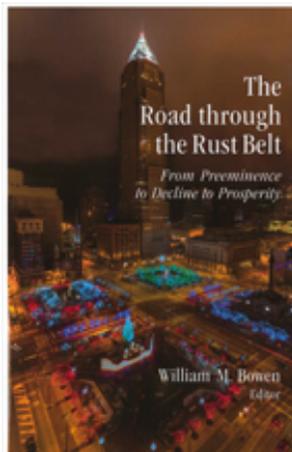

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Introduction

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the Rust Belt**

**From Preeminence
to Decline to Prosperity**

William M. Bowen
Editor

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Introduction

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For many years, members of the faculty and research staff in the Maxine Goodman Levin College of Urban Affairs at Cleveland State University have paid keen attention to the problems and issues faced by midwestern industrial cities. As part of a university community, we joined with colleagues across campus to think about how to respond to disruptive change in the regional economies of twentieth century industrial cities and regions.

There is no one, simple recipe for renewing prosperity in midwestern industrial cities. But virtually all of the partial answers that emerged from our investigations recognize in one way or another that the greatest hopes and assets in these cities reside in the talent and energy of the people who live and work within them. In times of difficulty, individuals and groups discover unsuspected strengths and reveal qualities and capabilities that had not previously been seen. How can the huge reserve of human possibilities within midwestern industrial cities be released?

The chapters in this book do not contain a single, complete, and satisfying answer to the question of how to rekindle prosperity in these cities. They contain no silver bullets, but together they may be silver buckshot. They provide valuable ideas to generate prosperity.

We commissioned chapters in which each author looks at the prospects of renewal through the lens of his or her own specialty and experience. The chapters are all scholarly in nature, but they have been written for an audience that appreciates a style that is less formal than is usually found in purely academic writing. Some of the chapters are predicated upon the commonly shared point of view that the role of markets in these cities is often either misunderstood or insufficiently understood. Most share the perspective that one of the keys to renewed prosperity is

found in an increased appreciation of markets and the institutions that enable, support, and constrain them.

Historically, most city leaders work in the here and now and with the expectation that change will be gradual. Today's reality is vastly different; the pace of change has vastly accelerated. Changes that range from shorter product cycles and globalization of markets to the impact of transportation systems on sprawl require ideas and continual efforts to promote prosperity.

The next chapter, by William M. Bowen and Kelly Kinahan, provides an overview of the book's theme that we are in a time of economic transition. The world order that prevailed in the early-to-mid-twentieth century, during which time midwestern industrial cities were in their heyday, has been replaced by a different kind of global economy, one that is continuing to change. As the influence of China and India continues to grow, the U.S. economic system in general, and the regional economic systems of midwestern industrial cities in particular, will play a less dominant role. At the same time, however, much of the anxiety this transition brings about is unnecessary. While the global market dominance of midwestern cities has eclipsed, new opportunities await. Urban and regional economies can attain high levels of prosperity without economic dominance.

This is followed by a chapter written by Benjamin Y. Clark, in which he asks the question: Why do some older industrial cities continue to thrive economically while others sputter and decline? In this context, are success and failure dependent on luck, or is there something more profound at play? While there are many ways to address the issue, and certainly many factors that contribute to the success or failure of cities, this chapter examines one part of that question: Can tax expenditures play a role in stimulating the growth of these cities? The focus is on how and why state and local governments use tax expenditures to attempt to improve the conditions of their communities. The chapter seeks to demonstrate that tax expenditure policy is highly inconsistent. Local governments are at the mercy of a macroeconomic environment over which they have little influence. This lack of control leaves local governments with few tools at their disposal to create positive change in their communities. The devices that these governments often turn to are tax expenditures. Unfortunately, tax expenditures play little or no role in positive economic development. Despite the evidence, politi-

cians continue to see tax expenditures as one of the most important options available to them. To understand this, and to act accordingly, is an important step in renewing prosperity in midwestern industrial cities.

Haifeng Qian, in Chapter 4, starts by surveying the literature on the evolution of industrial clusters and explores its implications for the revival of U.S. cities such as Detroit, Michigan, and Cleveland, Ohio. These old industrial cities feature declining or declined clusters and are struggling to invigorate their economies. The chapter reviews various definitions and typologies of clusters. Next, it summarizes four streams of literature discussing the evolution of clusters, in the process identifying some major forces behind the dynamics of clusters based on the limited research available. The chapter does not solely address clusters manifested in old industrial cities, since one type of cluster may evolve into another type. It examines cluster development in the industrial Midwest using Cleveland as an example, and explores the implications of clusters' evolution paths for the restoration of old industrial cities.

In the fifth chapter, Joel A. Elvery begins by describing a "bucket" or "shoveling" analogy for the labor force. The labor market for each skill group is a bucket. The bucket for the lowest skills is large, but it is completely full *and* shrinking relative to the other buckets. Elvery suggests that workforce development policy over the last 45 years has been analogous to efforts to keep shoveling people into the lowest-skilled labor market. While a lucky few find a way to stay in that labor market segment, most spill over the side. This discourages the unlucky who remain unemployed, and it wastes public workforce training resources. Thus, workforce development policies as presently constituted have had limited success. The chapter suggests that the workforce development system needs to refocus on advancement and describes policies and programs that fit this orientation.

The sixth chapter is written by Gregory M. Sadlek and Joan Chase. Academics have not typically made a very good case that the arts and humanities have contributed tangibly to regional prosperity. This chapter attempts to help remedy this shortcoming, largely through a focus on Cleveland as an example of cities throughout the Rust Belt in which the question of how to regain lost status and former success has become fundamental. For many, prosperity is linked only to strong and vital economic activity. This chapter takes a different view. While Sadlek and Chase recognize that wealth is fundamental to civic well-being, the

arts and humanities also play a vital role. Their view is based upon the recognition that the word “prosperity,” derived from our verb “prosper,” ultimately comes from the Latin terms *pro* and *spes*, or, literally, “for the sake of hope.” It shows how the building blocks of prosperity suggest something more than just having a strong economy. Indeed, the road to prosperity for people in midwestern industrial cities may well be the path to a broad increase in hope in the prospects for a stronger regional economy, for clean, safe, and interesting places to live, for higher levels of personal fulfillment, and for a community that once again takes pride in itself and what it can offer to the world. This chapter explores how Cleveland’s traditionally solid base in the arts and culture can be a major part of the journey. It argues that the road to prosperity must involve increased quality of life in all facets.

Chapter 7 is written by Andrew R. Thomas, who has for many years worked as a geophysicist and attorney in the energy arena. Thomas draws on a wide range of sources to argue that some energy policies and practices have had a material and adverse impact on cities in general and specifically on midwestern cities. Thomas argues for a range of energy policies that would help renew prosperity in these cities. Current energy policies that have had negative effects include low-cost gasoline, which has encouraged sprawl; public policies designed to encourage rural electrification, which have caused urban electric rates to be artificially high; public policies that have discouraged cogeneration and distributed generation, which have created an artificially high-cost electrical energy grid in urban areas; promotion of trucking over railroads and waterways, which has decreased the natural advantage of Great Lakes cities as centers of transportation; and failure to adjust rapidly enough to changing technologies and circumstances. The general reason given for this inertia is the mighty resistance to change put up by the trillion-dollar-a-year energy business. Alterations that may be good for society in general may not be good for this particularly influential industry. In a society where policy is set by competing advocacy groups, alignment with the status quo has a significant advantage. Energy policies that can help to renew prosperity in these cities include those that encourage distributed generation. In addition, exploitation of natural gas from shale formations will enable near-term growth and provide a bridge to renewable generation, and policies that reflect the actual costs of producing and delivering energy will encourage development of the

traditional central city. Midwestern cities must also develop an energy infrastructure that makes urban life easier and more attractive, such as faster and more comfortable public transportation systems.

Chapter 8, written by Chieh-Chen Bowen, begins by recognizing that, throughout the twentieth century, no single nation or block of nations had nearly as much economic power and influence as the United States. However, in the twenty-first century, total U.S. world supremacy is ending. China is on the rise and will one day soon—probably in the next decade—become the largest economy in the world. Indeed, at current growth rates, China’s economy is doubling in real terms every seven or eight years. For industry in midwestern cities, this newly emerging economic power means, among other things, that the renewal of prosperity depends in essential ways on how well American entrepreneurs and firms can penetrate Chinese markets. This effort, in turn, demands knowledge and understanding of what Bowen calls “the basic Chinese social mechanism.” The old saw that one can buy in one’s own language and culture but must sell in the language and culture of the buyer is especially important when contemplating doing business with Chinese customers. This chapter describes and gives practical advice regarding the environments one must know about in order to successfully export to and invest in Chinese markets. The implications of understanding these environments are illustrated by the failure of Google when it was forced to pull its operation out of mainland China in 2010, and by the success of Rupert Murdoch when the Chinese government granted him the first “landing rights” to sell foreign programs to cable system prime-time slots, then later, rights to provide media content to its mobile users.

Chapter 9, by Ziona Austrian and Merissa C. Piazza, links public policy with stimulating entrepreneurship in regions that, because of their industrial legacy, have fallen behind. Using examples, the authors discuss the role of the nonprofit and public sectors in encouraging the development of a locally based entrepreneurial culture to increase the number of private sector start-up companies that are a critical component of the economic future of any region.

In Chapter 10, William M. Bowen and Chang-Shik Song begin by defining local economic development initiatives as public policies that involve the exercise of public authority to claim and allocate taxing power for social and economic purposes. These decisions are intended

to affect consumer or firm behavior, or both. Generally, the policies involve tax abatements or public expenditures in order to provide private benefits within the urban or regional economic system. They cover a range of public subsidies and direct cash aid for businesses, such as financial incentives for branch plant recruitment, capital market programs, information and education programs, export assistance, and centers for business-related research. The policies frequently consist of public financial support with the goal of increasing levels of local consumption spending on items such as tourism and art facilities, sports stadiums and teams, casinos, and outdoor recreation activities. The chapter considers some criticisms of these initiatives and the rationales behind them. The authors conclude that while it may be within the power of local governments to help stem the tide of decline in midwestern industrial cities, the automatic and uncritical use of local economic development initiatives is not necessarily always the best way to do so.

Finally, in Chapter 11, David R. Elkins investigates whether or not the widely held impression that the Great Lakes region has lost its entrepreneurial dynamic is based on any sort of empirical reality. The chapter first explores the nature of entrepreneurship and what it means for an economy. Next, it presents descriptive evidence about the hypothesis that the Great Lakes region has lost its entrepreneurial vigor. Finally, statistical tests are performed to examine whether the Great Lakes region has, indeed, lost a step. The short answer is that it largely depends on how entrepreneurship is measured. In one sense, the Great Lakes region has, indeed, lost a step. However, like many seasoned athletes, it remains in the game and competitive.

My hope is that this book can contribute to setting in motion processes for renewal and energies that have been imprisoned by outdated ideas, policies, and habits of thought.