

# Population

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# Trends

- Many large cities in the U.S. started to decline in the 1950s both absolutely and relative to suburban communities
- More recently, many cities are once again growing
- Some cities (or parts of cities) are increasing attractive to college-educated households
- Michael Porter and others emphasize the attractiveness of cities to industry clusters and other economic activities
- Edward Glaeser and other stress the potential attractiveness of cities as a place to live
- Ehrenhalt (2012) calls this “The Great Inversion”

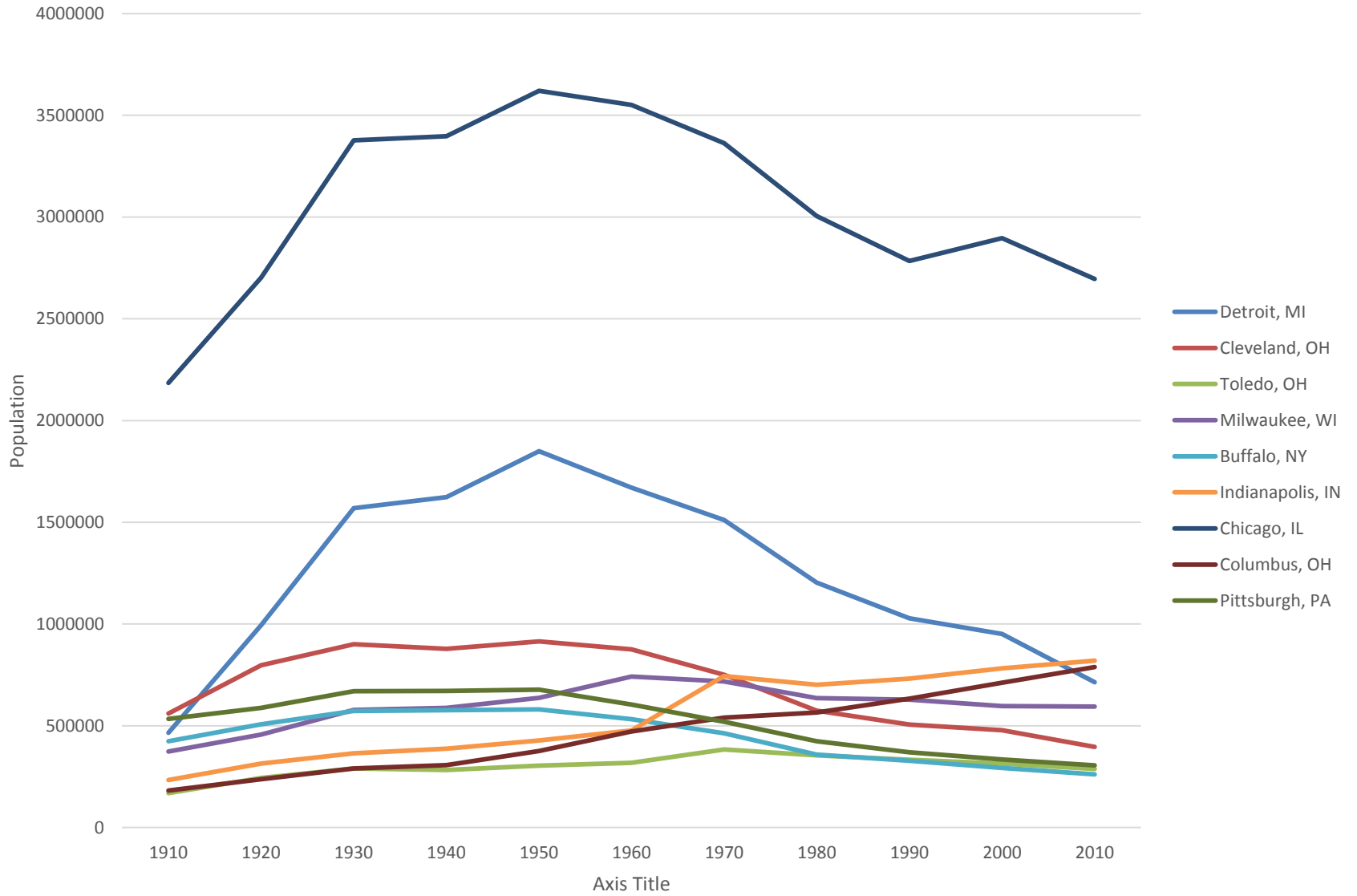
# Population: Detroit vs. Chicago

- Detroit's population peaked (1.8m) in 1950 (like Chicago)
- It had about  $\frac{1}{2}$  of Chicago's population then and now has (714,000) about  $\frac{1}{4}$  Chicago's population (2.7m)
- In 2010, the population of the city of Detroit accounted for 17% of the population of the Detroit metropolitan area

# Metro Areas

- Population of Chicago's metro area 9.5m and Detroit's metro area 4.3m.
- Detroit's metro area has increased by 33% since 1950 while Chicago's has increased 72%.
- Both Detroit and Chicago have gone from a centralized monocentric metro structure to a multi-centric decentralized structure

### Major City Populations Over Time



# Racial and Ethnic Breakdown

	Detroit	Chicago
• African-American	83%	33%
• Hispanic	7%	29%
• Asian	1%	6%

# Black and Hispanic Population Chicago Metro Area, 2010

• <b>Chicago</b>	City	Suburbs
• African-American	54%	46%
• Hispanic	40%	60%
• <b>Detroit</b>		
• African-American	60%	40%
• Hispanic	29%	71%

# Foreign Born

- Chicago 21%
- Detroit 5%



# Families with School-Age Children

- In general, families with school-age children are not attracted to big cities with some exceptions
- This is especially the case for more affluent, college-educated parents

# Percentage of Families with School-Age Children Living in City

	Detroit	Chicago
• Parents College Educated	5%	15%
• Other Parents	27%	21%

# Education and Household Location

- Chicago has become increasingly attractive to young, college grads
- This is especially the case for college grads without school-age children
- This is less the case in Detroit

# College Grads of Population 25+

- 34% in city of Chicago and 34% in suburbs of Chicago
- In trendy areas of the city of Chicago 75-80% are college grads
- 12% in city of Detroit and 30% in suburbs of Detroit

# 20 Something College Grads

- 46% in the Chicago metro area live in the city of Chicago
- 10% in the Detroit metro area live in the city of Detroit

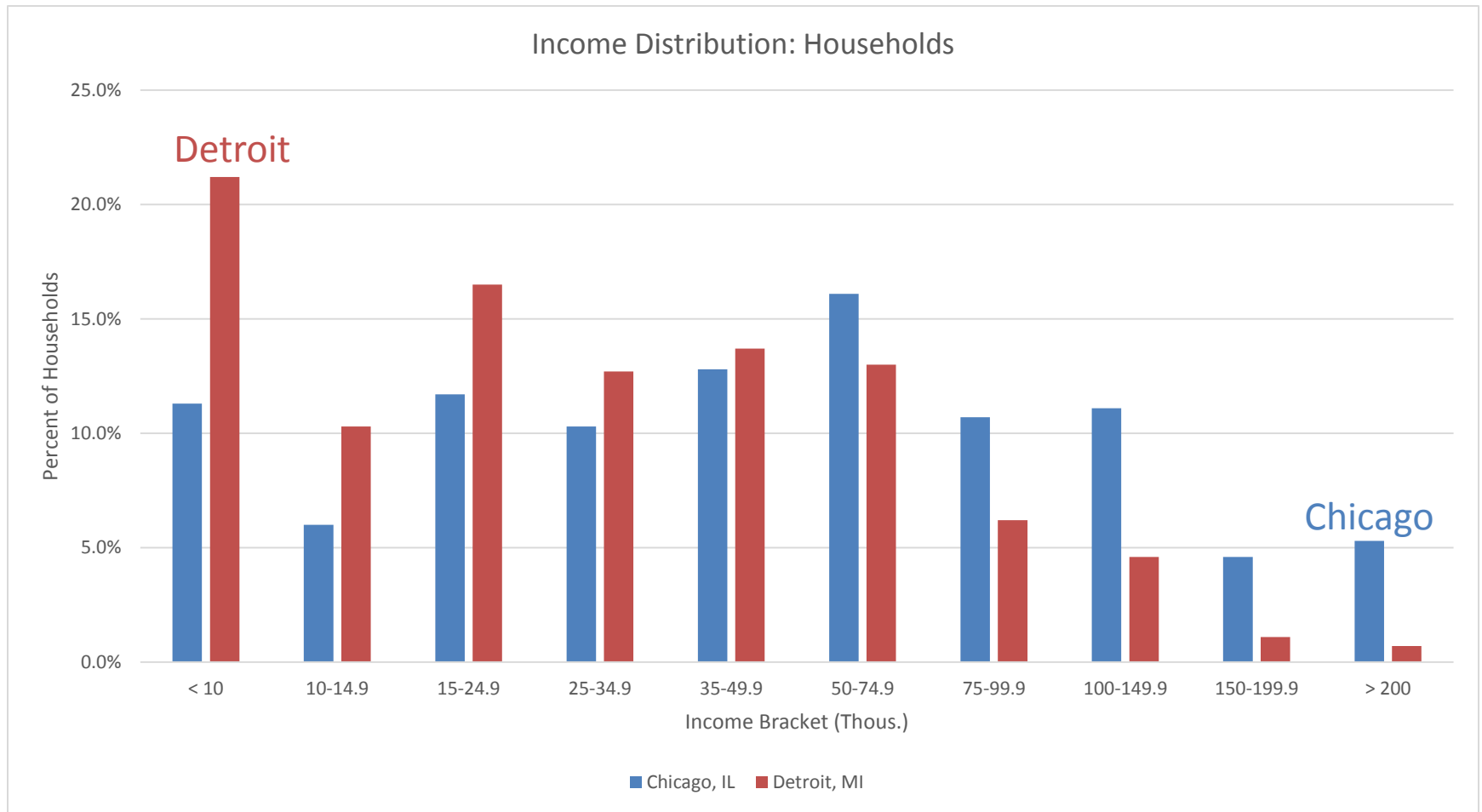
# College Grads 25+

- 61% of those working in the city of Chicago also live there
- 22% of those working in the city of Detroit also live there

# Median Household Income, 2009-13

- Chicago \$47,000
- Detroit \$26,000

# Income Distribution: Detroit v. Chicago



Source: ACS, 2009-13.



# Poverty, 2009-13

- 601,000 in the city of Chicago (22.6%)
- 274,000 in the city of Detroit (39.3%)
- 203,000 children in the city of Chicago (33.4%)
- 100,000 children in the city of Detroit (54.9%)

# Statistical Analysis: Living in Chicago vs. Detroit

- Key findings from Probit estimates of living in a central city show that households in the Chicago metro area are more likely to live in the city relative to Detroit
- Further, college grads are more likely to live in the city of Chicago relative to their suburban counterparts
- In Detroit college grads are less likely to live in the city
- The effect of income is negative for both Chicago and Detroit although it is much more negative for Detroit

# Statistical Analysis: Working in the city of Chicago vs. the city of Detroit

- Overall, individuals are slightly more likely to work in the city of Chicago than they are in the city of Detroit
- In both Chicago and Detroit college degree has about the same effect on working in the central city

# Economy

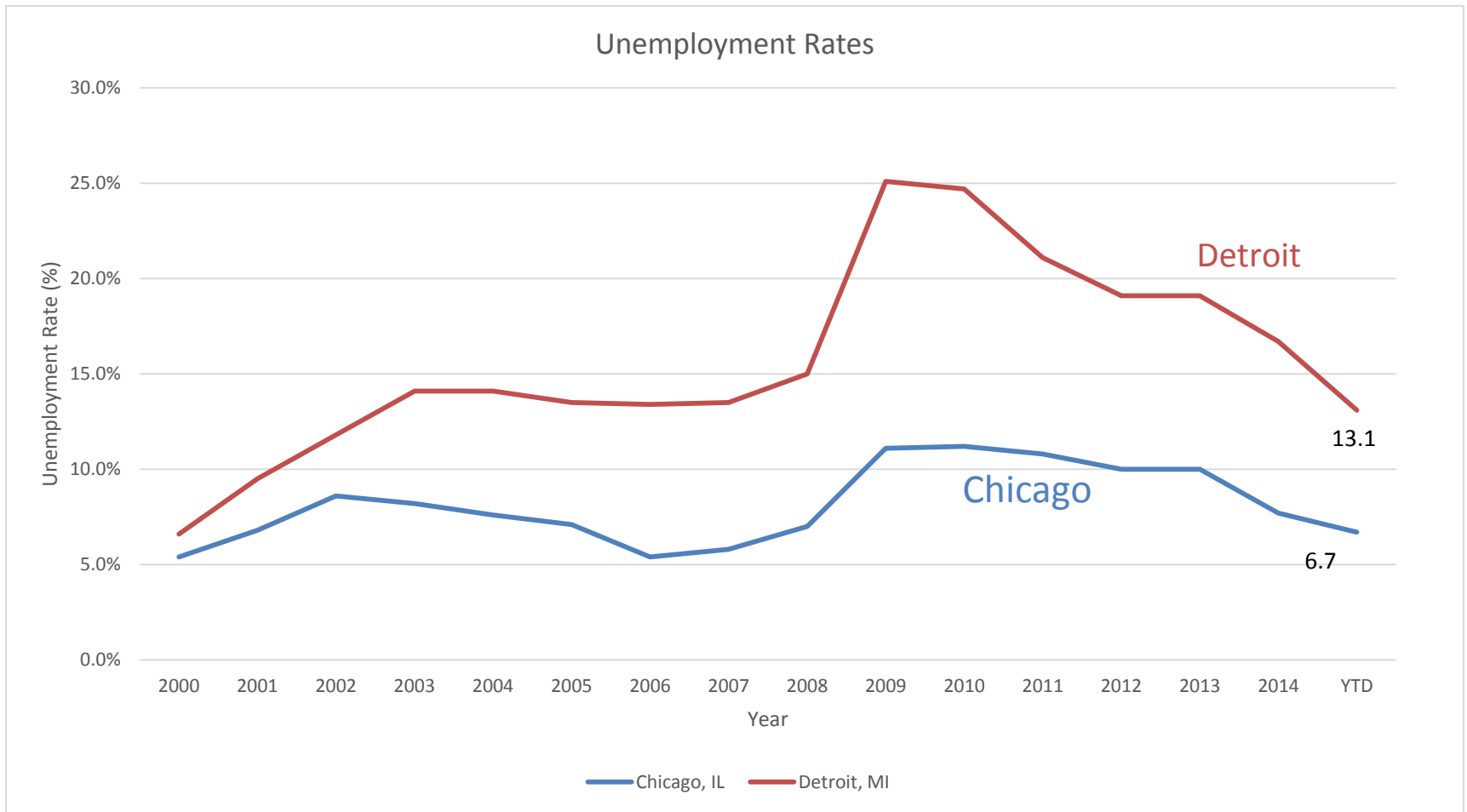
Bill Testa

Vice President, Research

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# The last decade was a disaster for Detroit, punctuated by the recession. Since then, “auto country” has been outpacing the Midwest

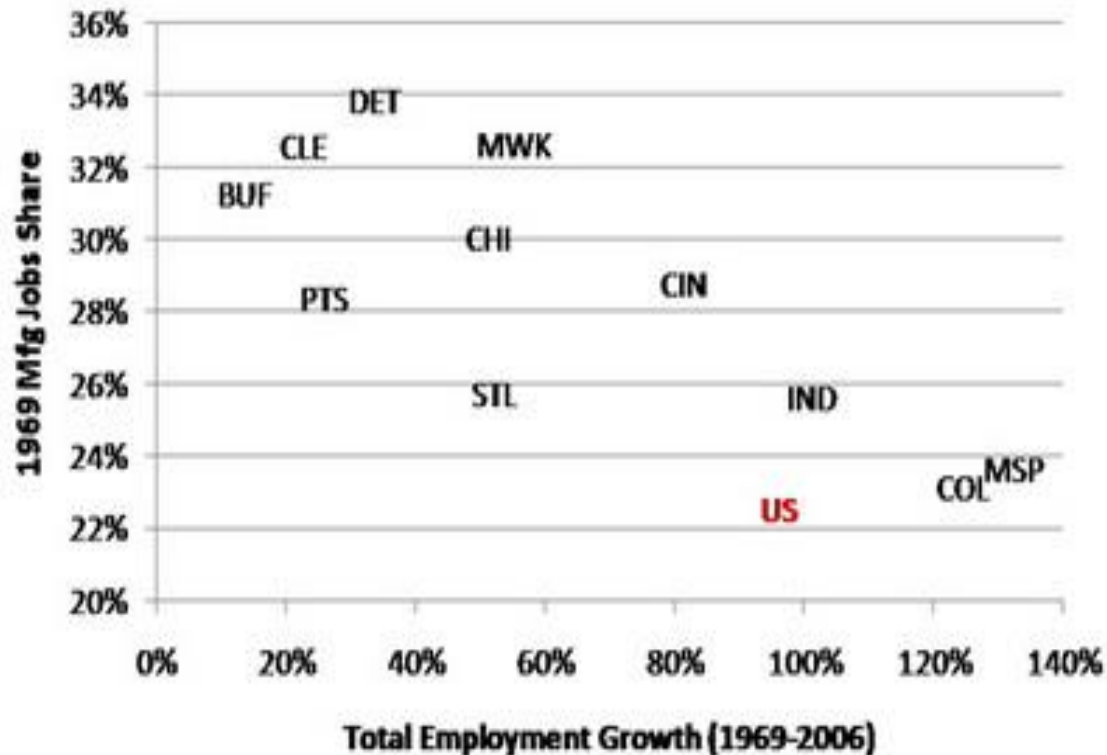


Source: BLS/Haver Analytics.

# Detroit economy—long term overview and prospects

- Michigan remains in top 3 in terms of manufacturing concentration; even while jobs and income are in long term decline
- Michigan/Detroit area remain top states in automotive, though the South and the Global Economy pulled production elsewhere
- The City of Detroit has borne the brunt of these trends, and also of suburbanization of production

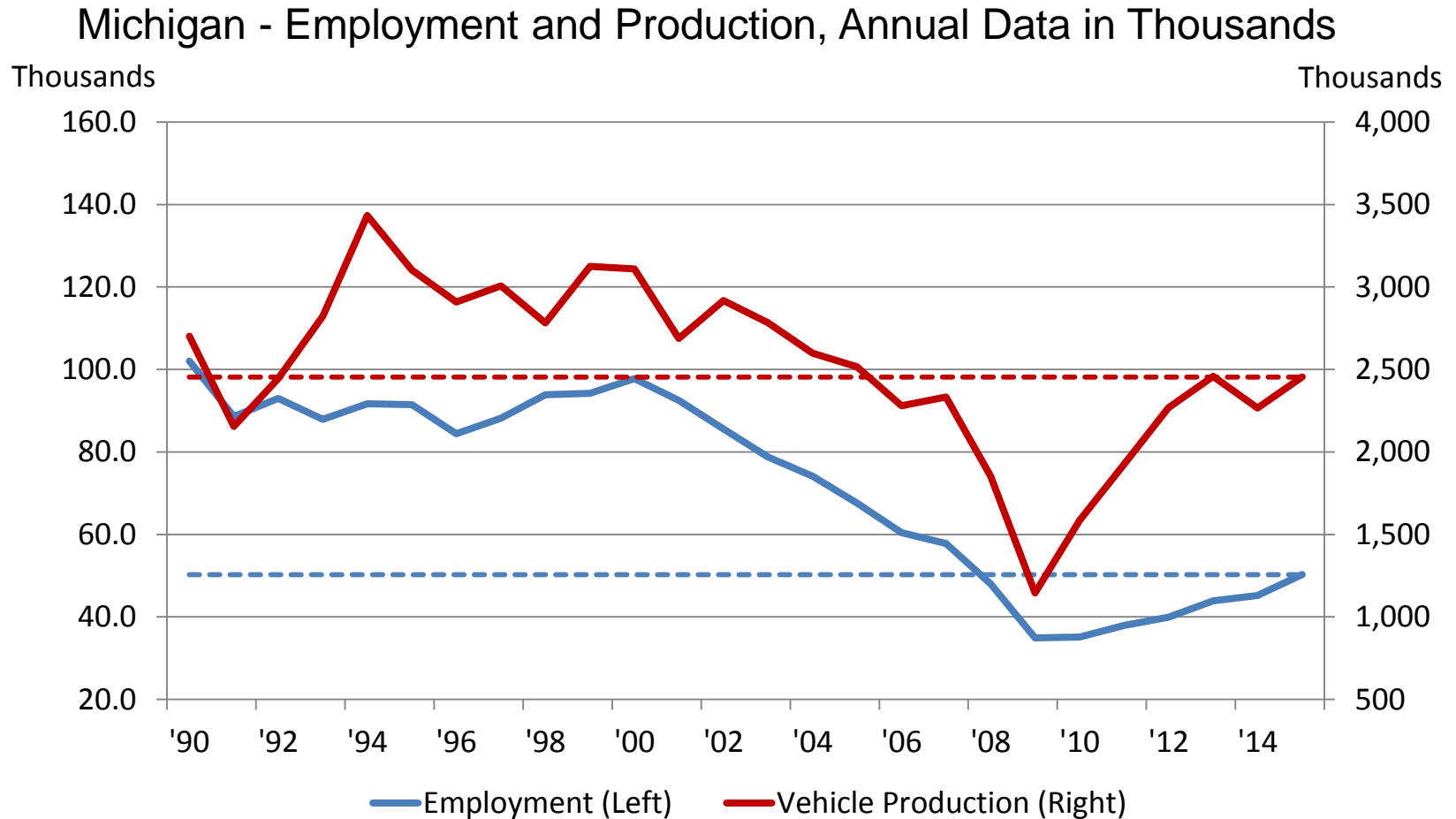
# But manufacturing jobs have been a dismal destiny, not only for Detroit...



“MSA declines correlated with historic dependence on manufacturing”

# Fewer workers are needed.....

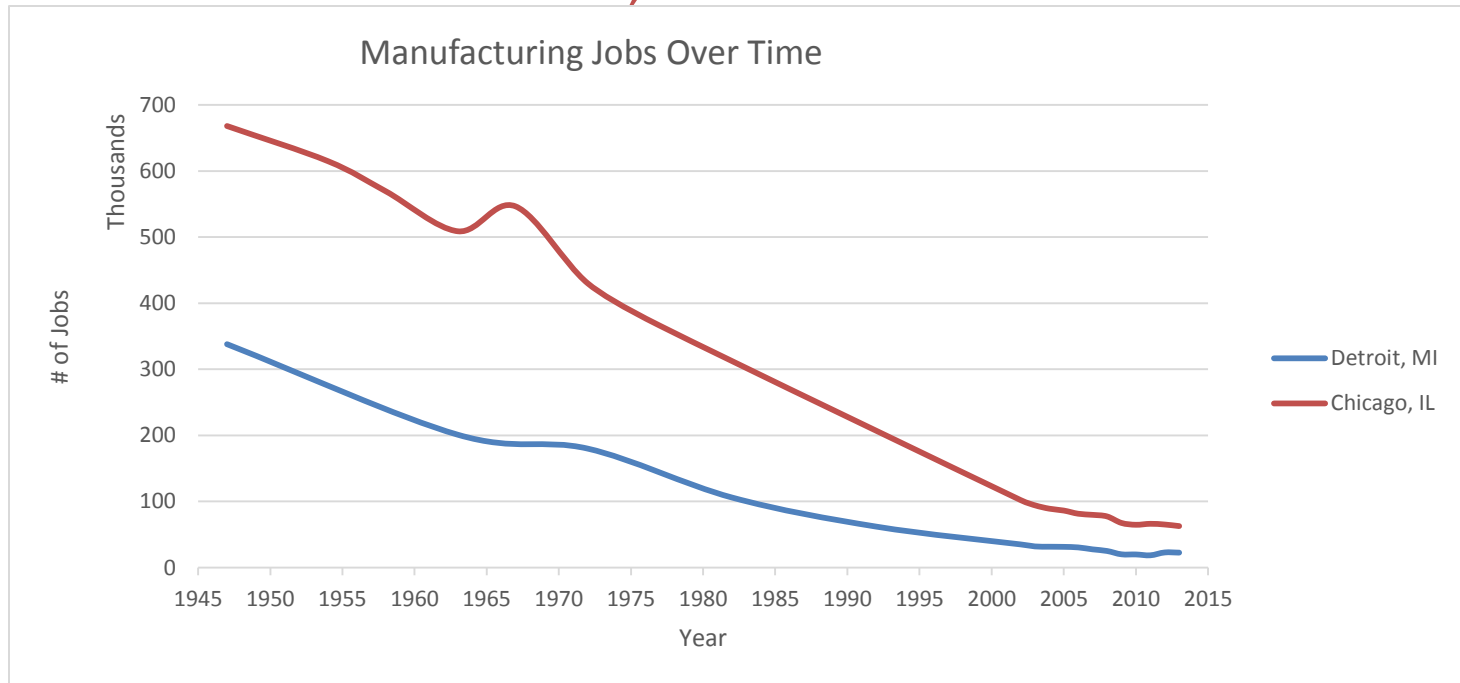
(Motor Vehicle Manufacturing Productivity)



Source: Bureau of Labor Statistics and Ward's Automotive



...and production has abandoned central cities for suburbs, small towns, and rural areas....



Central City Manufacturing Jobs (in thousands)				
City	1977	2002	Change	% Change
New York City	609.7	143.2	-466.5	-76.5
Chicago	366.0	97.6	-268.4	-73.3
Los Angeles	315.6	162.2	-153.4	-48.6
Philadelphia	157.5	42.9	-114.6	-72.8
Houston	147.4	88.2	-59.2	-40.2
Detroit	153.3	38.0	-115.3	-75.2
Dallas	112.7	66.9	-45.8	-40.6
San Diego	53.3	56.8	3.5	6.6
Phoenix	58.2	55.7	-2.5	-4.3
Baltimore	72.9	21.0	-51.9	-71.2
<b>Total of the 10 cities</b>	<b>2,046.6</b>	<b>772.5</b>	<b>-1,274.1</b>	<b>-62.3</b>
<b>U.S.</b>	<b>19,590.1</b>	<b>13,866.0</b>	<b>-5,724.1</b>	<b>-29.2</b>

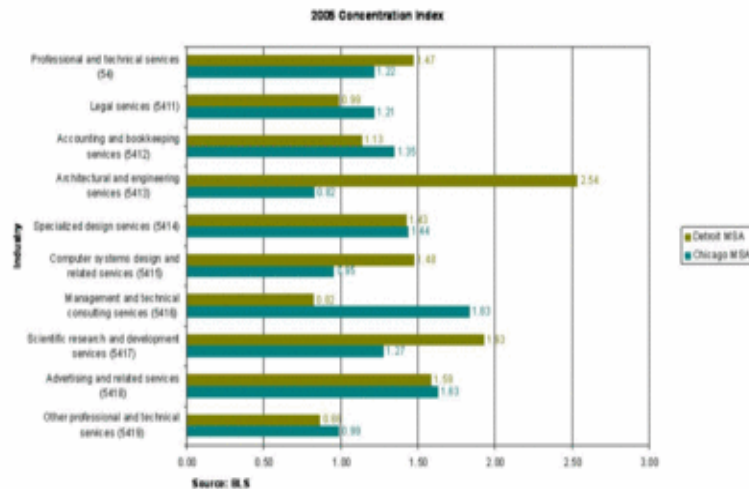


# Diversification and re-building remain key to the City's revival

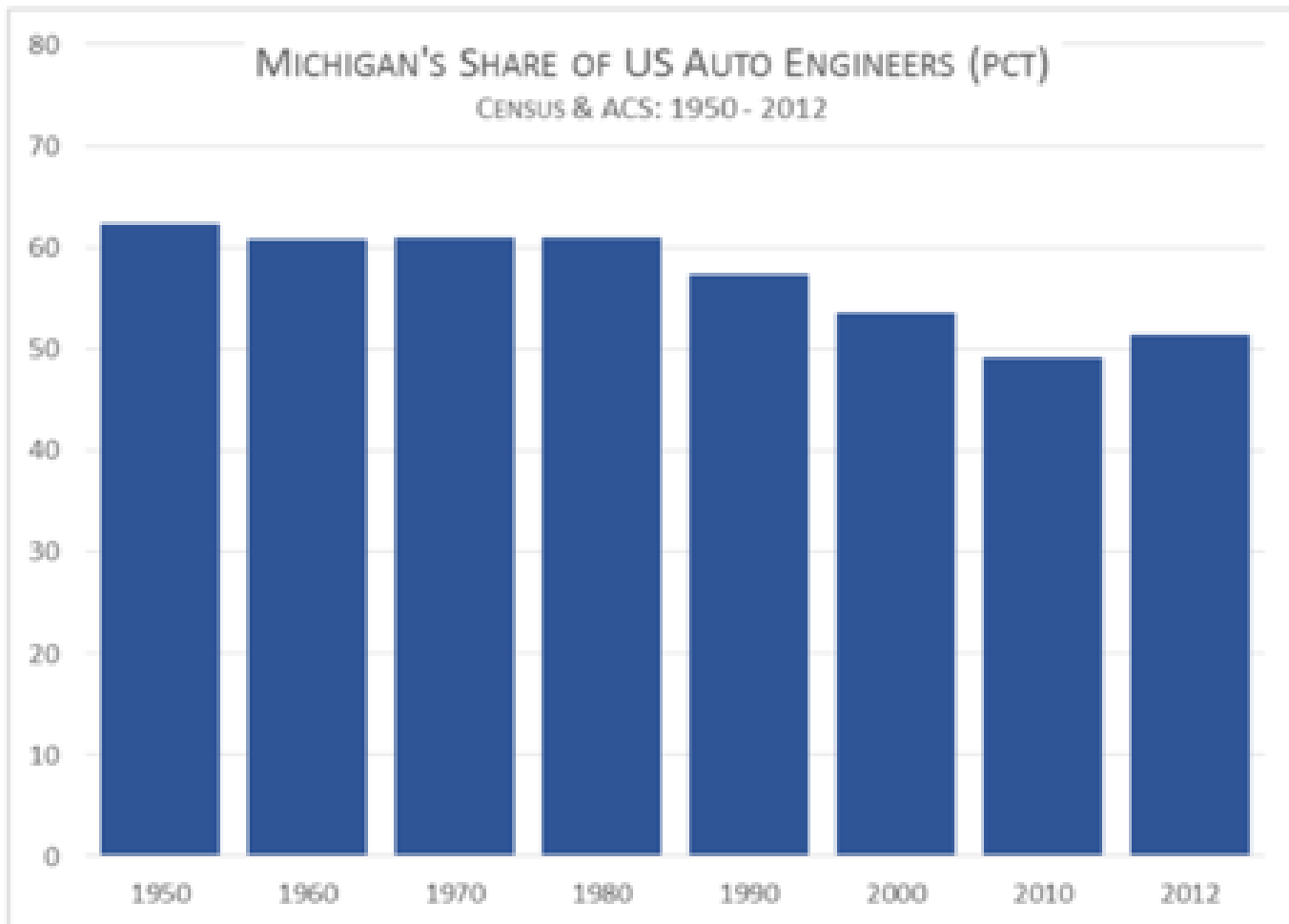
- Detroit did not have the same degree of business service/financial base on which to build vs. Chicago and NYC
  - But it has *some*...a vibrant downtown at a time when downtowns are booming
- Quality of life for residents is important to pursue: our statistical results show that “working in the city” is a predictor of living in Chicago, but not Detroit
- Of course, abandoning manufacturing would be folly
  - From the old, grow the new industries
  - Manufacturing must support us in the meantime

# What are the Detroit Industry “Clusters” on which to diversify and build?

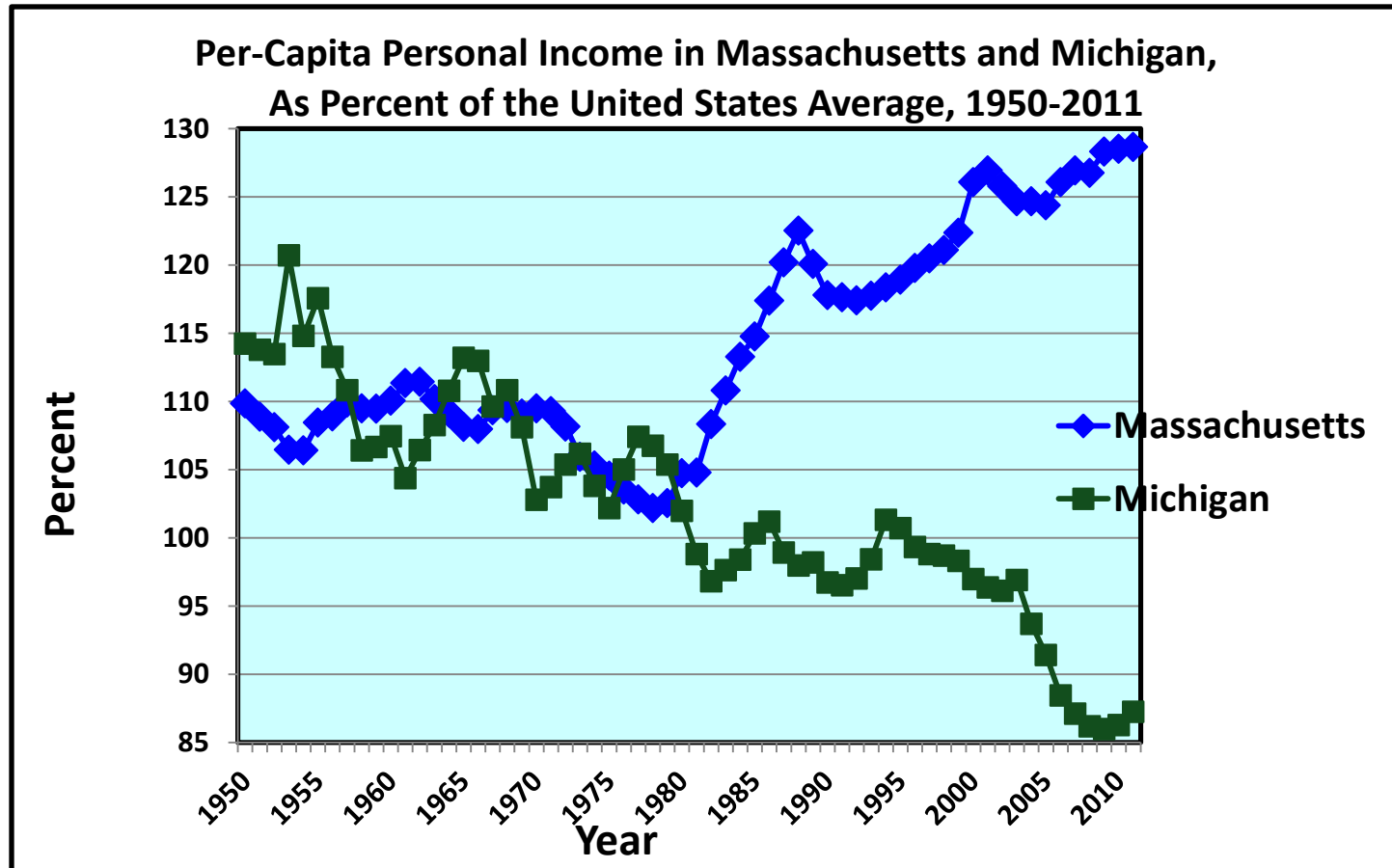
- Automotive/manufacturing
- Logistics/transportation
- Engineering/design/R&D
- Business Services/Finance



# Michigan/Detroit remain auto tech capitol of the world



# Diversification to tech-oriented industry has lifted fortunes elsewhere



Source: Charles Ballard, Michigan State University/BEA.

**Detroit's efforts to diversity into technology and start-ups continues today....**



*Entrepreneurial Eco-System*

*Capitalizing on Existing Resources*

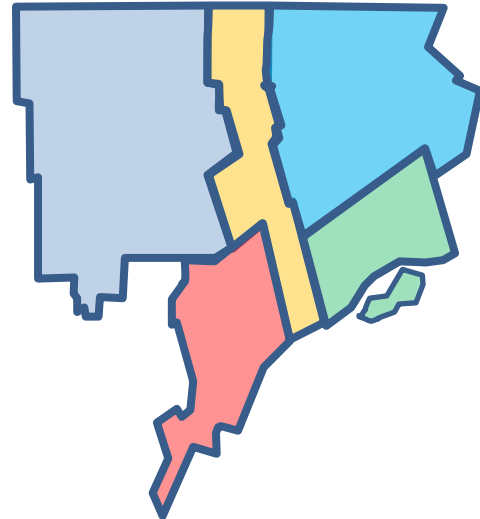
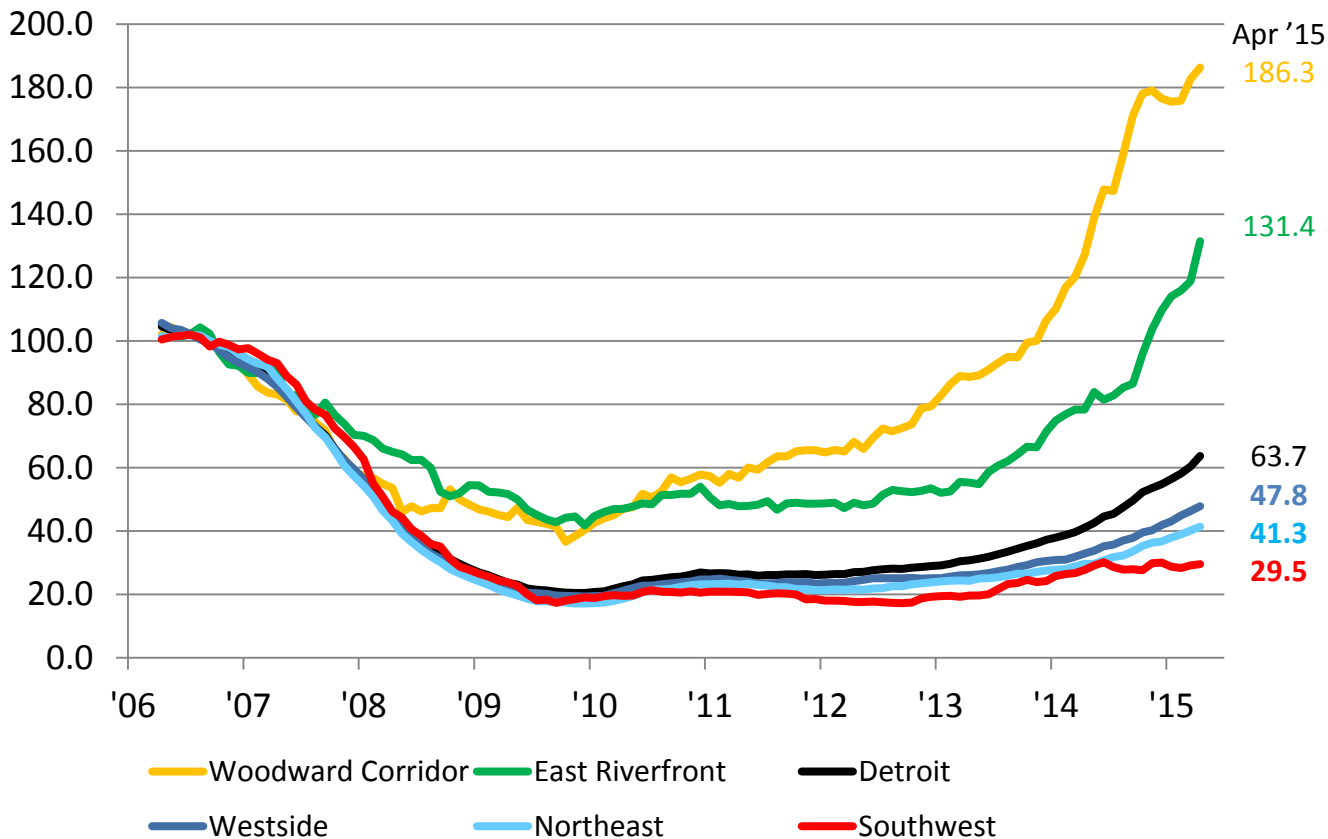
*Workforce Development*



Housing—the faltering economy  
takes its toll

# Detroit home prices ARE recovering in some sections of the city

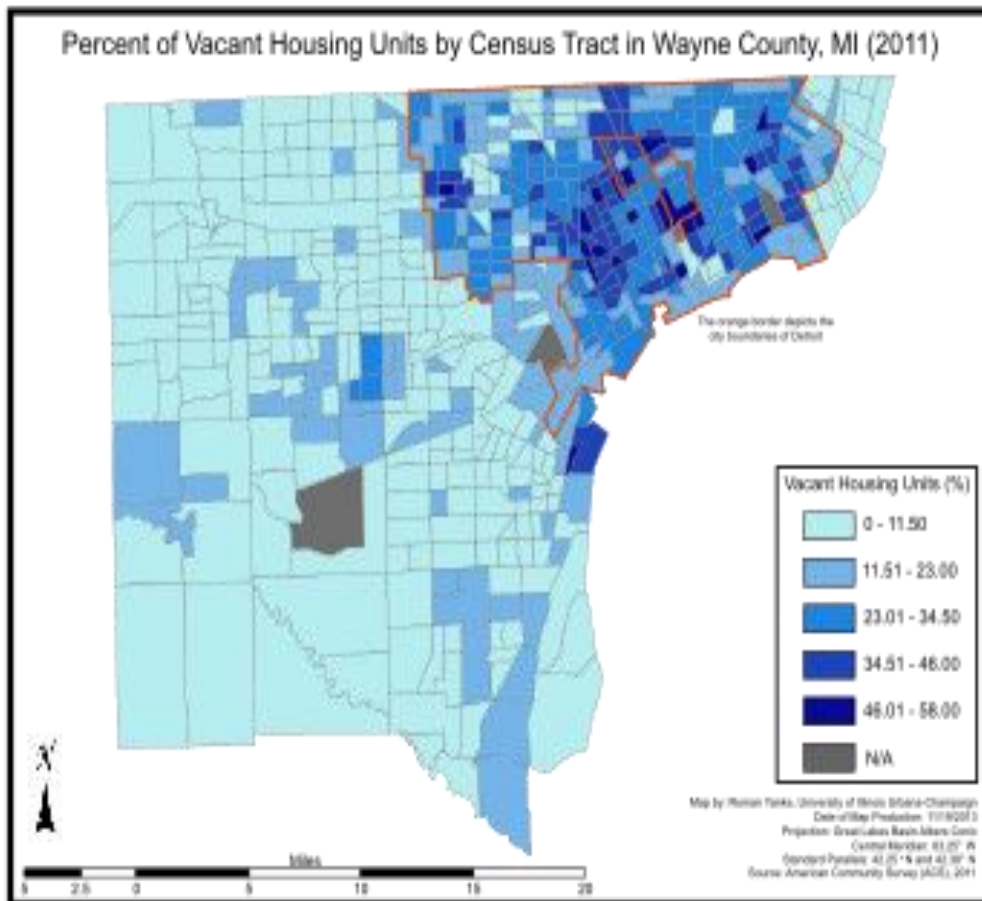
Monthly Index - 2006 = 100



Source: Author's calculations using MLS data from Realcomp II LTD, includes single family residential and condominium sales.



# Vacant housing/vacant lots remain a big challenge to re-settlement



# Where is Detroit Going?



**Federal Reserve Bank of Chicago**  
September 15, 2015

**Martin Lavelle**  
Business Economist

The comments and opinions that I will be expressing are my own and do not reflect the thinking or policy posture of the Federal Reserve System nor of the Federal Reserve Bank Of Chicago, (7th District).

August 12, 2015

Federal Reserve Bank of Chicago

# Current State of Detroit

- Improving city services
- Continued investment in Downtown/Midtown neighborhoods
- Growing neighborhood focus
- More willingness to discuss the tough issues



# Detroit's Structural Impediments

- Reputation
- Lack of a premier anchor educational institution
- Lack of an extensive public transportation system
- Subsidized downtown & midtown housing market
- What is Detroit's foundation?
  - Entrepreneurial
  - High paying, low skilled work
- Outside of sporting events, why visit Detroit?

# What Puts Detroit Back Into Bankruptcy?

- No Improvement in Public Service Delivery
- Tax Revenue Collections don't increase
  - Population now below 700K ('14 Census estimate)
  - Bankruptcy deals too generous?
- No execution of a long-run plan for the city
- Surrounding areas' financial problems
  - Detroit Public Schools
  - Wayne County
- Detroit's History of Poor Leadership Returns



# Issues Detroit Stakeholders Must Tackle

- How to Reform Detroit Public Schools
- Youth Services
- Land Use
  - Rezoning
  - City Airport
  - Shrinking Detroit
  - Alternative Land Use
- Regional Transportation
- Regional Cooperation



<http://michiganeconomy.chicagofedblogs.org/>

