NEWS from the
Fiscal Policy Institute

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New Report Explains Erosion of Incomes and Wages for Most New Yorkers During 1990s

study shows how poor policy choices made matters worse instead of better; draws lessons for today's economic slump

Learning from the '90s, a new report from the Fiscal Policy Institute, explains how public choices contributed to income erosion in New York City during the 1990s, and identifies what we can do to chart a more effective course out of the current economic downturn.

This new report, which is being released in conjunction with the nation's observance of Labor Day, is intended as a working or action document for business, labor, government, religious, and civic organizations, and as a useful reference for the press and the public at large.

Coming almost a year after the September 11 attack that had a drastic effect on the New York City economy, this new analysis draws on data from the 2000 Census and other government sources. As this and other recent reports have shown, median family income and wages for New York City residents deteriorated in the 1990s. But a debate has ensued about why this should be the case, and what if anything government should do about it. ***Learning from the '90s*** debunks the increasingly common argument that immigration explains this downward trend in wages and incomes.

"Our analysis shows that immigration did not cause the income and wage erosion experienced by most New York families," says James Parrott, FPI's Deputy Director and Chief Economist. "The real causes were three major factors: the city's overdependence on Wall Street, the 1990s decline in middle-income jobs, and the ways in which local government has pulled planks out of the floor of the low-wage labor market."

Based on the analysis of the effects of local government action during the recession of the early 1990s, the report concludes that government should take a very different set of actions in today's downturn. "The good news," says Frank Mauro, FPI's Executive Director and a former Secretary of the State Assembly's Ways and Means Committee, "is that the federal government has provided substantial resources to aid in the city's economic recovery. The bad news is, these economic development resources—the $2.7 Billion in Community Development Block Grant funds provided to the Empire State Development Corporation and the Lower Manhattan Development Corporation—are being frittered away on grants to corporations, and nothing has been allocated for a much-needed job creation program."