

The Future of Chicago

Matthew E. Kahn

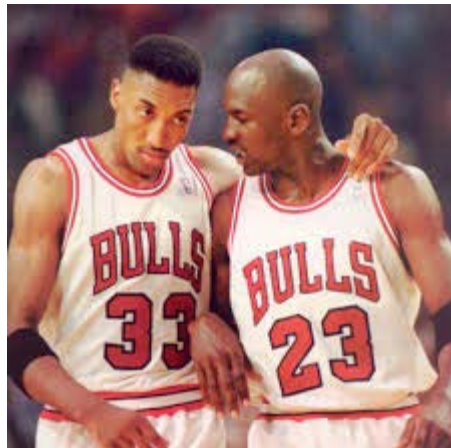
UCLA and NBER and IZA

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My Chicago

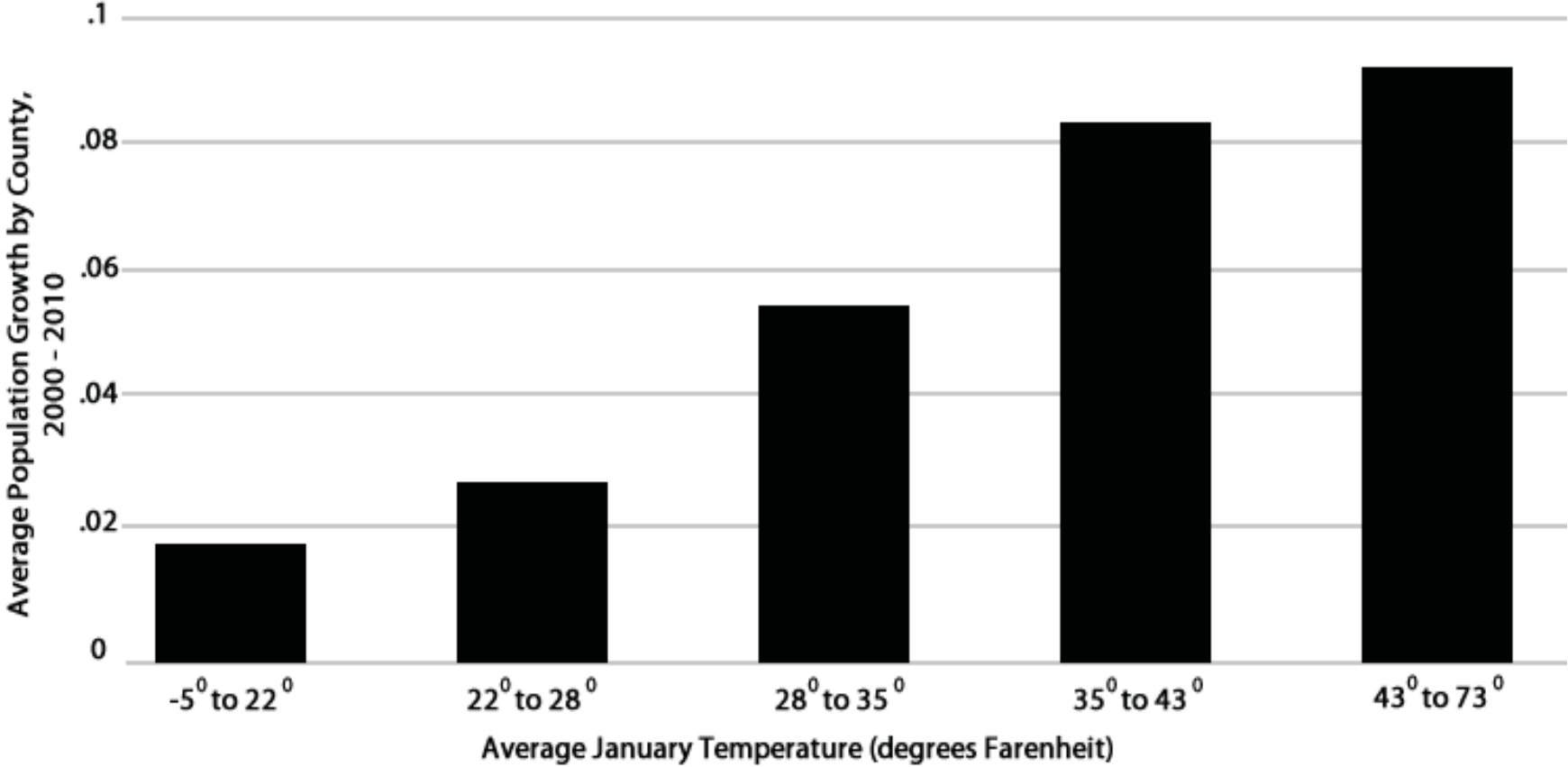
- Born here
- Ph.D in Economics from the University of Chicago
- Met my wife at the University of Chicago
- Hope that my son will be an undergraduate there in 2018
- Watched the ascent of the Chicago Bulls from 1988 to 1993



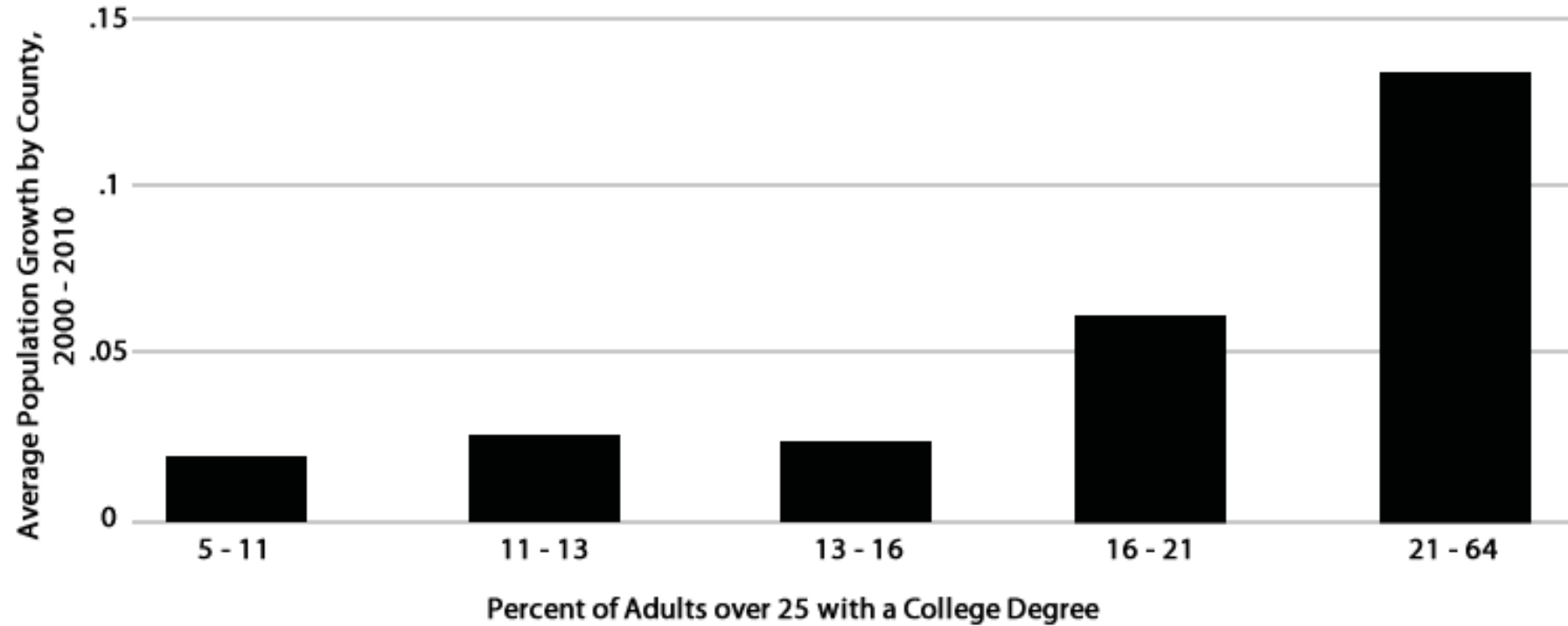
Challenges in Chicago in 2013

- Chicago has cold winters
- Chicago's manufacturing has been leaving
- Chicago has high poverty areas
- The state's pension obligations lurk

Bad News for Chicago

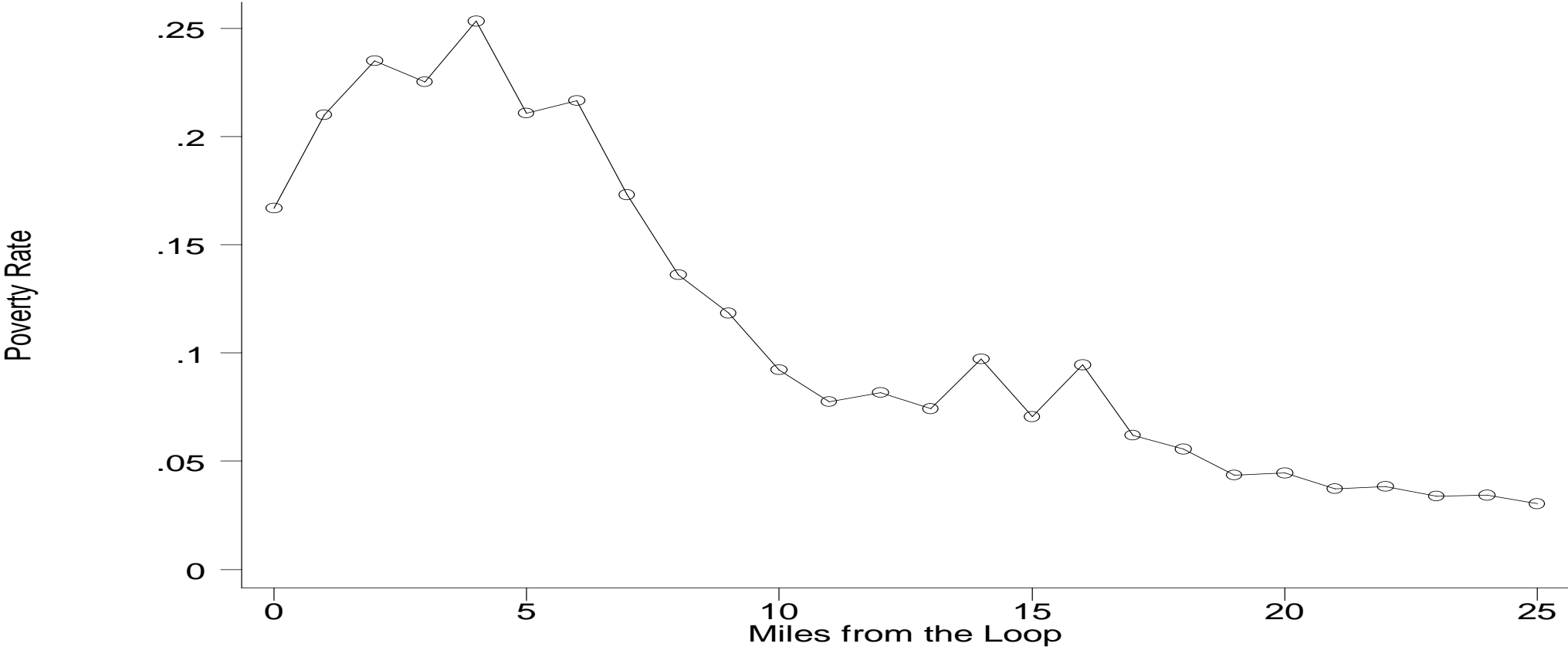


Good News for Chicago (Source Glaeser)

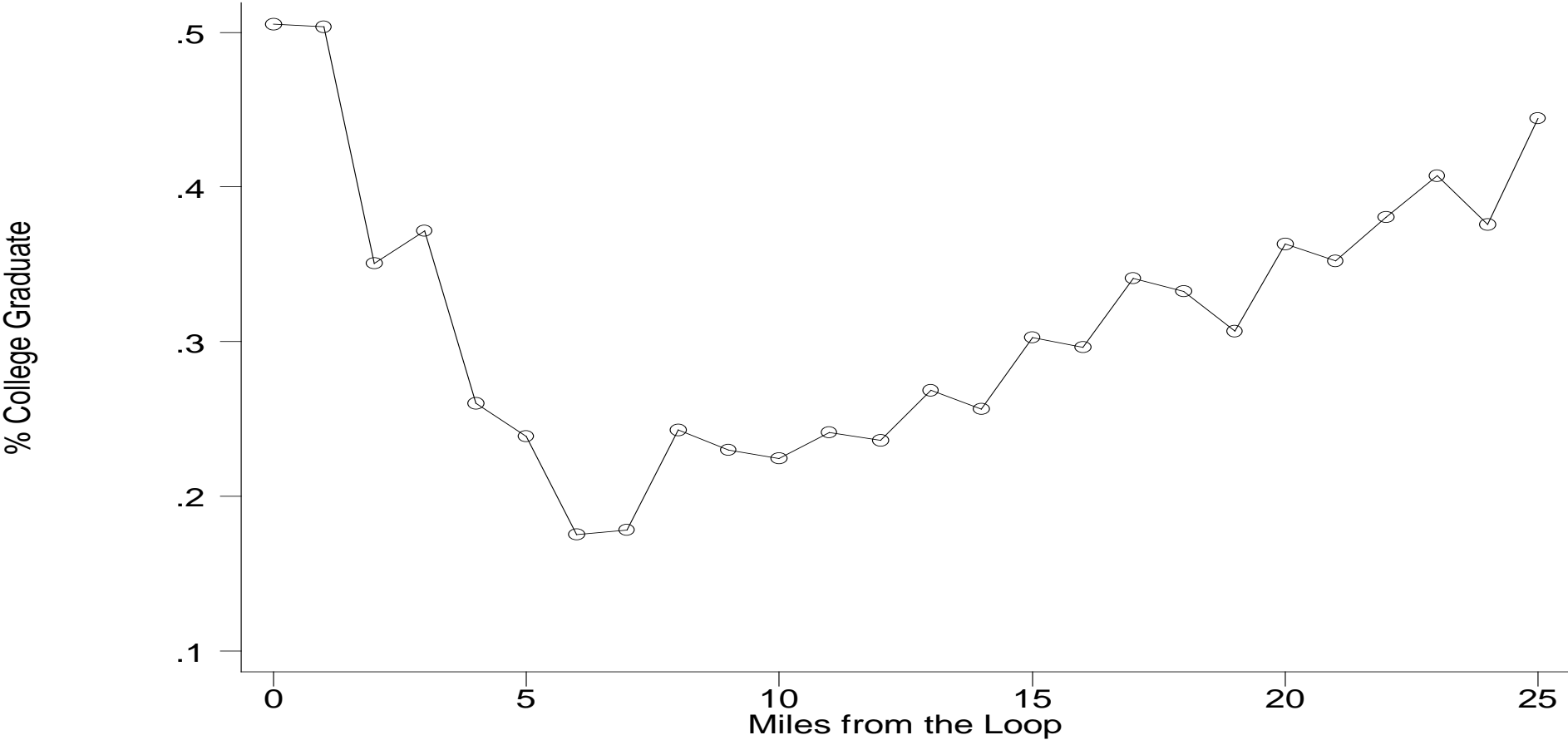


The spatial distribution of
poverty and human capital
within Chicago in the year 2000

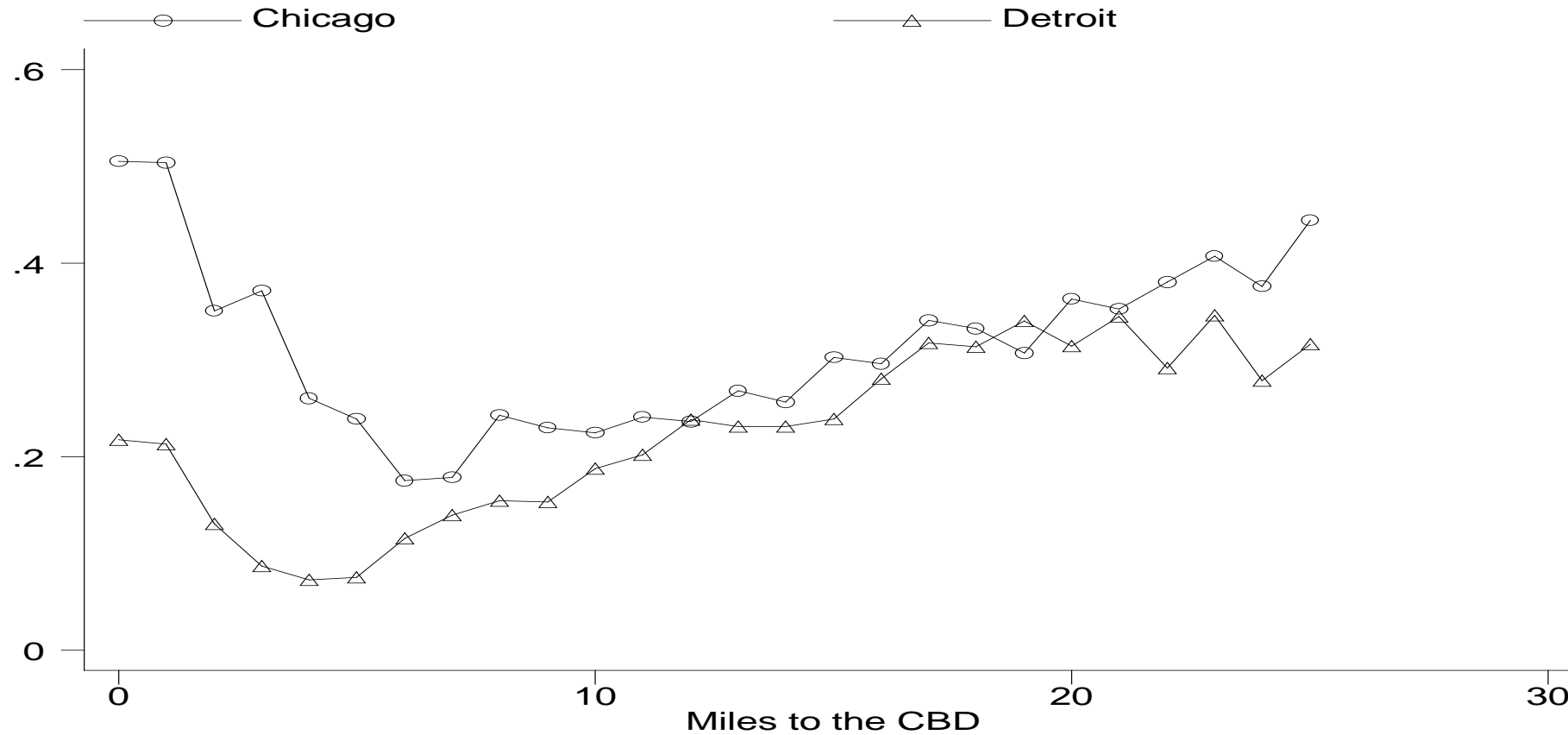
Chicago's Year 2000 Poverty Rate By Neighborhood



Chicago's Year 2000 College Graduate Share by Neighborhood



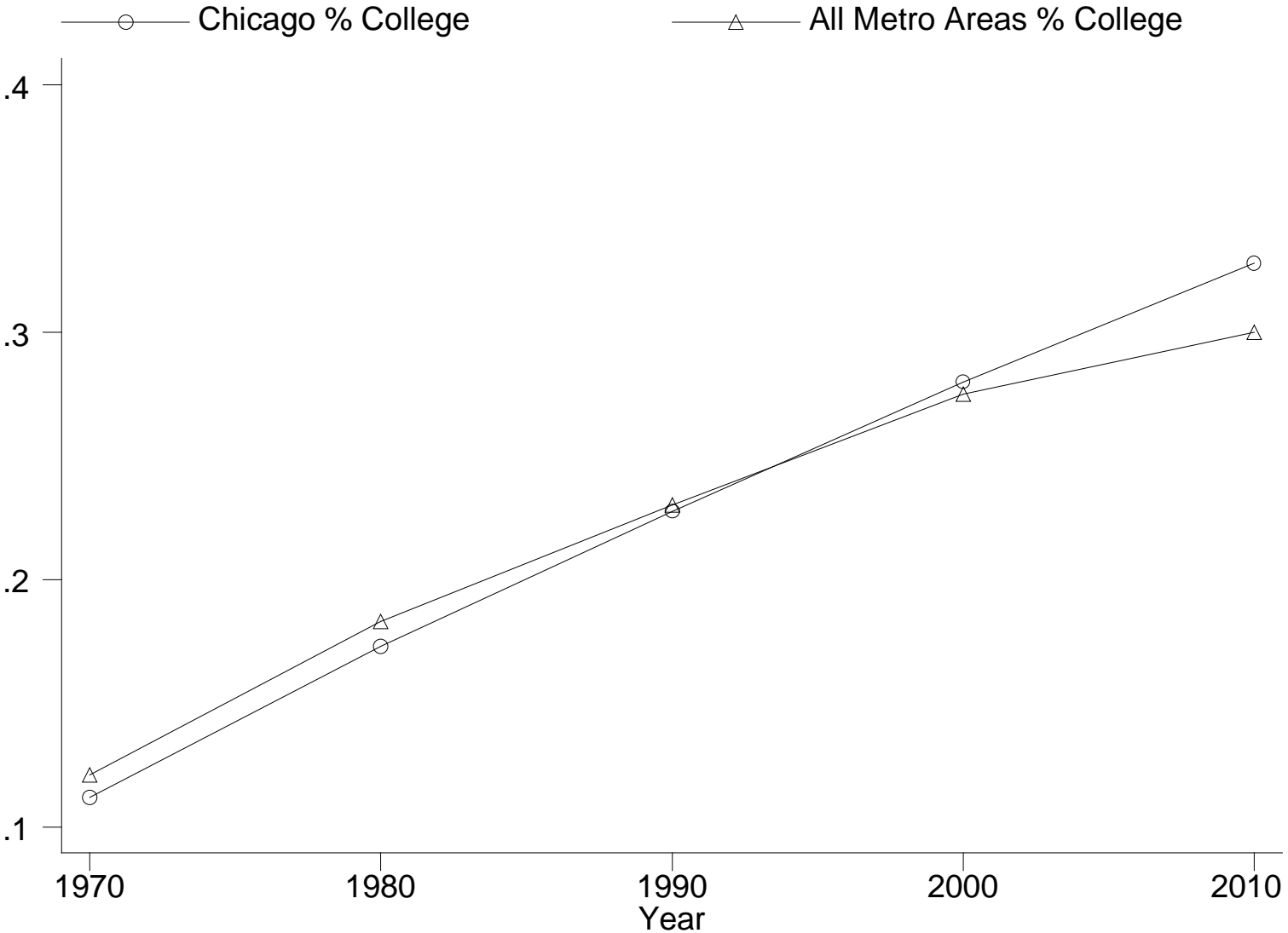
Chicago's vs. Detroit's Year 2000 College Graduate Share by Neighborhood



In 2013 or 2033, What is the Urban “Golden Goose”?

- Quality of life!
- Cities that are clean, green and safe can be confident that they will attract and retain the skilled
- The Chicken and the Egg of jobs and people
- Los Angeles, San Francisco, Manhattan and Chicago!
- True in China as well (my “Blue Skies” 2014 University of Chicago Press book)
- My Climatopolis book’s focuses on Quality of life as the anchor

Chicago Leaps Over the Rest of the Nation



Declining Manufacturing Employment

- “In 1969, 30 percent of workers were employed in manufacturing in the Chicago area, well above the national level of 23 percent. By 2012, however, Chicago’s manufacturing job prominence had fallen to near-parity with the nation—to around 7 or 8 percent.”
- Source: Bill Testa
<http://midwest.chicagofedblogs.org/archives/chicago/>

Establishment Survey: All Employees, 2012Chicago-Naperville-Joliet, IL Metropolitan
Division

	Employees (000s)	Index of concentration vs. U.S. 1.00 = U.S. average
Manufacturing	324.0	1.0
Food	42.6	1.1
Paper	14.9	1.4
Printing	20.2	1.6
Chemicals	19.7	0.9
Plastics & Rubber	22.7	1.3
Primary Metals	8.7	0.8
Fabricated Metals	55.0	1.4
Machinery	33.9	1.1
Computing and Electronics	21.5	0.7
Electrical Equip. & Components	17.7	1.8
Transportation Equipment	16.8	0.4

Source: BLS/Haver Analytics

This Deindustrialization is Good!

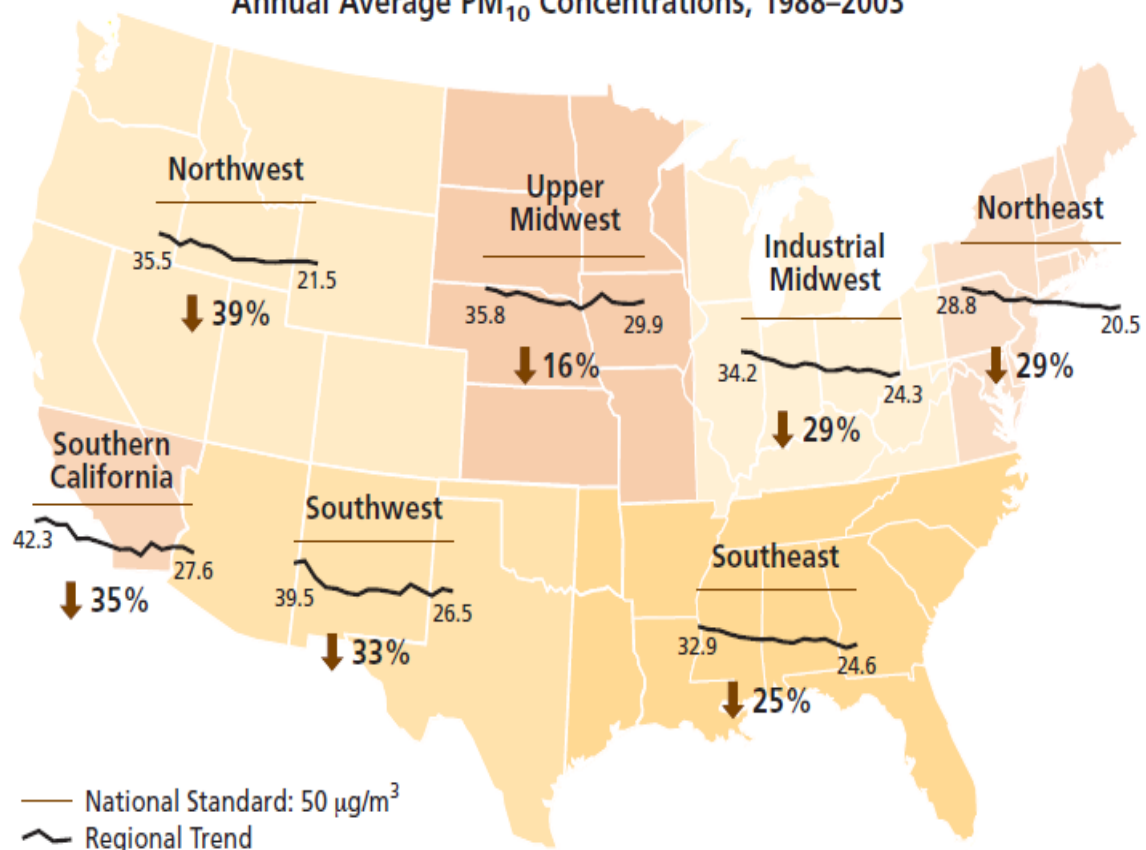
- Yes manufacturing creates middle class jobs
- But it is pollution intensive (think of Chicago and Pittsburgh in 1950)
- It is also land intensive
- Reclaiming this land for commercial and residential buildings
- This process is playing out in China's major cities right now

Other Indicators of Chicago's Quality of Life



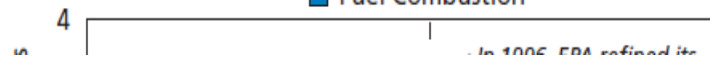
1988–2003.

Annual Average PM₁₀ Concentrations, 1988–2003

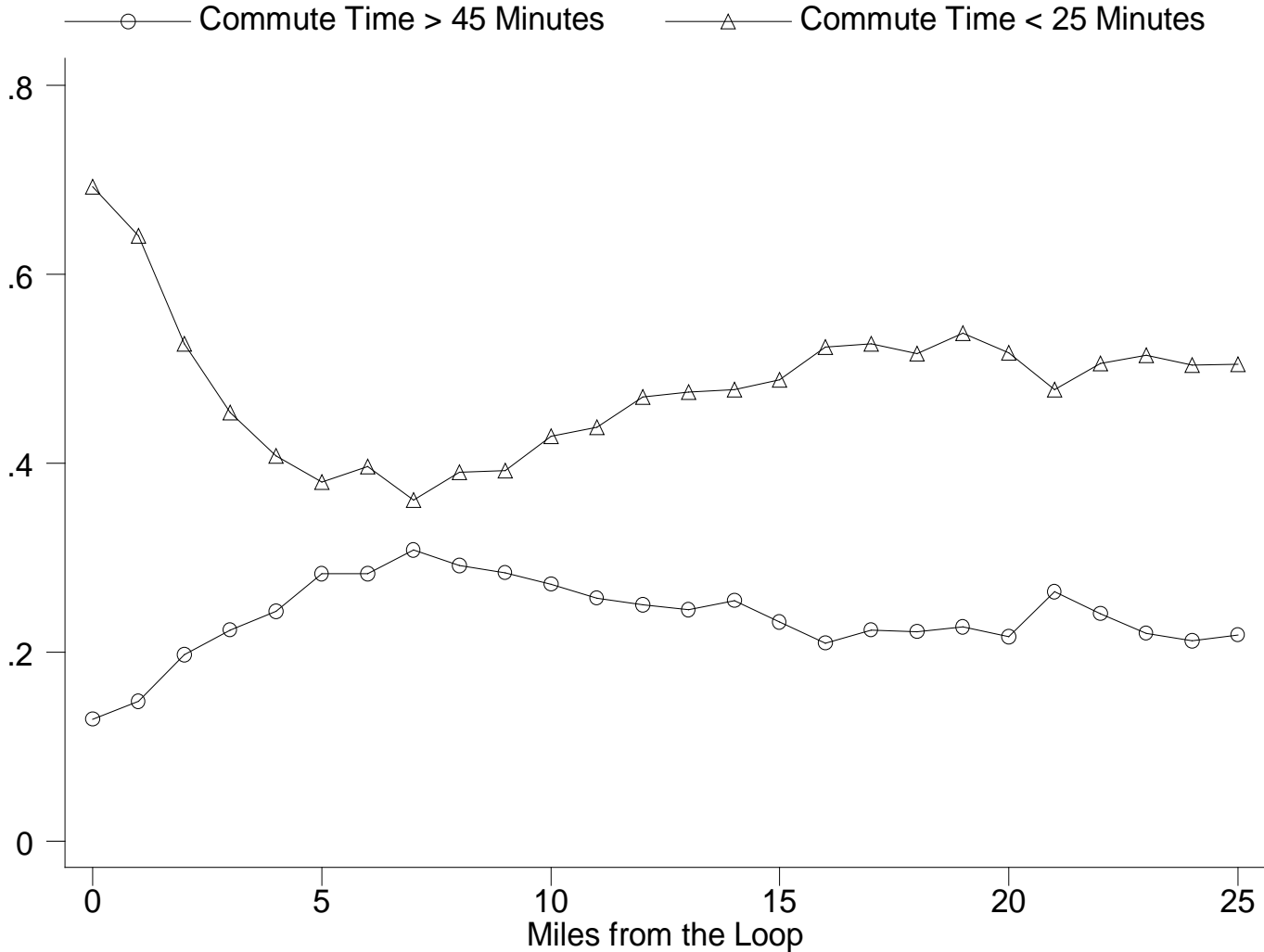


National Direct PM₁₀ Emissions

National PM₁₀ Air Quality



Short and Long Commute Times by Chicago Neighborhood in the year 2000.



Investing in Urban Poor Children in Chicago

- The skilled are the key to the modern urban growth.
- If Chicago attracts and retains the skilled then local real estate will be valuable --- redevelopment will take place
- Property tax revenue can be invested in Head Start and other disadvantaged kid programs to “grow” Chicago’s stock of human capital
- The Chicago Nobel Laureate James Heckman’s agenda on early investment in kids see www.heckmanequation.org

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- “The neighborhood of Bronzeville on the South Side of Chicago has been gentrifying now for more than a decade.
- Formerly boarded-up beautiful brick homes along Martin Luther King Jr. Drive have come to life. New construction has gone up on land where high-rise public housing projects were spectacularly imploded starting in the 1990s. Median incomes and property values have soared.”

Bullish on Chicago's Future

- Diversified employment base
- Leading universities
- Educated people increasingly living downtown
- Downtown vibrancy fueled by crime reduction and synergies with restaurants, culture and fun
- Information technology and the rise of Big Data
- The delicate balance between building a city that the rich are delighted by that continues to offer opportunities to the rest of the population