New Orleans
Recovery Planning:
Insights from Economic Theory

Frank Levy
11.201 Gateway: Planning Action
12 September 2007
Two Main Issues

- The Level of Economic Activity
- The Composition of Economic Activity
A Stable Supply/Demand Equilibrium
Cities exist to exploit agglomeration.

- In the near term, everything depends on everything else. In the longer term, everything depends on export industries.

- Greater concentration makes a city more attractive = in-migration.

- Smaller concentration makes a city less attractive = out-migration.
An Unstable Equilibrium – Up or Down

Economy in Year $T + 1$

Economy in Year $T$
The Composition of Economic Activity

Less Educated Workers

More Educated Workers
### Metro Area Educational Attainment

**Metro Area Educational Attainment**

(2002 – Adults 25 and Older)

<table>
<thead>
<tr>
<th></th>
<th>No High School</th>
<th>At Least College</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOLA*</td>
<td>16%</td>
<td>33%</td>
</tr>
<tr>
<td>Houston</td>
<td>21%</td>
<td>30%</td>
</tr>
<tr>
<td>Boston</td>
<td>12%</td>
<td>36%</td>
</tr>
</tbody>
</table>

* = Pre-Katrina