BIG CITIIES' SUCCESS REFLECTS DEEPINING URBAN-RURAL DIVIDE

Amazon competition shows the pull of the coasts, while rural areas fall behind

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Decisions by Amazon.com Inc. and Alphabet Inc.'s Google to add tens of thousands of jobs to New York and the Washington area reflect a growing divide in the U.S.

A few big cities, particularly on the coasts, are soaking up high-tech talent and are also becoming wealthier, more liberal and more ethnically diverse—shifting the economic, political and cultural landscape of the nation.

Smaller cities are also pulling in educated workers but are having trouble competing for the nation's most prized jobs and biggest projects, while rural areas are falling behind.

In the past 10 years, employment in U.S. cities has grown 7 percent and the number of businesses in these places has grown 11 percent, while employment has contracted in nonmetro areas and the number of businesses there has barely changed, according to Labor Department data.

Big shifts in how people work and live over the past generation are behind the change. As global competition dried up manufacturing jobs in small towns, the U.S. became more dependent on the growth of knowledge and service jobs that tend to proliferate in dense places.

Five cities—New York, Chicago, Dallas, Houston, San Francisco—accounted for a third of all Fortune 500 headquarters and half of Fortune 500 firms' profits last year, according to research by Richard Florida, a professor at the University of Toronto, and his colleagues. The Washington area, which had just four corporate headquarters in 1975, was home to 17 headquarters last year. New York had 70, more than any other U.S. city.

"For those that were watching [the Amazon competition] and using it as some sort of bellwether for how the coasts and the heartland are doing, they are coming away saying we're still in an era where the rich are getting richer both in terms of people, companies and now cities," said Joseph Parilla, a fellow at the Brookings Institution.

When startups began locating in cities in the 1990s, many experts predicted that because the internet allowed people to work from anywhere, tech workers would scatter across the country as firms sought cheap office space.

Instead, places like Silicon Valley and Seattle proved that clusters of highly skilled workers fueled innovation at a faster pace. That supercharged places that were already doing well, drawing in more educated workers who wanted to live in walkable neighborhoods with nice restaurants and hip entertainment.

"Every giant of the long-distance internet economy that chooses a traditional city location only reinforces the view that new technologies work well in dense settings," said Edward Glaeser, an economics professor at Harvard University.

When Amazon announced it had winnowed its finalist cities to 20 places earlier this year, small cities like Columbus, Ohio; Indianapolis and Pittsburgh saw a chance to spread out the country's economic growth. Their dearth of technology workers put them at an insurmountable disadvantage.

In Dallas, former Amazon executive Matt Rutledge said he wanted his city to land HQ2 but worried about the dearth of tech talent. He said Dallas has many developers in the energy and financial sectors, but few of them are looking for work. "I've had trouble finding a big talent pool of developers that are available in the workforce," he said.

Diversity also was high on Amazon's lists of priorities for its new home, according to its initial request for proposals and people familiar with its thinking. The company wanted a location with lots of women in the workforce and many ethnicities.

Among all of Amazon's U.S. finalist cities, the New York and Washington metro areas rank third and fourth, respectively, for having the most diverse populations, according to a Wall Street Journal analysis of census figures. They are behind Los Angeles and Miami. The Indianapolis, Nashville and Pittsburgh metro areas took the bottom three places on the diversity list.

The new concentration of work could influence America's political map. College-educated workers are increasingly moving to the Democratic Party. The influx of skilled jobs in New York and Washington is likely to make those areas even more heavily Democratic, said Karlyn Bowman, senior fellow at the conservative American Enterprise Institute.

"It could exacerbate the urban-rural divide; there's no question," she said.

Shifting political preferences have shown up in Arlington, where Amazon plans to put its Virginia office, and the 17 cities and counties in Northern Virginia that are part of metro Washington. In the 2000 presidential election, Republican George W. Bush got 49 percent of the vote, beating Democrat Al Gore by 2 percentage points. By 2016, the area had flipped to become heavily Democratic, with Hillary Clinton taking 60 percent of the vote to Donald Trump's 34 percent.

Johnna Reeder, former president of the group that prepared Cincinnati's Amazon bid, said the city had sought to impress the company with its efforts to turn itself into a tech hub. It wasn't enough. "We just didn't have the volume, the scale that was necessary," she said.

Still, it's not exactly a winner-take-all economy for the biggest metro areas. Prof. Glaeser said small and midsize cities with educated populations are still benefiting from their combination of skilled labor and lower costs, just on a smaller scale.

In Pittsburgh, for example, officials say the city's high quality of life is key to nurturing the former steel town's tech sector. Allegheny County Executive Rich Fitzgerald pointed to the area's parks, cultural amenities, professional sports teams and major universities as playing a role in attracting major companies such as Uber Technologies Inc., Facebook Inc., Google, Microsoft Corp. and Amazon.

Kenny McDonald, head of the economic development group that ran Columbus's Amazon bid, said city officials focused on making it a better place to live with the hope of drawing a talent base that would then lure employers. That was a switch from older economic models that revolved around getting the jobs first.

The unemployment rate in Columbus hit 3.6 percent in September—lower than the New York City area's rate of 3.9 percent.