

January 07, 2008
By Thomas Mucha

Chicago's place in the world

Thirty years ago, a city could thrive as a mere manufacturer of goods. You made your widgets and rooted for your local football team. But as Detroit, Cleveland, St. Louis and other struggling cities have learned, that's no longer enough.

The rise of the global economy has changed the business, economics, politics and obligations of a city. Money is mobile. So, too, are workers, goods, services and ideas. But that doesn't make cities less important. As Columbia University professor Saskia Sassen says, "All this mobility needs to be managed, serviced and coordinated. As corporations spread across the globe, there is a need for highly concentrated command points."



The golden arches in Chadni Chowk, one of the oldest commercial streets in New Delhi, and the world. Photo: Erik Unger

These command points — the places where all the economic action happens — are today's global cities. Think London, New York, Tokyo, Paris and, yes, Chicago. The city that for decades defined the manufacturing era has clawed its way into this elite group.

Chicago has the accountants, money managers, lawyers, traders, management consultants and insurance and advertising professionals necessary for global business. The city also is home to some of the world's most global corporations: Boeing Co., McDonald's Corp., Motorola Inc., UAL Corp., Kraft Foods Inc. and 25 other Fortune 500 companies that draw upon the region's 4.5 million workers. The annual gross domestic product of the 14 counties that make up the Chicago region is \$453 billion, just behind the Netherlands and ahead of Turkey.

While those figures bear out that Chicago is a truly global city, not everyone knows it. "Chicago's impact is felt around the world," Ms. Sassen says, "But its globalization is unrecognized by most citizens."

Nor has it arrived. In terms of international image, Chicago ranks 27th out of 60 global cities, according to U.K. branding expert Simon Anholt, who publishes an annual City Brands Index that assesses a city's business climate, policies, products and culture. While Chicago is perceived as being important, many outsiders peg it as unattractive

and dirty, with mediocre public services and unfriendly people. Chicago also is, according to his research, considered "not very safe, with not much to do."

This year's Agenda for Chicago examines some of the factors holding Chicago back in this fierce global competition. It's a complicated set of problems, ranging from a crumbling transportation infrastructure to a weak education system to a complex balancing act between business and government in developing a global city.

None of these problems is likely to be solved in the next decade, let alone in the next 12 months. It's going to take money. And there's no agreement on how to pay.

Last year, the Chicago Council on Global Affairs commissioned an independent study group of 40 Chicago business leaders, academics and policymakers to help Chicago chart its future. We've included some of their suggestions, along with interviews with some of the key people involved in the research. In the pages that follow, you'll find summaries of the key issues, and prescriptions for tackling them.

There's additional coverage at ChicagoBusiness.com, including videos on what Mayor Richard M. Daley thinks makes Chicago a global city and what University of Chicago economist Austan Goolsbee thinks is the real problem at O'Hare.

So let's get to work. As you're about to read, there's plenty to do.



The problem with transport

Chicago's problems with transportation go beyond the inconveniences of discontinued bus routes and slow zones on the el. By not maintaining its railways, roads, airports, buses and subways, Chicago risks losing industry, jobs and its foothold in the global economy.

Cities don't work if they can't move people and goods around. Employees need to get to work. Manufacturers need materials. Hotels need to fill rooms. It's that simple.



PHOTOS BY JOHN R. BOEHM

Chicago has laid much of the groundwork for a world-class system. The city is the nation's leading rail hub, with 50% of U.S. freight trains passing through. It has the second-largest commuter rail system in the country, with 300 miles of track and 250 train stations. And O'Hare International is the second-busiest airport in the world in both number of flights and passengers.

But the infrastructure that supports it all is in need of serious work.

Joseph Schwieterman, a professor at DePaul University and a transportation specialist, cites "severe problems" in the [Chicago Transit Authority's](#) service, innovation and finances. As anyone who uses the CTA knows, the good professor is being polite.

Here are a few prescriptions, dispensed in long- and short-term doses, the city needs to maintain its global status.

LONG-TERM RECOMMENDATIONS

Give the RTA decision-making authority and increase capacity on our railways and at the airports. The recent expansion of the [Regional Transportation Authority](#), which oversees the CTA, Metra commuter train and Pace suburban bus systems, is a step in the right direction. But its role is limited to creating a unified budget and capital plan. That leaves the system disjointed at a time when the region needs to be considered as a whole.

The RTA Act should be amended to give the agency the authority to plan and coordinate the regional transit system, set goals and standards for the service boards, determine fares, eliminate service duplications and consolidate ticket sales, marketing, advertising and public information. The state should also give the RTA the authority to raise additional revenue to reduce its projected 2008 deficit of \$405 million and fund plans to invest \$2 billion in improvements over the next 30 years. That could come in the form of an RTA gas tax, sales tax or tax on non-residential off-street parking.

A nightmarish public transportation system offers little incentive for people to leave their cars at home (63% of Chicagoans travel to work by car; that number climbs to 79% if you add in commuters from the suburbs). As the Chicago Council on Global Affairs' study group argues, "A system built for an earlier era must be rethought and refigured."

ASK THE EXPERT

How to get moving

Yes, it's bad on those planes and trains and in those automobiles. But lots of smart people are thinking about these problems, including Adele Simmons. Crain's asked Ms. Simmons, vice-chairman of Chicago Metropolis 2020 and co-chairman of the Chicago Council on Global Affairs' transportation study group, what Chicago needs to do to get moving.



CRAIN'S: What are the biggest challenges facing Chicago's transportation infrastructure?

MS. SIMMONS: Chicago is better positioned than any city in the country to have an extraordinary transportation system, both in movement of people and goods. We have the six largest railroads coming through Chicago and seven interstate highways. We have the train stations. We have all the track. What we haven't done is maintain it. It's like squandering our capital.

So what needs to happen?

We need to strengthen the governance system to give the [Regional Transportation Authority](#) the capacity it needs to govern and drive the system. In addition, we need capital investment so we have the kinds of tracks and infrastructure we need for the future. Yes, it's a big price tag, almost \$2 billion a year. But we need it.

How does urban sprawl affect this transportation future?

There are ways we can plan better with regard to development. Train stations shouldn't just be centers for parking lots. They should be lively business places where you get off the train, buy a bottle of milk, do some basic shopping and walk to your house. Understanding this linkage between transit and land use takes planning, and people haven't done this. We also need to look at our arterial roads, particularly in the counties, and figure out how to use those more effectively so you don't have to build superhighways everywhere.

What's the relationship between having an efficient transportation infrastructure and being a global city?

It's huge. We want to attract people because we're a vibrant, exciting region with cultural activities, art and museums. But if you can't get there, why come? If you could tell people they could move to Chicago and not have two cars, or even one car, that's enormously appealing from an economic perspective. If you could say, "You can leave your house in the suburbs and get to the symphony by public transportation," people will be more excited about coming here. The business people who have been to Europe will tell you what a pleasure it is to get on a train and be in the south of France in a few hours.

Moving beyond City Hall

THE ROLE OF GOVERNMENT

So what can government do to help? To attract more global trade and investment, the Chicago Council on Global Affairs recommends increasing the \$2-million annual budget of the economic development agency World Business Chicago. It also calls for opening Chicago economic development offices around the world, a job now handled by the state. To attract more tourists, the recommendation is to "dramatically increase Chicago's tourism budget, including overseas," while seeking financing from local companies to pay for it. (Chicago's tourism budget is \$5 million per year, vs. \$148 million for Las Vegas and \$68 million for Orlando.) And to help spread the word, the group suggests the city sponsor trips to Chicago by foreign journalists. "It is time Chicago stopped being a surprise — to investors, businesses, journalists and tourists," the report states. For more government insights, *Crain's* spoke with Simon O'Rourke, executive director of the Global Chicago Center.



Simon O'Rourke | Photo: John R. Boehm

CRAIN'S: What's the appropriate role of government in developing Chicago's global-city status?

MR. O'ROURKE: The role of city government is to lead and inspire. It's also to create the necessary political conditions among the populace to enable the kind of economic, cultural and social activities that people need to pursue. The mayor is the elected figure, and he's extremely important in setting the tone. In speeches, Mayor Daley uses the phrase, "Chicago is a global city." More public figures need to do that. Unfortunately, in Chicago, everyone looks to the mayor to play this role. I'd love to hear the aldermen and all the other local government officials speak in these terms.

What else can government do?

There are an incredible number of immigrant communities here, all existing in isolation. In terms of political activity, there's a long way to go for the city to engage these communities and to help knit them together. We'd like to see the government do more to bring Pakistanis, Arabs, Koreans, Mexicans, Africans and all these other communities together to talk about issues and to help them undertake networking and information sharing at a grass-roots level. These people are highly educated, and many started successful businesses in their home countries. But they came to Chicago. They all love the city and have this great sense of adventure about the place.

How do you assess the government's role in fixing Chicago's transit problems?

Public transportation is a public good and it's the function of government to handle that properly. Transit problems demoralize people who are here. It's hard as hell to get around. That makes life more unmanageable. Longer term, the system needs to be restructured and enhanced so you can get around all neighborhoods. We need to open the city transportation system to, say, Devon Avenue so it doesn't take four buses and an hour-and-a-half to get there. The other big thing is O'Hare. It's common to see statistics listing it as one of the top two airports in the world. That may be so, but if 95% of people flying there have a wretched experience, they will avoid it in the future.

Brains, bodies and beauty

Human capital — a buzzword among economists — simply means people. Think of it as raw material made up of bankers, traders, consultants, advertisers, engineers, artists and others who, through brainpower and creativity, turn ideas into money.

"The comparative advantage of cities is determined by how smart, how trained, how innovative, how entrepreneurial the people are in that city," says Edward Glaeser, a Harvard urban economist who advised the Chicago Council on Global Affairs' study group.

Chicago's human capital is strong. Among U.S. cities, Chicago ranks first in the concentration of young people (ages 25 to 34) living within three miles of downtown. It's second only to New York in the number of those with college degrees. Its universities are world class. The University of Chicago has been home to 20 Nobel Prize laureates, while both the U of C's Graduate School of Business and Northwestern University's Kellogg School of Management rank among the world's best business schools. Chicago also has the quality of life that keeps people here — vibrant art and music scenes, restaurants, museums, parks and recreational facilities.

But not everything is rosy. From 2000 to 2006, Chicago lost 62,700 residents, mostly to the suburbs. That means more urban sprawl, more people on congested roads, lost income and lower tax revenue. To enhance its position as a global city, Chicago must hang onto all the brains, talent and skills it can. A good place to start is education. The arts can help, too.

WHAT TO DO

Three steps to sell Chicago to the world:

- Increase the city's efforts to attract global trade and investment and promote economic development
- Increase Chicago's tourism budget, including overseas promotion, to enable the city to compete with comparable destinations.

- Sponsor trips to Chicago by journalists, especially foreign correspondents based in Washington, D.C., and New York.

Source: Chicago Council on Global Affairs

LONG-TERM RECOMMENDATIONS

Longer school days and more language classes.

Chicago can't compete globally if it can't develop its own people, starting before kindergarten. Poor schools drive many parents from the city. In a speech last year, Mayor Richard M. Daley called school reform "the most challenging problem I have ever faced."

There are good signs: Student enrollment in preschool is up nearly 30% over the past five years, the number of unfilled teaching positions has dropped 40% in the past two years and some 6,000 elementary students are now learning Mandarin.

But the dropout rate in city high schools is 44%, and more work needs to be done to improve education quality. Specific steps should include lengthening school days (Chicago students spend 270 fewer hours in class than New York kids), expanding the number of foreign languages offered, to include German, Italian, Hindi and Japanese, and offering language instruction when students are younger and their minds more receptive. Foreign languages now are taught in high school and a few grammar schools across the city, but that needs to be expanded if Chicago hopes to converse with its global business partners.

Reform Chicago's City Colleges system. A global city needs to offer residents at all economic levels solid vocational training, remedial education and continuing-education programs, as well as classes in English as a second language. It also must offer the opportunity for students to transfer to four-year colleges and produce graduates who can fill jobs in fields like nursing, trucking, construction and the hospitality industry. That's the role of Chicago's seven city colleges.

But these schools are failing: Enrollment is down by more than 30% over the past decade, to below 115,000.

The root causes remain unclear. A lack of leadership and bureaucratic sluggishness are factors. But has a dearth of good teachers also contributed? Is it the course offerings? Student services? The city should commission a study to pinpoint and correct the problems.

ASK THE EXPERT

Building a better workforce

Chicago has no shortage of human capital — the skilled professionals who make up and run a global city. It also has the kinds of things those people like to do: eat, drink, laugh and learn. But Chicago has serious problems in the people department. We asked Henry Perritt Jr., a Chicago-Kent College of Law professor and co-chairman of the Chicago Council on Global Affairs' study group on human capital issues, what Chicago needs to do to boost its brainpower.



CRAIN'S: Where is Chicago strong with regard to human capital?

MR. PERRITT: We have people associated with a number of good universities — faculty, staff and students. We also have major riches in the arts and entertainment like Second City, the Lyric Opera and the Chicago Symphony. More underappreciated is our strength in the independent music community. These are the things that attract other human capital. The best and brightest want to live in a place that's fun.

Where is Chicago weak?

We're weaker than we need to be in filmmaking. Our actors think they need to go to Hollywood to be successful. Post production goes to Vancouver or Toronto. Not many independent films are financed here. That's an opportunity. We have the talent. We have the screenwriting and the directing skills. The city can do more to promote the arts. The approach has been fragmented.

What role do the universities play?

The universities can also do a better job promoting Chicago as a global city. Some do good work on global issues. Others do good work on Chicago. But nobody in these universities does global Chicago very well. The urban studies people need to talk to the international studies people more.

Immigration policies also have a role to play. What can the city and its companies do to ensure that Chicago has an adequate number of talented immigrants?

First, we need to make sure those immigrants don't have barriers. Sometimes this is language, sometimes it is overt discrimination, and some of it has been exacerbated by the political debate about undocumented aliens in our country. We need to put our voices and political muscle together to make sure we don't close our borders. That's a huge problem. There's a temptation to demagogue this issue, but we need to get the best and brightest people here.

QUICK FIX

Listen to the music. Music contributes \$84 million to Chicago's annual economy, according to a study last year by the University of Chicago and the Chicago Music Commission, a local industry group. The city is home to twice as many musicians as Seattle and 10 times as many as Austin, Texas — places known for their vibrant music scenes. Chicago's musical strength appeals to the city's creative class as well as to tourists, but it's still a relatively unknown and underutilized asset.

To better promote music, the city should create a Chicago Music Office, a public-private organization modeled on World Business Chicago, to work with clubs and venues, the Mayor's Office of Special Events and the Department of Cultural Affairs, as well as with the Convention and Tourism Bureau to create musical events for the hundreds of conventions that come to Chicago each year.



What the world thinks of us

THE BRAND CALLED CHICAGO

For better or worse, cities have brands — those little notions that pop into your head when you think of a place. Paris is romance. Milan is style. Tokyo is modernity. In the global competition for people, investment and ideas, these mental shortcuts matter. To find out what outsiders think of Chicago, we spoke with Simon Anholt, a U.K. branding expert who works with governments around the world to improve their global image. According to Mr. Anholt's research, Chicago ranks 27th out of the 60 cities in the 2006 Anholt City Brands Index — a few slots above Dublin (29th) and Edinburgh (30th) but some way below New York (5th), Washington, D.C. (6th), San Francisco (7th), Los Angeles (15th) and Las Vegas (24th).

CRAIN'S: What are the leading characteristics of Chicago's global "brand?"

MR. ANHOLT: Chicago is perceived to be important, but physically unattractive and dirty, reasonably affordable but with below-average public services, unwelcoming people but good opportunities for foreigners to integrate into their own community. It's also thought to be not very safe, with not much to do, but a good place to get a job, further your education and do business. In other words, its brand image is strong on the hard side but weak on the softer factors. It is respected but not especially loved.

How important is a city's image when it comes to competing for human capital, companies, investment dollars and other aspects of the global economy?

It's fundamental, since there are so many cities to choose from, many of which have similar offerings. It's too difficult and time-consuming to choose only with your head. In the end, the heart tends to make the decision, and just like any brand, a key factor is whether you are proud to be associated with it.

What are some practical steps Chicago could take to improve its global brand image?

There needs to be a strong coalition of government, business and civil society that shares a common strategy for where the city is going, what it stands for and what its positioning is in the global community of cities. Then there has to be a steady stream of innovations in every area — policies, products, events, architecture, infrastructure, culture, society, education, sports — which gradually prove Chicago deserves the reputation it aspires to build. It's a question of strategy plus substance plus symbolic actions. You need all three, and they must be consistent, sustained and of world-class quality. Otherwise, (the city) will be seen as doing propaganda, and will be found out pretty soon.

Squeezing the golden goose

THE ROLE OF BUSINESS

Business is central to Chicago's position as a global city. Local companies are finding new markets and customers, fending off global competitors and, above all, creating the jobs that keep the economy growing. To find out what Chicago has to offer businesses — and what it doesn't — *Crain's* turned to Paul O'Connor, the man who brought many of them here. Before stepping down last month, Mr. O'Connor spent eight years luring companies like Boeing Co. and United Airlines to Chicago as executive director of World Business Chicago, a public-private economic development organization.



Paul O'Connor | Photo: John R. Boehm

CRAIN'S: As a global city, what does Chicago have to offer companies?

MR. O'CONNOR: It's a culturally diverse place. You can hire a Sunni MBA and a Shiite engineer and they can find their own mosques and their own grocery stores in Chicago. The same is true for Chinese, Italians, French, Germans and many other ethnic groups. So companies can attract talent from all around the world and offer them a life here that's not totally alien.

How do you assess the strength of Chicago's labor pool?

Take the Boeing example. One of the great surprises for (management) was the global perspective you find in this labor pool. When it moved here, Boeing hired people from Sara Lee, Illinois Tool Works, McDonald's, Quaker and others. They discovered that these were global companies, each with a slightly different take on the marketplace. That

enriches their internal processes and, as Boeing moves from an engineering- to a more customer-focused approach, these different global perspectives help transform its personnel.

How do Chicago's infrastructure problems affect companies?

You've got to have not only roads, railroads and airports, but also the right electricity, gas and high-speed digital technology infrastructures. Being the transportation hub of the Western Hemisphere creates rail jobs, distribution jobs and others that constitute the solid middle class every global city needs. As for the existing problems and their effect on companies, it's insane what's happening. Unless you solve the railpiece, and the truck traffic, it's going to be a huge problem for Chicago. And what's happening with the CTA is a disgrace.

What is the role of business in enhancing Chicago's position as a global city?

It's crucial. You've got a rapidly changing economic map of the world and, unless we adjust, we'll be left behind. So businesses need to maintain aggressiveness. For a while, we'd become sedentary, self-satisfied farmers.

What specific global opportunities are out there for Chicago companies?

Companies need to align with the Arab Gulf States in high finance. They need to do more with Canada, and understand that country's critical role as a source of oil and as a link with our transportation infrastructure. Companies are also in a ridiculous rut with China. Everyone ignores Shenzhen and the other cities of China.

What are the long-term prospects for Chicago as it faces these global challenges?

The DNA of Chicago seems to thrive on the radical change that kills other cities. Ever since the Great Fire, everyone's understood there's only one goose that lays the golden eggs. That's business. But the urgency is real: There's a great shakeout of cities taking place, and only a handful are going to survive and thrive.

So what happened in 2007?

By Samantha Stainburn

Our Agenda for Chicago suggestions for 2007 were ambitious. Who rose to the challenge?

KEY

★★★★★ *A leap toward a better Chicago*

★ *A step back*

SMALL BUSINESS ★★★

Our suggestion: City Hall should adopt SourceLink, a phone number and Web site entrepreneurs can use to find all of the city's small-business services.

What's been done: The city hasn't invested in SourceLink, a clearinghouse that communities customize to link entrepreneurs with local services, grants and loan programs, but the Illinois Institute for Entrepreneurship Education is looking into it. After reading about SourceLink in *Crain's* last year, the group asked researchers at the University of Illinois at Chicago to evaluate the program. They gave it a thumbs-up. Now the non-profit organization is looking for ways to fund a statewide affiliate. Nationwide, the number of communities with SourceLink is growing, including 37

rural counties in Alabama and Mississippi that recently joined. In total, groups in nine states provide SourceLink to entrepreneurs.

TRANSPORTATION ★

Our suggestion: Hire back full-time supervisors to limit bus bunching until the Chicago Transit Authority adopts new technology to ensure its scheduling system works properly.

What's been done: The CTA did not hire back supervisors, and riders endured another 12 months of erratic service, with buses on the same routes failing to stay evenly spaced, leaving commuters waiting at stops or empty buses running one behind another. But the CTA may be closer to implementing technology that would help correct bunching. Starting in February, some bus lines are scheduled to start transmitting wireless signals of their locations via the Bus Tracker system, which the CTA has been testing on the No. 20 Madison Street line since 2006. The agency plans to distribute laptops to supervisors in the first half of the year so they can use this data to better choreograph bus operations.

EDUCATION ★★ ½

Our suggestion: Lengthen the school day.

What's been done: During negotiations last summer on the Chicago Teachers Union's new five-year contract, the Board of Education asked teachers to extend the school day by 45 minutes, with no extra pay. The union rejected the request but agreed to establish a joint board and union committee to study how a longer school day could be implemented. Teachers also agreed to take a pay cut for staffing after-school programs, reducing their hourly rate from \$55 or \$60 to \$35 to \$40 in some cases. That enabled the public schools to expand after-school programs in the 2007-08 school year, lengthening learning time for 20,000 students. For most, however, the school day remains 5 hours and 45 minutes — one of the shortest in the country.

THE ENVIRONMENT ★★

Our suggestion: Require developers to meet more stringent energy-efficiency standards to get a building permit.

What's been done: The city did not adopt a stricter energy-conservation code for builders in 2007. It will, however, be considering revisions to the overall building code, including the energy sections, in 2008. Midyear, the city launched Chicago Green Homes, a voluntary program with incentives to construct energy-efficient housing. Builders whose projects earn a sufficient number of points in seven green-construction categories, including energy efficiency, qualify to receive their permits in 30 days rather than 90 and have fees for consultant code reviews waived. They can also use the Chicago Green Homes logo to market the properties.

(Unfortunately, some of the practices that earn points in the energy-efficiency category are simply complying with aspects of the existing energy-conservation code.) About 90 projects have begun the certification process.