We've Got the Human Element on Our Side

BYLINE: Mitchell Moss

Lost amid the fireworks, laser shows and shots of hundreds of thousands of millennial revelers in Times Square on New Year's Eve was the symbolism of all those new neon lights. In another era, the lights of Broadway, of Times Square, were associated with the theater. Now, the neon of Times Square is associated with the purveyors of information: ABC, ESPN, Reuters and Conde Nast, just to name a few.

The pictures from Times Square told the story not simply of the re-creation of a famous patch of Manhattan real estate, but the re-creation of the city itself. What better place, after all, to celebrate the transition from the industrial age to the information age?

Even as the city marked the new millennium, Mayor Giuliani was announcing that more than 80,000 new jobs had been created in the city in 1999, a remarkable figure. It's hard to remember that just 10 years ago, the city was losing thousands of jobs every year, apartments were going unsold on Manhattan's West Side, and there was no new office construction in midtown Manhattan. When President Bush launched the Gulf War in 1990, the Dow Jones industrial average was almost 9,000 points less than it is today, and a charming house in the historic district of Sag Harbor could be bought for less than $250,000.

New York, a city built around a great natural harbor, was once the nation's leading industrial city. Only 50 years ago, more than a million people worked in the city's thousands of manufacturing plants. Today, manufacturing accounts for fewer than 250,000 jobs in the city. Cargo shipping, which long ago migrated from the Manhattan and Brooklyn shores to Port Elizabeth and Port Newark in New Jersey, has been superseded by underwater cables, satellites and microwave systems that allow information to move in, through and out of the city, quietly, invisibly and rapidly. Over the past two decades, New York's leading firms in book publishing, banking, television broadcasting and accounting have been taken over, merged and transformed into a new group of information producers that now define our economy: Time Warner Inc., Viacom Inc., NBC, News Corporation, Conde Nast, Bertelsmann A.G., Bloomberg L.P., Reuters, KMPG, Deloitte Touche, along with lots of new firms such as Starmedia Network, Oxygen.com and Earthweb Network.

The city is undergoing a tremendous transformation, the likes of which we haven't seen since the early and mid-19th century, when the Erie Canal turned the city into the nation's commercial center and waves of immigrant groups transformed the population base. The same dynamics are at work in the 21st century, and the changes they will bring about may make the New York of 1990 unrecognizable to a New Yorker born in 2050.

The transition has been under way for some time, but certain events remind us of just how dramatically the city is changing. Just in time for the turn of the century, Consolidated Edison announced that it would shut down its old power plants on the East Side waterfront and sell the property to residential and commercial developers. The symbolism could
not have been less subtle: New York's old industrial waterfront, which once housed factories, rail yards and power generators, is giving way to parks, recreation centers and housing to support Manhattan's information-age work force. New York, which spent most of the last 50 years trying in vain to link its citizens to its 578 miles of waterfront, finally is letting go of its industrial waterfront. The Con Edison sale and the continuing construction of the Hudson River Park indicate that New Yorkers are no longer willing to let the city wallow in the remnants of its industrial past.

A City Resurgent

There are many explanations for the city's impressive recovery from the economic doldrums of 1989-92. Republicans credit the dramatic improvements in public safety under the Giuliani administration. Democrats praise the tax increase and deficit reduction policies of the Bill Clinton-Alan Greenspan-Robert Rubin team, while others simply say the city's prosperity is linked to the rising stock market and the enormous profits generated by the financial services sector.

Fortunately, New York's renaissance is not the work of any one politician or public policy. The city is thriving because of our unique position as the global hub for information. New York's capacity to feed the world's growing appetite for information through voice, video and data systems has been and will continue to be the source of our economic strength in the next century. Advances in computer-based communications and the worldwide deregulation of media have eliminated the distinction between information and entertainment while raising the demand for both. In addition, a handful of global media organizations based in Manhattan is increasingly responsible for the information that is distributed around the world.

What's striking about New York is that the city's economic transformation has occurred without any infusion of Federal funds or the presence of a major science and engineering institution. In fact, the rise of the city's information economy has occurred without any major help from the state or Federal government. City Hall has been instrumental, however, in making it easy to convert old industrial buildings to high-tech activities and in providing tax incentives for developers who rewire and renovate old office buildings to accommodate the needs of small start-up firms.

What's especially striking has been the absence of a prestigious scientific institution to help shape and influence the city's information industry. While New York has an abundance of medical schools, it is notably weak in the applied sciences and engineering. Unlike Boston, which has the Massachusetts Institute of Technology, and California, which has Stanford University, New York's intellectual infrastructure is obsolete. Our educational institutions are still wedded to the welfare state. We produce an excess of social workers and therapists and too few computer scientists and programmers. (Admittedly, we do have first-rate schools of business and the arts, which have been essential to the rise of New York's information industry, providing graphic artists and designers as well as innovative entrepreneurs and creative financiers.)

The secret to New York's success has been its ability to harness its strengths in finance and entertainment to create new forms of electronic production and distribution. For example, when MTV was created in New York in the early 1980's, skeptics said nobody would watch music videos. Today, MTV is one of the city's best known companies, exporting its programs around the world and attracting hundreds of teenagers to its studio on Broadway.

The Bloomberg terminal, invented by Michael Bloomberg to deliver information instantaneously to investors and financial institutions that formerly had to rely on printed materials or stockbrokers, is another example of how New York has been a pioneer in information technology. With 100,000 Bloomberg terminals located around the world, Bloomberg L.P. has evolved into a financial information giant, with its own radio and television programs transmitted in seven languages. Bloomberg and MTV demonstrated the city's strengths in the new information-age economy.

Leftover Baggage?

One of the most persistent themes among technological forecasters is the belief that cities, in the words of George Gilder, "are leftover baggage from an industrial era." M.I.T.'s leading information guru, Nicholas Negroponte, has claimed that "the post-information age will remove the limits of geography. Digital living will include less and less dependence upon being in a specific place, and specific time, and the transmission of place itself will start to become possible." Clearly, some of today's older cities are anachronisms, unable to compete in the new economy. But New
York's revival is proof that there is no substitute for face-to-face exchanges, especially in an age of advanced telecommunications. That is New York's singular advantage over any other city in North America. The concentration of talent -- whether in finance, fashion, advertising or media -- makes Manhattan the most efficient place for those firms that depend on direct human interaction. In addition, as long as the rest of the nation consists of so-called "edge cities" with little opportunity for random exchanges among competitors and business associates, New York will maintain its unique advantages.

Simply put, that's why Manhattan has 2.4 million jobs; why 88 percent of the wages earned in New York City are earned in Manhattan, and why Manhattan has the largest concentration of college graduates residing on any island in the world. Information-based industries depend on interaction, to test ideas, to refine concepts, to develop new services. And Manhattan, with its rich mixture of bars, restaurants, gymnasiums and office buildings, makes it easy to stay in contact, through both planned and spontaneous meetings. That's why people are willing to commute such long distances to work in Manhattan, from Philadelphia, Long Island, New Jersey and Connecticut.

The desire to be close to Manhattan has been a vital factor in reviving Brooklyn's middle-class neighborhoods, such as Park Slope, Fort Greene and Cobble Hill. It has also led to the influx of new residents into industrial areas such as Williamsburg, Red Hook and Long Island City. Ironically, the outer boroughs are becoming more, rather than less, important, as bedroom communities, an alternative to the inner ring of aging suburbs.

Most important, approximately 35 percent of the city's population is foreign-born, and more than half the city's children are either foreign born or the children of foreign-born adults. According to the New York City Planning Department, half of the city's new immigrants from 1995 to 1999 are from Asia and Europe. With strong technical skills, these children will be the future work force for the city's new information-intensive industries.

Ever Upward!

There are plenty of cynics who are waiting for the stock market to collapse, for the Dow Jones to drop to 5,000, and for housing prices to crash. They believe that New York's boom is inextricably linked to financial markets, and therefore will end -- painfully, predictably and soon. Certainly, the excessive enthusiasm for Internet stocks eventually will dampen, but there is no reason to believe that New York's future is tied to the Nasdaq or any other stock market index. The city's future is based on a broader and growing demand for information -- to help understand the complex character of the world -- and the desire for entertainment to escape from those complexities.

As long as New York continues to invent new ways for people to be informed and entertained, the city will flourish in the new century.

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