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# The Future of Cities in an Urban Service Economy

By John L. McKnight

The first day on my first job in Chicago, I heard Bill Berry give a speech. What he said has remained with me to this day: "You know, there are health problems, education problems, housing problems, and every other kind of problem but the problem is work. The problem is jobs. The problem is income. All the other problems are secondary to that problem." I've never forgotten that, and my own experience tells me to this day that it is true. I think we all know it is true. That's why I want to talk about work, income and jobs.

I want to describe two different understandings about work in America, and then suggest how these views lead in different directions in terms of public policy.

The first understanding about America was the basis for the policies that were developed during the anti-poverty era. There were two assumptions behind those programs.

The first was that America's economy would grow at a rapid rate.

The second was that as we grew, we could provide services to black and poor people that would give them an equal place in that growth. Those two basic premises are still central to much of our policy making and program development today.

In retrospect, we can see that what we really meant by providing minorities and the poor an increasing share of the growing economy was that we were prepared to give them some of the surplus rather than the substance of America. We were willing to give black and poor people a bigger slice of the pie as long as the pie was getting bigger.

During the last four or five years, the pie has not been growing so fast, the surplus is much more limited, and the programs are being retrenched.

We have also come to recognize in retrospect that we were oriented toward using the surplus to provide services as a means of bringing the poor into the mainstream of society. The basic assumption behind that kind of programmatic emphasis was that it was the people who were discriminated against who were the problem rather than the institutions

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which were discriminating against them.

Neither of the assumptions of that era was correct. We cannot assume rapid growth in this society. We cannot assume rapid growth in the population; we cannot assume rapid growth in raw materials and natural resources; and we cannot assume rapid growth in the amount of capital available in our society. The premise that rapid growth can be the foundation for liberating those who are exploited has been a bad premise.

The premise that services will liberate exploited people has also proven to be a bad premise. We have seen that no matter how many doctors, lawyers, teachers, social workers, planners, land clearers and housing officials we make available to lower income people, the treatment, therapy and services rendered will not solve the problem.

The reason is that the basic problem is not the people they treat and serve — the basic problem is the institutions that they represent.

The premises of the anti-poverty era are not good premises. They were based on two invalid assumptions: growth is guaranteed and more services will treat people to freedom.

#### **Transition of Economy**

There is another understanding about America. It depends upon recognizing that one of the most significant things that has happened in the United States since the turn of the century is this: In 1900, 90% of the people who worked for an income were involved in the production of goods. Ten percent of the people were producing services. Today, about 65% of the people in the United States who earn an income are producing services while 35% are producing goods. Daniel Bell has done a conservative straight-line projection and has suggested that by the year 2000, about 90% of the people who are working for an income in the United States will be producing services and 10% will be producing goods. If that projection is correct, it indicates that in one century we will move from 10% of the people in this country producing services to 90% of the people producing services. It indicates that if you want to understand what America is about today, you have to recognize that it is basically a service economy.

It is critical that those of us who have been concerned about civil rights recognize this fact because much of our thinking has been based on

the assumption that America. We have believed that the automobile factories, wheat fields. But in terms of jobs, that is. It is really about services — education and social services. no significant prospect of growth just the magnetism of the service goods-producing industries in rather than workers. Much in the United States will the goods-numbers of new jobs. Every in the service sector.

If we are to realistically plan the economy of minority people, we must look about the service sector.

First, there is a popular myth that have to be a more highly trained blue-collar job. In fact, if you look at the industries you will see that they are making them into systems that are not lines. We are taking white collar jobs and breaking them into little pieces.

I first experienced this reality during the Korean War. I was on a farm maintaining an inventory of several million dollars. I had to maintain the bookkeeping system with young black and white men who had just out of school to join the Navy. I had to do it in such a way that the men had very little training. It is interesting to see with Sears Roebuck Company when these men got out of the military. It is usually told that because of lack of enough skill to work at Sears and Roebuck, men who had been running a dollar operation.



the assumption that America is basically a nation producing goods. We have believed that the American economy is really steel mills, automobile factories, wheat fields and computer manufacturing companies. But in terms of jobs, that is not what America is really about. It is really about services — banking, insurance, retailing, lawyers, education and social services. Therefore, cities like Chicago have almost no significant prospect of getting more goods producing jobs. It is not just the magnetism of the sun belt or the fact that most new goods-producing industries in Chicago will be filled with machines rather than workers. Much more basic is the fact that nowhere in the United States will the goods-producing industry be producing large numbers of new jobs. Everyplace in America, the employment future is the service sector.

If we are to realistically plan for Chicago's future, and especially the economy of minority people, we need to understand four important facts about the service sector.

First, there is a popular myth about service jobs. The myth is that you have to be a more highly trained person to do a service job than a blue-collar job. In fact, if you look at recent developments in the service industries you will see that over the last two decades we have been making them into systems that are just like mass production assembly lines. We are taking white collar work and cutting it up into simple little pieces.

I first experienced this reality as a Supply Corps officer during the Korean War. I was on a fairly large ship and had the responsibility for an inventory of several million dollars worth of goods. The staff to maintain the bookkeeping system for this large operation were mostly young black and white men from the South, most of whom had dropped out of school to join the Navy. Nonetheless, the work was organized in such a way that the men were able to maintain a complex system with very little training. It is interesting to note that the Navy had contracted with Sears Roebuck Company to create the system. Nonetheless, when these men got out of the Navy and went back home, they were usually told that because of their limited education they didn't have enough skill to work at Sears or any other service system. Yet, these were men who had been running a major accounting system in a multi-million dollar operation.



## Don't Help the Myth Along

Therefore, the first point I want to make about service systems is that during the last two decades they have become mass production systems breaking white-collar work into small, relatively simple component packages. None of us is doing our cause much service if we keep perpetuating the myth that minority and poor people now need much more education to get a job on the assumption that white-collar service work is more complex than blue-collar jobs.

The second important fact about the service industries is that they are not inherently tied to one location — you don't have to locate a service industry to one particular kind of place. That is not as true of goods producing industries. For example, you cannot produce steel unless you have a special location with access to railroads and ships that can bring in the raw materials and transport the finished product. That is why U.S. Steel has factories in Chicago and Gary.

In contrast, there is no especially appropriate place or location for much of the service industry. For example, when I want to reserve a hotel room in Seattle, I pick up the telephone in Chicago and call the hotel's reservation service. It turns out to be in Memphis, Tennessee. The reservation operator checks to see whether a room is available by contacting a computer system in New York!

Much of the service industry is like this reservation service. There is no particular reason for it to be in any particular place. Consider another service system like the insurance industry in Chicago's Prudential Tower. It is really a series of specialized work packages stacked up, one on top of the other. They could, however, be easily taken out of that building and parcelled out to different locations — one in Woodlawn, one in Lawndale, one in Englewood, and one in Uptown. The memos would still flow and the telephones hum about as well as they do all piled up in that one building.

Most service work is not place-oriented. We need to recognize this fact and try to develop incentives and pressures that will get service work places located in neighborhoods where the people who need work are located.

A third fact about the service industry is that some services are place-related. A few examples are education, personal security and

medical care. We believe that those who need the services m

There is, however, another equ place-bound services: they not jobs. Unfortunately, our policie create. Therefore, the middle c while the minority and poor p benefits.

We need policies that will max service systems for the peopl that service systems **employ** t poor and minority people are r are the victims of joblessness.

Finally, we must recognize tha two new dilemmas. First, a sig product of government or gov government is not in the busin of producing social services, h and security services. Therefo service industry we have to re public sector. That is why Pro Proposition 13 proliferates, its most important growth sector. If we stunt this sector's growt replacing millions of workers, devastating.

There is a second dilemma in jobs and economic growth. Ge upon people having problems. because there are people suffer crime, collapsing families, me multiplied among minority an and the effects of discriminat these problems are, the more s jobs are produced. It seems ab by depending on more problem



medical care. We believe that these services should be located so that those who need the services most will have ready access to them.

There is, however, another equally important benefit from these place-bound services: they not only provide services, they also provide jobs. Unfortunately, our policies have not focused upon the jobs they create. Therefore, the middle class has gotten most of the job benefits while the minority and poor people have mainly received the service benefits.

We need policies that will maximize the job benefits of place-related service systems for the people who are served. It may be as important that service systems **employ** their clients as serve them. After all, most poor and minority people are receiving special services because they are the victims of joblessness.

Finally, we must recognize that the developing service sector is creating two new dilemmas. First, a significant portion of our services is a product of government or government-funded agencies. While the government is not in the business of producing steel, it is in the business of producing social services, health services, educational services, and security services. Therefore, in thinking about the future of the service industry we have to recognize that much service work is in the public sector. That is why Proposition 13 is so important. If Proposition 13 proliferates, its major impact will be to halt one of the most important growth sectors of the service industry — government. If we stunt this sector's growth at the very time that machines are replacing millions of workers, the economic consequences can be devastating.

There is a second dilemma in looking to the service industries to provide jobs and economic growth. Generally speaking, social services depend upon people having problems. Most of these services are necessary because there are people suffering from poor health, lack of education, crime, collapsing families, mental illness, etc. Each of these problems is multiplied among minority and poor people because of their poverty and the effects of discrimination and racism. In one sense, the worse these problems are, the more services they require and the more jobs are produced. It seems absurd, however, to plan to create more jobs by depending on more problems. The growth of the economy would then



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depend on having more people with problems in order to have more people serve them.

Nonetheless, consider what would happen in terms of the job structure in the City of Chicago if we didn't have any poor people. How many people in the service industry would be put out of work? How many people in Chicago depend for their work upon the results of racism and poverty? It is a paradox that the people who are victims of racism and poverty provide a growing proportion of the jobs in a service economy. Their dependency and poverty is the raw material of a service economy. The suffering they endure is converted into a demand for social services that we count as "growth" of the Gross National Product.

America can do better than "growing" through "serving" the victims of our failures. If goods production is not expanding, and service provision depends upon dependency, is there a third way? What good work could be done in this city that doesn't depend upon the poor — that would really liberate the poor? Is it making them all social workers? Who would their clients be? Is it making them all doctors? There wouldn't be enough sick people to go around.

What is the good work to be done in Chicago? My best guess is that this is both a terrible and a wonderful question.

The answer lies someplace in the experience of each of us. Just look at Chicago. Its neighborhoods decay and its service industries grow.

We have lost our vision of a just and good city.

There are communities to build — not to be "serviced." There are important jobs to be done everywhere — rebuilding, making, growing, helping. But we have not invented ways of providing income for this good work. Instead, we are building an economy depending on decline and dependency.

If Jean DuSable (the black man who first built a trading post at what is now Chicago) returned today to look at the city he founded, he would laugh and roll up his sleeves. It would be so obvious. So many people out of work in the very places where the city has fallen apart.

He would wonder why we need more doctors, social workers and psychologists. He was a man with the vision to build a city rather than "service" it.