

The topic of the first paper assigned to me on the Fort Wayne economy back in 1980 was "Industry-Boon or Blight – Fort Wayne's Future." I don't recall now who came up with that topic – whoever it was had a good vision for the future. I think the word "industry" probably meant "manufacturing-boon or blight," and I think that was a very excellent question 30 years ago when we were just beginning to question manufacturing – and what it really meant to the future of Fort Wayne. There is no doubt that our economy, both in Fort Wayne and northeast Indiana, has been heavily dependent upon manufacturing since the Civil War, culminating in a very high percentage of jobs during World War II and the hey day of manufacturing, which was the 1950's and 60's. Manufacturing, as a matter of fact, may have been so important, and we relied on it so heavily, that we may not have looked at other opportunities to diversify our economy, and this is a topic that we will discuss.

While this paper is entitled "The Fort Wayne Economy," I have added a subtitle with a question – that question is: "How do we get the swagger back?" I hope that subtitle will be a little more meaningful as we proceed.

I would like to thank a number of people with whom I was able to discuss this topic – some of them here today. I will name no names so as to not embarrass anyone, as they may not agree with some of the thoughts expressed. I would be remiss, however, if I didn't thank John Stafford and Valerie Richardson from the Community Research Institute who do an invaluable job of preparing all kinds of information on Fort Wayne, northeast Indiana and the State of Indiana.

Finally, I would hope that this would not be the last of my Quest Club papers on the economy, and with Allen Steere as my idol, I hope to be around in 2019 to deliver another one.

When I gave the last paper in April, 1999, this was during the "dot.com boom," when the stock markets, particularly the NASDAQ was flying high. Employment in our area was at a 29-year high. Unemployment was at an absolute minimum of 3%, and there was a real shortage of workers. Manufacturing was so strong, particularly in the surrounding counties, that Kendallville took the unusual step of advertising on billboards up and down I-69 to try to get people to move to Kendallville to fill the jobs that were available. In 1999, the NASDAQ reached a high of 5,000 and the Dow was 10,000. All in all, it was a pretty rosy economy. Wall Street has a name for a period like this – called a "Goldilocks economy" – not too hot, not too cold, just right. In the Midwest, we had come back strong from the downturn of the early 80's, relying primarily on our old standby – manufacturing.

As we are all very much aware, many things have happened in our country and in the world since 1999. The major event affecting the United States, of course, was the World Trade Center catastrophe, and thereafter the wars in Afghanistan and Iraq. The dot.com boom led to the dot.com bust – the Dow went from 10,000 down to almost 7,000 – down 30% – but the NASDAQ came off from 5,000 to almost 1,000 – almost 80%. But the recession of 2001-2002 led to an extensive recovery in most areas – not all – but most stretching up to almost the end of 2007. No one needs to be reminded of what has happened thereafter, with the subprime mortgage meltdown, the collapse of Wall Street giants, Lehman Brothers and Merrill Lynch, and the significant recession that followed. All stock market gains for the last 10 years were essentially wiped away since July of last year, and we started hearing new words like "credit default swaps," and the word "trillion" has replaced "billion" in the halls of Congress.

Unlike on both coasts, except for certain isolated areas, the Midwest economy did not completely emerge from the recession of 2001. The movement of manufacturing to offshore

sites like China and India went from a trickle to a torrent, and probably more importantly, the manufacturing that was left continued to increase in productivity, both of these resulting in significant reductions in employment.

Neither in the Midwest nor in Indiana have we created the number of non-manufacturing jobs that were created on either coast, and wages and personal income have continued to lose ground as a result. The Midwest – the region that led the world in developing manufacturing to an art form has unfortunately clung to its past too long and as a result has lost a substantial amount of its competitive spirit to other areas of the country like Silicon Valley, Boston and to even other parts of the world, like Singapore. We are no longer the innovators that bring new products to the market.

As the U.S. economy overall has trended away from manufacturing jobs to financial services, real estate, health care and other service jobs, the major metropolitan areas in general have done better than the smaller cities and rural areas – as the metropolitan areas are where many of these non-manufacturing jobs are created. This situation has been particularly true in Indiana, in which Indianapolis and the "collar" counties around Indianapolis have created almost 80% of the job growth in the whole state during the last 10 years. While Indianapolis has done better than most, the situation is not unique, as the same thing has happened in Columbus, OH, and in Louisville, KY.

However, as we are all aware, Indianapolis has taken a quantum leap forward in the last 25 years. The reasons for this would appear to be many. Unigov, for all of its problems, would appear to have been a positive; good planning and execution in their sports strategy, and excellent planning in their whole downtown area has been a help. Aggressive and economic development-minded mayors of both parties, like Lugar, Hudnut, Goldsmith and Peterson, and a

number of risk takers like the Simons have all helped. Indianapolis, in one way or another, has been able to get good cooperation between their public and private sectors. Indianapolis has also shown forward planning in turning the city into a convention destination point, rivaling even Chicago and Las Vegas. Aside: I understand Indianapolis is doing better than other places because many corporations are afraid of the public perception of holding a convention in Vegas or Hawaii. Last but not least, Lilly Endowment which gives away 400 to 500 million dollars a year, a good chunk of which stays in Indianapolis, has been a major factor. The Endowment has also been a factor in obtaining the cooperation of the public and private sectors. When you give out this amount of money – people will listen to you when you say you want cooperation.

President Obama, in a recent press conference, referred to Indianapolis, along with Chicago, as cities that had done a good job of diversifying their economies. Indianapolis in one way or another has developed a real confidence in the last 25 years – that if they put their mind to it – they can get things done. On Inside Indiana Business on Monday, it was reported that new jobs in Indianapolis in the first quarter of 2009 had increased substantially over first quarter of 2008.

During this 10 years, northeast Indiana and Fort Wayne had a good – not outstanding – but good – economy until this past year. Unemployment in all of our counties was consistently near or below 6%, and employment was especially good in the surrounding counties which are more involved with manufacturing than we are. Indiana now leads the country in manufacturing employment, and in some of our northeast counties manufacturing employment is as much as 40%.

Fort Wayne, of course, has changed from the days of the '60's and '70's – of Harvester and GE – to become the business, financial, health, retail and entertainment center of the region.

Fort Wayne had a foothold in the financial area with the headquarters of Lincoln Life, Waterfield Mortgage, and other insurance companies like Midwestern United and Mutual Security Life. Unfortunately, while Lincoln is still a very significant employer here, the headquarters left, taking away the prestige and a number of highly visible executives. Waterfield Mortgage was sold and Midwestern United, Mutual Security, and others like Franklin National were either merged or liquidated. The net result of all this, while unemployment has been low, is that Fort Wayne has not kept up in creating business, professional, financial and other non-manufacturing jobs as many other cities our size have, and as a result we have not been able to diversify our economy to cushion against downturns as well as other cities. The people who write about these things would say – we are slow in making the transition to a knowledge-based economy. We will examine this more in a minute.

During the past 10 years, Fort Wayne has made economic progress in a number of areas. First, we streamlined our whole economic development program behind the Fort Wayne-Allen County Economic Development Alliance. Previously, this was a three-headed organization split between the city, county and chamber. In addition, we created the Regional Partnership which is responsible for marketing the entire 11-county region, and through hard work, it has been able to secure very excellent cooperation with the local economic development organizations in each county. Much of economic development now takes place on a regional basis, and it is very important to be organized regionally when dealing with site selectors. Again, we were late in coming to regional cooperation as many other areas in the country have been there for a number of years. An aggressive economic development program is vitally important, because under normal circumstances, an area loses about 10% of its jobs each year due to deaths, mergers, product changes and other business reasons.

The Northeast Indiana Innovation Center was created in the last 10 years and now has a state-of-the-art facility on the IPFW campus. This is very important in developing entrepreneurs – as a substantial part of new business and jobs is not brought in from the outside – but is home grown. IPFW has transformed itself from what was essentially a commuter college a number of years ago to a full-fledged university with a four-year medical school, a state-of-the-art auditorium and music center, and athletic teams in Division I. Indiana Tech has built a number of new buildings and expanded its campus significantly. St. Francis has done likewise, and in addition has brought a lot of community pride with an outstanding football program. A very active program on graduate retention is operating in the whole region out of the Fort Wayne Chamber.

However, as we view our accomplishments and the progress we have made, we have to remember that this is a moving target and that many other areas have made even greater progress.

How have we done in the last 10 years compared to our peers? By this, I do not mean how have we done compared to cities on the coast or high growth areas like Arizona, but how have we done compared to other Midwestern cities our size such as Rockford or Peoria, and how have we done compared to South Bend and Evansville here in the state. The Community Research Institute has done a very excellent job of benchmarking – of comparing Fort Wayne and our region with 16 other areas. Suffice to say, in several important aspects we do not show up very well.

The comparison with other cities also included Dayton and Youngstown, which have had a very, very difficult economic situation. In many of the comparisons, particularly in the growth of per capita income we are either the last of the 16 cities, or very close to the last. From 1997 to

2005, wage growth in the U.S. was 47%; in Indiana it was 31%; or 16% behind the U.S.; in northeast Indiana, including Fort Wayne, it was 20% – not one-half of U.S. growth and 11% behind the rest of Indiana. As indicated earlier, many other cities have shifted their priorities to increasing their financial and business services, medical, professional and I hate to say it – even lawyers. We have not been nearly as successful either in creating or retaining these types of jobs. From 1999 through 2007, while cities like Indianapolis and South Bend increased their professional and service employment, ours in Fort Wayne actually decreased by 8%. In Indianapolis, that increase was 25%. In one area we have kept up partially, and that is in medical and health related jobs, and we now have over 28,000 employed in this area.

Why have we not done as well as other cities, particularly in the last 10 years? The reasons are many, but before we examine them.

Can we step back a minute, and let me tell you how Pat and I and our family happened to come to Fort Wayne in 1958. Some years earlier, when I was in college, I met a number of people from Fort Wayne. They couldn't talk enough about Fort Wayne, the northern Indiana lakes, and they all walked with a confident air, you might even say, a bit of a swagger. Swagger could be defined as "to walk pompously" – but I would prefer to call it "walk with confidence." And this swagger may have been justified. Look magazine did an extensive article on Fort Wayne in August, 1949, calling it the happiest city in the U.S., primarily because of the economy – but one thing that really stood out to me in the article were the interviews with young people, a very substantial percentage of which wanted to stay in Fort Wayne – or come back here after college.

Prior to coming to Fort Wayne, we lived in San Francisco where I had been a guest of the Navy, and was preparing to take the California Bar prior to getting out – with the idea of staying

in the Bay area. Before going in the Navy, I had worked at Northern Trust in Chicago, and could have returned to my old job. My parents lived in Indianapolis, and I also decided to interview there. However, because of the people I met in college, and how sold they were on Fort Wayne, and that "swagger factor," I decided to also interview in Fort Wayne – where, of course, we ended up. So we chose Fort Wayne over San Francisco, Chicago and Indianapolis, and have always been very happy that we did. We selected Fort Wayne over the other three because of the excellent economy and because there was a confidence here that it was going to get even better.

Fort Wayne in 1958 had a lot of "swagger." More appropriately, the people who write about this call it "Pride of Place." Fort Wayne had a lot of pride because it had built significant manufacturing capacity during World War II, and had a vibrant downtown. People were very proud to indicate they came from Fort Wayne.

However good things were during that time, Fort Wayne got a rude awakening in 1974 when OPEC came up with the oil embargo and all at once the unemployment here shot up to almost 13%. In 1982, also, it was substantially worse than now – over 15%. In 1982, also, many people moved out of Fort Wayne to take jobs in Oklahoma and other places where oil was a big factor. Fort Wayne was really down, and the New York Times did a very nice article about us called "Death of a Northern City." As I recall, this really helped our economic development efforts.

However, with the announcement of GM coming in 1984 – everything turned absolutely on a dime. Immediately overnight, the risk takers that had left Fort Wayne to go elsewhere, the Eckrich's, the Zehrs, and the Bobecks came back to town. Fort Wayne had its swagger back and all at once we came out of the recession roaring. The New York Times and Los Angeles Times and Fortune all wrote us up as one of the rust belt cities that did an outstanding job of coming out

of the recession. We became the "city that saved itself" – not only from the major recession, but also from the flood of 1982.

Despite another downturn in 1991, we came back with the picture I described in '99 with the Goldilocks economy. And, as I said earlier, we did it primarily with that old standby – manufacturing. This time not so much in Allen County – but in our surrounding counties.

But, lurking beyond the horizon that we didn't want to confront was the globalization of manufacturing. Now, we had to compete with plants not only moving to the south and to Mexico, we had to compete with China, India and the rest of the world.

Why have we failed to keep up with some of the other cities like Peoria or South Bend or Evansville?

As indicated earlier, we have been late and trailed many other areas in getting our act together in economic development with the Alliance, and with the Regional Partnership, and later in developing an entrepreneurial program and a business incubator at the Northeast Innovation Center.

While the Alliance has had a number of successes during its 9 years, (retaining the 1500 jobs at Goodrich and the 1300 jobs at Navistar – formerly Harvester – engineering are two of these) the fact remains that it has been playing defense most of the time – trying to hang onto the jobs that we have, and has not had the time to really develop a major plan to help diversify our economy.

Loss of the leadership supplied by many of our financial organizations, the home offices which were formerly here – Lincoln Life, Waterfield, Lincoln Bank, Fort Wayne National Bank, Summit Bank is certainly a factor. We still have the successors of these major financial institutions here, but no longer locally owned, with home offices here, and Ian Rolland and Dick

Doermer and Paul Shaffer are fortunately still with us, but not in the leadership positions they previously held. Fortunately, new leaders are emerging, particularly from health care and new areas like steel and from new banks in the city.

Somehow or another, we have become complacent and risk adverse. There are a number of exceptions like Steel Dynamics, Vera Bradley, Fort Wayne Metals, Sweetwater Sound, and others, but compared to other cities our size, we have not been as entrepreneurial or aggressive. We have somehow fostered an attitude that is against change of any type, without recognizing that the whole world is changing around us – at internet speed. Unlike the Fort Wayne of old that had innovators in every garage, we have become satisfied with things as they are.

As a result, I believe we have lost some of our confidence – that we can get things done – and that our community will prosper – and be even better in years to come. We have developed a terrible case of "Indianapolis envy." Probably, some of it justified. We have lost our "mojo" to the point that we admit reluctantly to strangers on a plane that we are from Fort Wayne. In other words, we no longer have the pride of place that we had in the late 50's, nor that we had in the '80's after GM came to town. This unfortunately rubs off on our young people, and it becomes increasingly more difficult to lure them back here.

During the 50 years we have lived here we have had 9 different mayors. Never has a Republican followed a Republican nor a Democrat followed a Democrat, until Tom Henry followed Graham Richard. Some mayors served two terms, and Paul Helmke served three. But with each new administration, our policies changed.

It is a natural part of the political process that when campaigning for an office it is necessary to take issue with the programs and policies of your predecessor. You can't win

elective offices if you go out and campaign on a platform that you agree with all of the programs of your predecessor.

Our situation is even further complicated because many of the things we do require cooperation between the city and the county -- which is sometimes difficult to obtain. All this means that it has been difficult to develop a long term game plan, or a community consensus behind such a plan.

This was made very clear to us as far back as the early 1990's when David Reed of Hudson Institute came in and did a study and told us we had no means of achieving a consensus in order to do sustainable planning. After that, Mayor Helmke set up what was known as the Consensus Committee, but for various reasons it did not last. But that did not mean the need went away.

In February of this year, Robert Ady, formerly the President of Fantus Consulting, the major site selector in the country for businesses seeking to relocate or to site new plants, told us that the first two things that site selectors look for in locating a major plant or a corporate headquarters is, does the city have good sustainable planning or a game plan, and how do people who live there feel about the city. They talk to people in existing businesses, and also – and very important – to young people, and if young people say, "I can't wait to get out." If that's the case – this is a real negative.

We need somehow to provide a means of planning that does not get revamped with each new administration and that includes significant participation by the private sector – and one other group that I will mention later.

One of the key things the Fort Wayne delegation learned in its visit to Providence, Rhode Island, was to see how that city had achieved a continuity to its plans for improving – not only its

downtown – but the whole city. The organization that provided continuity was the Providence Foundation, which was organized in 1974 when Providence was really on the skids. This incidentally is a planning organization – not a grant making foundation. Providence had lost all of its textile business in the '70's and was in a much worse situation than we have ever been. The members of the Providence Foundation are 115 businesses and corporations and they pay the costs of operation, which is not dependent upon government or tax dollars. A very key point. The Foundation is controlled by a 35-person board which is made up of business members and the mayor of Providence. In other words, it's a public-private partnership, with emphasis on the private businesses that provide the continuity.

The Foundation is non political and has its only agenda the improvement of the city. Therefore, the 5-person staff and its agenda are not subject to change as elected officials change. The staff, however, works closely with the city and other governmental entities.

After the Consensus Committee didn't get off the ground under Paul Helmke, perhaps we need to look again at how we can develop a public/private partnership to achieve a continuity in our planning. It would probably be worthwhile to look at other cities in addition to Providence to see how they have been able to develop a game plan which is sustainable. How has Indianapolis, Nashville or other cities been able to do this? This may not take a new organization at all, but existing organizations such as the Corporate Council or the Community Foundation could possibly be used, and the Community Research Institute could be involved in the planning.

One of the things we have been blessed with over the years in Fort Wayne are risk takers who gave back to the community by creating foundations. This was true with Helene Foellinger, Chet Dekko from Kendallville, the English-Bonter-Mitchell families, the McMillens and

currently the Busses, Doermers, Vanns, Rollands and many others I could name. Overall, our giving in Allen County from foundations in 2007 totaled 70 million, and if we added in some of the surrounding counties, it would be over 90 million. Because of the recession, foundation giving will decrease in the next years, but it will still be very substantial. Although certainly down with the recession, the total assets of these foundations in 2007 exceeded 1.5 billion dollars.

In hard hit areas like Cleveland and southern Michigan (the Detroit area) the foundations have realized that funds to drive change can't come solely from tax dollars, which are already overcommitted, and if there is to be any major changes, foundations must help drive it.

The foundations in Cleveland and southern Michigan have come together to take a small portion of their annual giving to assist in what's basically described as community development. In Chattanooga, one foundation, which in itself is not as large as some of our foundations, was the catalyst for significant change in the downtown area by putting in the first monies for projects and then challenging other foundations and the city and business to join in. Had private foundation money come in first in Harrison Square, even as a small percentage of the total, this project would have achieved a much better consensus. When tax dollars go in first, it makes the project that much more difficult to get buy in from the population at large.

It would take only a very small percentage of the annual giving of our foundations, acting together, to finance a planning organization similar to the Providence Foundation, and to also supply the first seed monies for other projects. The Lyndhurst Foundation in Chattanooga, with initial seed money of only \$5 million was able to get a \$100 million aquarium built that is the centerpiece of their downtown redevelopment. In southeast Michigan, they put together a 100 million dollar fund from the foundations, with the purpose of helping workforce development,

innovation, and to influence college graduates to stay in the area. Interestingly enough, the first monies in this fund even came from an outside foundation – the Knight Foundation, which incidentally also makes grants in our community.

Here, an outside foundation – Lilly Endowment from Indianapolis – has just awarded the Community Foundation a 20 million dollar grant to increase job training, education and a number of other projects. This could be a real start for a consortium of our foundations to build upon. When the largest foundation in the state – actually one of the larger foundations in the country – has confidence that they can make a difference by helping job training and education in our city – this could be a real incentive for our local foundations to participate.

Some really positive steps like this could go a long way towards helping to convince our young people that there is a real future here in Fort Wayne. I don't think we can continue to sit idly by – satisfied with things as they are – while we continue to fall behind other cities. I believe it is time for us to do some out of the box thinking, and come up with some new approaches to get our economy moving and help return our confidence that the future will be even better.

Finally, let me say that our situation here is nothing like the problems that face certain other areas, such as our neighbor Michigan, or even other cities like Elkhart. Also, two of the cities I spoke about, Providence and Chattanooga, who have revitalized their economies – had much more significant problems than we have. They were able to come up with ways to make a turn around. As I indicated earlier, the coming of GM in 1984 turned this community around – almost overnight.

In the past, Fort Wayne has faced a number of greater problems. In the very early years, the community staked almost everything on the success of the Wabash & Erie canal. When the

railroads came, the canal was doomed. Rather than sink with the canal, the community jumped on the railroad bandwagon and became one of the principal railroad centers in the country.

When the railroads receded in importance, Fort Wayne brought in Harvester along with the East End Industries. When Harvester cut back to only engineering here – General Motors came to town. The community has been through a great number of ups and downs in its almost 200 years of existence, and people here are very resilient and very innovative.

Politicians with an agenda have a mantra "never waste a crisis." I'm sure we will come up with ways to put this crisis to good use – and get our swagger back.

Thank you.

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