Why Detroit Matters, Part II: Principles of the New Economy and Detroit’s Unique Critical Assets
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Principles of the New Economy
If we conclude that Detroit is not doomed, as we must given the fact that similar cities have been able to transform themselves, then we must begin to explore the platforms that the city’s new economy will have to be built upon. For that reason, I present the requirements for success in the Old Economy and contrast these with the requirements for the New Economy. The New Economy paradigm, according to its proponents, suggests that cities must operate differently than they operated in the past.

As shown in the table on Comparing the Old and New Economy, economic development happens differently today, compared to in the past. These principles of success differ as follows:

- In the past, one key focus of government was to ensure that it kept costs low enough and infrastructure adequate enough for the community to be a desirable place to do business. That may no longer be sufficient. Today, being rich in talent and ideas is vital to the success of a city. A strategy for attracting talented people with good ideas is a necessity for Detroit as it pursues its future success.

- In the Old Economy, economic development strategies centered on various incentives to attract any large company. The share of the national economy attributable to large companies has fallen so low that some large companies are a liability today. The vast majority of the growth in employment is attributable to companies that generate huge value by producing knowledge products—not manufactured goods—and that leverage creativity and innovation into high-value services, targeted toward a global market. Today, in the New Economy, attracting talented and educated people is key to a city’s success.

- Successful places used to focus on maintaining a vibrant industrial “manufacturing” sector, while in the New Economy, sector diversity is desired and the clustering of related sectors is preferred. Economies move to complete places; places that offer significant quality of life and a vast array of amenities. Those amenities include a diversity of job opportunities, many of which emanate from emerging companies.

- In the past, American cities enjoyed cheap energy for decades, and our manufacturing infrastructure was fossil-fuel dependent. As a result, our energy-hoarding transportation system may become obsolete to consumers if energy prices continue to rise. Today, Information Technology (IT) and Communications Infrastructure have replaced cheap fuel and road networks as key infrastructure needs for a successful economy. Successful communities are IT and Communications Infrastructure dependent but energy smart.

- In the Old Economy, a high-quality physical environment was a luxury, which stood in the way of attracting cost-conscious businesses. In contrast, today, physical and cultural amenities are key in attracting knowledge workers. Such things as bike paths, trails, beautiful downtown designs and nightlife are attractive to the knowledge class, and targeting improvements in these areas can change the economic outcome of a city.

- In the past, successful cities had a fixed competitive advantage in a specific resource or skill. Their labor force was skills dependent. Now, successful cities feature organizations and individuals with the ability to learn and adapt. Innovation and creativity are critical in the New Economy.
In the past, people followed jobs. Today, that structure has changed drastically with talented, well-educated people choosing the location they want to live first. Then they look for jobs. In essence, economic development has been turned on its head. Relying on the physical presence of large companies to attract economic activity is no longer sufficient.

Successful cities of the past had government-leading economic development, with a large government providing good services. Today, bold partnerships between business, government and nonprofit sectors are leading successful cities toward better economic development.

In the Old Economy, having a connection to global opportunities was not essential or necessarily desired. All that has changed with the focus on the New Economy, where global connections are essential and critical to success.

The sharp contrast between the principles of success in the Old Economy and the New Economy suggest major rethinking of how we move the city forward. In other words, if we acknowledge the paradigm shift in economic development, we must also accept the fact that new tools are needed. Obviously, the assets that are relevant to achieve prosperity today are different from the assets of the past. Having the right amenity and asset mix can shift the pattern of growth, while attracting the very segments of the population that are being competed for across American cities today. That is the essence of placemaking—the notion that a city can position itself to attract the people-resources to turn itself around. In the New Economy, it’s all about people, those high-impact, economic agents that have the potential to create jobs or attract industry because their talent pool is so strong that industry follows them. If Detroit’s economy is built on the fundamental principles of placemaking in the New Economy, Michigan can derive greater benefits from a thriving and vibrant major city.

Critical Assets of Detroit to Build On
It is obvious from the above that vibrant New Economy places must leverage a uniquely different set of assets than what cities leveraged in the past. This brings us to the issue of what the City of Detroit has that it can leverage. Returning to the features of successful places, it becomes apparent that Detroit has several relevant assets.

The assets the city features, which are critical to its ability to position itself, include such things as being an international border city and transportation hub. A city can leverage its international border status for economic development through the frequent pass-through by international traffic. Implementing programs and infrastructure to capture these opportunities would prove useful to Detroit.

Another critical asset of the city lies in its uniqueness as a major cargo gateway to the Northeast. Goods in the billions already flow through Detroit; therefore, the ability to capitalize on this flow is essential.

Detroit is also a Midwest megapolis that is attractive to immigrants, with first class medical facilities, a leading university and several colleges, a vibrant downtown and cultural amenities, an historic and cutting-edge music industry, an emerging film industry and major sport franchises. The city needs to examine how its policies, with respect to these assets and immigration attraction, translate into economic advancement.

The city is readily accessible to a major coastline and a waterfront, which opens up great opportunities in domestic and international trade, recreation and others.

An abundant supply of freshwater, open space and great parks and a strong urban agriculture movement already exist in Detroit. It also has underutilized affordable urban land, existing
infrastructure to build from, affordable housing, a readily available labor force, diverse
neighborhoods and communities and an emerging national interest in urban revitalization. The
city has these assets, which other cities might wish that they had. The trick is knowing how these
assets can be leveraged and built upon.

The best and finest of Detroit are working on harnessing these assets in partnership with an
innovative and committed NGO community that includes such key foundations and groups as the
Sustainable Design Assessment Team (SDAT), One Detroit (1D), Model D and Metromode
(Detroit-focused news from Issue Media Group), Detroit Renaissance "Road to Renaissance,"
Detroit Renaissance Creative Corridor, New Economy Initiative for Southeast Michigan,
NextEnergy, Community Foundation for Southeast Michigan Greenways Initiative, Regional
Sustainability Partnership, Woodward Light-Rail Transit Line, Detroit Metro Convention & Visitors
Bureau, Green Entrepreneurs Group, Detroit Eastern Market and other farmers markets, Focus
Hope, InsideDetroit.org, Detroit Black Community Food Security Network and many more.
Synergy between city government and these organizations will create some great opportunities
for the economic rebirth of the city. A key feature of the New Economy is people and
organizational assets. Detroit has these organizations and people who are ready to work on
behalf of the city to achieve a better future.

In conclusion, Detroit is lucky. It has critical assets that translate into huge potential. But
successful places build on the assets that are relevant. This is why the Detroit leadership has
initiated a number of projects that relate to their assets.