, and it is one of the pioneers of a land banking program that could place it on the road to recovery and re-population [Land Bank Institute].

While little or no empirical data beyond old newspaper accounts exist from this era, there is one indisputable fact. In 1970, the census registered 3,623 fewer city residents, a meager 1.8% loss. (Rochester and Buffalo lost 7% and 13.1%, respectively, during the same period.) Given that Flint's factories were still employing record numbers, and the impact of the 1973 OPEC "oil embargo" had not taken effect, it is entirely reasonable to conclude that much, if not all of this population decline, can be attributed to "white flight" to the surrounding suburbs. One other factor can be noted: a majority of Genesee County's population lived outside of the city, as registered in the 1970 census. In 1970, 56.6% of the county's 445,589 residents lived outside of the city, compared to 47.4% in 1960. [Genesee County Parks, page 5]. While these trends matched the march to suburbanization that began full bore after World War II, a case can be made that the Flint Open Housing ordinance helped to stimulate some of that movement.

Even with the benefit of four decades of hindsight, it is not entirely clear that Flint could have avoided its current state of decline if the open-housing program had been better planned and implemented. Communities that followed a less controversial path have experienced similar levels of destabilization. And Flint's open housing law was not the only example of well-designed initiatives that wrought unintended consequences. The Open Housing Ordinance was not conceived as a way to drive white residents out of town, or to render whole neighborhoods as unlivable. But that was the practical effects of the legislation, and it unintentionally placed the city on a downward spiral from which it has been slow to recover. Flint's residential tax base has been devastated in recent years by the massive depletion of its housing stock. The 2000 U.S. Census estimated that 12 per cent of the city's housing stock was vacant or abandoned, amounting to over 5,000 units. [Land Policy Institute, p.7]

Whole blocks of houses, and sometimes entire neighborhoods, look as though they have been attacked by a neutron bomb. There is little evidence that state and local officials could come up with a credible strategy to deal with the problem until a few years ago, when massive property abandonment in cities like Detroit and Flint forced the Michigan legislature to revamp its outmoded tax foreclosure laws, giving local officials a quicker and cleaner path to taking possession of properties that were in foreclosure. The Genesee County Treasurer, Dan Kildee, created a Land Bank program that has allowed the county to address this problem in a creative way. [ Swope, 2008; Streitfeld, 2009].

The point of this story is that it illustrates the flaws of well-intended urban policies, as well as the opportunities for change that can be derived from them. That is the perspective I want to address in the remainder of this testimony.

This hearing is seeking answers to six questions. I will confine my attention to questions 5 and 6, as outlined in your invitation letter:

5) "What has the state government done to respond to the economic decline in central and western NY? What kinds of state policies

are being implemented to stop the outsourcing or to attract new investment in the region?

6) "What impact did this decline have on the job base and the tax bases of communities in central and western NY? What kinds of jobs have replaced the jobs that have been lost?"

There is no question that the urban communities of upstate New York have experienced tremendous dislocation during the past sixty years. The title, "The Empire State" reflected its status as the nation's largest and most prosperous state. Every major city in the state, from New York City downstate to Buffalo-Niagara Falls upstate were home to corporations that shaped the nation and the world through the much of the 20th century. Companies like Bethlehem Steel and General Motors in Buffalo, Dow and DuPont in Niagara Falls, Kodak, Xerox and Bausch & Lomb in Rochester, Carrier, Crouse-Hinds and General Electric in Syracuse, IBM in Poughkeepsie and Binghamton, and General Electric in Schenectady were leaders in their fields and generated substantial economic prosperity for the citizens of their communities. Today, these companies and their home cities are mere shadows of their former selves. Most of these corporate giants have either relocated or downsized considerably.

David Rusk, a noted urban policy expert who has spent much time advocating for structural change in New York state, has charted the demographic decline of the Upstate region. Between 1950 and 2000, each of the major population centers experienced substantial losses: Albany [ -29%]; Binghamton [ -41%]; Buffalo [ -50%], Elmira [ - 38%]; Jamestown [ - 27%]; Niagara Falls [ -39%]; Rochester [ -34%]; Schenectady [ -33%]; Syracuse [ -33%]; Utica [ -40%]; and Troy [ - 32%]. [ Rusk, 2005].

These numbers are even more startling when compared to downstate. While New York City grew by a meager 1.5% during this period, Westchester County grew by 48%, Nassau County by 98% and Suffolk County by 414% [Rusk}.

This upstate decline has been the subject of much analysis, both in the media and among academics. One of the most recent studies was conducted by Professor Rolf Pendall of Cornell University for The Brookings Institution. It studied population data from 1990 through 2002. He concluded that if the Upstate Region, home to nearly 7 million people, was a separate state, its growth rate of 1.1% would have outpaced only West Virginia and North Dakota. He found that out-migration during the period greatly exceeded in-migration, and that the elder population grew disproportionately; there were 14% aged 65 and older, compared to 12.1% nationally. One additional finding that also illustrates the changing jobs picture in Upstate was the increase in the prison population: 28.3% of all new Upstate residents were prisoners. The state has significantly increased the number of prison facilities in the wake of its severe Rockefeller Drug Law enforcement during the past 25 years. [Pendall]

The results of this unrelenting and pervasive Upstate depopulation has been absolutely depressing: eroding tax bases, concentrated poverty, distressed neighborhoods full of abandoned residences and businesses, and declining political power. Communities like Rochester have gone from prosperous to precarious in the face of this turnaround.

In my opinion, many of these forces of disinvestment and dislocations preceded the global redistribution of jobs and technology. It is clear that the fortunes of Upstate, like the remaining regions in the so-called "rust-belt" economies of the north-east and mid-west, began to unravel in the 1950's when factories in Schenectady, Niagara Falls and other communities began to relocate to the "sun-belt". My hometown of Lynchburg, Virginia received one of those plants which were relocated by General Electric and another by Babcock and Wilcox, which transformed it from a sleepy town to a growing metropolis. Lynchburg's population increased 36.8% from 1950 through 2000. Meanwhile Schenectady, which had once housed 44,000 GE employees before that number was reduced to 4,000, suffered its previously noted 33% decline.

Thus, my contention is that if we focus on the impact of trade with China on Upstate New York, then the analysis will be extremely incomplete.

During my three terms as Mayor, from 1994 through 2005, the city was faced with an array of challenges: increasing and concentrated poverty accompanied by spiraling rates of violence, declining public school student performance, decaying neighborhoods being overwhelmed by vacant and abandoned housing, declining stature as the hub of the region, and difficulties in generating sufficient new economic activity that would help to mitigate many of these problems.

One example of this malaise was the unrelenting spread of poverty, in the city proper. One piece of data that my staff produced was used repeatedly to frame the dialogue for action. In 1950, there was one census tract in the entire city with a poverty level higher than 40%. A poverty rate of 40% or more is the accepted definition of "concentrated poverty" in the U.S. By 2000, there were twenty (20) poverty tracts with 40% or more of concentrated poverty, located within the 36 square miles of Rochester. Within the remaining 614 square miles of Monroe County, there were "zero" concentrated poverty tracts.

I have defined the five phases of urban decline as: deindustrialization, disinvestment, deterioration, despair and divorce. While the first three are obvious, let me elaborate on the last two phases. When city residents are faced with a situation where many of the good jobs are beyond their reach, when they do not have ready access to services that most of us take for granted – like quality food markets, medical facilities, pharmacies, gasoline stations, safe recreation facilities for their children, and restaurants to enjoy a leisurely meal—they feel neglected and diminished by being forced to live a "second class" existence. These feelings of despair lead to dysfunctional behaviors that further undermine the viability of these neighborhoods, as William Julius Wilson and others have so assiduously studied. In the face of these conditions, efforts to bring about sustainable change are often overwhelmed.

Divorce best describes the disillusionment that most non-city residents manifest at these conditions. Ray Suarez captured this mood perfectly a decade ago in his best-selling book, "The Old Neighborhood". He interviewed scores of people who had migrated from working class and middle income neighborhoods in Chicago, Cleveland, Los Angeles, Miami, New York, Philadelphia, St. Louis and Washington, DC. When those people returned to their old neighborhoods, they were appalled with the conditions that greeted them: rundown and abandoned housing; sacred institutions and community gathering places like churches, schools and social clubs that had fallen into disuse or unconventional uses; and men hanging out on street corners and not taking care of their families. They felt, almost universally, that the residents who had followed them had squandered a precious inheritance. They were unwilling or unable to rationalize such abstract theories as concentrated poverty or disinvestment, and how these things, along with a ferocious out-migration of people like themselves, could have conspired to create the most unimaginable "unintended consequences". All that mattered to them was that their precious old neighborhoods, which had been the source of so many precious memories, were irretrievably lost [Suarez].

During my tenure we were blessed with much creativity, institutional support and significant financial resources. We were able to inspire neighborhood residents to join in an effective partnership with City Hall to plan for the future. We built new houses, brought new services into neighborhoods, increased resources to our school, created new partnerships with police and residents that led to reduced crime and violence. Despite all of this energy and investment, it was not enough. The city could not escape the downward spiral, because there were just too many forces beyond our control.

The plight of the Eastman Kodak Company and other key employers illustrates this point. I have attached a chart that I have prepared for one of my courses that illustrate the changes that occurred in the local employment market between 1981 and 2007. In 1981, Kodak was the top employer with 59,582 workers. As you can see, the top 15 companies during that period employed nearly 127,000 people. Eight of those employers were manufacturers. By 2007, Kodak had dropped to 12,500 employees and ranked third on the list. The top fifteen companies employed 82, 673, which was 45,000 fewer people than in 1981. Only three of them were manufacturers. The top employer is now the University of Rochester/ Strong Health and the grocery company, Wegman's, rank second. No one pretends that the quality of jobs and pay at these two outstanding companies compares with Kodak's halcyon days. From news accounts, it is clear that the same trends exist in cities like Buffalo, Syracuse and Binghamton, where local universities have replaced manufacturers as the leading employer.

One further example will illustrate the significance of Kodak's decline. In 1983, Kodak accounted for 11.36% of the property tax valuation in the city. By 2008, they accounted for only 1.95%. This data can be found on the annual Assessment Rolls of the City of Rochester.

When a company like Kodak shrinks its presence in its hometown, there are significant side effects: the loss of jobs leads to a decline in the quality of life for the families who were dependent on that income. Many people are unable to maintain their middle class lifestyles, and neighborhoods suffer as these families either move on or cut back. Kodak was recognized for its civic leadership. Not only were its top managers involved in a host of important community initiatives, but it encouraged its workforce to also be good citizens through volunteerism and generous financial support. Kodak's philanthropic activities supported a host of worthwhile community endeavors.

In addition to much of this activity being greatly diminished, Kodak has greatly downsized its physical presence. Many buildings on its Kodak Park manufacturing campus have been vacated or demolished. Its Elmgrove Plant, located in the Town of Gates, was closed and sold a decade ago. This 5 million square facility provided significant tax revenue to the town, by some estimates accounting for 40% of its tax base. Much of that facility is currently underutilized or vacant, and is now in the hands of its second owner after Kodak's departure. At Kodak Park, an increasing amount of space is being leased to outside businesses. One can only surmise the amount of vacant space that is being created in other parts of the community, as companies take advantage of attractive space and attractive rates at a location with such a storied history.

So far, there have been few state or federal programs that have been able to reverse these trends of disinvestment in the Upstate region. At the time of his election, Governor Eliot Spitzer proposed a set of strategies that would be targeted specifically at the Upstate Region. Due to his unexpected and premature departure from office, these strategies have mostly been re-oriented towards a "one state" strategy by his successor, Governor Patterson. Aside from the standard package of tax incentives, Albany has been unable to craft a meaningful and sustainable recovery program for this region.

In 2007, The Brookings Institution issued a set of recommendations in its report, "Restoring Prosperity: The State Role in Revitalizing America's Older Industrial Cities." New York was a primary target of these recommendations, which called for targeted investments in city schools, neighborhoods and job creation venture. Unfortunately, the transition from Spitzer to Patterson caused this activity to be deferred, and it has never gotten back on tract. [Brookings]

A state commission on which I served gave Governor Patterson a road map for the reform of local governments, which have become cumbersome and antiquated. These recommendations, under the title "21st Century Local Government", have set practically dormant because the Governor's attention has been largely devoted to the state's escalating fiscal crisis. {LGEC]

Recommendations from reports prepared by David Rusk and Rolf Pendall are also still viable. President Obama has begun to set up a new Office of Urban Affairs at the White House, but its rollout has been delayed by attention to the economy and other high priority issues.

There is no shortage of recommendations on curing the ills of the Upstate economy. The lack of knowledge is not the problem as much as the lack of will. A lot of people will have to reconsider their opinion about the important roles that urban communities play in this new economy, including people who have "divorced" themselves from the situation. Hopefully the stage is being set for a path of reconciliation and recovery.

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