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New York's National and International Influence

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If, as Walter Benjamin said, the capital of the nineteenth century was Paris, then the capital of the American Century surely was New York.[1] During the decades following World War II, when American power was at its peak, elites and institutions based in New York exercised enormous political, economic, and cultural influence both at home and abroad. Wall Street lawyers and bankers played a central role in fashioning the policies of containment, collective security, and liberal internationalism that the United States pursued in the international arena. Corporations headquartered in the metropolis brought American products, and extended American business methods, throughout the world. Finally, New Yorkers exercised predominant influence in many areas of American cultural life: the New York School of Abstract Expressionists in the visual arts; the "New York intellectuals" in literary and social criticism; the New York-based companies of George Balanchine and Merce Cunningham in modern dance.

The 1970s witnessed serious challenges to both the dominant position of the United States within the international arena and of New York within the United States. The abandonment of the Bretton Woods sys-

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tem of fixed currency-exchange rates, the overthrow of a number of U.S.-backed regimes in Third-World nations, and the resurgence of Marxist literary and social theory signified the decline of American economic strength, political power, and cultural authority. Also, New York's economy contracted sharply and in 1975 its municipal government was placed in receivership; the city's foreign-policy elite fragmented; and Congress imposed restrictions on the activities of New York's charitable foundations.

If the decade of Watergate and the New York fiscal crisis was clearly a traumatic one for the United States and its largest city, the years since 1980 are more difficult to characterize. In some respects the trends of the 1970s have continued. The increasing flow of goods, capital, and immigrants from Asia to the United States has helped Los Angeles and San Francisco to grow, relative to New York, as centers of commerce, communications, and manufacturing. Californians and Texans have moved into positions in the national security establishment that New Yorkers virtually monopolized forty years ago. And the conservative evangelical movement of the 1980s, including its efforts to impose restrictions on art exhibits in the name of "local community standards," can be seen as a provincial revolt against cosmopolitan values commonly identified with New York.

On the other hand, many changes in American national life over the past decade reflect the influence of New York. Wall Street investment banks played a larger role in the reorganization of American industry in the 1980s than at any time since the merger movement of 1898–1904. New York may have lost its privileged access to the State Department, but it retains close ties to the Federal Reserve—and the central bank became a key institution of macroeconomic management under Paul Volcker and Alan Greenspan in the 1980s and early 1990s. Finally, in spite of cultural diffusion there have been centralizing tendencies in the cultural realm in recent years and the focal point of many of these is New York—for example, the emergence of the *New York Times* and *Wall Street Journal* as national newspapers, or the conglomeratization movement in the publishing and entertainment industries.

The chapters in this book seek to make sense of these developments by analyzing the changes that have occurred in New York's influence in economics, politics, and culture over the past half-century. This introductory chapter offers an overview of these changes in New York's influence. Before proceeding to that task, however, it addresses two prior questions. What conditions shape the influence that cities exercise in national affairs? How is it that New York emerged as the most influential city in the United States?

Metropolitan Influence

Scholars have devoted surprisingly little attention to analyzing the influence that cities exercise on American national life. Generally speaking, students of national affairs—national politics, macroeconomics, and national cultural trends—pay little heed to local influences on the developments they examine. And though social scientists in the field of urban studies have analyzed the impact of space and location on social life, two images of the city have tended to dominate their work. The first depicts the city as a microcosm. Urban sociologists and anthropologists commonly regard cities (or their neighborhoods and even street corners) as self-contained worlds whose social relations can be studied in isolation from the surrounding environment.[2] The second major image in urban studies is that of the dependent city. Urban economists and, increasingly, political scientists postulate that businesses and residents would just as soon leave their cities as remain, that municipal governments are constrained from doing anything which might drive employers and taxpayers away, and that consequently cities are buffeted by forces beyond their control.[3] This image implies that the city is more an object than a source of influence.

There are, however, some exceptions to this pattern. A century ago, James Bryce devoted a chapter of *The American Commonwealth* to analyzing the impact on American political and intellectual life of the absence of a capital city in the United States—a city that would serve as the nation's political, economic, and cultural center. Bryce argued:

> In the case both of politics and literature, the existence of a capital tends to strengthen the influence of what is called Society, that is to say, of the men of wealth and leisure . . . whose company and approval are apt to be sought by the men of talent. Thus where the rich and great are gathered in one spot to which the nation looks, they effect more in the way of guiding its political thought and training its literary taste than is possible where they are dispersed over the face of a large country.[4]

In nineteenth-century America, however, Washington was the political capital, New York the business and financial center, and Boston, New York, and Philadelphia shared cultural influence. In this situation, Bryce asserted, "doctrines may be less systematic, programmes less fully reasoned out than when the brisk intelligence of groups gathered in a capital labours to produce them," but they tend to be "more truly representative of all the classes, interests, and tendencies that exist within the nation."[5]

If Bryce discussed how a nation's political and literary culture may be shaped by the interaction of writers, public officials, and men of wealth *within* cities, economic geographers such as Allan Pred have analyzed the relationships *among* different cities.[6] Pred observes that the activities conducted in any given city are a function of those conducted in the other cities with which its firms and organizations interact. Thus the cities in a region, a nation, and indeed, the world may be regarded as elements of a larger system. City-systems generally have a hierarchical structure. Organizations in large cities characteristically supply information and issue commands to those in smaller cities. Thus institutions located in cities at the apex of this hierarchy can exercise influence, through urban networks, that is national—or international—in scope. In the concluding chapter of this book, Paul DiMaggio discusses the implications of the essays in this volume for theories of inter-city relations.

The historical sociologist Charles Tilly has recently analyzed the relationship between urban networks and the development of state structures.[7] Tilly notes that from the fifteenth through the seventeenth centuries, land warfare in Europe was dominated by the mercenary troops of private military contractors, and naval warfare was conducted by warships that were readily converted from merchant vessels. In the most heavily urbanized region of Europe, cities commanded sufficient resources to deploy substantial military and naval forces on their own, or to extract concessions from monarchs in exchange for supplying the loans that would enable the national state to acquire such forces. Hence in Europe's urban heartland, cities were able either to maintain their independence (e.g., Florence, Milan) or to gain direct representation in the ruling structures of national states (e.g., the Netherlands, England). By contrast, in the more peripheral regions of Europe, where cities were weak, absolutist monarchies and empires prevailed.

The work of these scholars suggests that urban systems can function as networks of influence in national and international affairs. It also indicates some directions in which to look when seeking to understand changes in the influence New York has exercised in American national life. Pred's discussion of international communications flows and systems of cities suggests that in seeking to account for shifts in New York's national influence it may be useful to look outward to the changing position of the United States in the world. Tilly's analysis indicates that one should examine the interplay between the American city–system centered in New York and other national institutions. And Bryce's observations suggest that shifting patterns of interaction among elites within the metropolis may alter the character of the nation's economic, political, and cultural life.

The national or international influence that particular New York–based institutions exercise is a function not only of the standing of New York's institutions relative to institutions in other major cities within that domain (e.g., corporate finance), it is also a function of the structure of the domain in question. For example, New Yorkers may not exercise as much intellectual influence in the 1990s as the "New York intellectuals" exercised in the 1940s; less because Philadelphia, Detroit, or Houston have grown in importance relative to New York as sites of intellectual exchange than because universities have come to play an increasingly important role in American intellectual life. Seminar rooms and academic journals in such unlikely places as New Haven, Ithaca, and Palo Alto have become significant centers of intellectual exchange akin to New York City's coffee houses and little magazines of a half-century ago. The following chapters point to this sort of pluralization of the various environments within which New York institutions now operate.

New York's national and international influence in various domains is affected not only by changes in the environments within which New York institutions operate, but also by explicit decisions of the municipal government and social processes within the city. For example, the rise of New York banks and corporations to a dominant position nationally and internationally during the postwar decades was assisted by the municipal government's construction of an elaborate network of highways which facilitated commuting between the city and its bedroom suburbs. In this and other ways, the municipal government fostered the development of dense office districts in Manhattan in which national and international corporations found it convenient to engage in transactions with one another and to acquire legal, financial, and other professional services.

In a recent article, Jason Epstein asserts that these highway projects and office towers destroyed many small manufacturing plants.[8] He argues that the municipal government should have devoted less attention to highway projects and more to policies that would have encouraged the city's manufacturers to develop new markets. In the absence of such policies, the city's manufacturing sector was left to wither. This reduced employment opportunities for recent migrants to the city, opportunities that had encouraged previous immigrants to lead stable lives. Not having much opportunity to find a job, the many recent migrants to the city have had less stable lives than their predecessors and large sections of the city have become ridden with crime.

The problems associated with a population undisciplined by labor markets may undermine the position of New York institutions. The sentiment, "New York is a nice place to visit, but I wouldn't want to live there," used to be attributed by New Yorkers to people they dismissed as hicks. Now an increasing number of executives and professionals, New Yorkers as well as outlanders, are expressing reluctance to move to, or remain in, the city because of blight, crime, and disorder. This may impair New York City's ability to exercise as much influence as formerly in a number of national and international domains.[9]

New York's Rise to Dominance

New York has long been America's "hinge" to the Atlantic world.[10] The key role New York played in managing the flow of commodities and capital between the United States and Europe enabled it to become the nation's largest city by 1805 and was a continuing source of influence thereafter. As New York's transportation, communications, and institutional linkages with the rest of the country multiplied over the next 125 years, its influence expanded accordingly.

New York emerged as the chief commercial city in the United States by virtue of the ties it established with London as Britain was becoming the world's leading economic and political power. In 1755, on the eve of the Seven Years' War, New York was designated as "the general Magazine of Arms and Military Stores" in British North America. As Eric Lampard notes, the "award of government contracts to politically-favored merchant houses for . . . military supplies enabled such firms to accumulate substantial credit balances in London. . . ."[11] That same year, the Board of Trade in London made New York the western terminus of a monthly postal vessel. Lampard observes,

> From the middle of the eighteenth century, therefore, New York City was tied into the burgeoning information network linking Britain and continental Europe, with all its potential for the promotion of communication and commerce. New York was brought from one to two days closer to London, Liverpool, Glasgow, or Amsterdam than Philadelphia or even Boston. . . .[12]

These links survived the American Revolution. The Anglo-French conflict of the 1790s enabled New York merchantmen to take business from European vessels diverted to war. By 1797 New York's export trade exceeded Philadelphia's, and by 1805 it became the nation's most populous city.

Commercial links between New York and Britain multiplied to the city's advantage in the nineteenth century. In the early years of the century, New York merchants made their city the chief port through which America's leading export—raw cotton—was shipped to England by dispatching agents to the South and advancing money to planters on the security of their crops. Jefferson's embargo and the War of 1812 set back the city's foreign trade, but when hostilities ended, the British selected New York as the site for auctioning their surplus textiles. And in 1818 the Black Ball line introduced regularly scheduled sailings between New York and Liverpool.

The transportation revolution of the second quarter of the nineteenth century added to New York's commercial primacy. As canals and railroads reduced the costs of land transportation, inland merchants, farmers, and manufacturers had a declining incentive to ship goods through the closest seaport and greater reason to do business in the city with the best commercial facilities, New York. As Raymond Vernon explains,

> For a time, New York's unique scheduled sailings, its "ship brokers," and its wholesalers could be matched nowhere else. Those who used the New York Port could hold down their costs of doing business by relying on these facilities, these "external economies" which establishments obtain through sharing the services of specialists external to themselves.[13]

New York's dominance of foreign trade gave it advantages in competing for domestic business. Firms that were initially involved in overseas commerce came to deal in domestic products. In addition, as the nation's leading entrepôt for people as well as goods, the city provided employers with an enormous pool of labor possessing a wide range of skills. New York's population was ethnically more heterogeneous than that of any other American city, and its upper classes were less coherent than Boston's or Philadelphia's.[14] The relative fluidity of the city's social structure may have contributed to the entrepreneurialism of its business community.

There was an especially close relationship between New York's commercial primacy and its emergence as the nation's financial capital. Financing foreign trade served as a major source of business for the banks of the metropolis. Moreover, retail merchants throughout the country had to remit funds to New York for the goods they purchased from the city's wholesalers, and consequently the local banks with which they did business found it useful to maintain balances in New York. By the 1850s, 600 of the 700 commercial banks in the United States had correspondent accounts with banks in the metropolis.[15] New York supplanted Boston as the nation's chief market for railroad securities in the late 1850s, because Boston's economy contracted sharply during the depression that followed the Panic of 1857, whereas New York's commerce continued to expand and hence its merchants were in a position to seek new investment opportunities.[16] And access to foreign, especially British, capital contributed to New York's emergence as the major market for industrial securities at the end of the nineteenth century. J.P. Morgan & Co., the nation's most influential investment banking house, had affiliates in London and Paris.[17] Kuhn, Loeb & Co., the city's leading Jewish investment banking firm, had ties to financiers in London and Frankfurt.[18]

Wall Street bankers were largely responsible for organizing the giant national corporations—in railroads, manufacturing, petroleum, and mining—that were created in the United States at the end of the nineteenth century. A substantial proportion of these corporations established their headquarters in New York: In 1895 the metropolis had 298 firms worth more than $1 million, while second-ranking Chicago had eighty-two. As David Hammack explains, "Corporate leaders . . . found that New York offered by far the best combination of marketing facilities, commercial information and financial, professional and technical services . . . all available for face-to-face discussions. . . ."[19] Similar considerations encouraged the wealthy to congregate in the metropolis. At the end of the nineteenth century, close to half of America's millionaires lived in the New York metropolitan area.

New York's commercial primacy contributed to its cultural influence. Because New York's commercial links with Britain and the Continent were the best in the United States, the city's newspapers were the first to gain access to political, economic, and cultural news from abroad, and during the 1820s and 1830s daily newspapers in Philadelphia, Boston, and Baltimore would simply reprint foreign dispatches from the New York press. The frequency of sailings from New York to other American cities gave its newspapers advantage in the publication of domestic news as well. For example, in 1817, news from New Orleans, that on average took thirty-four days to reach Philadelphia, was available a full week earlier in New York. As late as 1841, newspapers in New Haven received their Boston news from New York.[20]

By the 1830s, New York had clearly become America's newspaper capital. In competing with one another, the city's eleven dailies introduced major innovations into American journalism, some of which were borrowed from Britain. In particular, the New York *Sun* and the New York *Herald* were the first successful penny dailies in the United States. They relied on the "London plan" of circulation management to create a mass market for newspapers: single-copy sales (previously, newspapers had been sold by annual subscription), a low price, and hawking by newsboys. The New Journalism of the 1880s—which relied on crusades and sensationalism to further extend the market for newspapers—also emerged out of New York's hypercompetitive environment. These journalistic innovations diffused down the hierarchy of cities, and ambitious journalists (not least, newspaper publishers Joseph Pulitzer, William Randolph Hearst, and Adolph Ochs) advanced their careers by moving up the urban hierarchy to New York.

During the nineteenth century, New York also exercised leadership by example in the realm of elite culture. The concentration of millionaires in New York after the Civil War made it possible to establish museums, orchestras, and opera companies that catered to an upper-class clientele and that institutionalized a distinction between highbrow and lowbrow culture.[21] The New York Philharmonic's conductor, Theodore Thomas, played a particularly important role in this regard. He insisted that audiences acknowledge the distinction between the fine arts and mere entertainment by approaching symphonic music with reverence and restraint.[22]

The names adopted by a number of elite cultural institutions in New York—the American Museum of Natural History, the Metropolitan Museum of Art, and the Metropolitan Opera—indicate that they had pretensions to cultural leadership on a national, not merely local, scale. As Vera Zolberg notes in her chapter in this volume, the nonprofit mode of organization pioneered by the Metropolitan Museum was picked up by elite institutions in other cities. Nonetheless, New York at most occupied a position of *primus inter pares* during the nineteenth century: elite cultural institutions in Boston, Philadelphia, and Chicago could also purchase Old Masters and hire prominent European conductors. Museums and symphony orchestras in other major American cities thus rivaled New York's elite cultural institutions in prestige.

The development of new media of communications and forms of popular culture at the turn of the twentieth century added to New York's influence. Weekly magazines, the popular music industry, and vaudeville booking agencies were all concentrated in New York. Success in these fields required knowing which topics were timely and which styles and performers currently were popular—and anticipating the ones likely to become hot in the near future. Nowhere in the United States could such information be obtained more quickly than in New York, the nation's communications capital. New York also had the largest and most demanding audiences, and the greatest number of theaters in the United States. "Broadway musicals," culminating in the productions of Richard Rodgers and Oscar Hammerstein, became enormously influential forms of American popular culture.

By the turn of the century, as James Baughman argues in his chapter in this volume, New York had clearly become the most influential cultural center in the United States. An increasing proportion of the nation's leading writers and artists worked in New York during the early decades of the twentieth century. With the decline of the genteel tradition, many writers and painters came to regard social life in Boston and Philadelphia as artistically stultifying.[23] In New York they could join one of a number of different social worlds—among them, O. Henry's world of commercial culture; the radical bohemianism of Max Eastman's Greenwich Village; or the sophisticated urbanity of Dorothy Parker's Algonquin Roundtable.[24]

New York depended more on its ties to Britain than links with the national government in Washington to gain economic and cultural influence during the nineteenth century. For this reason, major political forces in the city did not support efforts to strengthen the American national state. During the Jacksonian era, the city's representatives sought to keep the national government from constructing canals and turnpikes that would compete with New York's Erie Canal, and Wall Street bankers undertook to make New York the nation's financial capital by destroying the Bank of the United States, whose headquarters were in Philadelphia. New York was a leading center of free-trade sentiment, and congressmen from the city fought to restrict the tariff rates and revenues of the federal government.

Political parties were the chief vehicles through which New Yorkers exercised influence in American national politics during the nineteenth century. In the 1820s, New York's Martin Van Buren forged an alliance with southern political leaders who shared his goal of limiting the power of the national government—an alliance institutionalized in the Democratic party. To compete effectively, the Whigs and Republicans found it necessary to copy Van Buren's techniques.

New York's dominance of American national life has been subject to greater challenge by significant "second cities" or city-pairs than have the premier cities of other major nations. Initially, Philadelphia and Boston, then Chicago, and now Los Angeles and San Francisco have posed challenges to New York's national influence more significant than Birmingham, Manchester, and Liverpool have presented to London, or Marseille, Lyon, and Bordeaux have presented to Paris.

The Civil War enhanced New York's position. War coverage contributed to Horace Greeley's emergence as the nation's most influential journalist and, as Richard Bensel observes, the war "reinforced the city's importance within the financial system."[25] By roughly 1870, New York City came to exercise enormous influence over the American economy, American national politics, and American cultural life. In 1870, 57 percent of the nation's foreign trade flowed through the port of New York and New York City played almost as significant a role in domestic commerce. The city's port and its control over commerce provided New Yorkers with access to the information that enabled them to play a leading role in American culture. New York's cultural primacy was buttressed by the flood of single business travelers to the city, who swelled the audience for its theaters and music halls. By the mid-nineteenth century, patronage-fueled party organizations modeled on Martin Van Buren's Albany Regency and New York City's Tammany Hall thoroughly dominated American national politics, helping to keep the American national state weak.[26] The weakness of the national state, in turn, left New York–based markets and institutions free to shape American economic, political, and cultural life.

The New York–Washington Axis

The international economic and political order in which New York emerged as the premier American city was characterized by British leadership and a commitment to unfettered markets and limited government.[27] This order was subject to a number of shocks during the early decades of the twentieth century, as the United States moved past Great Britain to become the world's leading economic power. A series of financial panics—in 1907, 1914, and 1929—culminated in the Great Depression of the 1930s, a calamity caused, in part, by the uncertainties attending the transfer of international economic leadership from Britain to America. And Germany's drive to establish itself as the world's leading military power precipitated two European wars into which the United States eventually was drawn.

New York elites responded to the threats and opportunities associated with the new position of the United States in the world by working to strengthen the American national state. These efforts achieved some success during the early decades of the twentieth century but did not fully triumph until the Great Depression and World War II brought about the final collapse of the international economic and political order that Britain had dominated.

At the turn of the century, a group of New York patricians led by Theodore Roosevelt, Elihu Root, and Henry Stimson undertook to strengthen American military institutions and to involve the United States more actively in international affairs. As president, ex-president, and publicist, Roosevelt promoted a strong army and navy, American imperialism, and U.S. intervention in World War I. Root and Stimson each served as secretary of war and as secretary of state and they helped implement Roosevelt's vision.

Roosevelt, Root, and Stimson were the founding fathers of the American foreign-policy establishment, which was dominated by leading New York lawyers and bankers, and committed to America's assumption of world leadership as British power waned. It suffered a serious setback when isolationists blocked American ratification of the Treaty of Versailles. Yet even during the 1920s, presidents drew upon members of that establishment to conduct American foreign policy, giving it, as historians now increasingly recognize, an internationalist cast.[28] Charles Evans Hughes was Warren Harding's secretary of state and Henry Stimson served as Herbert Hoover's. Moreover, the very incapacities of the institutions of American diplomacy encouraged the White House and State Department to rely, in remarkable measure, upon J.P. Morgan & Co. to administer U.S. foreign economic policy in Europe, China, and Latin America.[29]

The changing position of America in the world during the early decades of the twentieth century led New York elites to support strengthening the national government of the United States in a second domain —monetary policy—by pressing for the creation of a U.S. central bank. At the turn of the century, the Bank of England and New York's leading financiers together performed central banking functions for the U.S. economy by providing liquidity and serving as lenders of last resort in financial panics.[30] During such crises, major New York bankers joined together under the leadership of J.P. Morgan to bail out institutions at risk of failing. They obtained the necessary funds by drawing upon, in sequence, the resources of the strongest New York banks, U.S. Treasury deposits, the London money market, and, ultimately, the Bank of England. These procedures successfully managed American financial panics through 1907, but as the U.S. economy grew, the British found it increasingly difficult to meet the demands that the Americans were placing upon them.

Leading New York financiers proposed creating a U.S. central bank to deal with this problem. Agrarian interests in the South and West had their own complaints about the American banking and monetary system, and the 1913 statute creating the Federal Reserve provided greater influence both to Washington and to regional reserve banks than the New Yorkers had advocated. In practice, however, the New York

Federal Reserve Bank, which had close ties to the city's financial community, came to dominate domestic monetary policymaking through the purchase and sale of government securities in the metropolis's money market. And New York Federal Reserve Bank president Benjamin Strong, together with Bank of England governor Montagu Norman, largely ran the international monetary system from shortly after World War I until Strong's death in 1928.[31] In the monetary realm, then, the creation of new institutions by the federal government actually increased the capacity of New York interests to influence events both domestically and internationally.

The relationship between the Federal Reserve and the Bank of England was not institutionalized, however, and did not survive Benjamin Strong's death. In the absence of a central institution willing and able to assume responsibility for managing the world's financial system, the panic precipitated by the 1929 stock market crash was left to spiral out of control, becoming the century's most severe depression.[32] In turn, the Great Depression both enhanced the influence that important New York political forces were able to exercise in Washington and encouraged them to endow the national government with additional power.

The economic crisis of the 1930s catapulted New York governor Franklin Roosevelt into the presidency and led to the election of large Democratic congressional majorities prepared to follow his leadership. Roosevelt brought with him to Washington more than a dozen members of New York City's welfare establishment, and they served as key architects of the New Deal welfare state.[33] Harry Hopkins, for one, designed and administered the New Deal's major work relief programs as head of the Works Progress Administration, and FDR placed Frances Perkins in charge of drafting the Social Security Act. To avoid alienating southerners on Capitol Hill, they found it necessary to grant states and localities a major say in the administration of national welfare programs. Nonetheless, in conjunction with their allies in the New Deal coalition, liberal political forces from New York were able to increase significantly the role that the national government played in American economic and social life.

The economic crisis of the 1930s also brought Hitler to power, precipitating World War II. This military crisis enabled New York's foreign-policy elite to take the lead in constructing America's wartime and postwar national-security state. Seeking to expand the political base of his administration after war broke out in Europe, FDR appointed members of that elite to top defense and foreign policy positions. Harry Truman pursued a similar strategy in mobilizing domestic support for the Cold War. In this way, Henry Stimson, John McCloy, Robert Lovett, Averell

Harriman, and their associates came to be in a position to fashion the institutions and policies through which the United States defeated Germany, contained the Soviet Union, and became the world's leading military power.

New York elites also came to play a significant role in the institutions through which the United States succeeded Britain as the world's dominant power and exercised international economic hegemony following World War II. The U.N. was not a major force, but the placement of its headquarters in New York symbolized the locus of power in the postwar order. The World Bank was situated in Manhattan to facilitate its winning the confidence of the New York financial markets—its chief source of capital. The architects of the postwar monetary system, however, put the International Monetary Fund (IMF) in Washington. As designed, the IMF embodied a rejection of the "key currency" plan favored by the New York financial community. The actual operation of the monetary system, however, pretty much accorded with the key currency plan—an arrangement that gave the U.S. dollar, and hence the major New York banks, primacy in international trade and investment.[34]

Major interests in New York continued to enjoy access to institutions of domestic and foreign policymaking throughout the postwar period, and a broad coalition of social forces in the city supported the national government's assumption of responsibility for promoting prosperity at home and advancing American interests abroad. Thus the New York union leaders who helped make the national labor movement a major pillar of domestic liberalism by organizing CIO unions also were instrumental in bringing organized labor into the Cold War coalition. And the Wall Street lawyers and bankers who shaped American national security policy led the wing of the national Republican party (the Dewey-Rockefeller wing) that was prepared to live with the domestic reforms of the New Deal.

Of course, New Yorkers did not completely dominate American politics during the 1930s, 1940s, and 1950s. A broad array of social forces—southern cotton growers, midwestern industrial workers, California defense manufacturers, among others—were incorporated into the New Deal and postwar coalitions, and New York interests found it necessary to make concessions to these alliance partners. Moreover, after 1938 conservative southern Democrats regularly joined with old-guard Republicans on Capitol Hill to fight efforts, led by New York Senator Robert Wagner and other urban liberals, to extend the New Deal. World War II and the Cold War worked to the advantage of this conservative coalition by focusing the president's attention on foreign affairs more than domestic reform and by enabling its members to discredit the American left with McCarthyite attacks. Consequently, proposals to enact new federal social programs and to expand the planning capacities of the national government fared poorly during the two decades following Pearl Harbor.

A number of conditions enabled liberals to overcome these impediments in the 1960s: the Supreme Court's desegregation decisions and the emergence of the Southern civil rights movement; the Democratic landslide in the 1964 congressional elections following Lyndon Johnson's accession to the presidency; and, not least, the warming of Soviet-American relations after the Cuban missile crisis and the waning of McCarthyism.[35] Institutions based in New York played an important role in the efforts by liberals to strengthen the national government in the 1960s. Liberal foundations and fund-raisers in New York supplied the civil rights movement with much of its financing, and television network coverage of violence directed against demonstrators in Birmingham and Selma was instrumental in securing enactment of the 1964 Civil Rights Act and the 1965 Voting Rights Act. In addition, projects financed by New York's Ford Foundation served as models for the Johnson administration's antipoverty program and its program of providing federal support to the arts.[36]

In sum, New York and Washington were complementary, not competing, centers of power during the New Deal and postwar decades. New York elites worked to strengthen executive institutions in Washington and subsequently exercised a considerable measure of influence over national and international affairs through the institutions they had helped to create.

The institutions of the postwar political order that New York helped establish contributed, in turn, to the city's emergence as the premier center of command and control in the American and global economies. In the late 1950s, 156 of the nation's 500 largest industrial corporations had headquarters in the metropolis, and New York's share of the largest multinational enterprises was even higher. Writing at the time, Raymond Vernon explained why national and multinational corporations located their central offices in the city:

> The needs of the elite group in the central office of a large company are . . . variable and unpredictable. . . . From week to week their interests vary from some esoteric provision of the Internal Revenue Code to the political situation in Cuba; from the effectiveness of spot television commercials to the efficacy of operations research. . . . [I]t is uneconomical for such offices to staff themselves internally to deal with every such problem; the only feasible pattern is to draw upon specialists as the need arises. And the

> most efficient locational arrangement is one which permits the specialists and those they serve to be congregated at a common point.[37]

The security umbrella that the United States extended over Western Europe and East Asia following World War II, and the international regime of free trade that America promoted, enabled major American corporations to expand their operations abroad. Moreover, the status of the dollar as the key international currency provided advantages overseas to American banks relative to their foreign competitors. Finally, by limiting the markets in which financial institutions could operate at home, the regulatory restrictions imposed upon Wall Street during the New Deal and postwar decades encouraged major New York banks to cultivate opportunities for profit abroad.

In the postwar era, New York also became a world cultural capital. A number of trends contributed to the growth of New York's cultural influence, but among them were the strengthening of the American national state and the changing international position of the United States. The rise of the New York School of Abstract Expressionist painting provides a notable example.

The New Deal reinforced New York's dominance of the visual arts in America. More than 78 percent of the painters and sculptors supported by the WPA artists project lived in the metropolis. The vitality of its WPA program attracted artists to New York City. More significantly still, it was through the WPA that almost all the members of what was to become the New York school got to know one another and, as Dore Ashton notes, "established the camaraderie that was essential for . . . their prodigious undertakings of the 1940s."[38]

America's emergence as the leader of the Western Alliance in the 1940s added to New York's international standing in the visual arts. The fall of France to the Germans in World War II led many of the world's most prominent painters to flee from Paris to New York, among them Piet Mondrian, Jean Miró, Marcel Duchamp, Fernand Léger, André Breton, and Max Ernst. And the outbreak of the Cold War encouraged the U.S. State Department to sponsor international exhibitions that promoted Abstract Expressionism as exemplifying cultural freedom in the United States.

The Abstract Expressionists also drew on local networks uniquely available in the metropolis and on New York's position as a communications capital to gain a sense of themselves and recognition by progressively broader publics. The painters of the New York school interacted with each other at New York's Artists Club and Cedar Tavern. Their work was exhibited at galleries and museums associated with some of the nation's wealthiest families: the Art of This Century Gallery and the Museum of Non-Objective Art with the Guggenheims, the Museum of American Art with the Whitneys, and the Museum of Modern Art with the Rockefellers. Their presence was announced to the art world by *Art News;* their importance was proclaimed to a general intellectual audience by Clement Greenberg in *The Nation* and Harold Rosenberg in *The New Yorker;* and they were hyped to the mass public by Henry Luce's *Life* magazine.

That Nelson Rockefeller and Peggy Guggenheim, or Henry Luce and Clement Greenberg, joined in promoting the art of Jackson Pollock and Adolph Gottleib illustrates one final point about the postwar order that New Yorkers helped shape. In general, WASP and Jewish New Yorkers acted together—in the political and economic realms as well as in cultural affairs—during the decades following World War II. (For an analysis of the Jewish "spin" on New York's national influence, see Chapter 8 by Nathan Glazer.) The doctrines associated with the postwar national and world orders—internationalism, liberalism, modernism—can be regarded as the ideology of this WASP-Jewish coalition. They were causes around which the Protestant establishment and upwardly mobile Jews could unite. In the name of those doctrines, the members of the WASP-Jewish coalition came to exercise a remarkable measure of influence in American political, economic, and cultural life.

Global City

The liberalism, internationalism, and modernism advocated by New York elites triumphed to a considerable degree both in the United States and elsewhere in the western world during the quarter-century following World War II. Paradoxically, this very success strengthened economic, political, and cultural centers that challenged New York's hegemony in the 1970s and 1980s. Nonetheless, New York plays a major role in the global order that is emerging as the twentieth century draws to a close, though its influence has become more specialized than it had been in the immediate postwar decades.

The policies fashioned by liberals and their allies to promote growth in America's poorest regions contributed to the emergence of economic centers elsewhere in the United States that competed with New York. Federal public works projects fostered the development of the American South and West by financing the construction of crucial infrastructure—water supply systems, highways, airports—and national defense programs funneled capital into these regions' economies.[39] Moreover, New

Deal transportation regulation worked to the relative advantage of the nation's peripheral regions, while the reorganization of the financial system under FDR made it possible for Americans to engage confidently in anonymous economic transactions across great distances.

Similarly, the postwar international order that New Yorkers helped construct stimulated the growth of rival economic centers abroad. The Marshall Plan helped rebuild Western Europe and Northeast Asia; American military spending overseas provided the international economy with liquidity; and the advent of full currency convertibility under the Bretton Woods system, along with the Kennedy round of tariff reductions, led to an explosion of international trade. America's share of world manufacturing production fell from nearly 45 percent in 1950 to under 32 percent in 1980, and the U.S. trade surplus turned into a persistent deficit. As Germany, Japan, and South Korea prospered, so too did Frankfurt, Tokyo, and Seoul.

These developments contributed to a restructuring of New York's economy during the 1970s and 1980s, undermining some sectors while strengthening others. Foreign competition weakened the city's garment industry and, more generally, eroded New York's position as the nation's premier center of light manufacturing. (See chapter 2 by Miles Kahler.) Also, the growth of the South and West made the cities of these regions increasingly attractive as sites for the headquarters of national industrial corporations. For this reason, among others, New York's share of Fortune 500 head offices declined from 26 percent in the mid-1960s to 11 percent in the mid-1980s.

On the other hand, the internationalization of the U.S. and world economies has enhanced the influence New York exercises as America's hinge to the world. New York remains America's leading center of foreign trade, accounting for 20 percent of the nation's ocean cargo and 40 percent of its international air cargo. Moreover, though in recent decades there has been a decline in New York's share of the largest U.S. *national* corporations, its share of the largest U.S. *multinational* corporations remains undiminished. Currently, forty of the 100 largest American multinationals have their headquarters in the New York metropolitan region, with three-fifths of these located in the city itself. As international trade has risen from 12 to 20 percent of the U.S. GNP over the past twenty years, the economic influence New York firms exercise by virtue of their control over much of that trade has increased accordingly.[40]

Over the past two decades, New York's share of the nation's major investment banks and diversified financial corporations has increased. Closely linked to New York's financial dominance is the influence it continues to exercise in such information-intensive sectors as corporate law, accounting, management consulting, and advertising.[41]

Internationalization has multiplied New York's influence as America's financial capital. The explosive growth of international trade in recent years has compelled the managers of U.S. manufacturing corporations to slash costs and reorganize their operations, or face the prospect of being deposed by outsiders prepared to make such changes. The wave of corporate reorganizations that ensued in the 1980s bespoke a dramatic rise in the influence of Wall Street financiers relative to corporate managements. (The financial community may be less oriented to New York City now than formerly, however. There is a sharp contrast between Wall Street's intense efforts to help New York overcome its municipal fiscal crisis of 1975 and the financial community's largely indifferent reaction to New York City's municipal financial problems in 1991–1992.)[42]

Finally, the deregulation and internationalization of financial markets in recent years has strengthened New York as a global financial center. These trends have increased competition within the financial sector, placing a premium on innovation. As David Vogel notes in chapter 3, the lead that Wall Street investment banks have taken in developing new financial instruments and markets provides New York with its comparative advantage in contending with London and Tokyo to be the financial capital of the world.

New York's experience in the political arena has been broadly similar to its trajectory in the economic realm. By contributing to the growth of the South and West, federal domestic and defense programs enhanced the political as well as economic influence of the nation's peripheral regions relative to New York. Moreover, by the 1970s the city of Washington itself had become a center of political opinion and power independent of New York—a development signified by the use of the phrase "inside the Beltway" to refer to views characteristic of the Washington community. Despite these developments, however, New York's position as a national and global financial capital has served as an important source of political influence for the metropolis in the 1980s and 1990s.

During the late 1960s and the 1970s, as James Kurth notes in chapter 4, political forces in other regions of the country increasingly rejected New York's leadership in foreign policy. Protectionist sentiment grew in the midwestern industrial heartland as American manufacturers faced difficulties coping with competition from abroad. At the same time, the growth of the American balance-of-payments deficit and the concomitant decline of the U.S. dollar reduced the enthusiasm of New York foreign-policy elites for prosecuting the Vietnam War, opening a breach between those elites and political forces in the West and South committed to a more assertive American military posture. As the Cold War consensus shattered, these political forces found it useful to finance centers of foreign policy expertise in Washington staffed by analysts sympathetic to their perspective. The emergence of these disparate regional interests and perspectives regarding American foreign policy has led New York to become, in Kurth's words, "merely first among equals in the constellation of power."

In the arena of domestic policy, the influence of liberal political forces from New York declined during the Reagan-Bush years. As mentioned above, New York–based charitable foundations, communications media, and political activists had played influential roles in the enactment of the social programs and civil rights policies of the Kennedy and Johnson administrations. The growth of federal domestic expenditures in the 1960s and 1970s, in turn, encouraged groups seeking funds for themselves and influence over social policy to cluster in the nation's capital. Previously, trade associations, charitable foundations, think tanks, and other idea-making institutions had been concentrated in New York City.[43] But in recent decades Washington, D.C. has emerged as the focal point of networks of nonprofit organizations and public bureaucracies that dominate the making of many national domestic policies.[44]

The role New York City plays in liberal political activism has declined in one other respect in recent decades. Until recently New York City, especially Jewish New Yorkers, were the major source of contributions in the United States to liberal political causes and liberal candidates for public office. But in recent years the Hollywood entertainment industry has emerged as a major source of liberal political money. The publishing and idea-producing industry has remained in the East, however, so the rise of Hollywood as a source of political contributions has been associated with the fraying of the formerly close relationship between liberal activism and the world of ideas.[45]

One New York–based interest—the Wall Street financial community—came to exercise far greater influence during the Reagan-Bush years than it had previously. In the 1970s, the growth of public spending and the declining strength of the American economy internationally combined to generate an inflationary spiral and a succession of dollar crises. Moreover, as financial markets became increasingly internationalized and billions of dollars flowed across national boundaries in response to changes in currency-exchange rates and national interest rates, it became increasingly difficult for the government to manage the economy. To cope with this crisis, President Carter appointed Paul Volcker, the president of the New York Federal Reserve Bank, as chairman of the U.S. Federal Reserve in 1979.

The power of the Federal Reserve rose to new heights during the 1980s and 1990s, and inasmuch as New York–based financial markets and institutions comprise a major constituency of the Federal Reserve, the greater power of the central bank has meant that Wall Street's concerns have gained greater influence in Washington. Deadlock over fiscal policy between the Reagan-Bush White House and the Democratic-controlled Congress increased the importance of monetary policy as a tool of macroeconomic management. The Federal Reserve's relatively restrictive monetary policies over the past dozen years directly benefited the owners of financial assets by halting an inflationary process that had been gathering momentum for more than a decade. In addition, the policies of the central bank—in conjunction with the Reagan administration's actions regarding taxation, trade, and regulation—weakened the political forces associated with the New Deal coalition, while strengthening the private sector relative to the public sector, management relative to labor, and financial institutions relative to manufacturing corporations. The booming financial markets of the 1980s and early 1990s indicate that Wall Street was pleased with these developments.

Finally, there have been some parallel developments in the cultural realm. New York's standing as America's overwhelmingly dominant cultural center has faced challenges from two quarters in recent years: other cities and the nation's universities. Federal policies that New Yorkers had largely supported contributed to the emergence of each of these challenges.

A number of federal policies of the postwar period strengthened cultural institutions outside New York. Beginning in the 1950s, the federal urban renewal program encouraged cities throughout the nation to turn themselves into office centers, thereby contributing to the creation of a national market for executive personnel. To compete in this market and make themselves more attractive to corporate executives, cities throughout the country had an incentive to bolster their cultural institutions. This endeavor was facilitated by the National Endowment for the Arts, which in the 1960s began to provide grants to artists and subsidies to arts organizations.

Moreover, federal civil rights and immigration policies, and the civil liberties jurisprudence of the federal courts, contributed to the nationwide diffusion of cosmopolitan values that formerly had characterized chiefly New York, increasing the attractiveness of other cities as places for writers and artists to live and work. By the 1960s, as James Baughman suggests in chapter 6, the Hollywood "movie colony" no longer was such an alien presence in Southern California, and more television entertainment programming was produced in Los Angeles than in New York. In ensuing years, the diffusion of cosmopolitan values and the nationalization of American culture transformed cities that were considerably smaller and more provincial than Los Angeles. Thus Jackson, Mississippi, which had been home to the White Citizens Council in the 1950s, came to sponsor an annual international modern dance festival in the 1980s!

The federal government also contributed to the expansion of America's system of higher education during the postwar decades. Federal support for research and financial assistance to students enabled universities to expand, and they hired large numbers of intellectuals and artists both in traditional academic departments and in creative-writing and artist-in-residence programs. Consequently, the locus of much intellectual and artistic activity in the United States has shifted from urban bohemias to universities.[46] New York still sits on top of America's system of cities, but, as noted above, in recent decades academic networks have grown in importance relative to the urban hierarchy in the realm of cultural production.

At the same time, however, New York has maintained its influence over those aspects of the production of culture that are linked to its role as a global financial and communications capital. For example, as Vera Zolberg notes in Chapter 7, New York remains at the center of the American art world and the international art market. Approximately one and a half times as many artists live and work in New York as in second-ranking Los Angeles. Artists are drawn to New York by its galleries, whose sales exceed those of Los Angeles by a factor of almost five. They are also attracted to New York by its critics and curators, who serve as key arbiters of international artistic success. The leading international art galleries and auction houses, in turn, are drawn to New York by *their* customers—international corporations and wealthy collectors, American and foreign.

The internationalization of financial markets under Wall Street's leadership has enabled New York largely to displace London as the capital of the international art market. The wealth concentrated in New York in the 1980s also led it to supplant Paris as the world's leading center of fashion and luxury consumption.[47] The close association between the New York art and financial markets is indicated by the index, regularly calculated by one of the city's major financial houses and published in its financial press, which compares the performance of Old Masters, French impressionists, and twentieth-century paintings with stocks, bonds, and precious metals as investment vehicles.[48] In the art world, as in many other fields, the central role New York plays in the allocation of financial assets contributes to its influence as a global capital.

Notes

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