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How Competition Saved New York

By [EDWARD L. GLAESER](#)

Edward L. Glaeser is an economics professor at Harvard.

In 1940, Pittsburgh was America's 10th largest city. It had **672,000 inhabitants**. In 2007, the Census Bureau estimated its population at **311,000**. Detroit's decline has been even more dramatic, from a height of 1.85 million in 1950, to 916,000 today.

Only two of the nation's 10 largest cities in 1950 have more people today: New York and Los Angeles. The growth of Los Angeles is no puzzle. The city practically defines sun and sprawl, which are two of the biggest correlates of population growth in the postwar era. The puzzle is New York City, which — alone among the country's older, colder cities — has managed to grow.

Last week, the economist [Benjamin Chinitz](#) died at the age of 84. Mr. Chinitz had a long and distinguished career, writing many books and articles, advising presidents and governors, teaching at fancy universities. But his lasting place in history comes from a single short [article](#), published by the American Economic Review in 1961, titled "Contrasts in Agglomeration: New York and Pittsburgh." The paper came out of Mr. Chinitz's on-the-ground work as a member of the New York Metropolitan Region Study and the Pittsburgh Economic Study. It also reflected his experience growing up and living in New York, and then teaching at the University of Pittsburgh.

Even in 1961, the divergence between the paths of New York and Pittsburgh was clear. Between 1940 and 1960, New York City's population grew by 4.3 percent. The New York metropolitan area expanded far more robustly. Pittsburgh's population had shrunk by 11 percent over the same two decades. Mr. Chinitz's article tried to make sense of the Steel City's slowdown, even before the full extent of the city's decline was made manifest.

Mr. Chinitz emphasized the importance of industrial diversity and competition. He noted that "Pittsburgh is much more specialized" than any large metropolitan area except Detroit. Moreover, Pittsburgh's dominant industry, primary metals, was dominated by a small number of large companies. By contrast, New York was a diverse place whose dominant sector, the garment industry, had long been marked by small, independent operators. As Mr. Chinitz wrote, "The average establishment in the apparel industry, for example, has one-sixth as many employees as the average establishment in primary metals."

Mr. Chinitz argued that the abundance of small, independent companies in New York created a culture of entrepreneurship. Banks came to specialize in financing start-ups. There were lots of independent suppliers that catered to new companies. A poor kid, like the great [Abraham E. Lefcourt](#), could start out shining shoes, then rise in a small clothing company, take it over, and then become Manhattan's greatest skyscraper builder in the years before the Great Depression.

By contrast, Pittsburgh had large, fully integrated steel companies that sucked up the financing, labor and practically the air itself in the city. Who, in those days, would want to compete with U.S. Steel?

In the almost 50 years since Mr. Chinitz wrote his paper, his insights been regularly affirmed. Pittsburgh has continued to decline; New York has survived. Few now doubt that entrepreneurship is an important ingredient in local success. AnnaLee Saxenian's now-classic [comparison](#) of the technology clusters in Silicon Valley and Boston's Route 128 took a page from Mr. Chinitz and argued that Silicon Valley's success owed much to its abundance of smaller, non-integrated firms. [Statistical work](#) confirms that diversity and competition predict urban success; there is a [strong connection](#) between abundant, independent suppliers and the level of local entrepreneurship.

Mr. Chinitz's work also continues to have policy relevance.

Today, America is bailing out big, vertically integrated automobile producers. These companies are unlikely to again become engines of economic success, and the places that house these companies are now synonymous with industrial decline. The future [belongs to the entrepreneurs](#), not to old-line industrialists. When the government taxes those entrepreneurs to bail out the car companies, it is damaging America's future in order to maintain monuments of the past.

I admired and learned from Ben Chinitz. His style of research combined statistics with a rich grasp of urban reality. He was kind and encouraging. But while he is gone, his ideas remain, and that is the dream of every scholar.