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Potential High For Inner Cities

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I was in Milwaukee recently to see Michael Porter, the Harvard guru of competitive strategy who has turned his attention to America's central cities. Porter was in town to pitch his Initiative for the Competitiveness of the Inner City, which Dan Bader of the Bader Foundation is pushing as a possible cure for some of Milwaukee's ills.

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The basic idea behind ICIC is that central cities, despite their reputations, offer many opportunities for profit. Their dense populations, while poorer than average, together make up a lot of purchasing power. (Do the math and notice that 10,000 city people in a square mile making \$10,000 a year are worth as much as 1,000 suburban people in the same space making \$100,000 a year.)

Their location as central to metro area markets also makes them ideal for industries (such as food processing) that repeatedly, and with quick cycle times, gather supplies from dispersed locations and then themselves disperse finished products to those markets.

However attenuated at present, central city participation in industry clusters - or groups of firms doing similar or related things - makes them natural platforms for adding to the value of those clusters, or extending them. Where the clusters are "distinctive" to a region - meaning showing more employment or value flow in their regional economy than is typical elsewhere - such upgrading or extension can add meaningfully to regional distinctiveness, with multiplying positive effects.

As a region gets really good at and known for doing something in particular, it can specialize its public goods (education, training, modernization services, technology diffusion services, infrastructure of all kinds, collective marketing) to promote that good thing, which increases the efficiency with which those goods are provided.

Economies of scale and scope - the gains that come from doing a lot of one thing, or doing a bunch of interrelated things - can be realized for the region as a whole. Inner cities, given their history, also often have a legacy of public goods - from transportation infrastructure to public recreational space - that are currently underutilized but that could in theory be reclaimed. And they include thousands of firms - in Milwaukee's central city, close to 8,000 - that show that business can be done there, often at significant scale.

The fact that central cities have underutilized labor also makes them the next frontier of new hires, in a world in which the national (and Wisconsin) labor force is no longer growing at nearly the rate that it once was. And there should be no doubt that central city populations are ready to work - the best evidence of this is that they are working already. One familiar racist cliché is that most people in central cities are on welfare, or only recently got off. Not so. Most of them are and always have been working full-time jobs and trying to raise families, just like the rest of us. They've just been doing so, and still are, for much less pay.

Could there be any better evidence that they possess the "good work attitude" that all employers seek? After all, who's shown more dedication to hard work? Someone who shows up on time for an interesting job paying \$35K annually, with a spouse making the same, health insurance coverage for the family, a couple of kids in excellent elementary schools with some organized after-school programs, and a 30-minute commute to work in one or the other of the family cars? Or someone who shows up on time for a really boring job paying \$12K annually, with a spouse making a bit less, no health insurance, two kids going to school in a violent neighborhood with nothing much good happening at the end of the day, and no family car so they've got to wait in the cold for the bus that drops them off some additional distance from their place of work?

Don't tell me you answered Door No. 11 Behind that, a more or less typical situation for middle-class families, is just your run-of-the-mill Dilbert nightmare. The second is closer to a real nightmare - of nearly impossible logistics, worries about the kids and daily disrespect at work.

Porter's radical idea is to treat the central city as a region that is at least as potentially competitive as any other. Doing so means learning more about it, in particular learning more about the firms that are currently operating there, surviving and even thriving. Inventory their capacities against the needs of area firms searching for suppliers or partners on new projects. Inventory their needs, and what is keeping them or others from growing. And take a hard look at how public and private policies might be tweaked to get out of the way of their thriving entrepreneurial spirits, or provide those assists that would make them succeed in ways they are not now.

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Porter noted that his group had uncovered more than 60 recent studies on Milwaukee's woes and what might be done about them. But in truth very little has come of all that paper. As exceptions, the Harvard maestro singled out two projects that COWS has started in Milwaukee - the Wisconsin Regional Training Partnership and the Milwaukee Jobs Initiative. These show that good can come to the central city if people sit down together with a reasonable knowledge base, and if its economic potential is taken seriously.

* The praise for our work is gratifying, and Porter definitely missed some other good efforts. But in general there's no denying that there is not enough to celebrate in Milwaukee. Wisconsin's "great city on a great lake" is heading down, a victim of its own disorganization and malign neglect by state policy over the past 20 or more years.

Why is this being allowed to happen? Could Milwaukee be turned around?

See this space for answers next week. For now let us note only that, in this year's statewide political races, no questions are more urgent, and none more systematically ignored.

Joel Rogers is director of COWS, the Center on Wisconsin Strategy, at UW-Madison. COWS is sponsoring "Sustaining Wisconsin," a statewide dialogue about the future of Wisconsin.

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