

# Economic and Social Relevance of Central Cities in the Nation's 12 Largest Urban Regions

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Regina Armstrong, *Urbanomics*

The nation's 12 largest urban regions, located throughout the continental United States, make up the essential core of the American economy. With few exceptions, they are America's major centers of innovation and technological advancement. Yet they are also at the front line of demographic change: they house the bulk of the country's new immigrants, they deal with evolving family and household relationships, and they cope with major growth in the nation's elderly population. Collectively home to 90 million inhabitants—a population greater than that of Mexico or Germany—the 12 largest regions and their 14 central cities represent a significant force in the global economy.

In this paper a brief overview of the economic and social relevance of the nation's largest cities and their urban regions is presented. Although some cities, independent of their surrounding suburban areas, would not rank among the largest in population terms, their importance is established through their status as the central cities of the largest urban agglomerations. Because the two—city and region—are so inextricably bound, the focus in this paper is on socioeconomic trends and conditions in both areas. The largest cities and their urban regions, defined as consolidated metropolitan statistical areas (CMSAs) or metropolitan statistical areas (MSAs) by the U.S. Office of Management and Budget (OMB), were ranked in 1996 by descending order of region size:

- New York, New York–Northern New Jersey–Long Island, NY-NJ-CT-PA CMSA;
- Los Angeles, Los Angeles–Riverside–Orange County, CA CMSA;
- Chicago, Chicago–Gary–Kenosha, IL-IN-WI CMSA;
- Washington and Baltimore, Washington–Baltimore, DC-MD-VA-WV CMSA;
- San Francisco, San Francisco–Oakland–San Jose, CA CMSA;
- Philadelphia, Philadelphia–Wilmington–Atlantic City, PA-NJ-DE-MD CMSA;
- Boston, Boston–Worcester–Lawrence, MA-NH-ME-CT CMSA;
- Detroit, Detroit–Ann Arbor–Flint, MI CMSA;
- Dallas and Fort Worth, Dallas–Fort Worth, TX CMSA;
- Houston, Houston–Galveston–Brazoria, TX CMSA;

- Atlanta, Atlanta, GA MSA; and
- Miami, Miami–Fort Lauderdale, FL CMSA.

## NATION'S LARGEST URBAN REGIONS

In 1996, the 12 largest urban regions contained 90.5 million inhabitants, or 34 percent of the nation's total population. Redefined by OMB on the basis of the 1990 census to encompass more geographic areas, the regions have grown by 4.75 million persons in the 1990s, or nearly 1 percent per year, from a revised decennial population of 85.8 inhabitants. As such, they have accommodated 3 of every 10 new persons and retain a stable one-third share of the nation's population. As Table 1 indicates, all regions experienced population growth since 1990, though the slowest rates, concentrated primarily in the Northeast, provide a sharp contrast from the rapid expansion of regions in the South and Southwest.

The geographic redefinition of metropolitan areas by OMB has resulted in increasingly "megalopolitan" patterns of settlement. Over the period 1970 to 1996, the gaps between metropolitan settlements have been closing, as the largest urban regions absorb not only smaller MSAs, but also rural counties, in their wake. To date, the Boston-to-Washington chain of settlement has nearly merged in four major urban regions, whereas in the other megalopolitan corridors—Los Angeles to San Francisco, Chicago to Detroit, and Houston to Dallas/Fort Worth—the major urban regions will eventually incorporate smaller intervening metropolitan areas as commutation flows increase. These dramatic changes give evidence of the strength of economic links at the highest levels of urban development. And, by inference, they underscore the importance of the central cities that anchor the major urban regions.

Other measures illustrate the relative importance of the 12 largest urban regions to the American economy and population. Because these indicators are measured on the basis of the prior OMB area definition used in the 1990 census statistical tape files, they should be inflated by several percentage points to reflect the recent geographic expansion in coverage. The measures indicate various strengths or significant attributes of the regions:

- *Race and ethnicity:* The population of the largest urban regions, characterized by a broad base of multiracial and multiethnic inhabitants, is more diverse than that of the nation as a whole. Fully 56 percent of all Hispanics, one of every two Asians/others, and three of every seven non-Hispanic blacks reside in these areas, compared with only 28 percent of all white non-Hispanics. Collectively, the largest urban regions are more than one-third minority in composition, whereas the nation as a whole is one-fourth.

- *Nativity:* A disproportionate share of foreign-born persons reside in the largest urban regions, or 67 percent of the nation's total, whereas even higher capture rates characterize the most recent immigrants (or 71 percent of all foreign-born arriving in the 1980s). By contrast, 30 percent of all native-born Americans live in these areas. On the average, in 1990, one of every six residents was foreign-born, whereas five of every six were native-born, with the ratio shifting toward more foreign-born representation ever since, as heavy foreign immigration flows continue and are directed toward the largest urban agglomerations.

- *Language spoken:* A high degree of linguistic isolation characterizes the foreign-born population of the largest urban regions. In the nation as a whole, 84 percent of all households speak English as their primary language, compared with only 75 percent in the 12 largest regions. In these areas, fully 64 percent of all Spanish-speaking, 65 percent of all Asian-language-speaking, and 54 percent of all other non-English-speaking households characterize themselves as linguistically isolated. On the whole, the 12 largest urban regions contain one of every two households in the nation speaking a language other than English as the primary language.

- *Educational attainment:* Among all residents 25 years of age or older, the largest urban regions attract the highest proportion of well-educated Americans. Fully 43 percent of those with graduate degrees or professional diplomas live in these areas, whereas only 29 percent of all high school graduates are residents. The duality of the areas' demographic character is,

**TABLE 1 Population of the 12 Largest Urban Regions, 1990 and 1996**

Region	1990 Census Population	Revised <sup>a</sup> Census Population	1996 Population Estimate <sup>b</sup>	1990-1996 Population Change	
				No.	Percent
New York-NNJ-Long Island CMSA	18,087,251	19,549,649	19,938,492	388,843	1.99
Los Angeles-Riverside-Orange Co CMSA	14,531,529	14,531,529	15,495,155	963,626	6.63
Chicago-Gary-Kenosha CMSA	8,065,633	8,239,820	8,599,774	359,954	4.37
Washington-Baltimore CMSA	6,305,746	6,726,395	7,164,519	438,124	6.51
San Francisco-Oakland-San Jose CMSA	6,253,311	6,249,881	6,605,428	355,547	5.69
Philadelphia-Wilmington-Atlantic City CMSA	5,899,345	5,893,019	5,973,463	80,444	1.37
Boston-Worcester-Lawrence CMSA	4,171,747	5,455,403	5,563,475	108,072	1.98
Detroit-Ann Arbor-Flint CMSA	4,665,236	5,187,171	5,284,171	97,000	1.87
Dallas-Fort Worth CMSA	3,885,415	4,037,282	4,574,561	537,279	13.31
Houston-Galveston-Brazoria CMSA	3,711,043	3,731,029	4,253,428	522,399	14.00
Atlanta MSA	2,833,511	2,959,500	3,541,230	581,730	19.66
Miami-Fort Lauderdale CMSA	3,192,582	3,192,725	3,514,403	321,678	10.08
12 Urban Region Total	81,602,349	85,753,403	90,508,099	4,754,696	5.54
United States	248,709,873	248,718,301	265,283,783	16,565,482	6.66
As % of United States	32.81%	34.48%	34.12%	-0.36%	

<sup>a</sup> Revision reflects geographic redefinition based on results of the 1990 Census and corrections of the 1990 Census enumeration.

<sup>b</sup> 1990 population estimates are prepared by the Population Estimates Division of the Census Bureau as part of the Federal State Cooperative Estimates Program.

Source: U.S. Bureau of the Census.

however, apparent in the higher proportion of high school dropouts or those with little or no education; among them, 31 percent of the nation's total inhabit the largest urban areas.

- *Household formation:* With 33 percent of the reported population in 1990, the regions contain 32 percent of all households in the nation. More nonfamily households are located in the regions (34 percent) than family households, particularly households composed of two or more unrelated individuals. Whereas their share of single-person households does not differ from the national norm, the largest urban regions contain a disproportionate number of large-sized households, especially six and seven-plus person households (respectively, 38 and 46 percent of the nation's total).

- *Household mobility:* The American population is highly mobile, with only 53 percent of all persons over 5 years of age in 1990 living in the same dwelling they inhabited in 1985. Roughly the same is true of the largest urban regions; however, these areas report a higher percentage of residents resettling within the same metropolitan areas during the 5-year period. Relatively few move in from smaller or nonmetropolitan areas, whereas relatively more relocate from abroad.

- *Labor force participation:* In 1990, the largest urban regions had a civilian labor force of 43 million persons, or 35 percent of the nation's total. With one of every two inhabitants employed in the civilian sector, these urban regions were marked by a far greater than national concentration of employment destinations. The heavy journey-to-work flows within these areas meant that more than one of every three work trips in the nation were confined to 3 percent of the entire U.S. land area.

## ROLE OF CENTRAL CITIES AND URBAN REGIONS IN THE NATION

The economic importance of the central cities in the largest urban regions is apparent from the fact that fully one-third of all metropolitan work trip destinations are to these places (Table 2), which in themselves account for less than 0.1 percent of U.S. land area. Typically defined as places of 50,000 persons or more, the central cities that anchor the largest urban regions not only caused the initial urban settlement but also continue to spawn much of the economic development and population growth in these regions. Historically, the population base has spread more rapidly from the central cities than has the employment, but often the laws of land use succession have not had a comparable effect.

### Demographic Trends and Conditions

In 1990, the 14 central cities of the 12 largest urban regions had a population of 22.7 million persons, or 28 percent of all urban region inhabitants. By 1996, the cities' population base had barely changed—declining by 1,400 persons overall in census-revised terms—while the regions' population had grown considerably. Thus, all of the gain of 4.8 million persons in the largest urban regions since 1990 has occurred outside the central cities, whose share of the regional population declined to 25 percent by 1996.

Yet the cities are changing in demographic structure. First and foremost, they are the most heterogeneous places in the nation, accounting for much of the regions' diversity, and their heterogeneity is growing in racial, ethnic, and immigrant terms. In 1990, fully 59 percent of the central cities' population was minority black, Asian/others, and Hispanic, whereas 41 percent was majority white non-Hispanic. Housing fewer than 1 of 10 persons in the nation, the 14 cities contain more than 1 of 4 foreign-born and drew fully 30 percent of the immigrants arriving in the 1980s. Since then, despite a lack of growth in population, they have attracted more than 1.3 million new immigrants of the nation's 4.8 million net foreign influx. New York City alone has averaged more than 100,000 new immigrants per year since 1990, while Los Angeles, Chicago, Houston, and San Francisco have each drawn tens of thousands of foreign-born annually. Among the 14, only Atlanta, Boston, and Detroit are characterized by relatively low levels of foreign immigration.

TABLE 2 Work Trips in the 12 Largest Urban Regions and 14 Central Cities in 1990

Region	Work Trip Destinations		
	Total Region	Central City	Rest of CMSA/MSA
New York-NNJ-Long Island CMSA	8,654,406	3,726,776	4,927,630
Los Angeles-Riverside-Orange Co CMSA	6,813,757	1,844,336	4,969,421
Chicago-Gary-Kenosha CMSA	3,831,789	1,385,981	2,445,808
Washington-Baltimore CMSA	3,498,141	1,126,808	2,371,333
San Francisco-Oakland-San Jose CMSA	3,153,201	567,112	2,586,089
Philadelphia-Wilmington-Atlantic City CMSA	2,433,682	761,244	1,672,438
Boston-Worcester-Lawrence CMSA	2,242,575	497,653	1,744,922
Detroit-Ann Arbor-Flint CMSA	2,091,608	366,424	1,725,184
Dallas-Fort Worth CMSA	2,009,838	1,025,158	984,680
Houston-Galveston-Brazoria CMSA	1,779,289	1,133,393	645,896
Atlanta MSA	1,528,470	403,224	1,125,246
Miami-Fort Lauderdale CMSA	1,474,523	342,841	1,131,682
12 Urban Region Total	39,511,279	13,180,950	26,330,329
United States	115,070,274		
As % of United States	34.3%	11.5%	22.9%

Note: Work trip destinations provide the only place of work measure of employment in the decennial census. In comparison to other employment measures by place of work—such as the Bureau of Economic Analysis “total employment” or the Bureau of Labor Statistics “non-farm payroll employment”—work trip destinations do not fully represent all jobs by place of work.

Source: U.S. Bureau of the Census, Census Transportation Planning Package (CTPP).

The implications of the heavy foreign settlement flows to the nation’s major cities go beyond the sheer magnitude of numbers. Coincident with this influx are natural pressures for population growth (greater numbers of births than deaths in the resident population) that are occurring and are not reflected in an expansion of the central city population. Clearly, for the 14 cities to have absorbed more than 1.3 million new immigrants without population growth since 1990, the cities must have concurrently lost nearly 2 million residents, primarily white non-Hispanics, to the rest of the regions’ environs in the 6-year period.

Increasing racial, ethnic, and immigrant diversity has imbued the central cities with other demographic characteristics that stand in sharp contrast to the surrounding regions and to the nation. On the positive side, compared with the United States as a whole, the 14 major cities have a more youthful population, many more multilingual and multicultural resources, a higher proportion of adults with college, graduate school, and professional diplomas, and a labor force relatively more skilled in white collar and service occupations. On the negative side, however, the cities report a significant degree of linguistic isolation with limited or no use of the English language among segments of the population, a pool of high school dropouts nearly half again greater than all adults with a college diploma (including postgraduate or professional education), relatively more persons of young-to-prime labor force ages yet lower employment among residents, and a greater degree of poverty across all ages. Table 3 summarizes the demographic indicators.

TABLE 3 Summary Demographic Indicators of Central Cities, Regions, and Suburbs,<sup>a</sup> 1990 (Thousands of Persons or Percent)

Demographic Indicator	14 Central Cities	12 Urban Regions	12 Region Suburbs <sup>a</sup>	Central Cities As % of	
				Regions	Nation
Total population by race/ethnicity	22,684.1	81,602.3	58,918.2	27.8	9.1
White non-Hispanic	9,282.3	52,137.3	42,855.0	17.8	4.9
Black non-Hispanic	7,054.5	12,631.4	5,576.9	55.9	24.1
Asian/Other	1,432.9	4,492.8	3,059.9	31.9	15.8
Hispanic	4,914.3	12,340.9	7,426.6	39.8	22.4
Households by composition	8,565.2	29,590.0	21,024.8	29.0	9.3
Families	5,264.9	20,543.7	15,278.7	25.6	8.1
Single persons	2,737.5	7,350.2	4,612.7	37.2	12.2
2+ unrelated individuals	562.8	1,696.1	1,133.4	33.2	12.4
Population in group quarters	542.7	1,710.8	1,168.1	31.7	8.2
Native-born population	17,839.2	68,410.3	50,571.1	26.1	7.8
Foreign-born population	5,155.1	13,192.1	8,037.0	39.1	26.1
Immigrants arriving in 1980s	2,571.5	6,126.6	3,555.1	42.0	29.7
English-speaking households	5,790.4	22,336.6	16,546.2	25.9	7.5
Non-English-speaking households	2,774.8	7,253.3	4,478.5	38.3	19.3
Linguistically isolated households	860.2	1,802.1	941.9	47.7	29.3
Youthful population (<25 years)	8,036.5	28,816.5	20,780.0	27.9	9.0
Elderly population	11,918.1	43,614.9	31,696.8	27.3	9.3
Working-age population (25-64 years)	2,729.5	9,170.9	6,441.4	29.8	8.8
HS dropout	4,708.0	12,341.7	7,633.7	38.2	12.0
HS graduate or some college	6,672.1	27,146.7	20,474.6	24.6	7.7
College graduate or more	3,267.4	13,297.4	10,029.9	24.6	10.1
Population in poverty	4,505.9	9,065.9	4,560.0	49.7	14.2
Persons with mobility/self-care disabilities	1,816.7	4,531.3	2,714.6	40.1	13.8

<sup>a</sup> Denotes rest of urban region including suburbs, smaller cities, and rural areas.

Source: U.S. Bureau of the Census, STF 1a and 3a.

## Economic Importance of Central Cities

The 14 major cities are the engines that power vast regional economies comprising more than one-third of the nation's productive capacity, earnings, and employment. Although the current levels of and past trends in regional employment are difficult to measure because of differences in spatial coverage and conceptual definition of employment at present and over time, it is probable that the 12 largest urban regions contained some 41 million payroll jobs, or 34 percent of the nation's nonfarm employment, excluding self-employment, in 1997. Given higher levels of productivity and profitability in these economies, affirmed by higher worker earnings and tax liabilities, it is likely that the 12 regions account for about 45 percent of the gross domestic product (GDP) in the nation's economy, or roughly \$3.5 trillion in current dollars. (The leading region—New York—Northeastern New Jersey—alone represents 7 percent of national employment and 10 percent of GDP.) In this immense concentration of economic resources, the 14 central cities play a vital and irreplaceable role.

During the past quarter century, the major urban regions generated more than 11 million jobs, growing from 29.6 million payroll jobs in 1975 to some 41 million at present. Although employment grew faster in the rest of nation, the 12 regions' share of total nonfarm employment slipped only 5 points, from 39 to 34 percent. Rank ordered by size, the shares of the eight largest regions all diminished, whereas those of the four smallest and all southern regions—Dallas—Fort Worth, Houston, Atlanta, and Miami—increased.

In 1990, according to census journey-to-work data, the 14 central cities of the largest urban regions contained 13.2 million work trip destinations or 33 percent of urban region employment.<sup>1</sup> Thus, the economic importance of the major central cities is, at a minimum, shown in their one-third share of the most productive one-third of the nation's workforce. As Table 4 indicates, workers in the central cities of the 12 largest urban regions are more skilled, employed in more information-based sectors, and more highly paid than their regional counterparts. As subsequent data will show, the economic importance of the major central cities extends beyond these employment measures.

Fully two of every three jobs in the major central cities are white collar jobs, split almost evenly between high white collar occupations—executives, managers, and professional workers—and low white collar occupations—less skilled technical, sales, and administrative support jobs. The cities claim 36 percent of all high white collar work and 33 percent of all low white collar work. Service and blue collar jobs are less well represented in the 14 cities, with one-third of all service work and 30 percent of all blue collar work in the urban regions. By contrast, the suburbs or the rest of urban region areas claim the greatest share of high blue collar work (crafts), while accounting for the lowest share of high white collar work. The narrow difference in median earnings by place of work is explained in part by the concentration of well-paying high blue collar work in the suburbs and the broader distribution of white collar earnings in the cities, which are not fully reflected in a midpoint measure.

The attraction of the central cities for white collar, office-type work is also apparent in the industrial classification of employment by goods or services produced. The highest shares of regional jobs in central cities are found in government (public administration) and financial services, followed closely by transportation and utilities, and business and professional services, with the shares of all the cities ranging from 44 to 38 percent of the region's totals. Whereas not all jobs in these sectors are office jobs, the overwhelming majority are, suggesting that the 14 central cities may house as many as 5 million jobs in office buildings. The lowest shares of regional employment found in central cities occur in goods-handling activities that typically require larger footprints and lower-density locations. Collectively, manufacturing, wholesale and retail trade, and mining and construction (other) account for less employment in central cities than office employment, making up 25 to 28 percent of regional totals. Population-serving activities like personal, entertainment, health, and education services tend to represent the average share of regional jobs, at 35 to 37 percent, even though they attract more than the cities' share of regional inhabitants (28 percent).

In every major central city, the demand for workers outstrips the supply of the resident employed labor force, giving rise to a flow of daily commuters. Volumes are heaviest in New

**TABLE 4 Summary Workplace Indicators of Central Cities, Regions, and Suburbs,<sup>a</sup> 1990**  
(Thousands of Jobs, 1990 Dollars, or Percent)

Workplace Indicator	14 Central Cities	12 Urban Regions	12 Region Suburbs <sup>a</sup>	Cities as % of Regions
Employment by occupation	13,181.0	39,511.3	26,330.3	33.4
High white collar	4,303.3	11,913.4	7,610.1	36.1
Low white collar	4,428.3	13,304.0	8,875.8	33.3
Service/other	1,823.2	5,463.6	3,640.4	33.4
High blue collar	1,146.2	4,042.8	2,896.7	28.4
Low blue collar	1,480.0	4,787.4	3,307.4	30.9
Employment by industry	13,181.0	39,511.3	26,330.3	33.4
Manufacturing	1,642.1	6,458.2	4,816.0	25.4
Transportation and utilities	1,221.3	3,076.3	1,855.0	39.7
Trade	2,288.0	8,046.1	5,758.1	28.4
Finance, insurance, real estate	1,436.1	3,384.3	1,948.1	42.4
Business and professional services	2,078.7	5,407.2	3,328.5	38.4
Personal and entertainment services	668.5	1,810.3	1,141.7	36.9
Health and education	2,149.3	6,146.5	3,997.1	35.0
Public administration	825.9	1,895.3	1,069.4	43.6
Other	870.9	3,287.2	2,416.3	26.5
Median earnings of workers	\$22,703	\$22,466	\$22,348	101.1

<sup>a</sup> Denotes rest of urban region including suburbs, smaller cities, and rural areas.

Source: U.S. Bureau of the Census, CTPP.

York City and Washington, D.C., each exceeding a net influx of 400,000 workers in 1990. The relative share of commuters in total central city employment was greatest in Atlanta and Miami, as well as Washington, D.C., breaking above 50 percent of the total. In part, the need for daily commutation to central city work reflects the labor force status and characteristics of the central city residents. As Table 5 shows, 11.3 million city residents, comprising 50 percent of city population, were working or seeking work in 1990. Of them, 9.3 percent were unemployed, yielding 10.2 million resident workers. In the suburbs, the labor force participation rate was higher, averaging 53 percent, and the jobless rate was lower, at 5.2 percent. Whereas the 14 central cities had a net shortfall of 2.9 million workers for their job locations, the suburbs had a surplus of 3.5 million workers.<sup>2</sup>

As Table 5 indicates, the occupational characteristics and industry affiliations of central city resident workers did not correspond well with requirements of central city jobs. Although needs were manifest across all fields, these workers tended to be less skilled and less oriented toward information-based work. Blue collar and service occupations characterized 39 percent of the resident employed, whereas blue collar and service jobs accounted for 34 percent of city work. The largest influx of commuters occurred among workers with high white collar skills, with the city resident shortfall equal to one-third of city-based jobs. Even low white collar skills were in heavy demand with more than 1 million nonresidents supplementing some 3 million resident workers on a net basis. By industry classification, the office-type sectors—business and professional services, financial services, transportation, and utilities—drew the heaviest inflow, supplemented by health and educational institutions.

The daily flow of commutation represents the most visible, if not the most important, linkage between the economies of central cities and their urban regions. Commuters bring home billions of dollars of annual earnings from their central city jobs, stimulating the suburban housing markets, local economies, and tax bases. In 1995, as Table 6 indicates, the net commutation earnings outflows from the 14 central cities amounted to \$159 billion, or 18 percent of central city employment earnings. Viewed from the suburban or rest-of-region perspective, the net commutation earnings inflow measured \$148 billion, contributing 15



TABLE 5 Summary Labor Force Indicators of Central Cities, Regions, and Suburbs,<sup>a</sup> 1990 (Thousands of Resident Workers or Percent)

Labor Force Indicator	14 Central Cities	12 Urban Regions	12 Region Suburbs <sup>a</sup>	Cities as % of Regions	Net Flow into Cities
Resident labor force	11,302.8	42,760.9	31,458.1	26.4	n/a
Employed	10,249.5	40,066.1	29,816.6	25.6	2,931.5
Unemployment rate	9.3%	6.3%	5.2%	147.6	n/a
Employed residents by occupation	10,249.5	40,066.1	29,816.6	25.6	2,931.5
High white collar	2,890.6	12,135.7	9,245.1	23.8	1,412.7
Low white collar	3,387.0	13,598.1	10,211.1	24.9	1,041.3
Service/other	1,680.9	5,355.7	3,674.8	31.4	142.3
High blue collar	878.2	4,083.8	3,205.6	21.5	268.0
Low blue collar	1,412.8	4,892.8	3,480.0	28.9	67.2
Employment by industry	10,249.5	40,066.1	29,816.6	25.6	2,931.5
Manufacturing	1,425.5	6,565.6	5,140.1	21.7	216.6
Transportation and utilities	820.8	3,106.5	2,285.7	26.4	400.5
Trade	1,962.4	8,253.9	6,291.5	23.8	325.6
Finance, insurance, real estate	995.1	3,456.7	2,461.5	28.8	441.0
Business and professional services	1,579.4	5,518.2	3,938.8	28.6	499.3
Personal and entertainment services	619.3	1,875.6	1,256.3	33.0	49.2
Health and education	1,733.5	6,343.7	4,610.2	27.3	415.8
Public administration	509.5	1,920.4	1,410.9	26.5	316.4
Other	604.1	3,025.4	2,421.3	20.0	266.8
Average household income	\$38,968	\$47,515	\$50,997	82.0	n/a

<sup>a</sup> Denotes rest of urban region including suburbs, smaller cities, and rural areas.

Source: U.S. Bureau of the Census, STF 1a and 3a.

TABLE 6 Illustrative Links: Commuter Income Flows Between Central Cities and Suburbs,<sup>a</sup> 1995 (1)

Central City and Urban Region	Aggregate Net Earnings of Commuters (\$ Millions)		Central City Commuter Earnings as % of Earnings in	
	To Central City	From Rest of Region	Central City	Rest of of Region
New York City/NY-NENJ-LI CMSA	43.06	40.32	22.7	15.9
Los Angeles/LA-Riverside-Orange CMSA	16.48	16.61	9.7	16.5
Chicago/Chicago-Gary-Kenosha CMSA	15.47	14.32	13.5	21.9
Washington-Baltimore/Washington-Baltimore CMSA	26.25	24.54	52.7	21.9
San Francisco/San Francisco-Oakland-San Jose CMSA	10.01	7.91	34.5	8.3
Philadelphia/Philadelphia-Wilmington-Atlantic City CMSA	8.19	9.83	28.7	9.5
Boston/Boston-Worcester-Lawrence CMSA	0.56	(0.08)	1.6	0.6
Detroit/Detroit-Ann Arbor-Flint CMSA	5.31	4.65	13.6	8.1
Dallas-Fort Worth/Dallas-Fort Worth CMSA	11.54	10.62	14.3	53.2
Houston/Houston-Galveston-Brazoria CMSA	7.31	6.88	9.9	42.4
Atlanta/Atlanta MSA	11.00	9.71	37.3	22.4
Miami/Miami-Fort Lauderdale CMSA	4.01	2.70	12.3	18.9
14 central cities/12 urban regions total	159.19	148.01	18.3	15.4

<sup>a</sup> Denotes rest of urban region including suburbs, smaller cities, and rural areas.

percent to total earnings by place of residence. When one-sixth of a suburban work force relies on opportunities in the central city for gainful employment, as is the case for nine of the major urban regions, the relationship between suburbs and cities is clearly dependent.

Other links between central city economies and urban regions may be equally significant but are less measurable in effect than commutation. For example, where central city employment data are available, it has been noted that the rates of change in city and rest-of-region employment have been moving in tandem, with increasing frequency, over the business cycle. And where business births, deaths, and relocations are methodically measured—often by state administrative employment insurance records—central cities emerge as the major generators of business formation, by replenishing firm deaths with firm births and by spinning off as many or more firms through relocations to the suburbs. Manufacturing firms, corporate headquarters or back offices, and major retailers may serve as examples of suburban establishments that had their origins in the central city of the urban region. Often, suburban companies continue to use central city services after their relocation. A survey conducted in New York showed that firms with headquarters in the suburbs rely extensively on Manhattan for investment banking (93 percent), legal counsel (74 percent), and transfer agent (74 percent) and insurance brokerage (53 percent) services (2).

### ROLE OF CENTRAL CITIES IN THE GLOBAL ECONOMY

Beyond their role as engines of a regional economy, the major central cities play a significant part in the global economy. Though not all cities can claim these functions, collectively they serve as

- Command posts for multinational businesses;
- Sites of global financial markets;
- Providers of managerial and corporate services;
- Global centers of culture, arts, fashion, and entertainment;
- Global tourist destinations;
- World-class office centers; and
- Centers of world governments, intergovernmental organizations, and nongovernmental organizations.

The 14 central cities represent the greatest command post of corporate business in America. In 1997, fully 140 of the “Fortune 500” corporations were headquartered in these cities, reaping a combined \$1.787 trillion in gross revenues and earning an average profit of 7 percent, as Table 7 indicates. Fortune 500, the gold standard of corporate rankings, draws from all sectors of the American economy—service as well as goods production—and represents the nation’s largest corporations, including manufacturers, retailers, financial service firms, and software vendors. With 11 percent of U.S. employment, on the average, the 14 central cities were home to 28 percent of the largest U.S. corporations and 32 percent of their earnings. In rank descending order, the largest number of headquarters were located in New York (one-third of total), Chicago, Houston, Dallas–Fort Worth, and Atlanta. Among all central cities and suburban areas, the greatest earnings power was concentrated in New York, Detroit, Chicago, Atlanta, Houston, and San Francisco.

Forty percent of the Fortune 500 corporations headquartered in the major central cities also rank among the world’s largest corporations, as measured by *Fortune Magazine*.<sup>3</sup> In 1996, the 14 cities were the headquarters of 57 global corporations, or 11 percent of the world’s 500 largest corporations and one of every three of the 162 Global 500 located in the United States. Gross revenues amounted to \$1.25 trillion, or 35 percent of the Global 500 earnings originating in the United States. Although every central city except Miami housed corporations on the Global 500 list, New York City dominated the profile with two of every five of the cities’ total. Atlanta, San Francisco, Chicago, and Houston also had significant numbers of global front offices.

TABLE 7 Headquarters Location of Fortune 500 and Global 500 in Central Cities and Regions, 1996–1997

	Number of Top 500 Corporations		Corporate Revenues (Thousands of Current Dollars)		Profit as % of Revenue— Fortune
	Fortune	Global	Fortune	Global	
Headquartered in central cities					
New York City	47	23	694,025	500,821	8.3
Los Angeles	5	2	45,582	29,726	6.8
Chicago	16	4	175,549	76,384	6.9
Washington-Baltimore	6	3	69,012	99,950	5.9
San Francisco	8	5	115,036	93,679	8.3
Philadelphia	8	3	61,720	41,906	6.6
Boston	6	2	48,189	20,665	8.3
Detroit	3	1	185,113	168,369	3.2
Dallas-Fort Worth	12	3	95,634	47,219	4.5
Houston	15	4	134,217	56,713	4.3
Atlanta	11	7	150,137	115,327	8.2
Miami	3	0	13,246	0	2.7
14 central cities	140	57	1,787,460	1,250,758	6.9
Headquartered in urban regions					
NY-NNJ-Long Island CMSA	95	41	1,338,992	981,433	n/a
LA-Riverside-Orange CMSA	23	6	168,378	77,050	n/a
Chicago-Gary-Kenosha CMSA	34	10	328,120	177,804	n/a
Washington-Baltimore CMSA	16	6	206,370	211,208	n/a
San Francisco-Oakland-San Jose CMSA	25	10	294,732	198,787	n/a
Philadelphia-Wilmington-Atlantic City CMSA	14	5	132,920	93,926	n/a
Boston-Worcester-Lawrence CMSA	11	3	88,795	35,228	n/a
Detroit-Ann Arbor-Flint CMSA	10	4	451,813	408,194	n/a

(Continued on next page)

TABLE 7 (continued)

	Number of Top 500 Corporations		Corporate Revenues (Thousands of Current Dollars)		Profit as % of Revenue— Fortune
	Fortune	Global	Fortune	Global	
Dallas-Fort Worth CMSA	16	6	276,342	203,451	n/a
Houston-Galveston-Brazoria CMSA	15	4	134,217	56,713	n/a
Atlanta MSA	12	7	153,361	115,327	n/a
Miami-Fort Lauderdale CMSA	5	0	27,453	0	n/a
12 urban regions	275	102	3,601,493	2,559,121	n/a
Headquartered in United States	500	162	5,519,000	3,530,703	n/a

Note: "Fortune" headquarter locations and corporate revenues are based on 1997 annual reports; "Global" headquarter locations and corporate revenues, as well as "Fortune" profit percentages, are based on 1996 annual reports. The U.S. Post Office is included among "Global" corporations, but is excluded from "Fortune" corporations.

Source: *Fortune Magazine*, May 1998 and August 1997.

The central cities also ensure the appeal of their urban regions to Fortune 500 and Global 500 corporations. Over time, a significant number of these headquarters relocated to the suburbs from the central cities, often to campus-type locations that provided access to the suburban labor markets and the center city support services. As Table 7 indicates, collectively the central cities and suburban areas of the urban regions contain the headquarters of 275 of the Fortune 500, or 55 percent, and a remarkable 102 of the Global 500, or 63 percent of the 162 Global 500 located in the United States. From a financial perspective, with \$3.6 trillion in gross revenues associated with the 275 Fortune 500 companies, the 12 urban regions house 65 percent of the corporate earnings power of the nation's elite businesses, and an even greater 72 percent of the global market revenues. On a regional scale, the most significant concentration of global corporations is in the New York Urban Region, the premier world class region, followed by Chicago and San Francisco.

Most of the 14 central cities serve as managers of domestic financial markets, though only New York and, to a lesser extent, Chicago play important roles in global financial markets. New York accounts for more than half of all securities traded on a global basis by the three world capital markets, leading London and Tokyo by a wide margin (3). In fact, more foreign companies are now traded on New York exchanges than in London, Frankfurt, Paris, and Tokyo combined. New York and, primarily, Chicago represent the United States in international commodity trading, futures, and options markets.

A significant share of commercial banking is concentrated in the 14 central cities, \$1.37 trillion in 1995, representing 66 percent of deposits on account with the top 300 commercial banks in the United States and 45 percent of all commercial bank deposits (4). However, not all cities attract foreign banks. Ten of the 14 central cities lead the nation in foreign banking, but New York outweighs all other cities combined in the sheer number of its foreign bank offices.

## FISCAL RELATIONSHIP OF CENTRAL CITIES AND THE FEDERAL GOVERNMENT

The vast wealth and productive resources concentrated in the nation's major central cities create a significant source of tax revenue for the federal and state governments. In turn, the cities receive intergovernmental transfers in the form of grant awards, direct loans, and other aid assistance and obligations. In addition, the presence of other government facilities results in the infusion of significant labor payments to employees working in central cities, and direct transfers are made to residents for retirement, disability, and other social insurance purposes, as well as contract awards to businesses that participate in procurement programs. Because of data reporting and apportionment issues, it is not possible to measure the value of federal tax revenues originating in cities or other substate jurisdictions. However, accurate accounting of direct federal expenditures and other assistance by locality is kept.

In FY 1996, the 12 major urban regions received \$456 billion in direct federal expenditures, or 33 percent of \$1.4 trillion expended by the government on grant awards, salaries, transfer payments, and procurement contracts (Table 8). Another \$186 billion was received from federal sources for direct loans, guaranteed loans, and insurance purposes, forming 34 percent of the total. On a resident population and employment basis, this level of direct federal expenditure and other assistance was proportional to the 34 percent shares of U.S. population and employment located in the urban regions. However, on an earnings and asset basis, it was undoubtedly undervalued, since urban region households receive 40 percent of aggregate household income in the United States and urban region corporations generate a greater but unknown share of business income.

The 14 central cities or their host counties receive 46 percent of the direct federal expenditures flowing to the 12 urban regions, and 34 percent of other forms of federal assistance. This \$211 billion in direct federal expenditures to the cities in FY 1996 represented 15 percent of the federal largesse, or significantly more than the cities' 9 percent share of the U.S. population and aggregate household income, as well as their 11.5 percent share of U.S. employment. However, this was probably very nearly on a par with the cities' contribution

TABLE 8 Federal Government Expenditures or Obligations in 12 Urban Regions, FY 1996 (5)

Expenditures	Aggregate Expenditure (\$ Thousands)			As % of United States		
	Central City or County	Suburbs <sup>a</sup>	Urban Region	Central City or County	Suburbs <sup>a</sup>	Urban Region
Total direct expenditures or obligations	210,948	245,069	456,017	15.1	17.6	32.7
Grant awards	46,743	33,284	80,027	19.4	13.8	33.2
Salaries and wages	30,268	30,823	61,091	17.8	18.2	36.0
Direct payments for individuals	99,227	133,357	232,584	13.0	17.5	30.5
Procurement contract awards	33,537	46,920	80,457	16.8	23.6	40.4
Other obligations	1,173	685	1,858	4.6	2.7	7.3
Other federal assistance	63,182	122,845	186,027	11.5	22.4	33.9
Direct loans	853	887	1,741	4.2	4.4	8.6
Guaranteed loans and insurance	62,329	121,958	184,286	11.8	23.1	34.9
Total outlays	274,130	367,914	642,044	14.1	18.9	33.0

<sup>a</sup> Denotes rest of urban region including suburbs, smaller cities, and rural areas.

to GDP. Other federal assistance to the cities, valued at \$63 billion in FY 1996, represented 11.5 percent of national outlays and was therefore on a par with the cities' share of U.S. employment, although markedly below that of its share in GDP. The combined federal expenditures or obligations to cities of \$274 billion, at 14 percent, however, is not a true reflection of the economic importance of these cities to the national economy.

Still, the 14 cities fare exceptionally well, particularly in grant awards, federal employment, and procurement, though they fall short in direct loans and other federal obligations. On a per capita basis, they average \$5,613 in direct federal expenditures per person, compared with \$5,051 per capita in the 12 urban regions and \$5,287 nationally. However, some major central cities fare far better than others in comparison with the national per capita outlay. At \$22,825 per person in Washington-Baltimore, largely as a result of federal salaries, the nation's capital receives more than fourfold the national average. Atlanta, Philadelphia, San Francisco, Boston, and New York also rank above average, whereas, in descending order, Dallas-Fort Worth, Detroit, Chicago, Los Angeles, Miami, and Houston fall below average. Their differences are reinforced by the poor performance of suburban areas in most urban regions. Accounting for 25 percent of the nation's population, 23 percent of its employment, and more than one-fourth of the GDP, the urban region suburbs receive 19 percent of total federal outlays, including only 14 percent of grant awards.

## HOW ECONOMIC FACTORS WILL CHANGE IN CENTRAL CITIES AND URBAN REGIONS

The pattern of federal expenditures, therefore, supports, if not strengthens, the nation's central cities. In this, federal policy is not counteracting trends but rather is making wise long-term investments. Clearly, economic factors have changed and will change central cities and their relationship to urban regions, the nation, and the global economy. Whereas long-term trends suggest further erosion in the cities' share of population and employment, the character of these attributes will likely continue to improve. Central cities have become nodes on the global network of the world economy, often overriding national boundaries and limitations as they function as command posts, innovation centers, consumer markets, and tourist destinations, and facilitate the transnational flow of ideas, capital, and people. Central cities are also evolving into 24-hour environments, expanding their residential areas and encouraging entertainment activities to draw inhabitants and visitors alike into the downtown, while broadening the range of other consumer activities. And central cities are the natural locale for nurturing entrepreneurship, technological development, and product innovation, because cities support the kinds of densities required for frequent face-to-face interaction. The growth in self-employment, work at home and teleconferencing, global travel, 24-hour activity, and downtown living that are associated with economic changes affecting central cities also have significant implications for meeting and managing travel demand, an essential prerequisite for continued growth.

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## NOTES

1. Trip ends are the nearest approximation to a measure of "primary" jobs at work sites located in the central cities. Administrative records of employment for work sites in central



cities, compiled by state departments of labor for unemployment insurance purposes, do not conform to census data. They reflect private payroll employment in covered nonfarm establishments, while excluding noncovered (including public) establishments and all self-employed workers; whereas the Census Transportation Planning Package (CTPP) source excludes persons not at work during the reference week because of vacation, illness, or other reasons. From several perspectives, total employment at place of work is a difficult concept to measure, in part because multiestablishment firms may not separately report jobs by work site and a certain percentage of workers hold multiple jobs. The estimates contained herein use the 1990 CTPP base for central cities and urban regions, and benchmark any prior- or post-census trends on this base from Bureau of Labor Statistics nonagricultural employment data.

2. On balance, in 1990, some 555,000 employed residents of the 12 urban regions worked outside of the regions.

3. The Fortune 500 American corporations are released in an April or May issue of *Fortune Magazine*, followed by the Global 500 released in an August or September issue. All companies on the lists must publish financial data and report all or part of their figures to a government agency. Revenues include consolidated subsidiaries. Financial data are for fiscal years ending on or before March 31 of the reference year. Revenues for non-U.S. corporations have been converted to dollars at the average official exchange rate.

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