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Gales of Creative Destruction: Innovative Governance and Entrepreneurial Development in Post-Katrina New Orleans

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Abstract

"Living cities" play a crucial role in the positive link between economic freedom and prosperity. There is no upper bound on their size, and they appear to recover effectively from disasters. Cities and their suburban hinterlands form in ways that accommodate entrepreneurial activities. At the other end of the spectrum, there are declining cities that are less likely to recover. We follow Glaeser and Gyourko (2005) in arguing that government programs that help to sustain poverty can establish a lower bound by transforming a declining city into what we call a "welfare city." Our data show that New Orleans has been such a city. Consequently, it was ill-prepared to recover from a large-scale natural disaster and bears some of the blame for regional under-performance. With time and the right institutions in place, especially of the thin-at-the-top variety, New Orleans can re-emerge as a living, entrepreneurial city. We highlight Robert Nelson's concept of the "private neighborhood," which enables local communities to choose the thickness of their own rules, as one such institution.

INTRODUCTION

The positive feedback between prosperity and economic freedom is by now well established. Yet, one aspect of this "virtuous cycle" (see, for example, Bhalla, 1994; Hanson, 2000) often overlooked is the role played by cities as the principal hosts of economic freedom and engines of economic growth. That is why Jane Jacobs defines what we call a "living city"[1] as a "settlement that consistently generates its economic growth from its own local economy" (Jacobs 1969:262).

Cities thus compete for freely mobile talent and resources. But entrepreneurs these days base location decisions less on accessibility to ports, crossroads, or raw materials sites. Rather, most seek to locate near specialized inputs and labor pools, and the latter generally seek suburban and exurban sites for themselves and their families. Facilitating such entrepreneurial location decisions often requires local governance to accommodate innovative and complex spatial arrangements that can provide entrepreneurs and skilled labor with a growing diversity of services and social capital at acceptable cost. Thus in the past 50 years, urbanization has continued in waves from the so-called "malling of America" to the spontaneous emergence of new "edge cities" to a pattern of generalized dispersal. Achieving the appropriate urban form for any time and place is vastly complex and can only be done via open-ended market processes. As a result, "living cities" recover more quickly from disasters than stagnant or moribund ones, because they possess a more robust institutional framework, or social infrastructure, in which entrepreneurship can more flexibly adapt to unexpected changes.

Entrepreneurship drives the process that creates these novel urban forms, and, in turn, entrepreneurial success occurs within them. Supporting Jacobs's empirical claim about the virtues of diversity of uses (Jacobs 1961, 1969a, 1969b), Glaeser, Kallal, Scheinkman, & Shleifer (1992) found that the kind of knowledge spillovers that promote economic growth are significantly greater in cities with diversified industries than in cities with less industrial diversity. This highlights the importance of market-driven spatial arrangements in which the economies of diversified agglomeration dominate the associated diseconomies of congestion.

As noted, rules and governance are highly germane here. With the appropriate rules and governance structure in place, experience as well as recent research in urban theory indicates that there is no upper bound to urban growth.[2] On the other hand, conventional politicized interventions can undermine the process. In 1996, Niskanen showed how an increase in welfare payments can actually increase poverty. More recently, Glaeser and Gyourko (2005) have shown that a poverty population can indefinitely sustain a deteriorating housing stock and, thereby, declining cities and neighborhoods, relegating these to stagnation and subsistence at a lower bound. These places evoke the idea of a "welfare city";

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[1] The term "living city" is borrowed from Roberta Gratz (1994).
[2] See for example Krugman (1996).

they lack the vibrant social institutions and wealth-creating processes that characterize the living city, and their recovery from downturns and disasters is, to say the least, problematic.

Many such places can be found at or near the cores of America's large metro areas, presenting challenges that many cities have not been able to overcome. In fact, to the extent that most popular anti-poverty policies spring from, and accommodate, identity-group politics, these tend to make matters worse.

We present data to show that New Orleans has been such a "welfare city," which, along with a set of regulations that are "thick" compared to other host states, has hindered post-Katrina recovery even as it had retarded its secular economic growth prior to August of 2005.

What is the best model for urban recovery for New Orleans, given the present situation and the opportunities it presents? Is it one of recreating the welfare city from the top down, to which the current political regime points? Or is it one that, with enough in the way of open-ended institutions, takes the remaining social and physical infrastructure as a foundation from which a living city might emerge? We believe that is the latter.

One reform that fits into this more vibrant scenario is the establishment of a governance structure at the neighborhood level that thins rules at the state and municipal levels, including those that sustain the welfare city. No one can know what the new New Orleans should look like. This is why there has to be room for open-endedness. Thin rules at the top would take advantage of local, decentralized governance in solving the "governmental knowledge problem" (Ikeda 1995), as well as encourage immigration of people with novel ideas who will foster the formation of human and social capital essential for a living city.

NEW ORLEANS

In 1810, New Orleans was the 5th largest city in the United States (Lewis 2003:5) and thrived as a commercial center until the Civil War and the railroad brought its first "golden era" to an end (ibid: 53). New Orleans in the 1870s transformed itself into the South's railroad hub, and only in the second half of the 20th century did tourism become very important to its economy (ibid: 55, 154). By the time Hurricane Katrina struck in late August of 2005, however, it had long fitted the definition of a welfare city. (See Appendix tables.)

The storm that ravaged the U.S. Gulf Coast and devastated New Orleans was one of the worst natural disasters in U.S. history, and the recovery now underway has many wondering about institutional and policy failures—before and after the event. Even the popular press and much of the other early reporting have linked widespread human suffering to numerous policy missteps.

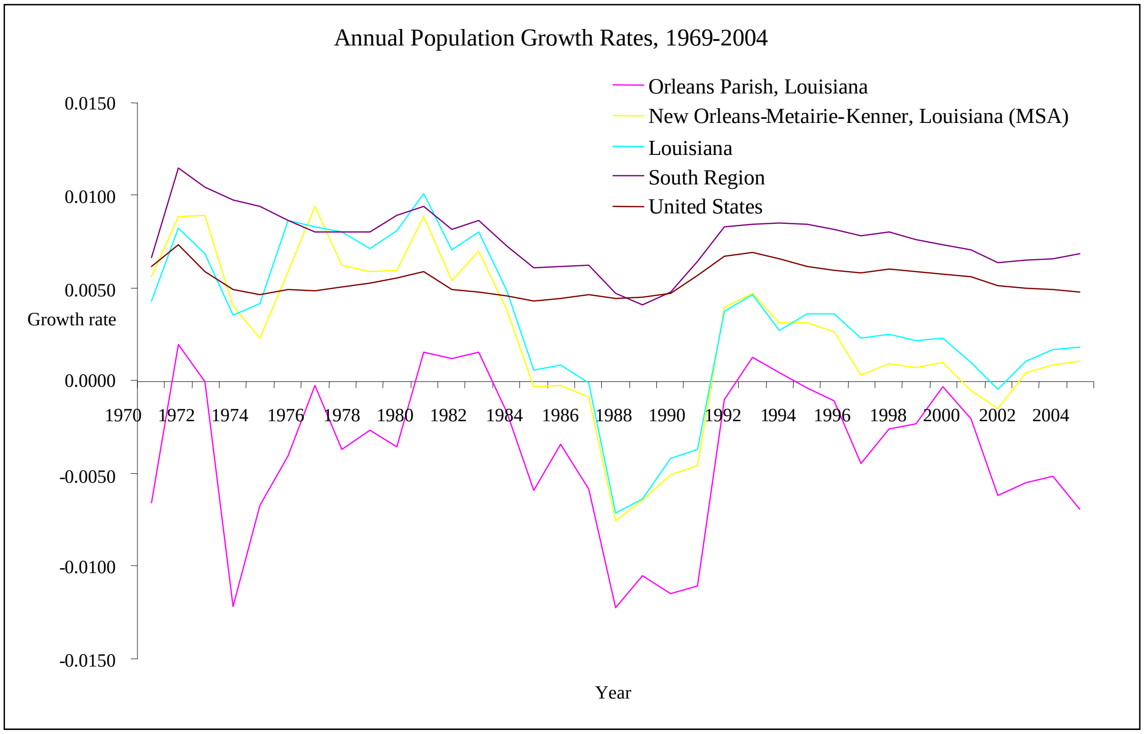
Population Trends

These events occurred in a place that had for many years experienced declining population. Louisiana had lagged neighboring Mississippi in terms of pre-Katrina population growth (1990-2005). The city of New Orleans, proper, grew steadily from 1810 to its peak of over 600,000 in 1960. It has been all down hill since then (Lewis 2003:176). Between 1990 and 2005 (estimated before Katrina), New Orleans lost 8 percent of its population and dropped in rank from 24th to 38th among U.S. cities.

At the MSA level (New Orleans-Metarie-Bogalusa), population growth slowed dramatically between 1980 and 2000, averaging 1.5 percent per decade compared to an average growth-rate-per-decade of 18.8 percent between 1900 and 1960 and 14.5 percent between 1960 and 1980.[3]

These data and rankings are revealing when placed in the context of relevant comparative trends. The U.S. Commerce Department's Regional Economic Information System includes the most detailed county-level employment and population files for the U.S. Looking at how Orleans Parish and the surrounding metro area and Louisiana compared to the South and the U.S. over 35 years (Figure 1) shows the South outperforming the U.S. But Louisiana and the New Orleans metro area underperformed both. Orleans parish, in turn, underperformed the metro area.

Figure 1



[3] U.S. Census Bureau.

Glaeser and Gyourko (2005) have studied the effect of durable housing on the decline of cities. They argue that because durable housing can be constructed faster than it wears out, cities typically decline in population more slowly than they grow. Moreover, their model helps to explain why “cities in greater decline tend to have lower levels of human capital, as cheap housing is relatively more attractive to the poor . . . If low levels of human capital then create negative externalities or result in lower levels of innovation, this becomes particularly troubling because a self-reinforcing process can result in which an initial decline causes concentrated poverty which then pushes the city further downward” (ibid.). This seems to describe what has happened in New Orleans.

Income and Quality of Life

At the state level, Louisiana ranked first among the states in terms of percent below the poverty level in 2000 and 49th in median household income. At the MSA level, New Orleans-Metaire-Kenner ranked 357th out of 361 in terms of per capita income in 2005.[4] (Appendix tables 1-7.)

At the city level, in 2000, New Orleans ranked first (among the forty largest U.S. cities) in terms of the proportion of individuals below the poverty level. It was the 38th largest U.S. city in 2000. The average percent of the population below poverty in the top forty cities was just below 18 percent, but New Orleans' poverty population was just less than 28 percent, worst of the top forty. It ranked 39th in terms of median household income. In terms of two housing quality measures, it ranked 39th in terms of percent of occupied houses lacking complete plumbing facilities (2.2 percent vs. the forty-city average of one percent) and 38th in terms of percent of occupied houses lacking complete kitchen facilities (three percent vs. 1.33 percent for the top forty). Among the top fifty U.S. cities, in the year 2000, New Orleans ranked 11th in civilian unemployment.

Part of the population loss may be due to high levels of crime and residents' growing perceptions of insecurity and danger in their communities. Pietro Nivola observes that “attitudinal surveys have regularly ranked public safety as a leading concern in the selection of residential locations” and documents that “a city nets a loss of one resident for every additional crime committed within it” (Nivola 1999:7). To the extent that crime, violent crime in particular, accompanies low-income and welfare-dependent communities, it is not surprising that New Orleans has suffered a crime surge that predates Katrina. The city ranked first in the nation in “murder and non-negligent manslaughter” (per 100,000) population in 2003 (*Statistical Abstract of the U.S.*, Table 296). Looking at the five-year growth of all crimes reported in New Orleans and surrounding areas (1999-2004; Appendix Table 8), “core” New Orleans recorded growing crime while all comparable areas showed declining crimes reported.[5]

[4] Per capita personal income was computed using Census Bureau mid-year population estimates.
[5] And this was not always so. In the previous ten years, core New Orleans crime fell, posting better numbers than “non-core” New Orleans, than other core Louisiana areas, than other South (census division) core cities, as well as all the other U.S. core cities.

Welfare Dependence

According to Census estimates, Louisiana is ranked 24th in population in 2005 among the fifty states, it is ranked 39th in 2004 in both total social security benefits and in state unemployment insurance.[6] We believe, however, that Louisiana's rankings with respect to participation in federal food-stamp (2nd in 2004) and school-lunch programs (1st in 2004), Public Aid (9th in 2003), Supplemental Security Income (4th in 2003), and Medicaid (11th in 2002) attest to extraordinary welfare dependency. The state ranked first in terms of percent of population below poverty in the last 12 months (2003, the last year of data availability at this writing).

Impact of Urban Forms on Business and Entrepreneurship

Land markets are expected to mediate uncountable choices and trade-offs. Efficient urban forms are spatial patterns that facilitate success at the level of the firm and the household. These can be described as arrangements that, among other things, maximize *realized* positive externalities while minimizing *realized* external diseconomies because most externalities have a spatial ambit. This is why cities exist in the first place and how they become congenial places for entrepreneurial activities and, thereby, the engines of regional and national growth.

In their social and in their economic lives, people do best when they can interact. The urban forms that facilitate this depend on the local context and cannot be prescribed by top-down plans. The urban evolution that has accompanied growing prosperity (in the U.S. and increasingly abroad too) has involved a pattern of generalized dispersion of economic activity. The group of metro areas that includes New Orleans (1-3 million population in 2000) had just under 20 percent of their employment in the traditional core, approximately 10 percent in major sub-centers ("edge cities") and slightly more than 70 percent "dispersed" (Lee, forthcoming). But generalized dispersion does not mean a pattern of uniform spread. Rather, it includes many small centers (including the many emerging "lifestyle" centers and suburban and exurban industrial "campuses") that are simply too small to identify as "centers" using conventional methods of spatial analysis. These seem to be the sorts of settings that work best in many places. Yet, the local specifics are best left to local markets.

It is also true that efficient urban forms are not easy to identify. Comparative commuting data, however, can be revealing. These have been assembled for all 79 of the MSAs with population over 1 million (in 2000) by Lee (ibid.). The national average for auto-only (removing transit because of uneven use and

[6] The rankings in this section use total 2005 population in the respective state rather than total eligible in that state. Thus, where the median age of the population is younger or where the labor force is a lower proportion of the state population compared to most other states, both of which is/may be the case for Louisiana (?), the sub-population eligible for these rankings will tend to be understated.

availability from place to place) commutes over the sample was 24 minutes (one way). The worst was New York (28.5 minutes). New Orleans' average commute was 27 minutes, very high for a mid-sized MSA. In fact, of the 13 MSAs with the worst commutes, New Orleans ranks 12th in population size. With a population of only 1.34 million, it is in the company of the very large places (average pop 6.85 million) in terms of commute times. This denotes spatial inefficiency. There were 23 MSAs with a 2000 population greater than New Orleans but with a shorter commute (24.4 minutes average).

Seemingly inefficient spatial arrangements can denote low levels of entrepreneurial interest on the demand side as well as institutional barriers on the supply side. Not surprisingly, then, neither New Orleans nor its immediate hinterland have functioned as an engine of growth. Instead, and in spite of being at the site of major ports, substantial oil and gas refining activities, and major tourism and cultural attractions, the city has actually pulled the region down, fitting the description of a welfare city.

An "Underperformance Puzzle"

The scope for economic improvement in New Orleans in relation to other large American cities, even prior to Katrina, is thus substantial. A recent report by Karabegovic and McMahon, (2005) places Louisiana in the bottom third of U.S. states in terms of level of economic freedom. Likewise, *Forbes* magazine placed Louisiana dead last among all fifty states in terms of business climate even before the events of last year.[7] Not surprisingly, in an analysis of the determinants of entrepreneurship, Garrett and Wall (2006), find that Louisiana ranks near the bottom of the fifty states and that its policy environment accounts for about half of the state's "entrepreneurship gap."

There is a seeming disconnect between these popular measures of economic freedom, which have been shown to be highly correlated with economic prosperity overall, and the actual measures of economic health and performance that we report above. Specifically, while the results of economic-freedom indices published independently by the Pacific Research Institute and the Fraser Institute rank the state of Louisiana very differently—40th out of 50 in the case of the PRI in 2004 and, in the case of Fraser in 2003, 29th out of 60 states and provinces in North America—Louisiana performs very much *below* what these predictors would have led us to expect. It is at or near the very bottom of other rankings—as we have seen in the case of Garrett and Wall (2006) and the *Forbes* business-climate ranking—as well as in measures of median income, percent below the poverty level, etc.

Is there an "underperformance puzzle"? It is, of course, possible that the statistical methodology used in the creation of these indices did not capture all of the relevant variables. Much of the literature that elaborates the statistical links between economic freedom and prosperity boils down to simple one- or two-

[7] See Forbes.com at http://www.forbes.com/lists/2006/9/06beststates.

equation models: given any level of economic freedom, what is the *expected level* of prosperity? Seemingly, Louisiana's economic performance is below what its measurable institutions would predict. As we have noted earlier, the otherwise very useful studies on the relation between economic freedom and prosperity have not paid sufficient attention to the central role that cities play in this nexus, both as the principal hosts of economic freedom and as engines of economic growth. In the case of Louisiana, state-wide economic freedom and the conditions for wealth creation are fair at best. But the state underperforms, with respect to both rankings. Our discussion points to the idea that the explanation lies in the character of Louisiana's primary economic engine, New Orleans, as a welfare city instead of a modern living city. It does not incite innovation and growth. Rather, it is persists in a declining state, mostly propped up by government welfare programs, and it holds much of rest of the region down with it.

One Year Later

Two more-recent reports reflect the overall picture in the greater New Orleans area as of this writing. The first appeared in *The New York Times* (7 October 2006), which reported the most recent population estimate for New Orleans, as assessed by the U.S. Census Bureau, as only 187,525 persons (41 percent of its pre-Katrina population of 454,863) with a margin of error of plus or minus twelve percentage points. This far below the figure of 210,000 persons, though still within the upper end of the margin for error, that has been rather optimistically used by the City government.

The second, also appearing in *The New York Times* (11 November 2006), states that though nearly 79,000 families have applied to the $7.5 billion dollar program to help residents rebuild their homes in Louisiana, called the Road Home, only 1,721 have been told how much money they will receive, and just 22 have actually had access to the cash. *The Times-Picayune* (1 September 2006) had earlier reported that the Mississippi recovery plan's lack of restrictions on what these funds may be spent, shows a greater level of trust than the more restrictive Louisiana version and may be one of the reasons for Mississippi's faster recovery. Other reasons cited were greater corruption and overall lack of planning on the part of the state leadership, as well as the much higher level of damage done to greater New Orleans. The bottom line is that, by some objective measures, the governmental response to the crisis has been ineffective even by its own criteria.

Both of these issues speak to the most effective approach to addressing what Ikeda (1995) refers to as the "governmental knowledge problem." As Hayek (1945) and Kirzner (1992) point out, the fundamental problem that all segments of society face, whether government or market, is the dispersed and contextual nature of knowledge. This has come to be known generally as "the knowledge problem."[8] In the market, the solution begins with property rights, freedom of contract, and the rule of law and results in prices, profit-seeking, and development. In the governmental process, where property, prices, and profit are problematic, the solution comes in the form of thinning rules, greater decentralized governance, and the threat of exit.

SOME ENCOURAGING SIGNS

When the great twentieth-century Viennese economist Joseph Schumpeter famously characterized the dynamic forces of capitalism as "gales of creative destruction" he was surely not thinking about actual hurricanes (1942). Rather, at the heart of that dynamic for Schumpeter, as well as for the contemporary Austrian economist Israel Kirzner (1971), is the entrepreneur, whose capacity to discover and create are unleashed by the institutions of capitalism.

Moreover, Mancur Olson has argued that systemic disruptions can shake up old ways of doing things that have retarded growth.[9] In this light, as the shock of Katrina subsides, an opportunity for radical reform may have presented itself. The gale of destruction that was Katrina has also created, albeit at a price higher than any sane person would have been willing to pay, a set of circumstances in which it is feasible to replace the welfare city and an ossified social infrastructure with the foundation for a living city and entrepreneurship-enhancing network of social capital.

And people can be counted on to be inventive and resourceful, no matter how ill-conceived the public policy environment. The unintended consequences of public and private choices are less disastrous to the extent that they take into account the content of and changes in local knowledge. At this writing, there are various still-small developments that bear watching and that offer some grounds for guarded optimism.

Black markets sustained the planned economies of Eastern Europe because people can be expected to improvise. Likewise, writing in "A Healthy Dose of Anarchy," Neille Ilel (2006) examines grass-roots events in New Orleans:

> "Against [the] background of failure, successes stand out starkly. Perhaps the most obvious mistake made in the institutional response to Katrina was a failure to innovate, to ignore the old rules and procedures when they stood in the way of helping residents in need. Individual citizens, church groups, and a new brand of grassroots relief organizations stepped in to fill the gaps. These grassroots groups dispense with bureaucratic and government aid. They rely instead on small donations of money and

[8] For a discussion of how the treatment of this problem by Hayek and Kirzner differs from the Grossman-Stiglitz view, see Thomsen (1992).

[9] According to Pierce Lewis: ". . . as all New Orleanians know . . . the city has for a long time been informally governed by a very conservative elite who feel fiercely possessive about their city and who are very slow to make major changes. . . ." (Lewis 2003:86).

> supplies, and the commitment of on-the-ground volunteers and the communities they serve."[10]

Similarly, a recent report by Chamlee-Wright (2006) identifies New Orleans area "pockets of resilience" that show evidence of what she calls "social capital regrouping." Most of the recovery to date has been in spite of the government and on the basis of bottom-up social networking and regrouping initiated by individual citizens. She also looks for such efforts—as well as the openings of various large retail stores—to be "tipping points" that might break a massive coordination logjam.

In this light, officials have sent out mixed signals. Some New Orleans politicians have suggested letting planning authority devolve to local communities. *The New York Times* (27 August 2006) reported that Mayor Nagin and others have gone on record saying:

> "City Hall will not dictate where citizens can live" . . . "You can't wait on government." . . . "You have to figure out a way to partner with your neighbors." Mr. Nagin has endorsed the current version of the planning process, in which neighborhoods map out their own future—so far only a tiny handful of the city's 73 districts have done so—and the individual plans eventually merge into a larger one. . . . A big test will soon come when the Council considers overhauling the day-to-day planning process, taking most decisions out of political hands—their own—and putting them under the purview of professional planners. But the old system has held on in New Orleans, with serious implications for orderly reconstruction of the ruined neighborhoods and equitable preservation of those that are not. "I don't want this power," [Councilwoman] Ms. Head said. "This is horrible. I don't like that responsibility. I think it should lie with the planners."

Yet it is still unclear whether conventional top-down planners (and politicians) see these neighborhood efforts as substitutes or complements for their work.[11] If the latter, what would the division of labor be? Mayor Nagin's statement that he's a "property rights person" (*Forbes,* 21 August 2006:98) should be taken with a grain of salt, but it can also kindle a glimmer of hope of greater tolerance at the political level than has existed before in the city.[12]

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[10] Neille Ilel (2006) "A Healthy Dose of Anarchy" *Reason* (December).

[11] An article in the *Los Angeles Times* (23 September 2006) suggests that top-down planning may be gaining the upper hand, as the Louisiana Recovery Authority is considering merging a proposal for rebuilding the Lower 9th Ward, based on extensive meetings with local groups, into it Unified Plan, which is funded by a grant from the Rockefeller Foundation. On the limits of "town meeting" type planning, see Mark Pennington (2004) who argues that such voice-based approaches fail adequately to address the Hayekian knowledge problem.

[12] According to the *Times-Picayune* (30 August 2006): "Nagin and others continue to argue that individual decisions and the free market—not central planning—will dictate what areas will be viable as the city recovers from Katrina damage." Moreover, in early 2006 at least, building permits were being made available by municipal authorities with unusual liberality (*Forbes*, 21

On the schools front, Louisiana may now be the only state that gives parents system-wide open choice as they consider a growing number of conventional or charter schools. Many new charter schools are now coming on-line, replacing many of the District's reviled public schools that were closed by the storm. There were just four charter schools in New Orleans pre-Katrina, but as of this writing, there are thirty-one. These new schools are likely to be an improvement over the old public system that was widely deemed to be dysfunctional and corrupt. Better schools are, of course, essential, and they can be the basis for new community links between parents. They can also supply day-care services, allowing more parents to seek employment. The upshot is that they could attract the interest of investors who report that private development funds have been on hold because of the widespread perception of poor local schools. Since the New Orleans school system has become one of the most free-choice in the country as a result of Katrina, this suggests that the climate, at least at the moment, is more open to the kind of radical proposals discussed below.

School quality improvements would be auspicious for many reasons. One of these is that private developers are most likely to invest in new housing in neighborhoods with attractive schools in the vicinity. Bostic and Molaison (2006) have recently shown that the full cost of meeting New Orleans' housing shortage is in the range of $8.3 - $10.6 billion. Clearly, a significant part of this must come from private investment.

These emerging bottom-up efforts and some accompanying political tolerance can, of course, be overwhelmed by normal political currents. This is especially delicate in the aftermath of crisis when political leaders perceive a mandate to be more assertive and thus overlook opportunities to be more accommodating and flexible. In the process, property rights and private effort can be undermined rather than strengthened. Which way to tilt is auspicious during the post-Katrina period as people in the Gulf region try to rebuild. Bad choices made in good times are costly enough, but much less so than those made in post-disaster times.

Knowledge problems that typically prevent political processes from satisfactorily responding and adjusting to the expressed desires of public choosers for collective goods can be most usefully addressed in terms of the institutions that concern the two main modes of political expression—exit and voice.[13] This is not only to facilitate meaningful choice, but we further argue that fostering an environment more hospitable to private initiative will also promote a wider range of entrepreneurial activity.[14]

August 2006:98) with little delay and without the need for overly elaborate descriptions of the work to be performed.

[13] Standard references are to A.O. Hirschman (1970) and the earlier work of Charles Tiebout (1956).

[14] Strictly speaking, for Kirzner "entrepreneurship" refers simply to alertness to pure profit opportunities (Kirzner, 1973) and is an aspect of all human action. Thus, entrepreneurship in this

EXAMPLES: PRIVATE NEIGHBORHOODS AND BOTTOM-UP GOVERNANCE

Governmental processes are not geared to respond to the price signals that greatly facilitate the ability of private choosers to exit one market and enter another. Unlike the forms of exit that characterize market processes, e.g., buying or not buying, exit in the political arena typically requires agents to actually move their place of residence or work from one place to another, or at least credibly threaten to do so, in order to be effective. Other things equal, in a particular geographic location and for a population of a given size, the smaller the smallest unit of public governance, the more numerous the governance units will be, and the more choices will be available to public choosers at any given cost. Thus, with more and smaller units of governance for a given population in a geographic area, say a county, the lower the cost of political exit, the more credible the threat of exit.

Under these circumstances we would expect a local governance unit to be more responsive to the concerns of its residents because (1) the range of affordable options available to public choosers will be broader and (2) the scope of the governmental knowledge problem will be diminished. Decentralization of decision making along the lines proposed, below, would accomplish that objective.

Addressing the Issue of Thick or Thin Rules

One way to frame the question of local governance is to ask whether the rules by which the inhabitants of a given locale are governed should be "thick" or "thin." For example, is it conducive to commercial entrepreneurship to have thick rules whereby local governments enforce extensive and detailed land-use zoning (which is effectively to give municipalities a property right according to Nelson (2005:139-51))? Similarly, would local government have the option of preventing local residents and businesses from determining how private space in their neighborhoods is to be used (i.e., anti-NIMBY policy)?

Rather than frame the problem in terms of thick versus thin rules in general, however, we suggest that, owing to the knowledge problem, the thickness of local rules is best left to the inhabitants of each locality. The most effective way to do this, we believe, is to leave rules relatively thin at the state level and permit public choosers to decide for themselves how thick or thin local rules should be. According to various authors, it seems that, when given the choice, these inhabitants opt for rather thick rules at the very local level.[15] In any case, the

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sense includes, but is not limited to, the small-businesses and start-ups that have come recently to be associated with that term. We will use "commercial entrepreneurship" in reference to the latter.

[15] Nelson puts it (perhaps too) starkly: "Many people associate 'private' with individual freedom of action; yet, most private neighborhood associations operate in a way that significantly curtails individual freedom. Indeed, the rise of private neighborhood associations in the United States has probably resulted in a greater reduction individual freedom of action than any other social development of the second half of the 20th century" (Nelson 2005:21-2).

theory of governmental knowledge problems would suggest that locally initiated rules will be more attuned to local norms and concerns than if they were imposed at the state or federal levels.

The Nelson Proposal

Robert Nelson has elaborated upon the evolution of exit and voice in modern America. He shows that much of local neighborhood zoning in the U.S. has actually been privatized (Nelson 2005:139-51). Data on the scope of private governance that relate primarily to Common Interest Developments (CIDs), such as Home Owner Associations (HOAs) and the like, may understate the extent to which privatization of local governance has taken place since WWII. U.S. residents increasingly choose private governance over public provision for garbage collection, street cleaning, street lighting, and police patrols. “At present, the value of U.S. housing in neighborhood associations exceeds $1.8 trillion, which is more than 15 percent of the value of all residential real estate” (Nelson 2005:73). Fifty-five million people in the U.S. now live where most local functions have been privatized. The overwhelming proportion of new development involves at least some governance by a homeowners’ association.

In the case of residential land use, developers create these associations and their rules just as they design infrastructure and common areas and common facilities: with the objective of adding maximum value to the properties that they hope to sell. Fashioning the rules before there are many independent owners reduces transactions costs.

Most Americans have a large portion of their net worth tied up in their homes. This is risky, and they have an understandable and keen interest in neighborhood quality and neighborhood transition. Many of them are ready to exchange rights for protections. But of the many trade-offs that might be possible, the exact nature of the trade-offs is best vetted by markets. Not surprisingly, econometric studies show that private governance adds value. Other things equal, private residences gain five percent of value if within a private neighborhood association (Agan and Tabarrok, 2005). Along the same lines, most people seem to believe that the more local the governance, the more responsive it is and the more it can be trusted. This is why homeowners generally accept the most intrusive rules at the most local level.

Explanations of the rise of HOAs describe how most newly settled areas are managed. Yet many problems remain in the big cities and their older neighborhoods. There are difficulties in overcoming entrenched interests or conservative elements that use political means and social pressure to block innovations desired by the majority. As a result, development efforts for these areas have been relegated to a series of politicized and standard top-down policies. These have been notably unsuccessful.[16]

It is for these reasons that Nelson (2005) has introduced the possibility of the privatization of older neighborhoods as well as the steps to make it possible. He suggests amending state constitutions to permit a super-majority of residents in an established neighborhood who would like to guide redevelopment to form some sort of association that would administer private governance and coerce into joining the minority who hold out. These neighborhoods would become Residential Improvement Districts (RIDs).[17]

This proposal does introduce a difficult trade-off because a measure of coercion is used to overcome transactions costs. Yet this sort of activity may be preferable if the alternatives are a logjam and more of the same in terms of conventional policies and programs. Such changes would establish and expand local property rights and in the longer run could make older and troubled neighborhoods more attractive for capital and labor inflows.

The small success among the cited New Orleans voluntary recovery efforts[18] indicates the importance of community networks and social capital. RIDs are attractive because they can augment social capital of this kind that is evidently relevant to effective response to disasters. These are the community assets that consist of the strong and weak ties that form as the result of formal and especially informal contact among the inhabitants of a particular area. Private governance in RIDs would increase the opportunities for such contact among individuals, especially for those whom Jacobs (1961:68) calls "public characters" who are the prime nodal points in informal information networks.

The explanations of the large migrations toward HOAs and homevoter cities are similar to the reasons that many businesses in commercial districts can, and increasingly do, provide local services and impose fees to cover the upkeep of common areas, all on the basis of voluntary choice via neighborhood homeowners' associations and business improvement districts (BIDs). Urban renewal districts have been in use for many years and are attempts to fund local capital expenditures. Likewise, BIDs are attempts to focus local area operating

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[16] Teitz and Chapple report, "Over the past 40 years, poverty among the inhabitants of U.S. inner cities has remained stubbornly resistant to public policy prescriptions." http://www.huduser.org/periodicals/cityscpe/vol3num3/abstrct3.html.

[17] (1) A group of local property owners petitions the state to form an HOA. Petition describes boundaries, services, assessments, fees. Nelson suggests 60 percent of owners might be required to get it started. (2) The State government then certifies petition and signatories. (3) The State authorizes a neighborhood committee to negotiate a service-transfer agreement with the City. Transfers of streets, parks public facilities would be included, and the State is the mediator. (4) The State schedules neighborhood elections, informs all owners, and facilitates discussion and debate. The State supervises neighborhood election. Nelson suggests a required affirmative vote from 90 percent of the property values and 75 percent of the owners. If the initiative passes, all local property owners are required to join the HOA.

[18] A recent headline reports that "Quake experts tell what worked; Social networks are important, they say," *The Times-Picayune* (23 March 2006).

expenditures. The former have a history of being top-down and heavily politicized.[19] The latter are more of a bottom-up phenomenon. Both may have a role in the rebuilding of New Orleans, but the latter are more desirable because they tend to be less politicized. Healthy business districts can also nurture the human and social capital to form new businesses.[20]

BIDs are usually formed in already developed areas and require the acquiescence of a super-majority of local land owners. The Nelson proposal for the privatization of inner city neighborhoods or residential improvement districts (RIDs) would parallel the formation of BIDs.

In most circumstances, local neighborhood residents have an incentive to block an unpopular zoning change made at the municipal level because its benefits tend to be dispersed beyond the local area and beyond those who expect that they may directly suffer its negative impacts. In addition city officials and insiders, and not the neighborhood residents, tend to receive most of the side-payments made by the developer. Under Nelson's proposal, private developers would have to deal directly with the relevant RIDs, whose memberships would likely be more willing to bear higher social costs, such as greater traffic congestion, if they are more directly involved in negotiating the amount and form of the side-payment that they and not the city would be receiving. By the same token, RIDs would be in a position to compete among themselves in the sale of development rights.

All levels of democratic governance involve trade-offs between rights surrendered and protections gained. At the same time, there are also the inevitable collective choice problems. Yet, as people voluntarily migrate into jurisdictions that are more local, they are mitigating some of the collective choice distortions.

Related Proposals

There are various complementary policies that could accompany the formation of RIDs. Reacting to New Urbanists' interest in regional land use planning, Randall Holcombe suggests a division of labor between top-down government planners and private interests. Evoking an example of thin-at-the-top planning, conventional planners would plan infrastructure, especially the roads, and land markets would be freed of all regulations. Private planners and developers would see published infrastructure plans as the rules of the game and plan land uses and development accordingly. The highest and best use of most properties is to a great extent defined by accessibility. In Holcombe's approach, regional planners would be freed from an impossible task: they simply do not have the

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[19] See for example Robert Caro's (1975) classic description of how Robert Moses wielded so-called "Title 1" authority to pursue urban renewal.

[20] See below on the activities of the non-profit organization, Idea Village, which attempts to address what its founders see as a lack of such "social capital" in New Orleans, i.e., weak and strong ties among community members that can serve as conduits for human capital (Coleman 1990).

local knowledge to assess highest and best uses for the large numbers of land parcels that most cities encompass. They certainly do not have the skill or the means to make these assessments for multiple periods into the future.[21]

Another program of deregulation suggests that planners should be more flexible in allowing open-ended change and innovation. Staley and Scarlett[22] outlined the ways that municipal planning agencies can move in the latter direction. They propose (among other things) that "[a]s a basic planning principle, growth management should incorporate a presumption in favor of market trends and dynamic evolution" and "[l]imit the politically arbitrary nature of development approval by subjecting land development to administrative rather than legislative process." Finally, "standing in public hearings should be limited to those directly and tangibly affected by the proposed development."

Mason Gaffney reminds us that San Francisco's recovery from the devastation of the 1905 Earthquake was also a matter of local government doing less. He writes:

> Consider born-again San Francisco, 1907 to 1930, as a case study in success. What can it teach New Orleans? It had no state or federal aid to speak of. The state of California had oil, but didn't even tax it, as Louisiana (rightly) does. It did have private insurance, but so does New Orleans today. It had no power to tax sales or incomes. It had no lock on Sierra water to sell dearly to its neighbors, as now; no finished Panama Canal, as now; no regional monopoly comparable to New Orleans' hold on the vast Mississippi Valley. Unlike Los Angeles (whose smog lay in the future) it had cold fog, cold-water beaches, no local fuel nor easy mountain passes to the east. Its rail and shipping connections were inferior to the major rail, port, and shipbuilding complex in rival Oakland, and even to inland Stockton's. It was hilly; much of its flatter space was landfill, in jeopardy both to liquefaction of soil in another quake and to precarious land titles. Its great bridges were unbuilt, so it was more island than peninsula. It was known for eccentricity, drunken sailors, tong wars, labor strife, racism, vice, vigilantism, and civic scandals. In its hinterland, mining was fading and irrigation barely beginning. Lumbering was far north around Eureka; wine around Napa; deciduous fruit around San Jose. Berkeley had the state university, Sacramento the capital, Palo Alto, Stanford, Oakland, and Alameda the major U.S. Navy supply center.
>
> How did a city with so few assets raise funds to repair its broken infrastructure and rise from its ashes? It had only the local property tax, and much of this tax base was burned to the ground.

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[21] It is not uncommon for city and regional planning agencies to publish plans for 25 to 30 years into the future.

[22] See http://www-pam.usc.edu/volume1/v1i1a5s1.html#staley, 2002.

> The answer is that it taxed the ground itself, raising money while also kindling a new kind of fire under landowners to get on with it or get out of the way.[23]

Our point is not to advocate a "single tax," but to point out that San Francisco's recovery from the 1906 earthquake contrasts starkly with what has been happening in the Gulf Coast, New Orleans in particular, since Katrina. While political interests have dominated the efforts to plan and rebuild in New Orleans (Bush, Blanco, and Nagin), in San Francisco private citizens and business interests took the lead when federal aid, not surprisingly for that era, was not well organized and limited to immediate disaster relief. The emphasis was on "the quick recovery of business, which was viewed as being synonymous with the well-being of the population as a whole" (Fradkin 2005:198). Private insurance paid out 80 percent of the face value of the amount insured. Philip Fradkin (Ibid.:235) points out that "the insurance money was important because it was that money and local private capital that helped rebuild San Francisco."[24]

All of these authors offer examples of thin-at-the-top governance. All of them could accompany reforms at the state-level that accommodate greater open-endedness, including the Nelson proposal.

Idea Village's "Business Incubation Network"

Apart from continuing subsidies, people will remain in New Orleans if it is able to generate economic opportunities from its own local stores of labor and capital. One example of the sort of experimental programs that speak directly to this approach is by a local non-profit organization called "Idea Village." While we do not necessarily endorse any of its specific programs, its concept of a "Small Business Incubation Network" or BIN intriguingly combines diverse elements. The BIN seeks to "develop centralized amenities for neighborhood residents, jump-start small neighborhood businesses with temporary business housing, technical and financial support, and create local job opportunities for community residents within the recovering businesses."[25] Ideas Village has partnered with the New Orleans Area Habitat for Humanity (NOAHH) and Tulane University to create what they call neighborhood incubators "tied to the residential rebuilding

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[23] See *Dollars & Sense* at http://www.dollarsandsense.org/archives/2006/0306gaffney.html. The higher real estate values that Gaffney argues fueled the recovery of San Francisco appears again in New Orleans. In "Post-Katrina Real Estate Booming" (9 May 2006), the Associated Press reports that "although vast swaths of this hurricane-battered city are still without electricity and basic services, residential real estate sales are at a fever pitch, a shining spot in an otherwise struggling economy." It goes on to say that "one of the ironies of natural disasters is they're often good for real estate."

[24] As of this writing, it is not clear what the major business interests in New Orleans (e.g., Shell and shipping) have been doing for the recovery effort. In the aftermath of the Johnstown flood of 31 May 1889, the Pennsylvania Railroad mustered its financial and organizational resources to address the emergency. According to David McCullough (1968:240): "The results, the swiftness and efficiency with which forces were marshaled, tangles unsnarled, damages repaired, help rushed through, were indeed remarkable and left a lasting impression on everyone involved."

[25] Document available from Idea Village at http://www.ideavillage.org/.

plan that NOAHH will execute over the next 5 years." From our perspective, it is significant that this proposal recognizes that any meaningful economic recovery entails the interdependence of economic opportunity, housing, and technical and financial know-how and that it explicitly takes into account the importance of a diversity of primary uses, in the spirit of both Jacobs (1961) and Glaeser, et al (1992).[26] These in turn get people into public spaces (broadly defined) at different times of the day and lay the foundation for safety, trust, and eventually a diversity of knowledge and tastes, upon which emerge opportunities for entrepreneurial discovery.

How to limit the effects of adverse selection? Let the city emerge spontaneously over time. Mayor Nagin recently deflected criticism of the sluggishness with which New Orleans has been clearing away debris off city streets by remarking that "after five years there's still a hole in the ground" (referring the former World Trade Center site and the results of political conflict).[27] On the other hand, rapid reconstruction would undoubtedly be a mistake given the negative consequences of enormous quantities of money flooding very quickly into a particular region.[28] In this case, there is some virtue in sluggishness, which is just another way of saying that time matters.

Even if something like the Nelson proposal is implemented, significant problems remain. If people return to New Orleans and the region as a whole, expecting (albeit with some suspicion) the federal government to provide flood protection and flood insurance, or if the Gulf Opportunity Zone Act of 2005 does indeed provide up to $150,000 to local residents and business harmed by the flooding on the condition that they remain in the region,[29] serious moral-hazard and perverse-incentive problems are likely to foil the benefits of our proposal. As we have argued, the city will grow too large, too fast, not allowing the critical social infrastructure—informal networks of trust and reciprocity, social capital, and community linkages—to emerge and will destabilize the infrastructure already there.

Focus has been on the physical and tangible infrastructure, not the equally important social infrastructure, probably because the former is more visible and politically marketable. Levees and flood gates can be re-built in fairly short order. The social infrastructure can take much longer, and it emerges largely as an indirect result of a myriad of individual monetary and non-monetary investments.

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[26] As reported in *The New York Times* (25 August 2006), "Louisiana is getting more than $10 billion in federal aid, but at Washington's insistence, almost all of the money must go for housing. . . . Less than 4 percent will be use for economic development . . . and only $38 million has been set aside for possible grants to small companies." Earlier in the same article, Tulane University geographer, Richard Campanella, is cited as observing that "to his surprise . . . the small independent businesses reopened first, not the national or regional chains, which presumably have more resources."

[27] See http://www.cbsnews.com/stories/2006/08/24/60minutes/main1933092.shtml.

[28] We have in mind the long-term effects on diversity and growth of what Jacobs (1961) characterizes as "cataclysmic money."

[29] See the earlier note on "Slow home grants stall progress in New Orleans," *The New York Times* (11 November 2006).

Because it places such heavy emphasis on individuals in local communities cooperating, private governance can serve as a step toward establishing a firm, stable basis on which that critical framework can robustly grow over the years and decades to come.

On the other hand, there are substantial artificial barriers to the rebirth of the impacted areas. Delays in rebuilding have been due in part to understandable shortages (at times, verging on the chaotic) in the insurance and construction markets, which we would expect to calm down within the next year. But another significant obstacle has been the expectations of private choosers as they await word on the size and timing of federal assistance and regulations. It was only in June of 2006, for example, nine months after the floodwaters retreated, that FEMA finally published its revised flood maps and building codes.[30]

CONCLUSION

Cities have always been regarded as places where new ideas are nurtured, in the arts, the sciences, and commerce (Hall, 1998). How wise is it, then, to make their development subject to industrial policy—just when such policies are otherwise losing credibility?[31]

Most policy making at the local level has become a widely tolerated form of industrial policy. Land markets and housing markets are ever more politicized and regulated; development is subject to an increasingly intricate "approvals process" that involves environmental impact reports and many opportunities for challenges from all sorts of "stakeholders" who have been granted legal standing. Most discussions of urban growth and change take central planning seriously—with calls for regional government, regional planning, "smart growth," and so forth. Politicization has increased dramatically, and heretofore unheard of housing "affordability" gaps are some of the consequences. These policies are obstacles to the living city but facilitate the welfare city.

The recovery of Western European and Japanese cities from their World War II devastation is auspicious. One writer, not known for his skepticism about top-down planning, recently noted: "Not only did the capitalist urban economy show surprising strength and flexibility, but also the new town concept and other projects of planned social democracy proved disappointing at best. The cities recovered largely through piecemeal, unplanned, regeneration . . ." (Fishman 1999). At the same time, the Urban Land Institute, the trade association of real estate developers, now openly embraces the "Smart Growth" platform.[32] If these are their actual positions or if they feel they have few choices in the matter does

[30] See dated maps at http://www.fema.gov/pdf/hazard/flood/recoverydata/katrina/maps/katrina_la_or_index.pdf.
[31] For a recent examination of such policies, see www.freetheworld.com.
[32] http://www.uli.org/Content/NavigationMenu/MyCommunity/SmartGrowth/Smart_Growth.htm.

not matter. Either indicates the sway of the top-down planning idea in today's urban development discussions.

Welfare cities can retard the economic performance of regions that might otherwise appear ripe for development. If the problem of not only Louisiana but the Gulf Coast generally, both pre- and post-Katrina, has been an ailing economic engine, the solution would seem to lie, given our depiction of New Orleans as a welfare city, in weaning the city away from its heavy dependence on transfers and subsidies from the federal government. A new and living New Orleans would bounce back much more effectively, as the European and Japanese cities did, and indeed as did San Francisco after 1906. It is a human tragedy that most of those who were displaced and are now finding it too difficult to return to the city were the poor and welfare dependent. But the current circumstances may nevertheless offer a unique chance for genuinely creative social change.

The most productive spatial arrangements for the new New Orleans are endogenous. Land markets that are more the result of bottom-up planning are essential. It is essential for planners and officials to recognize that no one knows how the new New Orleans will look, but open-endedness is the seed from which long-term regional prosperity, or at least a prosperous "living city" New Orleans, may yet re-emerge.

This is the context within which New Orleans would best recover. It suggests that two research priorities matter. We should continue to look for bottom-up efforts that emerge in spite of the attention given to top-down plans from every direction. And we must highlight their role in New Orleans' recovery in order to highlight the wider lesson for other American cities.

APPENDIX

Table 1

City	7/1/2005 population estimate	4/1/2000 census population	4/1/1990 census population	Numeric population change 1990–2000	Percent population change 1990–2000
New York, N.Y.	8,143,197	8,008,278	7,322,564	685,714	9.4
Los Angeles, Calif.	3,844,829	3,694,820	3,485,398	209,422	6
Chicago, Ill.	2,842,518	2,896,016	2,783,726	112,290	4
Houston, Tex.	2,016,582	1,953,631	1,630,553	323,078	19.8
Philadelphia, Pa.	1,463,281	1,517,550	1,585,577	–68,027	–4.3
Phoenix, Ariz.	1,461,575	1,321,045	983,403	337,642	34.3
San Antonio, Tex.	1,256,509	1,144,646	935,933	208,713	22.3
San Diego, Calif.	1,255,540	1,223,400	1,110,549	112,851	10.2
Dallas, Tex.	1,213,825	1,188,580	1,006,877	181,703	18
San Jose, Calif.	912,332	894,943	782,248	112,695	14.4
Detroit, Mich.	886,671	951,270	1,027,974	–76,704	–7.5
Indianapolis, Ind.	784,118	781,870	741,952	49,974	6.7
Jacksonville, Fla.	782,623	735,617	635,230	100,387	15.8
San Francisco, Calif.	739,426	776,733	723,959	52,774	7.3
Columbus, Ohio	730,657	711,470	632,910	78,560	12.4
Austin, Tex.	690,252	656,562	465,622	190,940	41
Memphis, Tenn.	672,277	650,100	610,337	39,763	6.5
Baltimore, Md.	635,815	651,154	736,014	–84,860	–11.5
Fort Worth, Tex.	624,067	534,694	447,619	87,075	19.5
Charlotte, N.C.	610,949	540,828	395,934	144,894	36.6
El Paso, Tex.	598,590	563,662	515,342	48,320	9.4
Milwaukee, Wis.	578,887	596,974	628,088	–31,114	–5.0
Seattle, Wash.	573,911	563,374	516,259	47,115	9.1
Boston, Mass.	559,034	589,141	574,283	14,858	2.6
Denver, Colo.	557,917	554,636	467,610	87,026	18.6
Louisville-Jefferson County, Ky.1	556,429	256,231	269,063	12,832	–4.8
Washington, DC	550,521	572,059	606,900	–34,841	–5.7
Nashville-Davidson, Tenn.2	549,110	545,524	510,784	59,107	11.6
Las Vegas, Nev.	545,147	478,434	258,295	220,139	85.2
Portland, Ore.	533,427	529,121	437,319	91,802	21
Oklahoma City, Okla.	531,324	506,132	444,719	61,413	13.8
Tucson, Ariz.	515,526	486,699	405,390	81,309	20.1
Albuquerque, N.M.	494,236	448,607	384,736	63,871	16.6
Long Beach, Calif.	474,014	461,522	429,433	32,089	7.5
Atlanta, Ga.	470,688	416,474	394,017	22,457	5.7
Fresno, Calif.	461,116	427,652	354,202	73,450	20.7
Sacramento, Calif.	456,441	407,018	369,365	37,653	10.2
New Orleans, La.	454,863	484,674	496,938	–12,264	–2.5
Cleveland, Ohio	452,208	478,403	505,616	–27,213	–5.4
Kansas City, Mo.	444,965	441,545	435,146	6,399	1.5

Average (Mean)*	**1,048,135**	**1,016,027**	**926,197**	**120,858**	**17**

City	Numeric population change 1990–2005	Percent population change 1990–2005	Size rank 1990	Size rank 2000	Size rank 2005
New York, N.Y.	820,633	11.21	1	1	1
Los Angeles, Calif.	359,431	10.31	2	2	2
Chicago, Ill.	58,792	2.11	3	3	3
Houston, Tex.	386,029	23.67	4	4	4
Philadelphia, Pa.	-122,296	-7.71	5	5	5
Phoenix, Ariz.	478,172	48.62	10	6	6
San Antonio, Tex.	320,576	34.25	9	9	7
San Diego, Calif.	144,991	13.06	6	7	8
Dallas, Tex.	206,948	20.55	8	8	9
San Jose, Calif.	130,084	16.63	11	11	10
Detroit, Mich.	-141,303	-13.75	7	10	11
Indianapolis, Ind.	42,166	5.68	13	12	12
Jacksonville, Fla.	147,393	23.20	15	14	13
San Francisco, Calif.	15,467	2.14	14	13	14
Columbus, Ohio	97,747	15.44	16	15	15
Austin, Tex.	224,630	48.24	25	16	16
Memphis, Tenn.	61,940	10.15	18	18	17
Baltimore, Md.	-100,199	-13.61	12	17	18
Fort Worth, Tex.	176,448	39.42	29	27	19
Charlotte, N.C.	215,015	54.31	33	26	20
El Paso, Tex.	83,248	16.15	22	23	21
Milwaukee, Wis.	-49,201	-7.83	17	19	22
Seattle, Wash.	57,652	11.17	21	24	23
Boston, Mass.	-15,249	-2.66	20	20	24
Denver, Colo.	90,307	19.31	28	25	25
Louisville-Jefferson County, Ky.1	287,366	106.80	58	67	26
Washington, DC	-56,379	-9.29	19	21	27
Nashville-Davidson, Tenn.2	38,326	7.50	26	22	28
Las Vegas, Nev.	286,852	111.06	63	32	29
Portland, Ore.	96,108	21.98	27	28	30
Oklahoma City, Okla.	86,605	19.47	30	29	31
Tucson, Ariz.	110,136	27.17	34	30	32
Albuquerque, N.M.	109,500	28.46	40	35	33
Long Beach, Calif.	44,581	10.38	32	34	34
Atlanta, Ga.	76,671	19.46	38	39	35
Fresno, Calif.	106,914	30.18	48	37	36
Sacramento, Calif.	87,076	23.57	37	40	37
New Orleans, La.	-42,075	-8.47	24	31	38
Cleveland, Ohio	-53,408	-10.56	23	33	39
Kansas City, Mo.	9,819	2.26	31	36	40
Average (Mean)*	**121,938**	**19**			

City	Population 25 years and above with Bachelor's degree (%)	% Individuals below poverty	Median Household Income ($)	Unemployment (percentage of civilian labour force)	% occupied houses lacking complete plumbing facilities
	2000	2000	2000 (1999 $)	2000	2000
New York, N.Y.	27.4	21.2	38,293	9.6	1.5
Los Angeles, Calif.	25.5	22.1	36,687	9.3	1.3
Chicago, Ill.	25.50	19.6	38,625	10.1	1.6
Houston, Tex.	27.00	19.2	36,616	7.6	1.1
Philadelphia, Pa.	17.90	22.9	30,746	10.9	2.6
Phoenix, Ariz.	22.70	15.8	41,207	3.7	0.6
San Antonio, Tex.	21.60	17.3	36,214	6.2	0.7
San Diego, Calif.	35.00	14.6	45,733	6.1	0.8
Dallas, Tex.	27.70	17.8	37,628	6.7	0.9
San Jose, Calif.	31.60	8.8	70,243	4.3	0.6
Detroit, Mich.	11.00	26.1	29,526	13.8	2.1
Indianapolis, Ind.	25.40	11.9	40,051	5.5	0.7
Jacksonville, Fla.	21.10	12.2	40,316	5.1	0.7
San Francisco, Calif.	45.00	11.3	55,221	4.6	2.1
Columbus, Ohio	29.00	14.8	37,897	4.9	0.5
Austin, Tex.	40.40	14.4	42,689	4.4	0.5
Memphis, Tenn.	20.90	20.6	32,285	8.6	1.0
Baltimore, Md.	19.10	22.9	30,078	10.7	1.2
Fort Worth, Tex.	22.30	15.9	37,074	6	0.7
Charlotte, N.C.	36.40	10.6	46,975	5.5	0.5
El Paso, Tex.	18.30	22.2	32,124	9.2	0.8
Milwaukee, Wis.	18.30	21.3	32,216	9.4	1.1
Seattle, Wash.	47.20	11.8	45,736	5.1	0.8
Boston, Mass.	35.60	19.5	39,629	7.2	1.9
Denver, Colo.	34.50	14.3	39,500	5.7	0.6
Louisville-Jefferson County, Ky.1	21.30	21.6	28,843	7.4	0.9
Washington, DC	39.10	20.2	40,127	10.8	0.9
Nashville-Davidson, Tenn.2	29.70	13.3	39,232	5.3	0.5
Las Vegas, Nev.	18.20	11.9	44,069	7	0.5
Portland, Ore.	32.60	13.1	40,146	6.5	0.8
Oklahoma City, Okla.	24.00	16	34,947	5.3	1.2
Tucson, Ariz.	22.90	18.4	30,981	5.9	0.5
Albuquerque, N.M.	31.80	13.5	38,272	5.8	0.3
Long Beach, Calif.	23.90	22.8	37,270	9.4	0.9
Atlanta, Ga.	34.60	24.4	34,770	14	1.0
Fresno, Calif.	19.00	26.2	32,236	11.2	0.9
Sacramento, Calif.	23.90	20	37,049	7.9	0.7
New Orleans, La.	25.80	27.9	27,133	9.5	2.2
Cleveland, Ohio	11.40	26.3	25,928	11.2	1.5
Kansas City, Mo.	25.70	14.3	37,198	6.3	0.8
Average (Mean)*	**26.76**	**17.98**	**38037.75**	**7.59**	**1.01**

City	% occupied houses lacking complete kitchen facilities	Education attainment rank	Individuals below poverty rank	Median Household Income rank	Unemployment rank
	2000	2000	2000	2000	2000
New York, N.Y.	1.4	16	13	17	9
Los Angeles, Calif.	2.1	21	10	25	13
Chicago, Ill.	2.0	20	17	16	8
Houston, Tex.	1.2	17	19	26	17
Philadelphia, Pa.	3.0	38	7	35	5
Phoenix, Ariz.	0.6	27	25	8	40
San Antonio, Tex.	0.8	29	22	27	24
San Diego, Calif.	1	7	27	5	25
Dallas, Tex.	1.0	15	21	20	21
San Jose, Calif.	0.6	12	40	1	39
Detroit, Mich.	2.7	40	4	37	2
Indianapolis, Ind.	1.0	22	35	12	31
Jacksonville, Fla.	1.1	31	34	9	35
San Francisco, Calif.	3.7	2	38	2	37
Columbus, Ohio	0.8	14	26	19	36
Austin, Tex.	0.9	3	28	7	38
Memphis, Tenn.	1.1	32	14	30	15
Baltimore, Md.	1.3	33	6	36	7
Fort Worth, Tex.	1.0	28	24	23	26
Charlotte, N.C.	0.5	5	39	3	30
El Paso, Tex.	1.0	36	9	33	14
Milwaukee, Wis.	1.7	35	12	32	12
Seattle, Wash.	1.0	1	37	4	34
Boston, Mass.	2.5	6	18	13	19
Denver, Colo.	0.7	9	29	14	29
Louisville-Jefferson County, Ky.1	1.1	30	11	38	18
Washington, DC	0.7	4	15	11	6
Nashville-Davidson, Tenn.2	0.7	13	32	15	32
Las Vegas, Nev.	1.0	37	36	6	20
Portland, Ore.	1.1	10	33	10	22
Oklahoma City, Okla.	1.5	23	23	28	33
Tucson, Ariz.	0.7	26	20	34	27
Albuquerque, N.M.	0.7	11	31	18	28
Long Beach, Calif.	1.2	25	8	21	11
Atlanta, Ga.	1.4	8	5	29	1
Fresno, Calif.	1	34	3	31	3
Sacramento, Calif.	1.1	24	16	24	16
New Orleans, La.	3.0	18	1	39	10
Cleveland, Ohio	2.2	39	2	40	4
Kansas City, Mo.	1.1	19	30	22	23
Average (Mean)*	**1.33**				

Table 2

Supplemental Security Income--Recipients 1990 to 2003

	1990	1995	1997	1998	1999	2000	2001	2002	2003	% Change	
	(1000s)									1990-2003	2000-2003
US	4817	6514	6495	6566	6557	6602	6688	6787	6902	43.28	4.55
Louisiana						166			168		1.20
Mississippi						129			126		-2.33

Source: U.S. Social Security Administration,

Social Security Bulletin, quarterly and

Annual Statistical Supplement to the Social Security Bulletin.

Table 3

	2005 Population (1,000)	(2005 Population) State Rank	Population growth		
			1990-2000	1990-2005	2000-2005
Louisiana	4,524	24	5.9	7.1	1.2
Mississippi	2,921	31	10.5	13.4	2.7
US	296,410		13.1	19.1	5.3

Table 4

	Per capita personal income [Dollars]						
	2004	2005	Rank in the U.S.		Percent of the U.S. average		Percent change 2004-05
			2004	2005	2004	2005	
Louisiana	27,297	24,820	42	50	83	72	-9.1
Mississippi	24,518	25,318	50	49	74	73	3.3
US	33,050	34,586	--	--	100	100	4.6

Table 5

	Federal food stamp program			National school lunch program			Public aid recipients as percent of population	
	Participants (Sept. 30) (1,000)			Participants (1,000)				
	2004	% of 2005 pop	Rank	2004	% of 2005 pop	Rank	2003	Rank
Louisiana	706	15.60	2	630	13.92	1	5.0	9
Mississippi	377	12.90	6	399	13.68	2	5.9	6
US	23,819	8.04		28,515	9.62		4.0	

Table 6

	Supplemental security Income (SSI)			Number below poverty in past 12 months			
	Recipients (Dec.) (1,000)			Individuals			
						Rank	
	2003	% of 2005 pop	Rank	2003 (1,000)	2000 (1,000)	2003	2000
Louisiana	168	3.71	4	882	862	11	11
Mississippi	126	4.31	1	553	498	24	23
US	6,902	2.33		35,846	33,311		

Table 7

	Percent below poverty in the past 12 months			
	Individuals			
			Rank	
	2003	2000	2003	2000
Louisiana	20.3	20.0	1	1
Mississippi	19.9	18.2	2	3
US	12.7	12.2		

Table 8: Five-Year Growth Rates of Crime Reported: New Orleans and Reference Areas, 1969-2004

AREA	1969-1974	1974-1979	1979-1984	1984-1989	1989-1994	1994-1999	1999-2004
Core Cities	0.0596	0.0227	-0.0026	0.0490	-0.0075	-0.0266	-0.1610

Non-Core City	0.1301	0.0540	0.0024	0.0433	-0.0227	-0.0112	-0.0142
MSA	0.0865	0.0366	-0.0003	0.0463	-0.0144	-0.0196	-0.0811
Non-MSA	0.0779	0.0732	-0.0383	0.0292	-0.0463	0.0302	-0.0638
U.S	0.0859	0.0394	-0.0033	0.0451	-0.0164	-0.0165	-0.0798
Core Cities	0.0761	0.0342	0.0137	0.0607	-0.0068	-0.0047	-0.2501
Non-Core City	0.1810	0.0796	0.0291	0.0664	-0.0045	0.0112	-0.1069
MSA	0.1111	0.0532	0.0208	0.0634	-0.0057	0.0030	-0.1665
Non-MSA	0.1058	0.1051	-0.0214	0.0477	-0.0163	0.0324	-0.0911
SOUTH	0.1107	0.0580	0.0167	0.0621	-0.0065	0.0054	-0.1588
Core Cities	0.0589	0.0663	0.0054	0.0414	0.0167	-0.0440	-0.0055
Non-Core City	0.1177	0.1587	0.0061	0.0351	0.0463	0.0172	-0.0239
MSA	0.0744	0.0969	0.0057	0.0390	0.0284	-0.0166	-0.0144
Non-MSA	0.0823	0.1437	-0.0789	-0.0318	0.1236	0.0032	-0.0116
LOUISIANA	0.0750	0.1010	-0.0013	0.0350	0.0337	-0.0151	-0.0142
New Orleans Core	0.0210	0.0634	-0.0207	0.0474	-0.0300	-0.0742	0.0113
N.O. Non-Core	0.1495	0.1764	-0.0191	0.0432	0.0511	-0.0206	-0.0408
N.O. MSA	0.0531	0.1048	-0.0200	0.0455	0.0086	-0.0440	-0.0189

Source: Uniform Crime Reports, Federal Bureau of Investigation

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