

Speech by Thomas Sugrue, David Boies Professor of History and Sociology at University of Pennsylvania, delivered at "Investing in Detroit's Future: Resources for Businesses and Community Development," Detroit Michigan, November 19, 2013

How can Detroit take advantage of opportunities that the current moment presents?

Detroit has been facing a crisis that has been long in coming – longer in coming than conventional wisdom leads us to believe. Detroit's troubles began not in the 1970s or 1980s, not in the aftermath of urban riot of 1967, not with global competition in auto industry, but rather at its moment as one of the nation's leading economic and industrial centers.

Between 1940s and 1960s, Detroit began the long and steady loss of population and jobs that have constrained the metropolis up to the present day. Between these decades, Detroit lost 120,000 manufacturing jobs, at a time when auto industry was unchallenged globally and Detroit remained its unquestioned center.

At the same time as hemorrhaging jobs, it had to struggle with loss of tax revenues that came from residents (landowners) and employers. This too proved to be devastating for Detroit over the long haul. Between early 1960s and present, the value of property in Detroit based on assessments has declined by 77 percent. This is largely result of the loss of population and investment within the boundaries of the city. This too has had long term and devastating consequences for financial viability of the city.

Next, Detroit has long been riven by intense racial conflict. It has been one of the most racially segregated metropolitan areas of the United States consistently since the 1920s. These patterns have begun to change and improve since 1990. This is the result of multiple failures on the part of federal policies that encouraged racial segregation and incentivized racial segregation, and real estate practices that steered whites and African Americans into separate neighborhoods.

At same time, we have growing political marginalization of Detroit, in Michigan, as part of increasing marginalization of cities in Washington, DC. State and federal governments have withdrawn from commitment to urban investment that had been in place (at times problematically) since 1930s. This withdrawal of support or cities was compounded by fact that Detroit was losing population and therefore its clout in the halls of the state legislature and Congress. This is not a problem that is unique to Detroit, but it impacted Detroit significantly, leading the city to fend for itself in a pinched fiscal climate.

Finally, Detroit has had to deal, in some ways more than other cities, with financial mismanagement at the city level. This is not the prime cause of the city's financial woes, but one that has exacerbated them significantly.

All of these transformations beginning in the 1940s and 1950s were devastating. But the fact each occurred simultaneously and interacted created a sort of feedback loop and has made these problems deep, enduring, and in certain ways intractable. Undoing the effects of decades worth of disinvestment, depopulation, racial conflict, political marginalization, mismanagement, will not be easy. But we can

learn from the ways that Detroit, and other cities, have tried to respond to these problems in one way or another over last 40 or 50 years.

So look at historical and contemporary experiences of cities like Detroit and other cities that have tried to grapple with these problems. What strategies for urban revitalization and urban redevelopment have taken place? What are the lessons to learn? I will offer some suggestions modestly and with some qualifications given that the future is unpredictable.

Two general principles:

1. **A diversified labor market with well-paying and secure jobs matters more than anything else for the fate of the city.**

Detroit's woes over the period from 1940s onward were disproportionately the consequence of troubles with labor market and its economic base. Detroit's prior labor market was not diverse, and current labor market is less secure and without well-paying jobs. Both of these are important for city's ongoing health and vitality.

2. **Education matters enormously for revitalization and redevelopment.**

When you think of economic policy and urban revitalization, education is often cordoned off in its own box. But it matters in terms of attracting population, employers, having a workforce that can adjust to a transforming economy and the new opportunities that might emerge in a revitalized city. The cities that have done the best in rebounding from the problems from last half century are those with best educated populations. The returns to education can be great. But Detroit hasn't seen these returns by and large because of problems with public schools, and because its promising higher education and education sectors have to be developed even further.

More specifically: What are the opportunities and limitations of strategies that Detroit is now considering employing?

1. **Downtown redevelopment is essential to the future of the city, but it can be oversold.** Often it does not trickle down to the rest of the city. What is the relationship between downtown development and how it relates to the city as a whole? For many years city has put eggs in basket of downtown development – think of Renaissance Center, the people mover, the Republican Convention in the 1980s etc. This is a tried and true strategy. Transform downtown to a magnet for tourists who come from outside and spend their dollars. Go for big ticket projects like stadiums. Give incentives to developers to build downtown. Many cities have engaged in these strategies, but not always thinking systematically about costs and benefits, the opportunities and limitations, of incentivizing downtown development. We celebrate transformations in our downtowns. There is a livelier pedestrian scene now than in many years. But we have to remember that downtown redevelopment is necessary, but far from sufficient, to undo the larger set of problems described above.

Think of Cleveland. They too witnessed massive hemorrhage of capital and population. Today they have very lively downtown scene, with lively restaurant scene, nocturnal activities, and lofts. But by and large, this transformation of space has not rebounded to the benefit of surrounding neighborhoods. Cleveland remains one of poorest in country. Or take Philadelphia. There is a residential downtown compact and dense with lively street life. There are 90,000 more residents in the last 20 years. This is the kind of downtown that everyone is trying to replicate elsewhere, with a mix of office and residential, restaurants and entertainment. But Philadelphia is one of poorest ten big cities in the United States.

So in thinking about downtown development, we need to grow jobs and tax base by building off of the assets that exist. But we have to ask ourselves, who is benefitting and who isn't. We have to think of how to put downtown in context of the other neighborhoods as well.

2. **Beware the false hope of messianic hipsterism.** Many big cities are pinning their hopes on the creative class. This is building on Richard Florida's idea that attracting 20-something folks with their technologies, cafes, are the key to revitalizing the city. While Midtown Detroit is awesome, with coffee shops and brew pubs, even in cities with a more substantial presence of young hipsters, artists and cultural producers, they have not proved to be the engine of urban revitalization that analysts like Florida have promised. In fact, in many of the cities that Florida looks at, cause and effect is not clear. Hipsters' enclaves may have grown up because of other amenities that exist in those places. They make city more interesting place, but they are not going to be saviors.
3. **Build on strength and don't forget what is working.** Detroit relies on eds and meds and public employment. These are crucial to city's transformation. Without these, Detroit would be in much worse shape than it is today. About 40,000 people who work in Detroit are in the public sector. If you look at a list of city's top ten employers, most are hospital, higher ed, public schools, and government. These are anchor institutions in the city. They are jobs that might shrink or be restructured, but they won't go away entirely, and are crucial for the city's future. These jobs have to be nurtured. For meds and eds in particular, they provide a diverse range of jobs. Hospitals hire everyone from orthopedic surgeons to orderlies. In a vital city economy, a diversified set of jobs depend on institutions like this to have wide range of opportunities to all sorts of residents who come here, choosing to live here, or who live here already.
4. **Do not forget the neighborhoods.** A vital city has vital neighborhood commercial and business districts. Nurturing businesses in neighborhoods has been one of the biggest challenges over past 40-50 years. Detroit and many others have used community economic development corporations CDCs to try to revitalize urban neighborhoods. Generally, these have put energy into housing construction because easier to do bricks and mortar than germinate new businesses. But going forward, we have to think creatively to germinate businesses, to provide opportunities for consumption and consumer amenities, and to provide job opportunities. This

is crucial. Because vast majority of Detroiters will be living in increasingly condensed neighborhoods outside of downtown. In that same vein, don't forget the immigrants. Every city has undergone significant revitalization and renewed economic investment in past 30 years has done so because of increase in immigrant population. Immigrants are central to state of small business. They are disproportionately for small business owners. Detroit has not been an immigrant magnate, and needs to think of ways to become one. But where it has attracted immigrants, you have seen transformations. Look at Southwest Detroit and you'll see vital neighborhood commerce. Hamtramck and adjoining neighborhoods on east side. Immigrants have revitalized neighborhoods here that were essentially dead. Immigrant revitalization is more important than hipsterification or gentrification.

5. **Don't go it alone.** Region matters now more than ever. Any attempt for revitalization that focuses only on the 139 miles of the city will face serious limitations. Studies by David Rusk, Bruce Katz, Myron Orfield, talk about healthiest metro areas in United States, and all of them have regions and cities that collaborate. Yes, there is history of tense suburban-urban relations in Detroit. But today there may be opportunities for coalitions than even a decade earlier, in part because of increasing diversity in inner-ring suburbs. Now there are more common issues that these suburbs will share with city in future than in the past; and the reorganization in city government may open up possibility of less suspicion and more collaboration across city and suburban lines. The most concrete area that this might be felt in is the realm of transit, which Detroit lacks. Transit-healthy cities tend to be more economically viable, that relies on regional cooperation.

6. **Despite extraordinary changes in metro Detroit and shifts in attitudes about race, and troubled past of 1967 recedes into history, this is still one of the most racially segregated metro areas in the United States.** This has to be dealt with in order to build the coalition necessary for city's success in region, state and federal level. These kinds of connections, and overcoming city's legacy of racial hostility, are indispensable to move the city forward in new direction. So, in reinventing Detroit, the mostly 600,000 working and poor African Americans of Detroit also benefit. Inclusive development is what is needed. So that we don't reinforce the deep rooted divisions that have existed in metro Detroit.