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ECONOMIC RESTRUCTURING AND THE AMERICAN CITY

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Abstract

Transformations in the composition and locational patterns of the economy have assumed specific forms in cities and in the urban hierarchy. The new service-dominated urbanization, particularly evident in major cities, has distinct consequences for a range of social conditions. Here we focus especially on the characteristics of today's leading industries, the producer services, disproportionately concentrated in major cities; the impact of restructuring on the earnings distribution generally and in major cities in particular; and the impact of urban restructuring on minorities, a population increasingly concentrated in large cities.

INTRODUCTION

Research on economic restructuring and on cities has recently begun to merge into a new type of urban analysis. Examining cities in the context of economic restructuring introduces a number of variables not usually part of the main strands in urban sociology. The emphasis on space and markets characterizing human ecology is also important in studies on economic restructuring, but the assumptions about their function and meaning are quite different. Similarly, the extremely broad range of topics covered by urban sociologists, from the impact of size on behavior to poverty, can be of great use to studies on urban economic restructuring, even through the analytical frameworks are fun-

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damentally diverse. These conceptual issues have been addressed in several recent publications (Frisbie & Kasarda 1988, Hawley 1984, Gottdiener & Feagin 1988, Jaret 1983, Zukin 1980).

The main themes in studies on economic restructuring and cities are central to sociology. The decline of manufacturing and the shift to services raise questions about changes in the economic base of cities and the impact of these changes on earnings and employment distribution. They also raise the possibility of changes in the urban hierarchy, and a new form of service-based urbanization. These major themes are at the heart of current debates and establish both a conceptual and an empirical connection between the two subjects at hand—economic restructuring and the cities. They serve to organize the discussion of the literature.

Since the study of economic restructuring is an immensely broad field as is that of cities, it may be helpful to specify that this review is limited to: (*a*) studies explicitly concerned with economic restructuring and cities from a sociological perspective; (*b*) studies on economic restructuring that may not have at their center an analysis of cities but which clearly are contributing to urban sociology; (*c*) studies focused on cities that may not be explicitly concerned with economic restructuring but are in fact contributing knowledge to our understanding of this subject as it plays itself out in cities.

Equal attention does not go to all the processes usually thought of as constituting economic restructuring. The shift to services and the spatial redistribution of manufacturing have received considerable attention throughout the 1970s and that attention continues today (Browning & Singelmann 1980, Bluestone & Harrison 1982, Sawyers & Tabb 1987, Glickman 1983, Perry & Watkins 1977). The impact of the shift to services on the earnings and occupational distribution, on the other hand, is at the center of current debates and hence deserves more attention (Harrison & Bluestone 1988, Lawrence 1984, Garofalo & Fogarty 1979, Evans & Timberlake 1980, Fiala 1983, Nelson & Lorence 1985, Silver 1984, Sheets et al 1987). Finally, the location patterns of the new leading industries, the producer services, and their impact on urban economies and the urban hierarchy are a new subject which has begun to command great attention (Stanback & Noyelle 1982, Friedmann 1986, Castells 1989, Sassen 1990).

The urban manifestations of these processes of restructuring are especially evident in large cities, also the focus of much of the sociological literature on current urban change. Among the processes of urban change central to this literature (and which this review discusses in the second half) are the following: First, the acceleration in the already disproportionate concentration of the poor, blacks, and Hispanics in large cities, along with rapid decline and suburbanization of the low skill jobs traditionally held by significant segments of these populations (Kasarda 1985, Peterson 1985, McGeary & Lynn 1988). Second, and in this context of large cities, several studies have posited the expansion and consolidation of distinct social forms, such as an underclass (Wilson 1987, Ricketts & Sawhill 1988), an informal economy (Portes et al 1989, Sassen 1989) and the renewed growth of immigrant communities with strong entrepreneurial elements (Light & Bonacich 1988, Wilson & Portes 1980). Third, major transformations in housing are particularly evident in large cities, notably the simultaneous expansion of poverty areas with severely decaying housing stocks and of newly gentrified areas in what were often once poverty areas. These developments have in some cases been linked to economic restructuring through the growth of poverty associated with the loss of manufacturing jobs and the growth of advanced services and high-income workers (Smith & Williams 1986, Hopper & Hamberg 1986, Marcuse 1986). But such developments are also linked to a variety of other processes, among them reductions in federal support for housing, escalating prices of housing, and changes in financing (Hartman 1986) as well as the social relations that characterize housing markets (Appelbaum & Gilderbloom 1986).[1]

ECONOMIC RESTRUCTURING

The notion of economic restructuring contains a quantitative dimension, typified by the loss of manufacturing jobs and the growth of services; a spatial dimension, most commonly associated with the geographic redistribution of manufacturing jobs at the national and international scale; and a qualitative one, suggested by the greater incidence of both low-wage, low-skill jobs and high-level professional jobs in service industries, a decline in wages and unionization rates in manufacturing jobs, and a feminization of the job supply.

Sectoral and Spatial Shifts

Total US manufacturing employment declined by 10% between 1979 and 1985, from 21 million to 18.9 million jobs. During this same period, service employment increased by 8.8%, adding a total of 7.8 million jobs. At the national level, the decline of manufacturing employment is a fairly recent development. Throughout the 1960s and 1970s total employment in this sector kept growing. From 1960 to 1970 it grew by 15.2% and from 1970 to 1979 by 8.7%.

[1]This review does not focus on studies that have analyzed the current transformation of urban space in the context of culture, notably Sennett's (1990) theoretical study on the organization of urban space in terms of exposure and shelter, and Zukin's (1989) on the particular cultural forms through which inner-cities can be opened to high-income gentrification.

But these figures mask the onset of a spatial redistribution of manufacturing jobs. According to Bureau of Labor Statistics, from 1979 to 1985 the midwest lost over a million jobs, the northeast lost 800,000, the south lost 231,000 and the west gained 53,500, for a total national loss of 2.1 million jobs (Sawyers & Tabb 1987, Perry & Watkins 1977, Glickman & Glasmeier 1989, Bluestone & Harrison 1982).[2] In the midwest these losses affected both urban and rural areas, small and large cities; only a few booming suburban towns escaped these trends (Markusen 1987).[3] Using data from the Bureau of Labor Statistics, Hill & Negrey (1987) found that in the Great Lakes States, which concentrate the key northern industrial complex, manufacturing employment had already declined by 3.4% from 1970 to 1979 and fell by 16.4% from 1979 to 1985. The loss was even more severe in the Lakefront cities which on the aggregate already registered zero growth in the decade of the 1960s, a 36.5% loss from 1970 to 1979, and a 25.4% loss from 1979 to 1985. Correspondingly, the share of all manufacturing employment in the Great Lakes States fell from 47.9% of all US manufacturing jobs in 1960 to 39.7% in 1979, and to 35.9% by 1985. By the mid-1980s plant closings and manufacturing job losses also had increased in many communities of states with overall employment growth—California, Florida, and Texas (Markusen et al 1986). And the Massachusetts growth boom of the early 1980s has been followed by 250 plant closings and the elimination of 90,000 manufacturing jobs from 1984 to 1988 (see also Norton & Rees 1979).

The debate in the early 1980s centered on whether changes in manufacturing employment levels represented a cyclical downturn (Lawrence 1983, Klein 1983) or a more basic transformation (Bluestone & Harrison 1982, Harrison & Bluestone 1988, Magaziner & Reich 1982). Lawrence (1983) and Klein (1983) argue that notwithstanding the apparent divergence of manufacturing employment from overall growth since the late 1970s, manufacturing growth and GNP growth remain very closely related over this period. We now have very detailed analyses at the local level, and it has become evident

[2]There has long been disparity in regional growth rates. In the 1950s and early 1960s deindustrialization was centered in New England and Appalachia and in the 1970s in the Middle Atlantic states. What distinguishes the 1980s is the acuteness of the regional disparity in growth rates and the magnitude of the losses.

[3]It has been argued that manufacturing simply suburbanized. But intrametropolitan movement of plants only accounted for a small share of job losses in midwestern cities, so that even suburban areas did not have significant growth. In the 1980s Chicago suburban growth did not reverse the absolute decline in areawide employment. As a whole the midwestern region had 1.2 million displaced workers from 1981 to 1985, the highest of any of the nine census subregions. According to a special BLS study of displaced workers, only 65% of this group had found new jobs, a level far lower than the reemployment rate of 74% in New England (Glickman & Glasmeier 1989).

that the losses are such that they cannot be fully explained in cyclical terms.[4] This is further suggested by highly disparate recovery rates by industry and region (LeGrande 1985, Hill & Negrey 1987). Regression results show a sharp break in the manufacturing/GNP relationship beginning in the late 1970s. US direct foreign investment in off-shore manufacturing facilities grew immensely over the decade of the 1970s indicating that an increasing number of US manufacturing jobs are now abroad (Bluestone & Harrison 1982, Sassen 1988, Hill 1989, Rodwin & Sazanami 1989).[5] Bergman & Goldstein (1983) show that many of the observed metropolitan growth differentials are more easily interpreted as structural than as cyclical.

The decline of manufacturing and the shift to services as the leading growth sector in major cities invites an examination of the locational patterns of the major new service industries. The industrial recomposition in the economic base of cities is not simply a function of the general shift from a manufacturing to a service economy. Thus, while all cities contain a core of service industries, location quotients for different size SMSAs clearly show the largest ones to have a disproportionate concentration of certain types of service industries, such as financial and advanced corporate services, and the smaller ones greater concentrations of manufacturing. In a classification of the 140 largest SMSAs for 1976 in the United States, Stanback & Noyelle (1982: 20–26) found a distinct relation between size and functional specialization. Of the 16 largest SMSAs (population over 2 million), 12 were centers for the production and export of producer and distributive services and the other four were government and educational centers. Of these twelve, four were global centers and the remaining eight, regional. Furthermore, control-

[4]Parallel trends are evident in other highly industrialized countries. One of the most acute examples is probably the United Kingdom with a 25% decline in manufacturing jobs from 1978 to 1985; London alone lost 0.8 million manufacturing jobs. Finally there is now a similar trend in Japan with plant closings in basic industry and development of off-shore manufacturing in consumer durables, including auto parts (Rodwin & Sazanami 1989). Tokyo has lost 0.2 million manufacturing jobs from 1975 to 1985, and several of its traditional manufacturing areas are in severe decline (Sassen 1990).

[5]There have been massive realignments in international investment over the last three decades (Sassen 1988). The decade of the 1970s saw the enormous development of such industrial production sites in select areas of Southeast Asia and the Caribbean basin. In the case of the United States, the average annual growth rate of direct foreign investment was 11.7% for developed countries from 1950–1966 and 6.3% in developing countries; from 1966–1977 these rates were respectively, 10.7% and 9.7% and from 1973–1980, 11.8% and 14.2%. (These figues exclude petroleum). The estimated world stock of foreign direct investment tripled from 1960 to 1983, going from $66 billion in 1960 to $213 billion in 1973 and reaching over $549 billion by 1984. The large-scale increases in direct foreign investment in a multiplicity of Third World locations during the 1970s, central to the internationalization of production, were followed by a subsequent phase of large increases in financial flows in the 1980s on a scale that dwarfed the magnitudes of the earlier phase.

ling for type of service export, the authors found a direct relation between size and type of service export. The larger the SMSA, the greater the weight of producer services compared with distributive services. It should be noted that the larger SMSAs were once predominantly centers for the production and export of manufacturing.[6]

On the other hand, the group of smaller SMSAs (population under one million) had the highest single concentration of "production centers," mostly in manufacturing. Indeed, the authors found that comparing the location quotient of manufacturing in the smaller SMSAs for 1976 with 1959, the importance of manufacturing had increased. This was sharpest in SMSAs with populations under 0.25 million where the manufacturing quotient went from 92.8 in 1959 to 113.0 in 1976 (see also Markusen 1987, Glickman & Glasmeier 1989, Moriarty 1986). In contrast, in the largest SMSAs this quotient went from 99.0 in 1959 to 90.5 in 1976. In terms of employment the share of manufacturing rises as the size of the SMSA declines. On the other hand, the share of the "corporate headquarters" complex declines with size, ranging from 20% in the largest SMSAs to 8.7% in the smallest. While this 1976 information is somewhat dated, the more recent information discussed here points to a strengthening of these patterns.[7]

Furthermore, in the 1970s the share of services as final output (e.g. consumer services) actually declined relative to the production of services as intermediate outputs, that is, producer and distributive services (Denison 1979, Ginzberg & Vojta 1981, Myers 1980, Singelmann 1978, Stanback & Noyelle 1982). This shift from final to intermediate services is another indicator of restructuring. National trends in the United States show that total

[6]Daniels (1985) tested several of the hypotheses on locational patterns of services using data for the European Economic Community, covering 1973–1979. The evidence supported the hypothesis that consumer services are more evenly distributed than producer services, and that they lack a strong contrast between central and peripheral locations. Producer services were found to be highly concentrated in central places with gradually reduced representation in the less central places. The evidence points to a strong relationship between central regions and relative specialization in producer services. See Also Form (1954) on the determination of land use patterns.

[7]The interaction between growth and decline trends is well illustrated by the case of New York City, the leading center for producer services. Manhattan already had a disproportionate concentration of finance, insurance, and real estate (FIRE) jobs 30 years ago. Using the industrial distribution of the New York Metropolitan Region as the base (100), Hoover & Vernon (1962) calculated Manhattan's "specialization index" (location quotient) for finance, insurance and real estate in the New York Metropolitan Region at 169 in 1956. Harris (1988) shows that by 1980 it had increased to 195, an uncommonly high quotient. Manhattan accounts for 90% of all FIRE employment in New York City and 64.3% of business services. The "rest of the core," consisting largely of the rest of New York City and one New Jersey county, suffered declines in the finance quotient. A second pronounced trend that emerges is the decline in manufacturing in the rest of the core, with the specialization index reduced from 121 in 1956 to 86 in 1980.

employment increased by 15% from 1977 to 1981 and by 8.3% from 1981 to 1985, but that total employment in producer services for those same periods increased by 24% and 22% respectively.[8] Second, producer services have emerged as a key sector in major cities. Jobs in financial and real estate (FIRE), business, and legal services and the communications group employed 26.4% of all private sector workers in New York City in 1985, 20.3% in Chicago, and 17.8% in Los Angeles, compared with 15% for the United States as a whole (Sassen 1990). A third trend is that the national employment share of producer services in major cities is at least a third higher and often twice as large as the share of these cities in total national employment. But the degree of concentration as measured by locational quotients is declining, signalling growth of such services in nonmajor cities as well.

The Leading Industries: Producer Services

The concentration of producer services in major cities is in part explained by the characteristics of production of these services. Producer services, unlike other types of services, do not follow residential patterns and are not as dependent on proximity to buyers as are consumer services. Hence, concentration of production in suitable locations and export, domestically and abroad, are feasible.[9] Production of these services benefits from proximity to a wide array of specialized firms, sellers of key inputs or necessities for joint production of certain service offerings.[9] Another kind of agglomeration economy consists in the amenities and lifestyles that large urban centers can offer the high income personnel employed in the producer services.

Whether the production of these services is internalized by a firm or bought on the market depends on a number of factors. The available evidence shows that the freestanding producer services industry is growing fast and accounts for a rising share of the GNP. Thus we know that a large share of these inputs are bought rather than produced internally. In what has become a classic study

[8] Considerable disparity between the level of overall national employment growth and growth in producer services is evident in several major industrialized countries. For example, total national employment in Japan grew by 5% from 1977 to 1985, but the FIRE sector grew by 27% from 1975–1985; in the UK total employment grew by 5% from 1978–1985, while FIRE increased by 44% (Sassen 1990).

[9] These general trends hold in varying degree for the various branches in the producer services industries. The 1983 *U.S. National Study on Trade in the Services* notes that some industries lend themselves more readily to transborder trade and others to investment trade. Advertising and accounting for example have tended to establish a multiplicity of domestic and foreign branch offices because of the importance of dealing directly with clients. Management consulting, engineering, or architectural firms on the other hand have not tended to set up branches and affiliates but have kept all functions in centralized locations. Furthermore, these locational patterns are also affected by the existence of regulatory restrictions, especially when foreign locations or international trade are involved.

of the services industry, Stigler (1951) posited that the growing size of markets would increase both specialization and the realization of economies of scale on the production of such services. Stanback et al (1981) note that Stigler failed to see that specialization preceded the possibility of realizing economies of scale. The increasing specialization of service functions that arose first within the large firm indicated to entrepreneurs that there was a market for these services, creating conditions for separating these functions. From this came the development of a specialized producer services industry. Greenfield (1966) argues that specialization is the key factor pushing toward externalization. Eventually, a large demand reduces the price of such producer services and extends the market of such services to firms that otherwise would have been unable to buy them. This in turn further expands the specialized services industry. The specialization of inputs explains why there is a freestanding market for such services that can support a large number of small firms. The standardization of outputs explains why it can be freestanding market.

These industries are clearly overrepresented in major cities, notwithstanding relative declines in their shares over the last decade. The levels of overrepresentation and growth tend to vary considerably among industries. Thus New York City with 3.7% of all US employment in 1985 accounted for 11% of US employment in banking and 9% in legal services, but only 5.2% in insurance. On the other hand, Boston and Chicago have a greater share of insurance than of the other major producer services or of national employment in producer services.

Organizing this information in terms of location quotients underlines the extent to which major cities have an overrepresentation of most of these producer services, though there is considerable variation in the degrees and type of industry.[10] New York City is the premier banking center in the country, with a location quotient of 2.8 over the last decade, reaching 3.0 in 1985. Boston is a major insurance center, with location quotients of 3.2 in 1977 and 2.7 in 1985. It is also the city with the second highest LQ in banking, going from 1.8 in 1977 up to 2 in 1985. The magnitude of these quotients clearly describes a market that extends significantly beyond average overrepresentation to reveal a highly specialized spatial organization of an industry.[11]

[10]These are employment-based quotients, using the overall share of producer services in national employment as the base (1.0).

[11]The figures for Los Angeles are underestimates of the extent of concentration because they cover the whole county, which in this case corresponds far less closely to the city than is the case of other counties, e.g. Cook County for Chicago. The massive industrial complex and active harbor are central to the growth of producer services in the Los Angeles area, but will tend to create a demand for different types of services from that engendered by Los Angeles's expanding financial activities.

Table 1 US: Location Quotients of Selected Producer Services Industries 1977–1985

	Total Employment	Banking (SIC 60–62, 67)	Insurance (63 & 64)	Real estate (65)	Business services (73)	Legal services (81)
New York City						
1977	2,714,385	2.81	1.54	2.42	2.00	2.27
1981	2,941,325	2.98	1.55	2.19	2.00	2.21
1985	3,018,000	3.04	1.40	2.18	1.72	2.36
Detroit (Wayne County)						
1977	797,342	1.22	0.66	0.51	0.92	0.91
1981	739,866	1.02	0.70	0.53	0.84	1.07
1985	698,986	0.93	0.95	0.47	0.99	1.03
Chicago (Cook County)						
1977	2,189,598	1.22	1.55	1.25	1.38	1.18
1981	2,247,119	1.40	1.51	1.29	1.33	1.34
1985	2,187,992	1.41	1.51	1.22	1.41	1.42
Boston (Suffolk County)						
1977	382,546	1.84	3.20	1.25	1.85	2.52
1981	452,189	1.81	3.12	1.25	1.74	2.62
1985	486,045	2.08	2.68	1.75	1.55	2.86
Houston (Harris County)						
1977	925,257	0.92	0.84	1.43	1.83	1.01
1981	1,256,765	0.63	0.93	1.20	1.65	0.95
1985	1,215,870	1.13	0.79	1.60	1.38	1.14
Los Angeles (LA County)						
1977	2,647,263	1.12	1.00	1.12	1.48	1.26
1981	3,173,460	1.16	0.93	1.33	1.41	1.29
1985	3,345,520	1.09	0.87	1.18	1.28	1.34

Sources: County Business Patterns, issues for Illinois, Michigan, Mass, New York, California, and Texas, in 1977, 1981, and 1985, U.S. Bureau of Census.

These patterns along with those found by Stanback & Noyelle (1982) regarding concentration of producer services in large urban areas and manufacturing in small urban areas raise the possibility of a transformation in the urban system or hierarchy.[12] Thus, it is not enough to know that New York City has the highest Location Quotient for producer services. We also need to ask whether there are significant differences among these cities in the composition and market orientation of their industries. We need to know whether Boston is as specialized in international banking and finance as New York and Los Angeles, and if so whether it is the same type of international finance. Secondly, the absolute weight of transactions is going to diverge dramatically given the much smaller employment base of Boston—under half a million, compared with 3 million each in New York and Los Angeles, and 2.1 million in Chicago. Houston has overrepresentation in certain business services but underrepresentation in two such key industries as banking and insurance. This fact is quite surprising given that it is a major hub in the Southwest, an area that has seen much growth over the last decade. It is evident that the sectors where Houston is overrepresented are linked to the oil industry and the real estate boom that came about with the large domestic migration of people and firms to the South and Southwest of the United States in the 1970s (Feagin 1985). On the other hand, the underrepresentation in banking and insurance indicates the extent to which firms in Houston and the Southwest generally use the large banks and insurance companies of the Northeast (Sassen 1990). Detroit, once the premier manufacturing city of the country, has unexpectedly low representation of real estate services, an indication of its acute manufacturing losses (Hill 1989). Given that Detroit is still the home of major car manufacturers, it has significant underrepresentation in business services, legal services, real estate, and insurance. The very low relative representation of banking in Detroit, only slightly above the national norm, indicates that to a large extent this may be consumer banking. This situation is reminiscent of the one in Britain where once major manufacturing centers now have an underrepresentation of producer services (Daniels 1985). What is the connection between the high incidence of business services in Los Angeles and its vast and dynamic industrial sector (Cohen & Zysman 1987, Soja et al 1983)? The incidence of producer services in Chicago probably follows a more expected pattern, somewhere between the acute overrepresentation of some producer services in New York, Los Angeles, and Boston and marked

[12]Intersecting with this question is another one concerning the type of urban system formed by the leading finance and business centers in the world economy today. New forms of interdependence among these cities, with a strong world market orientation, in some ways disconnect these cities from their national context and strengthen their interdependence, a sort of Hanseatic league at the global level (Sassen 1990: 310). In his major new book, *The Informational City,* Castells (1989) posits the emergence of a "space of flows" whose logic supercedes that of the nation, region, and city. See also Smith (1988), Timberlake (1985).

underrepresentation in Houston and Detroit. Chicago is the financial, marketing, and insurance center for the once powerful agroindustrial complex in the Midwest (Markusen 1987). The Chicago case raises two questions: The first is the extent to which the composition of the producer services is quite different from that in New York or Los Angeles because it is directly related to the servicing of the agroindustrial base of the region. Second, to what extent has the decline of the agroindustrial complex and the growth of the futures market reoriented Chicago to the world market and to finance (Sassen 1990)?[13]

The massive concentration of advanced service industries in major cities should, conceivably, push them as close as any economy has yet come to the post industrial model of a new social order, with the overall effect of raising the quality of life and the quality of jobs for large segments of the workforce and population. Yet we know from many studies that this has only partly taken place. The second half of this review examines central aspects of the social order in service-dominated urban economies.

SOCIAL IMPACT OF RESTRUCTURING

Earnings

A major question arising from the sectoral shift concerns the earnings distribution in a service-dominated economy and more generally the income structure. There is a growing body of studies on the occupational and earnings distribution in services. These studies find that services produce a larger share of low-wage jobs than does manufacturing, though the latter may increasingly be approaching parity with services; secondly, several major service industries also produce a larger share of jobs in the highest paid occupations (Stanback & Noyelle 1982, Harrison & Bluestone 1988, Sheets et al 1987, Nelson & Lorence 1985, Hirsch 1982, Maume 1983, Silver 1984).[14] Much attention has been paid to the importance of manufacturing in reducing income inequality in the 1950s and 1960s (Stanback 1979, Blumberg 1980, Haworth et al 1978, Hirsch 1982, Garofalo & Fogarty 1979). Central reasons typically identified for this effect are the greater productivity and higher levels

[13]New York's is a producer services sector catering to a world market. It is heavily internationalized, servicing or making transactions at the axis between a firm and the international market. Chicago's sector would seem to be much less so. Chicago's large export-oriented firms were typically highly integrated with extensive internal production of the necessary services. Now we may be seeing the beginnings of a free-standing producer services industry fed by the growth of foreign investment in the region and of the futures market.

[14]Using census data and the 1976 Survey on Income and Education, Stanback et al (1981) showed that there is a high incidence of the next-to-lowest earning class in all services, except distributive services and public administration. Almost half of all workers in the producer services are in the two highest earnings classes; but only 2.8% are in the middle earnings class, compared with half of all construction and manufacturing workers.

of unionization found in manufacturing. These studies tend to cover a period largely characterized by such conditions. But the organization of jobs has also undergone pronounced transformation in manufacturing. In what is at this point the most detailed analysis of occupational and industry data, Harrison & Bluestone (1988) found that earnings in manufacturing have declined in many industries and occupations. Glickman & Glasmeier (1989) found that a majority of manufacturing jobs in the sunbelt are low-wage, and Sassen (1989) found growth of sweatshops and homework in several industry branches in New York and Los Angeles (see also Portes & Sassen-Koob 1987, Fernandez-Kelly & Garcia 1989).

There is now a considerable body of studies with a strong theoretical bent (Scott & Storper 1986, Lipietz 1988, Hill 1989, Massey 1984, Sassen 1988) which argues that the declining centrality of mass production in national growth and the shift to services as the leading economic sector have contributed to the demise of a broader set of arrangements. In the postwar period, the economy functioned according to a dynamic which transmitted the benefits accruing to the core manufacturing industries on to more peripheral sectors of the economy. The benefits of price and market stability and increases in productivity could be transferred to a secondary set of firms, including suppliers and subcontractors, but also to less directly related industries. Although there was still a vast array of firms and workers that did not benefit from the shadow effect, their number was probably at a minimum in the post-war period. By the early 1980s the wage setting power of leading manufacturing industries, and this shadow effect, had eroded significantly.[15]

[15]The numbers of workers who are not employed full-time and year-round have increased. (But see Deuterman & Brown 1978) Part-time work rose from 15% in 1955, to 22% in 1977 and 24% in 1986. Over the last few years the government has implemented a number of decisions which promote the growing use of part-time and temporary workers (US Congressional Budget Office 1987). Circular A-76 by the Office of Management and Budget ordered all agencies to raise their use of private firms for service work unless the agency could demonstrate that it could do it more economically in-house. The result has been a growing subcontracting out of such services as food preparation, building maintenance, warehousing, and data processing. They involve types of jobs that can be organized in terms of part-time or temporary work hours, and, being labor intensive, can cut costs significantly by reducing wages. In 1984 the government implemented a two-tiered wage system in the United States Postal Service, one of the largest employers among government agencies. The purpose was to create more flexible work schedules. The second tier paid wages 25% below the previous standard. In 1985 the government implemented a regulation authorizing the employment of temporary workers at all levels for up to four years and in fact urging agencies to do so "whenever possible." This represented a severe erosion of the contractual arrangement regulating the Civil Service guarantee of permanent employment after a probationary period. Finally, in 1986 the government implemented regulations that make it easier for companies to use homeworkers. This is reminiscent of the privatization of these types of services in London, where many of these jobs went from being full-time, year-round regulated government jobs with fringe benefits, to part-time or temporary jobs in subcontracting firms with no fringe benefits and lacking the regulatory protection of the state.

The importance of this combination of processes for the expansion of a middle class and the generally rising wages should conceivably be evident in a comparison of earnings and income data for the post-War period with the last two decades. Yet different analysts have produced different results, often due to methodological or definitional differences.[16] One can identify broadly three strands in the literature: those that show no increase in earnings and/or income inequality; those that show an increase and explain it mostly in terms of demographic shifts; and those that find an often significant increase in earnings and/or income and explain it mostly in terms of economic restructuring, including prominently the intrasectoral reorganization of work.

The evidence showing inequality is substantive. Blumberg (1980) found increases in the degree of equality in the earnings distribution up to 1963. Inflation-adjusted average weekly wages peaked in 1973, stagnated over the next few years, and fell in the decade of the 1980s.[17] Harrison & Bluestone (1988) using CPS data show that the index of inequality grew 18% from 1975 to 1986. Other studies found the same trend (Bell & Freeman 1987, OECD 1985: 90–91). The data show a clear increase in low-wage, full-time, year-round jobs since the late 1970s and a less pronounced increase in high income jobs compared with the decade from 1963 to 1973 when 9 out of 10 new jobs were in the middle earnings group and high paying jobs actually lost share. After 1973 only one in two new jobs was in the middle earnings category.[18]

Central to the literature on the earning distribution has been the demography vs structure debate. Several analysts maintain that increases in earnings

[16]E.g. differences in procedures for deflating for inflation, for measuring wages and earnings, for categorizing worker's earnings (by occupation, median or average earnings, or by occupation within industry), for measuring inequality, and others.

[17]Inflation adjusted average weekly wages of workers increased from $67 to almost $92 in 1965 and declined slightly to $89 in 1979. BLS data shows that from 1947 to 1957 real spendable earnings grew over twenty percent; from 1957 to 1967 by thirteen percent, and from 1967 to 1977 by three percent (Blumberg, 1980: 71).

[18]It should be noted that notwithstanding an increase in multiple-earner families several studies found the family income distribution has also become more unequal. Using CPS data on family income, Blumberg (1980) found that family income adjusted for inflation increased by 33% from 1948 to 1958; by 42% from 1958–1968; by 9% from 1968 to 1978. Median family income kept growing throughout the postwar period but stagnated after 1973. By 1984, the Gini coefficient, the inequality measure used by the Bureau of the Census, stood at its highest since the end of World War II. The increase in inequality began sharply in 1980, after slight increases in the 1970s. A report prepared by the staff of the House Ways and Means Committee and released in July 1989, found that from 1979 to 1987 the bottom fifth of the population had a decline of 8% in private income and the top fifth, an increase of 16% in private income. Adjusting income for inflation and family size, the bottom fifth of the income distribution suffered a 1% decline from 1973 to 1979 and a 10% decline from 1979 to 1987; for the top fifth, there was an increase of 7% from 1973 to 1979 and a 16% increase from 1979 to 1987. It should be noted that 1979 and 1987 were both years of prosperity and low unemployment.

inequality are a function of demographic shifts, notably the growing participation of women in the labor force and the large number of young workers representing the baby boom generation—two types of workers that traditionally earn less than white adult males (Levy 1987, Lawrence 1984). Harrison & Bluestone (1988: Chapter 5) analyzed the data, controlling for various demographic factors as well as the shift to services, and found that within each group, e.g. white women, young workers, white adult men, and so on, there has been an increase in earnings inequality.[19] They found that the sectoral shift accounted for one fifth of the increase in inequality, but most of the rest of the growth in inequality occurred *within* industries so that, as with demographic groups, there is a growth in inequality in the earnings distribution within industries. (See their appendix Table A.2 for 18 demographic, sectoral, and regional factors.) The authors explain the increased inequality in the earnings distribution in terms of the restructuring of wages and work hours (Chapters 2 & 3).

There are several detailed analyses of the social impact of service growth in major metropolitan areas (Sheets et al 1987, Bergman & Goldstein 1983, Fainstein et al 1986, Maume 1983, Ross & Trachte 1983, Hawley et al 1978, Hirsch 1982, Nelson & Lorence 1985, Stanback & Noyelle 1982, Silver 1984). Using the 1980 Census PUMS file, Sheets et al (1987) found that from 1970 to 1980 several service industries had a significant effect on the growth of what they label *underemployment* and define as employment paying below poverty-level wages in the 100 largest metropolitan areas. The strongest effect was associated with the growth of producer services and retail trade. The highest relative contribution resulted from what the authors call "corporate services" (FIRE, business services, legal services, membership organizations and professional services) such that a 1% increase in employment in these services was found to result in a 0.37% increase in full-time, year-round low-wage jobs; a 1% increase in distributive services, in a 0.32% increase in such jobs. In contrast, a 1% increase in personal services was found to result in a 0.13% increase in such jobs, explained by the high incidence of part-time jobs in this industry. The retail industry had the highest effect on the creation of part-time, year-round, low-wage jobs, such that a 1% increase in retail was found to result in a 0.88% increase in such jobs.

But what about the impact of services on the expansion of high income jobs? Nelson & Lorence (1985) examined this question using census data on the 125 largest such areas.[20] In order to establish why male earnings are more

[19]Bradbury (1986), comparing 1973 and 1984 data, found a substantial decline in the share of income going to middle income families (defined as families with income between $20,000 and $50,000) from 53% in 1973 to 47.9% in 1984. Of the 5.1% decline, 4.3% lost income and the rest gained income. She also tested the demographic explanations and found these to account for only four tenths of 1% of the 5.1% change. Gottschalk & Danziger found a sharp increase in the rate of poverty since 1979 due to declines in transfer payments and growing wage inequality.

unequal in metropolises with high levels of service-sector employment, they measured the ratio of median earnings over the 5th percentile to identify the difference in earnings between the least affluent and the median metropolitan male earners, and the ratio at the 95th percentile to establish the gap between median and affluent earners.[21] Overall, they found that inequality in the 125 areas appeared to be due to greater earnings disparity between the highest and the median earners than between the median and lowest earners (Nelson & Lorence 1985:115). Furthermore they found that the strongest effect came from the producer services and that the next strongest was far weaker (social services in 1970 and personal services in 1980).[22]

Housing

The occupational and sectoral transformation, particularly in large cities with once large manufacturing sectors and now growing producer services, has contributed to simultaneous deterioration of some areas and high income rehabilitation of others, especially in central areas of large cities. The rapid increase in housing demand by the growing numbers of high-income workers has raised the profitability of the market for expensive housing, while growing unemployment among low-income workers has further depressed the lower end of the housing market.[23] Forced displacement affected about 2.5

[20]Two clarifications on this study. The 125 became 124 by 1980 with the merging of Dallas and Fort Worth. They focused only on men to facilitate comparability with other and previous research on individual earnings dispersion in metropolitan areas which has been largely restricted to male earnings.

[21]A larger ratio between the upper end and the median indicates that the more affluent have a greater economic advantage over median earners than do high earners in another metropolitan area. They disaggregated service employment into four major groups, following Singelmann & Browning (1978, 1980), and included a number of control variables (race, age, education, unemployment).

[22]The authors regressed the various income and percentile measures on the other four service sectors and select control variables and found that the producer services sector had the most substantial relationship to overall inequality of the four service sectors and were more highly related to inequality than most of the control variables associated with the traditional explanations of inequality.

[23]There were sharp increases in homeownership in the decades after WWII from 44% in 1940 to 66% in 1980, along with a sharp decrease in substandard housing conditions (Bratt et al 1986; see also Weiss 1987). In 1983, for the first time in 20 years the homeownership rate fell, though very slightly from 65.6% to 64.6% (US Bureau of the Census 1984a). The 10 year goal established in the 1968 Housing Act of producing 26 million units, 6 million of which were to have been subsidized, has not been achieved. 17.6 million were built, with only 210,000 publicly owned (US Bureau of the Census 1984b: p. 662, table 1328). Housing costs now represent a growing proportion of disposable family income for both renters and homeowners. For renters median gross rent as a percentage of median income rose from 22% to 29% from 1973 to 1983 (US Bureau of the Census 1983e). A growing share of these renters pays over half of their income in rent. Among lower income households the median rent-to-income ratio was 50% and above.

million people a year in the 1970s for varied reasons—gentrification, undermaintenance, formal eviction, arson, rent increases, mortgage foreclosures, conversions of low to high income housing, etc. (LeGates & Hartman 1981) (US Congress 1982). Most cities now have a growing population of homeless that includes not only deinstitutionalized mental patients and derelicts but families and employed low-wage workers. Informed estimates put the number at 2 million, mostly in large cities. Increasingly former homeowners are also present among the homeless due to eviction for mortgage delinquency. Evictions are higher today than at any time since the 1930s. Minorities face far more severe housing problems than do whites on all standard measures (affordability, physical inadequacy, overcrowding, homeownership rates) (Feins & Bratt 1983, US HUD 1979: p. 665). In 1978–1979, official rates of poverty and doubling-up rates began to grow after long-term declines. According to Bratt et al (1986), the severity of the twin recessions of 1979 and 1982 and the particularly high and protracted unemployment rates, in addition to the Reagan administration's drastic budget cuts pushed a growing number of people into marginal housing and even homelessness. The fact that the 1983 upturn and often high growth rates in many of the large cities did not reduce this condition, and that it actually increased, points to a structural transformation, according to some analysts (Hopper & Hamberg 1986: 24–25). "Housing today reproduces and perpetuates the other economic and social divisions in society" (Achtenberg & Marcuse 1983: 207).

Much of the debate on housing centers on policy aspects. The most critical authors (Bratt et al 1986, Smith & Williams 1986, Hopper & Hamberg 1986, Marcuse 1986) maintain there is a housing crisis and that it can be understood in the context of the broader economic transformation and with reference to the actions and interests of the principal actors involved (financial institutions; developers, owners and managers of real estate; government at all levels). Other analysts reject the notion of a crisis in housing or see it as existing only among a very limited and disadvantaged sector of the population and that the market overall functions well in providing the nation with housing (Downs 1980; US Dep. HUD 1982).

MINORITIES AND THE URBAN TRANSFORMATION

The consequences of the various processes discussed thus far have become particularly evident in the largest cities, partly because they had large manufacturing sectors, and partly because they had disproportionate concentrations of low-income blacks, and eventually Hispanics, likely to be employed in manufacturing. As has been widely recognized, in the 1970s and 1980s our large cities became poorer, blacker, and more Hispanic (see

Peterson 1985; see Bane & Jargowsky 1988; McLanahan 1985). From 1969 to 1979, the share of black families in cities with populations over 0.5 million increased sharply while that of white families dropped. From 1979 to 1986 the most pronounced change was the increase in the share of Hispanic and Asian families. In 1969, 75.8% of families in cities with over half a million population were white; by 1979 this figure was down to 68.6%. The percentage of black families went from 22.7% in 1969 to 27.5% in 1979 and 26.1% in 1986. Hispanics, for whom there is no figure for 1969, increased from 11.7% in 1979 to 16.3% in 1986. Both black and white families in large metropolitan areas have higher median incomes than those in nonmetropolitan areas. Yet within these areas a strong difference exists for both whites and blacks between cities and suburbs. There has been a relative decline in city median family income from 1969 to 1976. After 1979, white city families maintained their relative standing while black families' median income declined further and their poverty rate increased significantly (Drennan 1988).[24] In 1986, the poverty rate was 10.8% for white families in cities and 5.6% in suburbs, and for blacks respectively 29% and 19.4%. In non metropolitan areas whites had a poverty rate of 12.6% and blacks 36.8%.

The most detailed information on urban poverty comes from the 1980 census. Using census data for the 100 largest cities in the United States and a measure for concentrated poverty tracts developed by Ricketts & Sawhill (1988), Mincey (1988) found that 73% of all such tracts with a majority of blacks were in the 50 largest metropolitan areas of the U.S. This share rises to 83% for the 100 largest areas. The highest level of concentration was among Hispanics, with 95% of such tracts in the 50 largest cities; for whites the share was under 50%. Clearly, black and Hispanic poverty is disproportionately concentrated in the largest cities. Furthermore, Mincey (1988) found that non-minority poor were more likely to gain access to housing in nonpoverty and nonextreme poverty tracts than were minorities. Finally, poor Hispanic whites are less concentrated in extreme poverty tracts than are blacks and nonwhite Hispanics, which leads Mincey to posit that racial differentials in access to housing among the poor may be more important to explain the high concentration of minority poor than are ethnic differentials (Mincey 1988: 5, see also Massey 1981).

In sum, the concentration of poor in large cities has increased, and median family income is lower in large cities than in their suburbs. Controlling for race we can see increasing differentials between whites and blacks as of 1969, with the urban poverty rate of blacks reaching a level triple that of whites in

[24]The 1969 median income of white families in cities was 84.5% of those in suburbs of large metropolitan areas; by 1979 this had fallen to 78.5% and 77.9% by 1986. That of blacks stood at 85.5% in 1969, 71.9% in 1979 and 65.6% by 1979.

1986; median income of black families in the cities has lost ground relative to that of blacks in the suburbs and to whites generally, and the concentration of blacks in large cities has increased while that of whites has decreased[25].

The growing urbanization of poor blacks and Hispanics has occurred at a time of pronounced transformations in the occupational distribution in major cities (Kasarda 1988, Orfield 1985). Using the 1980 census PUMS file, Kasarda (1988) found that large northern and northeastern cities all had severe losses in clerical and sales occupations and in blue collar occupations, and they all had gains in managerial, professional, technical, and administrative support occupations. The suburban rings had gains in these occupational groups, but they also gained blue-collar jobs. This left cities with net job losses ranging from 46,480 in Boston to 104,860 in Detroit and net gains in suburban rings from 97,060 in Cleveland to 489,080 in New York.[26] The share of job holders with a high school degree or less declined sharply while that of job holders with some college or a college degree increased sharply. At the same time it is important to note that about half of all job holders in major cities in 1980 had only a high school degree or less. This was the case for half or more of all job holders in New York City, Baltimore, Chicago, Cleveland, Detroit, St. Louis, Philadelphia (Kasarda 1988). Thus, the rates of change do not necessarily mean that a vast majority of all jobs in cities are now held by individuals with advanced educations. In fact, 10% of black male job holders in these cities had only a high school degree or less; but among black males not working, 80% had no high school degree. For all regions of the United States, the share of black males of working age without a high school degree has increased sharply over the last 20 years in both central cities and suburban rings of metropolitan regions. From about a fifth in cities in 1969, the proportion increased to almost half by 1987, ranging from a low of 44% in the Northeast to a high of 60.8% in the West. The figures for suburbs are considerably lower but still reveal a sharp increase, and they are far higher than those for whites, going from about a sixth in 1969 to well over a third by

[25]In the 1970s black migration into large cities subsided and there was in fact a net outmigration to the suburbs; but in the 1980s this outmigration also declined, and there was little movement in either direction. Births accounted for most of the increase in the urban black population (Hauser 1981). Wilson points out that this would mean that for the first time in the twentieth century "the ranks of central city blacks are no longer being replenished by poor migrants" (Wilson 1985; p 14). Lieberson (1980) found that the cessation of immigration benefitted European and Asian immigrants. This should presumably also occur with the black urban population. Census data (Hauser 1981) indicate that blacks migrating from nonmetropolitan areas in the South were going predominantly to the large cities in the South such as Atlanta and Houston, where we are seeing the formation of larger inner city ghettoes that resemble the northern ghettoes. This will further add to the disproportionate concentration of poor blacks in large cities who are particularly vulnerable to the changes brought about by restructuring.

[26]Blue collar jobs did grow in particular industries in cities: notably in producer services in New York and Chicago and in the public sector.

1987, from a "low" of 30.8% in the Northeast to a high of 41.3% in the Midwest.[27]

Wilson (1985, 1987) finds that various types of social dislocation have acquired catastrophic dimensions in the inner areas of large cities and have further widened the gap between the poor and the growing successful black middle class. Since the mid-1960s the share of black births outside marriage has doubled, from one quarter to over half by 1980; the number of black families headed by women has doubled, as have black crime rates and joblessness. While only one in nine persons was black in the United States, one in every two persons arrested for murder and non-negligent manslaughter was black and 44% of the murder victims were black (see also Samson 1987). These conditions are all disproportionately concentrated in what Wilson describes as the underclass, "a heterogenous grouping of inner city families and individuals who are outside the mainstream of the American occupational system" (1985: 133).

This severe deterioration for a significant share of the black population concentrated in cities occurred at a time when major antidiscrimination legislation was in place and the growth of a strong black middle class emerged, partly through increasing access to well-paying public sector jobs. Wilson argues that while discrimination will explain part of that deterioration, one must bring into account the structural transformation of the economic base in the large cities where disadvantaged blacks are concentrated.[28]

A key debate centers on the weight of spatial factors in the rise of joblessness among urban blacks (Freeman & Holzer 1986, Ellwood 1986, Hughes 1987, Leonard 1986, Orfield 1985, Kasarda 1985). Some emphasize that the suburbanization of blue-collar and other low-skill jobs has worked to the economic disadvantage of blacks who remain residentially constrained to inner-city housing (Kasarda 1985, Farley 1987).[29] Ellwood (1986) presents

[27]Kasarda found that about three fourths of those blacks who lacked a high school degree and who commuted to suburban jobs did so by private vehicle presumably because public transportation was unavailable or too cumbersome. This fact suggests that it could be very difficult for blacks with low levels of education, who will tend to be poor, to gain access to suburban jobs.

[28]This is clearly a highly complex and difficult issue with a wide range of theoretical and empirical lines of inquiry. Wilson (1985, 1987) argues that present day discrimination cannot be seen as the main culprit for this severe deterioration, but that it is rather the legacy of historic discrimination in combination with contemporary social and economic forces. Lieberson (1980) found that the large and prolonged influx of Southern black migrants was a central factor in producing economic disadvantages in the large ghettoes of the Northeastern cities.

[29]Farley (1987) found that black unemployment is higher relative to whites where jobs are most suburbanized and the black population is least so. Price & Mills (1985) found that blacks earn 19% less than whites due to poorer qualifications and 15% less due to discrimination, and an additional 6% less due to concentration in central cities. Vrooman and Greenfield (1980) found that 40% of the black-white racial earning gap could be closed by the suburbanization of central city black labor. And Strazheim (1980) found a positive wage gradient from city to suburb employment among lesser educated blacks in contrast to whites.

strong evidence that race, not spatial factors (differential proximity to jobs), is the key variable explaining employment differentials.

In these same large cities, many of the new immigrants have made disproportionate "gains" into declining manufacturing industries (Tienda et al 1984), and typically they show much lower joblessness than blacks. One key difference is the centrality of the immigrant community to the well-being of immigrants. The immigrant community can be thought of as a mechanism that transforms whatever its people have into resources: their labor power becomes entrepreneurship in a coethnic's enterprise, their cultural or language segregation becomes a captive market for ethnic entrepreneurs and a vehicle for the recirculation of earnings, extended households offer flexibility in the allocation of members to the labor market, and so on (Sassen 1988). There is a vast literature on this subject. (Light & Bonacich 1988, Wilson & Portes 1980, Waldinger 1985, to name but a few.) This has meant many things, from job generation in the immigrant community to the possibility of surviving—through household income pooling—on extremely low-wage jobs in declining manufacturing industries.

A recent development in immigrant communities in large cities, which contrasts sharply with the growth of an underclass in black neighborhoods in these same cities, is the expansion of an informal economy (Portes et al 1989, Sassen 1989, Stepick 1989). The informal economy is defined as the production and distribution of (mostly) licit goods and services outside the regulatory apparatus covering zoning, tax, health and safety, minimum wage laws, and other types of standards in a context where such activities are usually regulated.

Because the informal economy in the United States is perhaps most evident in immigrant communities, there has been a tendency to explain its expansion as resulting from the large influx of Third World immigrants and their propensity to replicate survival strategies typical of home countries. Not unrelated is the notion that the availability of a large supply of cheap immigrant workers facilitates the survival of backward sectors of the economy in that it contributes to lower the costs of social reproduction and production. Both of these views posit or imply that if there is an informal sector in advanced industrialized countries, the sources are to be found in Third World immigration and in backward sectors of the economy. Explaining the expansion of informal arrangements as a Third World import or a remnant of an earlier phase of industrialization resolves the tension between this fact and prevailing conceptions of advanced industrialized economies (see Portes & Sassen-Koob 1987).

An important question for theory and policy is whether the formation and expansion of informal work in advanced economies is the result of conditions created by these economies. Rather than assume that Third World immigration is causing informalization, we need a critical examination of the role it may or may not play in this process. Immigrants, insofar as they tend to form communities, may be in a favorable position to seize the opportunities represented by informalization. But the opportunities are not necessarily created by immigrants. They may well be a structured outcome of current trends in advanced industrial economies. Several studies attempt an analytic differentiation of immigration, informalization, and characteristics of the current phase of advanced industrialized economies in order to establish the differential impact of (*a*) immigration and (*b*) conditions in the economy at large on the formation and expansion of informal sectors (Castells & Portes 1989, Fernandez-Kelly & Garcia 1989, Stepick 1989, Sassen 1989).[30]

The sectoral and occupational transformation in large cities and the associated expansion of low- and high-income strata have brought about (*a*) a proliferation of small firms engaged in the production and retail of both highly priced and very cheap products for firms and for final consumers a partial concentration of such small firms in major cities due to the critical mass of both high- and low-income residents and commuters in cities and, further, the need for small firms to be close to suppliers and buyers. These growth trends contain inducements toward the informalization of a whole range of activities. In contrast, standardized mass production is not conducive to informal work arrangements.

In sum, one particular instance of the increased inequality associated with urban restructuring is the disengagement of significant sectors of the minority population from mainstream economic and social institutions. This is happening either through what amounts to expulsion (the case of extreme poverty and long-term unemployment) or through a downgraded form of participation (the case of informal work).

CONCLUSION: OLD QUESTIONS IN NEW CONTEXTS

The growth of service employment in cities and the evidence on the associated growth of inequality have also raised questions about how fundamental a change this shift entails. Several of these questions stand out. One concerns the nature of service-based urban economies and another the relation of

[30]These studies are to be distinguished from studies that aim at overall estimates of the underground economy based on aggregate figures for the supply and circulation of money (Gutmann 1979). As categories for analysis, the underground economy and the informal economy overlap only partly. Studies on the underground economy have sought to measure all income not registered in official figures, including income derived from illicit activities such as drug dealing.

structure and agency, specifically the place of urban politics at a time when economic forces are increasingly global yet social costs are local.

Regarding the first, there are the beginnings of a theory on the service-based economy. There are elements for a theoretical framework in such work as Stanback & Noyelle (1982), and theoretical models of service-based urbanization in Castells (1989), Friedmann (1986) and Sassen (1990) (see also Blau 1980). Some of the best and most illuminating work on service-based economies has focused on Third World cities (Timberlake 1985, Evans & Timberlake 1980, Fiala 1983, Kentor 1981, London 1987). Issues raised in this literature are of interest to us here as are broader discussions on models of economic development (Jaffe 1985, Delacroix & Ragin 1981).

On the second issue, the place of urban politics given global economic forces and the withdrawal of federal resources from local governments, several general conclusions can be drawn from the literature. First, notwithstanding the diversity of forms that economic restructuring has assumed in specific localities and the range of policy responses, many studies show that larger, translocal economic forces have more weight than local policies in shaping urban economies in the current period (Castells 1989, Feagin 1985, Hill 1989). Furthermore, much of this literature shows that national policies can have a very strong impact on local policies, and today these are mostly more influential in shaping cities than are local policies (Parkinson et al 1988, Fainstein et al 1986). Finally, much of this literature also shows that national policies have not escaped the influence and constraints of economic restructuring and the global forces that are part of it (Scott & Storper 1986, Sassen 1988).

A central question for theory and research is what spheres of local development can be objectively and ideologically relocalized (Marris 1987, Pickvance 1988, Castells 1983, Baldassare & Protash 1982, Plotkin 1987, Savitch 1988). The globalization of the economy and its detrimental effects on urban politics is increasingly also presented as an ideology that robs cities even of the notion that local politics matter. Under certain conditions local governments or local initiatives can resist the tendencies of economic restructuring and of national political objectives. Examples include the citizens coalitions fighting the "growth machines" described by Logan and Molotch (1987), the municipalities run by leftist governments in France described by Preteceille (1988), and several cities in the United States and in the United Kingdom described by Clavel (1986) which resisted the overall tendencies of economic restructuring through the implementation of progressive or mainstream agendas for economic growth.

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