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Do former industrial cities in the Midwest have a future?

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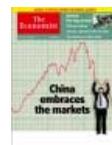
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"THEIR biggest concern is the abandoned buildings," says Karen Freeman-Wilson, the Democratic mayor of Gary. She holds weekly one-to-ones with residents, 15 minutes each to find out what most worries them. Gary, which is south-east of Chicago on Lake Michigan, has some 5,000 boarded-up houses, around a quarter of the city's buildings. They are an eyesore, many of them are dangerous and criminals like to hide in them.

Ms Freeman-Wilson is devoted to her job; she ran three times to get it until she won in 2011. Before that, she was the state's attorney-general. She wants to reinvigorate the city she was born in and, crucially, give citizens confidence in its future. One of her recent victories was the demolition of Gary's tallest building, a former Sheraton hotel once dubbed "the gateway to Gary's future", which, for three decades, loomed as a vacant skeleton next to city hall, a daily reminder of the city's descent into urban blight.

Reviving it is a tall order, and progress is sometimes frustratingly slow. Gary is a miniature version of Detroit, an industrial city hit brutally by the decline of the heavy industry that had sustained it for decades. It struggles with poverty, high crime rates, unemployment, poor schools and a general sense of hopelessness. The population, which is 85% black, has shrunk from 180,000 in the 1960s to fewer than 79,000 today. Its poverty rate is 38%; both the per-capita murder rate and the high-school dropout rate are among the highest in the

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country. The official unemployment rate is 6.5%, but real unemployment is 30%, says Ms Freeman-Wilson, when you include the many people who have never had a job.

Gary used to be known as “Magic City”. It was a bustling, prosperous metropolis with handsome buildings lining Broadway, decent public schools, well-stocked flower beds in dozens of parks and numerous shops, restaurants, cafés and movie theatres. This elegance had solid underpinnings: it was founded in 1906 by the United States Steel Corporation for Gary Works, its new plant, and named after Elbert Henry Gary, co-founder of US Steel. Its fortunes, however, rose and fell with those of the industry. When US Steel struggled to compete with cheaper steel from Asia, it laid off workers. Today Gary Works employs around 5,000 people compared with 30,000 in the 1970s. And the lay-offs continue: in April US Steel fired more than 300 workers as it shut down its own, Gary-based, coke plant.

The city is one of many former industrial hubs in the rust belt, a term which, according to a report for the “Industrial Cities Initiative” put together by Chicago’s Federal Reserve Bank, often turns out to be an epitaph for cities large and small throughout America’s north-east and Midwest. Their decline started 40 years ago and has accelerated over the past decade. In 1970 employment in manufacturing in America, much of it in the Midwest, accounted for about a third of the labour force. Since then its share has dropped continuously until, in 2010, it accounted for around a tenth of workers. It is now recovering in places, but only in baby steps.

Bruce Katz at the Brookings Institution, a think-tank, says that industrial cities must reinvent themselves to survive. His suggestions are not new, but almost a return to fundamentals: they have to use their geographical advantages (meaning, these days, tourism and logistics rather than geology) and build as much as possible on “anchor” institutions such as universities and hospitals. What they must not do is distract themselves by constructing an enormous stadium or a theme park that may turn into a white elephant. It is a very rare city that has helped itself by hosting international sports.

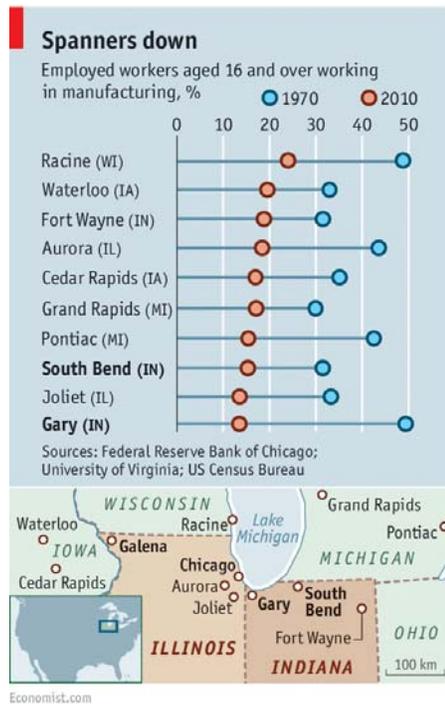
A good example of Mr Katz’s first precept, making full use of geographical assets, can be found in Galena, Illinois. Galena is a smallish city that lies the whole breadth of Illinois away from Gary, on the Mississippi that marks the Iowa border. Its sudden decline came earlier than in other midwestern industrial towns. In the early 19th century it was a thriving lead-mining centre and a steamboat transport hub that was bigger than Chicago. Then, in the 1850s and 1860s, zinc supplanted lead and railways took over from steamboats. “Everything changed by the time of the civil war,” says Daryl Watson of the local historical society. Galena’s last hurrah was the triumphant return in 1865 of the Union general, Ulysses Grant, to the town he had made his home before the start of the war.

In subsequent decades Galena struggled—and shrank. In its heyday the city had 12,000 inhabitants; today there are just 3,500. But in the 1960s it found a new way to earn a living by making the most of its looks: the lovingly restored historical centre and the verdant, hilly

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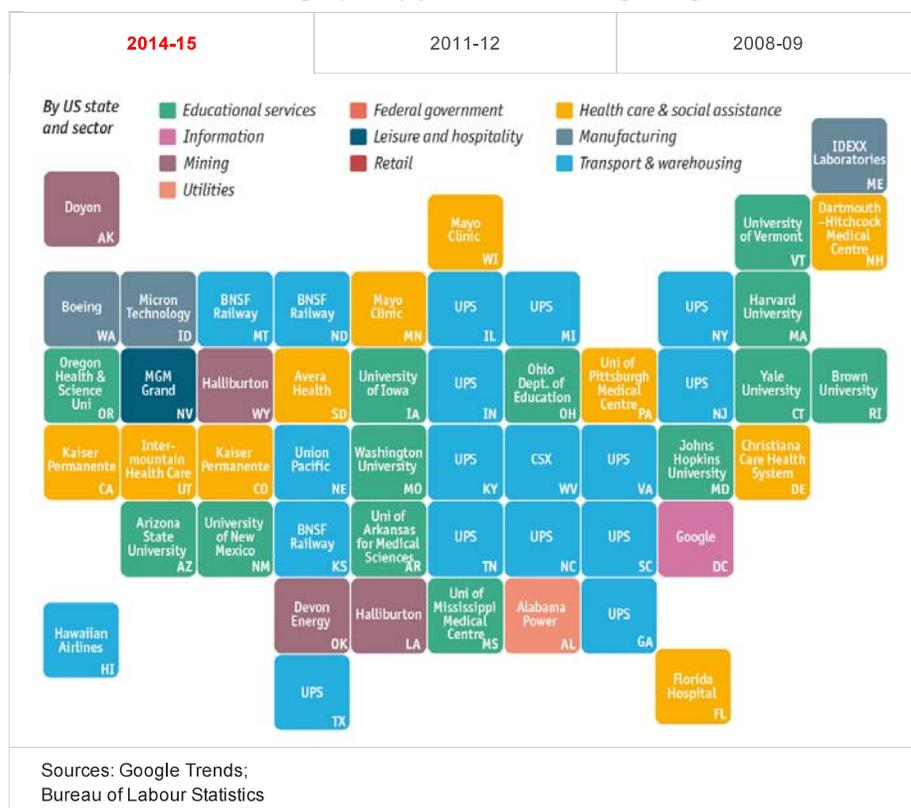
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landscape behind it, a unique feature of the “Driftless Area” in the otherwise pancake-flat Midwest. Today Galena has around 1m visitors a year. More than 80% of the city’s downtown buildings are on the National Register for Historic Places. Thanks to restrictions on electric signs, Main Street looks more like a well-preserved town in Europe, with plentiful craft shops and a lot of cast iron. It has done well.

The second possible route to survival for the Midwest’s battered cities—building heavily on notable local institutions—can be seen about 60 miles east of Gary, in South Bend, Indiana. South Bend, too, started to decline long ago. It used to be a company town: the headquarters of Studebaker, one of the big four American carmakers in the first half of the 20th century. Yet Studebaker struggled with the modern era: it went bankrupt during the Depression and then faced even more problems in the 1950s, thanks to poor labour relations and fierce competition from carmakers in Detroit. When the firm permanently closed its plant in 1963, thousands of local men and women lost their jobs. “Today South Bend is a company town without a company,” says Pete Buttigieg, the city’s Democratic mayor.

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Yet South Bend has “anchor” institutions in Notre Dame, one of America’s leading Catholic universities, and the Memorial Hospital of South Bend. Until recently, Notre Dame showed little interest in its hometown; but this is changing as administrators realise that when students apply to a college, they also care what the town surrounding it can offer. The university, which is South Bend’s biggest employer, is now working more closely with the government to channel investment into the city.

Mr Buttigieg does not want South Bend to reinvent itself as a company town—dependence on a single employer proved too devastating. Instead he is trying to lure technology and data companies with promises of cheap power, low corporate taxes and cold weather (data centres need cool temperatures as they generate so much heat). In recent years some of Studebaker’s plants have been torn down and an empty site has been named Ignition Park, which Mr Buttigieg hopes will become a leafy hub for high-tech companies. (Ignition Park has a sister site, Innovation Park, developed by Notre Dame across the street from its

campus.) Ignition Park's second confirmed tenant is the Notre Dame Turbomachinery Facility, a joint venture between the university and five public and private partners, which will research and test gas-turbine engines used by military and commercial aeroplanes.

Powers of persuasion

South Bend still has a long way to go. Studebaker's vast half-derelict factory buildings continue to dominate the cityscape. The city's rate of violent crime remains nearly twice the Indiana average; 28% of its inhabitants live below the poverty line and 75% of children in public schools are eligible for the free lunches offered to low-income families. Tensions occasionally erupt between the city's ethnic groups: South Bend's inhabitants are 13% Latino, 27% black and 60% white, primarily of Polish, Hungarian, German and Irish descent. "Holding the community together is one of my biggest challenges," says Mr Buttigieg, who regularly compares notes on this and other topics with his counterpart in Gary.

Mr Buttigieg and Ms Freeman-Wilson are both seeking re-election later this year. Both are likely to be re-elected and get a chance to continue what they started. Not long ago, after Gary lost more than half its annual budget because of a change in Indiana's property-tax rules, city officials felt so bleak that they mooted a plan to cut services for almost half the city (and move everyone to the half that would still receive them). But Gary is now starting to get help from both the state and federal governments, thanks in part to Ms Freeman-Wilson's powers of persuasion. Last year the White House announced that it was one of seven distressed cities that will receive federal funds through the "Strong Cities, Strong Communities" initiative. It has received \$6m from the state government for the demolition of abandoned buildings. And it is applying for a \$21m grant from a special programme run by the federal Transport Department to encourage investment in public transport.

Gary has an international airport, three railway lines and direct links to four of the nation's busiest interstate highways. It sits on the shore of one of the world's biggest lakes and just 24 miles south-east of downtown Chicago. It lost time and wasted federal funds, under a previous mayor, by building a baseball stadium and hosting Donald Trump's Miss America beauty pageant. But as a transport hub, so close to America's third-biggest city, it may have a chance to remake itself rather than just manage its decline.

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