

# INTRODUCTION

DAVID DUBROW\*

One of the most difficult tasks in pulling together the colloquium was coming up for a name for it. After hours of discussion, we finally arrived at "Crisis and Opportunity: Economic Development for the 90's." I would like to dissect the meaning of our title as a means of providing an overview for the next day and a half of proceedings.

Crisis. On the surface, all is going well in our economy. Inflation and interest rates are down. Unemployment has stabilized. The stock market is reaching record heights. How could things be better? We believe that appearances are deceiving. Our economy is going through a great transition from an industrial to a post-industrial or information-based economy. As in any significant transition, there is great dislocation and uncertainty. In fact, an underlying structural crisis exists.

There are several manifestations of this crisis on a national level. First, the basic industries which have served as the backbone of our economy are dying. The condition of these industries has led to growing unemployment and declining real wages. The average worker's real after-tax pay grew rapidly through the mid-sixties. Real pay continued to grow, although more slowly, until 1978, and then it began to decline precipitously after 1978. By 1981, real pay had fallen back to its lowest level since 1981.

Second, there is a crisis in productive investments. Investment has not been channeled toward increasing our productive capacity. We have seen a tremendous increase in speculation, mergers, leverage buy-outs, and take-overs. We have seen an astronomical rise in military spending. But we have seen very little investment designed to retool our industries and increase our productivity.

Third, public and private debt have never been greater, a situation which renders our entire financial infrastructure extremely vulnerable. Payments on government, commercial, consumer, and home mortgages create a big drain on the U.S. and international economy. The possibility of significant default leading to the downfall of major banks and triggering a chain reaction of defaults is dangerously real.

This crisis also manifests itself on a local scale. Here in New York City, an unemployment rate among black teenagers of almost fifty percent is an indication that the economy has been unable to provide even modestly for some. The lack of affordable low and moderate income housing in the New York City area is another familiar symptom of this crisis. Throughout the

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\* Associate with Webster & Sheffield, New York, New York. B.A., Brown University, 1973; J.D., New York University, 1986.

Midwest, unemployment, and capital flight undermine and destroy formerly prosperous cities and towns. All over the nation, foreclosures and farm auctions attest to the power of the economy to transform drastically the way people live their lives.

Opportunity. Where there is crisis, there is opportunity. Serious problems call for new and bold solutions. It is no coincidence that some of the most dramatic reforms in the U.S. economy took place in the thirties. We decided to use this colloquium to examine not the crisis side of the situation, but the opportunity side. We seek to focus attention on legal, legislative, and economic models of innovation which will aid us in overcoming economic problems and will inspire more people to create new possibilities. We seek to focus on opportunity, not primarily in the context of individual advancement, but designed essentially for bringing about social change for the good of all.

"Economic Development" also appears in our title. While it is not explicit, let me point out that we mean local economic development. Local development, as we understand the term, includes economic solutions on the city, state, and even regional levels, but not the national level. Obviously, national solutions are critical. Current national politics, however, indicate that it will be years before the federal government will implement bold solutions. State and local governments, on the other hand, do not presently face the same conservative constraints as the federal government. Moreover, cutbacks in federal programs create strong pressure on these governments to develop new ways of solving economic problems. Thus, state and local governments are not merely free, relative to the federal government, to create innovative economic programs; they may not be free, with regard to their constitutencies, *not* to create such programs. For these reasons, we decided to focus on local responses and local models for economic development.

During the course of the colloquium, we will address the following questions: What is economic development? Whom should it serve? How should it be financed? Through what forms and models should it take place? And how should government policy promote the development of our economy to serve the needs of all people?

The last part of our title is "for the '90s." Originally we thought the colloquium should focus on the eighties. On a conceptual level, however, we wanted to stress the ongoing crisis in the economy, and to emphasize a spirit of forward-looking innovation. These are the parts that make up the sum of "Crisis and Opportunity: Economic Development for the '90s."