

The New American Heartland - October 24, 2018 - Manhattan Institute

Introductory Keynote – Dr. Edward Glaeser, Harvard Economist, author of *Triumph of the Cities*

Despite the low unemployment rate, joblessness is a significant and growing problem, particularly in the Eastern Heartland and rural areas.

- 15 percent of prime-age men are not working.

- This rate is lower than comparable OECD countries.

Regions in America not facing this problem mainly lie in the Mountain West, where education is a historical priority, commercial licensing and permit processes are streamlined, and governments are less corrupt. Says Glaeser, the “low-hanging fruit” is streamlining commercial processes.

Economically, the Eastern Heartland and its rural areas struggle to keep up with other regions because much of the growing service economy requires density.

Joblessness has profound socioeconomic impacts beyond the surface level. Incarceration rates are disproportionately high in the rural South and Eastern Heartland, and drug poisoning fatality rates are concentrated in the rural West and Eastern Heartland. Prime-age men not working (whether in the labor force or not) report lower levels of life satisfaction and spend over two more hours watching television a day than working prime-age men. Incidentally, these men are also more likely to be unmarried and live alone. These patterns lead to higher federal government expenditures per capita in Eastern Heartland states more than any other region.

Regional distinctions such as these appear to be rigidifying over time. Both inter- and intra-county migration is on the decline. Less-skilled workers are not relocating toward high-wage areas of opportunity, partly due to the often-stagnant housing development of those areas keeping housing costs prohibitively high.

Dr. Glaeser handed out a packet of graphs illustrating data he collected with his team. I can copy those sheets and hand them to you if it would help illustrate this information.

Heartland Assets – A conversation with Aaron Renn, Manhattan Institute scholar and founder of Urbanophile blog

Renn places cities into three categories. At the top of the urban American food chain are the *Champions*, the elite cities that draw talent from across the whole country. Often, these cities have or developed around a unique industry or geographic trait. New York has Wall Street, Washington has government agencies, Los Angeles has the entertainment industry, and San Francisco has tech. Champion cities are difficult cities to study because they are difficult to replicate. There will never be another Silicon Valley, no city can absorb Chicago's history as a trade hub, and Miami's geographic advantages are wholly unique.

After the Champions come the *Contenders*, which are not national powerhouses but are thriving. Contenders have regional pull, growing industry, and increasing population. Some of the biggest Contenders in the U.S. include Denver and Salt Lake City, while regional Contenders include Indianapolis, Grand Rapids, Columbus OH, and Madison WI.

What separates high-end Contenders from low-end Champions is the level and origin of people and talent. Indianapolis' population is growing rapidly, but most of its immigrants are coming from elsewhere in Indiana, while cities like Austin and Nashville get people from all across the country. Making this leap takes time. It can easily take 30-40 years to develop pipelines of talent. People are more likely to move to where family members or other talented people in their field are. The key is to find those first movers and build a sort of brand around it. Austin has a brand of being "weird." Nashville finds branding plenty of places, from country music to "hot chicken," which many don't realize only developed in the city about a decade ago.

Renn, who grew up in Indiana and received his B.S. from IU, notes that Midwest cities have struggled to overcome this hump and suggests a cultural difference may account for some of these differences. There is a "Midwest modesty" that makes us averse to branding, choosing not to boast and to let the final score speak for itself. We are comfortable going to work and just doing our job. That is fine, Renn says, but we cannot expect to develop Champion cities this way. "You can't shoot to be Macy's in an Amazon world." Southern cities like Austin, Nashville, Charlotte, Atlanta, and others boast, and it is to their gain. If Indianapolis wants to make a national splash, it must shoot its story through the national noise.

The final category of American cities Renn discussed was the Rebuilders, which are characterized by mass population loss due to deindustrialization. Rebuilding cities lack the concentrations of educated citizens that Champions and high Contenders have. Turning their luck requires Rebuilders to, in some ways, begin again. They must first eliminate liabilities, such as debt and unfunded pensions, so they can ensure basic services to their citizens, such as public infrastructure and competent schools. Rebuilders must also learn from successful contenders and keep their social systems and regulatory processes open. Renn shared stories of talented people

leaving St. Louis and Cleveland because they couldn't penetrate the social networks. And "if you have to know somebody to get something done, that's killer."

Heartland Talent – A conversation with Audra Peterson (Director of La Porte County Career and Technical Education) and Jerry Burke (Director of Education, Indiana/Kentucky/Ohio Regional Council of Carpenters)

Despite record numbers of people beginning higher education programs, the median education level lies below a community college degree. Starting school without being able to finish a degree leaves people with debt and missed opportunities for income. At the same time, employers often speak of a skills gap, unable to find the kind of workers they need.

Peterson and Burke use their respective positions to link people needing alternative postsecondary education with organizations who need them. Through Peterson's leadership, La Porte County overlaps high school, college, and vocational education wherever applicable to improve and quicken young people's paths to successful careers.

The first step in this process involves exposing children to more career opportunities sooner. In middle school, students are encouraged to think about career options and how they can use their remaining academic years to prepare for what they want to do. Students are by no means locked into paths they choose for themselves; if they learn they would not thrive in a career, they know they use their remaining time to prepare for something else.

A key benefit of this early exposure is a broadening of a child's concept of success. Many families assume a four-year degree is a necessary component to a successful career, so they treat children's high school careers as essentially college prep. Thinking of career before college can help young students find useful training and begin making income sooner.

Of course, for students to begin career training sooner requires those training opportunities to be available during their K-12 education. La Porte County offers dual credit courses, apprenticeships, and other opportunities maximize fluidity between different levels and styles of education.

Trade occupations can help this process by offering apprenticeships and other educational opportunities to students. Burke's carpenters union recruits and begins training students as early as ninth grade.

Career and technical education funding has been declining for decades, signaling a shift in focus and opportunities. Starting these programs are expensive and most education systems cannot perform them on their own. Collaboration between employers and educators will be key to expanding these educational opportunities for K-12 students.

Solutions from the Cities – A conversation with Greg Goodnight (Mayor of Kokomo) and Dan Horrigan (Mayor of Akron)

Ed Glaeser and the two mayors prefaced their conversation presenting two qualities good local leaders must have. First, it should be difficult to remember their political parties, which usually happens when the leaders talk about their city and not politics. Second, the right question for local leaders to ask their constituents is not “What do you want?” but rather “How can we help you?”

Both Kokomo and Akron have been Rebuilders, to use Aaron Renn’s taxonomy. Akron lost nearly a third of its population during deindustrialization, while Kokomo had a 22 percent unemployment rate after the 2008 crisis, one of the highest in the country. Both cities now are often-cited examples of Heartland cities finding endogenous ways to turn their own fortunes around.

Both cities cut ties to burdensome liabilities. Kokomo was funding much of the township and county governments and severed those ties in the earliest stages of rebuilding. When Mayor Horrigan was handed the reins to Akron, the city guaranteed retirement healthcare for retirees, their spouses, and their children. Horrigan knew (and consulting firms confirmed) that the city could not sustain this program. Akron cut this program, giving recipients one year to find another healthcare source. Horrigan faced vicious backlash, as expected, including a number of lawsuits. Akron’s fiscal future was much brighter, however, and Horrigan maintains it was the right, though difficult, decision.

Both mayors emphasized the importance of listening and learning, both in what needs the city has and how those needs can be met. They found neighborhoods are tangibly distinct entities and must be treated as such. One neighborhood may want improved public safety above all else, while another wants a thriving business district. Individualizing data among geographic areas as much as possible will help the city know how to help its citizens.

Kokomo faces the pros and cons of being the seat of a metropolitan area as well as the northernmost suburb of Indianapolis. Most people work in Kokomo and live elsewhere or live in Kokomo and work South. Mayor Goodnight wants to build a city that people want to both work and live in.

Heartland Growth – A Conversation with Gov. Eric Holcombe

Indiana is the regional leader in labor force participation and employment rates. Gov. Holcombe sees this as a result of government transparency, efficiency, and effectiveness, which he calls a continuation of Mitch Daniels' vision for the Indiana state government.

It seemed counterproductive to some to cut the Department of Workforce Development staff in half and expect the best labor numbers in the region, but Gov. Holcombe saw that necessary for improving efficiency. The DWD emphasizes serving employers, listening to corporations on what kinds of skills they need. Knowing this information, they can better help job seekers by guiding them toward training employers actually desire.

Gov. Holcombe noted that when he took office, dealing with opioid abuse was not on his political radar, but he quickly found the epidemic could not be ignored. Opportunities and programs for addicts exist; the key is getting those in need to the programs that can help. Collaboration must be the keyword—collaboration between government bureaus, police, nonprofit organizations, and conscientious citizens.

If Indiana and Indianapolis are to continue their population growth, they will need to do more than just build an encouraging business environment. Gov. Holcombe notes that Millennials are constituting greater and greater shares of the workforce, and much evidence indicates this demographic tends to choose where it wants to live before it chooses jobs or careers, unlike the trends of previous generations. To appeal to a morphing workforce, cities and states must be appealing places to live. While strong incentives and non-hostile regulations are important, they are a piece of a bigger puzzle. Quality of place and living may already be more important.

That said, Indiana is a success story. While we may wish to let the final score speak for itself, the score must cut through the noise of national politics for it to draw people. An important component to Indiana's strategy is sharing our story.