

## **Looking Back to Look Forward:**

### **What Can We Learn About Urban Development from Philadelphia's 350 Year History?**

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Much of the economic history of cities involves how they respond to shocks to their economic foundations. Philadelphia became the most successful city in British North America before the Revolutionary War by exploiting its good harbor and central location connecting the colonies. After losing its primacy as the trading center of the new nation to New York, Philadelphia turned to manufacturing and was highly successful throughout the nineteenth century. A series of shocks throughout the twentieth century set the city on a path of long-term decline that has not been reversed.

When Philadelphia was able to successfully respond to shocks to its economic base, an important reason was the presence of a large and high-skill workforce. A talented and flexible labor pool is important if entrepreneurs are to start new lines of business. And a cost-effective and transparent local business environment is needed for entrepreneurial risk-taking activity to be appropriately rewarded. Philadelphia's inability to reinvent itself in the latter half of the twentieth century reflects problems in each area. Its workforce has become increasingly less well educated compared to its key northeastern competitors. And the city has not been able to provide essential infrastructure and public services at low cost for nearly half a century. In the present era of high factor mobility, these provisions are critical as firms and households no longer need to be in places such as Philadelphia for the excellent river access. Other features of the local landscape, such as the skill of the labor force and the cost effectiveness of the city are more important to how the place responds to negative shocks such as the deurbanization of manufacturing.