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# *Lessons From Rust-Belt Cities That Kept Their Sheen*



**Eduardo Porter**

ECONOMIC SCENE MAY 1, 2018



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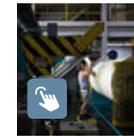
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St. Cloud, Minn., continued to be a job creator over the last few decades, sustaining its prosperity while many urban industrial areas withered. A worker applied paint to a vehicle part at a St. Cloud body shop. Dave Schwarz/The St. Cloud Times, via Associated Press

St. Cloud, Minn., might look at first blush like one of America's all-too-familiar ailing industrial cities, struggling to hang on to jobs as its companies skip town.

Electrolux's [planned closing](#) of its chest-freezer plant next year to consolidate its operations in South Carolina was the latest blow, costing



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some 900 jobs. As Tama Theis, local Republican state legislator, told *The Saint Cloud Times*, “Gosh dang it, that’s a hard one.”

And yet despite the loss of its fifth-largest employer, the sleepy city straddling the Mississippi 65 miles northwest of Minneapolis doesn’t at all fit the tale of woe that spread across the Midwest over the last 50 years.

If anything, St. Cloud and nearby communities in Stearns County provide the setting for a counternarrative to the story of industrial America’s protracted decline. Walloped by the forces that hit every old manufacturing enclave — from globalization and automation to a rising demand for skills — the area sustained its prosperity through a mix of the right investments, favorable geography and sheer serendipity.

Since 1970, manufacturers in the county have added 5,000 jobs, for a total of 11,600. Total employment has tripled, to 90,000. The population has grown by more than half. And the median income of the county’s households rose 20 percent from 1980 to 2016, after inflation, to \$57,728 — a smidgen above the national median.

“When Electrolux announced it was leaving, other employers were saying, ‘When can we get at that labor?’” said King Banaian, dean of the School of Public Affairs at St. Cloud State University. “There’s a tug of war going on, and workers are getting higher wages and performance incentives and bonuses and so on.”

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The problem is that there are too few places like St. Cloud: Grand Rapids in Michigan's Kent County, where employment more than doubled since 1970; Green Bay in Brown County, Wis., where it almost tripled.

Formerly vibrant industrial cities across the Midwest and Northeast today present a landscape of high unemployment and opioid addiction — stagnant communities of old-timers in the shadow of rusting industrial hulks, angry at a political system that has ignored them and at an economy that has left them behind.

Can they learn anything from places like Stearns County? Its experience may offer some tips for its struggling peers: Smart industrial zoning can give an edge to local companies; higher-education institutions can serve as anchors for economic development. But its most salient advantages come from its location and industrial mix, more to do with serendipity than policy. A lot of it, Mr. Banaian told me, may have been “plain darn good luck.”

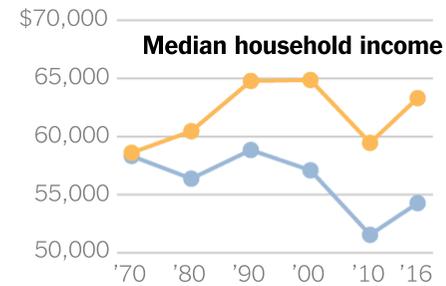
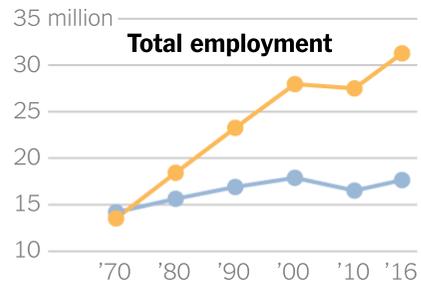
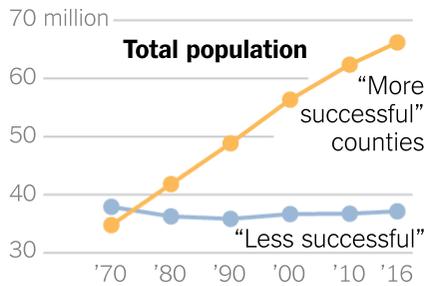
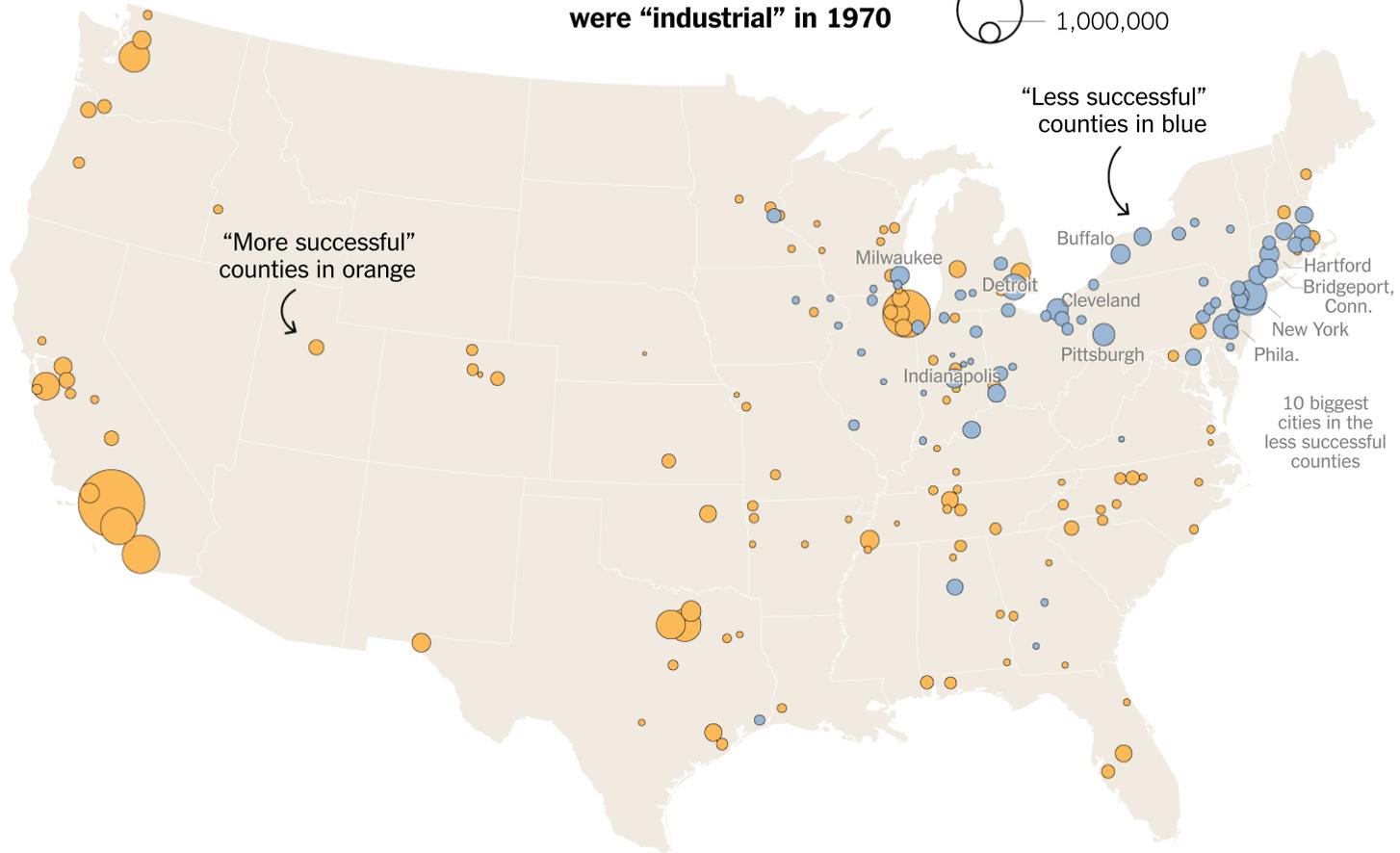
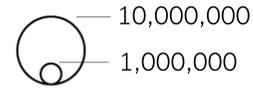
In [a recent report](#), Alan Berube and Cecile Murray of the Brookings Institution counted the cases of success and failure: In 1970, there were 185 urban industrial counties with a city of at least 50,000 people where manufacturing made up at least a fifth of all jobs.

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## Divergent Fortunes

A Brookings Institution study looked at 185 historically industrial counties in which at least 20 percent of jobs were in manufacturing in 1970. Among them, it identified 70 counties — blue dots on the map — in which job growth lagged behind the nationwide rate. The 115 counties where employment almost matched or exceeded that rate are in orange.

**Populations of counties that were "industrial" in 1970**



Source: Alan Berube and Cecile Murray, "Renewing America's economic promise through older industrial cities" (Brookings Institution, 2018) | By Karl Russell

Using the mix of industries in each county, they projected how many jobs it would have today if employment in each industry had grown at the same pace as in the nation as a whole. Seventy of the original 185 had significantly fewer jobs in 2016 than they would have had if they had followed the national trend. The other 115 almost matched or outpaced the national trend.

This is an imperfect measure of success. In many successful counties that experienced employment growth, workers nonetheless suffered lower wages and declining living standards. Still, on the whole these places did much better in terms of productivity and household income growth, too.

Unfortunately for the laggards, their edge may be difficult to replicate.

The picture in the South and the West is brighter. Fifty-five of the 63 urban industrial counties that Mr. Berube and Ms. Murray counted in the South in 1970, as well as all 24 of those in the West, saw jobs growth that was at least about on par with the national trend over the next 46 years. But their experience is of limited use to the North and the East. In 1970, these counties were smaller and younger. They were building an industrial base as the nation's economic footprint was shifting from manufacturing to service, embracing technology and globalization.

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productive workers, while investment flowed in to take advantage of their cheaper labor force and the virtual absence of unions. “Jobs were leaving Michigan, Indiana and Ohio and going to Alabama, Georgia and Tennessee,” Mr. Berube observed. In the more successful industrial counties, construction employment

doubled, on average, from 1970 to 2016, as they absorbed new populations.

The old industrial cities that developed around the Great Lakes in the first half of the 20th century have a different story. Population shrank on average. Construction employment did not grow. Only six of the 35 urban industrial counties scattered across the Northeast in 1970 held their own or gained employment compared with the national trend over the next 46 years. Of 63 urban industrial cities in the Midwest in 1970, only 30 managed the feat.

Macon County, Ill. — home of Decatur, “the pride of the prairie” — was an agribusiness hub and steel town that also housed mammoth

production facilities for the likes of Caterpillar and Firestone Tire and Rubber. But it lost 40 percent of its manufacturing jobs from 1970 to 2016. Total jobs grew by less than half a percent over 46 years.

Employment in Racine, Wis., increased by 40 percent in that period. But had job growth followed national patterns it would have grown at twice that pace. Median household incomes fell a whopping 14 percent.

These older industrial cities that had helped build the American middle class were by 1970 riven by conflicts between management and labor, between cities and suburbs, and between blacks and whites. “The tension from segregation in the Midwest and North was a bigger deal,” Mr. Berube told me.



A Jeep Cherokee on a Chrysler assembly line in Detroit in 1997. Detroit and its county were emblematic of the decline of traditional manufacturing centers after 1970. Associated Press

On top of all that, their old, heavy industries were particularly vulnerable. For instance, 17 of the 22 counties in the Northeast and Midwest where steel accounted for a disproportionate share of jobs in 1970 stumbled on their way to the present.

Can Decatur or Racine learn from Green Bay, Grand Rapids or St. Cloud? Perhaps the best example to follow would be to invest in

education. Places with better-educated workers were generally the ones that managed the economic transformation of the last 50 years more successfully. In 1980, 18.5 percent of adults over 25 in these counties had at least a bachelor's degree, compared with only 15.1 percent in the counties that stumbled. For Midwestern states like Illinois, Wisconsin and Missouri, which are starving many of their public universities of funds, the takeaway would be: Stop.

Mr. Berube and Ms. Murray's analysis, like [other research](#) before it, also suggests that policies that reduce racial or economic segregation might add to economic growth. Smart industrial development policies can help, too.

Mr. Banaian noted how St. Cloud was smart to develop industrial parks along the transportation arteries connecting it to the rest of the country. Raw money may help, too. Electrolux is decamping to South Carolina from St. Cloud thanks, in part, to a tax incentive worth \$73 million over 32 years, according to a state estimate cited by the company. Research by Enrico Moretti of the University of California, Berkeley, and Michael Greenstone of the University of Chicago suggests that for all policymakers' gripes about government subsidies to corporate investment, [they can yield a high return to the local economy](#).

In the end, a lot comes down to luck. St. Cloud isn't just on the Mississippi. It is on Interstate 94, U.S. 10 and the BNSF Railway — putting it within reach of many markets. What's more, it produces things like trailers, buses and snowmobile engines, which for some

reason are not China's or Mexico's forte. Its service industries — a growing part of its economic base — thrive off the underserved rural towns in the western half of the state. Its medical center alone employs 10,000 people.

If the successful industrial counties of the Midwest have a lesson for their less successful peers, it must be that they can't stop evolving. "It is hard for communities to become something else," Mr. Berube said. That is precisely what declining industrial cities are being repeatedly called to do. And there is nothing to say that communities that successfully transformed themselves over the past 50 years will succeed again.

Right now, St. Cloud's main problem may be a labor shortage. But already Mr. Banaian is worried about the internet. St. Cloud has a large retail and hospitality industry. People in the western part of the state will come into town to shop and eat and perhaps stay for the weekend. The internet, however, is putting many retailers out of business. "That part is going away," Mr. Banaian said.

***Correction: May 1, 2018***

*An earlier version of this column misstated the value of a tax incentive that attracted Electrolux to South Carolina. According to a state estimate cited by the company, it is worth \$73 million over 32 years; it is not worth \$250 million.*

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Email: [eporter@nytimes.com](mailto:eporter@nytimes.com); Twitter: [@portereduardo](https://twitter.com/portereduardo)