Learning from History

HOW STATE AND LOCAL POLICY CHOICES HAVE SHAPED METROPOLITAN PHILADELPHIA'S GROWTH

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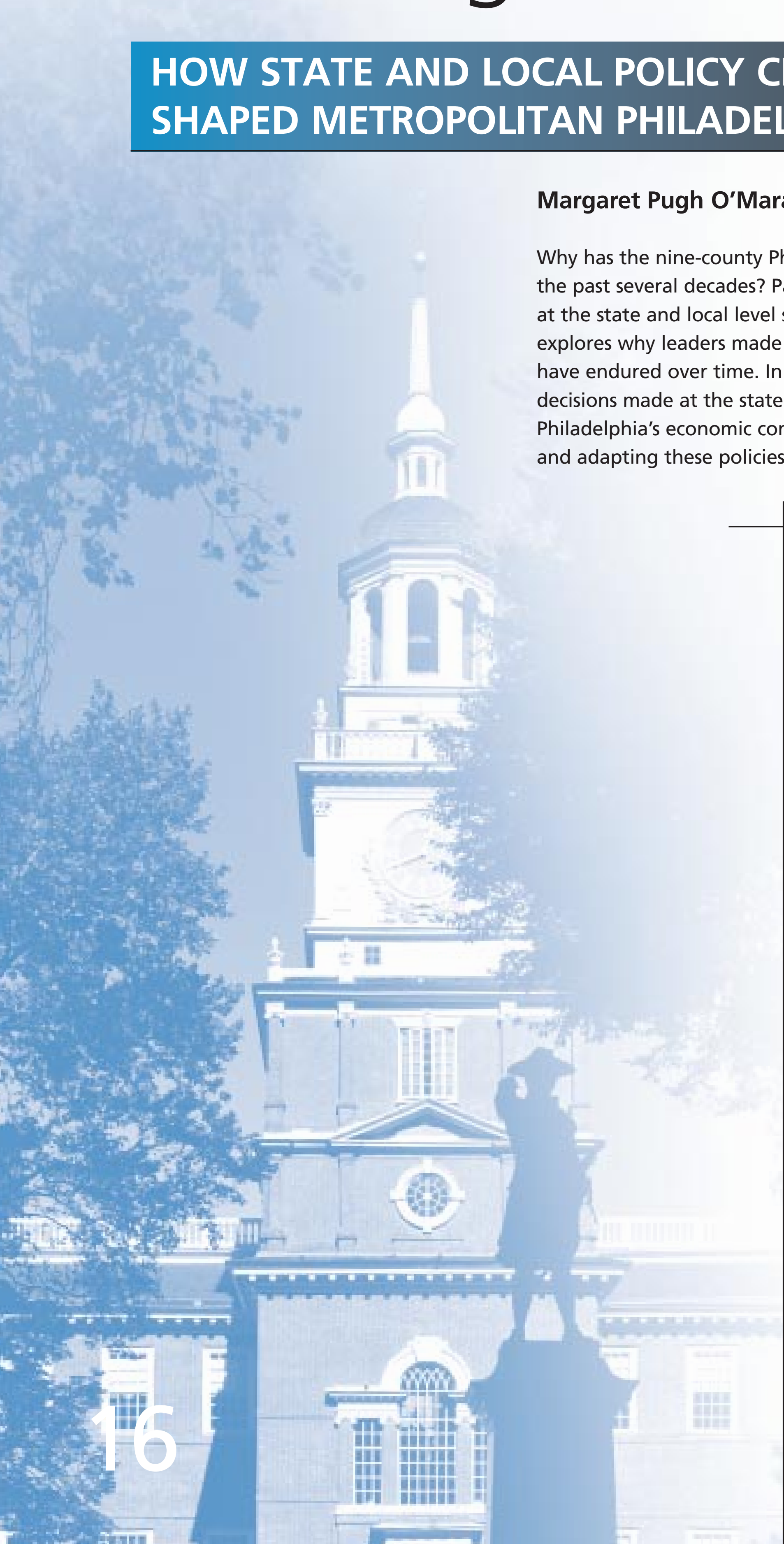
Why has the nine-county Philadelphia region grown in the way it has during the past several decades? Part of the answer lies in key policy choices made at the state and local level since 1930. This paper identifies these choices, explores why leaders made these decisions, and examines how and why they have endured over time. In this article, Margaret Pugh O'Mara shows us that decisions made at the state and local level have strongly affected Greater Philadelphia's economic competitiveness, and she makes a case for changing and adapting these policies for 21st century economic realities.



Metropolitan Philadelphia is one of the regions most transformed, and among those most adversely affected, by the United States' great economic and social shifts of the past sixty years. These transformations ushered in an age of urban decentralization in the United States, where metropolitan areas often consume land at a rate appreciably higher than the rate of population growth. In Greater Philadelphia, the disparity between the rate of land development and the rate of population growth in the past two decades is striking, and troubling.

The region, which is defined here as containing the nine counties of Southeastern Pennsylvania and southern New Jersey, has one of the slowest rates of population growth among large U.S. metropolitan areas. While Greater Philadelphia is not experiencing appreciable population gain, it is growing outward rapidly as new subdivisions, office parks, and commercial developments are built in the outer suburbs. In the 1980s and 1990s, while the regional population grew only 3%, the region's urbanized area grew by 33%. Other metropolitan areas have experienced equal or greater degrees of suburban growth, but this growth has usually been matched by a commensurate increase in population and economic activity. In Greater Philadelphia, the region is sprawling but not growing.

Another trend that has concerned the leadership of the Philadelphia region over the past decade was its relative lack of a wide array of white-collar job opportunities and its relatively slow rates of growth in "knowledge industries" like high technology and biotechnology. In addition, Greater Philadelphia has had a difficult time attracting the demographic groups who are most likely to be entrepreneurs: young professionals and immigrants. Just as the events of the past sixty years changed the physical shape of metropolitan areas and the patterns of living and working in them, these postwar transformations brought about a new set of criteria for what makes a place successful. Recent research tells us that economically competitive metropolitan areas are, for the most part, places with high rates of entrepreneurial activity that have a significant number of jobs and amenities for mobile young professionals.

Why has Greater Philadelphia experienced slow growth and high rates of sprawl? Why has it failed to attract more white-collar jobs and mobile young professionals? Part of the answer to these questions lies in conditions that regional leaders have been little able to control or change. Metropolitan Philadelphia is a bi-state region, subject to sometimes-conflicting state laws and regulations that govern economic development, land use, and taxation. The region has to compete with another large metropolis, Pittsburgh, for attention and funding from the state government in Harrisburg. Philadelphia, while once the national capital and an industrial capital, is not the state capital, a fact which not only places its leaders at odds with state officials but also prevents it from having the large public service employment base enjoyed by cities like Boston. The region also has to compete with powerful Northeastern neighbors — New York, the nation's financial capital, and Washington, the political capital — for workers and jobs.

Yet the Philadelphia metropolitan area has also struggled under additional disadvantages that do not have to do with national market trends or federal policy. The region's present growth patterns are partly a result of past policy choices made at the state and local level. These choices — both the decisions to act as well as the actions not taken by the state and regional leadership — have had a decisive effect on metropolitan Philadelphia's economic competitiveness and, consequently, its desirability as a place for businesses to locate and for professional workers to live and work. In the Philadelphia region, state and local policy has allowed people and jobs to sprawl outward while simultaneously driving people and jobs away from the center of the metropolitan area, or away from the region altogether. For the most part, these policy choices fall into one of four categories: taxation, land use, transportation, and economic development.

There are several themes recurring throughout the story of why these state and local policy choices were made and why they endured. First, today's "bad" policy is often simply outmoded policy. Public policies that are now reviled — the Philadelphia wage tax, for example — actually were considered economically beneficial at the time they were enacted. Second, metropolitan Philadelphia's leadership, both elected and unelected, has been slow to respond to macroeconomic and demographic changes; consequently, public policy to redress

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Pennsylvania Municipalities

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(1929) The Regional Planning Federation of the Philadelphia Tri-State District

these changes often has been too little, too late. Third, and perhaps most important, the entrenched localism of Pennsylvania's (and, to a lesser degree of relevance, New Jersey's) political culture has confounded efforts at regional cooperation in every decade since 1930.

During the past seventy years, the Philadelphia region has faced great challenges as the result of massive national economic change and federal government decisions that adversely affected cities and industrial regions. In its infrastructure, its geography, and its economic capacity, Philadelphia was in many respects the ideal industrial-age city. The changes of the twentieth century made the old ways of living and doing business in metropolitan Philadelphia largely obsolete. Although the region has to a great degree been on the wrong side of national and global growth trends, the ways that local and state leadership responded to these challenges have had a profound effect on regional growth patterns. The fact that state and local decisions have helped to shape the region's present condition also indicates that Greater Philadelphia's current situation can be changed through new, more efficient, and more equitable regional public policies.

Setting the Stage: A Tradition of Local Flexibility

> "The result of the cost of building without plan is evident on every hand. Indirect, disconnected and all too narrow highways and streets take a vast toll of money, time and energy. . . . Our heritage of natural beauty is diminishing. Natural resources are squandered. And the cost to us of this unscientific development is trifling when compared with the price it will exact from future generations. . . . No longer can single communities, particularly those surrounding a great city, live unto themselves alone. Plans for their future must include all territory having or likely to have with them common economic and social interests."

The above words, while sounding very much like the arguments of a modern-day advocate of regional planning and "smart growth," actually come from a report published in 1929. The Regional Planning Federation of the Philadelphia Tri-State District, the author of this document, was among the first in what would be a long line of regional planning organizations attempting to correct the uncoordinated growth patterns in the Philadelphia region, and improve its economic competitiveness as a result. Over seventy years later, metropolitan Philadelphia's regional planning advocates are working to accomplish the same goals: controlled and coordinated suburban growth, municipal cooperation, environmental preservation, and integrated and more efficient transportation networks.

A chief reason that regional planning in Greater Philadelphia has not significantly redirected growth patterns is the high level of political fragmentation in the region. Multiple jurisdictions, ranging from municipal governments to county governments and school districts, have independent authority over planning, taxation, and zoning and neither legal mandates nor political incentives to coordinate their activities on a region-wide basis exist. Philadelphia is hardly alone among major U.S. metropolitan areas in this political fragmentation, but in the region the state of affairs has been exacerbated by state laws that have consistently supported local flexibility and that have provided localities with significant amounts of power to tax and to plan.

The tradition of local flexibility has deep roots in Pennsylvania. The 1681 Charter for the Province of Pennsylvania gave Commonwealth founder William Penn "free and absolute power to divide the said country and islands into towns, hundreds and counties, and to erect and incorporate towns into boroughs, and boroughs into cities." Over 300 years later, adherence to this structure has resulted in the Commonwealth having nearly 2,600 local municipalities, and 238 in the five Pennsylvania counties of Greater Philadelphia alone. Metropolitan Philadelphia has 22 governments per 100 square miles, making it the third most fragmented region in the United States.

Fragmentation is compounded by the fact that Pennsylvania state law has been written with an eye to increasing local authority and autonomy, rather than forcing or even permitting these multiple political entities to coordinate their activities in ways that might make regional planning a reality. Some of these barriers to regional cooperation are written into the state constitution, which makes reform especially difficult; tax base sharing, for example, is one example of a regional cooperation measure that can only happen if the state's voters approve a constitutional change.

While localism has strengthened community identity in the region, it has weakened Greater Philadelphia's regional identity. This has, in turn, diminished the region's ability to remain competitive, as it prevents the region from joining its many assets together and jointly deciding its future.

Over the course of the past seventy years, the tradition of local flexibility has guided state and local decision-making and has been the governing philosophy for policies related to tax, land use, transportation, and education in the Philadelphia region. The history of state and local policy measures since 1930 reflects Pennsylvania's, and to a lesser degree New Jersey's, consistent adherence to localism and local flexibility. The result has been state and local laws that encourage each municipality to take actions that benefit it alone rather than working with its neighboring communities to create a greater context for decision making, and that have permitted sprawling and inefficient patterns of regional growth.

1930 through 1960

In 1930, the city of Philadelphia was the third-largest metropolis in the United States, and was home to such a vast array of factories that it continued to be known as "The Workshop of the World." The city's population was nearly 2 million people; nearly 250,000 had jobs in manufacturing. Yet Philadelphia was already beginning to decentralize its jobs and population. In the 1920s, some of the great factories that dominated the city's neighborhoods closed or moved to more spacious accommodations on the outskirts of the region. Similarly, suburban towns started to experience rates of population growth that were comparable or higher than that in the city. Improved roads and new regional rail lines encouraged the movement outward.

The Power to Tax, the Incentive to Move. State legislators gave municipalities the power to impose income taxes, including the Philadelphia wage tax. These laws worked to Philadelphia's financial advantage as long as the bulk of the region's businesses and jobs remained inside the city limits, but they also served to antagonize the city's suburban neighbors and create a political rift between the city and the suburbs. Soon, lower tax rates in the suburbs encouraged people and businesses to decentralize.

Land Use Choices: Zoning without Coordination. Key state decisions during this period gave municipalities in Pennsylvania and New Jersey local flexibility in zoning and infrastructure development. While this allowed some towns to preserve their historic integrity, the laws did little to prevent unplanned development, allowed communities to enact exclusionary zoning, and did not require municipalities to coordinate their plans.

Transportation Decisions: A Centralized Network for a Decentralized Metropolis. While Greater Philadelphia had comprehensive public transit, and began constructing its highway system earlier than other cities, the regional road and transit network was chronically under funded by the state. This resulted in an incomplete and disjointed transportation system

Economic Development: Lost Opportunities for a High-Tech Metropolis. The economic and geopolitical changes after the end of World War II placed a much higher premium on technical innovation and on scientific training. Northeastern and Midwestern states like Pennsylvania and New Jersey could not offer the low taxes and cheap labor of the Sunbelt states, but they also chose not to invest in higher education to the same degree as places like California and Texas, thus creating a disadvantage in the competition for high-tech firms and trained

labor. Greater Philadelphia was also slow to adapt to the changing economic landscape because the deindustrialization of its diverse manufacturing base was gradual and less perceptible than in some other industrial cities.

1960 through 1990

Beginning in the 1960s, the already-frail regional identity of Greater Philadelphia — which had endured because most suburbanites had to go to Philadelphia to find work, go shopping, or visit friends and family who remained in the city — began to further disintegrate as a result of the widening economic and demographic gap between the city and surrounding communities. At the beginning of the 1950s, the City of Philadelphia had 56.4% of the region's population and 67.5% of the region's jobs. By the end of the 1960s, these percentages had diminished to 40.4% and 51.2%, respectively.

Economic and demographic changes strengthened the localism of the region's political culture and further diminished possibilities for regional cooperation during the 1960s, 1970s, and 1980s. These changes also prompted a dramatic movement of political power towards the suburbs, which gained more representatives in the state legislatures and a stronger voice in state economic development and infrastructure decisions. The movement of the region's power base away from the city and into Bucks, Chester, Delaware, and Montgomery Counties often gave the suburban counties an advantage over the city in their dealings with administrators and legislators in Harrisburg. State government officials paid increasing attention to Philadelphia's surrounding communities, and in an era when suburban interests were often quite different from those of the city, the suburbs often won.

Metropolitan Philadelphia of the late twentieth century was vastly different from the place it had been several decades earlier, but state and local policy did little to adapt to changed social and economic conditions. Instead, state and local leaders built on the policy structures that were already in place.

Taxation as a Solution to Fiscal Crisis. As the region's base of wealth and power moved away to the suburbs, Philadelphia found itself in increasingly dire financial straits, and resorted to tax increases as a solution.

Land Use Laws Further Fracture the Region. The political identity of Greater Philadelphia in the 1960s, 1970s, and 1980s was further fractured by land use laws, which during this period gave municipalities additional powers to plan and zone, but imposed no requirements that this planning occur on a multi-municipal — much less a regional — basis.

The Transportation System Emerges: Limited, Piecemeal and Late. Philadelphia's transportation infrastructure was built to serve a region whose jobs and retail establishments had been largely in the central city, yet because of its timing it served instead to push growth further and further out to the edges of the region. Rivalries between city and suburb also fractured the regional organizations governing transportation in the Philadelphia region.

Economic Development: City vs. Suburbs. In suburban Philadelphia, the tax potential of "clean," high-tech industries with a white-collar labor force made the recruitment of such firms a focus of many suburbs' economic development strategies beginning in the 1960s. The City of Philadelphia was at a distinct disadvantage in persuading advanced scientific industries to locate in the city. High taxes also limited entrepreneurship in the city. Yet throughout the region, a lack of venture capital available to investors — a product of a financial community that supported corporate, not individual, enterprise — placed the region at a disadvantage in attracting new high-tech startups.

Conclusion: The 1990s and Beyond

In the 1990s, a decade of immense national prosperity injected new vitality into parts of the Philadelphia region, but also brought new challenges stemming from rapid, low-density growth at the fringe of the metropolitan area. Continued deterioration at the core, and sprawl at the outskirts, prompted a number of efforts to roll back state and local policies that have had a detrimental effect on physical and economic growth. Again, these kinds of measures were not unique to Philadelphia or Pennsylvania, but were strategies adopted by a number of metropolitan areas during the 1990s. The City of Philadelphia reduced its tax rates slightly, although it retained the wage tax. This reduction, combined with increasing tax rates in some suburbs (a result of increased service needs), put Philadelphia in a relatively more competitive position than it had been in previous decades. Both at the state and the local level, the creation of special tax districts and other tax incentives attempted to spur additional economic development, although critics of these measures have charged that such strategies have relatively little effect on private-sector location decisions, and amount to an unnecessary public subsidy for business.Uncoordinated and low-density development at the suburban fringe prompted a serious effort at the state level to reform land use laws both in Pennsylvania and in New Jersey.

Yet in the 1990s, despite some different approaches to tax and land use reforms, Greater Philadelphia did not manage to redirect the long-standing trends of slow population growth, slow job growth, and suburban sprawl. The region's inability to change in a fundamental way becomes more understandable when we examine the current situation in light of the past seventy years of its history. Greater Philadelphia has simply been on the wrong side of most major economic changes of the past several decades. No amount of innovative public policy could fully remedy the region's economic disadvantage in the national and global economies. Because of its economic and demographic structure — a diverse manufacturing base rather than dependence on one industry, a relatively stable regional population rather than a perpetual influx of outsiders — these changes happened more gradually in Philadelphia than in other metropolitan areas. Gradual change was one reason that the region's leaders held on to public policy traditions long after they were outmoded, and it was also a reason that economic development strategies to remedy the city and region's problems often came too late to be truly effective.

Yet the state and local leadership's reluctance to abandon existing political and economic structures has other causes as well. Greater Philadelphia has struggled to compete with other large metropolitan areas over the past several decades partly because of the choices made by state and local policymakers. These choices, by and large, have served to discourage regional cooperation and have fragmented the political and economic power of the region to a degree that makes it less economically efficient and less equitable. As Philadelphia's regional leadership considers ways to adjust state and local policy to make them more consonant with the times, it is worth considering the warning of the Regional Planning Federation of the Philadelphia Tri-State District in 1929: "no longer can single communities, particularly those surrounding a great city, live unto themselves alone."

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