

# MILWAUKEE'S GENERATION GAP

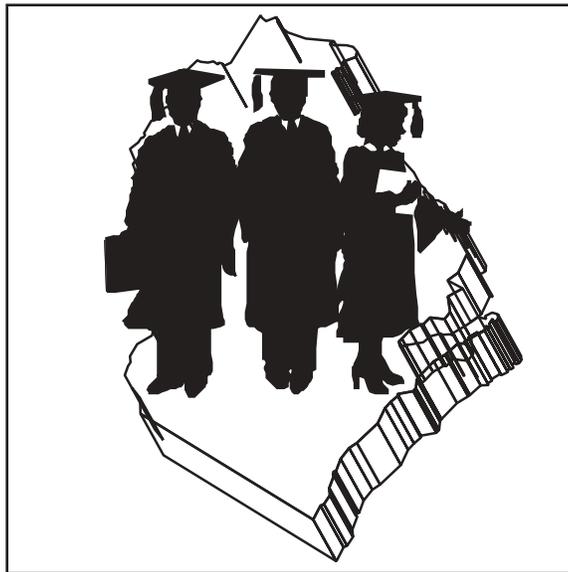
GEORGE LIGHTBOURN

There has always been a dissonance between generations. Every generation has shown disdain for the values asserted by succeeding generations. We have all longed for the familiar good old days. Change never rests easy.

American cities are in the midst of an inter-generational gut check. Modern American cities run the gamut from shimmering tech centers on the way up—seeming to effortlessly generate wealth—to aging, cold manufacturing centers. But, regardless of their current circumstances, all cities are looking for the elixir that will fuel future growth. All cities are consumed with the prospect of economic development.

Some cities have had fortune smile on them. They were at the right place at the right time. San Jose, in the heart of the Silicon Valley, became a technological boomtown as the computer revolution swept the world. Charlotte became America's banking center as several forces blended to yield merger after merger.

Most cities have not been so fortunate. They have had to work hard to convert from the old to the new economic model, and they have the scars to prove it. These are the cities



that have blazed a path that Milwaukee is trying to follow.

Milwaukee is poised to convert to the new model of prosperity. It sits on the precipice of success, continually looking for that big flashy catalyst that will put Milwaukee back in the big leagues of American cities. It is this urgent desire to catch up that explains the high stakes atmosphere that surrounded the

City Council vote on the PabstCity project.

On a muggy July day last summer, once again the economic future of Milwaukee was up for a vote. Once again the City Council couldn't muster the energy to take the city's economy down a new path. A "yes" vote would have provided \$41 million of Tax Incremental Financing (TIF) to revitalize the Pabst Brewery site just northwest of the Bradley Center.

The no vote from the Council was met with an outcry from the Mayor and from business leaders who saw the project as a path to the future for Beer City. But, while they were disappointed to be sure, they should not have been surprised. Milwaukee is seemingly con-

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fused as to how to modernize itself. It is a city with a rich industrial past. It is a city all too comfortable lagging behind its hipper neighbors of Chicago and Minneapolis. Once again the Council vote told the world "that's just not for us."

To be sure, the PabstCity project posed a myriad of political and financial risks. Yet, the fundamental issue facing the City Council was a shift to a new economic model for the city. It is that issue, a willingness to move from the known and the comfortable to the uncertain and risky, which will be needed before Milwaukee contemplates joining other cities that have climbed over Milwaukee on the economic ladder.

The symbolism of this particular project was stark. Wedged into the northwest corner of downtown Milwaukee is thirty-five acres filled with empty brick buildings, a relic of the Pabst Brewery. The impression most of America have of Milwaukee is of such large breweries. A group of local and national developers was planning to convert those acres into a mixture of shops, restaurants, condos and entertainment. In fact, the House of Blues, a prospective tenant, became the symbol of the proposed new development. No business more clearly defines the clash between generations.

#### **What Defines the New American City?**

The formula for the successful modern city is well known. As manufacturing, rightly or wrongly, moves overseas the economic platform that has been supporting many urban economies has been severely weakened. Businesses that once supported thousands of good paying jobs in Milwaukee have moved, downsized, or closed up shop altogether. Those manufacturing plants that have remained have survived by moving to a new business model, one that uses more technology and fewer workers.

Milwaukee's economic slide has been well documented. The city has endured over thirty years of decline: lost population (lowest population since 1880), lost jobs, and incomes that have fallen 23% below average for American

cities.<sup>1</sup> It is this last statistic that is most telling, for income is the truest measure of prosperity. It is particularly difficult as Milwaukee has seen other cities become centers of wealth. Economist J Bradford DeLong said it best:

What is bad about falling behind, or falling further behind is not that second is a bad place to be. . . . What is bad about falling behind is that the world's industrial leaders provide an easily viewable benchmark of how things might have been different and of how much better things might have been.<sup>2</sup>

In 1970 the metro Milwaukee economy was sandwiched between San Diego and Seattle in terms of the wealth they produced. While those cities have seen growth in jobs and in wages, Milwaukee has seen a decline in both. It has reached the point where many people wouldn't think it reasonable to compare Milwaukee with San Diego and Seattle. Yet thirty years ago, a blink of an eye in a city's life span, those communities were Milwaukee's peers.

Today's generation of successful cities is fundamentally different. Not only are there fewer smokestacks and union halls, there are more coffee shops, jogging trails and small, multi-million dollar business. The workforce tends to be younger, carries a briefcase or backpack instead of a lunch pail and shuns black coffee for latte and cappuccino.

The people of the new urban economy are different. The college degree has become the union card of today as the basic employment requirement. It has also become the most powerful predictor of urban prosperity. The greater the share of the population holding college degrees, the healthier will be the city. While there has been a premium on knowledge, with the advent of the technological society, the importance of education has become even more notable.

Any city wishing to increase its per capita income must increase the percent of its population holding a college diploma. Milwaukee is currently adding approximately 1,800 college graduates to its population every year. At first

blush this growth might seem encouraging. But not when it is shown that most American cities are increasing their college-educated population at more than double Milwaukee's rate.<sup>3</sup> This has meant that Milwaukeeans have fewer dollars in their pockets, 23% fewer dollars than the average person living in urban America today.

What will it take for Milwaukee to move back to being an average American city? To do this it will be necessary for Milwaukee to add 5,300 college graduates each year (nearly triple the current rate of addition) every year—for twenty years!

Milwaukee's decline has occurred over decades. It will take decades to repair the damage, and the clock is ticking.

Imagine if Milwaukee were to meet this lofty target—5,300 more college grads each year for twenty years—it will have added over 100,000 college grads to its ranks. Clearly Milwaukee will be a fundamentally different place than it is today. The percentage of the city's college educated population will have doubled; from 18% to 36%. It will look less like the Milwaukee of today and more like Austin, Texas.

The question is, where will all of the additional college graduates come from? It is unlikely that they will come from Milwaukee itself, (although a good deal of the current college-educated population grew up in *suburban* Milwaukee). Milwaukee's public schools are beset with the same challenges afflicting urban education throughout the nation. Milwaukee students continue to drop out of high school at elevated rates. Its teenage girls become pregnant at the highest rate in the nation, and the overall enrollments are declining as the city population declines. Clearly, if Milwaukee is to

triple the number of college grads it adds to its population each year, it will have to look well beyond its own borders.

But what will draw educated people to Milwaukee? Will it be the jobs, or will it be the amenities the city has to offer? The answer is that both pieces will have to be in place, and that is why projects such as PabstCity assume an extra degree of importance for the city.

### Becoming a Cool City

In the stodgy world of economics, all of the elements that distinguish one urban setting from another can be reduced to numbers, equations and algorithms. Sorting through the

myriad of statistics, economists have been able to demonstrate over and over the importance of the educational profile of a city. Edward Glaeser, one of the nation's foremost urban economists, in a paper he co-authored with Albert Saiz for the Harvard Institute on Economic Research, captured the essence of the relationship between an educated workforce and prosperity. They note:

[S]kill composition may be the most powerful predictor of urban growth. This is both a boon to skilled cities . . . and a curse to the cities with less skilled workers that have suffered an almost unstoppable decline.<sup>4</sup>

They suggest that skills, or education, are so critical for cities because cities are constantly reinventing themselves; moving from one field of specialization to another. Skilled workers are simply better able to adapt to economic shocks and reinvent themselves. Take for example Seattle, which suffered an economic body blow as the aerospace and technology industries suffered a simultaneous downturn. Because Seattle has a highly educated workforce, it will likely reinvent itself and maintain its status in the upper echelon of American

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cities. Conversely, as Glaeser and Saiz predict, cities like Milwaukee will continue to struggle, especially when dealing with an economic shock such as the recession of 2001.

While the importance of education is widely acknowledged, a specific local example helps drive home the point. Northwestern Mutual Life (NML) is one of Milwaukee's most prominent businesses. An employer of 4,200 workers in the Milwaukee area, NML is the city's second largest public company. There isn't a city in America that wouldn't welcome NML with open arms.

In a major study of workforce skills, Richard Murnane and Frank Levy took a close look at the nature of NML's workforce at the home office.<sup>5</sup> NML is a decidedly different company today than it was in the 1980s. In the early 1980s nearly half of the company's workers lacked a college degree. However, Murnane and Levy found that through the 1980s and 1990s the entire increase in the workforce at NML held college diplomas. The more educated workforce allowed the company to change its customer service model and actually thrive through a period when the pool of 21-year-olds (the traditional target of the life insurance industry) was shrinking. The more educated population enhanced the company's innovation and productivity, the hallmark of successful companies.

### **City Amenities and Economic Development**

Casual visitors to a city can generally get a feel for the wealth of a city. Walking the streets, eating in restaurants, and seeing the sights allow that visitor to distinguish between San Diego and Cleveland, or between Portland and Fresno. However, the person contemplating actually relocating to a city will do a more thorough assessment of the city and its offerings. Researchers have carefully studied what draws us to choose to live in one city over another. In particular, a body of work has emerged that examines the draws that attract the young educated prospective residents.

For four years now there has been a focus on studying the "creative class." A term coined

by Richard Florida in his seminal work *The Rise of the Creative Class*.<sup>6</sup> Many people reacted with skepticism when Florida first broached the concept of the creative class. Some saw Florida's creative class as little more than latter-day yuppies, a category of people to be endured but not sought out.

Yet, the reality is that the creative class consists of the same educated workers that have yielded prosperity wherever they have decided to congregate. Simply stated, young, educated workers represent a city's economic engine. The more of this population living in a city, the more the city will thrive and the better it will be able to rebound from the occasional economic shocks that are inevitable.

How far behind is Milwaukee? In 2000 the average American city (of the largest 50 cities) had 27% of its population holding college degrees. In Milwaukee only 18% of the population held degrees. (Interestingly, in the average city 18% of the population held college degrees in 1980. Milwaukee is roughly twenty years behind its peers.)

Buried in the mountain of data analyzed in the 2004 Wisconsin Policy Research Institute study were three disturbing facts:

1. Other cities are not static. The average large American city will continue to increase its educated population. Where it stood at 27% of the population in 2000, by 2020 it is likely to grow to 40% of the population.
2. Cities, like Milwaukee, with a low percent of college-educated people, are falling farther behind. This is likely because they are unable to adapt to changing circumstances. As the economy shifts and as it expands and contracts, these cities have been slow to react.
3. The very existence of a more educated population changes the very nature of a city. As these cities change they become even more attractive to younger, more educated people. Rich cities are likely to become even richer as their economies are

slingshotted forward by an increasingly educated population.

The work of Richard Florida and others has helped city leaders better understand what attracts young educated workers. Quite simply, they expect a city to provide them with the whole package; both a job and amenities. Whereas an earlier generation of worker would relocate to a city simply on the prospect of a good job, today's worker will not. They must also be sold on the city that awaits them. Lifestyle issues are clearly more important to today's job seekers.

Not long ago a group of young professionals who had relocated to Milwaukee provided their insight on their likes and dislikes of Milwaukee. This discussion, while unscientific, revealed issues consistent with survey results published by the Young Professionals of Milwaukee.<sup>7</sup>

For them Milwaukee has many positives. They particularly like the fact that the city has a big city feel but is relatively easy to maneuver through. They also found that Milwaukee is more affordable than other cities, especially for housing and social activities (restaurants and bars). Finally, they saw the diversity of the city's population as an asset, one that needs to be accentuated. In other words, they don't want a city full of people like themselves.

On the negative side, these young professionals noted what they saw as significant gaps in what the city has to offer. High on the list was the absence of a Whole Foods store and a paucity of bookstores, especially used books. They also mentioned a lack of diversity in entertainment. Although living in Milwaukee, these people could be found regularly driving to Chicago for high-end shopping and entertainment.

The four young professionals represented the target audience. They were all graduates of good Midwestern universities just beginning their professional careers. They are ground zero of the creative class. Like NML, these young professionals would be welcomed by any city in America.

### **Milwaukee's Self-Imposed Economic Development Hurdle**

Like many cities, Milwaukee has to learn to appreciate its past while not allowing the past to dictate the future direction of the city. Milwaukee does have a rich past, one that yielded prosperity for the city for over a century. It was once a city at the cutting edge of innovation, which yielded manufacturing operations that were the envy of the nation. It is a past that saw above-average salaries and the quality of life that comes with prosperity.

However, Milwaukee cannot be trapped in its past. It cannot suffer from the hardening of its innovative arteries. But some of the old norms seem to still prevail. It is a city hesitant to move beyond its comfort zone.

Milwaukee historian John Gurda wrote the definitive history of the city. In *The Making of Milwaukee* Gurda notes:

It is impossible . . . to shed the accumulated weight of the past, to truly reinvent the character of either an individual or a community. History serves as both ballast and bedrock. . . . A learned conservatism has created a social climate that can be toxic to new ideas.<sup>8</sup>

Milwaukee has found a comfortable type of conservatism. It is one of the few major American cities that have been run by socialists. Yet Milwaukee's brand of socialism was an incongruous blend of fiscal conservatism and social progressivism. It was a more practical and

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less ideological brand of socialism. The city's longest serving mayor, John Norquist, described himself as a fiscally conservative socialist. To the rest of America that term would require explanation, but Milwaukeeans understand it implicitly.

Milwaukee's conservatism was also documented in a recent study released by the Public Policy Forum. In a February 2005 report the Forum examined the use of Tax Increment Financing (TIF) in Milwaukee.<sup>9</sup> TIF is the primary tool available to cities for urban revitalization. Their study found Milwaukee's use of TIF financing (the same financing tool at issue in the PabstCity project) lagging far behind its Midwestern competition. Both Chicago and Minneapolis have used TIF financing to revitalize themselves much more extensively than Milwaukee. In an unusually blunt assessment the Public Policy Forum stated,

Milwaukee assumes significant risk that its TIF "under-usage" is a symptom, or worse yet, a contributing factor to Milwaukee's declining economic fortunes in comparison to Chicago and Minneapolis.

### What's Needed for a New Milwaukee

Do enough people understand that Milwaukee will have to shed its working class heritage if it is to join the ranks of America's great cities? The City Council vote to reject the PabstCity project suggests there is still much work to be done on this front. It was instructive to learn how relatively easy it was to kill the project. Defending the status quo will always be easier than championing change.

In the case of PabstCity, the embodiment of the status quo—downtown bar owners, restaurateurs and historic preservationists—joined forces in a campaign to keep Pabst City wrapped in cobwebs. City leaders should expect more of the same in the future. After all, they're fighting over 100 years of history.

Mayor Tom Barrett issued a feisty response to the council vote. Barrett, normally a model of serenity, went on the attack with a strongly worded press release. He referred to the Council vote as mind boggling. He will need to bottle that energy for the next skirmish in the battle for the future of Milwaukee. He should also keep in mind that, as with any battle, the essential ingredient for victory will be leadership. Only effective leadership will inspire the city to move beyond its natural inclination to stand pat. Let's hope that the opportunity presents itself soon, before thousands more educated young people vote with their feet for the more progressive cities like Chicago and Minneapolis.

### Notes

1. George Lightbourn and Steve Agostini, *Wisconsin's Quiet Crisis: Why Building a New Milwaukee Economy Matters to Wisconsin*, Wisconsin Policy Research Institute, January 2004.
2. J. Bradford DeLong, *Macroeconomics*, McGraw-Hill/Irwin, 2002, pg. 142.
3. George Lightbourn and Steve Agostini, *Wisconsin's Quiet Crisis: Why Building a New Milwaukee Economy Matters to Wisconsin*, Wisconsin Policy Research Institute, January 2004.
4. Edward Glaeser and Albert Saiz, *The Rise of the Skilled City*, Harvard Institute of Economic Research, December 2003.
5. Frank Levy and Richard Murnane, *Teaching the New Basic Skills; Principles for Educating Children to Thrive in a Changing Economy*, The Free Press, 1996.
6. Richard Florida, *The Rise of the Creative Class*, Basic Books, New York, 2002.
7. The organization Young Professionals of Milwaukee, affiliated with the Milwaukee Metropolitan Association of Commerce, has published surveys of young professionals in 2004 and 2005.
8. John Gurda, *The Making of Milwaukee*, Milwaukee County Historical Society, 1999, page 437.
9. *Keeping Up with the Neighbors?*, The Public Policy Forum, February 2005.