

SURVEY: CHICAGO

A success story

Mar 16th 2006

From *The Economist* print edition

Chicago has come through deindustrialisation looking shiny and confident, says John Grimond. Can other rustbelt cities do the same?



Alamy

APPEARANCES often deceive, but, in one respect at least, the visitor's first impression of Chicago* is likely to be correct: this is a city buzzing with life, humming with prosperity, sparkling with new buildings, new sculptures, new parks, and generally exuding vitality. The Loop, the central area defined by a ring of overhead railway tracks, has not gone the way of so many other big cities' business districts—soulless by day and deserted at night. It bustles with shoppers as well as office workers. Students live there. So, increasingly, do gays, young couples and older ones whose children have grown up and fled the nest. Farther north, and south, old warehouses and factories have become home to artists, professionals and trendy young families. Not far to the east locals and tourists alike throng Michigan Avenue's Magnificent Mile, a stretch of shops as swanky as any to be found on Fifth Avenue in New York or Rodeo Drive in Beverly Hills. Chicago is undoubtedly back.

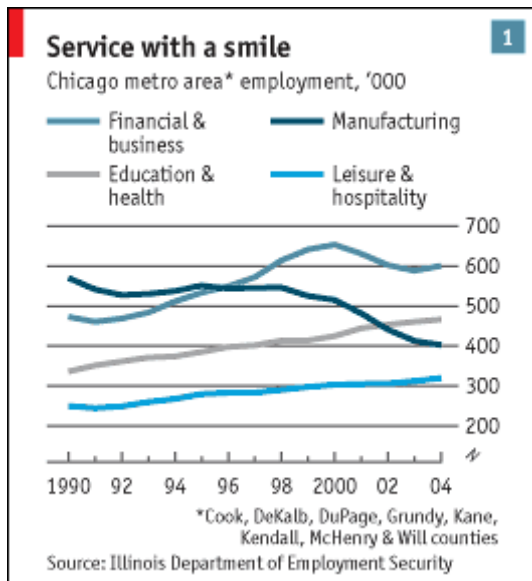
Back, that is, from what many feared would be the scrapheap. In 1980, when *The Economist* last published a survey of Chicago, it found a city whose "façade of downtown prosperity" masked a creaking political machine, the erosion of its economic base and some of the most serious racial problems in America. There followed an intensely painful decade of industrial decline and political instability during which jobs, people and companies all left Chicago while politicians bickered and racial antagonisms flared or festered. Other cities with similar manufacturing economies, similar white flight and similar problems of race and class looked on in dismay. If Chicago, the capital of the Midwest, the city of big shoulders, the city that works, that toddlin' town (few places have generated so much braggadocio), were to descend into rust-bound decay, what chance was there for Pittsburgh, Cleveland, St Louis, Detroit and a score of smaller places?

Brawn yields to brains

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To natural assets add art, learning and fun



HAPPY cities, unlike happy families, do not all resemble one another, and Chicago has several happiness-inducing features that other cities would be pushed to emulate. Omaha and Indianapolis, for instance, can hardly pick themselves up and alight on the shores of an inland sea the size of Lake Michigan. Pittsburgh is not well placed to become a way-station port between the Atlantic and the Mississippi river. Louisville is not next-door to the richest topsoil in the world. In other words, Chicago owes much to its position.

It was not, however, immutably ordained that Chicago would become the capital of the Midwest. Yes, it provides a waterway from the Great Lakes to the Mississippi, and thence the Gulf, but that owes much to the canal, finished in 1848, that links the Chicago River to the Illinois River. And yes, the nearby soil of north-eastern Illinois is indeed the best in the world, but soil is not everything. In fact, Chicago was built on a swamp and, at the start of the 19th century, Milwaukee, to the north, had a better natural harbour on Lake Michigan while St Louis, on the banks of the Mississippi, was a more obvious gateway to the West. Both were then bigger than Chicago.

It was the agency of man that exploited Chicago's geographical advantages—by building canals; by reversing the flow of the Chicago river to flush the city's cholera-carrying effluent away from the lake and down to St Louis; by jacking up entire rows of buildings to raise them above the slurry that choked the streets; and, crucially, by making Chicago the only rail terminus for cross-country travel. A town of 20,000 souls with not a mile of railway in 1847 had ten years later become the centre of the country's entire rail system. By the end of the 19th century it had a population of 1m, surpassing all others in the United States except New York. To this day, all six of America's class-1 railways have their terminus in Chicago.

The antitrust laws that stopped any one railway from carrying goods from coast to coast ensure that Chicago is still the place where freight is transferred to other carriers. Logically, St Louis would have made a better transfer point, but the people there were loth to pay for railway bridges across the Mississippi, so Chicago grabbed its chance and became the nation's entrepot.

Nowadays, freight also moves by air, as do people, and in this too Chicago has been both lucky and clever. Lucky, because lying roughly in the middle of the country, it is an ideal place for Americans to change planes and then, if they wish, to fly elsewhere. Clever, because lots of other cities could serve the same ends, but only Atlanta's Hartsfield-Jackson is at present a rival to O'Hare.

O'Hare invented parallel take-off and landing, allowing aircraft to come in two by two. As the boosters love to point out, it now handles some 3,600 flights a day, with non-stop services to 46 cities abroad and over 130 in the United States. Uniquely, it is a hub for two big airlines, United and American. Even though one has teetered on the brink of bankruptcy and the other has emerged only last month, these airlines between them carry over 80% of the airport's passengers.

Lying almost entirely within Cook county, O'Hare is responsible for more jobs in Illinois than any other entity. It is, however, at capacity. In recognition of its importance to the economy, and over the protests of deafened and suffocating local residents, the airport is now being enlarged. The expansion, it is said, will increase traffic, reduce delays, create 50,000-195,000 jobs (the range is elastic) and cost \$6.6 billion, nearly all raised through passenger, gate and landing fees, not taxes. Since the city's other airport, Midway, has recently gone through an \$800m modernisation, Chicago is unlikely to lose its place as the country's main aviation crossroads.

It also claims to be a different sort of crossroads, the place where most of the advanced telecoms networks in the region connect to a single internet exchange point, the world's largest. The flow of information moving through this "network access point" is measured in terabytes per day. Chicago also has a co-operative interconnection point that allows universities, research institutes and various consortia to link up in myriad ways. Fibre opticians salivate at the thought of all the rail tracks waiting to be threaded together with their magic yarn, and already several laboratories and universities are connected by I-WIRE, a 225-mile (360km) optical-fibre network that is in turn linked by TeraGrid to a supercomputer in California. TeraGrid holds the promise of offering vastly more connections in all sorts of other places. And Chicago is also home to Starlight, a major international communications exchange for the next internet generation, linked to counterparts in 14 other cities round the world.

This technological filigree is not in Chicago merely because of the city's position, but that position has helped, if only by bringing some companies that depend on cheap and efficient communications. This part of Illinois, unlike California, is geologically stable and, unlike New York or Washington, it is thought to be relatively safe from terrorism. Those are two reasons, in addition to the familiar one of centrality, why Chicago has become the disaster-recovery centre of North America, the place where companies keep their records, usually duplicated in two places six to 20 miles apart (close enough to be convenient, but far enough away to make it likely that if one is put out of action, the other will remain unaffected).

Two other natural advantages, crucial to Chicago's prosperity in the past, still play an important part today. One is its proximity to the agricultural heartland of America. The stench of the stockyards no longer wafts across the southern reaches of the city, but Chicago remains the place through which much of the Midwest's produce passes, and where farm commodities are bought and sold. Moreover, the markets that once dealt in eggs and cheese now deal in futures and options based on interest rates, foreign exchange and all kinds of other things. As the mayor likes to remark, the hog butcher to the world has become the world's risk manager.

Chicago is also close to an abundance of coal (to the south) and large deposits of iron (to the north), which in days gone by gave it yet another proud title: steel capital of the world. That in turn was the basis of much of its manufacturing industry, which, despite its battering in the 1980s, still sustains 6,700 companies (employing 260,000 people) in Cook county, the county in which the city lies. Steel is now gone, and manufacturing cannot be the salvation of any high-wage economy, though it can still be a useful source of work for at least some people. But something new is needed too—and perhaps it has come, as the following tale suggests.

It is said, with perhaps more imagination than truth, that in the 1970s a group of violinists, on tour with the Chicago Symphony Orchestra under Sir Georg Solti, arrived at a hotel in Italy. The receptionist was visibly terrified. When two of the performers happened to open their violin cases, however, his demeanour changed to a smile of welcome: the cases contained not tommy guns but "real violins".

A lot of night music

"Real Violins" was the name given to a documentary film of the tour. It is also part of the title of a forthcoming book by Terry Nichols Clark, of the University of Chicago, about the creation of the post-industrial city. The episode of the real violins, he argues, can be considered the moment when Chicago started to put behind it its reputation for meatpacking, steelmaking and gangland killings *à la* Al Capone, and gained a name for itself instead as a centre for music, theatre, the arts and entertainment in general. By 2000, says Mr Clark, entertainment was Chicago's main industry. Richard Lloyd, of Vanderbilt University, argues in his book "Neo-Bohemia" that a new urban culture now prevails in places like Chicago's Wicker Park district, in which the locals consume as though they were tourists and work as though they were providers of tourist services.

Here, then, is a clue to ways in which rustbelt cities may be able to reinvent themselves: create new industries based on fun and games—call them culture, if you prefer—and certainly exploit whatever is already in place. Chicago is lucky in this respect; it has had superb art in huge quantities ever since the end of the 19th century.

After the great fire of 1871, which destroyed the homes of a third of the city's inhabitants, Chicago decided to rebuild itself in style. Architects such as Dankmar Adler, Daniel Burnham, John Wellborn Root and Louis Sullivan, making use of such innovations as steel, lifts and electricity, soon developed the skyscraper. These men, known as the First Chicago School, gave way to others, such as Frank Lloyd Wright, and then to Ludwig Mies van der Rohe and the members of the Second Chicago School, who gave way to people such as Helmut Jahn. With imaginative commissions from companies and tycoons, they have made Chicago architecturally the most interesting city in America.

In 1893 Chicago held a huge fair, the World's Columbian Exposition, ostensibly to celebrate the 400th anniversary of Columbus's arrival in the Americas but in reality to bind together the city's squabbling immigrants and fractious social groups with a bit of cultural adhesive. Even more ambitiously, it aimed to put the new city on the world map: a few years later the fair's director of works, Daniel Burnham, declared that Chicago would be "Paris on the Prairie". The exposition's buildings turned out to be mostly neo-classical pastiche, but the fair did bequeath a sense of cultural pride and, more tangibly, the makings of a new home for the Art Institute. By the 1930s this had secured a dazzling collection of paintings, notably of impressionists and post-impressionists, though today it also has excellent American galleries, as well as good Asian and Middle Eastern artefacts. The lure of looking after such treasures was enough to bring James Cuno back to Chicago in 2004 after a short sojourn at the Courtauld Institute in London.

There are plenty of other ways, too, in which Chicago excels in the arts. The Symphony Orchestra, just losing Daniel Barenboim after 17 years as its director, is superb. The Lyric Opera, if not quite as good, is at the top of the second rank. The Joffrey Ballet has found its feet, appropriately, after the slightly unsteady moment that followed its move from New York in 1995. Chicago's theatre may be better than any other in America: the Steppenwolf and Lookingglass companies regularly carry off prizes, and a profusion of fringe, garage and one-room theatres flourish alongside bigger establishments. Jazz, though not played quite as inventively as it was when Louis Armstrong was making the South Side swing in the 1920s, is still alive and well. And the blues are sung in about 60 clubs all over town.

And then there is sport: for baseball, the Cubs in their unreconstructed Wrigley Field, or the White Sox, winners of last year's World Series, in their revamped (but sterile) Comiskey Park, now unromantically renamed US Cellular Field; for football, the Bears in their controversially rebuilt Soldier Field; for ice hockey, the Blackhawks; for basketball, the Bulls.

Another inheritance that Chicago has exploited is its places of learning, healing and research. These do not quite fall into the category of entertainment, but they too depend more on human talent and ingenuity than on pig iron, steel mills or production lines—and the Midwest has a good supply of them. Chicago's are among the best, starting with the University of Chicago, whose 78 Nobel prize-winners put it second only to Cambridge in that ranking of achievement. Though its proponents of the dismal science, such as Ronald Coase, Milton Friedman and George Stigler, have earned it wider fame in recent decades, the university has produced just as many natural scientists of distinction.

It was in a University of Chicago squash court that Enrico Fermi set off the first controlled nuclear chain reaction in 1942. The metallurgical laboratory in which he then worked is now the Argonne national laboratory, which produces the world's brightest X-rays and builds research facilities beyond the budget of any single university. This, the Fermi National Accelerator Laboratory in the high-tech corridor to the west of Chicago, and Northwestern University in nearby Evanston, together attract scientists from all over the world and, it is hoped, will help make the city a centre for nano- and other kinds of technology.

Chicago is not alone in having excellent universities, hospitals and research institutions. The region holds at least a dozen of the best: the Universities of Chicago, Illinois, Indiana, Iowa, Michigan, Michigan State, Minnesota, Northwestern, Ohio State, Penn State, Purdue and Wisconsin-Madison, which together make up the Committee on Institutional Co-operation. These, says James Duderstadt, a former president of the University of Michigan, could provide the basis for a new prosperity, especially for his own car-crashed state.

For other states less well-endowed, Chicago can offer hope of a different kind: not so much the example of its excellent restaurants or its vast convention centre, McCormick Place, but that of its Navy Pier. This excruciatingly humdrum collection of attractions is Chicago's strongest magnet. If a ferris wheel and a putting green on stilts can draw twice as many visitors each year as the Grand Canyon, the possibilities for Detroit should be boundless.

SURVEY: CHICAGO

Globocity

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Well, up to a point



AP Openly crying out to the world

CHICAGO'S claim to have cracked the problem of post-industrialisation rests on something more than the development of entertainment and "knowledge" industries: it is now a "global city", say a variety of onlookers. They include not just boosters but businessmen, analysts and such academics as Saskia Sassen, of both the University of Chicago and the London School of Economics, and author of "The Global City".

Some of the evidence seems dubious. Over a fifth of Chicagoans are immigrants—but that is also true of Fresno or Oakland. McDonald's and Motorola, two Chicago companies, are indeed household names around the world. But then most big cities are home to some multinationals, and in fact both these companies have fled to the suburbs.

A more obvious claim would be that Chicago, or rather Illinois, has gone national: as Rick Mattoon of the Chicago Federal Reserve points out, the composition of the state's economy in 2003 almost exactly mirrored that of the country as a whole, whereas other Midwestern states such as Wisconsin were still much more dependent on manufacturing. That is not to say that manufacturing is dead in Chicago. Midwestern manufacturing has to some extent coagulated around Chicago as companies elsewhere, faced with the need to retrench and reorganise, have chosen to move to the regional capital. However, a part of Chicago's success in going national reflects its ability to detach itself from the Midwestern economy, and for some that has meant plugging into the wider world economy. In this sense Chicago is indeed a global city.

One example of this was the decision last October of Mittal Steel USA to put its headquarters in downtown Chicago rather than north-west Indiana. This had little to do with the coagulation of manufacturing: although Mittal employs 21,000 workers in the United States, it will have only 200 in its Chicago HQ. But Mittal USA's parent company, based in London, is the biggest steelmaker in the world, and Chicago sets much store by landing such catches—with bait, in this case, according to Bill Testa of the Chicago Fed, of \$40,000-50,000 per job in tax incentives.

A bigger fish was Boeing. Some suspect that Boeing's decision to move from Seattle was at least partly prompted by the thought that in time it would want to cut its (expensive) Washington state workforce in favour of production abroad, and that would be easier politically if the headquarters were already several states away. Yet Boeing could have gone anywhere. That it came to Chicago, bringing 400 jobs, was surely related to the city's "global" characteristics—and the tax incentives.

The intense wooing of Boeing certainly made much of Chicago's easy access to global markets and financial centres: World Business Chicago, one of the local booster groups, immodestly called the city the "Centre of the World". It cited the 100-plus languages spoken in Chicago, the 26 ethnic groups to be found there, the 1,600 foreign-owned firms, the 42 consulates, the great hotels, the culture, the universities, the hospitals, the golf clubs, the 16 miles of beaches, the bike trails, and no doubt all these helped sway the decision. Yet none would have counted for much without an airport like O'Hare, which is genuinely a global gateway.

Beyond pork bellies

Chicago's other great claim to global-city fame rests on the dominance of its exchanges in the world trading of futures and derivatives. When the Chicago Mercantile Exchange started trading derivatives in 1972, almost everyone, including *The Economist*, pooh-poohed the idea. That was a mistake. It was a year after the dollar had been detached from its gold backing and, as Leo Melamed, the Merc's then chairman, was quick to see, a floating dollar meant multiple uncertainties that businessmen would want to hedge. Mr Melamed also saw that selling the future price of dollars was much like selling the future price of pork bellies. Thus was born the International Money Market, the world's first financial futures exchange, which was then taken over by the Merc. The Board of Trade followed suit five years later with trading in Treasury-bond futures. New York did nothing till the mid-1980s, when the New York Futures Exchange was started. It lasted about three years. The New York Commodities Exchange also tried and failed, as did Eurex, a German-Swiss affair.

Chicago's exchanges have kept their position as the leaders in the world's trading of financial derivatives. They lost market share in the 1990s, but have bounced back recently, thanks partly to their ability to trade almost round the clock, partly to a readiness to adopt electronic trading: today only about 20% of the Merc's contracts are orally traded by "open outcry" in the pits. In 2004, 787m contracts, with a notional value of \$463 trillion, were traded on the Merc. Net revenues were \$734m.

With the growth of the exchanges has come the growth of other financial and legal services. Chicago had no foreign banks in 1973; soon it had over 100; now, of the abundance of banks in the city, almost none is locally owned.

The exchanges are crucial to Chicago's economy. They draw to the city companies with a need for the sort of financial services provided by the exchanges' ancillary industries; and they help to free the city from its dependence on the Midwestern economy. However, experience shows that they cannot be replicated.

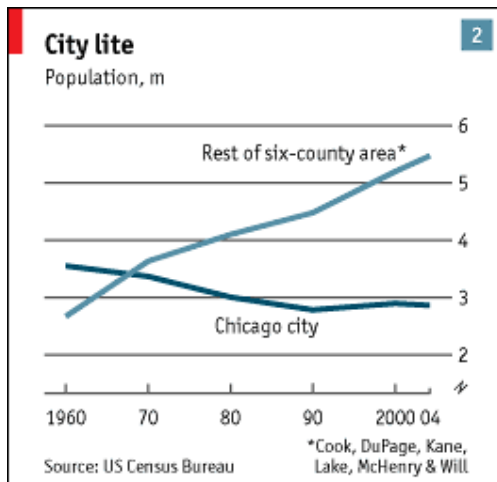
SURVEY: CHICAGO

No little plans

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But business comes out on top



RUNNING Chicago is no easy task. Even knowing who is responsible for what is difficult enough. The metropolitan area covers six or nine Illinois counties, depending on where you draw the lines, and more if you take in the sprawl in neighbouring Indiana and Wisconsin. The smallest of these areas, the six-county one, encompasses (at a recent count) some 113 townships, 272 municipalities, 303 school districts and 587 special-purpose governments, including individual authorities for such matters as cemeteries, street lighting and TB sanatoria—and, it is often pointed out, 13 mosquito-abatement districts.

The main source of funds for all local governments is the property tax. From a financial point of view, the ideal shop is Tiffany's, and the ideal householder one with no children and a hugely valuable property: that means few people to provide for and lots of tax revenue. Schools are largely dependent on the property tax, though the state gives enough to bring the poorest schools up to a low minimum standard. The result is a huge discrepancy in school financing between rich and poor districts.

A system involving nearly 1,300 units of government, serving some 8.5m people, is bound to be fragmented and inefficient. Worse, the dependence on the property tax encourages these mini-governments to compete with each other for expensive developments, which in turn reinforces white flight and suburban sprawl. The suburbs generally have little love for the city itself, often overlooking the benefits of their proximity to it while bemoaning the traffic, the pollution, the aircraft noise and above all any designs on their tax base.

To his credit, Mayor Daley has seen the need to overcome suburban suspicions. In 1997 he set up the Metropolitan Mayors Caucus, which brings together the 272 mayors in the region. It is recognised that

they will never all agree on many contentious items, so they do not discuss topics like the expansion of O'Hare, but stick to those where the common interest is clearer, such as ground transport, utility regulation and, recently, taxes and housing. In this group Mr Daley is simply one of 272 and must put his hand up to catch the chairman's eye, just like the others.

This may ameliorate some of the system's defects, but it does not make the structure any more rational. That task falls to independent organisations like the Metropolitan Planning Council and Chicago Metropolis 2020, which try to reduce the frictions between the region's governments and encourage co-operation on everything from taxes and freight to Latino housing and children's early learning.

Similar outfits exist in other cities, but Chicago's have qualities all of their own. The story goes back to the city's origins as a town built for, and by, business. Chicago's expansion in the 19th century, when the population rose from under 30,000 in 1850 to 300,000 in 1870 and 1.1m in 1890, was driven by capitalists red in tooth and claw. It was, at the time, the fastest urban growth in history, and it was largely unplanned. The fire of 1871 gave the chance to bring some order, but development was determined mainly by the practical designs of engineers hired by businessmen.

By the end of the 19th century, though, the buccaneering tycoons who ran Chicago began to get grander ideas. They had travelled to Europe and seen, for instance, the 1889 World's Fair for which the Eiffel tower was built. Civic pride began to stir in their breasts, even as they were coming to see that raw capitalism untempered by philanthropy might prove unsustainable. The upshot, in 1909, was a decision by the Commercial Club, which had been founded by 17 businessmen in 1877, to commission one of its members, Daniel Burnham, to draw up a plan to make Chicago "one of the great cities of the world". Burnham, a self-taught architect, had by this time established his reputation through his oversight of the 1893 World's Columbian Exposition. Now, with his collaborator, Edward Bennett, he was to design a scheme for the "Metropolis of the Middle West". The plan, which drew much of its inspiration from Paris, formed the basis for large parts of present-day Chicago.

Chicago has changed over the years. Politics has become more democratic and business less feral. But it is no exaggeration to say that, when the place works—and for years Chicago has taken pride in being "the city that works"—businessmen and politicians pull in the same direction. Anton Cermak, mayor in 1931-33, was the first politician to see the force of this, and went on to create what Paul Green, of Roosevelt University, calls a "seamless continuum between business and politics" to deliver the goods. The continuum continues, albeit nowadays with seams.

Out of chaos

It is on one of those seams that Metropolis 2020 is placed. It came about because, ten years ago, the Commercial Club decided that Chicago should mark the millennium with another plan, this one for the entire metropolitan area. It formed six committees of its members who themselves drew up reports on education, housing, transport and so on. Four years later they had come up with one that consciously echoed Burnham's in 1909, not least his injunction: "Make no little plans. They have no power to stir men's blood." A decision to set up an independent organisation to translate the recommendations into practice resulted in Metropolis 2020.

Too much can be made of planning in Chicago: in many ways the city is a monument to the creativity of chaos. But the influence of business is hard to exaggerate. The people who run the place could, and sometimes do, fit into one room. Some are politicians; some are academics; some are heads of museums or hospitals or outfits like the Chicago Council on Foreign Relations or the MacArthur Foundation. But most are in business.

Indeed, if you are the boss of a big business anywhere in the Chicago area, you are expected to take an active part in the civic life of the city. Accordingly, the same names appear over and over again on the boards of universities, hospitals, museums, orchestras, opera companies and local charities. More to the point, business is almost always an active participant in any public endeavour, from school reform to the creation of Millennium Park, the brand new \$475m park-cum-auditorium-cum-ice-rink-cum-fountain-cum-you-name-it just north of the Art Institute.

O'Hare is one of the best examples. No one knew better than Chicago's businessmen, who travel constantly, that the city's main airport had hit capacity in the 1990s. It was busy enough when the weather was fine; when it was not, the delays were awful. Rain or snow meant the closure of one runway and take-offs and landings reduced by a third. But Illinois's Republican governor, Jim Edgar, reflecting the views of many voters living near the airport, was adamantly opposed to any more runways, and Mayor Daley did not much care either way. The Commercial Club's civic committee persuaded a consultancy to conduct a study which showed the employment and other benefits of expansion as well as the costs of doing nothing. Two members of the committee—Eden Martin, a lawyer, and Lester Crown, of Material Service Corporation—started lobbying.

That turned round Mr Edgar and then his successor, Governor George Ryan, but not the mayor. Mr Daley, however, had his own team at work, which in due course produced a far more ambitious scheme than anyone had dared hope for. Encouraged, the civic committee intensified its lobbying efforts, making sure that the case for expansion got constant coverage in the local papers over a period of three or four years. Eventually, the head of the DuPage county commissioners abandoned his opposition, and then all but a few diehards gave up. The city won a court case allowing it to buy land compulsorily, but has been delayed by another one involving a claimed violation of religious rights on Judgment Day should a cemetery also be swallowed up by the airport. Still, construction is now under way, and a new runway is all but certain to open next year.

Thanks to business, O'Hare is likely to remain the country's biggest airport. That is the way things get done in an irrationally organised megalopolis.

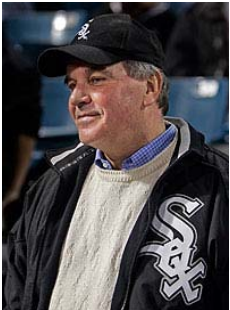
SURVEY: CHICAGO

Daley city

Mar 16th 2006

From *The Economist* print edition

The benefits, and drawbacks, of a benign dictatorship



AP It's not the stockyards that smell

IF THERE'S no business like Chicago business, there's certainly no politics like Chicago politics. As in most big cities in America, most of Chicago's voters see themselves as members of a group—white, black, Latino. And no big city in America was ever so segregated, not just between black and white, but between Croat, German, Irish, Italian, Jew, Pole, Ukrainian and the rest. Until the 1960s, many houses carried covenants denying their owners the right to sell the property to blacks, who were thus largely confined to the South Side. But the whites who clustered together with their ethnic cousins did so by choice. So Chicago has never been a melting-pot. Rather, it has been a city of neighbourhoods, each of which has kept some of the character of the old country.

More mixing takes place now, and blacks, as well as Latinos, have become more dispersed, but several wards remain 85% black or 85% white. And now new lines have emerged: between Mexicans and other Hispanics, between Africans and other blacks, between poor and better-off African-Americans, between recent immigrants, Asians, say, and those whose forebears arrived long ago.

Ethnic ghettos gave Chicago factionalised politics. Business gave it an institutionally weak mayor and strong aldermen. Prohibition gave it Al Capone and corruption on an industrial scale. The mixture reached a nadir of awfulness in 1927-31, the final term of Mayor Big Bill Thompson. A solution was found by the redoubtable Mayor Cermak. He brought Chicagoans together—his funeral, says Professor Green of Roosevelt University, was presided over by a rabbi, a Catholic priest and a Presbyterian minister—and ran the Democratic Party as he ran the city, as a business. Thus did machine politics come to Chicago.

Cermak was murdered, but the value of the multi-ethnic machine was not lost on a later mayor, the first Richard Daley, who used it to run Chicago from 1955 to 1976. The essential elements of the system were to encompass as many people as possible, keep them happy through patronage and other favours, ruthlessly punish dissenters—and make sure the city ran reasonably efficiently. The system had one large merit: the city worked.

Most of the 13 years after Daley senior's reign were characterised by racial antagonism, and they were not happy ones for Chicago politics. In 1989, though, a second Richard Daley became mayor, offering emollient, stability and managerial efficiency. He, too, was inclusive and, in the subsequent 17 years, has been adept at building a coalition that includes members from every group. Like his father, Mr Daley knows the value of patronage and precinct organisations.

He also knows the importance of making sure that the city gives a share of its contracts to black firms. He knows, too, the power of the Latino vote, which could thwart all his doings if it swung against him: hence his nurturing of the Hispanic Democratic Organisation, about a third of whose members are on the municipal payroll. Other ethnic groups are represented in other "political armies", many of whose members also work for the city. With the benefit of such knowledge, Mr Daley has largely tamed the council, which paralysed Mayor Washington, though there has been some recent dissent.

Three wishes

The mayor has put his political dominance to good use, devoting his energies to three issues in particular. The first is the appearance of Chicago, a city long famous for marvellous architecture but also for blitzed neighbourhoods, industrial wastelands and urban dereliction. No more. Flower beds now run alongside about 70 miles of streets. New patches of greenery soften and brighten the concrete townscape, not just in the centre, where Millennium Park and Wabash Plaza stand out, but in the neighbourhoods too, where the city was found to own about 30,000 vacant lots, and where 100,000 trees had been lost in the ten years or so before Mr Daley came to office. The mayor is still far off his stated aim of replacing them fivefold, but he has planted about 200,000.

The main point was to cheer the place up, but the mayor is a convinced environmentalist, too. So City Hall now has a micro-prairie on its roof, complete with creeping succulents and waving grasses. The prairie absorbs rain that would otherwise contribute to flooding and, on a scorching summer's day, lowers the roof's temperature by about 50 Fahrenheit degrees (28 Celsius degrees), thus tripling its life. About 150 other buildings, including those of Apple Computer, Target and a prominent McDonald's, have followed suit. The city provides all sorts of incentives to encourage acts of greenery, and sets green examples, such as using cars that run on compressed natural gas or ethanol and heaters that run on recycled oil.

The mayor's second big endeavour, the transformation of Chicago's public housing, has proved much more difficult. Among the main reasons behind the drift to the suburbs, reckoned Mr Daley, was housing—the price of it, the state of it, the fact that much of it was crime- and gang-ridden. Mixed areas like Hyde Park, round the University of Chicago, and Dearborn Park, just south of the Loop, show that not all Chicagoans want to live in ethnic ghettos, and the success of the new residential buildings in the south Loop and other central areas suggest that many people prefer flats or condominiums to single-family

houses in the suburbs. But too many people, especially black people, have been trapped in public housing so badly administered that in 1996 the federal government had to take it over.

Mr Daley's solution, if such it is, has been to get the federal government to give responsibility for public housing back to the city on certain terms: the huge blocks that had come to be considered human warehouses would be torn down and the housing authority would build smaller units and developments throughout the city for people of different incomes: some at the market rate, some moderately subsidised and some for the poor, who are eligible for federal rent vouchers.

So far, 16,000 units of public housing have been dismantled, and 9,000 still await demolition. In many respects, the scheme has proved a success. But there are complaints. Some people have been unable to find, or to afford, new housing nearby. Some have been dispersed. And many have been ineligible for rehousing, usually because of a criminal conviction. Perhaps inevitably, there have been cries of gentrification.

The mayor's third big undertaking is the reform of the school system. This was a cross he did not have to carry: education was not traditionally a city responsibility, and when the state's Republicans agreed in 1995 to pass it to Mr Daley, they thought they were giving him a poisoned chalice. But it has not turned out that way, partly because the mayor was willing to experiment—and never mind the objections of the teachers' unions—and partly because business agreed with him that radical reform was essential. Chicago's schools are still far from perfect but, by most reckonings, they are getting better.

About 100,000 children in Chicago attend the schools run by the Catholic archdiocese, but they do not have to be Catholics. Their parents, or the federal government, if they are eligible, pay tuition fees. Many others go to private schools. Those who opt for the public system, which is about 40% black, 40% Latino, have a choice. They can try for one of the "selective enrolment" schools, which choose their pupils after a test. Four of these schools are among Illinois's seven best. Alternatively, they can try for a magnet school, many of which have excellent results—but also an entrance exam. Some, though, choose their pupils by lottery.

Charter schools are a third option for some lucky families. There are about 30 of these so far, serving about 15,000 children, with another dozen due to open this year. They are "public" but outside the bureaucracy, so their principals can accept any child they like. They can recruit non-union teachers, and set their own hours and terms. Moreover, they can raise private funds to supplement the standard amount that the city gives them.

Charter schools have aroused much interest among Chicago's civic-minded businessmen. The civic committee of the Commercial Club likes the idea of competition among schools. It also applauds the mayor's determination to open 100 new elementary and high schools by 2010 and is raising \$15m-20m in support. Several companies, as well as the University of Chicago, have "adopted" a charter school. Their computer staff go and help out; secretaries put together a cookery book to raise money; and so on. The enthusiasm on all sides, except that of the teachers' unions, is palpable.

But the mayor's initiatives will not cure Chicago's schools of all their ills. The dropout rate in the public school system is about 40% (over the final four years), and even those who graduate are often unprepared for even a two-year college course: 60-70% habitually fail the reading test, even more the maths test. Magnet schools without entrance exams do not seem particularly successful. The staff turnover at charter schools seems higher than elsewhere, partly because their teachers are paid less than those in the unionised part of the system. Yet a recent study of 144 inner-city elementary schools showed "substantial and sustained improvement in reading test scores" over the past 15 years. Education would, it seems, be in an even weaker state without the mayor's reforms.

The dark side

Mr Daley is a phenomenon: a white mayor running a city that is two-fifths black and a quarter Latino; a Democrat who works with, and has the support of, a business coterie that is mostly Republican; a

successful politician who has no ambitions outside his own city; and the boss of a machine that ought to have rusted away long before his father died.

Whoops. You're not meant to call Mr Daley's distinctly retro form of government a machine: that has connotations of corruption, and no one believes that Mr Daley is venal. Yet he presides over an administration in which patronage clearly plays a large part, in defiance of a federal court order known as the Shakman decree, which is the main anti-corruption instrument in Chicago. This decree prohibits the hiring of employees on the basis of their politics, except for a few people at the top whose job it is to set policy.

In truth, scandal has dogged Chicago's politics—and Cook county's, and Illinois's—for many years, and it certainly has not gone on holiday now. The latest episode began two years ago when the *Chicago Sun-Times* revealed a racket in which the city was apparently hiring trucks to do nothing. The head of the programme pled guilty to the ensuing federal charges (35 others were charged, of whom 23 also pled guilty). Investigations, led by a doughty federal prosecutor, Patrick Fitzgerald, continue into goings-on at City Hall.

Mr Daley is not directly implicated. But the scandal has now reached the heart of his administration, involving close colleagues, and his persistent avowals of "I don't feel personally responsible" have begun to ring hollow. The mayor is a former prosecutor himself and a man who is known for his intimate involvement in management. No one believes he has profited personally and most people have no wish to bring him down, but he is undoubtedly tainted. Five years ago it was said that he could keep his job for life. Now there is talk of the end of the Daley era.

SURVEY: CHICAGO

The Mexican motor

Mar 16th 2006

From *The Economist* print edition

Latinos are now the region's biggest minority



Corbis

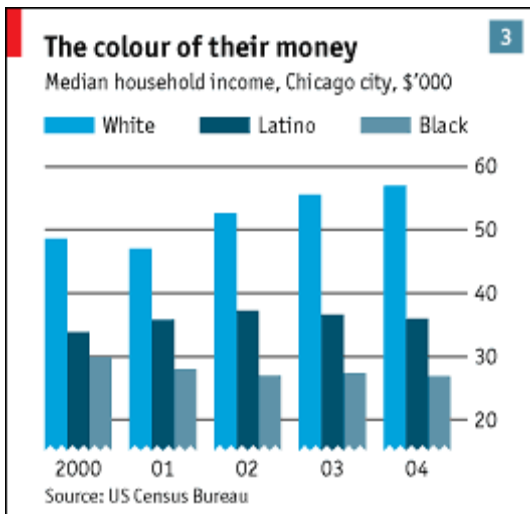
CHICAGO'S recovery from decline is measured not just in jobs and dollars, but also in people. In America, at least, a city is considered moribund if its population is not growing. By that measure, greater Chicago is prospering; but the story is more complicated than it seems.

The 2000 census was greeted with delight by the city. It showed that, after decades of losing people both to the suburbs and to other parts of the country, it had increased its population by 4% since 1990. The vast conurbation around Chicago—what the Census Bureau calls the Chicago-Naperville-Joliet metropolitan area, which includes bits of Indiana and Wisconsin—had grown by 11.2%. And though the suburbs had been the big gainers (up 14%), even the cities (towns of over 100,000 people) in that conurbation had grown by 6.3%. Urban life was evidently flourishing.

The trend, though, has not been sustained. In 2000-04, the metropolitan area grew by just 3%, less than the rate of natural increase. The big towns lost population (by 0.1%), whereas the suburbs continued to grow (by 4.6%). Chicago itself shrank by over 1%.

The shrinkage in the towns would have been much greater, and the growth in the suburbs much smaller, but for one thing: immigration, nearly all of it by Latinos. Between 1970 and 2004, Latinos accounted for 96% of the growth of the six counties round Chicago. The average increase during the 1990s was 57,000 people a year.

The accompanying changes are already dramatic. In the city itself, more than one person in four is now a Latino, and Chicago has more Hispanics than any city but New York or Los Angeles. With such neighbourhoods as Greektown, Little Italy and Ukrainian Village, Chicago has never disguised its long history as a home for immigrants, many of whom cluster together for decades after their arrival. Native-born migrants have come, too, notably Midwesterners and black southerners, but for years the foreigners were mostly Europeans.



Many more where they came from

In the 1960s that began to change, and the trickle of Mexicans who had first arrived in the 19th century—Chicago's Mexican consulate was set up in 1884—began to turn into a flood. The points of entry for many are now Little Village and Pilsen, two neighbourhoods in the south-western stretch of the "bungalow belt" which were first settled by immigrants from, respectively, Germany and Bohemia, but which are now the heart of a Latino community of 1.6m. Four-fifths are of Mexican origin.

The economic consequences of this influx are huge. Though Latinos are individually poorer than other Chicagoans, their collective household income of \$20 billion a year makes up nearly 10% of the six-county area's total. The sales-tax revenues generated in the shops of Little Village's 26th Street are, it is said, greater than those of any other retail corridor in Chicago but Magnificent Mile. Latinos are also a driving force in the region's property market.

Since 1990, the growth in the number of Latino workers has just about matched the growth in jobs in the region. And the numerical match has paralleled a geographical one: many Latinos go straight to the jobs, which are mostly in the suburbs, bypassing the inner city altogether. Thus one person in five in the six-county area is now a Latino, making a living, likely as not, as a gardener, labourer, office cleaner or waiter. In the 1990s, the Latino population doubled in each of the five suburban counties around Chicago.

The region's Latinos are thus dispersed, yet even in the suburbs they tend to gather together in groups. They can be found living hugger-mugger in the older housing of the older towns, such as Aurora to the west, where the railways and manufacturing long provided employment, and Waukegan to the north. From these bases they may travel to work in other, more prosperous suburbs, such as fast-growing

Naperville (next to Aurora) or posh Lake Forest (near Waukegan), but few can afford to live in such places. They may not be welcome, either. According to a study cited by Notre Dame University's Institute for Latino Studies, Latino-white segregation increased in the suburbs during the 1990s, even as it decreased slightly in the city.

Still, employers like Latinos. They work hard, and they can be paid at or below the minimum wage, especially if they are undocumented, as many may be. It is said that many jobs are never advertised: employers simply put the word out among their existing workers that they need more and, lo, more appear. This does not endear Latinos to some African-Americans, many of whom have trouble finding work. For their part, many Latinos feel excluded from Chicago's public housing, which was long almost entirely black, though it has recently become more open. And Latino children—who make up 38% of those in the city's schools (29% in the area's)—are often taught in badly overcrowded classes.

So far, despite a handful of aldermen in the city, a few officials in the suburbs and one Puerto Rican member of Congress, relatively few Latinos hold public office. That will no doubt change as more and more become politically active and as their children, nearly all of whom are American citizens, grow older. Latinos are already the biggest minority in the region, outnumbering blacks. As their numbers increase further, they will surely transform Chicago.

SURVEY: CHICAGO

The limits of renewal

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Chicago's current success may be about as good as it gets



AFP Easy living, but narrow shoulders, in the suburbs

FOR many people Chicago is the quintessential American city, an extraordinary artefact in the middle of the heartland, where tall buildings reach for the heavens, overhead railways rattle above the sidewalks, politicians rule by machine and immigrants are fashioned into citizens of the world's first new nation. In terms of capturing the imagination, its only American rivals are New York and Los Angeles. Yet in one respect Chicago is more like other big American cities than it would like to be: its growth is in the suburbs, in towns like Waukegan, whose population increased by 26% in the 1990s, or Aurora (43%) or Naperville (48%). Chicago's rose by a mere 4% in the same decade, and has been falling since, whereas the suburbs have continued to grow. And beyond the suburbs are the exurbs. Drive west from the Loop, out past

Naperville, through Aurora and eventually, just after Pioneers Village, you reach farmland—and a sign saying “Settlers Ridge, a true community, coming soon”. This is the future.

And it is not a bad future for the people there. Naperville offers good jobs, if you are qualified: Lucent (formerly Bell Labs) and BP (formerly Amoco) have research facilities there, and the city's 140,000 inhabitants—85% white—have a good college, a good hospital and one of the lowest crime rates in the country for a town of this size. They also have parks, golf courses, a new river walk, an “historic” downtown (according to the brochures) and good shopping. One magazine has named it the best place in the country to bring up children. Another puts it at number three for quality of life. Its public library has been judged the best in America for a city of its size. Elgin, to the north-west, has a professional symphony orchestra. Arlington Heights has a flourishing centre for music, dance and theatre. Schaumburg, the inappropriately named “village” of 75,000 that is now home to Motorola, has a department of cultural services responsible for the Prairie Centre for the Arts.

If Joel Kotkin, the author of “The City: a Global History”, is right, places like these will in future accommodate most of the affluent people who seek space, safety and a decent education for their children, and many migrants too. Does that suggest eventual implosion, or at least further decline, for Chicago?

Not necessarily. It does, however, suggest that the growth of Chicago's population may have gone about as far as it can go. No doubt improvements will be made—in education, housing, greenery, transport, you name it. No doubt more people will move to the centre. No doubt the civic zeal of business, the excellence of the universities, the vigour of the arts and the endeavours of all sorts of ordinary people will be mobilised to good effect. But the city's problems are still huge. Downtown, there is a beggar on almost every corner. Though many kinds of crime have fallen in recent years, there were still nearly 450 murders in the city in 2005, and gang-related crime is rife. So are drugs, especially among the poor.

That means, above all, among African-Americans. Many blacks have prospered in Chicago, but many more remain stuck in poverty. The problems of the city's housing authority and public schools disproportionately affect African-Americans. Research carried out in Chicago's Woodlawn and Oakland districts by William Julius Wilson led this eminent Harvard sociologist to conclude that what lay behind single parenthood and the many difficulties it involves in bringing up children was unemployment and the black culture of the inner city. Too often women will bear the child of, but not marry, an unemployed man. The child grows up surrounded by poverty, crime and drugs. As an adult, he or she finds it hard to get work. The menial jobs are done by Latinos; the better-paid ones require an education; and those in the middle are vanishing. Manufacturing used to provide a good living for people without academic qualifications, and still does if you can get a job. But it is hard to send your child to college if you work at Wal-Mart, and harder if you are jobless.

In this thicket of predestined failure lie most of the difficulties of the inner city. Mayor Daley and his brothers-in-arms in business are doing their best to tackle it, but their best is unlikely to be enough. The city cannot rely on new migrants for its economic vigour; with a static or shrinking population, it needs productivity gains. But heroic optimism is needed to believe that these will come from the ranks of those currently unemployed, or most of their children.

Moreover, the Daley era is drawing to a close. With no obvious successor in sight and the likelihood of an eruption of rivalries, Chicago's politics may get nastier again. A coalition of some kind will be necessary, but a white-black-Latino amalgam as co-operative as that put together by Mr Daley seems improbable. And disaster might loom if the council were to start challenging the mayor at every turn.

Chicago still has lots going for it. As the capital of the Midwest, it can further develop the specialised services it supplies to the region. It can also exploit the advantages that enable it to plug into the global economy. It ought to be able to exploit better its great educational and technical institutions; a big national biotech gathering due to be held next month, BIO2006, may provide some opportunities for that. But it has not cracked the problem of inner-city poverty, nor the biggest social question of the age: how can an excluded social class find its way into the mainstream?

It still has plenty of lessons for other rustbelt cities. They can learn from Chicago's experiments with schools and housing. They can try to foster good relations between local government and local tycoons, and to reduce antagonisms with the suburbs, as Chicago has done. And they could certainly cheer up their streetscapes with flowers, trees and parks.

But Chicago, like almost all America's older cities, still faces the prospect of decline, or at best stasis, unless it can find the elixir of urban life—how to grow richer without growing bigger. Failing that, it must content itself with the knowledge that it has succeeded better in reversing decline than anyone else—and that its broad smile is even more attractive than its erstwhile broad shoulders.

SURVEY: CHICAGO

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