
BUSINESS OF CHICAGO

The past 70 years. Like most other cities in the industrial Midwest, Chicago suffered terribly during the Great Depression, as the demand for Chicago-made capital goods and consumer durables plummeted. Similarly, both the city and the entire metropolitan region have been hurt by the decline of jobs in heavy industry over the past 30 years—the region lost a staggering 188,000 jobs in this sector during the 1980s alone. On the other hand, Chicago’s economy grew robustly during the Second World War, for most of the period between 1945 and the early to mid-1960s, and during the 1990s. Chicago’s economic performance, once amazing, has been solid since its spurt. To appropriate and adapt a conceptualization initially developed by historian John Higham, the period can be seen as one in which the city moved in economic terms from “boundlessness” to “consolidation.”

Demographic as well as economic data support the theme of “consolidation.” Although the growth rate of the city of Chicago has been negligible (and, at times, negative) over the past 70 years, the Chicago metropolitan area has grown at a robust rate over much of the period. According to the 2000 census, greater Chicago constituted the third largest metropolitan area in the U.S., behind only Los Angeles–Riverside–Orange County and the New York City–Northern New Jersey–Long Island metropolitan conurbation. As such, “Chicago,” with more than 8 million inhabitants, is still by far the largest urban center in the “fly-over district” of inland America.

Metropolitan Chicago’s economy has experienced relatively robust growth for much of the period too, despite severe problems related to industrial readjustment and restructuring during the 1970s and 1980s. Indeed, the Chicago area’s economy as a whole continues to perform well, and, in some ways, Chicago’s more diversified and balanced economy at the turn of the twenty-first century is healthier and more stable than ever before. Even the situation in manufacturing is more complicated than often assumed. Manufacturing has declined in relative terms in the Chicago area, particularly the manufacturing proportion of the area’s labor force, but total manufacturing output has continued to grow, and the Chicago Standard Metropolitan Statistical Area ranks third behind New York and Los Angeles in most measures of industrial might. Chicago remains, according to almost every index, one of the most important industrial areas in the U.S. and in the world. Given Chicago’s continuing importance as a center of trade, finance, and transport—air as well as rail and highway—how does one evaluate and interpret the modern economic experience of (metropolitan) Chicago?

One important consideration in attempting to answer this question is the relationship of Chicago to the Midwest. Unlike the situation during the period of Chicago’s great ascent, the Midwest since the 1930s has been in a period of relative decline. The income elasticity of food, generally speaking, is low, which, not surprisingly, hurt the agricultural Midwest; and with the expansion of capitalist markets in the U.S. and national economic integration, relatively underdeveloped or underdeveloped American regions—in the South and West in particular—began to develop rapidly. To some extent, their development came at the expense of older regions, including the Midwest. In an efficient capitalist economy such as that in the modern U.S., standard economic

theory predicts that costs of production will converge with growth rates over time. Areas with very high growth rates, such as the Midwest in the late nineteenth and early twentieth centuries, would not be expected to sustain those marks as other areas developed, but to slow down and decline in relative terms over time. This is more or less what has occurred in the southern Great Lakes region, including metropolitan Chicago, since the 1930s.

Indeed, when one compares Chicago's structure of economic opportunity in the post-1930 period with the opportunities afforded the city in the age of factories between the 1850s and 1930s, one is struck by how much more constrained and limited Chicago's possibilities and options have been over the past 70 years than during the period of the city's ascent. Chicago's rise was in large part an expression, if not the embodiment, of the Midwest and its manifold resources: flat, fertile prairies during the great age of agricultural and railroad expansion; coal and iron ore during the age of steel; food, fiber, and raw materials during a period of rapid population increase, urbanization, industrialization, and economic growth in the U.S. To be sure, since the 1930s the U.S. economy has continued to develop, but hardly in the same way. The Midwest's compara- tive advantages have proved less compelling, and Chicago and Chicanas have had to live with this painful, unsung truth. One can argue that metropolitan Chicago has fared better than the city and its inhabitants deserve high marks for devising and implementing sound development strategies and displaying consider- able entrepreneurialism.

Chicago has maintained a strong, increas- ingly high-tech industrial profile, for example, and has remodeled a center for wholesale and retail trade, distribution, and industrial and commercial exhibitions. The city has a huge presence in publishing, and it is one of the leading centers of finance, banking, and sto- rage in the United States. Chicago, moreover, is still the major transportation node for the nation's interior. O'Hare International re- mains one of the busiest airports in the world, the city handles more railroad freight than any other U.S. city, Chicago has excellent high- way connections and massive tracking and intermodal transport capacity, and it is a ma- jor inland port. With the opening of the St. Lawrence Seaway in 1959, Chicago became a world rather than lake port.

Chicago has survived depression and war, the postwar boom, the retrenchment and restructuring of the 1970s and '80s, and the go-go 1980s with a good deal of pride and prosperity intact. Although it will likely never again experience a period resembling 1890– 1930, and although the city faces countless eco- nomic challenges—poverty, inequality, declin- ing infrastructure, and insufficient investment in human capital, for starters—Chicago in many ways and for many people remains even today the "I will" city "that works." Whether it will remain so in the future as capitalist market integration intensifies in our increas- ingly "borderless" economic world is the chal- lenge facing Chicagans in the generations to come.

Patrick Ryan (Aon Corporation) on the New Economy

Well, I think that what has caused the change, probably is the sophistication of busi- ness, the globalization of business. Business has become much more complex with high tech- nology. If something blows up or burns, you know, drops through the ground from an earthquake, you've got huge investments in technology and business is interrupted, and it can have a ripple effect around the world. So the risks are just much greater. Secondly, through various forms of deregulation, the business has become much more competitive. It was, in many ways, very tightly regulated to a point that in many states everybody had to charge the same price, the same form. You couldn't differentiate your product; everybody paid the same. So it was really like a utility. Through deregulation, market forces took over and made the business much more competi- tive, drove prices down, which, you know, de-manded efficiencies.

Ryan, Patrick. Interviews with Timothy J. Giliberti, Loyola University, on the occasion of the 1998 Making History Awards, Chicago Historical Society.


Cable Cars. See Street Railways.

Cabrini-Green, neighborhood in the Near North Community Area. Formerly "Swede Town" and then "Little Hell," the site of the Cabrini-Green public housing complex was notorious in the early twentieth century for its inhabitants' poverty and dilapidated buildings. During World War II, the Chicago Housing Authority razed Little Hell and built a townhouse apartment project for war workers, naming it the Frances Cabrini Homes after the first American canonized by the Catholic Church. CHA further transformed the area with the high-rise Cabrini Extension (1958) and William Green Homes (1961). The origi- nal population of Cabrini-Green reflected the area's prior ethnic mix: poor Poles, Irish, Puerto Ricans, and African Americans lived among the war workers and veterans. Racial segregation overtook Cabrini-Green by the early 1960s. The large new apartments and large swaths of recreation space failed to mend the area's poverty. The difficulty blacks had finding bet- ter, affordable housing gave Cabrini-Green a permanent population. CHA failed to budget money to repair buildings and maintain land- scaping as they deteriorated. Cabrini-Green's reputation for crime and gangs evoked Little Hell's. The murders of two white police officers on that corner was the beginning of what Dan Gurr Durrin described in his book as an "incarnation of crime.


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