FISCAL POLICY INSTITUTE

LEARNING FROM THE '90S

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Learning from the '90s 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. Scheduled for release over the Labor Day weekend, this new report 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.

The following are among the key findings in *Learning from the 90's*:

- Income erosion is a serious problem for New York City. During the 90's, median family incomes declined, poverty increased, and median wages dropped. In fact, except for the very highest-paid group, real wages in NYC today lag behind or barely exceed levels reached during the 1980's.

- Attempts to explain away the problem by reference to immigration simply don't hold water. During the 1980's, New York City had nearly as many immigrants as during the 1990's, and yet during the 80's median wages increased substantially while poverty levels fell. In addition, statistical analysis of the ten largest US cities during the 1990's fails to reveal any correlation between the share of new immigrants and: a) the change in median family income; b) the change in the poverty rate; or c) the unemployment rate.

- More plausible explanations for NYC income erosion include: a) overdependence on a volatile Wall Street sector that contributed to high unemployment in the early to mid-1990's; b) unfavorable changes in the city's job mix producing a decline in middle wage jobs across several sectors; and c) state and local policies that have pulled out planks in the wage floor.

- The current economic downturn (resulting from the recession and 9/11's economic impact) is hitting especially hard here in NYC. Unemployment has risen much faster here than in the US, and signs of economic distress are multiplying.

- Public institutions need to respond to these realities by: a) immediately using Federal 9/11 recovery monies to fund a major counter-cyclical job creation program; and by b) establishing a concerted longer-term public effort to diversify the economy and rebuild/raise the wage floor.

For more information on this report, or to schedule a visit from an FPI staff person to discuss the report's findings, please contact James Parrott, FPI's Deputy Director and Chief Economist, at (212) 414-9001, ext. 221 or **parrott@fiscalpolicy.org**.

Founded in 1991, FPI's work is intended to further the development and implementation of public policies that create a strong, sustainable economy in which prosperity is broadly shared by all New Yorkers. FPI has offices in Latham (a suburb of Albany) and New York City.