



*The Economic State  
of Milwaukee's  
Inner City:  
2006*

*A report prepared by*  
The University of Wisconsin-Milwaukee  
Center for Economic Development  
May 2006

# About this Report

This report was produced at the University of Wisconsin-Milwaukee Center for Economic Development (UWMCED), a unit of the College of Letters and Science at the University of Wisconsin-Milwaukee. The College established UWMCED in 1990, to provide university research and technical assistance to community organizations and units of government working to improve the Greater Milwaukee economy. In 2000, UWMCED also became part of UWM's "Milwaukee Idea," as one of the core units of the "Consortium for Economic Opportunity." The analysis and conclusions presented in this report are solely those of UWMCED and do not necessarily reflect the views and opinions of UW-Milwaukee, or any of the organizations providing financial support to the Center.

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# Executive Summary

The latest statistics on income, employment, and business development offer mixed news on the economic health of Milwaukee's inner city. The good news: after decades of decline, economic conditions in the inner city have stabilized. Since 1999, real income and the number of business establishments have risen slightly in the inner city, and the number of jobs in inner city neighborhoods has fallen by less than one percent since 1994.

However, the bad news is that although inner city economic conditions have improved recently, the gains have been slight compared to the losses of the 1990s, leaving the inner city in worse shape today than a decade ago. Income per taxpayer in the inner city remains less than *half* the level of metro Milwaukee as a whole. In addition, there has been no net job growth in the inner city since 1994, limiting economic opportunity for residents. Slow employment growth throughout the region since 1999 has further damaged job prospects for inner city dwellers.

Two other notable trends emerge from the latest data. First, inner city economic improvements have been limited to a few neighborhoods, chiefly those ringing downtown, where substantial gentrification has occurred. Other neighborhoods in the inner city continue to experience falling incomes and a shrinking employment base.

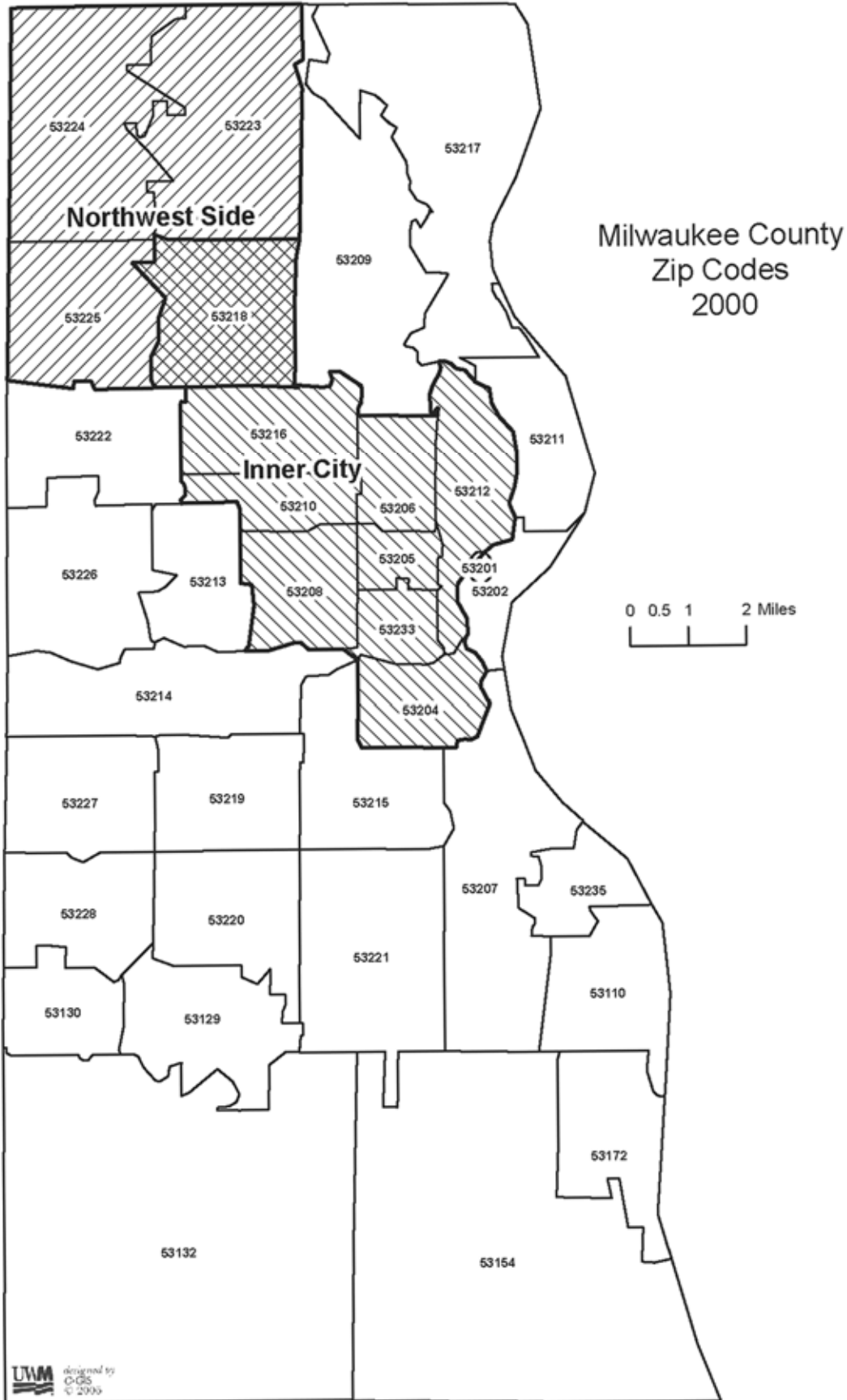
Second, portions of the city's Northwest Side have witnessed significant economic decline since 1994, looking more and more like an embryonic "second" inner city in Milwaukee. Decline on the Northwest Side suggests that Milwaukee is experiencing a territorial "rearrangement" of economic distress, with some inner city neighborhoods showing gains, others still declining, and still other neighborhoods on the Northwest Side falling into deep economic difficulty. But the overall result is no net improvement in neighborhood economic conditions – hence, the precipitous rise in the city's poverty rate since 2000.

Milwaukee has been awash in inner city initiatives since the early 1990s, but the impact of these efforts has been modest, at best. In particular, this report critiques the "Initiative for a Competitive Milwaukee" which, three years after its launch, has done nothing to advance economic development in the inner city. Civic leaders have also begun to promote "regional cooperation" in economic development, and this

report examines the potential contribution of regional policies to inner city economic renewal.

Finally, we explore eight policy implications of the latest data on inner city economic conditions. These include:

- Milwaukee needs a comprehensive inner city redevelopment and anti-poverty strategy;
- Metro Milwaukee should embrace regional equity strategies;
- Corporate Milwaukee needs to step up to the plate for the inner city;
- The City of Milwaukee should rethink some of its economic development strategies, particularly investments in tourism;
- Restructuring the Milwaukee Department of City Development will be essential to implementing an inner city revitalization strategy;
- Gentrification is not a dirty word;
- A community benefits agreement should be part of every major redevelopment deal in Milwaukee;
- Milwaukee needs a “big bang” to stimulate inner city revitalization.



# Introduction

The latest statistics on income, employment, and business development offer mixed news on the economic health of Milwaukee's inner city.<sup>1</sup> First, the good news: After 30 years of relentless and sometimes precipitous decline,<sup>2</sup> economic conditions in the inner city show signs of stabilizing. Since 1994, the number of jobs in inner city neighborhoods has remained relatively steady and since 1999, income per taxpayer in the inner city, adjusted for inflation, has actually nudged slightly upward.

However, the bad news is that while the economic decline of Milwaukee's inner city appears to have reached a bottom in the 1990s, there has not been significant economic improvement from this nadir. Income per taxpayer in the inner city remains less than *half* the level of the metropolitan area as a whole, and in some neighborhoods of the inner city, income is barely *one-third* of the metro area average. Although job loss has slowed in the inner city since 1994, there has been no net employment growth since then, seriously limiting economic opportunity for inner city residents. Moreover, since 1999 there has been slow job growth throughout the entire Milwaukee region; this stagnation, combined with persistent racial segregation in the metro area's labor market, has limited opportunities for inner city job-seekers.

The recent economic data also reveal two new and troubling trends that pose serious challenges for Milwaukee's civic leadership. First, the small improvements in employment and income that have occurred in the inner city since 1999 have been limited to a few neighborhoods, chiefly those ringing downtown Milwaukee, where substantial gentrification has occurred. Other neighborhoods in the inner city

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<sup>1</sup> In this report, we use the geographic boundaries delineated by the City of Milwaukee to identify the nine zip codes (53204, 53205, 53206, 53208, 53210, 53212, 53216, 53218, 53233) that city officials have used since the 1990s to define the inner city in federal grant applications and redevelopment plans. A note on terminology: sometimes, careless writers use the label *central city* to describe these neighborhoods. But, "central city" has a precise meaning, defined by the U.S. Bureau of the Census as the (entire) city, as opposed to suburbs or metropolitan areas. Consequently, academic researchers use the label of "inner city" or "ghetto" to describe the troubled neighborhoods of the "urban core," and we follow the accepted academic usage here.

<sup>2</sup> For a full analysis of the economic decline of Milwaukee's inner city since the 1970s, see Marc V. Levine, *The Economic State of Milwaukee's Inner City: 1970-2000* (Milwaukee: UW-Milwaukee Center for Economic Development, 2002). 47pp.

continue to experience falling incomes and shrinking employment. In short, there appear to be “two inner cities” emerging in Milwaukee: one in which gentrification and modest job growth have generated visible neighborhood improvement; and another inner city in which economic opportunity continues to diminish.

Second, although conditions in the “traditional” inner city appear to have stabilized since 1999, “inner-city” economic conditions have spread north and west to neighborhoods on Milwaukee’s Northwest Side. The number of jobs has contracted sharply in Northwest Side neighborhoods since 1999, and real incomes have dropped there as well. In short, rather than any substantial inner city revival, Milwaukee is simply witnessing a geographic shift in economic distress, with some inner city neighborhoods showing gains, others still declining, and still others, particularly on the Northwest Side, falling into deep economic difficulty, poised to become in effect, a “new” inner city.

This report will analyze the latest indicators on the economic health of Milwaukee’s inner city. In addition, we will explore the policy implications of these latest trends. Milwaukee has been awash in “inner city” initiatives since the early 1990s, yet the results of these efforts have been modest, at best, in reviving inner city neighborhoods and improving economic opportunity for inner city residents. The recent U.S. Census Bureau data on Milwaukee’s rising city-wide poverty rate since 2000 confirm the continuing nature of this city’s deep economic crisis. It is long past time for new directions in inner city economic development strategy: nothing less than the future of Milwaukee as a city of economic opportunity and livable neighborhoods is at stake.

### *Employment Trends in the Inner City, 1994-2003*

Table 1 arrays the most recent data on the number of jobs located in Milwaukee’s inner city neighborhoods since 1994. The data are derived from the U.S. Bureau of the Census, *County Business Patterns*, which began publishing jobs data on a zip code level in 1994.

Since 1994, Milwaukee’s inner city has lost 574 jobs, or 0.7 percent of its employment base. The rate of decline has been somewhat steeper if we consider simply the period since 1999 (the inner city actually gained 177 jobs between 1994 and 1999). On the whole, however, the jobs data suggest that after two decades of

disinvestment and steep employment declines, the inner city labor market bottomed out in the mid-1990s and has remained flat ever since.

**Table 1:**

**Jobs Located in the Inner City Zip Codes, 1994-2003**

<b>Zip Code</b>	<b># of Jobs 1994</b>	<b># of Jobs 1999</b>	<b># of Jobs 2003</b>	<b>% change, 1994-1999</b>	<b>% change, 1999-2003</b>	<b>%change, 1994-2003</b>
53204	16,220	17,127	17,262	+5.6%	+0.8%	+6.4%
53205	2,581	2,178	2,097	-15.6%	-3.7%	-18.8%
53206	1,313	1,589	1,644	+21.0%	+3.5%	+25.2%
53208	10,786	13,381	12,731	+24.1%	-4.9%	+18.0%
53210	7,682	7,480	5,724	-2.6%	-23.5%	-25.5%
53212	12,811	11,536	15,289	-10.0%	+32.5%	+19.3%
53216	11,694	10,619	7,125	-9.2%	-32.9%	-39.1%
53218	7,655	6,259	6,029	-18.2%	-3.7%	-21.2%
53233	16,459	17,211	18,728	+4.6%	+8.8%	+13.8%
<b>Inner City Total</b>	<b>87,203</b>	<b>87,380</b>	<b>86,629</b>	<b>+0.2%</b>	<b>-0.9%</b>	<b>-0.7%</b>

Source: CED analysis of U.S. Bureau of the Census, *County Business Patterns*, employment data by zip code, 1994-2003.

As we will examine shortly, this stagnation in the overall inner city jobs market constitutes a major obstacle to economic opportunity for inner city residents. Moreover, if we probe a little deeper into the data, we find that these aggregate employment figures mask an increasingly problematic trend of uneven development *within* the inner city. As Table 2 shows, the inner city job market has fragmented into “two inner cities” since 1994. In one cluster of zip codes (53204, 53206, 53208, 53212, and 53233), the number of jobs increased by 8,065 (a healthy 14.0 percent) between 1994 and 2003. Gains were particularly pronounced in zip code 53212, which includes the lower King Drive-Brewers Hill areas (which saw the opening of a new YWCA, expansion of the offices of Time-Warner cable, and some commercial development after 1999) and the East Capitol Drive area (which witnessed substantial commercial development after 1999, including the opening of a Wal-Mart). Most impressively, the employment gains in this inner city zip code cluster were almost double the metro Milwaukee average between 1994-2003 (14.0 percent to 7.3 percent), and between 1999-2003, when the number of jobs in metro Milwaukee declined by 1.5 percent, this “gainer cluster” in the inner city experienced a robust 7.9 percent increase in job growth (see Tables 2 and 3).

Unfortunately, the job growth in the “gainer” cluster of the inner city was more than counterbalanced by a second cluster of inner city zip codes (53205, 53210, 53216, and 53218) that lost a combined 8,637 jobs, or a whopping 29.2 percent of its employment base between 1994-2003. Major layoffs or plant closings at Master Lock (53210), Tower Automotive (53216), Northwest General Hospital (53216), Eaton Corporation (53216) and Steeltech (53208) accounted for almost two-thirds of the 5,561 job losses occurring in the declining inner city zip codes between 1999 and 2003. Clearly, in these inner city zip codes that have historically been important locations for manufacturing employment, the ongoing deindustrialization of Milwaukee continues to devastate neighborhood labor markets. As we will see shortly, this problem was exacerbated for inner city job seekers after 1999 by the significant erosion of employment—in industrial and service sectors alike—on Milwaukee’s Northwest Side, in neighborhoods just north and west of the traditional inner city.

**Table 2:**

**The Two Inner Cities: Job Growth Since 1994**

<b>Zip Codes</b>	<b># of Jobs 1994</b>	<b># of Jobs 1999</b>	<b># of Jobs 2003</b>	<b>%change 1994-1999</b>	<b>% change 1999-2003</b>	<b>% change 1994-2003</b>
“Gainers” Cluster	57,589	60,844	65,654	+5.3%	+7.9%	+14.0%
“Losers” Cluster	29,612	26,536	20,975	-10.4%	-21.0%	-29.2%

Gainers: 53204, 53206, 53208, 53212, 53233  
 Losers: 53205, 53210, 53216, 53218

Source: See Table 1

Tables 3 and 4 put these inner city trends into a broader context, comparing job growth figures in several different geographic settings in the Milwaukee region. Three observations are immediately apparent from the data. First, between 1994 and 1999 --as well as for the 1994 to 2003 period taken as a whole-- the rate of job creation in the inner city lagged far behind the rates in metro Milwaukee, downtown Milwaukee, and the exurban “WOW” counties (Waukesha, Washington, and Ozaukee counties).

**Table 3:**

**Job Growth in Selected Areas of Greater Milwaukee, 1994-2003**

<b>Area</b>	<b># of Jobs 1994</b>	<b># of Jobs 1999</b>	<b># of Jobs 2003</b>	<b>% change 1994-99</b>	<b>% change 1999-2003</b>	<b>% change 1994-2003</b>
Inner City	87,203	87,380	86,629	+0.2%	-0.9%	-0.7%
Downtown*	68,949	73,519	72,767	+6.6%	-1.1%	+5.5%
Northwest Side***	54,222	55,307	48,687	+2.0%	-12.0%	-10.2%
Metro Milwaukee	711,429	775,261	763,305	+9.0%	-1.5%	+7.3%
WOW Counties**	247,636	302,614	298,270	+22.2%	-1.4%	+20.5%

\*Downtown zip codes: 53202, 53203

Source: See Table 1

\*\*WOW counties: Waukesha, Ozaukee, Washington

\*\*\*Northwest Side zip codes: 53218, 53223, 53224, 53225

Second, between 1999 and 2003 job creation stagnated throughout metro Milwaukee—in *all* of these geographic settings—and the inner city trends during this period were in line with regional trends.<sup>3</sup>

Third, particularly since 1999, the job base on the City of Milwaukee’s Northwest Side appears to have collapsed, with a stunning erosion of 12 percent in the number of jobs in the neighborhood in just four years between 1999-2003. The disinvestment and job loss that has plagued Milwaukee’s “traditional” inner city has now spread to the city’s Northwest Side.

<sup>3</sup> Moreover, the most recent data from the U.S. Bureau of Labor Statistics indicates that job growth continues to be elusive in the Milwaukee region; according to the BLS, metro Milwaukee lost 5,218 jobs between March 2003 and March 2005. Although the “WOW” counties resumed modest job growth, gaining 7,962 jobs between 2003 and 2005, Milwaukee County lost over 13,000 jobs during this period (2.6 percent of the county’s employment base). Although zip code data is available only through 2003, the continued hemorrhaging of jobs in Milwaukee County during this period suggests that it is highly unlikely that inner city employment has increased since 2003. For post-2003 employment data, see U.S. Department of Labor, Bureau of Labor Statistics, *Quarterly Census of Employment and Wages* (www.bls.gov).

Table 4:

**Net Job Growth in Selected Areas of Greater Milwaukee, 1994-2003**

Area	Net Job Growth 1994-1999	Net Job Growth 1999-2003	Net Job Growth 1994-2003
Inner City	+177	-751	-574
Downtown	+4,570	-752	+3,818
Northwest Side	-479	-6,212	-6,691
WOW Counties	+54,978	-4,344	+50,634
Milwaukee Co.	+8,854	-7,612	+1,242
Metro Milwaukee	+63,832	-11,956	+51,876

Source: See Table 1

These employment trends have had profound consequences for the inner city labor market and economic opportunity for inner city residents. Declining employment in inner city and Northwest Side neighborhoods since 1999, combined with declining employment elsewhere in the region, has meant that there have been few opportunities in recent years for predominantly minority inner city jobless to secure jobs. Consequently, it is not surprising that the most recent data from the U.S. Bureau of Labor Statistics show that 54 percent of working age African-American males in Milwaukee are either unemployed or no longer even in the labor force.<sup>4</sup>

Digging a little beneath these aggregate figures reveals the seriousness of the employment situation for inner city residents. Since 1994, virtually *all* of the net job growth in the Milwaukee region (97.6 percent of net new jobs) has occurred in the exurban counties of Waukesha, Washington, and Ozaukee (see Table 4). Yet, obstacles such as Milwaukee's entrenched residential segregation and inadequate regional transportation links have severely limited access of primarily minority residents of the inner city to the exurban labor market.<sup>5</sup> Economists and sociologists refer to this phenomenon as a "spatial mismatch" in regional labor markets: unemployed workers residing in places inaccessible to geographic areas in the region

<sup>4</sup> See analysis of BLS data in Marc V. Levine, *After the Boom: Jobless in Milwaukee Since 2000* (Milwaukee: UW-Milwaukee Center for Economic Development, 2004).

<sup>5</sup> See Joel Rast and Chieko Maene, *Transportation Equity and Access to Jobs in Metro Milwaukee* (Milwaukee: UWM Center for Economic Development, 2004).

where job growth is occurring. Thus, as Table 5 shows, through 2000, just over 8,500 black workers in metro Milwaukee –around 11 percent of all black workers in the region<sup>6</sup>-- had secured employment in the exurban counties, representing a tiny fraction of the exurban workforce. Although less segregated into inner city workplaces than blacks, only 26.3 percent of metro Milwaukee’s Hispanic workers were employed in “WOW” county workplaces. Moreover, given the stagnation in job growth *throughout* the regional labor market since 2000, there is no reason to believe that Milwaukee’s spatial mismatch has improved since then.

Although almost all of metro Milwaukee’s job growth occurred in exurbia during the 1990s, downtown Milwaukee was one of the few bright spots in the city of Milwaukee’s labor market during the decade. Downtown gained 4,570 jobs between 1994 and 1999, before falling back slightly during the 1999-2003 period. However, in a city that became “majority-minority” according to the 2000 census, blacks made up only 13.3 percent of the downtown workforce, and Hispanics only 5.2 percent (see Table 5). What’s more, over three-fifths (61.2 percent) of these minority workers earned under \$25,000 a year.<sup>7</sup> In short, not only is job growth downtown providing few employment opportunities for the predominantly minority workers of Milwaukee’s inner city, but the bulk of the downtown jobs secured by minority workers do not pay a living wage.<sup>8</sup>

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<sup>6</sup> By contrast, 43.1 percent of metro Milwaukee’s white workers were employed in the exurban counties in 2000. This racial disparity is equally apparent when we take in account *all* suburban employment (i.e. the WOW counties and the Milwaukee County suburbs): While 29.7 percent of metro Milwaukee’s black workers are employed in the suburbs, 67.1 percent of the region’s white workforce holds a job in suburbia.

<sup>7</sup> CED analysis of U.S. Census Transportation Planning Package (CTPP) data on place of work, based on 2000 census. Data available in “drill downs” compiled by UWM’s Employment and Training Institute ([www.uwm.edu/Dept/ETI](http://www.uwm.edu/Dept/ETI)).

<sup>8</sup> The degree to which downtown redevelopment has failed to deliver economically for inner city residents was first documented in an extensive survey reported in Marc V. Levine and John F. Zipp, *Downtown Redevelopment: in Milwaukee: Has it Delivered for the City?* (Milwaukee: UWM Center for Economic Development, 1994). The 2000 census data confirm that little changed in this regard during the 1990s.

**Table 5:**

**Minorities Working in Selected Metro Milwaukee Locations, 2000**

<b>Location</b>	<b>Total Workforce</b>	<b>Black Workforce</b>	<b>Hispanic Workforce</b>	<b>Black % of Total</b>	<b>Hispanic % of total</b>
City of Milwaukee (excluding downtown)	222,674	41,432	14,958	18.6%	6.7%
Downtown Milwaukee <sup>9</sup>	62,645	8,345	3,250	13.3%	5.2%
Milwaukee County Suburbs	178,605	14,649	7,731	8.2%	4.3%
Waukesha County	208,470	6,553	7,213	3.1%	3.5%
Washington County	48,490	731	982	1.5%	2.0%
Ozaukee County	39,130	1,250	1,075	3.2%	2.7%
Metro Milwaukee	760,014	72,960	35,209	9.6%	4.6%

Source: CED analysis of U.S. Census Transportation Planning Package (CTPP) data on place of work, based on 2000 census.

Thus, during the 1990s, as the inner city produced no new net jobs and as the job base on Milwaukee’s Northwest Side collapsed, the growing job markets of exurbia and downtown were offering few jobs for predominantly minority inner city residents. Since 1999, however, job growth *everywhere* in metro Milwaukee – including the inner city and the Northwest Side-- has ground to a halt, further exacerbating the employment crisis of the inner city.

One final note on the employment picture in Milwaukee’s inner city. For the past fifteen years, beginning with the hyperbole of former Mayor John Norquist about “market-driven” economic development in Milwaukee’s inner city and culminating in Harvard professor /consultant Michael Porter’s pronouncement of the “competitive advantage of the inner city,”<sup>10</sup> a myth has taken hold in Milwaukee: that excessive government has been holding back the inner city economy and that the private sector is poised to recognize these competitive advantages and create meaningful employment opportunities in the inner city. On the face of it, these observations were more ideological than factual: as noted earlier, in broad swaths of

<sup>9</sup> Place of work data is available from CTPP only by census tracts (as opposed to zip code boundaries used earlier). Consequently, there are slight differences in the geographic definition of downtown in this table as opposed to Table 3, and therefore there is a slight difference in the total employment reported for downtown in Table 5 compared to Table 3.

<sup>10</sup> See Porter’s seminal article, “The Competitive Advantage of the Inner City,” *Harvard Business Review* (May-June 1995): 55-71.

the inner city and the Northwest Side after 1999, it was private disinvestment, not government action, that cost the city thousands of jobs.

In fact, as Table 6 illustrates, because of systematic private disinvestment of the past decades, the employment base of inner city neighborhoods is now particularly reliant on government or non-profit sector jobs. Put another way, without government and non-profit investment, the employment crisis of Milwaukee’s inner city would be even more serious than it is.

**Table 6:**

**Sectoral Composition of Jobs in Selected Locations in Metro Milwaukee, 2000**

Location	# of Workers (place of work)	% private sector	% self- employed	% government non-profit*
King Drive	1,085	44.7%	9.7%	45.6%
27 <sup>th</sup> and North	1,135	39.2%	7.3%	53.5%
Milwaukee Enterprise Community	11,959	54.1%	5.5%	40.4%
Waukesha County	208,470	79.1%	7.5%	13.4%
Ozaukee County	39,130	75.1%	9.6%	15.3%

\*Includes federal, state, and local government; non-profit agencies, and social service agencies  
Source: Same as Table 5

In truly “market driven” labor markets, such as the exurban counties of Waukesha and Ozaukee, government and non-profit employment constitutes less than 15 percent of the total job base.<sup>11</sup> By contrast, in Milwaukee’s “Enterprise Community,” the city-designated heart of the inner city, “non-market” employment represents over 40 percent of the job base, and in some inner city neighborhoods such as King Drive or around 27<sup>th</sup> and North –extolled by city leaders as exemplars of market-driven development—the “non-market” employment share is even higher. In short, as Merrill Goozner put it in his trenchant critique of Michael Porter’s approach to inner city revitalization: “If [inner] cities do have latent competitive advantages...the market has spectacularly failed to grasp them in recent years.”<sup>12</sup>

Take the example of King Drive, frequently cited as a model of “market-driven” inner city revitalization in Milwaukee. King Drive does have visible stretches of

<sup>11</sup> In calling today’s exurban economies “market driven,” we should not forget the historical role of government policy – in transportation, housing, and tax incentives—that made suburbia possible.

<sup>12</sup> Merrill Goozner, “The Porter Prescription, *The American Prospect*, 9:38 (May-June 1998): 60.

commercial development, particularly south of North Avenue but also extending spottily up to Locust Street. However, government and non-profit organizations account for nearly half the jobs in the King Drive area (see Table 6). It is agencies such as the YWCA, the United Way, the Department of Natural Resources, the U.S. Post Office, or the MLK Health Center—as well as quasi-regulated utilities such as Time Warner Cable—that have provided the most substantial boost to King Drive employment in the past decade. In fact, a much more plausible argument for improvements along King Drive would center on the role of public and non-profit investment, not the “rediscovery” of the competitive advantages of the inner city by the private market. To the extent that private investment is creating jobs along King Drive and elsewhere in the inner city, it has been in the aftermath of significant public investment. In short, as we will examine later in this report, given the failure of the private market to revitalize Milwaukee’s inner city, public leveraging will be absolutely essential if meaningful improvement in the inner city jobs crisis is to occur.

### *Income Trends in Milwaukee’s Inner City: 1990-2004*

The most recent data on income trends in Milwaukee neighborhoods are available from the State of Wisconsin Department of Revenue (DOR). Although the DOR data on adjusted gross income (AGI) per tax return are not precise equivalents of the preferred measure of income—household income—the DOR data do give us a reasonable estimate of income trends in various geographic locations throughout the region, including the inner city. Most importantly, the DOR data are much more up-to-date than census data, giving us the opportunity to assess recent trends in income growth in the inner city.<sup>13</sup>

Table 7 shows trends in inflation-adjusted income per tax return in the various zip codes of Milwaukee’s inner city over the past fifteen years. Since 1990, real taxpayer income in the inner city as a whole has declined 2.8 percent; however, since 1999, there has been a modest 1.6 percent increase in real inner city income (not quite counterbalancing the 4.3 percent income decline during the “booming” nineties). During the 1990s, seven of the nine inner city zip codes experienced

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<sup>13</sup> See appendix for discussion of the strengths and limitations of this data source.

declines in real taxpayer income; between 1999 and 2004, however, six of the nine zip codes witnessed increases in real income. For the entire 1990-2004 period, however, six of the inner city nine zip codes experienced declines in real income per taxpayer.

As it happens, since 1990, virtually *all* of the inner city income gains have been concentrated in two zip codes: 53205 (+18.8 percent) and 53212 (+14.4 percent). These zip codes encompass the revitalized Brewers Hill neighborhood (53212) as well as the moderate-income housing developments of Lindsay Heights and CityHomes (53205). Brewers Hill, of course, represents, along with Walker's Point, Milwaukee's most conspicuous gentrification success, and the sharp increase in real income in 53212 is undoubtedly attributable to the influx of affluent households in Brewers Hill rather than substantial income gains for existing residents. In zip code 53205, despite impressive income improvement since 1990 (particularly since 1999), this neighborhood still remains among the poorest in Milwaukee. Moreover, the 12 percent *decline* in the number of tax filers in zip code 53205 between 1999 and 2004 suggests that at least some of the increase in average income in this neighborhood may have simply been the result of poor residents moving out.<sup>14</sup> As the analysis of 2000 census data in the UWMCED report, *The Economic State of Milwaukee's Inner City: 1970-2000* showed, there has been a "hollowing out" of Milwaukee's traditional inner city since the 1980s, with massive population decline in inner city neighborhoods accompanied by migration to the Northwest Side of the city (as well as out of Milwaukee entirely, primarily to Southern states in a "reverse migration" of earlier years).<sup>15</sup>

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<sup>14</sup> According to DOR special tabulations for UWMCED, the number of tax filers in zip code 53205 declined from 3,776 to 3,311 between 1999 and 2004.

<sup>15</sup> Levine, *The Economic State of Milwaukee's Inner City: 1970-2000*, pp. 35-38. On so-called "reverse migration" to the South, see the forthcoming UWMCED report, *Migration Trends and the Economic State of Milwaukee* (Milwaukee: University of Wisconsin-Milwaukee Center for Economic Development, 2006).

**Table 7:**

**Income Trends in Milwaukee's Inner City, 1990-2004**

(Real income per tax return in inner city zip codes, in constant 2004 dollars)

Zip Code	1990 Income	1999 Income	2004 Income	%change, 1990-1999	% change, 1999-2004	%change, 1990 -2004
53204	\$21,580	\$20,524	\$21,422	-4.9%	+4.4%	-0.7%
53205	\$17,458	\$17,775	\$20,732	+1.8%	+16.6%	+18.8%
53206	\$20,495	\$19,042	\$19,112	-7.1%	+0.4%	-6.7%
53208	\$28,085	\$28,610	\$29,183	+1.9%	+2.0%	+3.9%
53210	\$30,068	\$28,101	\$27,709	-6.5%	-1.4%	-7.8%
53212	\$22,695	\$22,634	\$25,973	-0.3%	+14.7%	+14.4%
53216	\$32,637	\$30,791	\$29,978	-5.7%	-2.6%	-8.2%
53218	\$31,157	\$28,308	\$27,470	-9.1%	-3.0%	-11.8%
53233	\$18,562	\$17,124	\$18,323	-7.7%	+6.5%	-1.3%
<b>Inner City Total</b>	<b>\$26,536</b>	<b>\$25,387</b>	<b>\$25,795</b>	<b>-4.3%</b>	<b>+1.6%</b>	<b>-2.8%</b>

Source: CED Analysis of Wisconsin State Department of Revenue, *Statistics on Income*, special tabulations.

Although income per taxpayer in the zip codes constituting Milwaukee's "traditional" inner city grew modestly after 1999, income data confirm the hypothesis that Milwaukee's inner city has been expanding territorially since the early 1990s to encompass portions of the city's Northwest Side. Table 8 displays real income per taxpayer since 1990 in the four zip codes on the Northwest side.<sup>16</sup> Since 1990, inflation-adjusted income per taxpayer for the Northwest Side as a whole has declined by a substantial 8.6 percent, and, unlike the "traditional" inner city, income decline has continued on the Northwest Side since 1999.<sup>17</sup> The biggest deterioration in Northwest Side taxpayer income –double digit declines since 1990-- occurred in zip codes 53218 and 53223, neighborhoods running north from W. Congress Street to County Line Road, and west from Sherman Boulevard to 84<sup>th</sup> Street. The neighborhoods of zip codes 53218 and 53223 represent an unmistakable belt of income decline, stretching from the northwest corner of the "traditional" inner city (53218) to neighborhoods directly north (53223).

<sup>16</sup> Zip code 53218 is located on the Northwest Side, and therefore included in these Northwest Side calculations. Note, however, that 53218 is also included in the "traditional" inner city calculations, because it is one of the city's nine "CDBG" zip codes.

<sup>17</sup> The one exception is zip code 53224, located on the far northwest corner of the city, which has become in the past decade a favored residential location for Milwaukee's small black middle class. In fact, the income gains in 53224 somewhat mask the true extent of decline on the Northwest Side. If we exclude 53224 from the calculations, real income per taxfiler has declined by 11.5 percent since 1990, and by 3.8 percent since 1999 alone.

**Table 8:**

**Income Trends in Milwaukee's Northwest Side, 1990-2004**

(Real income per tax return in inner city zip codes, in constant 2004 dollars)

<b>Zip Code</b>	<b>1990 Income</b>	<b>1999 Income</b>	<b>2004 Income</b>	<b>%change, 1990-1999</b>	<b>% change, 1999-2004</b>	<b>%change, 1990 -2004</b>
53218	\$31,157	\$28,308	\$27,470	-9.1%	-3.0%	-11.8%
53223	\$43,225	\$40,174	\$37,939	-7.1%	-5.6%	-12.2%
53224	\$38,854	\$36,997	\$40,546	-4.8%	+9.6%	+4.4%
53225	\$35,797	\$33,155	\$32,709	-7.4%	-1.3%	-8.6%
<b>NW Side Total</b>	<b>\$36,752</b>	<b>\$33,949</b>	<b>\$33,581</b>	<b>-7.6%</b>	<b>-1.1%</b>	<b>-8.6%</b>

Source: Same as Table 7

Taken as a whole, incomes on the Northwest Side remain substantially above the inner city average, as well as above the average for the entire city of Milwaukee (see Table 11). It would be a gross exaggeration to declare the *entire* Northwest Side a “new” inner city, particularly in light of the income gains exhibited in the solidly middle-class far northwest corner of the area (zip code 53224). But, the substantial income decline on the Northwest Side, particularly in the neighborhoods geographically closest to the “traditional” inner city, leads to the unavoidable conclusion that inner city economic conditions have been radiating north and west from Milwaukee’s “inner core” since 1990.<sup>18</sup> Especially when analyzed in tandem with the employment data we reviewed earlier, there is no gainsaying the severe economic distress that has begun to take hold in sections of Milwaukee’s Northwest Side. At the very least, *portions* of the Northwest Side must now be viewed as part of Milwaukee’s inner city, facing the social and economic challenges common to inner cities across the country.

In short, the income data reveal a territorial remapping of Milwaukee’s inner city, rather than any genuine economic gains since 1999. The in-migration of some relatively affluent households (gentrification) and out-migration of the poor from the traditional inner city has led to small neighborhood income improvements since 1999. However, these slender gains have been accompanied by the unmistakable beginnings of a transformation of the Northwest Side from a solid middle-class enclave to a geographic magnet for poor households leaving the traditional inner

<sup>18</sup> Attentive readers will recall that “inner core” was the label given by the Zeidler administration in the 1950s to the economically distressed northside neighborhoods at the heart of today’s “inner city.”

city. As a result, there has been no net gain in the battle against poverty and economic decline in Milwaukee: indeed, for the city as a whole, real income per taxpayer *declined* by 1.2 percent between 1999 and 2004 (see Table 9). Moreover, according to the U.S. Bureau of the Census, poverty in the city *increased* between 2000-2004 from 18.8 percent to 26.0 percent, a stunning surge of 38.3 percent in Milwaukee's poverty rate.<sup>19</sup>

At best, since 1990 Milwaukee has witnessed a *deconcentration* of poverty from traditional ghetto;<sup>20</sup> but, as we have seen, the migration of low-income households has resulted in declining incomes and growing poverty in wide swaths of the Northwest Side, effectively creating an embryonic "second" inner city there. Thus, in terms of real income growth, the economic state of Milwaukee's inner city remains highly troubled. Since 1990, as Table 9 shows, both the "traditional" inner city and the "emerging" inner city on the Northwest Side saw real income per taxpayer fall, while all other jurisdictions in metropolitan Milwaukee registered increases (ranging from a modest 1.0 percent for the city of Milwaukee as a whole, to 20.1 percent for the WOW counties containing Milwaukee's exurbs). Since 1999, as we have noted, the traditional inner city, for a variety of reasons, posted a slight gain in real income per taxpayer (+1.6 percent); but, this increase was more than counterbalanced by the falling real income (-3.8 percent) recorded in the three zip codes of the Northwest Side (53218, 53223, and 53225) that increasingly look like an emerging inner city.<sup>21</sup>

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<sup>19</sup> United States Bureau of the Census, *American Community Survey* (2000 and 2004). The *American Community Survey* (ACS) is a relatively new estimate of social and economic trends in cities, based on annual population samples. The reliability of the ACS —compared to the decennial census—on indicators such as city poverty rates or household income -- remains to be determined. For example, the precursor to the ACS —the Census 2000 Supplementary Survey— estimated Milwaukee's individual poverty rate at 18.8 percent, compared to the full census' figure of 21.3 percent (in 1999). Thus, city poverty estimates should be analyzed with caution. To compare "apples to apples" here, I've used the supplementary survey figure for 2000 to compare with the ACS 2004 poverty estimate.

<sup>20</sup> Paul Jargowsky found that the percentage of Milwaukee blacks living in "high poverty" census tracts (high poverty tracts defined as containing 40% or more of the population in tract living in poverty) declined from 64.6 percent to 38.1 percent between 1990 and 2000. See Jargowsky, *Stunning Progress; Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s* (Washington, D.C.: The Brookings Institution, 2003), p. 17. Nevertheless, despite this deconcentration, Milwaukee's city-wide poverty rate declined by less than one percent between 1990 and 2000 (and has risen sharply since 2000). And, on the Northwest Side, poverty increased from 13 percent to 20 percent between 1990 and 2000, with the number of tracts on the Northwest Side with poverty rates above 20 percent jumping from three to six during the decade. One Northwest Side tract had a poverty rate of 47.8 percent in 2000. See Levine, *Economic State of Milwaukee's Inner City, 1970-2000*, p. 29.

<sup>21</sup> For the entire Northwest Side (including the middle class zip code 53224), real income fell by 1.1 percent between 1999-2004 (see Table 9).

**Table 9:**

**Income Trends in Selected Areas of Metro Milwaukee, 1990-2004**

(Real income per tax return in selected areas, in constant 2004 dollars)

Area	1990 Income	1999 Income	2004 Income	%change, 1990-1999	% change, 1999-2004	%change, 1990 -2004
Inner City	\$26,536	\$25,387	\$25,795	-4.3%	+1.6%	-2.8%
NW Side	\$36,752	\$33,949	\$33,581	-7.6%	-1.1%	-8.6%
City of Milwaukee	\$29,620	\$30,290	\$29,922	+2.3%	-1.2%	+1.0%
Milwaukee County Suburbs	\$47,756	\$53,688	\$51,978	+12.4%	-3.2%	+8.8%
WOW Counties	\$52,428	\$61,785	\$62,978	+17.8%	+1.9%	+20.1%

Source: Same as Table 7

Therefore, it is not surprising that income per taxpayer in Milwaukee’s inner city –both in the traditional ghetto neighborhoods as well as in the emerging inner city on the Northwest Side— continues to lag substantially behind the rest of the Milwaukee region. As Tables 10 and 11 show, income per taxpayer in the traditional inner city is now less than half that of taxpayers in the Milwaukee County suburbs and just 41.0% of the income of taxpayers in the exurban “WOW” counties. On the Northwest Side, taxpayer incomes in 2004 were only 53.3 percent of taxpayer income in the exurban “WOW” counties, a substantial decline from 70.1 percent in 1990. These are massive income gaps that signify deep economic polarization in the region.

**Table 10:**

**Inner City Income Compared to Selected Areas of Metro Milwaukee: 1990-2004**

Inner City Income per taxpayer as % of income in:

Place	1990	1999	2004
City of Milwaukee	89.6	83.8	86.2
Northwest Side	72.2	74.8	76.8
Milwaukee County Suburbs	55.6	47.3	49.6
WOW Counties	50.8	39.9	41.0

Source: Same as Table 7

**Table 11:**

**Northwest Side Income Compared to Selected Areas of Metro Milwaukee: 1990-2004**

Northwest Side Income per taxpayer as % of income in:

Place	1990	1999	2004
City of Milwaukee	124.1	112.0	112.2
Inner City	138.5	133.7	130.2
Milwaukee County Suburbs	77.0	63.2	64.6
WOW Counties	70.1	54.9	53.3

In sum, income data show an inner city that remains poor and continues to lag behind the rest of the region. Notwithstanding recent rhetoric among civic boosters, income trends give little sign that Milwaukee’s inner city is becoming more “competitive,” or that “market-driven” development is lifting the incomes of inner city residents. Quite the contrary: the income data reveal the extent to which Milwaukee’s inner city faces a grave economic crisis and requires new, innovative policy approaches. We will have more to say on this policy issue below.

*Business Development in the Inner City, 1994-2003*

A final indicator with which to gauge economic development trends in the inner city is the number of businesses located in the area. *County Business Patterns* reports the number of business establishments located in zip codes. An “establishment” is defined as a single physical location where business is conducted or services or industrial operations are performed. The number of establishments is an imperfect indicator of economic activity in a neighborhood: clearly, economic activity could be more robust in a neighborhood with a few large employers as opposed to one with many small establishments with few employees.<sup>22</sup> Nevertheless, viewed in context with employment and income indicators, the establishment data give us another metric on economic trends in the inner city.

Table 12 presents data on the number of business establishments in the nine “CDBG” zip codes of Milwaukee’s inner city between 1994 and 2003, the most

<sup>22</sup> A good example of this possibility, in reverse, is north side zip code 53216, which experienced a 32.9% employment decline between 1999-2003 while the number of business establishments in the neighborhood remained stable. Large layoffs at Tower Automotive and Eaton could not be counterbalanced by employment in small neighborhood businesses.

recent data available. The number of inner city business establishments sharply declined in the 1990s, followed by a small increase since 1999. Between 1994 and 2003, the number of establishments in the inner city declined by 7.5 percent; however, all of the decline occurred between 1994-1999, and since 1999, the number of establishments has grown by almost two percent. Nevertheless, the number of business establishments located in the inner city in 2003 was well below the number operating there a decade earlier, not exactly a sign, as former Mayor John O. Norquist constantly opined, that would-be entrepreneurs are responding, in large numbers, to the “market opportunities” of the inner city.

**Table 12:**

**Business Activity in Inner City Zip Codes, 1994-2003**

(Number of business establishments, by zip code)

<b>Zip Code</b>	<b>1994</b>	<b>1999</b>	<b>2003</b>	<b>% change, 1994-1999</b>	<b>% change, 1999-2003</b>	<b>%change, 1994-03</b>
53204	748	680	660	-9.1%	-2.9%	-11.8%
53205	141	125	124	-11.3%	0.8%	-12.1%
53206	210	200	218	-4.8%	+9.0%	+3.8%
53208	558	495	511	-11.3%	+3.2%	-8.4%
53210	413	365	371	-11.6%	+1.6%	-10.1%
53212	642	616	646	-4.0%	+4.9%	+0.6%
53216	530	443	439	-16.4%	-0.9%	-17.2%
53218	487	444	470	-8.8%	+5.8%	-3.4%
53233	351	341	335	-2.8%	-1.8%	-4.6%
<b>Inner City Total</b>	<b>4,080</b>	<b>3,709</b>	<b>3,774</b>	<b>-9.1%</b>	<b>+1.8%</b>	<b>-7.5%</b>

Source: CED analysis of U.S. Bureau of the Census, *County Business Patterns*, establishment data by zip code, 1994-2003.

The business establishment data also confirm the growing economic difficulties of Milwaukee’s Northwest Side. Between 1994 and 2003, the number of establishments declined by almost seven percent on the Northwest Side. Among the Northwest Side zip codes, only 53224 – the middle-class enclave on the far northwest corner of the city—saw an increase in the number of business establishments operating in the neighborhood.

**Table 13:**

**Business Activity in Northwest Side Zip Codes, 1994-2003**

(Number of business establishments, by zip code)

<b>Zip Code</b>	<b>1994</b>	<b>1999</b>	<b>2003</b>	<b>% change, 1994-1999</b>	<b>% change, 1999-2003</b>	<b>%change, 1994-03</b>
53218	487	444	470	-8.8%	+5.8%	-3.4%
53223	894	838	703	-6.3%	-16.1%	-21.4%
53224	335	350	420	+4.5%	+20.0%	+25.3%
53225	454	466	427	+2.6%	-8.4%	-5.9%
<b>NW Side Total</b>	<b>2,170</b>	<b>2,098</b>	<b>2,020</b>	<b>-3.3%</b>	<b>-3.7%</b>	<b>-6.9%</b>

Source: same as Table 12

Table 14 puts the trends in business growth in the “traditional” inner city and the Northwest Side in the context of trends elsewhere in the Milwaukee region. Once again, the data confirm the economic performance gap separating the inner core of Milwaukee from the exurban communities on the regional periphery. Only the “WOW Counties” (Waukesha, Ozaukee, and Washington) experienced growth in the number of business establishments between 1994 and 2003 (+15.0%). Even downtown Milwaukee, one of the bright spots in the city’s economy, saw a small shrinkage in the number of establishments during this period, as did all of Milwaukee County.<sup>23</sup> Nevertheless, as Table 14 reveals, on this measure of economic performance, both the “traditional” inner city and the embryonic “second” inner city on the Northwest Side have lagged considerably behind the rest of the region since 1994.

On the other hand, the encouraging news in the data is that since 1999, inner city growth in the number of business establishments has exceeded growth in the rest of the region, including the WOW counties (+1.8 percent in the inner city versus +1.5 percent in the WOW counties). Again, the data need to be put in context: the growth in inner city establishments between 1999-2003 was counterbalanced by losses on the Northwest Side during this period (as well as by losses in the “traditional” inner city between 1994-1999). Nevertheless, the more recent numbers do provide

<sup>23</sup> Even though employment increased downtown by almost six percent between 1994-2003 –see Table 3). Establishment data for the city of Milwaukee as a whole is not available from *County Business Patterns*.

encouragement that, at the very least, business development in the inner city may have stabilized after years of sharp decline.

**Table 14:**

**Business Growth in Selected Areas of Metro Milwaukee, 1994-2003**

(Number of business establishments in selected areas)

Area	1994	1999	2003	% change, 1994-1999	% change, 1999-2003	% change, 1994-2003
Inner City	4,080	3,709	3,774	-9.1%	+1.8%	-7.5%
NW Side	2,170	2,098	2,020	-3.3%	-3.7%	-6.9%
Downtown Milwaukee	2,502	2,510	2,413	+0.3%	-3.9%	-3.6%
Milwaukee County	22,109	21,394	21,037	-3.2%	-1.7%	-4.8%
WOW Counties	16,226	18,383	18,655	+13.2%	+1.5%	+15.0

Source: Same as Table 12

*Conclusions—and Some Policy Implications*

Our analysis of trends in employment, income, and business development leads to one overriding conclusion: Milwaukee’s inner city continues to face severe and, as yet, unalleviated economic distress. On all indicators, inner city neighborhoods have experienced decline since the early 1990s. Although inner city economic conditions have shown modest improvement since the end of the 1990s, the gains were slight compared to the losses of the 1990s, leaving the inner city in worse shape today than a decade ago. Many of the gains since 1999 have been concentrated in just two or three inner city zip codes –particularly those where gentrification has occurred-- leaving the rest of the inner city in continuing decline. Moreover, as we have pointed out, the gains in the inner city since 1999 may have been more apparent than real, reflecting a “remapping” of economic distress in Milwaukee as low-income residents left the “traditional” inner city for an embryonic “second” inner city in sections of the Northwest Side. Clearly, as the surge in poverty in Milwaukee since 2000 underscores, our expanding inner city continues to suffer from low-incomes, anemic job growth, and sluggish economic activity.

As early as 1960, a report prepared for Mayor Frank Zeidler identified severe and growing problems in Milwaukee’s “inner core;” yet, for the next thirty years, the inner city suffered from a not-so-benign neglect as social and economic conditions

deteriorated, particularly in the 1980s.<sup>24</sup> Milwaukee has been the site of numerous “inner city” initiatives since the early 1990s, yet the results have been limited, at best, in reviving inner city neighborhoods and improving economic opportunity for inner city residents. Community organizations have worked, often heroically and almost always with insufficient resources, to jump- start neighborhood economies. National and local foundations have funded numerous neighborhood economic development projects as well as broader, multi-neighborhood initiatives; since the mid-1990s, for example, we’ve seen the “Milwaukee Jobs Initiative,” the “Making Connections” project, and the “Initiative for a Competitive Milwaukee.” And city government has spent millions, mostly through the Community Development Block Grant program, to support neighborhood revitalization programs. All of these programs (except the Initiative for Competitive Milwaukee –more on that below) can point to tangible successes on inner city projects; yet, as the data on employment, income, and business growth reveal, Milwaukee’s inner city crisis endures and broad revival remains elusive.

Inner city economic development policy across the country today is increasingly influenced by two broad approaches. One strategy, promoted by Harvard business professor/consultant Michael Porter, argues that inner city revitalization programs have failed in the past because they have been too oriented towards “social services,” have failed to involve the private sector, and have been inhibited by excessive city regulation of private businesses. According to Porter, inner cities have considerable “competitive advantages” (cheap and available labor and land, central location, and unmet consumer markets) that would attract private reinvestment if cities nurtured a pro-business climate. “Utilizing the forces of the marketplace and the resources of the private sector, [Porter] believed there had to be a way to restore the economic health of our inner cities and create jobs and opportunities for residents.”<sup>25</sup>

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<sup>24</sup> See Mayor’s Study Committee on Social Problems in the Inner Core Area of the City, *Final Report to Mayor Zeidler* (Milwaukee, 1960). For analysis of inner city decline in the 1980s, see Levine, *The Economic State of Milwaukee’s Inner City: 1970-2000*.

<sup>25</sup> Initiative for a Competitive Inner City, “Overview of the Initiative for a Competitive Inner City,” in Thomas D. Boston and Catherine L. Ross (eds), *The Inner City: Urban Poverty and Economic Development in the Next Century* (New Brunswick: Transaction Publishers, 1997), p. 225.

Thus, in the late 1990s, Porter launched another of his consulting ventures, the “Initiative for a Competitive Inner City” (ICIC), to promote his version of ghetto capitalism around the country. Financed in partnership by the Helen Bader Foundation and the Greater Milwaukee Committee, Porter’s team was brought into Milwaukee in 2001 to develop an “Initiative for a Competitive Milwaukee (ICM),” modeled on the “market-driven,” competitive inner city principles enunciated by Porter. Nearly three years ago, with great fanfare, the ICM was launched. Mayor Tom Barrett has warmly embraced the initiative, touting it as a centerpiece of Milwaukee’s inner city revitalization strategy. The *Milwaukee Journal Sentinel* has published several supportive articles and editorials, praising ICM as a new and innovative “economic” approach to inner city decline.<sup>26</sup> Corporate leaders have endorsed the ICM and promised financial support; indeed, the Greater Milwaukee Committee touted its sponsorship of ICM as a sign of its new commitment to revitalizing Milwaukee’s inner city.

Nearly three years after its launch, however, the ICM remains moribund. It has already gone through two executive directors and failed to implement any significant job creation and business development programs. There is little sign that the initiative will make any meaningful contribution in the near future –if ever—in alleviating Milwaukee’s inner city economic crisis.<sup>27</sup>

This is not surprising: beyond the ICM’s obvious implementation problems, at its heart are a series of fallacious assumptions and flawed premises. First, the ICIC is based on an astonishingly mistaken read of urban history. As noted above, Porter argues that “past efforts have been guided by a social model built around meeting the needs of individuals” and that “government can assume a more effective role by supporting the private sector in new economic initiatives.”<sup>28</sup> However, as Susan Fainstein and Mia Gray point out, fifty years of urban revitalization programs, from the urban renewal projects of the 1950s to the “empowerment zones” and “enterprise communities” of Bill Clinton in the 1990s “have contained one constant element –

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<sup>26</sup> One article offered a starry-eyed account of how Michael Porter had been “drawn to Milwaukee as a laboratory of urban change,” conveniently ignoring the fact that Porter’s “interest” in Milwaukee was at least partially piqued by the rumored \$500,000 consulting fees paid to ICIC. See John Schmid, “Sowing Jobs,” *The Milwaukee Journal Sentinel*, 6 December 2004.

<sup>27</sup> Milwaukee is not the first city to experience implementation difficulties with an ICIC program: Baltimore had a similar experience with a pilot ICIC program that, in the end, never got off the ground.

<sup>28</sup> Michael Porter, “The Competitive Advantage of the Inner City,” p. 55, 67.

their basis in an unswerving faith that the private sector holds the key to urban revitalization. Thus, although the forms of governmental programs have changed and the levels of subsidy have gyrated wildly, their purpose has always been the same – *to renew the interest of private investors in places from which capital has fled* (emphasis added).<sup>29</sup> Urban redevelopment policy in Milwaukee and elsewhere has consistently been driven by what one political scientist felicitously called “investor prerogative;”<sup>30</sup> indeed, a central *criticism* of these policies has been that, while providing incentives and benefits to businesses, they have failed to deliver for low-income residents in poor neighborhoods.

In short, there is nothing new or innovative about Porter’s call for a “business-oriented” strategy of inner city economic development: this has been standard operating procedure since the 1950s. The economic decline of inner cities in Milwaukee and across the country was not caused by a failed “social services” strategy or an aversion to businesses; on the contrary, it was the result of market forces and private sector (dis)investment decision-making that Porter offers no strategy on how to reshape. Despite decades of “business incentives” programs, designed to stimulate private reinvestment in the inner city, the outflow of capital has not been stanching; thus, there is little plausible reason to think that Porter’s call for a new set of business incentives, coupled with exhortations that the inner city is “competitive” and “open for business,” will succeed in stimulating reinvestment where previous business incentives programs have failed. In fact, as we pointed out earlier, *public* investment and *public* employment have been central to stabilizing Milwaukee’s inner city economy in the face of massive private disinvestment. No serious observer denies the ultimate centrality of private investment in reviving inner city communities; the question is how to encourage that investment in ways that improve the living standards of low-income residents rather than simply enriching speculators or investors. The Porter “prescription” has nothing to say on this central issue.

A second key flaw in the Porter approach is conceptual. In his seminal 1995 *Harvard Business Review* article, Porter argued that although incomes may be

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<sup>29</sup> Susan S. Fainstein and Mia Gray, “Economic Development Strategies for the Inner City: The Need for Governmental Intervention,” in Thomas D. Boston and Catherine L. Ross (eds), *The Inner City: Urban Poverty and Economic Development in the Next Century* (New Brunswick: Transaction Publishers, 1997), p. 29.

<sup>30</sup> Clarence Stone, *Regime Politics* (Lawrence: University Press of Kansas, 1989).

relatively low in the inner city, the population density of inner city neighborhoods produces surprisingly high aggregate incomes and aggregate purchasing power. As a result, claim Porter and his followers, the inner city has a latent “competitive advantage” in attracting businesses, particularly retail establishments drawn to dense consumer markets with “vast” untapped demand. The City of Milwaukee Department of City Development has wholeheartedly endorsed this analysis, posting neighborhood *Purchasing Power Profiles* on their web site that purport to show greater potential consumer demand in Milwaukee’s inner city than exists in many suburban locations in Greater Milwaukee. The city apparently believes that by posting such profiles retailers, who had heretofore avoided the inner city market, will see the errors in their analysis of various markets and will be drawn to the inner city. A retail-led inner city economic revival presumably would be the result.

This analysis fails, however, on several levels. First, if aggregate purchasing power is truly a competitive advantage, it has been *eroding* in Milwaukee’s inner city since 1990.<sup>31</sup> Stagnant real income coupled with large population losses has actually produced *declining aggregate income* and therefore *declining aggregate purchasing power* in the nine zip codes of the “traditional” inner city since 1990: as Table 15 shows, aggregate income in the inner city, adjusted for the effects of inflation, fell by 15.5 percent between 1990 and 2004.<sup>32</sup> In zip codes 53218, 53223, and 53225 --the portions of the Northwest Side that constitute the core of Milwaukee’s embryonic “second” inner city—real aggregate income fell by a staggering 19.1 percent between 1990-2004.<sup>33</sup>

On the other hand, as Table 15 illustrates, this inner city decline occurred at the same time that real aggregate income skyrocketed in many suburban municipalities (as population grew and residents’ incomes soared). Thus, aggregate income in

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<sup>31</sup> In fact, this alleged purchasing power advantage has been eroding since at least the 1970s. Aggregate household income, adjusted for inflation, declined by 33.9 percent in the inner city between 1979 and 1989. Aggregate purchasing power in the inner city was substantially higher in the 1970s than it is today, and population density was significantly greater. Yet disinvestment, retail decline, and commercial abandonment all *accelerated* in the 1970s and 1980s. Manifestly, advantages in density and aggregate purchasing power did not generate a surge in inner city development in the 1970s and 1980s; why should these factors, all greatly reduced since the 1970s, result in a “competitive advantage” today? See Levine, *The Economic State of Milwaukee’s Inner City: 1970-2000*, pp. 39-40.

<sup>32</sup> And real aggregate income in the inner city declined by 10.0 percent during the 1999-2004 period alone, despite a slight uptick in real income per taxpayer during those years, a sign of the ongoing depopulation of the traditional inner city.

<sup>33</sup> For the entire Northwest Side, including the middle-class zip code 53224, real aggregate income fell by 15.8 percent between 1990-2004.

Milwaukee's inner city declined in both relative and absolute terms since 1990, which doubly disadvantaged these neighborhoods in attracting businesses. Retailers, looking for the most robust consumer markets, will be drawn to "where the money is," and increasingly that is in the suburban and particularly exurban communities of metro Milwaukee. Therefore, it is hardly surprising that since 1990 the number of retail establishments plummeted in the inner city and on the increasingly poor Northwest Side, while retail growth continued unabated in suburban and exurban communities. The number of retail establishments fell by 16.9 percent in the traditional inner city and by a whopping 38.0 percent on the Northwest Side between 1994-2003,<sup>34</sup> according to the zip code compilations of the U.S. Census Bureau's *County Business Patterns*; conversely, the number of retail establishments increased by 9.8 percent in the WOW counties during this period.

**Table 15:**

**Aggregated Adjusted Gross Income in Selected Communities in Metro Milwaukee, 1990-2004**

(in constant 2004 dollars)

(in 000 dollars)

<b>Location</b>	<b>1990 Real AGI</b>	<b>2004 Real AGI</b>	<b>% change, 1990-2004</b>
Inner City Zip Codes	2,719,535	2,297,172	-15.5%
Northwest Side	1,999,584	1,683,462	-15.8%
Brookfield	1,481,323	1,804,376	+22.7%
Mequon	870,715	1,510,346	+73.6%
New Berlin	875,179	1,183,991	+35.2%
Delafield	295,297	582,428	+97.3%
Germantown	308,438	529,972	+71.7%
Franklin	528,562	893,501	+69.1%
Oak Creek	404,288	750,096	+85.6%
Menomonee Falls	684,812	966,570	+41.2%
Cedarburg	419,356	563,919	+34.5%

Source: State of Wisconsin, Department of Revenue, *Statistics on Income*, 1990 and 2004.

Establishment counts do not give us a gauge of actual retail sales activity at these locations, but given the larger and more numerous retail establishments located in the suburban and exurban communities, it is plausible to assume that the retail sales gap between the suburbs and the inner city grew significantly between 1994 and 2003 as well.

<sup>34</sup> The size of the decline on the Northwest Side is no doubt a function of the demise of the Northridge mall during this period.

Local news accounts have rightfully highlighted as positive elements in the inner city economy such recent developments as the rebuilding of Capitol Court into a viable retail center and the discovery of inner city markets by franchises such as Walgreen's, Osco, and Wal-Mart. But, the overall economic significance of these developments, while encouraging, should not be overblown. As critics have pointed out, these types of retail development offer questionable value of as anchors of long-term, family-supporting job creation. Indeed, in the absence of living-wage ordinances, such businesses—offering low-wage, low-benefit, often part-time employment—may actually contribute toward the crisis of low incomes and poverty in the inner city. In the last analysis, whatever the economic development value of these particular retail investments, retailing remains anything but robust in Milwaukee's inner city, especially compared to other areas in metro Milwaukee. If, as the ICIC model purports, there is a “competitive advantage” in a huge “untapped” inner city consumer market, retailers, on the whole, seem to have had a hard time finding it in Milwaukee.<sup>35</sup>

The other chief conceptual problem with the inner city “purchasing power” strategy is the reliance on *aggregate* income as a measure of demand. Inner city families do not collectively pool their income and go shopping as an aggregate unit; therefore, the meaningful measure of neighborhood purchasing power is the discretionary income of individual households. In 2001, the Washington, D.C.-based Economic Policy Institute in conjunction with the UW-Madison Center on Wisconsin Strategy identified \$37,300 as the income level necessary to sustain a “basic family budget” in metro Milwaukee (i.e. to cover food, housing, child care, health insurance, transportation, and utilities).<sup>36</sup> Yet, as we saw in Table 7, there was

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<sup>35</sup> Porter, who otherwise extols the magic of private markets, attributes this market “failure” to “information imperfections” – in other words, that potential investors are misinformed about the true potential of inner city retailing. It's an odd contradiction: on the one hand, Porter believes the competitive advantages of the inner city are palpable, yet the private investors – in whom he places so much faith for inner city revival— somehow are unable to view those opportunities. (He blames, incredibly, the media for this “misinformation”). Usually, in economic policy, the solution to market failure is governmental intervention; yet, Porter views the heavy-hand of government as an impediment to efficient inner city markets – another weakness in his approach. See Porter, “An Economic Strategy for America's Inner Cities: Addressing the Controversy,” in Thomas D. Boston and Catherine L. Ross (eds), *The Inner City: Urban Poverty and Economic Development in the Next Century* (New Brunswick: Transaction Publishers, 1997), p. 312.

<sup>36</sup> Economic Policy Institute, *Hardships in America: The Real Story of Working Families* (Washington, D.C.: EPI, 2001).

not a single zip code in the inner city in 2004 in which income per tax return<sup>37</sup> approached this “basic family income.”<sup>38</sup> For the inner city as a whole, taxpayer income was only two-thirds of this low-income threshold. In other words, there simply are not many tax filers with considerable discretionary income – that is, income available after spending on necessities—to sustain a robust consumer market. This explains why retail development continues to lag in the inner city, not “urban myths” or other such nonsense propagated locally by some followers of “Porterism.”

In sum, the “unmet consumer demand” argument is a thin reed on which to build an inner city economic development strategy, and misleading aggregate “purchasing power” studies steer policymakers in unproductive directions. The chief impediment to retail and other business development in the inner city is simple, yet daunting: the *low incomes* of residents. The challenge for policymakers is develop strategies to raise residents’ incomes – *then* retail will follow. Unfortunately, the Porter prescription gets the sequence backwards by putting retail development first, and offers nothing to address the fundamental challenge of raising the low incomes in the inner city.<sup>39</sup>

Other elements of Porter’s ICIC model are potentially interesting, but still problematic. In particular, his emphasis on linking the inner city economy to the wider regional economy and employment clusters is promising, although he fails to specify any non-governmental implementation mechanism for such regional linkages. Moreover, establishing such linkages is especially difficult when market forces continue to pull business and population to the periphery of metropolitan areas, ever more distant –and inaccessible—to the inner city poor; yet, the Porter prescription contains no strategies to combat regional sprawl. The lack of a thought-out implementation strategy in the ICIC model is abundantly clear in Milwaukee, where the ICM has accomplished nothing in its nearly three years of existence. Presumably Porter believes that employers, who have systematically disinvested in

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<sup>37</sup> Typically, income per tax return is lower than the more standard measure of family income or household income (see Appendix). Nevertheless, the measures are reasonably comparable and, in any event, the gap between the “basic family budget” and average income per taxpayer is sufficiently large to compensate for this measurement variation (see note 38).

<sup>38</sup> Adjusted for inflation between 2001 and 2004, the EPI “basic family budget” for Milwaukee in 2004 dollars would be \$39,911. As Table 7 showed, income per taxpayer in Milwaukee’s inner city was only \$25,795 in 2004.

<sup>39</sup> In fact, given the low wages paid in retail, as well as Porter’s aversion to government regulation (presumably, to policies such as “living wage” ordinances), the Porter prescription could be a recipe for exacerbating the problem of low incomes in the inner city.

the inner city over the past thirty years, will now rapidly respond to the incantation of inner city “competitiveness,” and, once properly informed, will recognize the error of their ways and shift their investment patterns. There is little evidence, however, that such exhortations will be effective. Ironically, some of the corporate sponsors of the ICM have been responsible for the biggest job losses in Milwaukee’s inner city since the 1990s, suggesting a less than full faith on their part regarding the “competitive advantages” of the inner city.

In the last analysis, a major governmental role will be necessary to help reshape metropolitan markets, guide private investment, and implement any effective inner city-regional linkages program. The Porter prescription seriously misapprehends the degree to which private markets have devastated –and continue to devastate—inner cities, and misunderstands the central role of government planning and public investment in alleviating this market failure. In the end, despite exaggerated claims of a new, “economic strategy” for inner city redevelopment, Porter and the ICIC offer the same tired prescription of business incentives and deregulation that has historically failed to reverse flows of capital and jobs in metropolitan areas.

The other main approach to the economic crisis of inner cities is the so-called “new regionalism.” Promulgated nationally by writer/consultants such as David Rusk and Myron Orfield, as well as the Brookings Institution Center for Metropolitan Studies, the chief premise of the new regionalism is straightforward: after five decades of relentless suburban sprawl and outflow of capital and jobs, older, historically industrial cities –and, in particular, their inner cities—lack the resources to tackle successfully the myriad economic challenges with which they are confronted.<sup>40</sup> As urban scholars Peter Dreier, John Mollenkopf, and Todd Swanstrom put it:

Even with the best of intentions, local political leaders, whatever their political orientation, face overwhelming obstacles in trying to reduce poverty within their boundaries. The realities of urban finance and economics limit even the most progressive city officials...[They] cannot require suburbs to build affordable housing for the central-city poor. Nor can they require suburban employers to hire poor city residents or force metropolitan transportation agencies to reorganize their routes and schedules

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<sup>40</sup> David Rusk, *Inside Game/Outside Game: Winning Strategies for Saving Urban America* (Washington, D.C.: Brookings Institution Press, 1999); and Myron Orfield, *Metropolitica: A Regional Agenda for Community Stability* (Washington, D.C.: Brookings Institution Press, 1997).

to help urban residents get to suburban jobs. Most suburbs also have an advantage in the competition to attract middle-class residents, such as better schools, lower property taxes, and more efficient public services.<sup>41</sup>

In short, the new regionalists argue that the fiscal and jurisdictional straitjacket in which cities like Milwaukee find themselves makes it difficult, if not impossible, for cities, on their own, to solve the problems generated by economic segregation and regional sprawl. In his book *Inside Game, Outside Game*, David Rusk argues that in older, historically industrial cities, neighborhood revitalization programs – what he calls the “inside game”—have generally failed to reverse the tide of inner city decline. “Playing only the ‘inside game’ is a losing strategy for even the most exemplary players,” argues Rusk. “For both poverty-impacted cities and poverty-impacted neighborhoods, even the strongest inside game must be matched by a strong ‘outside game’” – by which Rusk means metropolitan-wide, regional policies of various types.<sup>42</sup> In particular, Rusk and other “new regionalists” focus on four main regional strategies to help revive inner cities and fight urban poverty: 1) control sprawl, through regional land use policy; 2) deconcentrate poverty, by opening up suburbs with affordable housing for low-income residents; 3) reduce fiscal disparities, through tax-base sharing policies often modeled on Minneapolis-St. Paul; and 4) link workers to jobs, by improving regional transportation connections between the inner city and suburban employment growth centers.

As a policy approach, the new regionalism offers a potentially exciting way for cities to escape the fiscal constraints that heretofore have limited the efficacy of inner city revitalization efforts. However, the new regionalism is not without its critics. For example, as David Imbroscio points out, although Rusk offers a penetrating critique of “inside game” strategies, he and other new regionalists fail to provide any convincing evidence of the efficacy of “outside games” (i.e. regional strategies) in alleviating inner city distress. Moreover, the new regionalists have yet to offer a plausible case for the *political* viability of “metropolitics;” in particular, it remains highly questionable, absent some compelling self-interest,<sup>43</sup> whether suburban and

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<sup>41</sup> Peter Dreier, John Mollenkopf, and Todd Swanstrom, *Place Matters: Metropolitics for the Twenty-first Century*. Second edition, revised (Lawrence: University Press of Kansas, 2004), p. 154.

<sup>42</sup> Rusk, *Inside Game/Outside Game*, p. 13.

<sup>43</sup> Like gaining access to a city’s water, perhaps?

exurban residents –and hence their political leaders-- will support regional equity policies designed, in part at least, to help rebuild the urban core of the region. This is especially true if suburbanites perceive that new regionalism will raise their taxes. On the other hand, for central city residents, there may be reasons to be leery of new regional structures that might dilute residents' control of their own institutions and services.<sup>44</sup>

Notwithstanding these criticisms --and the very real political impediments to regionalism—it is difficult to envision a successful Milwaukee inner city revitalization strategy that does not involve at least some form of regional policy. Therefore, it is at least somewhat encouraging that “regionalism” has become part of local discourse. Milwaukee’s two business organizations, the Metropolitan Milwaukee Association of Commerce (MMAC) and the Greater Milwaukee Committee (GMC) have articulated their support for “regionalism” (without defining precisely, in terms of institutions and policies, what they mean by regionalism). Mayor Tom Barrett, reversing decades of reticence on part of Milwaukee mayors to engage in regional initiatives, has also weighed in on the importance of regional “cooperation” (although once again, the precise contours of such cooperation remain unspecified).<sup>45</sup>

Unfortunately, however, Milwaukee’s “new regionalism” thus far has offered *nothing* that would contribute to inner city revitalization. The major new regional initiative is the so-called “Milwaukee 7” project, in which the seven counties of southeastern Wisconsin<sup>46</sup> join together in a “Regional Economic Council” whose job will be “to package the many individual strengths of the seven southeastern Wisconsin counties...and market the region as a whole.”<sup>47</sup> The core of the “Milwaukee 7” initiative is a five-year, \$12 million marketing campaign, to “brand” the region, improve its image, and sell it to businesses shopping for new locations. So far, the “Milwaukee 7” initiative has produced lots of rhetoric about regional “cooperation,” “competitiveness,” and “marketing,” but absolutely nothing about

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<sup>44</sup> David L. Imbrosio, “Shaming the Inside Game: A Critique of the Liberal Expansionist Approach to Addressing Urban Problems,” paper presented at annual meeting of Urban Affairs Association, April, 2005, Salt Lake City.

<sup>45</sup> We should also note the role of the Public Policy Forum, through conferences and reports, in pushing issues of regional policy onto the metro area’s political radar screen.

<sup>46</sup> The four counties of metro Milwaukee plus Kenosha, Racine, and Walworth counties.

<sup>47</sup> *Milwaukee Journal Sentinel*, 11 September 2005.

harnessing regional economic dynamism to meet the region's central economic challenge: Milwaukee's distressed inner city.<sup>48</sup>

Mayor Barrett, in explaining the city's support for the initiative, stated: "I need more family-supporting jobs in this community. I recognize that the city needs the suburbs and the suburbs need the city," and that a job gained in the region will be "everyone's" gain.<sup>49</sup> Well, not exactly. As we examined earlier (see Table 4), almost all of the net job growth in metro Milwaukee between 1994 and 2003 –around 51,000 jobs—occurred in the exurban WOW counties. Yet, few inner city residents secured any of exurban these jobs, and there was no discernible "trickle down" benefit for the inner city, as jobless rates there for working age black males remained over 50 percent.

The new rhetoric about regional cooperation is charming, but if the Milwaukee 7 "marketing" campaign succeeds in luring employers to Walworth county –or, for that matter, to the exurban communities of metro Milwaukee—the economic benefits for inner city residents will be nil, as was the case in the 1990s. Inner city residents will benefit from suburban growth only if explicit policies are put into place, such as regional transportation investments that better link the inner city to suburban employment centers, or tax-base sharing so that the benefits of growth are shared equitably throughout the region. Unfortunately, there is little sign that Mayor Barrett is prepared to advocate, or that Milwaukee's corporate and suburban leadership are prepared to embrace, the types of regional equity policies that could truly enhance the economic prospects of the inner city. Milwaukee's inner city challenges go well beyond the ameliorative capacity of "branding strategies" or a new regional image.

So what is to be done? Clearly, there is no panacea to the economic crisis of the inner city. Although there are many programs from "best practices" around the country that have contributed to neighborhood renewal, there is no *singular* approach that has proven to be *transforming* in its impact on inner cities. Nevertheless, from the experience in Milwaukee over the past decades, as well as the record from cities

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<sup>48</sup> Perhaps an inner city strategy will be part of the Milwaukee 7's "economic positioning strategy," promised for unveiling in the fall, 2006. Initiative leaders assert "this unique plan will lead to a comprehensive identification of our regional assets and economic opportunities, layered against a backdrop of our distinctive geographic resources and global trends." Whatever that means. See Tom Barrett, Steven J. Smith, and Dennis Kuester, "Milwaukee 7 initiative is zeroing in on jobs –today," *Milwaukee Journal Sentinel*, 16 April 2006.

<sup>49</sup> Ibid.

around the country, here are some modest –and not-so-modest-- suggestions for inner city economic renewal policy in Milwaukee:

1) ***Milwaukee needs a comprehensive inner city redevelopment and anti-poverty strategy.*** The city of Milwaukee has numerous inner city projects underway, and city government has developed renewal plans for several individual inner city neighborhoods. But, the city lacks a comprehensive inner city strategy, a master plan, for example, on the order of the downtown plan developed in the late 1990s. Such a strategy would coordinate investments in infrastructure, housing, transportation, business incentives, and workforce development in a targeted attack on poverty and unemployment in inner city neighborhoods –including, given trends over the past decade, areas of the Northwest Side. Coordination is hardly a cure-all, but too frequently these cornerstones of economic development are either poorly sequenced or insufficiently comprehensive to dramatically influence neighborhood development. Development of a comprehensive inner city economic development plan should be the *top priority* of public policy in Milwaukee. Additional resources should be directed towards community development corporations that show the capacity for innovative, multi-neighborhood strategies that produce family-supporting jobs. And a proactive city industrial strategy should especially target manufacturers already operating in the inner city, others who might relocate in the inner city, and package available city, state, and federal resources that might help them remain competitive and sustain family-supporting employment. In addition, city industrial strategy should target economic development resources toward sectoral clusters that have the highest competitiveness and job creation potential in Milwaukee. (The city’s Menomonee Valley plan, taking advantage of central location and infrastructure investments and targeting “living wage” manufacturers, is a good start towards a citywide industrial strategy).

2) ***Metro Milwaukee should embrace regional equity strategies.*** There are many potential virtues in regionalism: efficiency in services, coordination in multi-jurisdictional infrastructure, and economic competitiveness are three that are often mentioned by advocates. However, as political scientist Norton Long argued more than forty years ago: “The apostles of metropolitanism are coming to realize that the vision they are seeking is something more than a better means of moving traffic, an improvement in the plumbing, or even an increase in the competitive position of the

local economy. It is the possibility of attaining a shared common goal of a better life.”<sup>50</sup> As we have noted, the approaches currently circulating in Milwaukee stress the potential economic “competitiveness” gains of regional cooperation; but neither the “Milwaukee 7” nor the MMAC *Blueprint for Economic Prosperity* have anything to say about inner city decline or regional equity. At a minimum Milwaukee should embrace the three main strategies for regional equity outlined by David Rusk: sprawl control, deconcentrating poverty by “opening up” the suburbs, and reducing fiscal disparities between the central city and suburbs. In particular, some form of regional tax-base sharing should be established, similar to the one in the Twin Cities, to enhance the resource base available to stimulate economic development in the inner city. The PolicyLink think tank has inventoried hundreds of programs from around the country constituting “best practices” in regional equity policy. Instead of obsessing about ways to “brand” Milwaukee, perhaps the newly-created Regional Economic Council could review these best practices and adapt the most promising ones to the Milwaukee setting.<sup>51</sup>

### 3) *Corporate Milwaukee needs to step up to the plate for the inner city.*

Milwaukee’s corporate leadership needs to become much more involved in helping develop strategies and in providing resources for inner city renewal. The MMAC, for example, rolled-out its *Blueprint for Economic Prosperity* in 2004; one looks in vain in the *Blueprint*, amidst all of the standard business lobbying proposals of deregulation and tax cuts, for a concrete inner city revitalization strategy (save for the MMAC panacea of school vouchers). The GMC, of course, has invested heavily in the “Initiative for a Competitive Milwaukee” (ICM), but as we have noted, the ICM has already demonstrated serious flaws in theory and in practice; today, almost three years after its launch, ICM has contributed nothing to inner city renewal. Ironically, many GMC corporate members who are sponsors of ICM have also been responsible for substantial lay-offs and plant closings in and around Milwaukee’s inner city over the past decade. Here’s a novel strategy for the GMC to pursue: find ways to persuade its own members of the “competitive advantages” of the inner city. The GMC could contribute mightily to inner city economic development by helping

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<sup>50</sup> Norton E. Long, *The Polity* (Chicago: Rand McNally), p. 183.

<sup>51</sup> See PolicyLink, *Shared Prosperity, Stronger Regions: An Agenda for Rebuilding America’s Older Core Cities* (San Francisco: PolicyLink, 2006).

its members avoid inner city shutdowns and/or layoffs, and by persuading members to relocate from exurbia to the inner city. Finally, Milwaukee's corporate leadership can play an indispensable role in promoting regional equity policies. The vast majority of GMC and MMAC corporate members live outside of the city of Milwaukee; thus, they are strategically placed, by geography as well as their status in the metro economy, to make the case to suburban and exurban policymakers on the importance to the *entire* region of policies to revitalize the inner city.

4) *The City of Milwaukee should rethink some of its economic development strategies.* In particular, the wasteful capital spending on tourism infrastructure in Milwaukee over the past decade –over a billion dollars on a baseball stadium and a convention center—has severely damaged the local economy and diverted potential resources from inner city revitalization and other worthwhile investments (i.e. roads, schools, or housing). “Few fields of empirical economic research offer virtual unanimity of findings,” write economists John R. Siegfried and Andrew Zimbalist. “Yet, independent work on the economic impact of stadiums and arenas has uniformly found that there is no statistically significant positive correlation between sports facility construction and economic development.”<sup>52</sup> Some economists go even further, finding that public spending for sports teams actually *reduces* regional per capita income.<sup>53</sup> As for convention centers, Heywood Sanders' comprehensive study for the Brookings Institution shows how virtually all centers built or expanded since the mid-1990s have underperformed –including Milwaukee's which now attracts fewer conventioners than did the facility it replaced in 1998.<sup>54</sup>

Whatever the original economic folly of Miller Park and the Midwest Airlines Center, what's done is done: both facilities exist and will certainly operate for the foreseeable future. For the purposes of this study, there is no point in reopening a historical debate about whether public dollars should have been spent on these facilities. However, down the road, as part of a city strategy to build a chimerical

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<sup>52</sup> Cited in Jordan Rappaport and Chad Wilkerson, “What are the benefits of hosting a major league sports franchise?” Federal Reserve Bank of Kansas City study, [www.kc.frb.org](http://www.kc.frb.org).

<sup>53</sup> Dennis Coates and Brad R. Humphreys, “The Stadium Gambit and Local Economic Development,” *Regulation*, no. 2.

<sup>54</sup> Heywood Sanders, *Space Available: The Realities of Convention Centers as Economic Development Strategy* (Washington, D.C.: Brookings Institution, 2005). On Milwaukee, see Marc V. Levine, *The PabstCity Redevelopment Project: Inflated Projections and Dubious Economic Assumptions* (Milwaukee: UWM Center for Economic Development, 2005), p. 12.

tourist industry in Milwaukee, taxpayers once again may be called upon to provide public funding for an *expanded* convention center, or perhaps a new arena for a local professional sports team. Such expenditures should be scrupulously avoided: tourism has been a losing economic development strategy for Milwaukee as a whole, and for the inner city, tourism investments have represented a huge “opportunity cost” of funds that could have been invested in inner city economic renewal. Milwaukee needs to reorient its economic development strategy from building a “city for visitors” to one that makes rebuilding the inner city our top public policy priority.

5) ***Restructuring the Milwaukee Department of City Development will be essential to implementing an inner city revitalization strategy.*** DCD is the key city agency entrusted with economic development responsibilities. However, DCD has often confused *real-estate deal-making* and land development with economic development; nowhere was this more evident than in the PabstCity fiasco of 2005 when DCD pushed hard for a \$41 million public subsidy for a developer’s proposal that independent economic analysis showed would have created a trivial number of mostly low-wage jobs. The agency has done a good job of working out the details and implementing plans brought forward by developers, exerting particular influence since the Norquist years on the architectural face of development in the city. However, DCD’s planning capacity is woefully inadequate, and consequently DCD has devoted little time or energy to some of the standard elements of economic development planning found in cities around the country: identification and nurturing of export-industries in the city; targeting of import-substitution industries for future job development; supporting sectoral “clusters” that promise high-growth and family-supporting jobs in the future; and developing job-creation strategies in inner city neighborhoods. DCD needs to shift away from deal-making and land development, towards economic development planning that focuses on the creation of family-supporting jobs in neighborhoods. As James Rowen nicely put it: “Imagine a Department of City Development recast as an anti-poverty engine, with a top priority on jobs.”<sup>55</sup> Exactly.

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<sup>55</sup> James Rowen, “City needs a big-picture approach to budgeting,” *Milwaukee Journal Sentinel*, 19 November 2005.

6) *Community benefits agreements should be standard components of development deals in Milwaukee.* As redevelopment continues in downtown Milwaukee and surrounding neighborhoods, the city should maximize the employment possibilities for inner city residents. Historically, one of the central weaknesses of traditional economic development policy has been that incentives and subsidies have gone to private developers often with little evidence that low-income residents have benefited from these policies. In a growing number of cities around the country, “community benefits agreements” (CBAs) have been attached to major redevelopment projects, to give preferential hiring to inner city residents and to require developers receiving public subsidies to meet job creation and wage standards. CBAs offer a way to enhance the prospects of inner city residents to secure living-wage employment as a result of redevelopment in the city.

7) *Gentrification is not a dirty word.* As we have pointed out in this report, some of the apparent improvement in economic indicators in some inner city neighborhoods has clearly been a consequence of gentrification: the in-migration of relatively affluent households. Although gentrification is a complicated phenomenon, it is essential for the future of the city and its neighborhoods that Milwaukee attracts middle-class and affluent households. Gentrification improves the city’s tax base, enhances local consumer markets (promoting retail business growth), and helps break down the economic segregation that increasingly separates the city from its more affluent suburbs. The key, of course, is to ensure that gentrification is not accompanied by widespread displacement in which neighborhood residents are uprooted to make way for the gentrifiers, left more or less to fend for themselves and relocate to another poor neighborhood. Gentrification has clearly transformed neighborhoods such as Brewers Hill and Walker’s Point, and mechanisms should put in place to cushion whatever displacement inevitably accompanies gentrification. But, Milwaukee has not nearly reached the stage of cities such as Chicago, Boston, or San Francisco, where the widespread “reclamation” of inner city neighborhoods has resulted in mass displacement. Between 1995-2000, the most recent years for which city migration data are available, the number of relatively affluent households (\$75,000 and over annual income) *leaving* the city of Milwaukee outnumbered the ones moving here by a ratio of 3-1 (11,140 newcomers vs. 33,010 leavers). For households moving only within the metro Milwaukee region, the ratio of leavers to

newcomers in the city was 4-1.<sup>56</sup> Thus, although there may be pockets of displacement in Milwaukee, the city as a whole continues to lose middle-class and affluent households. Clearly, a goal of public policy should be to attract these residents to the city; in the last analysis, the inner city along with the entire region will benefit from an economically diverse city of Milwaukee.

8) *Milwaukee needs a “big bang” to stimulate inner city revitalization.* Public investment must be an essential ingredient in the revitalization of the Milwaukee’s inner city. In the past, public investment (in the form of highway expenditures and suburban housing subsidies) helped channel investment away from inner cities and accelerate the process of inner city economic decline. Today, with market forces still working in large measure against inner cities, public investment will be vital, both to stimulate inner city redevelopment (in a Keynesian, pump-priming sense), and reshape regional investment flows (to encourage investment in inner city locations). Major investments in renewed infrastructure –schools and roads, for example, badly in need of replacement and renovation—would not only create jobs for inner city unemployed, but could also enhance the long-term economic competitiveness of the inner city.

In particular, Milwaukee’s regional leaders should consider emulating Denver, which just approved a \$4.3 *billion* bond issue for a twenty-year regional rail transit program. A regional light rail system, anchored in downtown Milwaukee and with routes through the inner city, could knit the region together and stimulate station-area reinvestment in inner city neighborhoods and elsewhere. Most importantly, such a major investment, combined with regional growth management strategies, could help slow down suburban sprawl, shape regional land use in economically productive and environmentally sound ways, and help encourage private reinvestment in the urban core.

These eight ideas hardly exhaust the range of new policies that could help revitalize Milwaukee’s inner city economy. Moreover, although the current political climate would not seem propitious, substantial aid from the state and federal governments will probably be necessary for the kinds of investments we have suggested.

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<sup>56</sup> Data from U.S. Bureau of the Census, analyzed in Levine, *Migration Trends and the Economic State of Milwaukee* (forthcoming).

However, the time has come for Milwaukee's leaders to acknowledge the seriousness of Milwaukee's ongoing inner city crisis, and to recognize that business-as-usual will no longer suffice. The ideas we have proposed may serve as a useful starting point for rethinking inner city strategy in Milwaukee. But, whatever the value –or political viability—of the specific strategies we have identified, the important thing is that we begin a vigorous, open, and democratic debate on inner city policy in Milwaukee. Now.

## Appendix

The U.S. Bureau of the Census provides data on household income for neighborhoods, measured either at the census tract or zip code level, only in the decennial census. The relatively new *American Community Survey* provides household income estimates at only the city, county, and metropolitan area level, and therefore cannot be used for gauging post-census household income trends at the neighborhood level.

Thus, to examine neighborhood income trends in non-census years requires different data sources. This study uses income data reported by tax filers and available from the State of Wisconsin Department of Revenue (DOR), which is available on an annual basis. Special tabulations by DOR for the UWM Center for Economic Development broke down the income per tax filer by zip codes for 1990, 1999, and 2004 (the most recent year available), to make possible the analysis of income trends in geographical breakdowns approximating neighborhoods.

The DOR income data are not strictly comparable to census data on household income. The DOR data include “Wisconsin adjusted gross income” (WAGI) which roughly equals federal adjusted gross income plus certain additions, such as state and municipal bond interest, and minus certain subtractions, such as U.S. government bond interest and excluded long-term capital gains. WAGI is less than personal income, as estimated by the U.S. Department of Commerce, because not all persons are required to file tax returns and because certain income, such as a portion of social security benefits, is included in personal income, but not WAGI. Finally, WAGI per return is not necessarily equivalent to household income, because tax-filing units do not necessarily correspond to households; several members of a single household may file tax returns.

An example of how these technical caveats play out in practice: For the city of Milwaukee, in 1999 income per tax filer was \$30,290 (in 2004\$) according to data provided by DOR; median household income that year, according to the census, was \$35,437 (in 2004\$).