A nighttime photograph of a city skyline with several illuminated skyscrapers. The buildings are lit up with warm yellow and white lights, contrasting against the dark blue night sky. The foreground shows a street with some blurred lights and a few streetlights.

Going Medieval

To avoid Detroit's fate, cities need to turn back the clock. City-states will be the future of the global economy. **By Michael Hirsh**

Getting it right:
Minneapolis-St Paul.



The residents of Minneapolis-St. Paul suffer, collectively, from a serious insecurity complex. They're always talking about how no one knows anything about their "twin" cities on the upper Mississippi River. Young professionals never want to live there, complains local author Jay Walljasper, who did a study of where those sought-after Gen X-ers and Y-ers want to go. "They all had aspirations for Toronto, Chicago, Pittsburgh, Washington, Montreal. I kept waiting for them to mention Minneapolis-St. Paul," he says. "But we were not on the radar."

To the extent that anybody pays attention at all, people tend to make fun of "MSP" (the preferred abbreviation; the cities' collective name is as ungainly as its reputation)—even homeys such as Garrison Keillor, who's made a career out of Minnesotan self-deprecation. Some "Twin Citians" (many hate that nickname, too) grimly joke that the last thing that brought them national attention was *The Mary Tyler Moore Show*, the 1970s sitcom about a thirtysomething TV reporter based there. As if to drive home just how deep the insecurity runs, the middle of downtown Minneapolis features a slightly ridiculous bronze statue of the actress throwing her "tam," as in the opening credits of her long-ago show.

And yet in an odd way, the Twin Cities' identity crisis has also proven to be one of their greatest economic strengths. One can't quite put one's finger on exactly what's there because, well, there's an awful lot there. Diversity, in a word, is the secret sauce that creates urban success. Though once known as a grain-milling capital, MSP lost that title to Buffalo in the 1930s, and now a slew of *Fortune* 500-sized companies with a vast variety of businesses are headquartered in the region, including Cargill, General Mills, 3M, Target, and U.S. Bancorp. And driven by all that ambition to put themselves on the map, Twin Citians display a civic pride that has prompted constant reinvention and inspired regional cooperation. As a result, MSP today enjoys the lowest unemployment rate (5.1 percent) of any major metropolitan area in the nation, and its population is surpassing Detroit as the second largest in the Midwest, after Chicago. Minneapolis-St. Paul has also enjoyed more economic stability since World War II—with fewer ups and downs, and steadier growth—than most other American cities. "We don't know what we are," says former Minneapolis *Star Tribune* columnist Steve Berg. "But it's still a great place to live."

Detroit, of course, never suffered an identity crisis. Everyone always knew what the Motor City stood for: the Big Three automakers. So much so that "Detroit" has been as much



“Detroit was dealt a fairly bad hand.... They played that hand fairly badly.”

Urban consultant Mark Funkhouser

a synonym for America's chronically ailing auto industry as "Washington" is for the federal government. And that, in sum—a lack of diversity—was one of Detroit's biggest problems, contributing to last month's largest-ever bankruptcy filing by a city in U.S. history. The city's entire socioeconomic system was built around autos, with an "industrial middle class" nurtured by the United Auto Workers. When the auto industry fell on hard times, everything went with it. The blue-collar working class—non-college-educated, trained only to build and service cars—drifted into poverty with no recourse. For cities, economic diversity is as important as maintaining a broad portfolio of stocks is for investors.

What also sank Detroit was that its leaders failed to connect with the sprawl around it and turn the suburbs into part of a unified economic base. That is another feature of Minneapolis-St. Paul's success: It established a tax-sharing plan with scores of suburban communities. In the Detroit area, by contrast, the city and suburbs became virtual enemies. A similar dynamic led to other failed cities, such as Newark, N.J., once the haven (and inspiration) of a large Jewish population, including Philip Roth, who fled to the suburbs and never looked back. There was, on one hand, a desperate inner city that led to "white flight," and on the other an affluent, largely Caucasian suburbia that did everything but put up walls against the city that engendered

it. In today's world, that is a recipe for ruin.

"Detroit was dealt a fairly bad hand, at least in recent years. The decline of manufacturing and real hourly wages in the United States had made it a tough 40 or 50 years for the demographic that Detroit depends on," says Mark Funkhouser, the former mayor of Kansas City, Mo., and an urban consultant based in Washington. "On the other hand, they played that hand fairly badly. The thing to do in a really harsh economic environment is to enhance competitiveness and compete for a larger tax base. Detroit did the opposite. Under Coleman Young [Detroit's first black mayor, who served from 1974 to 1994], everything was done for political reasons. Every time another white family left Detroit he lost some opposition votes. So he had no interest in reaching out to suburban communities. He benefited from white flight." Detroit went from being more than 80 percent white in 1950 to more than 80 percent African-American today.

This is also the great negative lesson for cities and regions that want to avoid Detroit's fate, because to a great extent the future belongs to successful cities and, even more, to the metropolitan areas for which they serve as hubs.

Ironically, given the nature of our high-tech, super-connected age, the future will look more and more like the city-states that ruled the world for millennia, from the days of Athens, Sparta, Carthage, and Rome, and that were last dominant 500 years ago, in such places as Venice and Florence, before the formation of most modern nation-states. Today, the shining example is Singapore, the city-state of 5.2 million people that, all by itself, has become an Asian tiger. The city-state of the future will not be sovereign, of course, but instead will act largely independently. "What we are experiencing is a metro-centered driving force of change. This is the center of the economic universe," says James Brooks, program director of the National League of Cities. "The United States is not one national economy but a series of smaller metropolitan economies."

The future, in other words, is going medieval.

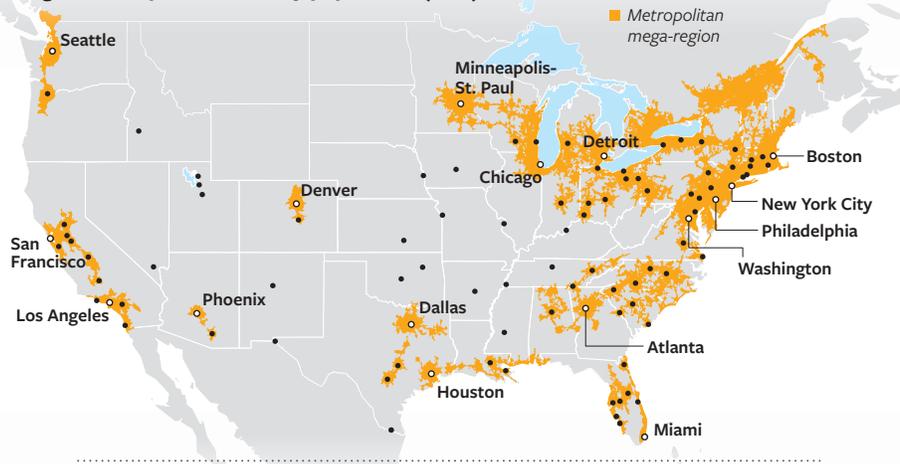
WHY CITIES WORK

The rise of the city-state has been a long-term trend, but it's gaining speed. Today, the 388 metro areas in the United States make up 84 percent of the nation's population and an astonishing 91 percent of gross domestic product. The top 100 metro areas alone total two-thirds of the U.S. population and three-quarters of GDP. And the world is catching up. "Today's roughly 50 percent urban population will climb to nearly 60 percent, or 4.9 billion people, in 2030. Africa will gradually replace Asia as the region with the highest ur-

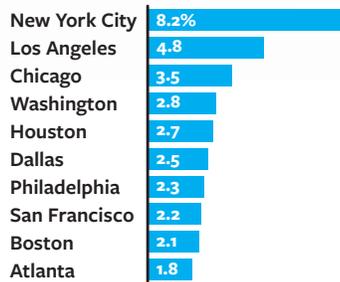
Thinking Regionally

The 100 largest metropolitan areas by population make up 72 percent of the nation's gross domestic product, and 65 percent of its population. The 10 largest metros by GDP account for a third of national GDP, and anchor urban "mega-regions."

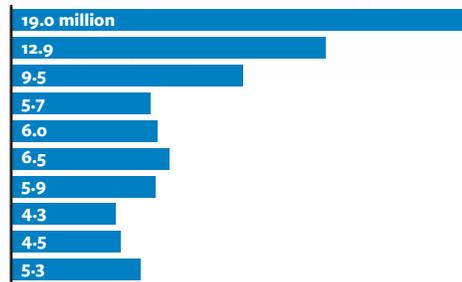
100 largest metropolitan areas by population (2011)



Metropolitan-area GDP as a percentage of U.S. GDP (top 10)



Population



Sources: U.S. Census Bureau; Bureau of Economic Analysis; Tim Gulden/George Mason University; Richard Florida

banization growth rate," according to a recent report by the government's National Intelligence Council. Urban centers are estimated to generate 80 percent of economic growth in the world, and the percentage may be growing because of the way well-built urban areas with good infrastructure—including state-of-the-art Internet and telecom pipelines—can better apply resources and make more efficient use of tight public funds.

Perhaps that's why, in his new book *Anti-fragile: Things That Gain From Disorder*, the trader-turned-philosopher Nassim Nicholas Taleb writes that the city-state is more adaptable and therefore more durable than the nation-state. Consider the political paralysis at the national level in the United States and Europe—in part the result of governments that are just too huge, sclerotic, and cumbersome—and the potential fracturing of states in the Middle East even as cities such as Baghdad or Damascus will likely remain intact. For multinational companies, thriving metropolitan regions are increasingly the basic macroeconomic unit. "A city is too small, and a country

is too big," Funkhouser says. "Countries are too blunt an instrument in which to compete."

Critically, the politics works better at the metro level as well: Republican and Democratic mayors in metropolitan areas tend to cooperate more than their counterparts at the national level, says Scott Smith, the Republican mayor of Mesa, Ariz., and president of the U.S. Conference of Mayors. Why? "Because they have to solve problems. In Washington they don't sense this need," Smith told *National Journal*. "I still have to pick up the garbage on Thursday. When someone dials 911, I have to make sure the police show up." Smith adds: "There is no such thing as national economies anymore. That's why you see the big business deals done not so much between commerce secretaries any more as between mayors, like the mayor of Shanghai and the mayor of Los Angeles."

The smartest city leaders have long since recognized these trends. Consider the story of Mike Bell, the mayor of Toledo, Ohio, a seemingly typical Midwestern Rust Belt city. Because the fate of Toledo, like that of De-

troit, was linked to the auto industry, as soon as he was elected in 2010, Bell began carefully studying his much larger sister city's ailments. And he acted to prevent Toledo from suffering the same fate: Since 2010, Toledo has gone from a \$48 million budget deficit to a \$5 million surplus, without raising taxes or laying off city workers. How? One key to his success, Bell says, was to realize that his role as both mayor and salesman-in-chief isn't limited to Toledo proper; he needed to pitch his subregion as far away as China. "I'm a regional mayor, and I'm also a global mayor," Bell explained in an interview.

When talking to potential foreign investors, he would draw a circle around Toledo showing that if you moved out from the city 500 miles in every direction, you could reach 60 percent of the entire Midwestern population. "A picture is worth a thousand words," Bell says. He took that putatively ancient Chinese wisdom directly to investors in Shenzhen, winning a surprising amount of investment in businesses as diverse as restaurants and sheet metal. All of his missions have included other mayors and Port Authority officials from the region. In the end, according to a study by the McKinsey Global Institute, Bell has given Toledo an outsized reputation considering that it ranked only 182nd in *Forbes'* "2012 Best Places for Business and Careers."

Funkhouser says officials such as Bell have it right. "When I was mayor, I told my officials that the Kansas City region competes against the Denver region—but also the Shanghai region. That's really the way the economy works now. If you are a fragmented dysfunctional region, if the center city doesn't get along with the suburbs, then you lose the critical mass you need." **Detroit, once again, provides a doleful counterexample where growth was ungoverned and not underpinned by effective mass transit or infrastructure.** "The level of job sprawl in Detroit is staggering," says Bruce Katz, an urban expert at the Brookings Institution. "About 80 percent of the jobs are located more than 10 miles away from the central business district. The average for the country is about 40 percent."

The Information Age characterized by hyper-connectedness and competition among centers of innovative activity has, ironically, tended "to reward those places where innovation happens in closed spaces," Katz says. The more integrated and "thicker" the economy—the more densely layered it is with an agglomeration of companies and researchers—the greater the rewards. Just last week, the National Science Foundation published a report concluding that a quarter of all America's scientists and engineers live in just five metropolitan areas in California, New York, and Texas.

Interestingly, the new metro age once



Ingredients for failure: Detroit's downturn was hastened by its frosty relations with its suburbs.

again puts the U.S. at a competitive advantage with the world, Katz says. "In part, our success is that we are the quintessential metropolitan nation—more metropolitan than Europe or rising countries like China or Brazil. Even in Europe, it's a smaller portion of the population that lives in cities, though they are urbanizing now."

HEEDING DOLLY PARTON

Urban experts say it's important for city planners to get the proper blend of investment and resources for each particular city and metro area, because each has a unique profile. "Dolly Parton, a great economist, once said, 'Find out who you are, and do it on purpose,'" Katz jokes. That applies to cities as well, which are constantly overreaching in their efforts to reinvent themselves—and grow fast. Everyone, it seems, wants to be the next Silicon Valley, and that won't work. The rush to build cluster-like industrial or research parks can misfire if the right combination of investments isn't achieved. "Sixty to 70 percent of clusters fail; even if you do build them, it can take 20 years to find out," says Jonathan Woetzel of the McKinsey Global Institute, who recently coauthored a report called "How to Make a City Great."

One admonitory tale is the rise and relative decline of Research Triangle Park, the vast complex that lies between Raleigh, Durham, and Chapel Hill in North Carolina. Considered state-of-the-art thinking when it was built in 1959, the park helped to bring North Carolina into the Internet age. But its visionaries failed to keep pace with the new cachet of cities. IBM sold its computer business, and jobs moved out. Worst of all, it became un-

cool. "The current generation of tech workers doesn't want to toil in the soulless Office Space complexes surrounded by moats of parking that dot Research Triangle Park's sprawling vastness," wrote Lydia Depillis in *The New Republic* last year. Now the park is trying to give itself a new "urban living" image in an attempt to achieve more "density."

"Over the past couple of decades, what we saw were a lot of cities that were copycatting, essentially," Katz says. "They were particularly focused on the consumption economy: stadium building, convention-center expansion. You'd go from one city to another and see pretty much the same thing. What they weren't focused on was the portion of their economy that drives everything else. What goods do you make? What do you trade, who do you trade with, both domestically and globally?"

Stadiums and big-league teams add allure, but the more sustainable need is for "economic gardening" for grassroots growth, Woetzel says. Let the private sector make most of the decisions, and don't succumb to the temptation to overplan. Above all, don't stray too far from your city's *raison d'être*. "In Kansas City, the city fathers and mothers are embarrassed about the image of a cow town, and they run away from it, which is absolutely absurd," Funkhouser says. "The reason for Kansas City's existence is that it was as far north as you went to put cattle into cars to go to Chicago," where they were slaughtered. As a result, today Kansas City is a logistical hub, with the second-largest freight-rail system in the country after Chicago. And that, Funkhouser says, is also the source of its future viability. "Instead of running around trying to create entertainment districts and things like that,

the livestock, agribusiness stuff ought to be what they focus on. On one hand, you want diversity. On the other hand, you don't want to do a whole lot of 'me-toos.' What is your natural strength? One of the criticisms of Michael Bloomberg in New York was how much he embraced Wall Street. Well, hell, that is the main driver of New York City's economy."

Mayor Smith of Mesa says city planners must resist the temptation to simply follow the most glamorous trend. "There was a time when biomed was popular," he says. "If Mesa went after biomed, that would be a fool's errand because we don't have biomed." Instead, Smith set about figuring out what his city's organic growth centers were and came up with a bumper sticker: HEAT, which stands for health care, education, aerospace, and tourism and technology. He decided his city should try to attract small liberal-arts colleges of the kind that are still too rare in the Southwest.

Healthy growth should also be well paced. Growth that happens too fast can lead to problems such as Beijing's horrific air pollution or to the kind of ungoverned sprawl that outpaces infrastructure or mass transit. That eventually fragments urban areas, as happened in Detroit. Portland, Ore., considered by many to be a model of how to take an old city into a new era, has even controversially laid down a "regional growth boundary." True, Portland had the luck of being situated between the Silicon Valley and Seattle—and the legacy of headquartering Intel and Tektronics—but it also developed a vision for sustainable development and export strategies with Asia.

Brooks says the obstacles holding back growth can sometimes be as simple as getting the city charter right. "The Detroit city charter

is very different from other charters. It's very specific about what is required by the city government and what can't be done," he says. "For example, it's very difficult to contract out its services. The charter doesn't allow that. That constrained the flexibility of the city government. Governments have to be nimble."

THE SECRETS OF SUCCESS

The National League of Cities' Brooks and other urban experts point to four ingredients essential to metropolitan success.

• **Consistent vision.** Because successful city planning can take decades to pan out, patience and steadiness are required. Consider Chattanooga, Tenn., where its leaders are still putting in place a 45-year plan that has transformed the city from one of the most polluted in America to a highly livable and sought-after place, attracting huge amounts of foreign investment. Today beleaguered cities such as Cleveland, once derided as "the mistake on the lake," are pursuing new strategies. For Cleveland, it is to become the "green city on a blue lake," as its "Sustainable Cleveland 2019" strategy puts it.

• **Leadership.** Hand in hand with vision comes leadership that is consistent and public-minded. Above all, as in the case of Chattanooga and Portland, a city must have a strong culture that promotes such leaders in the private and public sectors. New York has avoided the image of a has-been city and remained the most competitive because its mayors are constantly reinventing it, as Rudy Giuliani did with his tough anticrime agenda and Michael Bloomberg has done by investing in R&D and "green" innovation.

• **Public-private partnerships.** Business, civic, and government leaders must act as a team. In Pittsburgh, for example, philanthropic efforts by the Carnegies and the Mellons helped the city enormously in making the transition from Rust Belt steel city to educational and medical hub.



• **Regional thinking.** This is the new sine qua non for cities. In the future, none will succeed without it. Like Toledo's Bell, Colorado Gov. John Hickenlooper, when he was mayor of Denver, created a "caucus" of more than 30 area mayors who met regularly and helped jointly develop a regional light-rail system. Officials behind the Greater Houston partnership have made similar efforts. "You can develop regional collaboration in lots of ways," Funkhouser says. "Tax-base sharing, shared-services agreements. But, primarily, it really starts with the relationship between elected leaders. They have to be on the same page. Cities and metro areas are governed essentially as a regime."

All these factors can breed a critical survival trait for successful cities and their metro areas: resilience. Consider the contrasting examples of Stockton, Calif., and Charlotte, N.C. Stockton filed for Chapter 9 bankruptcy a year before Detroit did, a victim of too

much dependence on one industry—construction—that collapsed in a matter of months after the subprime-mortgage-generated financial crash in 2008. In Stockton, descendants of California's agricultural workers flocked to home-construction jobs, building houses for middle-class families who worked an hour or two away in the San Francisco Bay Area. The city boomed. But that industry disappeared virtually overnight, and Stockton had nothing to replace it. Today it is a nightmare of boarded-up downtown buildings and rampant crime.

As the home to two major banks—Bank of America and Wachovia—that made disastrous choices during the subprime bubble, Charlotte was also hard-hit. But the city has come out of it strongly. Like Minneapolis-St. Paul, Charlotte is a far more economically diverse city than Detroit, with a lot of civic support from its citizens, and its government has invested heavily in infrastructure (former Mayor Anthony Foxx just became President Obama's Transportation secretary). Ultimately, despite its travails, Charlotte was selected over several other finalists (including Minneapolis-St. Paul) to host the 2012 Democratic convention.

There is always room for improvement, as all those self-conscious, self-doubting Twin Citians know all too well. Minneapolis-St. Paul still has many problems, some of them caused by the exodus from Detroit. It suffers an unusually high "achievement gap," for example, between its black and white populations. On this point, the Taleb thesis on fragility will be sorely tested in MSP: How will a metro area that was once largely Scandinavian and Western European in ethnic character handle a large influx of Hispanics and blacks?

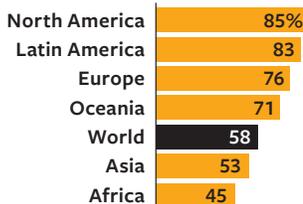
But cities are hardy creatures. There may even be hope for Detroit, if it survives its bankruptcy. Thanks to the city's economic plight, rental rates in Detroit's downtown core are super low, and that is already fostering a boomlet of entrepreneurial businesses. A renewal of civic pride, and a new regional approach begun by former Mayor Dennis Archer—leading to the construction of a bridge across the Detroit River to Canada—is helping as well. "Detroit is like an undervalued stock," says Brookings' Katz. "I think the core is going to come back a lot faster than people think."

Yet in the end, if a new Detroit is to rise, it will have to embrace a very different future. It will have to go medieval. ■

Global Urbanization

By 2025, almost 60 percent of the world's population—or 4.6 billion people—will live in urban areas. About 630 million of them will live in one of 37 megacities, those with populations greater than 10 million.

Population living in urban areas in 2025



United Nations, Department of Economic and Social Affairs, Population Division

PHOTO: ASSOCIATED PRESS/PABLO MARTINEZ MONSIVAIS