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## **The Rust Belt Needs a Bailout. A Big One.**

Trade and immigration restrictions won't bring back the Rust Belt. What might? Consider the transformation of the Sun Belt.

The South used to be the nation's Rust Belt. The devastation of the Civil War rightly gets the headlines, but the devastation didn't end when Sherman marched out of Atlanta. Industrial agriculture had the same impact on the Southern economy that automation and outsourcing have had on the manufacturing economy of the Midwest. In the late 19th century, much of the South consisted of an increasingly uncompetitive agricultural economy and woefully inadequate infrastructure. Those who could leave for other parts of the country, like factory jobs in what we now call the Rust Belt, did.

Many parts of the South continue to struggle to this day, but those that are thriving embraced two things — infrastructure and recruitment. Much of the infrastructure was courtesy of the federal government — programs like the Tennessee Valley Authority during the Great Depression, military bases during World War II and interstate highways later on. But the recruitment was an attitude the New South adopted on its own. By seeking out talent and businesses from the rest of the country and the world, the major metro areas of today's South generated some of the strongest economic growth and most promising labor trends in the country.

The Rust Belt has two main challenges to address — poor demographics and legacy obligations in the form of pension costs and physical infrastructure that needs maintaining. The demographic component is the part it most needs to solve on its own.

One type of institution has figured this out: the region's universities. Last week, in college football, the University of Michigan played Ohio State University in their annual rivalry game. But in some ways it wasn't a clash between Rust Belt foes. Michigan's coach, Jim Harbaugh, was hired from the West Coast. Ohio State's coach, Urban Meyer, was hired from Florida. Both teams have rosters full of increasing numbers of players from regions other than the Midwest. The reason is simple. Youth populations are shrinking in the Midwest, and increasingly the best high school football players are in other parts of the country like the South and the West that still have growing populations. Both universities hired coaches from elsewhere, and both coaches are using the prestige of their universities to recruit the best players in the country, no matter where they're from.

This recruitment isn't just happening on the football field. To address enrollment shortfalls due to dwindling numbers of home-grown students, Midwest universities are recruiting students from all over the world. Two of the eight universities in the U.S. with more than 10,000 international students are in the Midwest — Purdue University and the University of Illinois at Urbana-Champaign.

As a recruitment pitch, the Midwest needs to figure out its message and sell it to the world. As Midwest urbanist and blogger Pete Saunders noted in a tweetstorm this week, the resurgence of coastal cities began with assets that the cities had all along. Wall Street and media for New York, higher educational institutions for Boston, the federal government for Washington, a unique

topography and culture in San Francisco. Similarly, the Midwest has great educational and medical institutions, an incredibly affordable lifestyle that becomes more compelling as housing costs rise on the coasts and in the Sun Belt, plentiful water that could become a competitive advantage because of climate change, and a sense of “rootedness” that many find compelling.

The most influential policy change the federal government could employ to “save” the Midwest is one that would have been unthinkable when Congressional Republicans were battling President Obama — a huge bailout of the Rust Belt’s legacy obligations. Pension costs are eating a higher and higher share of tax revenue in cities like Chicago and states like Illinois. That leaves municipalities less money to spend on ongoing operations and maintenance, let alone infrastructure improvements. Eroding public services not only keep people from moving to the area, but also encourage young people to leave for places with better public services. If President-Elect Donald Trump could persuade Congress to bail out the region, that could the fiscal slate clean and give the Midwest the breathing room to invest in its future.

It took a Nixon to go to China, perhaps it takes a Trump to save the Rust Belt.

## **Bloomberg View**

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