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# HOW STAGNATING CITIES CAN PREPARE FOR THE FUTURE

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# About the Author

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Renn holds a B.S. from Indiana University, where he coauthored an early social-networking platform in 1991. He has created several widely used open-source software packages, including the only program for recovering data from corrupted gzip backups. In 1998, Renn launched one of the nation's first blogs, the Weekly Breakdown, to cover the Chicago Transit Authority.

# Contents

# Executive Summary

Despite numerous years of overall national economic growth since the turn of the century, many cities in America's postindustrial regions have been left behind. Whether or how these communities can revive has been the subject of much public and academic discussion.[1]

This paper highlights a group of deeply troubled metropolitan areas whose defining characteristic is a population of fewer than 1 million and a core, or central, city that has lost 20% or more of its population from peak. These metropolises also share similar unfavorable demographic and economic conditions. To be sure, major American cities such as Detroit, Cleveland, and St. Louis have also experienced significant, even severe, economic problems. But they have human and capital assets that can serve as the basis for turnarounds. Smaller, lesser-known cities such as Saginaw, Michigan, Danville, Illinois, and Johnstown, Pennsylvania, face far more intractable circumstances.

The core cities (and metropolitan areas) discussed in this report have been variously called distressed, declining, disadvantaged, disfavored, legacy, or left behind. This paper will use all these terms plus one other: stagnating.

Near-term economic turnarounds for many stagnating cities are improbable. Revival, instead, will be possible only after market conditions change. Given this reality, the most plausible strategy that these cities and metropolitan areas can pursue is to lay a foundation for renewal after markets do change. This foundation includes three pillars: fixing municipal finances, reforming and restructuring dysfunctional government institutions, and rebuilding public services. All these changes may be difficult but are at least doable, particularly with the help of state governments. Even in the absence of economic revival, all these changes will improve their residents' quality of life.

# HOW STAGNATING CITIES CAN PREPARE FOR THE FUTURE

## A Typology of Economic Stagnation

Recent public discussion of the economy of places, or the economy generally, has tended to employ simple dichotomous frameworks such as urban vs. rural, coast vs. heartland, the 1% vs. the 99%. While this approach has some legitimacy for analysis, it is not always useful for informing public-policy decisions targeted at places because it is too coarse-grained. America's non-coastal heartland, for example, contains an extremely wide variety of regions, metropolitan areas, and cities that can never be adequately addressed by a single set of policy solutions. This complexity makes it necessary to develop more detailed geographic typologies.

No typology is perfect, and no criteria used to develop a typology will categorize perfectly in every case. Yet they are useful. The term "Rust Belt," used to describe the former American manufacturing zone, may not apply perfectly or equally to every community in that region, but it still has validity, which accounts for the persistence of its use.

This report begins the process of creating a typology of urban areas useful for economic development policy purposes, drawing from 381 of the country's metropolitan statistical areas (rural and micropolitan areas are excluded). The regions in this paper have significant negative economic and demographic conditions and are poorly positioned to be economically competitive in the current environment. They are defined as *metropolitan areas of fewer than 1 million people whose core city has lost 20% or more of its population from peak*. A population of fewer than 1 million is chosen because metro areas of this size suffer from special challenges related to their size. Core city population loss of 20% or more from peak is a metric that has been used by other studies as a proxy for identifying troubled municipalities and regions.[2]

A material decline in the population of its core city often indicates significant problems with a metropolitan area as a whole. It is not a perfect indicator, but population loss of at least 20% from peak has the virtue of being practically useful, simple, and in agreement with popular commonsense ideas about urban decline. This study therefore makes use of it, with the understanding that its function is as a filtering heuristic.

Applying these criteria results in a set of 48 metropolitan statistical areas (see the **Appendix** for a complete list). **Figure 1** below shows these metros by state. These areas are named by the U.S. Office of Management and Budget on the basis of their principal cities and states.

All but five of these distressed metropolitan areas are in the Midwest and Northeast region commonly called the Rust Belt. Many of them were once industrial or mining centers that are now seeking to reinvent themselves for the 21st century.

Youngstown, Ohio, for example, was a former center of steel production. Starting with the closure of Youngstown Sheet and Tube in 1977, which cost 5,000 jobs, the region lost about 40,000 jobs in the course of a decade.[3] The city of Youngstown has lost 62% of its population from its peak, going from 170,002 in 1930 (still 166,689 as of 1960) to 64,604 in 2017.

FIGURE 1.

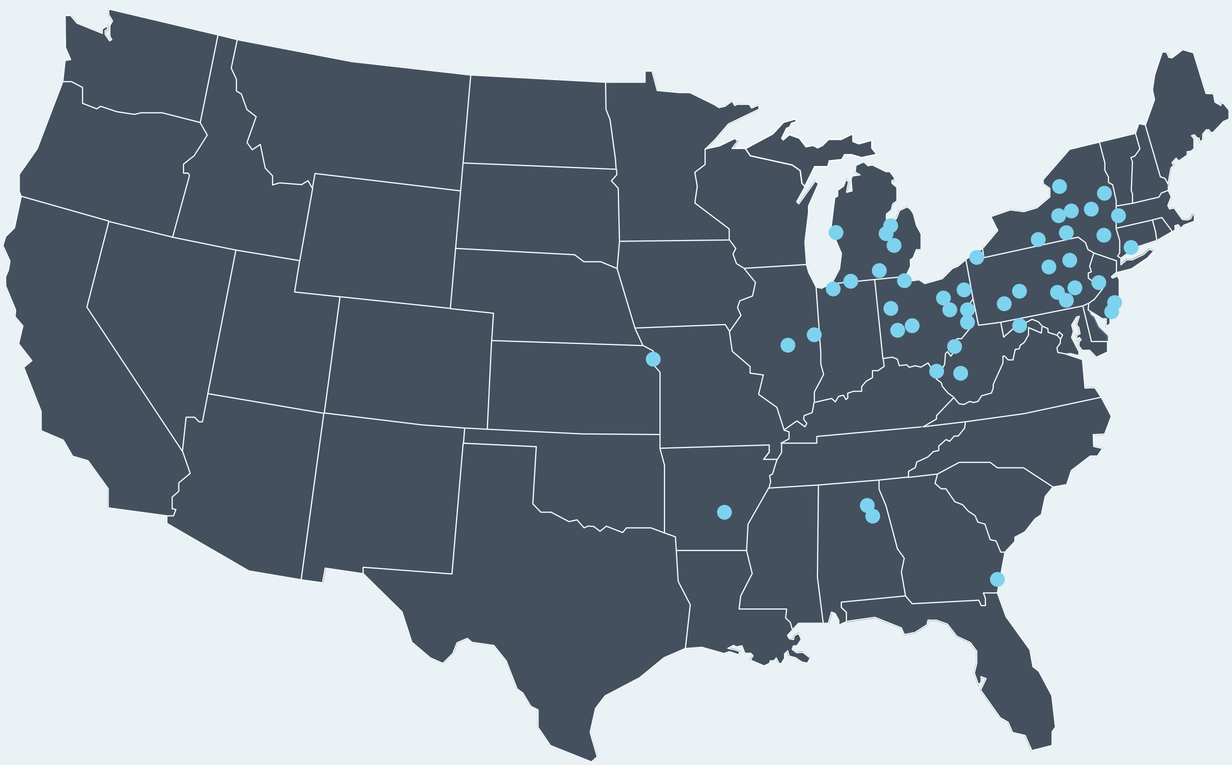
## America's Stagnating Metropolitan Areas

| Alabama | Arkansas | Connecticut | Georgia | Illinois |
|---|---|---|---|---|
| Anniston-Oxford-Jacksonville<br>Gadsden | Pine Bluff | New Haven–Milford | Brunswick | Danville<br>Decatur |

| Indiana | Maryland | Massachusetts | Michigan | Missouri |
|---|---|---|---|---|
| Michigan City–La Porte<br>South Bend–Mishawaka (Indiana/Michigan) | Cumberland (Maryland/West Virginia) | Pittsfield | Bay City<br>Flint<br>Jackson<br>Muskegon<br>Saginaw | St. Joseph (Missouri/Kansas) |

| New Jersey | New York | Ohio | Pennsylvania | West Virginia |
|---|---|---|---|---|
| Atlantic City–Hammonton<br>Ocean City<br>Trenton | Albany-Schenectady-Troy<br>Binghamton<br>Elmira<br>Glens Falls<br>Kingston<br>Syracuse<br>Utica-Rome<br>Watertown–Fort Drum | Akron<br>Canton-Massillon<br>Dayton<br>Lima<br>Springfield<br>Toledo<br>Weirton-Steubenville (West Virginia/Ohio)<br>Youngstown-Warren-Boardman (Ohio/Pennsylvania) | Altoona<br>Erie<br>Harrisburg-Carlisle<br>Johnstown<br>Reading<br>Scranton–Wilkes-Barre–Hazleton<br>Williamsport<br>York-Hanover | Charleston-Huntington-Ashland (West Virginia/Kentucky/Ohio)<br>Parkersburg-Vienna<br>Wheeling (West Virginia/Ohio) |

Source: Author's analysis of U.S. Census data



A generation ago, Youngstown acquired a notorious reputation for organized crime and corruption. James Traficant, who held a variety of city positions, including sheriff of Mahoning County, was elected to Congress after having been acquitted of corruption charges in the early 1980s. He ultimately was convicted of bribery, racketeering, and tax evasion in 2002 and removed from Congress.[4]

In recent years, Youngstown created a civic strategy in its Youngstown 2010 Citywide Plan that attempted to reconcile the city to the reality of permanent population shrinkage.[5] It also created the Youngstown Business Incubator as a new economic development initiative. However, General Motors recently announced plans to close the nearby Lordstown assembly plant, which will result in the loss of 1,400 jobs.[6]

Atlantic City (population 269,918), in southern New Jersey, was for many years nationally known for its casinos. Early legalized gambling made Atlantic City the Las Vegas of the East. Donald Trump once owned casinos there that went bankrupt. The expansion of legalized casino gambling throughout the U.S. rendered the city's role as a casino center obsolete. Atlantic City, whose central city population has fallen by 41.9% since its 1930 peak, is located too far from New York and Philadelphia to effectively function as a suburb of either major metropolitan area. Today, Atlantic City has significant economic and fiscal challenges.

Danville (population 31,424), in East Central Illinois—the hometown of actors Gene Hackman and Dick Van Dyke[7]—was once a thriving manufacturing center. Its industrial base has dwindled significantly in recent decades, including a General Motors foundry that closed in 1994, eliminating 1,000 jobs.[8] Danville is located about 30 minutes from Urbana-Champaign, home of the University of Illinois. The nearby college-town environment makes recruiting residents and businesses difficult for Danville, though it is within commuting distance to jobs in this more prosperous area. As of February 2019, Danville was one of only two metro areas in the country still in recession.[9]

# Indices of Distress

Each troubled metro area has its own history, but all share certain broad characteristics, including:

*Population*. Although the criterion for inclusion as a distressed metropolitan area is a central city whose population declined at least 20% from its peak, most central cities declined by a greater amount. Eleven of the 48 metro areas had core cities whose population declined 30%–40% from peak. Seventeen of the 48 metros had core cities that lost 40% or more of their population from peak. The population of Johnstown, Pennsylvania, declined by 70.8% from 1920 to 2017.

More important, these regions continue to show weak population trends—and on a metropolitan area basis, not just a municipal one. Thirty-eight out of the 48 metros declined in population between 2010 and 2017. Of the 10 metros that increased in population, all grew at a slower rate than the U.S. as a whole (5.3%).

*Employment*. None of the troubled metro areas added jobs at a rate higher than the U.S. as a whole (12.5%) during 2010–17. Eighteen out of 48 of them had a total job decline during that period, despite a continuous national economic expansion (**Figure 2**). This is partly related to declining population levels and weak labor-force trends resulting from challenging demographics. Metro areas with populations greater than 1 million have generally outperformed smaller metro areas in job growth since 2010. The Brookings Institution found that large metro areas have accounted for 73% of U.S. job growth since the Great Recession, higher than their 56% population share.[10]

FIGURE 2.

## Distressed Metro Areas Experiencing Net Job Loss, 2010–17

| Metro Area | Change in Jobs, 2010–17 |
|---|---|
| Pine Bluff, Arkansas | -11.8% |
| Johnstown, Pennsylvania | -7.9% |
| Atlantic City–Hammonton, New Jersey | -6.6% |
| Weirton-Steubenville, West Virginia/Ohio | -6.3% |
| Charleston, West Virginia | -6.3% |
| Elmira, New York | -6.1% |
| Binghamton, New York | -4.7% |
| Parkersburg-Vienna, West Virginia | -4.3% |
| Anniston-Oxford-Jacksonville, Alabama | -3.7% |
| Danville, Illinois | -2.4% |
| Bay City, Michigan | -2.2% |
| Decatur, Illinois | -2.1% |
| Michigan City–La Porte, Indiana | -1.9% |
| Watertown–Fort Drum, New York | -1.9% |
| Utica-Rome, New York | -1.5% |
| Cumberland, Maryland/West Virginia | -1.5% |
| Huntington-Ashland, West Virginia/Kentucky/Ohio | -1.0% |
| Wheeling, West Virginia /Ohio | -0.4% |

Source: Bureau of Labor Statistics, Current Employment Statistics, "State and Metro Area Employment, Hours, & Earnings"

*Gross Domestic Product*. In addition to weak growth, or even decline, in population and jobs, left-behind metro areas also have lower-value economies than average. Only two of the 48—Trenton, New Jersey, and Harrisburg, Pennsylvania—had a real per-capita GDP greater than the 2017 U.S. average, $52,273; and 31 had a real per-capita GDP below $40,000 per year. By contrast, Seattle-Tacoma-Bellevue (Washington) had a real per-capita GDP of $80,833, and Boston-Cambridge-Newton (Massachusetts/New Hampshire) had a real per-capita GDP of $78,465.

*Education*. Only seven of the 48 distressed metro regions had a college-degree attainment level—defined as the percentage of adults aged 25 or over with a bachelor's degree or higher—greater than the 2017 national average of 32.0%. Eleven regions had a college-degree attainment rate of less than 20% (**Figure 3**).

One particular challenge to increasing college-degree attainment in these metro area core cities is the rise of dual-career families. Couples in which both spouses have degrees have increasingly concentrated in metro areas with a population greater than 2 million.[11] In effect, for dual-career couples in which both spouses hold degrees, a community has to provide career opportunities for two people. This puts smaller regions with thinner labor markets at a significant disadvantage.

*Cost of Municipal Services*. Because many government costs are fixed (e.g., unfunded pension liabilities and debt) or de facto fixed because they are difficult to restructure (e.g., streets and utilities), declining population and businesses increase the per-capita expense of public services. At a certain level, this leads to a downward spiral: declining population increases per-capita costs and taxes, which causes more people to leave.

FIGURE 3.

## College-Degree Attainment Less than 20% in 2017

| Metro | Rate |
|---|---|
| Lima, Ohio | 19.7% |
| Muskegon, Michigan | 19.4% |
| Gadsden, Alabama | 19.3% |
| Anniston-Oxford-Jacksonville, Alabama | 19.3% |
| Huntington-Ashland, West Virginia/ Kentucky/Ohio | 18.9% |
| St. Joseph, Missouri/Kansas | 18.8% |
| Michigan City–La Porte, Indiana | 16.9% |
| Danville, Illinois | 16.8% |
| Weirton-Steubenville, West Virginia/Ohio | 16.7% |
| Cumberland, Maryland/West Virginia | 16.6% |
| Pine Bluff, Arkansas | 16.4% |

Source: American Community Survey, 1-year estimates

Low to moderate levels of population loss can be absorbed, particularly if offset by gains in high-income households, as has occurred in some cities, such as Boston or Washington, D.C. But significant population loss has made it more difficult for municipal governments to adjust.

To be sure, it is theoretically possible that the central city of a metro area could experience significant distress and dysfunction, while the remainder of the metro area thrives. In practice, this is rarely the case.[12] Although suburban areas may indeed outperform the central city statistically, deeply troubled central cities generally indicate regions with significant economic and other challenges. They also heavily shape public and marketplace perceptions of the entire region.

A 2017 Manhattan Institute report by Stephen Eide on legacy costs in Rust Belt municipalities examined the core cities of 17 of the 48 distressed metro areas identified in this study.[13] All of them have a significantly higher poverty rate today than they did in 1970. Per-capita long-term debt increased in 12 out of the 17 cities between 1972 and 2015.

*Assets*. Another common feature of distressed metros is that they do not possess—or possess to a far lesser degree than elsewhere—the assets that are conventionally identified with 21st-century economic success. One example: many state capitals have been disproportionately successful within their states. By contrast, only four of the 48 troubled metro regions in this report are state capitals: Albany-Schenectady-Troy, New York; Charleston, West Virginia; Harrisburg-Carlisle, Pennsylvania; and Trenton, New Jersey. Unsurprisingly, the troubled metro regions with the highest real per-capita GDP levels are these capitals.

Another example: disadvantaged metro regions lack elite universities. Under the Carnegie Classification system,[14] 130 universities are classified as doctoral universities with "very high research activity." Only three of them are in a non–state capital, distressed metro area: Syracuse University in Syracuse, New York; University of Notre Dame in South Bend–Mishawaka, Indiana/ Michigan; and Yale University in New Haven–Milford, Connecticut.

Business startups of university origin—either founded by professors or students, or utilizing technology and expertise obtained from the university—have been viewed as a key source of high-value economic activity in a region. The templates often cited are Silicon Valley and its relationship with Stanford University or the high-technology businesses attracted to Pittsburgh because of Carnegie Mellon University, the top-rated university for graduate computer science. These and other examples are economic ecosystems forming around elite universities. They are not common among the lower-rated institutions found in distressed metro areas.

Moreover, undergraduate attendance at universities ranked outside the top 100 national and elite universities is projected to soon begin declining significantly, according to research by Nathan D. Grawe.[15] This will put pressure on the second- and third-rank institutions located in stagnant cities.

The 48 disadvantaged metro areas also lack high-quality air-travel connections. None of them has an airport classified as an FAA large or medium hub. Only two—Albany and Syracuse—have airports with greater than 1 million annual enplanements (boarding passengers). Some others have smaller airports or are within reasonable driving distance of a major airport. But convenient access to high-quality air-travel connections is a challenge for most stagnant cities.[16]

Because of the smaller size of distressed metropolitan regions, their core cities also typically have weak name recognition in the marketplace and are seldom featured in the news media. Many Americans know little to nothing about cities like Johnstown, Bay City, Pittsfield, Danville, or Anniston. While branding and marketing strategies might raise the profile of stagnant cities,[17] their small size and lack of premier assets mean that most of them will remain known only within their immediate vicinity.

## Why Larger Cities Are Excluded

Missing from this paper's list of distressed metro areas are core cities such as Detroit, Cleveland, and St. Louis. The reason: while they have problems ranging from significant to severe, they also have strengths that make revival more likely than the stagnating, smaller cities in this report.

Consider Detroit and Flint. Detroit is the most internationally famous example of U.S. urban decline. Yet Detroit is a large metro area of 4.3 million (not including adjacent Ann Arbor or Windsor, Canada) with a resulting thick labor market. It is still the center of the North American auto industry. The region is home to nine Fortune 500 companies.[18] Detroit is a major U.S. trade gateway to Canada. It has a major hub airport with nonstop flights to Europe and Asia. The prestigious University of Michigan is in nearby Ann Arbor. Hometown billionaire Dan Gilbert is investing significant amounts of money into the city's downtown.[19]

Flint, population 96,448, lacks almost all these advantages. It's in a small metro area of about 400,000 people with a much thinner labor market. Flint is headquarters to no major American corporations. It is not a major trade gateway. Its airport is very small. It is home to a number of colleges and universities, none of them in the elite ranks. Flint is home to a large philanthropy, the Charles Stewart Mott Foundation, but to no private billionaires investing in for-profit activities. In short, it has no obvious assets upon which to rebuild its economy.

Other troubled, but large, cities have similar advantages. Buffalo is the economic hub of western New York. Cleveland is home to the Cleveland Clinic, an international destination health-care center that employs 50,000.[20] Memphis is the home of Federal Express and its largest air-freight hub. New Orleans is an international tourist and convention destination.

These larger cities can potentially leverage their assets to rebuild their economies. This type of strategy is not applicable, or not to the same extent, for smaller stagnant cities.[21]

For example, Johnstown, Pennsylvania, is a small metro area of 133,000 that was once a center of the coal and steel industries. Like other steel centers such as Youngstown, Johnstown has been declining steadily for decades. Today, Johnstown's population is down 70.8% from its peak, and the metropolitan area is also in decline. The region has lost 7.9% of its jobs since 2010. Its real per-capita GDP, $27,735, is 53% of the national average. Only 21.3% of area residents have a college degree. Johnstown lacks major corporate headquarters and top-tier universities. The city is about a 90-minute drive to Pittsburgh—too far away for residents to easily commute.

Saginaw, Michigan, is another example. The metro region's population is just under 192,000 and declining. Saginaw's population, 48,677, is more than 50% below peak. The region has fewer jobs than in 2000, although it has grown its job base by 5.3% since 2010. But its real per-capita GDP is $37,083 (71% of the U.S. average), and only 20.4% of area residents have a college degree. The city has no major corporate headquarters or top-tier universities. After decades of economic decline, there is no obvious catalyst present for a change in Saginaw's civic trajectory.

## The Rough Road Ahead

The manufacturing-based industrial economy of the late 19th and 20th centuries favored today's distressed cities and, indeed, created some of them. These communities were part of an interconnected regional complex of raw materials producers, labor markets, transportation networks, and industrial firms trading with one another. Manufacturing today—from the extraction and transportation of raw materials, to the production of intermediate and semifinished parts, to the final assembly, distribution, and sale of final products—is both far more efficient and globally integrated. As a result, small cities in regions such as the Midwest are no longer strategically advantaged and face significant, even global, competition for their traditional economic activities. The weak concentration of talent and assets leaves them largely uncompetitive in the knowledge-based economy as well.

The upshot: because these changes were predominantly market-driven, it will likely take market changes to revive the fortunes of these urban regions. No state or local policy by itself is likely to bring about an economic revival.

The $15 million, state-built film hub outside Syracuse, New York, is a good example of failed urban revival.

This project was promoted by Governor Andrew Cuomo, who promised in 2014 that it would create 350 high-tech jobs. Instead, the facility sat largely unused and was ultimately sold for $1 in 2018.[22] Similarly, in Harrisburg, Pennsylvania, the city government spent more than $8 million to acquire artifacts for a proposed Old West museum. The plan never came to fruition, and the artifacts were later auctioned in 2013 for $2.7 million.[23]

The prospects for market change that would enable stagnant cities to revive are today not obvious, and it is very possible that many of them may never recover significantly. However, it is premature to write off these communities as lost causes. Urban prognosticators have frequently been unable to predict the future or anticipate significant changes, even changes in the near future. This is an important lesson from the urban crises of the 1970s and 1980s, when cities such as New York, Washington, D.C., and Seattle were widely perceived to be in terminal decline. Large sums of money and numerous interventions attempted to halt their decline and revive them. All those interventions were ineffective until market conditions changed.

The globalization of the economy, the rise of the technology industry, changes in living preferences by the young and educated, and other unforeseen developments created the conditions for the revival of these cities.[24] Today, they are among the most prosperous in America. Absent those changes, no policy would have likely proved effective. Urban renewal, bidding to host the Olympics, and building the People Mover elevated rail line did not revive Detroit.

The primary policy question for stagnant cities today is not how they can be revived, given current economic conditions. Rather, it is to ask what interventions should be undertaken in advance of market changes that may or may not come in order to create the preconditions for revival.

Here, a lesson can be learned from New York City. In 1975, a financial crisis threatened the Big Apple with bankruptcy and prompted calls for a federal bailout. City and state officials undertook a series of actions to address the short-term crisis while preparing the way for reform. The state created an Emergency Financial Control Board, which imposed balanced budgets on the city and managed its spending.[25] It retained veto power over the city's finances until 1986.[26]

New York City enacted a new charter in 1989 that greatly strengthened mayoral power.[27] The city also addressed corruption problems in agencies including the police department. New York adopted special voluntary neighborhood taxing districts called Business Improvement Districts to fund projects including beautification, increased street cleaning and maintenance, and business development.[28] The city also formed public–private partnerships such as the Central Park Conservancy and the Bryant Park Restoration Corporation to improve those areas. The Metropolitan Transit Authority tackled problems in the subway system, including the elimination of the infamous "graffiti cars" by 1989.[29]

The city's actual transformation, or revival, is typically dated to 1994, when Rudolph Giuliani took office as mayor—almost 20 years after the financial crisis. Fiscal reform and the new city charter built a platform for the Giuliani administration to fully exploit the opportunity presented by market change. Had Giuliani taken office during a financial crisis, his administration would have been consumed by dealing with it, which would have hobbled his effectiveness as mayor. This situation is arguably what stymied Rahm Emanuel when he was elected mayor in Chicago in 2011.

## How Stagnating Cities Can Prepare for the Future

Based on experience, the cities identified in this report will be unable to directly restore their economic vitality by heavily subsidizing business relocations ("smokestack chasing"), constructing expensive large-scale amenities, or other such policies. Instead, they should focus on civic repairs designed to establish the preconditions for taking advantage of any future positive market changes.

This does not mean that city officials should categorically reject *any* attempts to directly improve their economy. They might pursue a potential employer that comes to them looking for a site on which to build a new factory (if the subsidy required is reasonable and largely paid by the state); they might also create small-scale entrepreneurial support initiatives. But the clear focus should be on fixing internal civic challenges and updating local governance. These fixes should include:

*City Finances*. Stagnant cities are often burdened with significant liabilities that they are unable to pay. Uncertainty regarding these liabilities increases the risk of doing business in these regions, retarding business investment. Additionally, high levels of poverty and weak, low-end economies limit the potential for generating more local revenue.

FIGURE 4.

## Retirement Liabilities of Five Michigan Cities

| City | Unfunded Pension Liability | Pension Funding Ratio | Unfunded OPEB* Liability | OPEB Funding Ratio |
|---|---|---|---|---|
| Bay City | $23,687,511 | 68.2% | $85,931,547 | 14.3% |
| Flint | $323,436,022 | 42.9% | $273,679,861 | 0.1% |
| Jackson | $55,950,345 | 57.6% | $48,229,657 | 1.4% |
| Muskegon | $19,417,371 | 82.3% | $2,841,000 | 86.5% |
| Saginaw | $117,695,609 | 54.6% | $217,282,627 | 0.0% |

*OPEB represents "Other Post-Employment Benefits"—typically, retirement health care.
Source: Pension Integrity Project, Reason Foundation

The aims of financial restructuring are to eliminate or reduce liabilities and institute consistent, sustainable, structurally balanced budgets. Such a restructuring may require state intervention and oversight. This could take the form of a financial control board. In some cases, municipal bankruptcy may be the only alternative for reducing pension and debt liabilities.

Michigan installed an emergency manager in Flint to take control of the city government. It was a failure.[30] The state's appointment of an emergency manager to deal with Detroit's financial crisis was successful because the focus was the city's finances—which involved reducing its debt and pension obligations through bankruptcy. State intervention in cities is risky and generally very opposed by local residents. To reduce this risk and make state intervention more palatable, it should be targeted at fiscal matters, not at directly operating municipal services that state officials have little expertise in running.

Rhode Island also used municipal bankruptcy to restructure the liabilities of Central Falls, a small city. This involved the rare step of reducing pension benefits significantly for current retirees.[31]

Indiana took a different approach. The state absorbed the full cost of certain local functions such as school district operations and juvenile justice in exchange for a constitutional hard cap on property-tax rates. The state assumed responsibility for all unfunded local pension obligations from the pre-1977, pay-as-you-go system.[32] While each city's needs are unique, some type of state-mandated or state-directed restructuring of municipal finances will likely be necessary for many stagnant cities.

Financial problems are common in distressed metropolitan areas, particularly debt. **Figure 4** shows the unfunded pension and retirement health benefits for the core municipalities (excluding county governments, schools, etc.) of five metros in Michigan.

Notably, while Muskegon has significantly lower unfunded pension liabilities than the other cities, it has closed its traditional defined-benefit pension system and offers new employees only defined-contribution plans similar to 401(k) accounts. The city has also reduced retiree health-care benefits and introduced health savings accounts, a move toward eliminating employer-guaranteed retiree health care for new employees.[33] These are the kinds of actions that stagnant cities should be taking to position themselves for future opportunities.

In addition to debt, pensions, and retiree health care, cities may have additional liabilities in the form of deferred building maintenance, street and other infrastructure, and unfunded sewer remediation mandates. Additional state and federal financial assistance may need to be provided to address some of these liabilities.[34]

*Governance*. Economist Edward Glaeser has distinguished between the Western Heartland and the Eastern Heartland in terms of economic performance and social dysfunction (such as opioid abuse). He found that the Western Heartland has done much better than the Eastern Heartland.[35] A significant share of the distressed metro areas identified in this report are in the Eastern Heartland. Glaeser posits that this divergence in economic performance is in part due to differences in governance. Eastern Heartland states, for example, have greater levels of corruption than those to the west.

Reforming poorly functioning institutional and political systems should be another target for stagnant cities and metropolitan areas. Detroit provides an example. The city owned several regional assets, including a convention center and a water utility. Suburban jurisdictions had refused to provide additional funding for them, citing corruption, among other reasons.

During Detroit's bankruptcy, the Great Lakes Water Authority was created as a regional water utility, with a 40-year lease of the city-owned system. Suburban jurisdictions agreed to pay an additional $100 million per year to the city.[36] In return, a majority of the board of the new water authority consists of non-Detroit representatives. There was a similar agreement in 2009 for a regional convention center authority to take responsibility for the city-owned Cobo Hall.[37]

Harrisburg, Pennsylvania, nearly went bankrupt because of debt that it incurred to maintain and operate an incinerator. The city exited the incinerator business by selling the facility to the Lancaster County Solid Waste Management Authority, which already operated a similar facility.[38]

Sometimes it is not only government agencies and instrumentalities that need reform but the city government itself and its political culture. Detroit revised its city charter in 2012 to move from an at-large to a district-based city council system. Several corrupt local officials were prosecuted and jailed, including former mayor Kwame Kilpatrick.

The institutions in need of reform will vary by place, but some form of governance reform is likely needed in distressed cities and metro areas. This need not involve the politically difficult step of attempting to institute true regional governance, but establishing a regional authority over specific assets may be useful. Small, suburban jurisdictions with extreme stress may need to be merged or dissolved.[39]

*Public Services*. Detroit's streetlight replacement project is a good example of how a city can incrementally improve its services. The city had 88,000 streetlights only half of which were functional. The city created a new Public Lighting Authority that replaced the city's existing streetlight infrastructure with 65,000 new LED-based lights, at a price of $185 million. Note the selection here of an infrastructure service that is provided citywide and is physically visible to residents.[40]

In many legacy cities, the most critical areas for service upgrades are in public safety. Camden, New Jersey (which would have been classified as distressed in this report were it not included in the Philadelphia metropolitan area), dissolved its police department and replaced it with policing provided by the county government, which rehired many of the officers with lower pay but, more important, with new management. Public safety improved significantly, with murders falling from 67 in 2012 to 22 in 2017.[41]

# Conclusion

Political leaders and policymakers in stagnating cities and metro areas need to level with their residents: a significant turnaround is highly unlikely without large-scale changes in the market that they cannot bring about themselves. This does not mean adopting a rhetoric of hopelessness. Rather, it means that leaders should explain that fixing city finances, reforming broken or failing institutions, and rebuilding public services will improve the quality of life today and position their cities for revival when and if the market conditions do change in the future.

# Appendix

America's 48 Most Troubled Metropolitan Areas

| Metro Area | Population, 2017 | Population Change, 2010–2017 | Core City Population Decline, Peak–2017 | Job Growth, 2010–2017 | Real per-Capita GDP 2017 (2009 chained dollars) | College-Degree Attainment |
|---|---|---|---|---|---|---|
| Akron, OH | 703,505 | 0.1% | -31.9% | 7.4% | 46,036 | 32.2% |
| Albany-Schenectady-Troy, NY | 886,188 | 1.7% | -27.2% | 8.2% | 52,499 | 37.2% |
| Altoona, PA | 123,457 | -2.8% | -46.3% | 1.8% | 37,992 | 21.0% |
| Anniston-Oxford-Jacksonville, AL | 114,728 | -3.2% | -35.3% | -3.7% | 29,803 | 19.3% |
| Atlantic City–Hammonton, NJ | 269,918 | -1.8% | -41.9% | -6.6% | 41,617 | 28.4% |
| Bay City, MI | 104,239 | -3.2% | -38.1% | -2.2% | 27,352 | 21.9% |
| Binghamton, NY | 242,217 | -3.7% | -44.0% | -4.7% | 35,192 | 26.8% |
| Brunswick, GA | 118,119 | 5.0% | -25.0% | 8.1% | 28,975 | 25.3% |
| Canton–Massillon, OH | 399,927 | -1.1% | -39.3% | 8.7% | 37,260 | 21.6% |
| Charleston, WV | 214,406 | -5.5% | -44.1% | -6.3% | 51,974 | 23.3% |
| Cumberland, MD-WV | 98,837 | -4.2% | -50.1% | -1.5% | 28,573 | 16.6% |
| Danville, IL | 77,909 | -4.6% | -26.2% | -2.4% | 32,097 | 16.8% |
| Dayton, OH | 803,416 | 0.5% | -46.5% | 7.8% | 44,058 | 29.8% |
| Decatur, IL | 105,801 | -4.5% | -23.2% | -2.1% | 50,235 | 23.2% |
| Elmira, NY | 85,557 | -3.9% | -44.1% | -6.1% | 34,050 | 23.9% |
| Erie, PA | 274,541 | -2.2% | -29.7% | 0.3% | 35,253 | 27.1% |
| Flint, MI | 407,385 | -4.1% | -51.0% | 5.3% | 29,347 | 20.9% |
| Gadsden, AL | 102,755 | -1.6% | -39.0% | 7.7% | 25,363 | 19.3% |
| Glens Falls, NY | 126,152 | -2.2% | -26.4% | 2.8% | 35,173 | 25.5% |
| Harrisburg–Carlisle, PA | 571,903 | 4.0% | -45.1% | 6.6% | 56,812 | 31.8% |
| Huntington–Ashland, WV-KY-OH | 356,474 | -2.3% | -45.5% | -1.0% | 37,111 | 18.9% |
| Jackson, MI | 158,640 | -0.9% | -40.7% | 8.8% | 34,974 | 22.2% |
| Johnstown, PA | 133,054 | -7.2% | -70.8% | -7.9% | 27,735 | 21.3% |
| Kingston, NY | 179,417 | -1.7% | -20.8% | 3.3% | 29,642 | 32.7% |
| Lima, OH | 103,198 | -3.0% | -30.9% | 3.7% | 45,497 | 19.7% |
| Michigan City–La Porte, IN | 110,029 | -1.3% | -21.1% | -1.9% | 31,292 | 16.9% |
| Muskegon, MI | 173,693 | 1.0% | -21.3% | 10.6% | 29,913 | 19.4% |
| New Haven–Milford, CT | 860,435 | -0.4% | -20.3% | 6.9% | 45,840 | 34.2% |
| Ocean City, NJ | 93,553 | -3.8% | -27.8% | 4.3% | 47,897 | 33.5% |

| Metro Area | Population, 2017 | Population Change, 2010–2017 | Core City Population Decline, Peak–2017 | Job Growth, 2010–2017 | Real per-Capita GDP 2017 (2009 chained dollars) | College-Degree Attainment |
|---|---|---|---|---|---|---|
| Parkersburg–Vienna, WV | 90,898 | -1.9% | -32.8% | -4.3% | 42,058 | 21.1% |
| Pine Bluff, AR | 90,963 | -9.1% | -25.1% | -11.8% | 29,274 | 16.4% |
| Pittsfield, MA | 126,313 | -3.8% | -26.4% | 1.2% | 47,689 | 32.3% |
| Reading, PA | 417,854 | 1.4% | -20.5% | 6.7% | 39,188 | 23.8% |
| Saginaw, MI | 191,934 | -4.0% | -50.5% | 5.3% | 37,083 | 20.4% |
| Scranton–Wilkes-Barre–Hazleton, PA | 555,426 | -1.5% | -45.9% | 4.1% | 37,417 | 25.6% |
| South Bend–Mishawaka, IN-MI | 321,815 | 0.9% | -22.8% | 7.5% | 38,007 | 27.9% |
| Springfield, OH | 134,557 | -2.7% | -28.4% | 0.8% | 29,087 | 20.1% |
| St. Joseph, MO-KS | 126,935 | -0.3% | -25.8% | 6.4% | 37,597 | 18.8% |
| Syracuse, NY | 654,841 | -1.3% | -35.0% | 2.8% | 44,643 | 31.8% |
| Toledo, OH | 603,668 | -1.0% | -27.8% | 9.4% | 46,880 | 27.1% |
| Trenton, NJ | 374,733 | 1.8% | -33.6% | 11.6% | 68,741 | 43.9% |
| Utica–Rome, NY | 293,572 | -1.9% | -40.4% | -1.5% | 32,486 | 22.5% |
| Watertown–Fort Drum, NY | 114,187 | -2.1% | -25.2% | -1.9% | 45,293 | 21.2% |
| Weirton–Steubenville, WV-OH | 118,250 | -4.9% | -33.7% | -6.3% | 31,311 | 16.7% |
| Wheeling, WV-OH | 141,254 | -4.5% | -56.1% | -0.4% | 50,473 | 20.7% |
| Williamsport, PA | 113,841 | -2.0% | -37.8% | 1.3% | 38,526 | 24.1% |
| York–Hanover, PA | 446,078 | 2.4% | -26.4% | 6.7% | 37,887 | 25.3% |
| Youngstown-Warren-Boardman, OH-PA | 541,926 | -4.1% | -62.0% | 0.0% | 31,845 | 21.5% |

Source: Population figures: decennial census except for 2017, which is from the Census Bureau Population Estimates, by Metropolitan and Micropolitan Statistical Area, 2017; jobs: average annual total nonfarm employment from Bureau of Labor Statistics, Current Employment Statistics, State and Area Employment series; real per-capita GDP 2017 (2009 chained dollars); Bureau of Economic Analysis, Gross Domestic Product by Metropolitan Area, 2017; college-degree attainment: American Community Survey, 1-year estimates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# Endnotes


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The city photos in this report are of Youngstown, Ohio (cover); Youngstown, Ohio (p. 7); Elmira, New York (p. 11); Johnstown, Pennsylvania (p. 15); Saginaw, Michigan (p. 17); and Flint, Michigan (p. 18).

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