

GLOBAL MIDWEST POLICY BRIEF

Ideas to ensure the Midwest's success in a global era

A Midwestern Marshall Plan? Well, Sort Of

by Richard C. Longworth

To a nation entering economic crisis, the Midwest can only say, “Welcome.” The last Great Depression started in the Midwestern Dust Bowl a decade before it hit the rest of the country. The blight now looming has been a fact of life in the Midwestern Rust Bowl for at least a decade—in some towns and cities much longer. If this means the Midwest once again leads the nation, perhaps it’s an honor we could have skipped.

Recovery—even a new era of Midwestern innovation—is possible. But the Midwest may need some outside help. The recently passed federal stimulus package is as tempting to the Midwest as it is to the rest of the nation. It promises funding for infrastructure, highways, bioscience, university research—all areas where the Midwest could use the money. But current projects have failed to yank this region out of its long-running downturn, and more of the same is not the answer.

Instead, the economic crisis gives the Midwest a chance to rethink its whole approach to economic vitality. Washington could help in a way that goes far beyond the immediate stimulus.

What about a Marshall Plan for the Midwest? This could mean a mouth-watering influx of money, but the cash itself is not the key. Rather, it’s the way it is spent. The United States did this right once before,

with the first Marshall Plan. It’s time to do it again. I’ll explain later what I mean.

A Balkanized Midwest

Much of the Midwestern malaise reflects the passing of an industrial economy that supported the region for a century. Part of it is the arrival of globalization and three billion new workers, most from India and the former Communist world, each ready to do the heavy lifting and low-skill assembly-line work that once put bread on Midwestern tables. Part of it is the dawning of the knowledge economy in a region where a high school diploma used to buy a ticket to the middle-class life.

But much of what ails the Midwest these days is self-inflicted. Once the Silicon Valley of its era, the Midwest grew and thrived on the ideas of men like Ford, Timken, and Kettering—ideas so good that we lived on them for decades and never had to have new ones. Somewhere in all those good years we lost the knack of innovation. Having risen together over these years, the Midwest also never learned to work together. Cities, states, universities, companies—institutions with much in common—preferred instead to scarp among themselves for every investment and job and tax break.

While the good times lasted, this mindless competition was an affordable luxury. But when the Midwest began its decline, it declined together and fell apart. States battled other states for factories in an orgy of smokestack chasing. Companies learned to play states off against each other, and the states wasted millions of dollars. The frantic competition between states for Japanese car plants is the prime example. Small towns built industrial parks and gave major tax breaks to any company willing to invest, only to see the companies decamp to Mexico when the tax holiday ended. Others promised multi-million-dollar packages to companies to coax them to stay. The companies, like Maytag or Electrolux, let the towns debase themselves with these bribes before they, too, picked up and left. Universities and colleges competed for students, faculty, projects, and grants as fiercely as their football teams competed on Saturday, never thinking that this Midwestern brainpower, put together, could create an intellectual powerhouse that would draw the best and brightest—and richest—from around the world.

The result is a balkanized Midwest, split into a grab-bag of eight states—Ohio, Michigan, Indiana, Illinois, Wisconsin, Minnesota, Iowa, and Missouri—or twelve states if you include the Dakotas, Nebraska, and Kansas. These states have everything in common, including a long slow slide into depression, but want as little as possible to do with each other. In my own research I was astonished to go to state after state and talk with true experts in those states—academics, government officials, business people—who knew everything about their own state but had literally no idea what was going on next door across the state line. I ran into Midwesterners who were deeply knowledgeable about affairs in China or Africa, but who treated neighboring states like the dark side of the moon. No Midwestern college or university teaches even one course on the Midwest, where we all work and live. Endemic duplication cripples progress. Each state has its own bioscience organization, competing with every other state in a discipline where, if the Midwest merged its expertise in plant and animal science, it would lead the world.

Industries of the Future

Most Midwestern state lines were laid out in 1787 by the Northwest Ordinance, before there were enough people here to form states. Today, they bottle up all intellectual and political life. All over the world regions are coming together across political boundaries to leverage their strengths to compete in a global economy. That economy couldn't care less about state lines drawn more than 220 years ago, but the Midwest has not begun to exert this leverage or combine its strengths.

This Midwestern orneriness, this self-destructive independence, is about to be put to the test. The industries of the past—the ones that are vanishing—made cars or car parts or appliances. Almost all could be located in one place and provide not only jobs, but fiscal support for generations of cities.

The industries of the future, by their very nature, sweep across state borders as though they don't exist. They are regional in essence, and if the Midwest doesn't exploit them as a region, it won't benefit from any of them.

A few examples:

1. **Clean water technology.** In the new National Intelligence Council (NIC) paper, "Global Trends 2025: A Transformed World," clean water technology is identified as one of the "technology breakthroughs" that will change the world and drive the new economy. Said the NIC: "First movers to develop and deploy cheap energy-efficient clean-water technologies could gain huge geopolitical advantage."

Freshwater technology will be key to this, and the Midwest sits on the greatest repository of freshwater in the world. The Great Lakes hold some 20 percent of the world's freshwater, on top of other abundant lakes and aquifers in the region. In one of their rare acts of cooperation, the Great Lakes states, plus Ontario and Quebec, negotiated the Great Lakes Compact, now signed into law, that governs diversion of Lakes' water

and limits the ability of other parts of the country to poach it.

But protecting the water and using it are two different things. Partially, it's a wonderful selling point. Twenty years from now, anyone who wants to live, work, or invest in a place with a reliable supply of freshwater will have to look at the Midwest. Beyond that, as the NIC said, new industrial uses for water abound in farming, biofuel, biopharma, nanotech, chemicals, and semiconductor industries. The region that finds, funds, and exploits these uses will have a grip on the economy of the future.

The University of Wisconsin at Milwaukee already is exploring a freshwater research institute—sort of a freshwater version of the Scripps Oceanic Institute—to begin this research. This good idea would be a better one if the university teamed with other lakeside schools such as the University of Illinois at Chicago, Wayne State in Detroit, and Case Western in Cleveland.

2. **Bioscience and biotechnology.** Bio has enormous untapped potential in agriculture, health care, and other uses. In health care alone, bio is the key to future techniques in diagnosing and treating disease. Coupled with gene manipulation, it has applications in regenerative medicine, drugs, genomics, predictive medicine, and other uses. Properly exploited, this means new laboratories and hospitals, with jobs for doctors, nurses, researchers, orderlies, technicians.

The Midwest already has a toehold in this bio revolution. Some of the world's major research universities and institutions lie within it. These are mostly state universities such as Michigan, Wisconsin, and Illinois, but also include the University of Chicago and Washington University in St. Louis, plus big research hospitals like the Mayo and Cleveland clinics. The Midwest embraces a stupendous lineup of bio firms like

ADM, Cargill, Dow AgroSciences, Monsanto, Pioneer Hybrid, Abbott, Baxter, Eli Lilly, GE Healthcare, Medtronic, and Zimmer.

OK, if we're so smart, why aren't we rich? If the Midwest is doing so much research, why are most of the bio jobs still located on the two coasts? Several reasons exist. One is, as mentioned, balkanization—the fragmentation of government backing for bioscience into a dozen state organizations that wouldn't dream of cooperating and the sequestering of academic research between the walls of mutually jealous and possessive universities. Another is the lack of money and business services. So many good bio ideas that spring from Midwestern labs have to go to the coasts to find the venture capital and support they need to be turned into commercial products.

3. **Nanotechnology.** Nanotechnology is the manipulation of subatomic particles to produce new or better materials. If the Midwest knows plants and animals, it also knows materials. It has been making things out of materials since John Deere and Henry Ford first went into business. Again, there's activity here: Dayton, Ohio, which has just lost the five Delphi plants that helped support the town for a century, is trying to link local institutions into a nano powerhouse. These include the University of Dayton, the National Composites Center, and the huge Wright-Patterson Air Force Base, with its emphasis on materials that are literally made for the space age. But no one yet is trying to link this work with research going on elsewhere in the Midwest to leverage what should be one of the region's strengths.
4. **Green industry.** Until recently an obsession of tree-huggers, green industry now looks like the wave of the future. This means the harnessing of sun, wind, and water—all of which the Midwest has in abundance—to create alternatives to fossil fuels. Wind farms are sprouting across the region. Old industrial towns that were prepared to turn

out the lights have found new life. Newton, Iowa, which lost Maytag, has 700 workers making parts for wind turbines. Greenville, Michigan, which lost Electrolux, is creating 1,200 jobs in solar panels. Even Lake Wobegon has gone green. Freeport, Minnesota, where Garrison Keillor first wrote his Lake Wobegon stories, is home to a plant making wind turbine parts.

But as in bio and nano, this is an infant revolution. That NIC forecast sees a future in green technology, especially for the region that develops efficient energy storage technology.

5. **Transit.** We should stop thinking about an *auto* industry per se, and start thinking about a *transit* industry geared to the twenty-first century needs of the nation and the Midwest.

The old auto industry is a paradigm for the Midwestern failure to cope with global challenges. It's an old industry with incompetent management, high costs, tired facilities, a lack of innovation, resistance to change, and reliance on a workforce educated for the industrial age but lacking the skills to compete globally.

A new transit industry would include cars and trucks, of course. But it's time to get serious about rapid transit, both light transit within urban regions and, especially, a high-speed rail network that would truly tie the region together.

This industry would, in itself, create hundreds of thousands of jobs. The big auto companies could get a piece of this, if they're nimble enough. If they know anything, it's how to move people and goods. It's time to put that knowledge to use.

All this is where Washington and the Marshall Plan idea come in.

A Marshall Plan

The original Marshall Plan, which rebuilt the war-shattered economies of Western Europe, was announced by Secretary of State George Marshall in 1947. Between 1948 and 1952 the United States

spent \$13 billion in aid to Europe. As a percentage of U.S. gross domestic product, that's equivalent to about \$200 billion today.

Tony Judt, in his magisterial history *Postwar*, describes how this money revived trade, rebuilt industries, restored consumer markets, and, most important, replaced postwar European despair with a new hope and purpose. But important as it was economically, it was more important politically.

The Europeans themselves had to decide how the money would be spent. Spread over several years, it acted as a "strategic program of recovery and growth, rather than a disaster fund," Judt wrote. It forced business, labor, and government to collaborate. Most of all, "it laid upon (the Europeans) a requirement to negotiate and confer not just with the United States, but with each other... Marshall's invitation did at least oblige the mutually suspicious European states to sit down together and coordinate their responses, and, ultimately, much else... It made coordinated economic policymaking seem normal rather than unusual."

Remember, these were countries that had been killing each other three years earlier. It's not too much to say that this coordinated program imposed by Washington sowed the seed for what eventually became the European Union (EU). By 1951 six Marshall Plan beneficiaries, led by France and Germany, had formed the European Coal and Steel Community. Six years later the same countries set up the European Economic Community. These communities became the cornerstones of the European Communities and, later, the European Union.

It may be stretching things to see the EU as a template for the Midwestern future, although some scholars— Lou Anna Simon, the president of Michigan State University, among them—have suggested just that. But the Obama administration has it in its power to point the Midwest in this direction, if not in the stimulus itself then in its future spending.

All the projects listed above—water, bio, green technology, nano, and transit—make sense only if pursued on a regional basis. The wind blows across state lines and the sun shines where it will. Great Lakes water laps at eight states, not one. Plant and animal expertise spreads evenly across the Midwest. No high-speed rail network can be locked within one state.

Other government initiatives—on education, infrastructure, research—can be done much more efficiently and much more powerfully if the recipients work together to share costs and brainpower. Some, like new transport links, can only be done regionally.

President Obama’s mega-billion-dollar stimulus plan is intended to reignite economies across the nation. In the long run, there still will be funds flowing from Washington for infrastructure, health, education, and other programs.

Now, most of this money goes to individual cities or states, guaranteeing duplication, competition, and waste. Wouldn’t it be grand if the administration took a page from the sixty-year Marshall Plan playbook and told Midwesterners that they must get together to plan regionally, to come up with projects that would revive this entire region, before we got the money?

This collaboration goes against the grain of Midwestern independence, which is the point. Left to ourselves, we may never agree to agree. But billions of dollars make a powerful lure. The Europeans discovered this, to their permanent benefit.

Perhaps the same lure would work here. It may even be easier here. We Midwesterners may be ornery, but unlike the Europeans, we’ve never fought a war with each other.

About the Author

Richard C. Longworth is a senior fellow at The Chicago Council on Global Affairs and author of *Caught in the Middle: America’s Heartland in the Age of Globalism* (Bloomsbury, 2008) on the impact of globalization on the American Midwest.

Global Midwest Policy Briefs

Global Midwest Policy Briefs are timely pieces published by The Chicago Council on Global Affairs that frame and analyze pressing issues facing the Midwest in the global era and offer recommendations for how best to move forward. *Policy Briefs* can be synopses of longer published works or the result of original research. Authors are experts drawn from academia, business, civic organizations, government, journalism, and think tanks. The views expressed are those of the author and not those of The Chicago Council on Global Affairs. The Chicago Council takes no institutional position on policy issues.

The Chicago Council on Global Affairs

Founded in 1922 as The Chicago Council on Foreign Relations, The Chicago Council on Global Affairs is a leading independent, nonpartisan organization committed to influencing the discourse on global issues through contributions to opinion and policy formation, leadership dialogue, and public learning.