

**“Revitalizing America’s Post-Industrial Cities:
Some Lessons from Cleveland”**

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Good afternoon and thank you for your kind introduction.

It truly is an honor to be speaking at the City Club of Cleveland, a stand-out organization in a city that contains so many esteemed and historically significant institutions.

Whether you are here in the audience in downtown Cleveland, or listening in Portland, Maine ... Spokane, Washington ... Boise, Idaho ... or Beaumont, Texas – all wonderful cities that carry the City Club presentations – I’ll do my best to make my comments equally relevant, which shouldn’t be too difficult ...

... because our topic today – “Revitalizing America’s Post-Industrial Cities” – ultimately affects the entire nation.

What I’d like to do is tell you about how one post-industrial city – Cleveland – is seeking to revitalize itself in a global economy ... and then share with you some lessons learned for the benefit of other post-industrial cities across the nation.

Let’s begin by posing the question: What is a “post-industrial city”?

Think, first, in terms of the “Industrial Revolution” ... when the advent of powerful machines and large factories created whole new industries – industries using nature’s raw materials to mass produce affordable goods on a grand scale ... and at a price point or cost never before imagined.

With the onset of the Industrial Revolution, major cities, here and in Europe, became centers of industry, as opposed to just centers of learning and commerce.

By the early 20th century, Cleveland – then the 5th largest city in America – had become a perfect example of an industrial city: Big, crowded, teeming with immigrant workers, belching smoke from steel mills and manufacturing plants, and full of bravado.

So, what is a “*post*-industrial city”?

It is a city that has moved away from the factory system that was the hallmark of the industrial revolution...

... to a city whose economic heartbeat derives from advanced research into new technologies, a flourishing service sector, and advanced manufacturing.

It is a city in which information and knowledge and creativity are the new, raw materials ...

It is a city where abandoned factories and brown fields become sites for start-up companies and new residential communities ... and for shopping and recreation and commercial development...

This is the picture of today's post-industrial city ... and it is the direction in which Cleveland and many other cities are headed, but have not fully arrived.

One of the best summaries I've heard describing the current economic state of Cleveland and Northeast Ohio came from Sandy Pianalto.

Sandy is president and CEO of the Federal Reserve Bank of Cleveland, and also a member of our board of directors at The Cleveland Foundation.

She captured the essence of our region's economy in the following comments.

(quote) "Compared with the rest of the country, we are still predominantly a region that manufactures, coats, polishes, extrudes, and extracts. After a century of relying on the heaviest types of traditional industry – coal, steel, automobiles, rubber, and electrical equipment – we have been deeply affected by global trends, including rapidly changing technology and increased international trade.

"These trends have led to a decline in manufacturing jobs and a growing wage differential between high-school and college graduates.

"Nonetheless, our region's transition does not necessarily mean we have to live in a world with downsized dreams, or less productive industry, or less prosperous communities. Far from it.

"Looking ahead, we can foresee economic change that opens the way toward a future every bit as prosperous as our past – if we prepare for it, if we plan for it, and if we summon the resolve to embrace new opportunities." Unquote.

The key to Sandy's statement is the "*IF*" word.

If we prepare for it ... *if* we plan for it ... and *if* we summon the resolve.

To which I would add: Can we?

Can we take on this long-term challenge and succeed?

The answer, I believe, is an unequivocal yes. But how do you do that? How do you begin to tackle all the issues that exist? Here are my thoughts.

For a post-industrial city to be revitalized, it has to have a comprehensive, long-term, strategic action plan – a plan with benchmarks and early, visible wins.

The plan must be the entire city's game plan. Regardless of who authors the plan, it must have buy-in from local political officials – here in Cleveland that means the mayor, city council and the county commissioners...

...it must have buy-in from the business community, the academic community and the philanthropic community ...

... and it must have buy-in from the citizens at large.

It must be well understood, doable, and contain action items that can be started immediately...

... and it must be a plan that has synergy and leverage, enabling a city to be more – not less – than the sum of its parts.

This came home to me loud and clear this past weekend when I went downtown with my family to attend Cleveland's annual air show on our gorgeous lakefront.

To get there, we drove past University Circle, the nation's largest concentration of art, cultural, educational and medical institutions. I don't have time to touch on them all, but as you know they include...

... the world famous Cleveland Museum of Art, which is undergoing a \$260 million dollar renovation and expansion ...

... Case Western Reserve, one of America's finest research and teaching universities ... And if you saw this morning's paper, you learned that Case announced that it has discovered the Rosetta Stone – or cracked the genetic code – regarding which genes cause colon cancer.

To continue our family's trip, we passed Severance Hall, which recently completed a \$36 million dollar renovation, and is home to the world-renowned Cleveland Orchestra ...

... University Hospitals and its Rainbow Babies & Children's Hospital, which is embarking on a \$1 **B**illion dollar expansion ...

... and the Cleveland Clinic, known throughout the world for its advanced cardiac care.

Driving further, we passed through Cleveland's downtown business, financial and legal services district, which is headquarters to some of America's top law firms and companies, run by some of America's savviest CEOs.

And as we watched the air show from the shoreline of the great Lake Erie, under a picturesque blue sky, we were surrounded by many of the outstanding attributes of Cleveland: the Rock and Roll Hall of Fame, the Great Lakes Science Center and Cleveland Browns Stadium ... all built in recent years.

On the one hand, it made me very proud and happy to be a Clevelander ... but on the other hand, it impressed upon me that even with all these remarkable attributes, even with all that our city has to offer, we are still so much less than the sum of our parts.

And that conundrum, that dichotomy, was brought home to us by recent headlines in the media: that Cleveland ranked as the poorest big city in the nation, based on the percentage of its population living below the poverty line.

Now, this poverty ranking did not take into account our very affluent, close-in suburbs. If it had, Greater Cleveland would rank in the middle of the pack.

But let's not get too technical. We simply cannot hide the fact, nor can we escape the reality, that we have a significant population of very poor and very under-educated persons, many unemployable in our city. It's a reality that causes great concern for the future – their future and our future!

Obviously, this problem is not limited to Cleveland. It is a national problem, with no simple solution ... but with multiple causes...

... which means, I believe, that revitalization of this post-industrial city will occur only if we effectively tackle those multiple issues simultaneously.

Here in Cleveland, I would like to suggest that we focus on 5 critical areas – not sequentially, but in parallel. They are our vital issues of the day.

Topping the list is, of course, economic development and globalization. In short, jobs!

Second ... we must not simply improve our public schools, we must reinvent them. Again: not just a challenge for Cleveland, but for our nation.

Third ... we must continue to improve the livability of our urban neighborhoods with new housing, better security, green space, and recreation – all those things that make for quality living.

Fourth ... we must improve and reorder how we deliver essential human services, especially to the young. If “an ounce of prevention is worth a pound of cure,” then reaching out to our most vulnerable citizens at an early age must be a priority.

And fifth ... we must ensure that our remarkable arts and cultural institutions – many of them world famous – remain intellectually vibrant and economically viable, recognizing the key role that the arts play in our economy and in our quality of life.

All of these areas, of course, are connected. Let’s explore each one a little deeper.

I’d like to focus first on economic development. We must simultaneously build upon our existing strengths, like healthcare, *and* make Cleveland the capital or center of new and emerging industries.

We must become the symbol of a new industry. We must become what Houston is to oil and gas ...or what Silicon Valley and Seattle are to software. We must create sustainable jobs for the future, and not engage in a futile attempt to hold onto the past.

What we need are 21st century industries – industries that are lead players in global markets. I’m talking about more than adding just a few new companies. I’m talking about creating whole new industries and thousands of new jobs.

Look at which industries will be most important globally over the next 30 years: energy ... power and propulsion ... biotech ... proteomics ... medical devices ... advanced materials ...and the service industries that support them. Each one represents a gigantic opportunity for jobs and wealth creation.

We must better connect our fabulous regional research institutions, Case Western Reserve University, NASA Glenn, the Cleveland Clinic, the University of Akron, Kent State, Cleveland State and others ... with our commercial firms...

... and then we must more rapidly commercialize our intellectual property, to create advanced manufacturing here.

We need to take better advantage of potential synergies that are right before our eyes, by fully utilizing the rich resources we already have. Not to do so is an all-too-common failure in so many post-industrialized cities.

The second vital issue – and I cannot stress it enough – is public education.

Improving our schools – nationally and locally – is absolutely essential for our future, in terms of both economic competitiveness and national security.

Today, I am not going to talk specifically about educational reform in Cleveland, because we have an outstanding new CEO of our school system, who has a track record of significantly improving schools.

I have had two extremely positive and exciting meetings with Dr. Eugene Sanders since his arrival, and our Foundation looks forward to working with him as he unveils and begins to implement his plans.

However, I would like to express some personal views on the general state of education in the United States.

For decades, we have been falling behind other countries and even behind our own past achievements. We have suffered from a dearth of creative thinking. Business reinvents itself every decade or so, but our K to 12 system, which was devised in the agriculture-based economy of the 1840s, has gone fundamentally unchanged since then.

Why do our kids have three months off in the summer? To bring in the harvest? I don't think so. Kids in Cleveland were not out tilling fields this past summer. Many were just hanging out on street corners. But I can assure you that unlike Cleveland kids, children in China and India spent this past summer in school.

Today in the United States, approximately one-third of all high school students drop out, and another third will graduate unprepared to do college-level work or hold a job that can support a family.

No wonder we saw the report in last week's *New York Times* about how unprepared our kids are for community college, much less to earn a four-year degree.

I should acknowledge my own personal biases when it comes to education.

I am concerned that while our nation is blessed with large numbers of great teachers, our system all too often places greater emphasis on seniority and tenure than on merit in the retention of teachers. The best teachers should stay ... and poor performing teachers should go. It's that simple. Our children deserve no less.

I am concerned that as a nation we pay big bucks to someone fresh out of business school to be a bond trader ... but pay paltry salaries to teachers.

More important, in terms of prestige, K to 12 teaching does not command the respect in our society that it deserves. Where are our values? Where are our priorities?

In Japan, the same honorific title, *sensei*, loosely translated as "doctor," is used for both K to 12 teachers and medical doctors – they hold equal rank in society, as they should.

Let me put it bluntly. The continued deterioration of public education is becoming an issue of national security.

Whether you support the war in Iraq or don't support the war in Iraq, no one can argue that we are spending huge sums of money – hundreds of billions of dollars – over there, in large measure because many believe our national security is at stake.

I believe that it is vital to our national security to invest substantially more in education. Why?

Because, in my view, the internal threat to our nation of having one-third of our high school students drop out, and a huge percentage not equipped to be productive members of society, is a long-term threat every bit as real as terrorism.

I believe that what we are experiencing today – an internal *implosion* of the American school system – will be as powerful an internal force to be reckoned with as our external enemies – because good engineers and physicists are essential for national defense ... and because we will not maintain our domestic tranquility if we continue to grow a permanent underclass of people with no dreams, no hopes and no futures.

Those of you with good memories may recall that what I just said is not new. Oh, the war in Iraq may be new, but the threat that a weak education system poses is not.

Let me read to you something written in 1983 by a federal, blue-ribbon panel during the Reagan administration, which surveyed the landscape of American education. The report, as many of you may recall, was titled “A Nation at Risk,” and sadly it is as relevant today as when it was penned 23 years ago. I quote:

“Our Nation is at risk. Our once unchallenged pre-eminence in commerce, industry, science, and technological innovation is being overtaken by competitors throughout the world.... The educational foundations of our society are being eroded by a rising tide of mediocrity that threatens our very future as a Nation and a people. What was unimaginable a generation ago has begun to occur – others are matching and surpassing our educational attainments.”

And then this most memorable sentence: “If an unfriendly foreign power had attempted to impose on America the mediocre educational performance that exists today, we might well have viewed it as an act of war.” Unquote.

Think of it: “An act of war.”

And any objective analysis would indicate that the wake-up call we received back in 1983 has not at all awakened us.

Our educational system remains in deep trouble. And as a nation, our democracy ... our economy our armed forces and our moral identity as a society absolutely depend upon putting far more resources into reinventing public education in America.

Moving on to the third vital issue of the day: We must revive and restore our urban neighborhoods, making them not just livable, but lively.

Urban sprawl is very costly. That's true everywhere. It's expensive to maintain roads and sewers out to the suburbs and now even further out, into the exurbs. And the increased commuting means we use more finite fossil fuels.

What does it take to lure more people back into our center cities, to encourage “urban pioneers”? We must restore neighborhoods – a change already happening in many cities across the nation.

That means quickly removing decaying old structures, like the ones we see all over midtown Cleveland and in our neighborhoods ... cleaning up brown fields ... and getting those areas back on the tax rolls. It means strengthening local retail. It means providing amenities. And it means reestablishing a sense of personal safety and creating good public schools.

The fourth vital issue is to better deliver human services to people in need, earlier in life. We must spend more money on the front end to avoid huge troubles and monumental expenses on the back end.

To do this, I believe our Number 1 priority must be to lower teenage pregnancy rates. This self-destructive cycle of babies having babies is putting the entire nation at risk and dooming future generations to depressing and dangerous lives.

We must have better day care, more early childhood development initiatives, more early education and better literacy programs to give kids the best possible start in life.

We must focus on young males in society. Compared to females, they are dropping like stones by every achievement measure – a very bad trend for our society in so many ways.

And we must quickly overcome our reluctance to stand up to – and speak out against – the negative, anti-education and anti-intellectual culture that is pervading our society ... especially in our poor urban areas.

Bill Cosby might not have expressed his views in the most sensitive way, but at least he had the guts to say that gangster rap culture is a road to nowhere.

The growing divide between African-American intellectuals and the black underclass is absolutely tragic and downright dangerous.

Finally, to address the fifth vital issue, we must recognize that our arts and cultural institutions are not simply nice-to-have amenities. They are necessities.

20 years ago, Cleveland rallied behind the revitalization of Playhouse Square, transforming it into one of America’s great centers for the performing arts.

Today in Cleveland, our arts organizations employ some 7,000 people ... pump over \$1 **B**illion dollars a year into our economy ... and attract many residents who simply would not live in a city without top, cultural amenities.

In my view, we must achieve public financing for the arts. This fall, we will have a chance to pass a levy to support the arts. I hope it succeeds!

What I’d like to do in the remaining few minutes is share with you 1 or 2 examples of actions The Cleveland Foundation has been taking in each of these 5 vital areas, starting with economic transformation.

How do you transform an economy battered by global forces into one that excels in the global marketplace?

We believe that working together as a region, rather than as individual communities, is the best way to restore, revitalize and strengthen our economy.

To that end, since 2003 the Foundation has awarded more than \$30 million dollars in grants to economic development for Cleveland and Northeast Ohio.

In addition, we are seeking to build new industries in the region, primarily through our support of a group called the Fund for Our Economic Future ... a dynamic collaborative of some 80 philanthropic institutions with a shared goal: to make Northeast Ohio globally competitive.

So far, the Fund and its members have raised more than \$52 million dollars to support our economic transformation ... and we're already starting to see results: Investment dollars – up. Venture capital – up. Start-up companies – up.

In addition, we are working to develop a specific advanced energy industry. Not a company. But an entire industry.

Globally, more than \$4 trillion dollars is spent each year on conventional energy. In the coming decades, that industry will be replaced by a multi-trillion-dollar “advanced” energy industry, which must be invented largely from scratch.

Although advanced energy opportunities are being pursued aggressively worldwide, no single city, region or country has much of a head start.

I believe that Cleveland should aim to become one of the world's leading hubs of activity in advanced energy.

If we succeed – if we become America's leading supplier of wind turbines ... solar panels ... fuel cells ... clean coal ... and whatever other new advanced technologies will supply the ever-growing demand for energy in an enduring fashion – we can create an industrial cluster employing tens of thousands of citizens, and generating billions of dollars in economic activity.

Next, let's turn to education.

This semester, Cleveland cut the ribbon on our new High School of Science and Medicine, a joint venture between the school district and our Foundation, other foundations, the Case Medical School, the Cleveland Clinic and University Hospitals.

Students at this high school will, for example, study the heart and then observe heart surgery at the Clinic ... or learn about pediatric diseases from a nationally ranked doctor at Rainbow Babies & Children's Hospital at UH.

We also are involved in school revitalization efforts in Cleveland ... a broad early-literacy effort ... drafting a state-wide report on education reform that could influence education policies... and the list goes on.

In our city's neighborhoods, we have been making significant investments. For the past 15 years our Foundation has funded Neighborhood Progress Inc.

NPI is Cleveland's super community development corporation, and has been a driving force in revitalizing 16 neighborhoods.

It has rehabilitated existing homes, constructed new houses, re-energized retail areas, and created parks and green space.

And over the past decade, we have seen more than 5,000 new homes built in Cleveland ... more than 6,000 rehabilitated ... with another 5,000 units in various stages of planning, rehabilitation and construction.

A report from Harvard University cites this as the largest number of new homes constructed in urban America. That's quite an accomplishment, and you can see the results by driving thru many of Cleveland's once-neglected, but now well-kept, neighborhoods.

In the area of human services ... in 1999, The Cleveland Foundation launched a major project with the County Commissioners and others to help thousands of children in Cuyahoga County. It's called "Invest in Children," and it offers prenatal care, childcare from infancy through pre-school, special services for children with special needs, and support and education for parents.

This past year alone, Invest in Children reached some 65,000 youngsters and their families, including more than 6,000 newborns, each of whom received an in-home visit from a registered nurse. It's a program that's really making a difference, right from the start.

We are extremely proud that Invest in Children has been recognized as a national model for how local communities can effectively address the needs of their youngest citizens.

In the vital area of the arts, The Cleveland Foundation continues to be a major supporter of this jewel in our community.

In addition to the myriad programs it has traditionally supported, the Foundation recently created a special program to strengthen and sustain some of our smaller arts organizations ... by providing expert business training to help them improve their operations and improve their bottom line.

Now three years old, the program is making a difference on the Greater Cleveland arts and culture scene.

And in the area of public policy, the Foundation early-on convened key players in the community ... in what would eventually lead to this fall's voter issue of local public funding for the arts, which I mentioned earlier.

In the end, of course, whether we live in Cleveland or Spokane or Boise or Beaumont, we must be creative and strategic. And many of the lessons learned here apply to all of us.

So, what are some of those lessons? There are 5 that come to my mind.

Lesson 1: Create a comprehensive action plan quickly, and stick to it. Then make sure that the key stakeholders know about it and can envision where the city's going, or it won't get done.

Leaders – from government, business, academia, nonprofits, and religious institutions – must be brought in ... and then buy in. And it would be even better if they came together from the start to develop the plan.

Lesson 2: Build on strengths.

For Greater Cleveland, that means building on our existing strengths in world-class healthcare ... banking and finance ... professional services ... higher education and research ... and arts and culture.

Lesson 3: Create 2 to 3 new industries that will complement and strengthen existing industries. Some can be built off the parts and pieces of strong industries already in place. Others must be developed out of whole cloth.

To do this, develop a keen understanding of major world trends and problems that need to be solved, alongside an understanding of the newest technologies and scientific breakthroughs ... and marry the two.

For example, global warming is an important and serious concern. Addressing that concern presents a huge commercial opportunity.

Lesson 4: Maximize potential synergies. You do that by:

merging organizations ...

forging better town-and-gown, or business-and-university relationships ...

focusing more on public policy at the federal, state, and local levels ...

making sure our laws and tax codes allow us to compete rather than diminishing our competitiveness...

and insisting that our city develops core competencies that include cooperation, innovation, speed and synergy.

And lesson 5: Leverage resources. Success breeds success. Well-thought-out projects that are strongly supported by the community can attract outside, additional capital.

Here in Cleveland and throughout Northeast Ohio, we have many remarkable institutions learning to work better with each other. In the last few years, we have begun to see remarkable results from their collaborations.

And if we can continue to collaborate, if we make the most of our synergistic opportunities, then a city like Cleveland and a region like Northeast Ohio, will once again be more than the sum of its parts.

That is my wish for Greater Cleveland ... and that is my wish for all of America's post-industrial cities.

And I believe that is possible because we have great leaders in Cleveland. We just need to come together – all of us – with a clear and comprehensive action plan ... with a sense of urgency... and with a take-no-prisoners attitude.

And when we do – not *if* we do, but *when* we do – we will reclaim our rightful position as one of America's great economic powerhouses.

Thank you.