

August 27, 2010

Why Detroit Matters Part I: A History of the City and Best Practices for Successful Cities

By: Dr. Soji Adelaja

Detroit's future is on the minds of not only citizens of the city and the broader metropolitan area, but of any serious leader that is thinking about the future of Michigan. Detroit—Michigan's flagship city—is not only the best example of struggling American cities, it has the potential to provide a framework for resurgence that can be used nationally, and that can address the problem of “shrinking cities.” However, any attempts to position Detroit must be based on sound principles of sustainability in the New Economy; and must be cognizant of the history of how Michigan's first city evolved into what it is today.

Detroit's Past Success

For almost a century, Detroit was one of the major economic power houses of the United States. It emerged from a small trading post in the early 1800s, leveraging its advanced technologies in flour milling to become one of the leading flour export ports around the globe. Soon, it became the nation's premier location for ship yards and the building of steam ships. By the 1860s, it had become the leading steam engine production and export point. Again, by leveraging its local expertise in copper alloy production and exports, Detroit's machine industry was birthed in the 1890s. By the early 1900s, Detroit had become the premier place for the manufacturing of internal combustion engines for boats and the export of those engines. It, therefore, was no surprise when, in the early 1900s, Detroit also leveraged its historical presence in internal combustion technology with assembly-line technologies to become the nation's automotive manufacturing capital. In essence, by innovating around internal combustion engines to power cars and trucks, and by removing the horse and wagon as a power source in the movement of goods and people, Detroit created a level of prosperity that was uncommon in most American cities.

Detroit's success, which was based on a culture of innovation, was the envy of the nation. By 1950, its population had swelled to almost 2 million people. This growth happened, because Detroit featured an economic environment that attracted capital and skilled labor in exploiting assembly-line technology, with skilled and unskilled laborers migrating from around the country to take advantage of the city's bounty.

Detroit was not only the birth place of the automotive industry, it was also the birth place of the labor movement. It became a major industrial, cultural, economic, social and artistic hub and one of the nation's most diverse cities. The essence of Detroit was again innovation, and the ability to combine capital and skilled labor to produce mechanical goods in a nation whose middle class and purchasing power were growing rapidly. With one of the highest per capita incomes in the U.S., Detroit became a bastion of American prosperity.

Current State of the City

Today, Detroit's population is approximately 800,000, with a per capita income below \$15,000, compared to almost \$30,000 for the nation. The level of economic activity in Detroit is now a quarter of what it was at the city's peak. Detroit is the epitome of the nation's financial and economic problems and the poster child of a “shrinking city.” Whatever economic statistic you look at, the city is at or near the bottom of the nation. This includes such things as unemployment rate, foreclosure rate, abandoned properties, tax reverted properties, mortgage loans delinquency, poverty, food insecurity and brownfield sites.

These problems are not Detroit's alone. According to the [2009 Milken Institute Index of Best Performing Cities](#), the Detroit metropolitan area—in spite of its flourishing suburbs in Oakland, Wayne and Macomb counties—ranked dead last in economic performance nationally. Coincidentally, in 2009, Michigan also ranked dead last in economic performance. Since 2000,

more than 200,000 people have left the City of Detroit. It is no surprise that in recent years, Michigan was one of two states that lost state population despite national growth in population. Does the agglomeration of economic losses in Michigan explain the decline of Detroit? Or, do the economic challenges of Detroit explain the economic challenges of Michigan? This is a “chicken or the egg” problem. Is Michigan holding back Detroit or is Detroit holding back Michigan? Both of these may be true. To adequately answer these questions, however, it is perhaps important to understand how states or regions grow.

What are Successful Places Doing?

In our analysis of very successful states that have a high per capita income, a high employment rate, and a rapidly thriving and prosperous population, one common feature they include is a strategically relevant, creative, entrepreneurial, innovative and dynamic major city, whose economy is so globally relevant that its success drives the success of nearby metros and the overall success of the state. A good example of this is the rapid resurgence of the Washington, D.C., metro area (northern Virginia, southern Maryland and eastern West Virginia) when it started to hop. Denver, CO; Salt Lake City, UT; Pittsburg, PA; Seattle, WA; and Portland, OR, are other examples. When things start to happen in cities, the surrounding regions benefit. In fact, given the concentration of economic activities in cities, for many states, the urban economy dominates the economy of the state.

Furthermore, in our analysis of successful cities and metro areas, we observed that the success of a city is driven largely by the environment within which the city economy operates. If state policies do not encourage urban revitalization, urban placemaking, metropolitan transit, urban innovation infrastructure, strong urban universities, urban public sector accountability, versatile nonprofit and civic organizations and a whole list of things that have been shown to explain the existence of strong cities, it is almost impossible for an urban economy to thrive. I recognize that certain mindset and cultural issues—particularly related to racism, social distancing, segregation and poverty alleviation—can shape the future of cities with consequent impacts on metro areas and the states that harbor them. So, for the state of Michigan to be successful, Detroit must be successful: and for Detroit to be successful, the state of Michigan must have a mindset of success with respect to Detroit.

Detroit Can Be Successful

The question remains, can Detroit be successful? Alternatively asked, can the state of Michigan become more successful through a Detroit strategy? If we are stuck in the “Old Economy” way of thinking, the answer is “no.” However, if we are open to the notion that new forms of economic activities can be adopted based on the emerging new paradigm of the “New Economy,” then the answer is “yes.” If it is possible in Boston, MA; San Francisco, CA; and Washington, D.C., it is certainly possible in Detroit. Central to the ability of a city to rebirth itself is the notion that talent and knowledge matter in economic rebirth. The ability to concentrate knowledge workers and creative, innovative individuals in cities through placemaking, and to become a more attractive place to live, work, play, find entertainment and relaxation, can drive the resurgence of a city.

Leveraging opportunities globally also matters. Our cities are connected to the *local* economy. They need to be better connected to the *global* economy. Obviously, amenities matter. Knowledge and creative workers flock to places that offer integrative quality-of-life amenities. These amenities include what more people are beginning to call “green infrastructure.” Knowledge institutions, with their ability to generate the next generation of scientific and other innovation, affect the performance of places. Public and private partnerships matter, where cities need dedicated but creative leaders working across the aisle to make things happen. A positive mindset by city and suburban residents is crucial. Cities have to think success to be successful, and the racial challenges that drove much of the exodus of non-African American people from cities will not help in the repositioning of a city like Detroit.

Many of the places that we have looked at for models of success have far fewer assets than Detroit. So, the current status of the city cannot be attributed to its lack of assets, be they natural,

cultural, civic or otherwise. The challenge for Detroit is how to understand those assets and leverage them in the context of the New Economy. There is the added challenge of understanding what the New Economy means and how future success must be built on such knowledge. Finally, Detroit must have a vision and an implementable plan to turn knowledge into action and a more prosperous future for the city.