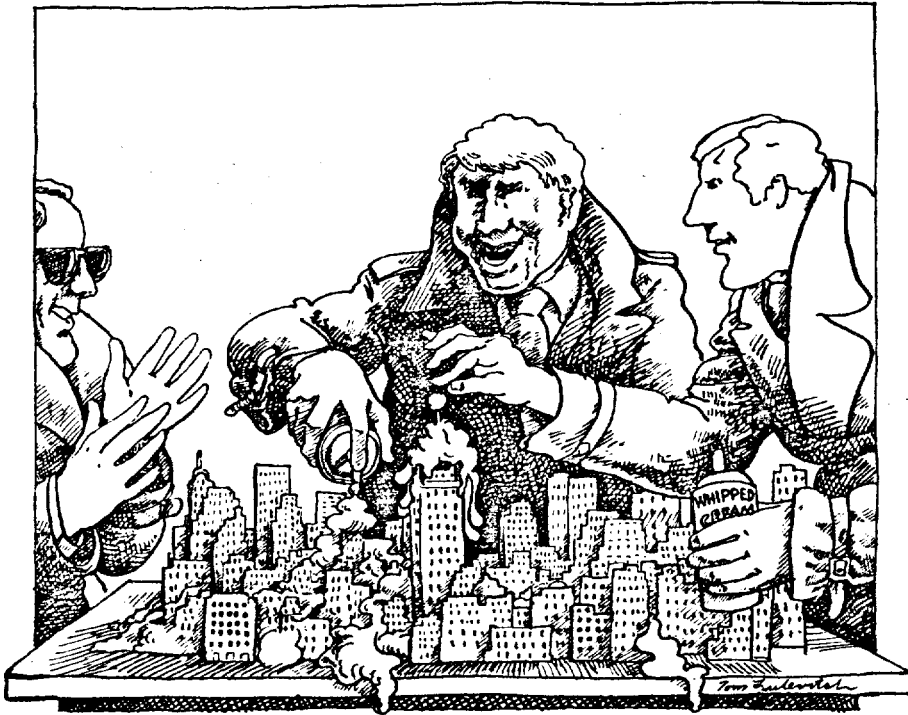


THE DAY IT ALL TURNED AROUND FOR NEW YORK CITY



Not many outsiders know about the small, spirited band of optimists—called Team A—that the Defense Department keeps hidden away inside the Pentagon. Little wonder. These happy fellows, alas, are not favored in our nation's capital. The mission of Team A is to provide optimistic—albeit reasonable—projections of Soviet intentions and capabilities.

Team B, A's glum counterpart, is much more popular. Team B looks at the Soviets, too, but through darkly tinted lenses. Nothing inflates the defense budget like a stiff dose of gloom and doom.

What if Team A, shunned in Washington for its knee-jerk rosy outlook on things, were to slip quietly into New York City this spring under cover of darkness? Wouldn't a desperate mayor grant ready asylum to this cheery crew? Locked away in the back bedroom off the kitchen at Gracie Mansion, Team A might produce a vision of New York City's salvation. Based on solid, current statistics, this report in Pentagon fashion would take form as a rosy futuristic scenario, showing

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the most disheartened skeptics that things will turn out right, after all, for the Big Apple. It would read like this:

June 1, 1977, was the starting date of the great New York City turnaround. It was then that President Carter decided to settle a feud over bureaucratic fiefdoms by appointing Juanita Kreps of Commerce and Patricia Harris of HUD cochairpersons of a Marshall Plan for the American cities. Their first action was to guarantee all New York City bonds and notes issued prior to June 1, 1977. The interest rate on these bonds and notes promptly fell from an average of 9 percent to an average of 4.5 percent (the going rate on well-secured AAA tax-exempt bonds). With debt service cut in half, the city's financial crisis was averted. And, with its credit secure, the city was able to re-enter the bond market to finance its renewal plans.

The following year, the city fathers and mothers focused on job training and housing. They launched two imaginative programs: first, a training program aimed at overcoming the imbalance of the labor market in New York, where—despite a large pool of able workers—few could meet the high skills demanded by the city's industries; second, the city offered landlord-abandoned housing to tenants,

to own and renovate with the help of a new city craft center, run in collaboration with the construction unions.

More important than any new programs undertaken by the city government—which was now inexplicably cautious about both overspending and overpromising—was the changing, underlying demographic structure of the city. For decades, the city had been a huge magnet, attracting large numbers of poor, unskilled, and undereducated whites, blacks, and Puerto Ricans while repelling the affluent, well-educated, highly skilled, or professionally trained taxpaying middle class. But, by the late seventies—because of the recession in the Northeast and the growing economic vigor of the New South and southwestern Sunbelt—poor whites practically ceased to migrate to New York City. Between 1970 and 1975, the city's black population increased by only 29,000—mainly as a result of births, not migration. Indeed, it turns out more blacks left New York in search of jobs in the mid-seventies than migrated to it. Puerto Ricans still traded their island for Manhattan in hefty numbers but at a declining rate. From 1960 to 1970 the number of Puerto Ricans coming to New York increased by 3.2 percent per year, but the rate fell to 2.5 percent between 1970 and 1975. The late seventies showed this to be not a temporary dip but a long-run trend. Once the Puerto Rican economy came out of its recession, most islanders preferred their sun-swept shores to the icy Hudson and East River winters.

During the same period, the suburbs became less attractive to the middle class. Costs of decent housing went out of reach for most people, the cost of commuting doubled every three years, and rising crime in the suburbs—and the fear of it—made these places much less of a haven. (In Suffolk County in just one year—1976—44,114 larcenies occurred. Nassau County fared better, but its figure for 1976 was still high at 35,808.)

Meanwhile, with relatively few new poor coming into the city, a trend for second- and third-generation blacks and Puerto Ricans to make it into the middle class became more pronounced. The percentage of nonwhite families earning over \$10,000 (in constant 1972 dollars) rose from 31 to 43 percent between 1967 and 1970; the population

of those earning over \$15,000 grew from 11 to 15 percent. After 1977, as the Carter administration spurred the economy, New York's traditional base of white-collar and professional jobs expanded, and New York's "native" minorities increasingly filled the gap. Average income, again, took off; the "middle-classization" of New York City was under way.

By 1979, the root problem that had plagued New York for so long—a population with a great need for tax-supported services but a low ability to pay taxes—was easing. For every 100,000 New Yorkers who moved out of poverty and into the middle class, the rate of violent crime fell by 9 percent. (While violent crime occurs in all classes, and many poor never commit one, poor people are more likely to commit crimes—and to be their victims—than other classes.) For each criminal the city did not have to feed, clothe, and house in its jails, the city saved \$7,900 annually. The pressure on the courts declined—and with it, plea bargaining and rush sentencing and a tendency to throw out cases to reduce the load. Courts became, to everyone's surprise, both more efficient and more judicious. There was a parallel decline in false fire alarms as well as in arson in houses occupied by welfare clients seeking better housing; landlords were busy collecting rents rather than fire insurance. By 1979, the demand for police and fire-fighter services slackened to the point that some additional reductions in their ranks were considered safe.

The greatest gains came, however, in welfare payments and Medicaid. An average New York City welfare family in the mid-seventies received a cash grant of roughly \$411 a month. A decline of 100,000 in the case load saved taxpayers a cool \$493.2 million a year! Part of this saving accrued to New York State and the feds, which cover part of the welfare costs, but New York City was credited with these reductions.

The growing middle class needed fewer police, fire, and welfare services. But it soon insisted on better schools. As of 1979, in one neighborhood after another, upwardly mobile poor joined forces with ex-suburbanites and the "old" native middle class to create what was to become known as the Grand Coalition for Better Public Schools. A good part of the city's budget savings from other areas was increasingly dedicated to improving the education system. But this investment also helped to change the image of New York as a place where middle-class parents must send their children to private schools—a main impetus behind the fifties and sixties flight to the suburbs. The schools

began to become authentically integrated as middle-class whites increasingly stayed in the city and felt "safe" sending their children to the local public schools.

The city deliberately neglected street repairs until the streets felt as if they'd been hit by smallpox. It was believed this would discourage commuting and the polluting use of cars and encourage the use of mass transit. For the same reason, parking-lot fees and taxi fares were deregulated, allowing them to skyrocket. The most dramatic turnaround came in the hospitals. Following the British example, New York reduced the number of beds in municipal hospitals by 38 percent. This led to a huge saving, increasing the use of the voluntary hospitals and causing a surprising decline in unnecessary surgery.

Finally, with every 100,000 families who entered the middle class, New York City income-tax revenues increased by more than \$10 million. The growing middle class also improved the turnover of shops, restaurants, banks, and most other industries and services within the city. This, in turn, increased the business-tax yield. The city's coffers were not exactly overflowing, but they were fuller than they had been in two decades.

Once the reversal in demographic trends and improvement in the business climate reduced the need for services and increased tax revenues, the image of New York City also flipped. In 1976 New Yorkers vied with each other over tales of muggings, piling garbage, and decaying schools; but by 1979 they were marveling over the city's rapid turnabout and exchanging tales of its bright future. As 1979 drew to a close, there were rumors of a bandwagon forming among industries eager to get back into the city before office space would again become scarce and the special tax privileges the city offered would expire.

Optimism will find its enemies even in New York. Dissenters, no doubt, will be quick to label as "racist" the suggestion that the influx of minorities has caused our urban malaise, and that a diminution of this trend could be an important element in New York's revival. Yet the issue is not race but poverty; and the cure is a higher proportion of middle-class people of all colors. Even with the return of some white suburbanites, rising minority income will ensure a well-integrated—indeed more integrated—middle class for the city. And to those jaded cynics who might carp that Team A is somewhat exceedingly on the optimistic side . . . well, that's what A is all about!