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Rolling with the Punches

Coping with Economic Change

The Ledger

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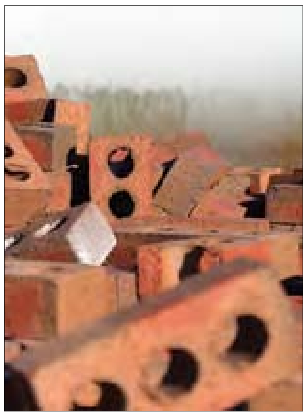

Cover image: Boxing at YMCA Camp, 1937. Photograph courtesy of the Minnesota Historical Society.

FEDERAL RESERVE BANK OF BOSTON™

Coping with Economic Change

Quincy, Massachusetts

Quincy, Massachusetts has seen it all. Two U.S. presidents called it home and lie buried next to each other in the basement of First Parish Church. Granite blocks for the Bunker Hill Monument left Quincy quarries on America's first railway. Quincy-built ships were once the pride of the seas, and the Fore River Shipyard's payroll fueled a thriving downtown that billed itself as Shopperstown U.S.A.

But all that's in the past, and Quincy, like so many other American communities, is trying to find its place in the 21st century economy.

This is a story of my hometown. But it could just as easily be about yours because it's also a story of coping with economic change.

The Quincy I knew exists only in memory. Most of the people who made it what it was have either moved away or passed on.

Ghosts now inhabit the landscape; ghosts of industrial America and Main Street USA. The shipyard, the gear works, and the quarries have been idle for years. The union halls have gone silent. The specialty shops and department stores that lined Hancock Street have long since fled to the mall or gone out of business.

Which is not that Quincy is a sad or pitiable place. In fact, it may be more prosperous than ever. But there's also no denying that it is a very different place than it was.

Back in the 1950s, in the last days before interstates, automobiles, and air conditioning forever altered the patterns of American life, Quincy had a vibrant downtown and a healthy industrial base. Lunchbox-toting dads earned enough to support a family on one income, and differences in social status were measured on a scale that ranged from Chevy to Buick. In short, Quincy was a prosperous place that never flashed its wallet.

If this sounds a bit heavy on the nostalgia . . . well . . . guilty as charged. I miss the old Quincy. There was a lot to like about it.

No matter. The good old days are never coming back, and, in the end, nostalgia is a mug's game, a futile exercise. Things change whether we want them to or not, and we either adapt or languish.

Quincy has done its best to roll with the punches, and although some of its efforts have ended in frustration, there are signs that the city is finding its place in the 21st century economy. A healthy mix of professional and service sector jobs has kept unemployment low. A flurry of recent condo construction is attracting first-time buyers and empty-nesters looking for the convenience of living close to Boston without having to pay Boston prices. And affordable commercial space is drawing a new wave of small businesses, including a confectionary shop that makes the best Belgian chocolate brownies in the known world.

Why should any of this matter to you if you don't have a direct connection to the City of Presidents? Because regardless of where you live, you'll recognize aspects of Quincy's story in that of your own hometown.

We have all been touched by economic change. Our working lives, leisure pursuits, shopping patterns, and neighborhood streets have all felt the effects . . . for better or worse.

Robert Jabaily,
Editor
The Ledger

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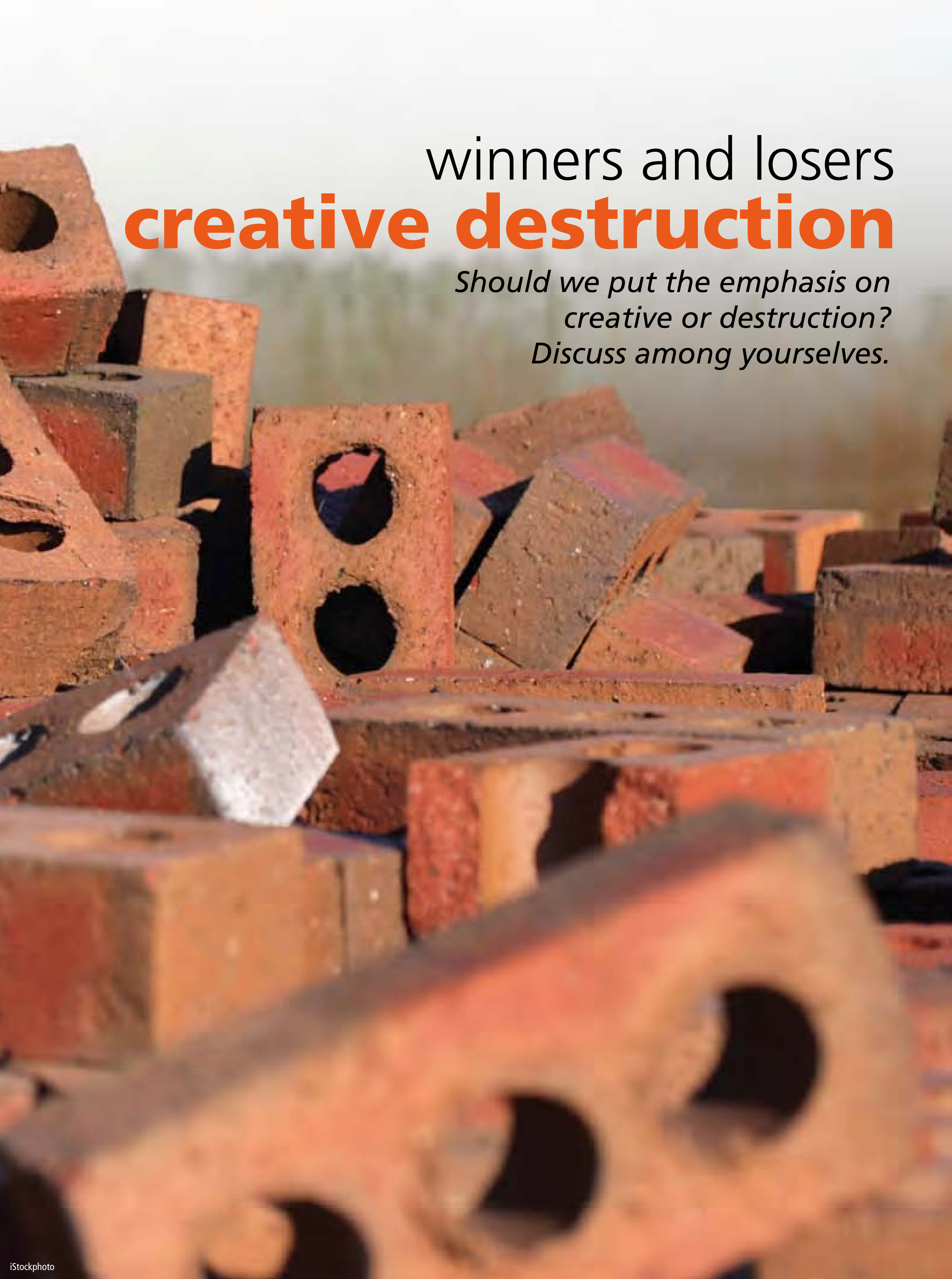
winners and losers
creative destruction

Should we put the emphasis on creative or destruction? Discuss among yourselves.



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Capitalism, wrote Joseph Schumpeter, "is by nature a form or method of economic change." New ideas, technological advances, and innovative production methods create "a perennial gale of creative destruction," and more often than not, the changes are introduced by entrepreneurs and start-ups that are more nimble and less risk-averse than older, established companies.

Or to put it another way: In a capitalist economy, no one stays on top forever. Innovators enter the market and shake things up. Over time they become bigger, richer, slower, and more complacent. Then new players come along and the cycle begins again.

Creative destruction is not a new concept, but when Schumpeter coined the term in 1942, the world was a very different place than it is today. Geography and climate had a far greater impact on daily life, and everything – people, money, information – moved more slowly. The first mile of interstate highway had yet to be built; the first passenger jet had yet to take flight. Air conditioning was so rare that the few stores or theaters that had it were always sure to advertise the fact. TV was still just a promising experiment. Long distance phone calls were a major undertaking; cell phones and satellite communications were the stuff of science fiction; microchips and the Internet were almost beyond the power of imagination.

Then, in the second half of the 20th century, the pace of change accelerated. Innovation and technology pushed aside many of the physical barriers that had bound people and commerce to particular geographic locations and traditional ways of doing things.

It all added up to greater mobility, a broader range of choices, and, for many people, a better chance to pursue their own particular vision of happiness. Homebuyers said goodbye to their old neighborhoods and headed deeper into suburbia. Shoppers abandoned downtown for the mall, big box discount stores, and the Internet. Business owners packed up and went where labor was cheaper, taxes were lower, and regulations were less burdensome. Investors moved their money to wherever the return was best. And all of them – homeowners, shoppers, business owners, investors – were able to do these things because technology and innovation had given them the option.

Yes, Schumpeter was on to something. Creative destruction has, on balance, led to greater prosperity and new opportunities for investors, entrepreneurs, consumers, and jobseekers (if they have the right mix of skills).

Still, there remains a certain level of ambivalence towards creative destruction. It hasn't produced outcomes that are uniformly positive, nor have its benefits been universally shared. Lives have been disrupted and livelihoods have been lost, especially in older industries and cities, where people have experienced more than their share of "destruction" and precious little "creation."

And therein may lie the one major con – "con" in the sense of "downside" – to creative destruction. Taken to an extreme, it can be used, or misused, as a justification for a Darwinian society in which the prevailing attitude is "I've-got-mine-and-devil-take-the-hindmost." We had that type of society in the 1890s, and we probably don't want to go back to it.

Yet, at the same time, few of us would want to live in a stagnant economy that offers little opportunity and even less hope. We may not always see eye to eye on what constitutes "true progress" or "smart growth" or "a better future," but we can pretty much agree that we don't want to stifle innovation.

So, we face a stiff challenge: How do we sustain economic growth and create new opportunities while mitigating the economic dislocation that invariably accompanies creative destruction?

We've expressed that challenge in the form of a question because we don't have the answers. But here are a few general thoughts on the matter:
- Some people will try to convince you that economic change is always for the better; others will promise to restore an economic Golden Age that never was. Beware! There's danger in embracing either point of view.
- Some things from the past are worth holding onto, and some can't be saved . . . no matter how hard we try.
- Change may be inevitable, but our response to it is not.

And finally . . .

- As a wise person once said: When people can't call you wrong they call you names. So, as we cope with the challenges of economic change, maybe it's best to work from the premise that those who benefit from creative destruction aren't necessarily robber barons reincarnate, and their critics aren't necessarily neo-Luddites. There are genuine concerns all around.

times change

A Few of the Differences Between Life in 1950 and 2000

	1950	2000
On the Road		
Registered passenger cars in U.S.	40,339,000	133,621,000
Cars per 1,000 people	265.6	473.6
Miles of interstate highway[1]	0	46,677

[1]America's first long-distance superhighway, the Pennsylvania Turnpike (originally 160 miles), opened in 1940, 16 years before Congress created the Interstate Highway System. Before that, the only multi-lane, limited access highways in the U.S. were the Henry Hudson Parkway (11 miles) and the Bronx River Parkway (25 miles) in New York, the Merritt Parkway in Connecticut (37.5 miles), and Arroyo Seco Parkway in Los Angeles (9.5 miles).

	1950	2000
At Home		
Rate of homeownership (percent)	55	66
% U.S. households with a television	9	98.2
% U.S. households with a telephone	61.8	94.6
% U.S. households with central heat	50	94.3
% U.S. households with air conditioning	<1	74.6
On the Job		
% of workforce in manufacturing	34.0	14.0
Union membership		
% of private sector workers	31.6	13.5
% of all workers	34.6	9.0
Getting and Spending (see Glossary)		
GDP per capita (in 2000 dollars)	$11,179	$34,759
Disposable personal income*	$7,863	$25,472
Personal consumption expenditures*	$7,192	$23,862
Personal consumption - durable goods*	$554	$3,057
Personal consumption - nondurable goods*	$3,075	$6,895
Personal consumption - services*	$3,356	$13,911

*per capita in 2000 dollars.

Source: U.S. Census Bureau and Bureau of Labor Statistics

Home computers? Cell phones? iPods? The Internet?

Forget about it! They didn't exist in 1950.

Getting and Spending Glossary

GDP per capita – "Average real gross domestic product (GDP) per capita" is the generally accepted measure for standard of living. It tells us how big each person's share would be if we were to divide total GDP equally among all citizens. The assumption is that if real GDP per capita is growing, there's a strong likelihood that more goods and services are available to us, and we're in a better position to buy them.

Disposable income – Wages or salary you have available for spending or saving after paying your taxes

Personal consumption expenditures – A broad category that includes products and services intended primarily for individual use or consumption–things like restaurant meals, rent, movie tickets, and personal care products

Durable goods – Things that aren't consumed quickly and can be expected to last at least three years–things like cars, refrigerators, and couches

Nondurable goods – Things you buy often and use fairly quickly–things like food, clothing, and cosmetics

Services – Things like landscaping, day care, and health care

"My father works at the shipyard . . ."

***Fact:** In 1950, more than a third of the U.S. labor force worked in the manufacturing sector. By the year 2000, the number had dropped to around 13 percent.*

Hold your tongue between your thumb and forefinger, and say the phrase: "My father works at the shipyard, shoveling out ashes."

Ah . . . The old jokes are the best jokes, and during the 1950s, that one was a favorite among the grade-schoolers of Quincy, Massachusetts. Apart from the typical fourth-grader's fascination with all things scatological, the joke held special appeal for Quincy kids because they all knew someone who, at one point or another, had worked at the Fore River Shipyard.

Over the years, money from the Fore River payroll put food on a lot of tables and shoes on a lot of kids' feet. But shipbuilding was more than an engine of prosperity. It was also a source of identity and local pride. There was something special about living in a place that produced useful, tangible things for the rest of the world.

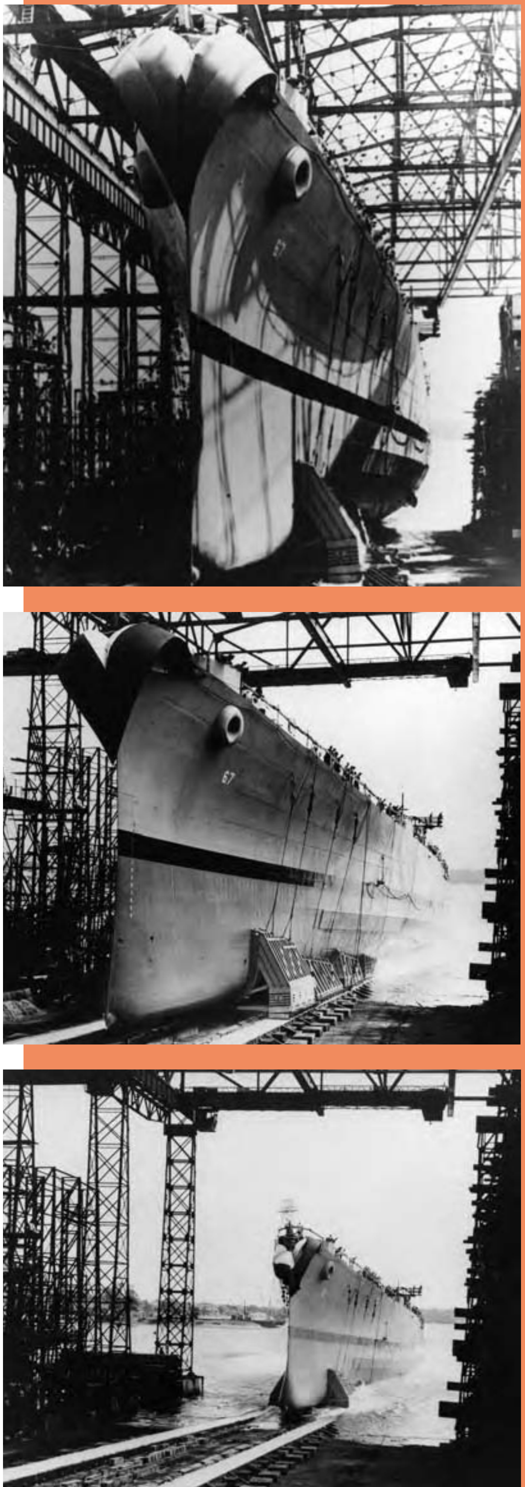
"The Yard" set the rhythm of life in Quincy and the surrounding communities. Everything from street traffic to retail sales depended on its hiring patterns. Paydays brought a sense of excitement and anticipation that's missing in our age of easy credit and instant gratification when every day is payday. The blast of its steam whistle was the sound of good times and prosperity.

Then, one day in 1986, the whistle sounded for the last time. It was as if that final blast had signaled the end of the industrial age.

Of course, the industrial age was still very much underway in China, Korea, India, and plenty of other places. But it had, in fact, come to a close in Quincy, and that was something of a milestone because in many ways, the story of Quincy and the Fore River Shipyard was a classic tale of success in the American industrial age.

It began in the 1880s with Thomas Watson. Yes, *that* Thomas Watson, assistant to Alexander Graham Bell, inventor of the telephone ("Watson, come here. I need you.").

Watson had received a stake in the Bell Telephone Company and was doing well as its director of research when he decided to take his money and buy a 60-acre farm beside the Fore River in East Braintree. But like many others before him, he quickly learned that farming was tougher and less idyllic than he'd imagined, and within a short period of time he established the Fore River Engine Company on his stretch of riverfront. By the late 1890s, the company was building destroyers for the



Launching of the *USS Topeka* at the Fore River Shipyard, August 1944. Photographs courtesy of the U.S. Naval Historical Center.

It's a dirty job, but . . .

Sitting in a climate-controlled office, it's easy to forget how uncomfortable – and dangerous – industrial jobs could be. And shipyard jobs had to be near the top of the discomfort index.

During the winter months at Fore River, the wind off the water would cut right to your bones. Touching the metal plates with bare hands would almost instantly drain the warmth from your body. Ice underfoot turned walking on scaffolding into a death-defying act.

Summer had its own special charms. Anyone who's ever worked on or near a sun-scorched metal bulkhead knows how a baked haddock must feel.

Then there was the asbestos. Pipe coverers spent their workdays coated in the stuff. The dust got into their lunches and went home with them in their clothes. People in the nearby houses – people who weren't even drawing a shipyard paycheck – had the dust blow into their backyards and through their open windows.

Yet, despite all that, there was always something special about watching a ship slide down the ways, knowing that you'd had a hand in building it. It's a feeling you just don't get from answering customer service calls or crunching budget numbers.

U.S. Navy, and in the early 1900s it expanded into neighboring Quincy, where it turned out many of the ships that helped win two world wars. In 1943, at the height of World War II, more than 32,000 people worked there, and even in some of the slower postwar periods, the yard's payroll often topped 5,000.

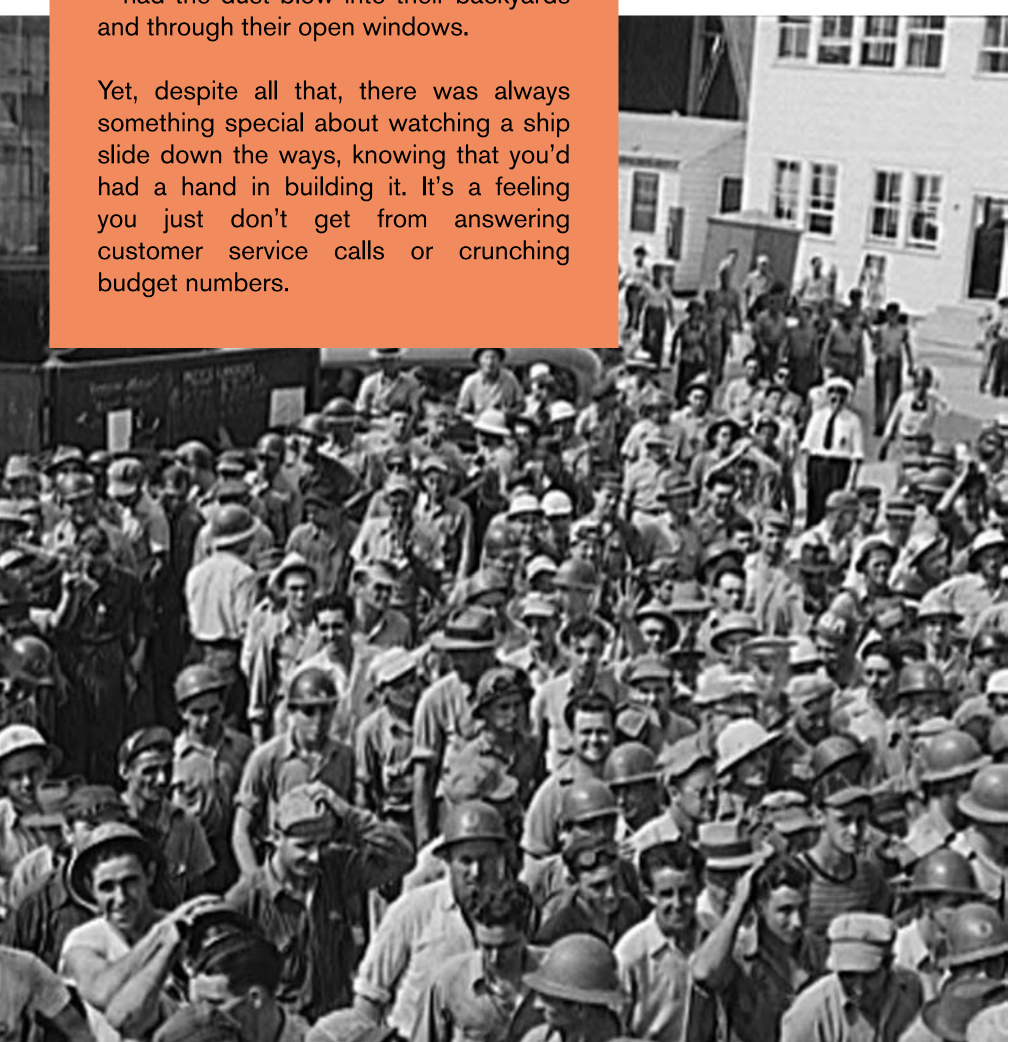
To anyone who lived in Quincy during the mid-20th century, Fore River Shipyard seemed like a permanent fixture. But, in fact, it existed for barely a century – a blip in time.

By the 1980s, it was no longer economically viable. Military contracts were going to yards that had created a niche for themselves: Electric Boat in southern New England had focused on submarines; Bath Iron Works in Maine had specialized in destroyers. Almost all the non-military work went to cheaper foreign yards after the U.S. government ended shipbuilding subsidies in the early 1980s.

What may have been the saddest chapter in Fore River's hundred year history came after the yard closed in 1986. A coalition of local leaders from the public and private sectors tried to revive it on a smaller scale. An investor came to town, much like Professor Harold Hill in *The Music Man*, promising to solve the troubles in "Fore River City." But the end result was the same as it almost always is when people try to keep a dying industry alive. Promises were made, money was spent, hopes were raised, but no more ships were built.

A corner of the old shipyard property is now home to the U.S. Naval and Shipbuilding Museum. The heavy cruiser *USS Salem*, Quincy-built and commissioned in 1949, is the museum's pride and joy. Not far from the *Salem* is the sewage sludge processing facility for the Boston Harbor clean-up. (If you're not sure what sludge is . . . well . . . hold your tongue between your thumb and forefinger and say . . . Yes, it's a byproduct of that.)

Much of the old shipbuilding equipment was sold or dismantled, and many of the old buildings were razed. A local auto dealer bought the 110-acre site in 2003. New cars, many of them imports, now occupy the space that was once used to build the carrier *Lexington* and the battleship *Massachusetts*. But maybe not for much longer. In 2006 the auto dealer filed a plan for a mixed-use development that could include waterfront condominiums, restaurants, office space, and marine-dependent uses.



Quitting time at the Higgins Shipyard, New Orleans, June 1943. Photograph courtesy of the Library of Congress, LC-USW3-034428-D.

The Quincy Point neighborhood near the Fore River Shipyard, December, 1940. Photographs courtesy of the Library of Congress, LC-USF34-042658-D and LC-USF34-042655-D.

In the neighborhood

Whether we want to admit it or not, town lines have become class lines. More than ever before, we're willing and able to insulate ourselves from people who "aren't like us."

Not that we didn't segregate ourselves by income in the past. There was a time, not so long ago, when every town had its "other side of the tracks." The difference is that now we tend to look at entire cities and towns as being "the other side of the tracks." We can distance ourselves more easily from people who don't earn as much as we do or didn't go as far in school as we did, and that represents a major social change.

But at the midpoint of the 20th century, in places like Quincy, you had to rub elbows with people of different social classes, whether you wanted to or not. The mix of neighborhoods ranged from lace curtain to shot-and-a-beer. White collar and blue collar families lived within walking distance of one another, and the routine patterns of daily life brought them together when they shopped or played or worshipped. Their children – rich, poor, middle-class – shared the same classrooms, played on the same teams, belonged to the same scout troops, and went to the same dances. It wasn't always comfortable – or even pleasant – but that was life.

In fact, to be completely honest, neighborhood life in the "old" Quincy was hardly idyllic. In its industrial heyday, the city was less diverse, less welcoming, less tolerant than it is now.

Or maybe it's more accurate to say that up until the 1980s, diversity in Quincy was defined by the variety of white ethnic groups. There was a Finnish Bath in the Brewer's Corner neighborhood, and the Viking Club on the Quincy/Braintree Line, a (mostly) Italian bocce club in South Quincy, a bunch of Irish social clubs, several synagogues and a Jewish Community Center, and even a Syrian bakery. But in a city of 85,000 there were few people whose roots were in Asia, Africa, or Latin America. In fact, you could have counted them on your fingers and toes . . . without having to take off both shoes.

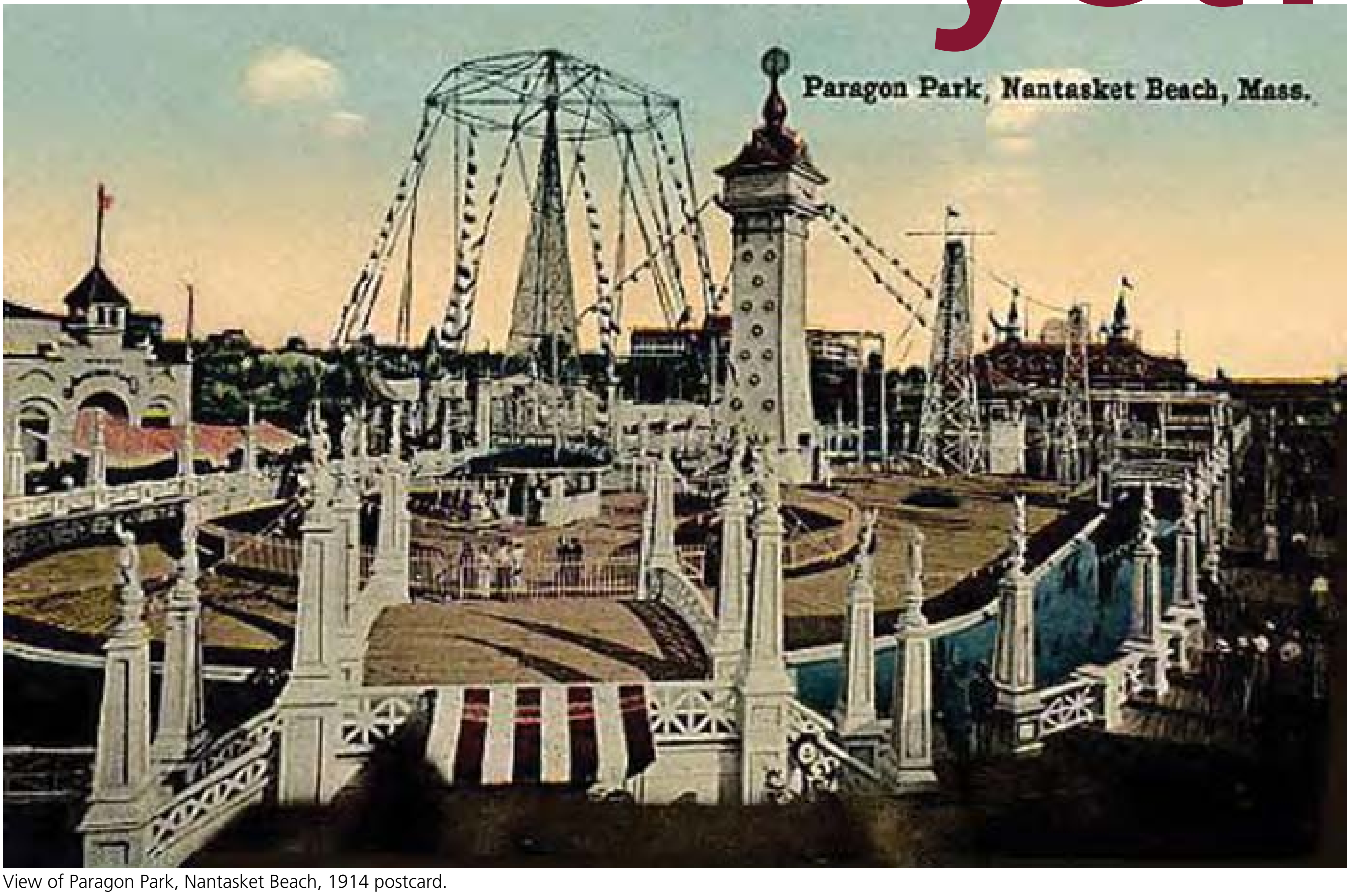
Today, that's no longer the case. Immigrants from China, Vietnam, India, Pakistan, Bangladesh, Sri Lanka, the Middle East, and a number of African countries have made lives for themselves in Quincy. Many are working at jobs in the new economic mix that includes high tech, health care, and financial services; others have used their entrepreneurial skills to start businesses. Together, they've breathed new life into an old industrial city. And, by almost any measure, that represents progress – progress that might not have been possible without economic change.

Quincy Demographics: Then and Now

	1950		**2000**
Total Population:	83,835	Total Population:	88,025
White Non-Hispanic	99.9%	White Non-Hispanic	78.4%
		Chinese	10.4%
		Black	2.2%
		Hispanic	2.1%
		Vietnamese	1.9%
		Two or more races	1.8%
		Asian Indian	1.3%
		Other race	0.9%
		Other Asian	0.7%
		Filipino	0.6%

Source: U.S. Census Bureau and Center for Urban and Regional Policy at Northeastern University

Are we having fun yet?



View of Paragon Park, Nantasket Beach, 1914 postcard.

Nostalgia, in small doses, isn't particularly damaging. There's no harm in sitting around over coffee, or whatever suits your mood, and reminiscing about old times that weren't nearly as carefree or pleasant as we remember.

But even after correcting for nostalgia, it's hard to shake the feeling that our pursuit of happiness has become a bit more desperate and earnest in recent years. At some point during the second half of the 20th century, fun and entertainment got to be more pricey, less local, and, in some ways, far more complicated than before.

We now tend to look for amusement farther from home, and we spend more money doing it. The area around Quincy offers evidence of the change, if you know where to look.

Start in the Blue Hills, which are visible from almost any point in the city. Walk along the hiking trails and sooner or later you'll come across the remnants of an old ski jump. Back in the 1930s, it was the focal point of a winter carnival that drew as many as 30,000 revelers. Today, the jump's overgrown foundation is the only reminder. There's still skiing in another section of the Blue Hills, but the real winter sports enthusiasts head out to the Rockies or over to the Alps. Even northern New England now seems too close to home to have much snob appeal.

For another example, head over to Nantasket Beach. You won't need a passport or a plane ticket. Just hop in your car. It's only 10 miles from downtown Quincy or 20 miles from downtown Boston. You can even take the bus. And don't worry if your swimwear is a little out of date. Nantasket is not that kind of place. It's a long and beautiful public beach, that, up until the 1980s, was home to Paragon Park. Every metro area used to have a place like Paragon – an amusement park where people could escape the heat of a city neighborhood and enjoy a day of affordable summer fun. Most are now gone. Some have been replaced by oceanview condos or upscale shopping areas; others have transformed themselves into pricey theme parks that can cost hundreds of dollars for a day of "family fun." And then, of course, there's the Mickey Factor. The ultimate amusement park experience in this day and age means getting on a plane to Florida and coming home with a whopping credit card balance.

We've even managed to turn child's play into a more earnest, complicated endeavor that often puts added stress on kids and parents alike.

One of the unambiguous joys of growing up in places like Quincy in the 1950s or 1960s was that kids could go out and explore the world without having to wait for a ride from mom or dad. There were plenty of opportunities for grade-schoolers and middle school kids to amuse themselves without the suffocating influence of adult supervision. A nine-year-old with a dollar or two in his or her pocket could walk or bike to Quincy Square for an afternoon of comparison shopping at half a dozen candy counters. No money? No problem. You could always sneak into Duane's lumberyard, where the stacks of two-by-fours and heavy timbers made for excellent forts. Or there were salvage yards to rummage through and abandoned quarries for swimming and climbing. In short, a kid didn't have to spend his or her young life being shuttled from one structured activity to another, and parents had more time to live adult lives.

Not anymore. In Quincy, and just about everywhere else in America, childhood seems to have become a more serious business – more competitive, more directed, more goal-oriented – and economic change has had something to do with that.

True, there has always been a certain competitive aspect to childhood: sports, spelling bees, beauty contests, class rank. But towards the end of the 20th century, as more industrial jobs left the country and the economy went global, childhood competition rose to a new level.

A kid can no longer slide through high school and get a decent-paying job at the shipyard or the gear works. Indeed, as Thomas Friedman has pointed out so often, if American kids want a prosperous future, they'll have to hold their own against the best and brightest from around the globe, and the preparation for that global competition starts early. Forget about spending summers as a camp counselor. Kids now need to secure internships "in their chosen field" or establish humanitarian projects in the developing world, or . . . well, you get the idea. Somewhere along the line we bought into the notion that success in the post-industrial economy requires kids to build an impressive portfolio of accomplishments and activities. And parents need to direct those efforts or, at the very least, willingly chauffeur their kids from one self-improving activity to another.

Doesn't sound like much fun, does it? But that's the brave new world we're in. Is it an improvement over the way things used to be? The call is yours.

wheels & deals

What suburbia cries for are the means for people to gather easily, inexpensively, regularly, and pleasurably – a "place on the corner," real life alternatives to television, easy escapes from the cabin fever of marriage and family life that do not necessitate getting into an automobile.

Ray Oldenburg
Sociologist and author of
The Great Good Place

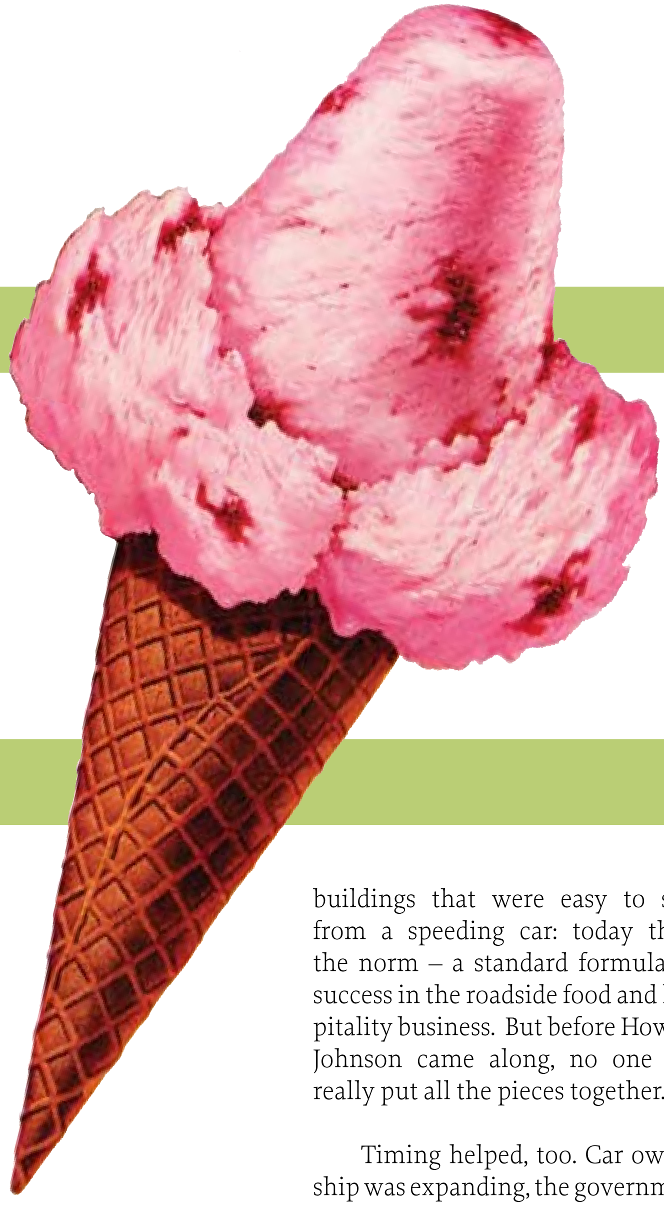
Los Angeles is the undisputed car capital of a car-loving country. And even though the Big Three aren't as big as they used to be, Detroit is still the Motor City.

But who would have guessed that Quincy has a valid claim to being the birthplace of America's car culture? That's right. Quincy, Massachusetts!

It all goes back to the 1920s, when cars were just beginning to change the way Americans lived, worked, shopped, and played. Howard Johnson, a young Quincy go-getter, was on the verge of developing a new business model for the automotive age: a chain of franchise restaurants that offered motorists a standard menu.

The name "Howard Johnson" no longer carries the instant recognition that it did in the mid-20th century, but years before the golden arches made their appearance, the orange-tiled roofs of Howard Johnson's roadside restaurants were "The Landmark for Hungry Americans." Aside from Henry Ford, it's hard to think of anyone who was more instrumental in shaping America's roadside culture. Ford put Americans on the road in affordable, mass-produced cars, and Johnson provided hungry, tired travelers with a nationwide chain of clean, predictable restaurants and hotels.

He started in 1925 with a $2,000 loan and a corner drugstore in Quincy's Wollaston neighborhood. According to hojo.com, the drugstore "sold candy, newspapers and patent medicines – but Howard quickly noticed that the real action was at his old marble soda fountain. He figured that if he could invent a better tasting ice cream cone, the world (or at least Wollaston) would beat a path to the Howard Johnson store."



And that is exactly what happened. Customers were soon lining up to buy his vanilla and chocolate ice cream, which, according to legend, was made from his mother's secret recipe. (In fact, the only real "secret" was that it contained double the usual butterfat content.) Within a few years he had opened a handful of beachfront stands that offered 28 flavors of ice cream, and in 1935 he licensed his first Howard Johnson's franchise to a friend in Orleans on Cape Cod.

By the 1950s there were hundreds of full-service Howard Johnson's roadside restaurants in 32 states. Most were franchises that adhered to Johnson's strict standards. He insisted that they use high-quality food prepared according to standard guidelines so that roadside travelers could enjoy the same, predictable dining experience regardless of whether they were in Maine or Florida. He also developed a chain of company-owned and franchised Howard Johnson's Motor Lodges, and eventually the company logo appeared on 500 motor lodges, which may not have rivaled the great hotels of Europe but did provide tired motorists with clean sheets, air conditioning, and free parking, all at a reasonable rate.

Franchising, cleanliness, high-volume sales, predictability, standardization, and distinctive buildings that were easy to spot from a speeding car: today that's the norm – a standard formula for success in the roadside food and hospitality business. But before Howard Johnson came along, no one had really put all the pieces together.

Timing helped, too. Car ownership was expanding, the government was making a massive investment in highways, the U.S. population was booming, and the economy was growing. For anyone with the right vision, all these changes presented new opportunities, and in 1950, as Howard Johnson was beginning to hit full stride, another Quincy entrepreneur was just getting started.

As a boy, Bill Rosenberg had worked in his father's neighborhood grocery store and went on to drive an ice cream truck before taking a defense job at Quincy's Fore River Shipyard during World War II. While at the Yard, he saw firsthand that coffee breaks and lunch were important events in the typical workday at an industrial plant. When the war ended, he bought a few surplus trucks and began making regular coffee runs to the shipyard and other worksites. In 1950, he opened a coffee and donut shop in Quincy, with the colonial-sounding (and forgettable) name of "Open Kettle." Before long he changed the name to Dunkin' Donuts, and in 1955, after opening a few more donut shops, he followed Howard Johnson's example and entered into his first franchise agreement. But unlike Howard Johnson's, Dunkin' Donuts always seemed able to keep up with changing times and tastes. Fifty years after the first shop opened in Quincy, Dunkin' Donuts had 5,000 outlets worldwide, and the brand has continued to thrive.

Ironically, the changes that made it possible for Howard Johnson and Bill Rosenberg to build franchising operations that extended well beyond Quincy also created the conditions that led to the decline of downtown Quincy. Not that it's a ghost town, or even economically depressed. Far from it. But anyone who knew the place that once billed itself as "Shopperstown U.S.A." also knows that it's nothing like what it was.

During the holiday shopping season in the 1950s, downtown Quincy looked and felt like Oz. The mechanical window displays at Remick's department store were a marvel. Shoppers laden with bundles packed the sidewalks. Many of the stores were small, locally owned specialty shops: Jason's for records, Milton's for fine men's clothing, Barker's for office and school supplies, Westland's or Colman's for sporting goods, and the Bargain Center for great deals on just about anything. Even some of the department stores – Remick's and Sheridan's were locally owned. National chains were part of the mix – Sears, Kresge's, Woolworth's, Grant's – but they were not the dominant players that today's giants have become.

Quincy's commercial district thrived on innovation and marketing. It was among the first shopping areas in Greater Boston to attract customers by building a large municipal parking area that allowed Quincy to position itself as an alternative to the congestion and inconvenience of downtown Boston. But in a twist of fate, it was cars and parking that ultimately took business away from Quincy.

In the early 1960s, a large regional mall opened in neighboring Braintree, at the convergence of two new highways that had bypassed downtown Quincy. With acres of free parking and bright, modern stores, the South Shore Plaza soon eclipsed downtown Quincy as the major shopping destination south of Boston.

City officials tried their best to bring shoppers back to Quincy. They lobbied for connector roads to the main highways and built additional parking, but in the end, people kept driving to the mall.

Today, there are signs of a retail shopping revival in Quincy, but if it happens, it will probably have more to do with market forces than municipal planning. Quincy is one of the few places near Boston where retail space is still relatively affordable, and it's also a place where the boom in condo construction is creating a larger pool of potential customers. And unlike the old-time "Shopperstown" customers who spent their shipyard payroll checks to buy groceries and school clothes, many of the new customers are empty-nesters or young professionals with more disposable income to spend at shops that once might have seemed out of place in Quincy – high-end bakeries, a gourmet food store, a wine and cheese shop – shops that aren't necessarily competing head-to-head with stores at the mall.

All in all, if the revival happens, it will be a net plus for the city. Still, if you remember the way things were, you probably can't walk past the old Remick's building without feeling a sense of loss. Main Street U.S.A. may not always have lived up to the romantic ideal, but there was something special about walking the streets of a bustling downtown – something special that you just can't find at the mall, no matter how many times you wander the climate-controlled corridors.

That's not necessarily a knock against shopping malls. Or, then again, maybe it is. Either way, it probably doesn't matter because malls and online shopping seem to be what people want.

We may look at those syndicated TV shows from the 1950s, 60s, or 70s and get nostalgic for Main Street, Mom-and-Pop stores, and Made-in-the-U.S.A. products, but when it comes to how we actually choose to live our lives and spend our money, our actions show a preference for something quite different.

Image courtesy of PLAN59.com

Government *can* make a difference.

Delivering electric service to almost every American household had a huge impact on the overall standard of living. And what's remarkable is that government, not the private sector, was the driving force behind it.

Why use the word "remarkable" to describe a government accomplishment? Because at some point in the late 20th century, many Americans seemed to buy into the idea that the private sector can do almost anything better than government can, and that the best thing government can do is stay out of the way and let the markets do what they do best.

But market forces aren't always as effective as we might hope.

Up until the 1930s, only a fraction of American farms had electric power. Private utility companies were supplying electricity to almost 90 percent of the urban population, but they were slow to extend service to rural areas because of the expense involved in running power lines to isolated homesteads. There was no real progress in bringing electricity to the countryside until the U.S. government took the initiative, and Congress passed the Rural Electrification Act in 1935.

Few pieces of legislation would have a greater impact on American life during the second half of the 20th century – not only in the countryside, but also in places like Quincy and other northern industrial cities. Why? Because without electricity, there's no air conditioning, and without air conditioning the Sun Belt would have taken a lot longer to gain population and economic clout. In 1950, nine of the ten biggest U.S. cities were located in the Northeast or the Midwest, but by the early 21st century, seven of the ten were in California, Texas, or Arizona, where almost everyone lived, worked, and shopped in air-conditioned comfort (see chart).

THE 10 BIGGEST CITIES IN THE U.S.

1950		2005	
New York	7,891,957	New York	8,143,197
Chicago	3,620,962	Los Angeles	3,844,829
Philadelphia	2,071,605	Chicago	2,842,518
Los Angeles	1,970,358	Houston	2,016,582
Detroit	1,894,568	Philadelphia	1,463,281
Baltimore	949,708	Phoenix	1,461,575
Cleveland	914,808	San Antonio	1,256,509
St. Louis	856,796	San Diego	1,255,540
Washington, D.C.	802,178	Dallas	1,213,825
Boston	801,444	San Jose	912,332

Source: U.S. Census Bureau

They were also able to drive their air-conditioned cars on an impressive network of freeways, thanks to legislation that created the Interstate Highway System in 1956. And here's where the connections get interesting, because the government program that brought electricity to farmers in 1935 also helped to create a power grid that would supply electricity to the subdivisions, malls, assembly plants, and office parks that sprouted in the orange groves and cotton fields near interchanges of the superhighways built with federal money during the 1950s and 1960s.

Photograph courtesy of the Missouri Department of Transportation.

Those are just two examples of how government actions influenced the economic fortunes of the Sun Belt and the northern industrial areas. Here's a brief look at five more.

• Federal policies made college accessible to more people and transformed universities into research centers, many of which thrived in Sun Belt states. Older established universities in places like Boston retained their importance and prestige, but they were no longer the only places for scientists to conduct important research.

• The combination of lower taxes in the Sun Belt and higher taxes in the industrial North made "business climate" a major consideration. Rightly or wrongly, the North was often seen as being less "business friendly."

• Looser building regulations made new construction easier and cheaper in the Sun Belt than in the North, and that contributed to the shift in population and economic power.

• State laws that were favorable to labor unions in the North and hostile or indifferent to them in the Sun Belt had an impact on the cost of doing business. As far back as the 1920s, companies were leaving the North to take advantage of lower labor costs in the South. And even if companies were not actually planning to move, the mere threat of relocation gave them leverage in their dealings with labor unions and local politicians.

• We mentioned earlier that Quincy began to welcome a more diverse population in the 1970s and 1980s. Part of the reason is that changes in U.S. immigration laws in the 1960s had phased out a quota system that had heavily favored immigrants from northern Europe and largely excluded those from other parts of the world.

Sometimes the government get things right; other times it doesn't. Either way, its impact on economic life is undeniable.

Resources

Our online edition of *The Ledger* has direct links to all of the following resources. **http://www.bos.frb.org/education/ledger/ledger.htm**

Joseph Schumpeter and Creative Destruction

"The Father of Creative Destruction"
Frank Rose, *Wired*, March 2002.
http://www.wired.com/wired/archive/10.03/schumpeter.html

"Biography of Joseph Alois Schumpeter"
The Library of Economics and Liberty
http://www.econlib.org/Library/Enc/bios/Schumpeter.html

Robert Solow on Joseph Schumpeter
Economist's View, May 17, 2007.
http://economistsview.typepad.com/economistsview/2007/05/robert_solow_on.html

Industrial Quincy

"Quincy Shipyard Launches First Nuclear Powered Cruiser"
http://www.massmoments.org/index.cfm?mid=205

"A History of Shipbuilding at Fore River"
Anthony F. Sarcone and Lawrence S. Rines.
http://www.thomascranelibrary.org/shipbuildingheritage/history/history.htm

"Quincy's Granite Legacy"
http://www.thomascranelibrary.org/legacy/grant.htm

Quincy Historical Society
http://www.quincyhistory.org

Highways, Air Conditioning, Shopping Malls, and Public Spaces

"Highway History"
Federal Highway Administration web site
http://www.fhwa.dot.gov/infrastructure/history.htm
The interstate highway system has been called the greatest public works program in U.S. history.

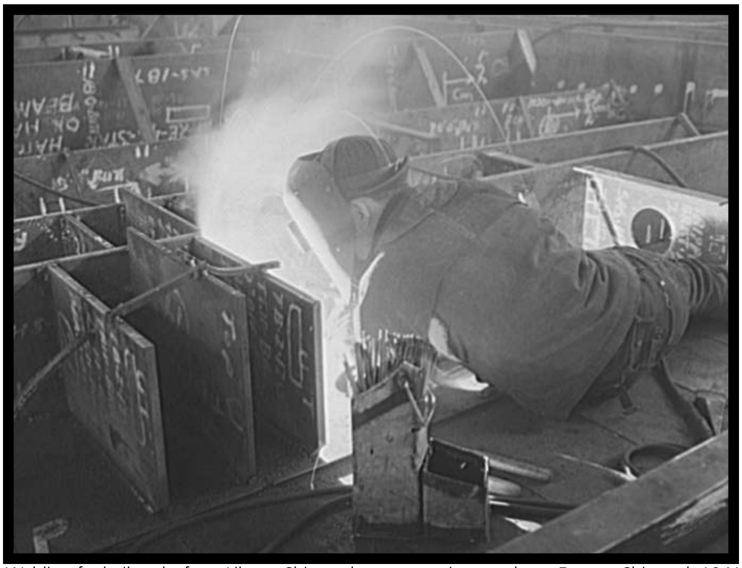
"Route 128 Opens Boston's High Tech Age"
Mass Moments web site
http://www.massmoments.com/index.cfm?mid=246
The construction of Route 128, the first multilane beltway around Boston, had a major impact on downtown Quincy.

"The 20 Greatest Engineering Achievements of the 20th Century"
The National Academy of Engineering web site
http://www.greatachievements.org

"How Air Conditioning Changed America"
The Old House Web
http://www.oldhouseweb.com/stories/Detailed/725.shtml

"Keeping Things Cool: Air Conditioning in the Modern World"
Susanna Robbins, (originally appeared in *OAH Magazine of History*, October 18, 2003),
Organization of American Historians web site
http://www.oah.org/pubs/magazine/sunbelt/robbins.html

"The End of the Long Hot Summer: The Air Conditioner and Southern Culture"
Raymond Arsenault, (originally appeared in *The Journal of Southern History*, November 1984), JSTOR – Journal Storage web site
http://www.jstor.org
Use the Search function, type in "air conditioning."



Welding fuel oil tanks for a Liberty Ship under construction at a large Eastern Shipyard, 1941.
Photograph courtesy of the Library of Congress, LC-USE6-D-002422

"Shopping Mall History"
American Studies Department, Eastern Connecticut State University
http://www.easternct.edu/depts/amerst/MallsHistory.htm

"Great Public Spaces"
Project for Public Spaces web site
http://www.pps.org/great_public_spaces/

Moving to the Suburbs

"Levittown: Documents of an Ideal American Suburb"
Peter Bacon Hales, Art History Department, University of Illinois at Chicago
http://tigger.uic.edu/~pbhales/Levittown/

Quincy: The Cradle of American Roadside Culture

Three retrospectives on Howard Johnson's
http://www.slamtrak.com/hojo2003/index.htm – Check out the illustrations!
http://www.massmoments.com/index.cfm?mid=273
http://www.roadsidefans.com/hojo.html

Two brief histories of the Dunkin' Donuts chain, which got its start in Quincy.
https://www.dunkindonuts.com/aboutus/company/History.aspx
http://www.massmoments.com/index.cfm?mid=273

Government's Impact

"Government's 50 Greatest Endeavors"
The Brookings Institution web site
http://www.brook.edu/gs/cps/research/projects/50ge/endeavors/immigration.htm

"TVA: Electricity for All"
New Deal Network web site
http://newdeal.feri.org/tva/tva10.htm

"Effects of the Immigration Act of 1965 on Selected Population Characteristics of Immigrants to the United States"
Charles B. Keeley, Western Michigan University,
(originally appeared in *Demography*, May 1971)
JSTOR – Journal Storage web site,
http://www.jstor.org/view/00703370/di973790/97p01223/0

"1965 Immigration Law Changed Face of America"
National Public Radio web site
http://www.npr.org/templates/story/story.php?storyId=5391395

"Remembering the GI Bill"
Public Broadcasting System web site
http://www.pbs.org/newshour/bb/military/july-dec00/gibill_7-4.html

"Discuss among yourselves."

We thought about giving you several points to discuss. But when it comes to "economic change" there's one major question that overshadows all others:

> **Is there anything we can do, as consumers and citizens, to control the pace and direction of economic change?**

If you think there is, then what are your suggestions?

Likewise, if you think there's little we can do to influence the process of economic change, what are your reasons?

It's colossal !

It's stupendous ! !

. . . It's FREE ! ! !

Your people don't have to call our people. Just go to our web site.

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SHOW BUSINESS

The Economic$ of Entertainment

www.bos.frb.org/entertainment

Unit 1: Climbing the Charts is a computer-based learning unit that uses the music industry to look at:

- How the market for music developed
- How technology shaped the market
- Intellectual property rights and the controversy over downloading copyrighted music
- Government's role in a market economy
- How social change affected the market for music

Climbing the Charts has five modules.
You can use all five, or concentrate only on those that best fit your needs.

- The Game: a 15-question quiz
- Bonus Tracks: separate sections with additional background information
- Activities: short interactive exercises for extended learning
- Discussion Exercises: questions and topics for in-class debates or opinion papers
- Resources: direct links to a variety of web sites – everything from the New York Times to the Rock and Roll Hall of Fame