

DISCUSSION

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Professor Thompson's paper -- and much more so the first five chapters of his book -- are a real contribution to urban economics, the almost non-existent science! One is most impressed with the breadth of his investigation and the imagination he brings to bear on each of the aspects he decides to discuss. While he fully recognizes the great amount of spade work yet to be done, his broad vista performs a much more needed service at this time than later detailed statistical investigation may contribute later; and I say this advisedly to a group of statisticians!

One looks forward with keen interest to the second part of the book. While it is vital that Professor Thompson's ideas are widely and extensively discussed, one feels intensely inadequate in trying to pick fly specks out of an excellent pepperpot soup!

I don't think it is Dr. Thompson's or the chairman's intention to keep the discussants to the brief paper presented; rather, I will refer to concepts and thoughts of the chapters themselves in trying to comment on some of the basic ones.

1. Migration

Professor Thompson, starting his analysis with the local labor market, is not fully satisfied with the entity of the Labor Market Area we all have used so long. He introduces the idea of the "extended urban family", which exceeds the commuting area. This concept tries imaginatively to explain the long-run development of the larger area by including those surrounding units which, in good times or bad, supply the additional labor needed or are respectively the recipients of urban outmigration. I am afraid the concept is more imaginative than useful. It is hard enough to try working with the "situation" problem, that is, distinguishing between an urban area's daytime and nighttime population: yet for many practical problems some way of distinguishing between them must be found. For instance, thanks to political fragmentation, it sometimes becomes necessary to determine the proper rate of unemployment for areas smaller than labor markets -- to the unending horror of statisticians in the federal government. In order to be able to base public policy decisions on this figure and report a percentage which is truly comparable to the unemployment rate of the total labor market, a relationship between unemployment, which is always measured by residence, and the resident labor force must be found. In other words, I feel that intra-urban statistical concepts would have been more important than supra-urban concepts.

But much more important than the difficulty of working with the idea of the "extended urban family" is the implication behind it, which is clearly that migration of labor is a frequent

and automatic response to economic conditions. What is more, Dr. Thompson's belief in that probability permeates the work. True, he occasionally admits sluggishness and migration, or its lopsided character (this might best be expressed by calling it a tendency in favor of "to-migration" and at the expense of "from migration"). We all know that youth, or those entering the labor force, are apt to migrate if they find no suitable employment. But does this tendency really extend to those with families and roots? The assumption of migration is implicit in Dr. Thompson's statement that forced migration can only be avoided by holding population constant over time, which, while not accepted as a national goal, "is accepted as a prime community goal much more unequivocally" (Chapter 4). We continue that, if social costs are involved, it is not acceptable to force mass migration in order to gain an increase in per capita GNP! But the real question is, how do you force mass migration anyway, even if it were acceptable, unless it is in wartime? In the same vein, he speaks of a schedule of costs with different rates of forced migration, both in and out. Are these the costs to the total population involved as of today, or is it the cost to the community during the next decade? In fact, he holds information on this social cost factor necessary for public policy.

I submit that this concept of migration as a true safety valve is unrealistic. Not only is it hard to force people to migrate in peacetime, but they fail to do it in sufficient numbers in response to economic conditions, and public policy must not count on it. In fact, this unwillingness to migrate, even where it may be socially desirable, led to the introduction, in the Manpower Training Bill, of a clause providing for government payment for those who could not find employment locally. With a great political hoopla this clause was eliminated from the Bill. It seems more likely that the recipients of immigration were more afraid than those who were about to lose population. Be that as it may, both the necessity of introducing such a clause and the political motivations of those eliminating it, seem to prove the point that we could not even achieve forced migration in peacetime, let alone take voluntary migration for granted.

While it is true, finally, that there is a slackening migration of nonwhites into areas with a larger-than-average rate of unemployment, it is equally true that there is little evidence of their outmigration as the economic conditions deteriorate.

2. Wage Roll-Out

The next logical step would be that, if migration does not work properly to adjust urban markets, an equalizing tendency within any one

labor market area will ensue -- Dr. Thompson calls it "intra-area wage roll-out". While this is a good concept, which clearly holds true for small and isolated urban areas, one can't help wondering how much it is possible to generalize for large metropolitan areas. This point has been made convincingly by Dr. Chinitz. Is the wage roll-out likely to happen in an area economy of less than full employment? While the larger wages of steel workers are apt to increase the cost of living throughout a steel-dominated area, would not the simultaneous existence of sizeable numbers of unskilled unemployed have the opposite effect? I am wondering whether Dr. Thompson's reasoning pays sufficient attention to this group, which today increasingly consists of non-white immigrants. Their influence might seriously impair the effectiveness of the wage roll-out.

In the same vein, I think that the effect of automation on the level of employment, income and labor competition should have been considered more closely (and that, I fear, is evident throughout his exposition). As it is precisely the high wages that bring about greater capital equipment and thus technological unemployment, the wage roll-out may not be as effective; actually, high wage industry and unemployed of both kinds just described may easily exist side by side in the same area.

Dr. Thompson argues that as local firms expand in new plants elsewhere, a local "depressed area" problem is created, as the high wage rates make it difficult to obtain other industries, even durable goods, while nondurable industry is snatched away by cheap labor availability elsewhere. The point I am trying to make is that, if other locational advantages exist, the wage situation is not likely to stand in the way of attracting new industry, as the existence of pools of surplus labor may make an area attractive, even if wages are high among the employed. Nor is it likely that the wage situation would be the reason why the large local firm expands its facilities elsewhere, as these firms are usually organized by unions with industry-wide bargaining contracts.

Could it be that Pittsburgh and Detroit, which Dr. Thompson is quoting, lack opportunities for industries using women labor because their locational advantages cannot attract them, although pools of available women labor are large? Could it be that there is some unwillingness on the part of wives of high paid workers to get employed at low wages? And could the unwillingness of displaced workers to shift their occupations be also responsible? Finally, is there enough evidence that displaced workers in general are willing to shift occupations? Professor Miernyk of Northwestern University, as well as the experience of other textile towns, not only in New England, seem to contradict that. As long as they -- and even more importantly, their unions -- hope for a come-back, they are apt to resist getting into a new occupation at the low

end of the seniority list, and the unions do not cherish losing members.

3. Urban Management and Efficiency

Throughout, the question of urban efficiency has, quite justly, a high priority rating. In fact, one wonders why some measure of efficiency (not necessarily maximizing it) does not appear within the matrix of goals Dr. Thompson sets up at the end of his paper: some interesting couplets would result. While public and private efficiency are not always kept clearly apart, one always hopes that public action would increase private efficiency. But more of that relationship in a moment.

In paralleling the poor supply of good public administrators with the stage in the firm's growth where it is limited by its inability to expand management efficiently, Dr. Thompson is joining the growing field of comparisons between public action and market behavior. While certain aspects of this parallel may be somewhat doubtful, I would like to point out that the limits of urban public management probably lie elsewhere (although we all agree how scarce good public servants are): the likelihood is that the limitation lies either in external factors (public facilities which are not expandable) or in the inability to induce private investment to follow public action, i.e. the investment in public facilities. In other words, unless the public servant can so plan public investment that private capital follows in the same direction, the public facilities may easily not be too effective as far as urban efficiency is concerned. Furthermore, quite often the public is unwilling to spend the amounts of money which are needed to replace obsolete public facilities. Proper planning for maximum efficiency of public investment and proper inducement of private capital can minimize idle capacity.

Transportation is a good example, which Dr. Thompson also uses. Are we willing to subsidize railroad and urban mass transit sufficiently to induce automobile owners to use it in preference to their cars by establishing frequency of service, new airconditioned cars, free parking facilities at terminals and easy transfer from one facility to another? We have much greater possibilities than we have been exploiting, if we are willing to fully use public inventiveness rather than parsimoniousness; it has been tried in some places.

The efficiency of downtown is another example, which only rarely can be accomplished by urban redevelopment, but should actually be accomplished by the business community involved. Clustering of "furriers, gourmet food shoppes and musical instrument stores in one area, and ten cent stores and work clothes in another" (Chapter 2) is probably a much more important device for center city than for outlying

communities, for which Dr. Thompson uses the example. In fact, there you may want to cluster furriers with each other and musical stores somewhere else in order to permit comparison shopping, in addition to clustering stores for the same income group in one area. Similarly, the need for face-to-face confrontation will segregate one kind of offices (general offices) from others (e.g. headquarters offices) etc.

Does Dr. Thompson's view that managerial competence in public service is a critical supply factor mean that only able civil servants can be inventive for the public interest or that, if they are, that they can carry out their ideas? Coming back to some of the above examples, downtown urban redevelopment is of no use whatever unless private investment is convinced of its usefulness and can be sold on the way public officials see the new downtown, or else its efficiency goes down the drain. Or take the transportation case: if the mass transportation company is unwilling to make the adjustment to frequency and convenience of their service which is needed to keep automobiles out of the central city, effective public control is necessary. But assume the city administration, which has seen the importance of this kind of action and has laid out a clear proposal of how the public agency can control a privately managed transportation company in the public interest, runs then into a chairman of the transportation company's board who is the main Republican fund raiser, while the chairman of its executive committee happens to be the Democratic fat cat - how good is public managerial competence? (Let me assure you that this is by no means a fictional example!)

Leadership and public support are thus essential. Beyond that, the likelihood of good management in larger administrative units seems reasonable. Dr. Thompson believes that also, but he appears to believe that dis-economies of scale might fit in with regard to public management. This is not a convincing argument. If public facilities run into increasing per unit cost, as they well might, the starting of a new unit (e.g. a new filtering station) may be indicated. I fail to see any reason why the Viner cost curves should not describe the situation with regard to public facilities up to a point, while overhead is actually increasing very little. In fact, we have made a study in Philadelphia where we added on paper prototypes of relatively small (marginal) residential or non-residential developments respectively to the existing private capital stock in order to test the effect on public operating cost: we found that with regard to a good share of the costs of the various city departments, overhead costs did not increase substantially, and in some cases even variable costs were not affected.

This actually leads to what probably is the most important question regarding efficiency: should we measure it on an average or total basis, or

should it be measured at the margin? It seems that cost benefit studies increasingly emphasize the latter -- Wheaton's speech before the AIP meeting a few years ago expressed it extremely well. I submit that, looked at marginally, additional population or industries or other development can often be added with negligible additional administrative cost. The points on urban efficiency which Dr. Thompson makes throughout his chapters could easily be clarified if he had clearly used the marginal approach.

Actually, the same thing can be said about the entire urban growth concept. If we take off from existing capital, both public and private, and talk about growth mostly in terms of added facilities, the entire chapter on urban growth might profit in its approach.

4. Effect of Government Activity

The performance of local government regarding the income structure is effectively shown as having an ever-increasing effect in the direction of greater income equalization, particularly where it is reinforced by federal grants-in-aid (urban renewal, mass transit, community health programs, etc.). Dr. Thompson's point which impressed me particularly is the fact that we keep speaking of tax progressiveness without considering the purpose to which local expenditure is being put; i.e. the influence on income distribution of the local fiscal action becomes much clearer by looking at both revenues and expenditures.

Less convincing is his paralleling of farm programs with urban welfare programs. Were I feel that farm support continuously increases the income inequality between large and small farms, while the family farm continues to be used as an emotional argument for farm support legislation. This is similar to the way in which widows and orphans are used as an argument against dividend and interest withholding, no matter how insignificant the effect on them!

There is a similarity here with the case for small business. Dr. Thompson suggests it as one of the possible solutions to unemployment, by advocating financial aid to unemployed factory workers for going into small business. It seems doubtful whether this is a viable long-term solution, except possibly in some of the world's grossly underdeveloped areas. The social reasons for supporting both the family farm and small business are there, but a coupling of the goals of personal independence and of efficiency would demonstrate the tremendous social cost of independence in business. It may be a better idea to endow leisure-time activities with the kind of content it had in ancient times where creativity could help the individual more than nominal independence in business.

5. Goals

This brings us back to the excellent chapter on the matrix of goals. Its importance lies less in the type of goals Dr. Thompson pairs up, than in drawing out attention specifically to this important point. Too often all of us (other social scientists as well as economists) imply the goals in what we are doing or take their clarity for granted.

In his paper, at the start of discussing the question of goals, Dr. Thompson mentions affluence, equity, and progress as some of the problems we ought to consider. However, in his further discussion, he actually does not discuss these broad goals. The chapter is most suggestive, but I feel it does not go far enough. While Dr. Thompson confined himself to the juxtaposition of only the various magnitudes he has discussed in other chapters, I feel that this does not go far enough, i.e. the real problems lie in the coupling of economic goals with other social goals, because this is really where the conflicts lie buried. The contrast between efficiency and democracy would seem one of the most important ones or, as mentioned above, the pairing of efficiency and personal independence. It would be extremely important to know the opportunity cost of one in terms of the other, and public policy decisions may be based on analyzing such goal pairs correctly.

This is not an academic game, but a very practical one. The vital problem is to show both scholars and politicians the kind of choices they have to make. The kind of experiment we carried out in Philadelphia might be of some interest. In asking a group of civic leaders to make choices between different categories of public investment, and indicate their relative importance and the time sequence each civic leader felt was most desirable for specific public facilities, we first presented them with a list of potential broad-gauged goals for the city as a whole (a city for pleasant living, an industrial city, a city easy to reach, an educational center, etc.). After they had made both choices, the kind of city they wanted, their suggestion about the importance and timing of individual public facilities or public investment, an attempt was made to show the leaders we had interviewed the consistency or lack thereof of the two choices made. We then asked them to see whether in the light of this discussion they wanted to reconsider one or other decision!

In a way, only this frame of mind makes us really useful to the policy-maker. The politician's normal compromise gives up one approach for the sake of another, but it is usually a temporary expedient without full realization of the actual opportunity cost. Do we prefer an area that satisfies the recreational desires of its people or one which draws a maximum of tax revenue from industry? What is our real indifference curve between the two? How much slum clearance are we

willing to forego for the sake of attracting the community leadership into the central city to live? How much is active leadership worth to a public official in terms of official credit he receives for his accomplishments? How important is a stadium in terms of obtaining the support of the power structure, if it has to be built at the expense of a civic center? What is the relationship between public efficiency and private efficiency? That last couplet alone would lend itself to lengthy discussion.

Dr. Thompson's description of Flint, Michigan, as having high per capita income and high income equality, leads logically to the observation that industry there is mostly run by absentee owners. This in turn has a definite effect on community decision-making. The article by Dr. Robert Schulze (in Janowitz' "Community Power Structure") addresses itself to this very question of how local decision-making degenerates with absentee entrepreneurs. Are we willing to forego effective local leadership for high income per capita? The answer may be different from community to community, but the results should in each case become obvious to policy-makers.

Finally, in contrasting income distribution and stability, Dr. Thompson speaks of the building trades' annual earnings which might equal those of other workers, in spite of cyclical instability. However, should he not have considered the tendency by the elite among the workers to take as much work as possible for themselves and supplement it at the peak with cheap apprentices? In this connection, he asks whether high paid workers are willing to take the responsibility for the chronically unemployed manufacturing worker. The way he puts it, the answer is obviously in the negative. It seems to me, however, that he should have asked it differently: will the workers insist on a higher wage, if it is demonstrably clear to them that they will thereby cause increased unemployment? It happens that this discussant has done some research on this topic and has found that, in all the cases he could find, the union leaders backed down from their wage demand as soon as they could be convinced of the causal relationship.

Dr. Thompson has presented us with a most important analysis of the type of problems urban economists should solve. His analysis by factors, by income determinants, by demand and supply, etc. is extremely helpful, although as he keeps pointing out, much more work needs to be done -- and it should be done along the directions he indicates.

Throughout the work that ensues, however, we ought to keep in mind that the pieces need to be put together again, after the detailed work has been done, so that a living organism results. The economic base theory really does not explain the dynamics of an area's economy. Yet, an explanation of the likely change is not going to emerge unless

the synthesis which must follow the analysis takes into account other than economic considerations. The goals must be chosen, and the influence of government must be considered, in terms of those choices which are practically feasible. The synthesis we need must explain both political and economic forces which bring

about metropolitan change.

Let us hope that the work Dr. Thompson has given us will enable us not only to do the work that he suggests, but also to keep our sights clearly on the political economy of metropolitan areas.

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STATISTICS AND LEGISLATION

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