A RESTORING PROSPERITY CASE STUDY

AKRON, OHIO

Larry Ledebur and Jill Taylor[1]

In May, 2007 Brookings Institution report, "Restoring Prosperity: The State Role in Revitalizing American's Older Industrial Cities" examined how 302 U.S. cities fared on eight indicators of economic health and vitality. Based on this research, we identified 65 underperforming cities, most of which are older industrial communities in the Northeast and Midwest, relative to their peers nationwide. The report describes why the moment is ripe for the revitalization of these communities, and lays out a comprehensive agenda for how states can—and must—assist in the process.

While the central focus of the "Restoring Prosperity" report was on cities facing the steepest economic challenges, analysis of the 302 database cities also revealed that a number were able to raise their economic status over time. In fact, 17 of the 302 would have been in the lower tier of cities in 1990, but by 2000 had moved off the "list," including:

Akron, OH	Lafayette, LA	Spokane, WA
Anderson, IN	Lake Charles, LA	St. Joseph, MO
Battle Creek, MI	Louisville, KY	Toledo, OH
Chattanooga, TN	Mobile, AL	Waco, TX
Chicago, IL	Monroe, LA	Yakima, WA
Duluth, MN	Pueblo, CO	

To be sure, these cities' relative performance improved for a wide array of reasons, some of which may be difficult to fully pinpoint. But to better understand the extent of recovery, and, importantly, some of the chief drivers behind it, Brookings commissioned in-depth case studies of three on the list—Akron, Chattanooga, and Louisville. While each city, and its story, is unique, together the studies help illustrate just what it takes to put a weak market region back on the road to economic recovery. In doing so, they provide important lessons, as well as hope, for other communities that are striving to compete in a new economic era:

- **Strong leadership is essential.** Vital to the revitalization of each of these communities was strong leadership, which, self-evident as its importance may be, can't be taken for granted. In each city, civic and political leaders' willingness to come together to develop and implement a bold vision for recovery was *the* key driver of change. Without such leadership, these cities would have been unable to move beyond the parochialism, conflict, and inertia that continue to weigh many older industrial regions down.
- **Success requires vision and planning.** While serendipity and luck are often cited as important, if underrated, components of economic success, bold vision and a clear strategy are stronger bets. In all three of these communities, strong leadership was manifested in the creation and implementation of a defined vision and plan for reaching it—whether focused on transforming the physical landscape, as in Chattanooga, uniting the political and economic region, as in Louisville, or promoting better cooperation between the city, its suburbs, and the broader region, as in Akron.
- **You're all in it together now.** Strong leadership comes in many forms, and emerges most forcefully when leaders from different sectors work with one another toward common goals. These communities were able to turn their best laid plans into concrete actions—and concrete successes—because business, government, and the non-profit communities all recognized the dire need to change their city's current trajectory, and put their respective strengths to work, collaboratively, for change.
- **Place matters—take advantage of it.** The history of where, why, and how cities grew as they did provides an important backdrop to their present economic, cultural, and social development. Just as cities can overcome the disadvantages of place—limited water supply, cold weather, earthquakes—so, too, must they recognize, and maximize, the advantages. Each of these cities has made capitalizing on their respective assets—the river in Chattanooga, the central location of Louisville, expertise in polymer chemistry in Akron, and downtown core of all three—a principal part of their recovery strategy.

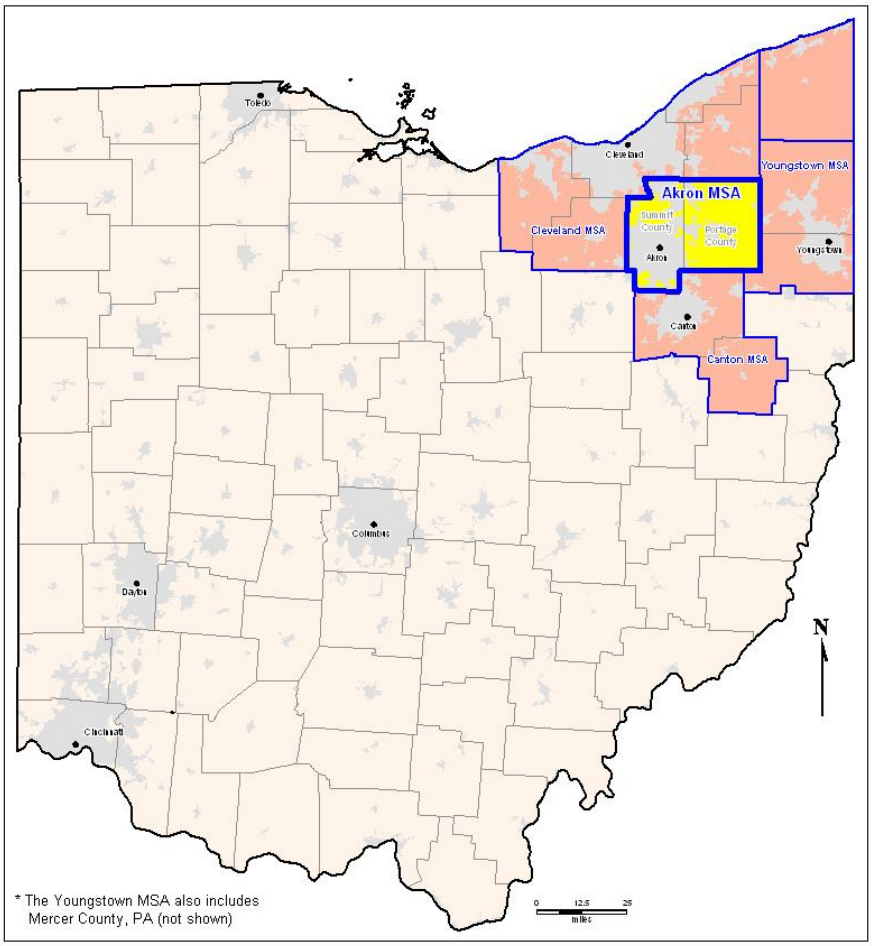
While the above bullets describe major themes of the three studies, they only tell part the rich and distinctive narrative of how each has managed to overcome a host of economic obstacles over the past several decades, despite the challenges they still face. Still, together they demonstrate that with the right combination of leadership, cooperation, strategy, and ingenuity distressed cities—working together with regional and state leaders—can begin to reshape and reinvigorate their economies, and advance their future prosperity.

I. Introduction

Part of the larger Northeast Ohio regional economy, the Akron metropolitan area is composed of two counties (Summit and Portage) with a population of just over 700,000, and is surrounded by three other metropolitan areas. Akron is located approximately 40 miles south of Cleveland, 50 miles west of Youngstown, and 23 miles north of Canton. The Cleveland metro area is a five-county region with a population of 2.1 million. The Youngstown metro area includes three counties, extending into Pennsylvania, and has a population of 587,000. Canton is part of a two-county metropolitan area with a population of 410,000.[2]

The adjacency of the Akron and Cleveland Metropolitan Statistical Areas (MSAs) is an important factor in the economic performance of the Akron region. The interdependence of economies of the two MSAs is evidenced by the strong economic growth of the northern part of Summit County adjacent to the core county of the Cleveland metropolitan area. This part of Summit County beyond the city of Akron provides available land, access to the labor pools of the two metropolitan areas, and proximity to the region's extensive transportation network.

Figure 1. Ohio, Northeast Ohio and Akron MSA



Although affected by economic activity in the larger region, the fate and future of Akron and its wider region are not solely determined by events in these adjacent areas. While sharing broad economic trends with its neighbors, the Akron metro area has been impacted by a different set of events and has shown different patterns of growth from other areas in Northeast Ohio.

This study provides an in-depth look at Akron's economy over the past century. It begins by tracing the industrial history of the Akron region, describing the growth of the rubber industry from the late 1800s through much of following century, to its precipitous decline beginning in the 1970s. It then discusses how the "bottoming out" of this dominant industry gave rise to the industrial restructuring of the area. The paper explores the nature of this restructuring, and the steps and activities the city's business, civic, and government leaders have undertaken to help spur its recovery and redevelopment. In doing so, it provides a series of lessons to other older industrial regions working to find their own economic niche in a changing global economy.

II. Context and History

The industrial history of Akron is one of economic change and turbulence. From its beginnings in the early 19th century the economy of Akron has been shaped and reshaped by ongoing processes of industrial restructuring driven by new industries building on new innovations for new national markets, and the decline of industries challenged by changing patterns of competition from new innovations and new products in new places. The backdrop of these processes of economic change is drawn by national business cycles, three major wars—one civil and two worldwide—and natural disasters. It is also a story of transportation and transportation modes: canals, steam power, railroads, Great Lakes shipping, highways, automobiles, trucking, and air. The post-WWII industrial history of Akron was shaped by the dominance of the rubber industry and its role as tire supplier to the automobile industry. The past weighs heavily in shaping the future of all economies, including Akron's. The city's industrial past is the framework for examining current economic trends in Akron and its region.

Trails, Rivers, and Canals

The city of Akron came into being in the early 19th century as a commercial center on the Ohio Canal.[3] It is located on the summit of the range of hills that divide the watershed flowing north to Lake Erie and the watershed flowing south to the Ohio River and the Mississippi. A portage path along this summit, several miles long, separates the northward flowing Cuyahoga River from the southward flowing Tuscarawas River. It is likely that Native American populations used this path for transportation and trade.

During the years following the War of Independence, this area was part of the Western Reserve, a large tract of N.E. Ohio owned by the State of Connecticut. Settlers began to arrive, mainly from New England and western New York. In 1832, this area was opened to trade and industry by the building of the Ohio Canal, which extended the length of Ohio from the Ohio River to Lake Erie. The Canal followed the old portage path, linking the Cuyahoga and Tuscarawas Rivers with Summit Lake to form a continuous waterway. At this time, a plat of the town was made on the land between the two rivers, and named Akron, a Greek term signifying "high place." The canal moved people but also goods for commercial exchange. Settlers in the Western Reserve could send farm products and raw materials to markets in the east via the Canal to Cleveland and through Lake Erie on through the Erie Canal. The price of goods arriving from the East was much reduced due to the lower transportation costs.[4]

Two further developments of the early 19th century increased the industrial and commercial prospects of Akron. In 1832, a local entrepreneur built the Cascade Race along the canal, which dropped steeply from Summit Lake to Lake Erie, four hundred feet below. Water power was generated to run mills and later a distillery, an iron furnace, and other industries along the race. The small town that grew up along the race was also called Akron. The two Akrons, each with about 400 people in the 1830s, soon merged. The second development was the building of another canal, completed in 1840, connecting the two Akrons with the Ohio River near Pittsburgh. In the 1840s and 1850s, Akron grew into one of the busiest inland ports in the nation. The canals carried increasing amounts of farm products, coal and other minerals, lumber, whiskey, wool, potash, and manufactured goods to markets elsewhere. In recognition of Akron's importance in the area, in 1840 it was named the county seat of the newly formed Summit County.[5]

Although the first half of the nineteenth century was a period of growth for Akron, it also suffered several economic setbacks. By the middle of the century, steam power was replacing water power throughout the country, and Akron's industries were facing a competitive disadvantage. Also, railroads were being built in Ohio by the 1850s, threatening Akron's position as a transportation center. In 1852 the first railroad line was built for Akron, a branch of the Cleveland and Pittsburgh line. This was not enough to stop an economic downturn

for the city, which was further weakened by a series of serious fires that destroyed several businesses. A period of economic stagnation throughout the country also affected Akron during the 1850s.[6]

Post Civil War Industry

The Civil War brought renewed prosperity to Akron. The Union Army provided a market for goods, so even the older, less efficient water powered plants again became profitable. Flour mills along the Cascade Race flourished. A local entrepreneur started a cereal company to sell oatmeal to the Army, which became extremely successful. The mills gave work to packagers, so barrel factories were built. The Akron Paper Company was started to produce manila paper sacking.

The area around Akron had some of the finest deposits of clay in the country, and in the post war period factories making clay products started to flourish. New inventions and technical innovations helped Akron remain competitive. For example, the invention of vitrified sewage pipe created a demand for drainage pipe from farms and municipalities across the country. Akron was the center of this industry throughout the late 19th century. Steam power plants were built to provide energy for the sewer pipe factories. The steam plants required coal, which was also in good supply locally. The demand for coal generated the creation of coal companies, which provided coal for local industry and also sent coal on to Cleveland.

Another successful industry that started in the 1860s was the production of matches. The Barber March Company had plentiful and cheap water from the canal, a good supply of coal, cheap labor, and efficient machinery. It beat out competitors elsewhere and in 1881 became the Diamond Match Company, a powerful trust that dominated the market. During the war a plant to build farm machinery was built in Akron. The Buckeye Company, using innovative designs, built mowers and reapers. Other farm machinery companies started up nearby, and created a need for companies to supply parts, such as the Akron Iron Company, and machine tools.

By the end of the Civil War, the once struggling canal town had become established as a growing industrial city that was optimistic about future growth. Its population grew from 5,000 in 1865 to 13,000 five years later. A board of trade was formed to publicize Akron's assets: its central location to resources and markets, its position as a doorway to the growing settlement of the western part of the United States, its large industrial output, railroad service, good local coal, and low taxes. These assets may have been decisive in attracting the companies that in the 20th century made Akron the rubber capital of the world.

After a promising beginning, industry in Akron suffered a major setback in the 1890s. A severe national depression hit Akron along with many other industrial cities. In Akron, the economic downturn contributed to a process of consolidation of small companies into large conglomerates that took control away from the local area. For example, the "Oatmeal King," Ferdinand Schumacher, lost his successful cereal milling company to fire, and he was forced into a conglomerate that eventually became Quaker Oats, administered from Chicago. Akron's farm machinery companies were under pressure from more efficient companies located further west and closer to the prairie farms that were their market. A depression in farm prices reduced demand for their products and several companies were forced to close. The one remaining company was bought out by International Harvester in the 1920s. Companies supplying parts and coal to the farm machinery companies lost business and many of them also closed. The enormously successful Diamond Match Company left Akron in 1890 for a newly equipped factory built located further south, leaving its outmoded Akron facility to stand empty.

Not surprisingly, unemployment was high in the 1890s, with about half of Akron's work force unemployed in 1893. With payrolls in decline, service industries also suffered. Akron

suffered other misfortunes in the 1890s: fires, epidemics, and a serious racial incident that stirred up vigilantes and mob violence against a black man later proved to have been innocent of charges against him.

The Rubber Capital of the World

The rubber industry began in Akron in the 1870s, before the depression of the 1890s, and not only survived the downturn but in some ways benefited from it. The first rubber company in Akron was founded by Dr. Benjamin Franklin Goodrich, a native New Yorker who had gone to school in Cleveland. On returning to Ohio for a visit, he became impressed with Akron's advantages and decided to move his small rubber company there from Melrose, New York. He was attracted by Akron's cheap coal, plentiful clean water, good transportation system, and the lack of competitors in the country west of the Appalachians. The B.F. Goodrich Company moved to Akron in 1870, aided by a $14,000 investment by local businessmen. The company made a variety of rubber products, particularly fire hose and rubber tubing.[7]

The bicycle craze of the 1890s, a boon to rubber companies, came about partly because of an innovation in tire construction. John Dunlop, in Scotland, developed pneumatic tires for bicycles which created an explosion of demand. By the time the craze waned in the early 20th century, the emerging auto industry created a huge need for a number of rubber products, including tires.

At the turn of the century, Akron entrepreneurs, noticing that the very successful Goodrich Company was the only rubber manufacturer in the western part of the nation, started competing companies. The Diamond Rubber Company was formed and took over the old Diamond Match buildings. Another local competitor started in 1898 with the establishment of the Goodyear Tire and Rubber Company. It started out in an abandoned strawboard factory. In 1900, Harvey Firestone, formerly a buggy salesman in Detroit, founded the Firestone Tire and Rubber Company.[8] By 1913, the auto industry was selling over a million cars a year, and the Akron rubber companies shared in the prosperity. In 1912, Goodrich merged with Diamond, and for a time was the largest company. However, Goodyear was growing fast, and in 1912 had a plant covering 35 acres with 7,000 employees.

Karl Grismer, in *Akron and Summit County,* gave a number of reasons why Akron emerged as the center of rubber manufacturing. Foremost was imitation: Local men saw that Goodrich was profitable and so wanted to start competing companies of their own. The Akron plants recruited talented business and research staff from the east, but were able to remain independent and were not swallowed up by conglomerates. They benefited from the business failures of the 1890s. They cheaply obtained abandoned factories and also were able to hire at low wages from the large pool of unemployed workers. Wages for rubber factory workers in Akron were about 20 percent less than for similar workers in other parts of the country.

Also contributing to the Akron rubber industry was the presence of cheap coal for fuel, clean water, and a good transportation infrastructure, including several railroad lines linking Akron to other large cities. Akron firms were close to automobile manufacturing centers throughout the Midwest, which helped offset the extra costs of shipping raw materials from the east.[9]

Akron experienced very rapid growth during World War I. In 1910 it had 69,000 inhabitants, while ten years later the population had swelled to 208,000. The main reason for the increase was automobile production, stimulated by the need for vehicles during World War I. Akron factories expanded during the war and new ones were established, notably the General Tire and Rubber Company. This start-up firm had sales of over a million dollars after two years, and eventually became one of the nation's largest rubber companies. New workers flooded into the city, mainly from mining towns in southern Ohio and West

Virginia, Kentucky, and Tennessee. Goodyear and Firestone each built housing estates to make it possible for families to relocate to Akron, considered more desirable for community stability than single young men. After the war, a small but steady flow of immigrants from southern and central Europe came to Akron, joining the large native population descended from New Englanders, Pennsylvania Germans, and Irish. During the 1920s, about 5,000 blacks from the South also came. However, the city was not welcoming; during this time Akron and Summit County were a center for Ku Klux Klan activity. After a period of social and political predominance, the Klan lost influence after 1925, due to mismanagement of funds and exposure of its moral failings.

The prosperity of the 1920s did not make Akron exempt from the national catastrophe of the 1929 stock market crash and subsequent Depression. The rubber factories lost business, as consumer demand for automobiles declined. An early effect was increased unemployment; by the end of 1930 Akron had about 14,000 workers laid off from the rubber and other local industries. This layoff came as the latest in a series of events involving labor discontent. The first big strike occurred in 1913, when workers from all the companies walked out to protest "speed ups" and other hard working conditions. The strike was supported by the International Workers of the World, the most radical labor union of the time. The strike ended inconclusively but was a wake-up call to employers, who gradually improved working conditions. By 1930, the plants had instituted eight hour work days, paid vacations, and a pension plan. Federal labor legislation of the 1930s gave workers more rights to organize. Workers in the rubber industry were well paid by this time but the work was still hard and dirty. By 1941 the United Rubber Workers, founded in the mid 1930s, had solidly organized all the Akron rubber plants. To counteract this, the companies, beginning in the 1920s, began moving operations to the non-union West and South. In 1929, the rubber plants in Akron had 58,000 employees. With the Depression and the movement of plants out of Akron, by 1939 that was down to 33,000.

The Mid-Twentieth Century Boom

World War II brought the Akron rubber plants out of the doldrums. Goodyear Aircraft Corporation, a subsidiary, was making parts for military planes and Navy blimps as early as 1940. Goodyear started making fighter planes for the Navy and grew to employ over 35,000 workers during the war. Firestone expanded the range of its products, including aircraft guns. Goodrich made rubber footwear and clothing for the military. A dramatic development was the industry's discovery of synthetic rubber. The Akron companies cooperated with each other and the federal government to create this product to counteract the Japanese embargo on natural rubber exported from the Far East. Just as during World War I, war production created a great demand for workers, and again recruiters sought workers from Appalachia and the South. This time southern blacks, and women as well as men, were recruited. Factories ran day and night, seven days a week.

Following the war, the rubber companies were able to make the transition to peace time conditions quite smoothly. The growing trucking industry was a boon. Trucking had the advantage over the railroads in flexibility, and trucking became a major way of moving goods around the country. The tire companies joined the automobile industry in lobbying the U.S. Congress for an improved national highway system. Several trucking companies started in Akron, including Motor Cargo and Dixie-Ohio. They were eventually absorbed into larger companies with headquarters elsewhere, but for many years they maintained facilities in Akron. Express, at one time the largest general freight trucking firm in the country, remained in Akron.

Late into the twentieth century, Akron was still known as the "Rubber Capital of the World." It was home to four of the nation's five largest tire companies—B.F. Goodrich, Goodyear, Firestone, and General Tire. Many other small- and medium-sized rubber-producing companies were also located in the area. Rapid population growth accompanied the mid-century economic boom. The fastest growth occurred in the earlier part of the century (Akron's

Akron Historical Timeline

1825	Akron (later called South Akron) becomes a town
1832	Ohio & Erie Canal opens, joining Cuyahoga and Ohio Rivers
1836	North and South Akron incorporate into Akron
1852	The first train arrives in Akron
1871	Dr. Benjamin Franklin Goodrich moves his rubber factory from Melrose, New York
1900	Firestone comes to Akron
1905	Harvey Firestone agrees to supply tires for cars produced by Henry Ford
1913	"Great Flood" destroys the Ohio & Erie Canal, ending the canal system
1914	General Tire comes to Akron
1984	General Tire reorganizes its holdings under the name GenCorp
1987	GenCorp sells its tire plants to Continental, a German-based company
1989	Firestone was acquired by a Japanese company (Bridgestone)
1986	B.F. Goodrich merges with Uniroyal in 1986
1988	Goodrich Corporation sells tire business and use of the name to Michelin
1978	Akron Goodyear plant converted into Technical Center for R&D
1990	$17 million Goodyear Polymer Science Center opens
2007	Goodyear announces plans to construct a new world headquarters and a new headquarters for the company's North American tire business, and to make improvements to the company's existing technical center and research facilities

population more than tripled between 1910 and 1920), but the economic gains following World War II led to additional population growth. The city's population peaked in 1960 at approximately 290,000, an increase of 39 percent from 1920. The suburbs were also growing quickly—Summit County's suburban communities added nearly 88,000 residents between 1950 and 1960 (a growth rate of 65 percent over the 10-year period). The county's population peaked in 1970.

III. Akron's Decline

Akron's rubber industry had faced challenges at various points in history, but the most significant test came in the 1970s. The leading U.S. tire companies focused on meeting the needs of Detroit's automakers and gave less attention to the consumer market for replacement tires. In the long-run this proved less profitable, as the automakers used their buying power to lower purchase prices. But more devastating was the introduction of the radial tire in the 1970s by the French company, Michelin. This presented the first real competition to American tire makers. They responded quickly to the competition by producing belted tires, but the new tires did not perform well and sales faltered. Automakers and consumers began to demand radial tires. The shift in production required large capital expenditures, and because radial tires lasted much longer than bias tires, the consumer market for replacement tires shrank and tire manufacturers were even more dependent on the less profitable sales to automakers. Profits began to slip and plants were closed, resulting in massive lay-offs. The tire industry was one of the most innovative sectors of the U.S. economy between 1900 and 1935, providing improvements in both product performance and manufacturing process efficiency; however, as the industry matured, it reached a point of inertia and eventually succumbed to outside competition.[10]

In 1984, General Tire reorganized its holdings under the name GenCorp, which in 1987 sold its tire plants to Continental, a German-based company. Firestone was acquired by a Japanese company (Bridgestone) in 1989. B.F. Goodrich merged with Uniroyal in 1986 and its headquarters remained in Akron only until its tire holdings were acquired by Michelin in 1990. By the mid-1990s, Goodyear was the only major tire company still headquartered in Akron, although its manufacturing plants were located elsewhere. In just a few years, Akron had lost its claim on the tire industry, creating an economic shock across the region.

In 1980, the plastics and rubber products manufacturing industry employed more than 26,000 workers in the Akron MSA, accounting more than a third of all manufacturing employment and 12 percent of total employment in the region.[11] The industry contributed $2.2 billion to the region's gross metropolitan product. By 1990, employment in this industry fell to approximately 16,000—still sizable but a large decline for a 10-year period (37 percent). Gross metropolitan product fell to $1.4 billion, a decline of 38 percent. Between 1980 and 1990, the employment location quotient measuring the concentration of the industry declined from 13.3 to 7.8 and the gross product location quotient declined from 16.2 to 10.7.[12] Although the industry remained very important to the Akron economy, the restructuring that occurred in the 1980s dealt a serious blow to the region. Because the industry played such a dominant role, its decline had ripple effects throughout the economy.

During the 1990s the industry employment began to stabilize. The number of jobs declined by less than 2,000 between 1990 and 2000 (6 percent), but there was still a substantial decline in gross product (29 percent) and another round of job losses followed after 2000. Between 2000 and 2007, the number of workers in plastics and rubber products manufacturing fell from 14,400 to 7,200 (a 50 percent decline). Gross product fell another 33 percent during this time period.

Table 1. Plastics & Rubber Products Manufacturing (NAICS 326), Akron MSA

	1980	1990	2000	2007
Employment		16,319	14,378	7,220
share of manufacturing	33%	26%	23%	15%
share of total employment	12%	7%	5%	2%
location quotient	13.3	7.8	6.1	3.7
Gross Metropolitan Product (millions $)*	2,218.4	1,380.6	986.5	656.3
share of manufacturing GMP	33%	24%	17%	12%
share of total GMP	13%	8%	4%	3%
location quotient	16.2	10.7	5.8	4.3

*1980, 1990, and 2000 values reported in 2007 dollars.
Source: Moody's Economy.com

The early decline of the rubber industry in Akron coincided with the national trend toward greater suburbanization. These two occurrences had damaging effects on the city of Akron. Akron's population began to decline after 1960. The city lost 15,000 residents between 1960 and 1970 (a 5 percent decline) and more than 38,000 residents between 1970 and 1980 (a 14 percent loss). It appears that the initial population losses in the city were largely due to suburbanization: The suburbs of Summit County and neighboring Portage County grew significantly between 1960 and 1970. These communities continued to grow between 1970 and 1980 but at much slower rates, while the population loss in the city of Akron accelerated. The gains in the suburbs were not nearly enough to offset the losses in the city. Similar trends continued from 1980 to 1990: Akron's decline slowed but did not reverse and suburban growth did not exceed urban decline. It appears that the troubled economy was affecting demographic trends across the region, but it is clear that the city of Akron suffered the most.

IV. The Recovery Process

Although the rubber industry continued to experience losses after 1990, the hardest blows had already been absorbed during the prior decade—setting the stage for the area's subsequent turnaround and economic restructuring in the 1990s. During this period, the dominant tire manufacturers began to adjust to changes in the industry, and other sectors of the economy began to play a more prominent role in the Akron region.

A. Economic Restructuring

Although Akron is no longer the manufacturing center for the tire industry, it has maintained a prominent position in the plastics and rubber industry. Many companies responded to the challenges of the 1970s and 1980s by investing in potential high-growth areas that were associated with their core technology—polymer chemistry.[13] Rubber is a naturally occurring polymer and the tire manufacturing process required sophisticated polymer processing. The expertise acquired by local companies in producing tires and other rubber products has been applied to the development of modern synthetic materials. Polymer chemistry is the science behind basic products such as plastic bags and packaging materials as well as more advanced materials used in automobiles, building supplies, marine and aeronautical equipment (including space exploration equipment), and countless other plastic products. Polymer chemistry is also used to create biomaterials such as replacement heart valves and blood vessels, and it is the science behind the liquid crystals used in flat-screen video displays.

Akron's current role in the plastics and rubber industry evolved not only from its experience in tire manufacturing, but also from the emergence of a large industry cluster throughout Ohio. No other state employs as many individuals in the plastics and rubber products industry (NAICS 326).[14] Polymer Ohio Inc., a group focused on industry growth and competitiveness, reports more than 2,600 polymer-related companies in Ohio, and Summit County boasts more than any other county in the state (366), followed by nearby Cuyahoga County (305).[15]

Although Ohio leads the nation in the number of jobs in plastics and rubber products, today's employment levels are much lower than when tire companies dominated the industry. This is primarily due to a shift in location for various functions. In the past, products were manufactured locally. Much of this activity now occurs outside the region or abroad. However, important research and development functions have remained in Ohio, the Akron area in particular. Akron is now more involved in knowledge production than goods production. Connections between businesses and local universities have helped with this transition. The University of Akron's polymer science and engineering program is ranked second in the nation. The college has a comprehensive research program and offers educational outreach programs that provide training for industry personnel as well resource materials for youth. Kent State University, in neighboring Portage County, hosts the Liquid Crystals Institute, a center for basic and applied research that fosters collaboration between academia and industry.

Goodyear, the only major tire company still headquartered in Akron, has maintained its research and development facilities in the city and has recently committed to stay in the Akron. In December 2007 the company announced that it had reached a agreement with the Industrial Realty Group (IRG) that calls for IRG to construct a new world headquarters building for Goodyear and a new headquarters for the company's North American tire business, and to make improvements to the company's existing technical center and research facilities. Goodyear will lease the new buildings and existing technical center from IRG.

Changes in the plastics and rubber industry have been accompanied by greater diversification in the Akron economy. Manufacturing remains an important sector but its relative importance has declined. In 1980, manufacturing industries provided 35 percent of all

jobs and 41 percent of the Akron MSA's gross regional product. By 2007, these industries provided 16 percent of all jobs and 20 percent of gross regional product.[16] No single sector has compensated for the decline in manufacturing, but several sectors experienced substantial growth after 1980. In many cases, growth was higher in the later part of the time period, contributing to the economic turnaround that has occurred since 1990.

The *Health Care and Social Assistance* sector has experienced tremendous growth regionally and nationally. It is the second-largest sector in the Akron MSA in terms of employment (following Manufacturing); in 2007, it employed approximately 46,670 workers (14 percent of total employment) and contributed $2.4 billion to gross metropolitan product (9.3 percent of total GMP). Between 1990 and 2007, employment increased 59 percent and GMP increased 88 percent. Regional job growth slightly lagged national job growth (65 percent) during this period, but the increase in gross product exceeded the national rate of increase (73 percent). Akron leaders see hospitals as an important economic driver, particularly within the city limits. The downtown area hosts Akron General Medical Center, Akron Children's Hospital, and Akron City Hospital (part of the Summa Health System). The Akron General Health System and Summa Health System are the two largest employers in the city and the metropolitan area. Akron Children's Hospital is the eighth largest employer in the city and ninth largest in the metro area.[17]

Rapid growth in the *Wholesale Trade* sector has resulted in it being one of the larger sectors in the Akron MSA. In 2007, the sector employed 18,200 workers and contributed $2.2 billion to GMP. Between 1990 and 2007, employment grew by 47 percent and gross product increased 68 percent. These growth rates far exceeded national growth rates (13 percent for employment and 54 percent for gross product), indicating that Akron has become a particularly attractive location for wholesale distributors; this may be driving some of the overall economic growth that has occurred since 1990.

Table 2. Growth in Select Industries, 1980 to 2007, Akron MSA

Employment (thousands)	1980	1990	2007	Change 1980-90	Change 1990-07
Utilities	0.6	0.7	1.3	11%	82%
Construction	8.6	9.5	13.4	10%	41%
Manufacturing	77.8	62.6	48.3	-19%	-23%
Wholesale Trade	9.6	12.4	18.2	29%	47%
Transportation	8.1	7.6	10.7	-6%	41%
Finance & Insurance	8.1	8.6	12.1	6%	41%
Professional, Scientific, Technical Services	6.0	9.5	13.8	58%	46%
Health Care & Social Assistance	19.1	26.8	42.7	40%	59%
Gross Product (millions)	**1980***	**1990***	**2007**	**Change 1980-90**	**Change 1990-07**
Utilities	171.7	215.1	645.2	25%	200%
Construction	692.0	721.2	1,016.4	4%	41%
Manufacturing	6,784.9	5,679.0	5,311.1	-16%	-6%
Wholesale Trade	1,025.4	1,308.3	2,203.5	28%	68%
Transportation	1,488.7	580.0	1,159.5	-61%	100%
Finance & Insurance	742.0	1,018.1	1,868.5	37%	84%
Professional, Scientific, Technical Services	50.2	884.0	1,551.8	96%	76%
Health Care & Social Assistance	766.8	1,298.8	2,434.9	69%	87%

*1980 and 1990 values reported in 2007 dollars.

Source: Moody's Economy.com

Several other small and mid-sized sectors have also experienced high rates of growth since 1990. *Professional, Scientific, and Technical Services* plays in increasingly important role in the regional economy. The *Finance and Insurance* sector and *Transportation* sector both experienced high rates of growth in employment and gross product, as did the smaller *Utilities* and *Construction* sectors.

The growth that occurred in *Wholesale Trade* and *Transportatio*n may be partly due to Akron's geographic location. It is well-served by interstate highways and rail lines that provide convenient routes to the east coast and Midwest. In addition, the regional airport has been increasing air service. Two transportation companies are among the Akron area's 25 largest employers—Yellow Transportation and FedEx Custom Critical—and both have expanded their operations in recent years.

The *Utilities* sector shows an unusual growth pattern in the Akron MSA between 1990 and 2007 with the number of jobs increasing 82 percent between 1990 and 2000 (while declining 26 percent nationally) and gross product increasing 200 percent (versus 16 percent nationally). There was a large peak in employment and GMP in 2004, followed by a decline between 2004 and 2007. Much of this volatility is due to a number of mergers and acquisitions (and subsequent restructuring) involving Akron-based First Energy. It is not expected that the high rate of growth in this sector will continue.

B. Factors Driving the Economic Turnaround

The bottoming out of the rubber industry, which largely occurred during the 1980s, and the ongoing process of industrial restructuring were key factors in the turnaround of the Akron economy. Measures that assess economic performance between 1980 and 1990 capture a low point in Akron's history; therefore the significant change that is reflected in the data is partially due to the fact that the baseline year marks the economy at one of its weakest points. However, there is also some evidence that a modest economic turnaround is occurring as a result of economic restructuring in the Akron region. Data indicate greater industrial diversification and the substantial growth in several sectors of the economy are drivers of the resurgence of the Akron economy, the city, and the region. Markets and market forces, however, do not fully explain the turnaround. Leadership, strategic initiatives, policies, and advantages of place have played, and are playing, major roles in the economic recovery.

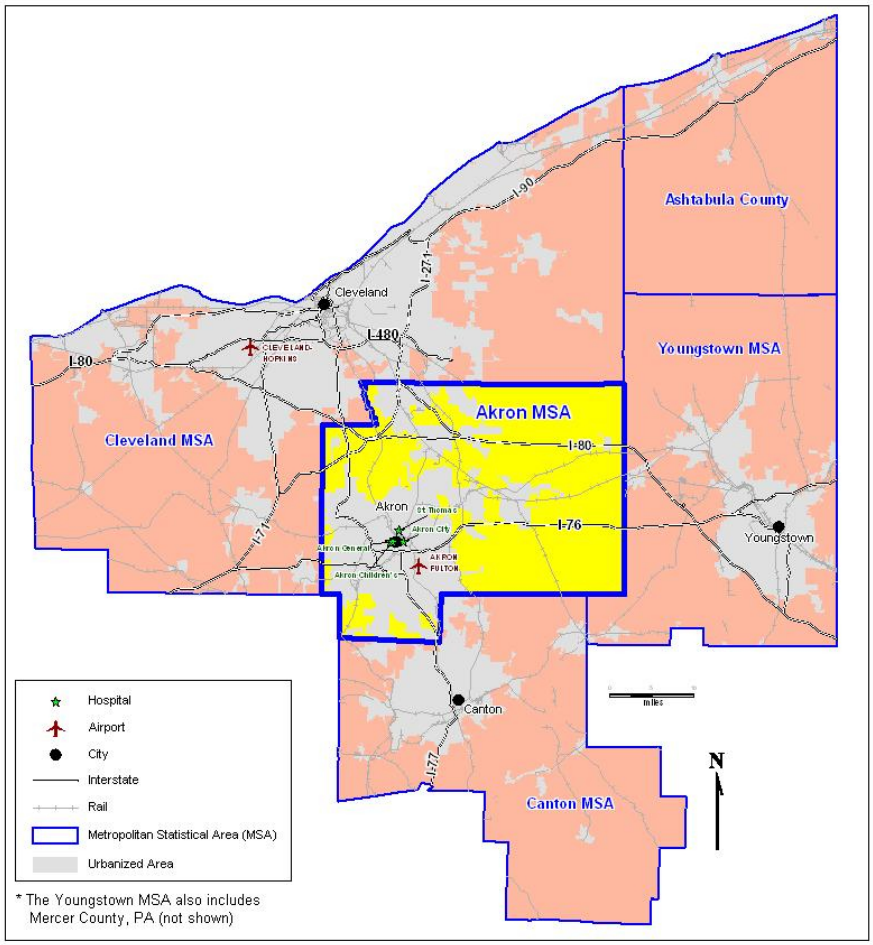
Advantages of Place and Scale

Through much of its history the economy Akron and the greater metropolitan area have operated in the shadow of Cleveland and its region. Today, after the bottoming out of the rubber industry, the Akron regional economy appears to be emerging from this shadow. This is occurring, in part, because of an *advantage of place* in transportation logistics. The relatively rapid growth in shipping and transportation now being experienced in the area is a reflection of this comparative advantage of place.

The Akron MSA is situated at the hub of a network of interstate highways running east and west through the industrial heartland of the United States. It also connects to the North to major arterials and, through these, to shipping on the Great Lakes, and westward toward Columbus and West Virginia. It is served by the air freight capacity of Akron-Canton, access to the Cleveland Hopkins Airport, and, in Pennsylvania, the Pittsburgh International Airport.

The city of Akron and its greater MSA are somewhat smaller that those of its neighboring older industrial regions. The geographical area of the city is approximately 62 square miles containing a population of around 212,000. The population of the MSA is approximately 701,000. Advocates feel that size gives Akron an advantage of manageable scale compared to many other larger and more complex cities and metropolitan areas. This advan-

Figure 2. Northeast Ohio Transportation Network



tage, it is believed, permits Akron to be more nimble and aggressive in reaching consensus around policies and strategies, as well their implementation.

Economic development is promoted as a partnership among the city, the Greater Akron Chamber of Commerce, the Ohio Department of Development, Summit County Economic Development, and the Summit County Port Authority. The primary catalyst and driver of economic development in Akron and Summit County, however, is the mayor and his Office of Economic Development directed by the deputy mayor for economic development.

The Leadership Key

Vision and leadership have been identified as the critical foundation for success in transforming the economies of cities and their states. A recent study stated:

> Time and time again we found that in cities that had successfully transformed their economic and residential base, vigorous leadership was present and was driven by a well-articulated vision…. In city after city where progress had occurred, vision and leadership, sustained over time and backed by resources, played a decisive role.[18]

Akron, Summit County, and the greater Akron region have had this quality of leadership and vision of its economic future and possibilities. Almost without exception the stakeholders interviewed identified the leadership, determination, and tenure of Mayor Don Plusquellic as the essential catalyst and driving force in the economic development of the city and region. He has served as mayor since 1987. Stakeholders identified this continuity of more than 20 years of leadership as an important component of success in local and regional

economic development. Recognition of the sway and significance of the leadership of this mayor extends beyond the city to the County and MSA.

Throughout his tenure in office economic development has been one of the two highest priorities of the mayor, the other being education. Plusquellic has not been afraid to propose controversial ideas to advance his agenda. In February 2008 he introduced a plan to sell the city's sewer system to a private company in order to fund a scholarship program for Akron students. His goal is to raise $100 million to cover the full tuition for city residents who attend the University of Akron or a trade school in Akron.[19] The plan (not yet approved) has drawn both praise and criticism, but it serves as an example of Plusquellic's willingness to consider innovative solutions to problems confronting the city.

University Catalysts

Two public universities, Kent State University and the University of Akron, are key partners, resources, and catalysts in the economic turnaround of the Akron metropolitan area. Both are major research universities that make substantial contributions to the technological base of the regional economy and the supply of skilled workers required in the emerging knowledge economy.

A major initiative of Kent State University is building partnerships to promote economic and workforce development in Northeast Ohio. The Economic Development and Strategic Partnerships team matches the expertise of the university with regional needs and development priorities. This is done by building partnerships between major regional development organizations and the university's specialized centers and institutes. Among these specialized research entities are the nationally recognized Liquid Crystal Institute, the Nanostructured Materials Center, the Employee Ownership Center, and the Urban Design Center. In addition, the University's Office of Technology Transfer and Economic Development promotes technology-based economic development in the region through commercialization of new technologies with business enterprises, including new start-ups.

The University of Akron's role as a national leader in technology-based development and technology transfer has been recognized by the Award of Excellence and Technology from the University Economic Development Association. The University's catalytic role in the region and nationally are driven by its president Luis Proenza, and the University of Akron Research Foundation, a university-affiliated nonprofit that manages the intellectual property portfolio of the university.

Guided by this leadership the university plays a significant role in building major technology-based economic development partnerships in the Akron region and Northeast Ohio. The innovative Akron Global Business Accelerator is a partnership of the City of Akron, the State of Ohio, and the University of Akron. [20] The Research Foundation sponsored the creation of the ArchAngels Investment Network and initiated the NeO Technology Transfer Network that includes Cleveland State University, Youngstown State University, and Lorain County Community College (LCCC). The university also invested in the LCCC Innovation Fund that supports technology-based entrepreneurship and emerging technology-based businesses.

Additionally, the university has also contributed to the revitalization of the downtown area, as described in more detail below.

Strategic Initiatives

The city operates fairly standard, but important, economic development functions such as relocation, business expansion, and startup assistance, and utilizes a typical set of financing and tax incentives.[21] These capacities, however, are used in strategic initiatives to package assistance for individual firms.

Akron has been innovative in addressing the lack of developable land in two primary ways. First, the city has aggressively purchased available land parcels and assembled them into four city sponsored industrial parks.[22] Second, the city has led in the creation Joint Economic Development Districts (JEDDs) with adjacent townships, a major innovation permitting firms to locate or expand on land in townships using city water and sewage. Two of the city's industrial parks are in Joint Economic Development Districts.[23] (JEDDs are discussed below).

In 1983 the city, in partnership with the University of Akron and the State of Ohio, established the Akron Industrial Incubator located in the former B.F. Goodrich plant in the downtown area. The mission of the incubator is to promote entrepreneurship in start-up manufacturing and technology enterprises. It is part of the Ohio Thomas Edison Program, which assists small businesses through the Edison Technology Incubation. To reflect the city's growing international orientation, the incubator has been renamed the Akron Global Business Accelerator.

Attraction of foreign-owned firms is a key component of the region's overall economic development strategy. This orientation appears to be a winning strategy for Akron and its wider MSA. The Greater Akron Chamber of Commerce identifies approximately 121 foreign firms operating in the wider region with the large majority of these being located in the city, and Summit and Portage Counties. In 2003 Expansion Magazine ranked Akron 13th among U.S. cities for European Investment.[24] As part of this international strategy the city of Akron has created a public-private partnership that has invested in a technology incubator in Israel. The investment in the Targetech Incubator is intended to create a conduit for companies coming out of the incubator to locate in Akron. It is believed that this is the first time a local government in the U.S. has invested in a foreign incubator.

Downtown Revitalization

Downtown Akron has had a noticeable facelift since the 1990s. The change in the physical landscape is due to large investments in civic infrastructure, a substantial number of commercial redevelopment projects, and surge in institutional development.

Civic infrastructure. During the mid-1990s, three large-scale projects added to the civic infrastructure of downtown Akron. A new convention center, museum, and baseball stadium changed the look of the city and ushered a new wave of investment. The John S. Knight Convention Center was the first major development project to be completed during this time period. The $33 million, 129,000 square foot facility opened in June 1995, featuring a conference center area, exhibit space, a multi-purpose rotunda lobby, banquet hall, and meeting rooms. The following month, the National Inventors Hall of Fame opened. The $38 million, 83,000 square foot museum honors individuals responsible for technological advances that have changed society and brings national attention to the city of Akron. Less than two years later, in January 1997, construction was completed on a $30 million, 8,500-seat baseball stadium that serves as home field for a Double A affiliate of the Cleveland Indians. An entertainment district has emerged around the stadium.

The convention center, museum, and baseball stadium were followed by a number of other projects that continued to enhance the civic infrastructure of the city. In June 2001, the historic Akron Civic Theatre was closed to allow for the most comprehensive restoration and expansion project since its opening in 1929. More than $19 million was invested to bring the theater up to modern performance standards; the facility re-opened in November 2002 and serves as an important entertainment venue for the region. In 2004, the main library of the Akron-Summit County Public Library held a grand opening following a $51 million expansion and renovation that nearly doubled the size of the existing structure. More recently, the Akron Art Museum also underwent a major expansion with the addition of a 50,000 square foot building adjacent to the existing museum (originally built as a post office in 1899). The new structure, designed by world-renowned architecture firm, Coop

Himmelb(l)au, opened in July 2007. The museum has renewed interest in the arts and several new galleries signal an emerging arts district in the north end of downtown Akron.

Enhancements to Akron's civic infrastructure have also included development of parkland along the Ohio & Erie Canal. In 2002, the city demolished buildings near the Civic Theatre to develop a section of downtown referred to as the Lock III Redevelopment Area. A three-acre park was built, including a pedestrian plaza and walkways and an outdoor amphitheater. As part of the process, the lock was reconstructed and canal walls were restored. The park hosts various events throughout the year. Development along the Ohio & Erie Canal is seen as important part of Akron's revival. The National Park Service is leading the effort to create a towpath along the 110-mile canal corridor that passes through Akron as it extends from downtown Cleveland to New Philadelphia, Ohio.

Commercial development. Increased investment in commercial real estate has also helped spark a revival in downtown Akron. This investment has been shared by both the public and private sectors. The city of Akron has played a key role in commercial revitalization through the strategic acquisition and development of important properties in the downtown area.

Canal Place is one Akron's success stories of the 1990s. It is an industrial complex covering 28 acres in the south end of downtown Akron that once served as the world headquarters for the B.F. Goodrich Company. After the company left Akron in the 1980s, it planned to demolish 27 buildings on site, leaving a hole in the middle of the city. However, a plan was introduced to save the complex and, in 1988, a New York based real estate company redeveloped the site. It is now a mixed-use complex that houses more than 85 businesses, including small, family-run operations and corporate headquarters. Canal Place also includes the Akron Global Business Accelerator, the city-owned business incubator. The world headquarters of both Advanced Elastomer Systems (AES), a partnership between Exxon and Monsanto, and GOJO Industries, world leaders in hand sanitizer products, are located on the site adjacent to Canal Place. The city of Akron played a role in bringing both of these businesses to their current location. The city invested $7.4 million in the AES building (private investments exceeded $25 million) and $2.5 million to acquire the GOJO building.

The city of Akron has also facilitated the redevelopment and construction of other projects in the downtown area. In the late 1990s, it purchased the O'Neil's Building, originally an 800,000 square foot structure occupied by a department store. The city worked with a developer to renovate and downsize the building into an 185,000 square foot mixed-use office/entertainment space. It now houses several professional services firms and retail establishments. More recently, in March 2007, the city entered into an agreement with Signet Enterprises to assist the company's relocation to a new facility downtown. The company has outgrown its current home and plans to build new; to facilitate this, the city agreed to purchase the company's existing building if it is not able to sell it before moving into the new facility. The city views this agreement as important to keeping the company in Akron.

Private developers and property owners have also been active in downtown Akron over the last several years. A number of commercial buildings have been renovated in an effort to retain tenants and attract new businesses. This has not only helped improve the commercial climate but has contributed to a marked improvement in the appearance of the central city.

Institutional development. Improvements to Akron's civic infrastructure, accompanied by significant commercial development, have changed the landscape of the city. However, the most visible changes taking place in downtown Akron today can be attributed to the city's health and educational institutions. Akron Children's Hospital and Summa Health Systems have both constructed new facilities in the downtown area and have plans for further ex-

pansion. City leaders see the healthcare sector as an economic engine and hope to further capitalize on the close proximity of the city's three downtown hospitals. In July 2006, the mayor announced plans to establish a planning district to attract and market clusters of technology-oriented companies. The district is bounded by Akron General Medical Center to the west and Akron City Hospital to the east and includes Akron Children's Hospital near the center. The city owns a significant amount of land within the district and is seeking businesses that will benefit from proximity to the three hospitals.

Although there has been significant development throughout downtown Akron since the 1990s, perhaps nothing has received more attention than the recent activities of the University of Akron. In 2000, the university introduced the "New Landscape for Learning," a campus plan that has resulted in 11 new structures and 30 acres of greenspace. The university added two classroom buildings, a residence hall, a recreation and wellness center, student union, an honors complex, and two parking facilities. In addition, several buildings have been renovated and landscape improvements have been implemented across campus. In August 2007, the university announced plans to build a $55 million football stadium as part of the second phase of the New Landscape for Learning. The same month the university purchased a downtown hotel with plans to convert it into student dormitories. Once separated from the rest of downtown Akron by rail lines, the university is becoming more physically integrated with the central city. Some have questioned whether the university is expanding at the expense of the city, while others applaud its efforts to develop a more vibrant campus that is more connected to the community.

Regional Collaboration

Economies function at a regional level, taking advantage of regional labor pools, transportation networks, industry supply chains, and other needed resources. Political boundaries have little bearing on the behavior of firms. Consequently, the benefits of economic growth are not evenly distributed across a metropolitan area. Efficiency and equity are often not compatible.

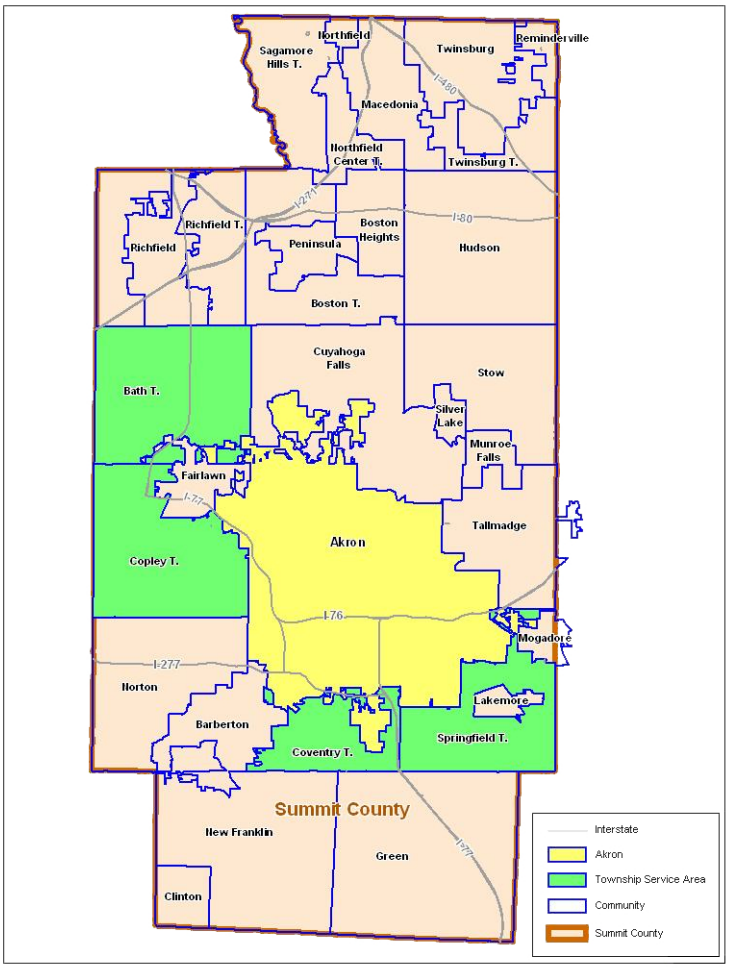
In the creation of Joint Economic Development Districts in 1993, the city of Akron and its adjacent townships were early architects of regionalism, regional strategies, and regional collaboration in the state and Northeast Ohio. More than a decade passed before other significant regional initiatives began to emerge, driven primarily by the private sector and Northeast Ohio's philanthropic organizations working in concert.

Joint Economic Development Districts [JEDDs]. Akron has responded to economic challenges through pragmatic, problem-solving innovations. The lack of developable land posed a major constraint to Akron's economic revitalization. Like many core cities of older metropolitan areas the city was bounded by smaller political jurisdictions. Ohio's difficult and stringent annexation procedures essentially precluded the expansion of the city's boundaries to incorporate additional land for development.

In the early 1990s, the city proposed an innovation designed to "benefit, rather than antagonize, suburban interests."[25] These "Joint Economic Development Districts" or JEDDS were designed to both [1] protect the independence and sovereignty of adjacent townships while expanding their business property tax base and, [2] most important to the city, provide land for business expansions and new enterprise and to expand the income tax base available to the city for redevelopment of older areas.[26]

Specifically, Akron negotiated an agreement with four adjacent townships under which the city provides water and sewerage infrastructure for new or expanding economic enterprises locating on developable land in the townships. Under this agreement the townships benefited from the expanding tax base and the city through municipal tax revenues from the provision of water and sewerage.

Figure 3. Summit County Joint Economic Development Districts



With this agreement in place both the city and townships were able to convince their constituencies of the mutual benefits of the approved JEDDs. The city and township trustees then petitioned the Ohio General Assembly to pass enabling legislation to permit local communities to create Joint Economic Development Districts.

In 1993 the state passed legislation under which a JEDD is determined by a contract approved by the legislative authorities of one or more contiguous corporation and one or more contiguous townships. Legislative authorities enter into such contracts to facilitate economic development, to create or preserve jobs and employment opportunities, and to improve the economic welfare of the people in the areas.[27]

The city of Akron has entered into JEDDs with four contiguous townships. Under these agreements the township designates the areas within its boundaries that are part of the JEDD and the city commits to providing water and sewage services to these areas. A JEDD board is established for each district which imposes a 2 percent personal and corporate income tax in the JEDD areas. The township retains all property tax. JEDD agreements exist for 99 years.[28] Recently the JEDD with Bath Township facilitated the retention and expansion of InfoCision, the second largest privately held teleservices firm in the United States.

Collaborative Philanthropy. Another very important example of regional collaboration is the *Fund for Our Economic Future* (the Fund).[29] More than 100 foundations and other philanthropic organizations came together in 2004 with the "mission of achieving long term economic transformation in ways that recognize the importance of core cities, diversity and

quality of life." The Fund focuses on a 16-county area to promote regional solutions such as tax base sharing, regional marketing, and economic development.

In 2005, the Fund sponsored a process of civic engagement called *Voices & Choices,* which involved 20,000 residents of the region. The goal of this effort was developing consensus on the region's economic development priorities.

Currently more than 70 organizations are implementing Advance Northeast Ohio, as set of initiatives "designed to grow, attract and retain businesses, capital and talent in Northeast Ohio." Initiatives are grouped into the four priorities that come from Voices and Choices: business growth and attraction, workforce preparation and educational excellence, growth through racial and economic inclusion, and government collaboration. The Fund has made large awards to several regional economic development organizations, including BioEnterprise, JumpStart, the Manufacturing Advocacy and Growth Network (MAGNET), NorTech and TeamNEO. BioEnterpise is a business formation, recruitment, and acceleration initiative designed to grow health care companies and commercialize bioscience technologies. Jumpstart is designed to accelerate the growth of early stage businesses and ideas into venture ready companies by making investments and providing assistance and resources to entrepreneurs. MAGNET helps manufacturing and technology-based companies and entrepreneurs excel and grow through understanding, adopting, and implementing innovative methods and technologies. NorTech works to build a vibrant and globally competitive economy by linking and leveraging the region's technology, entrepreneurship and innovation assets. And TeamNEO, a private sector-led economic development organization markets the region and serves as a central economic development point in Northeast Ohio. The organization connects businesses with government entities and other organizations that provide access to capital. TeamNEO also performs and disseminates comprehensive economic research to report and support the overall economic progress of Northeast Ohio.

These economic development organizations seek to capitalize on the combined assets of the Cleveland-Akron region, recognizing that it is one regional economy, rather than two disparate parts. The regional focus is bringing additional investment to Akron. JumpStart, for example, has invested in several Akron-based start-up companies that are believed to have high-growth potential.[30]

V. Today and Tomorrow

There is a stark contrast in Akron's economic performance during the 1980s versus more recent years. If we look at regional trends across the entire time period, it reveals the depth of the economic troubles that the Akron MSA has experienced, but it tells only part of the story.

A. Signs of Recovery

Between 1980 and 2007, economic growth in the Akron metropolitan area lagged national growth.[31] On measures of employment, gross product, payroll, and productivity, the region did not kept pace with national trends. During this time period, employment grew by 32 percent in the Akron MSA versus 52 percent across the U.S. Gross product increased by 58 percent in the Akron MSA while increasing 98 percent nationally. Productivity grew by 20 percent in the Akron MSA versus 30 percent nationally, and payroll grew by 31 percent in the Akron region while growing 83 percent nationally. Figures 1 through 4 illustrate these trends, clearly showing the gap between the region and the nation on all four economic measures.

Figure 5. Change in Employment

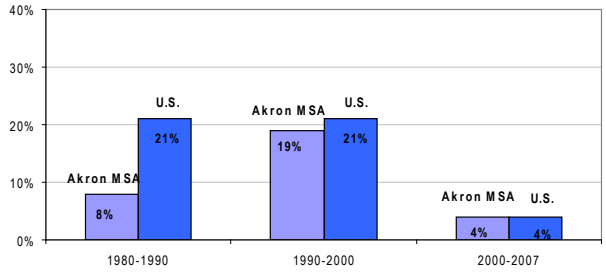


Figure 6. Change in Gross Product

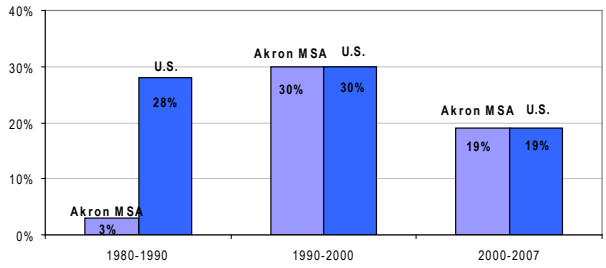


Figure 7. Change in Productivity

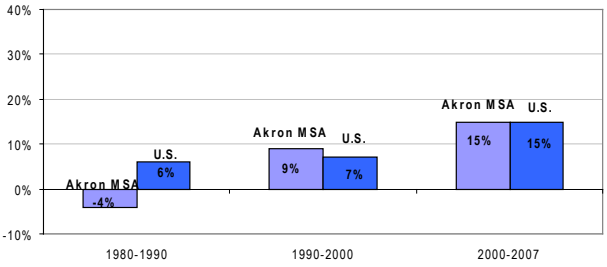
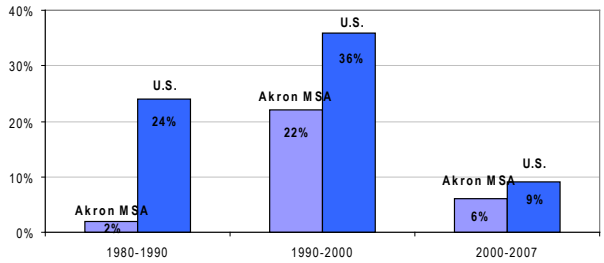


Figure 8. Change in Payroll



Source: Moody's Economy.com

Examining longer-term trends is important for understanding the performance of the Akron regional economy over the past few decades, but these trends mask important differences within this period of time. Although the figures effectively capture the gaps between regional and national growth for the entire time period shown, it is difficult to discern changes in the rate of growth within this time period (represented by changes in the slope of each line). A closer look at the data reveals important distinctions and the periods of economic decline and recovery of become more apparent (Figures 5 through 8).

Between 1980 and 1990, the performance of the Akron regional economy was extremely weak compared to the national economy. Employment growth was meager, output and payroll were nearly flat, and productivity actually declined. This 10-year period captures the collapse of Akron's rubber industry.

By the next decade signs of a turnaround are evident. Between 1990 and 2000, growth rates in the region were similar or equal to U.S. growth rates across all measures, with the exception of total payroll, where the gap did not close but narrowed substantially. Furthermore, these trends have continued since 2000. Between 2000 and 2007, the region grew at the same rate as the nation in terms employment, gross product, and productivity. The data also reveal the importance of looking beyond employment as the primary means for understanding economic growth—particularly in recent years when technological advances have increased output and worker productivity. Between 2000 and 2007, gross product and productivity continued to grow at substantial rates although employment growth was modest.

B. The City in the Regional Context

Economic performance measures generally reflect the fact that economies operate on a regional level—the available data has limited ability to discern different patterns of growth within a region. Furthermore, the data is based on place of work rather than place of residence. Employment and payroll gains may be benefiting individuals who work in one geography but live in another area. While the data described previously suggest that the Akron regional economy has improved in recent years, it does not reveal whether the benefits are being experienced by residents of the city of Akron. Economic indicators based on place of residence provide some insight on this issue.

As shown in Figures 9 and 10, median household income and per capita income in the city of Akron improved between 1990 and 2000 but lag the Akron MSA and nation. In addition, poverty rates are considerably higher in the city (in 2000, 17 percent of the city's residents lived in poverty compared to 10 percent in the MSA and 12 percent nationally).

Figure 9. Median Household Income

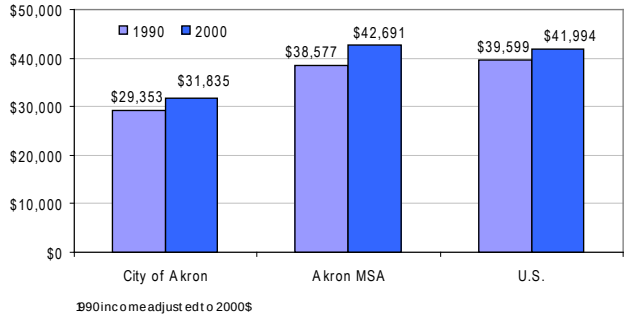


Figure 10. Per Capita Income

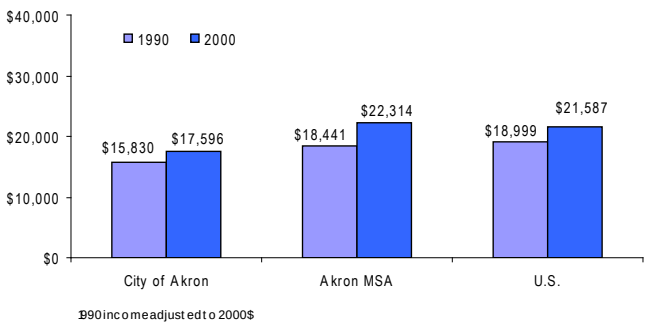


Figure 11. Labor Force Participation Rate

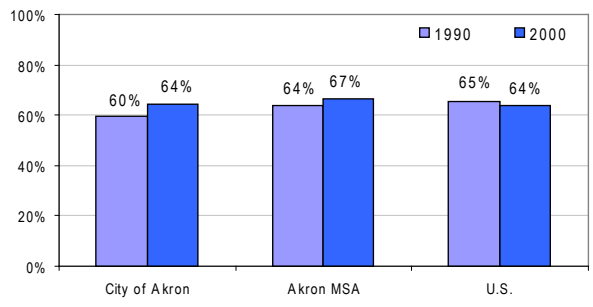
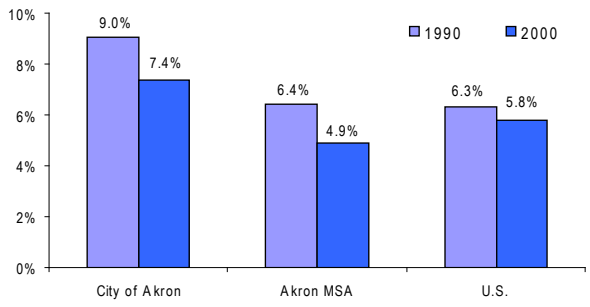


Figure 12. Unemployment Rate



Source: U.S. Census Bureau, 1990 and 2000 Census of Population and Housing

Labor force participation and unemployment rates tell a similar story. Labor force participation among city residents is increasing and unemployment is decreasing, but both continue to lag the metro area and nation, particularly with regard to unemployment (Figures 11 and 12).

While economic conditions appear to be improving for residents of the city of Akron, it is clear that the benefits of economic growth are slower to reach urban neighborhoods. The city of Akron has not yet countered the problems that lead to greater distress in the central city.

The disparities between the city of Akron and the Akron region are recognized by local stakeholders, but there is also a common perception that the city of Akron has fared better than other cities in Northeast Ohio. Data lends support to this.

Although the city experienced population decline in recent decades, it has not suffered a massive out-migration of residents compared to neighboring cities. Akron's population fell 2.7 percent between 1990 and 2000; larger losses were recorded in Cleveland (5.4 percent), Canton (4.0 percent), and Youngstown (14.3 percent).[32] The same trend holds for earlier decades— even during the 1970s and 1980s when population losses were significant across the region, Akron's losses were less severe than other Northeast Ohio cities. Furthermore, the economic indicators based on place of residence suggest that those who live in Akron are doing better than those in the other major Northeast Ohio cities. When compared to Canton, Cleveland, and Youngstown, median household income and per capita income are higher while the poverty rate is lower. Akron residents are also more likely to participate in the labor force and experience lower rates of unemployment.

The reasons that Akron has maintained a stronger position relative to other cities in the region are unclear. There is some speculation that the public school system may be partially responsible for the city of Akron faring better than other central cities in Northeast Ohio. The Akron public schools have performed better than many other central city school districts, which may help to stem the flow of residents from the city and to create more stable neighborhoods. A report issued by the Ohio Department of Education indicates that the Akron public schools are out-performing similar districts.[33] During the 2005-06 and 2006-07 school years, Akron public school students generally performed below the state average, but they out-performed students in similar districts on each of the 25 indicators included in the state report card (including attendance rates, graduation rates, and the percentage of students at or above the proficient level based on subject-area standardized tests administered to students in grades 3 through 11).[34]

There are also some who believe that the racial climate in Akron has made a difference relative to other older, industrial cities. In 2000, the city of Akron was 28 percent African American. Canton has a similar size African American population (21 percent), but Cleveland and Youngstown have much larger African American populations (51 percent and 43 percent, respectively). Cleveland and Youngstown (and many other rust belt cities) have often been divided by conflicts over political power and public resources, making it difficult to develop a unified agenda and move the city forward. While racial conflict is not absent in Akron, some observers believe that it may not experience these problems to the same degree as many other cities.

Finally, there has been a substantial effort to reinvigorate the culture of innovation in the region. Historically, periods of economic growth and decline have been heavily influenced by product cycles—particularly in the plastics and rubber industry. Akron companies were able to take advantage of specific opportunities but ultimately became complacent, failing to continually innovate and move forward. Today, both the public and private sectors are investing in research and development—to build upon traditional strengths with an eye on the future. The long-term impact of more recent activities has yet to be seen, but the functional

shift from goods production to knowledge production and greater industrial diversification have the potential to prevent the type of deep decline that Akron experienced in the past.

VI. Conclusions/Lessons Learned

The story of the "turnaround" in the Akron economy is a story in three parts. The first part is the downward spiral of the rubber industry and the "bottoming out" of this industry in the 1980s and early 1990s. The catastrophic decline of the rubber industry in the 1960s and 1970s, and, to some extent, the 1980's dominated the performance of Akron's economy. By 1990 the hardest blows had been absorbed; the rubber industry in Akron had already hit its low point.

Part two of the turnaround story is the restructuring of the economy. Aggregate measures of economic performance, such as employment and employment change, were dominated by the losses of the rubber industry and tended to "mask" early signs and indicators of a "turnaround." Tire manufacturers began to adjust to changes in the industry, and other sectors of the economy began to play a more prominent role in the Akron region. Akron, historically dependent on one industry, built upon the core technology in rubber and plastics processing to adapt to changes in the industry and retained research and development functions (knowledge production vs. goods production). These companies have not only adapted to, but are also shaping the future direction of the industry. Overall the economy has diversified with growth occurring in other industries based on the competitive strengths of place, location, scale, and transportation.

The third part of the Akron turnaround story is one of policy, leadership, and local initiative. One clear lesson of the Akron story is the critical importance of innovative and sustained leadership. While industrial history, luck of the draw, location, competitive economic advantage, and regional performance all play a role, the long-term leadership of the mayor, both in the city and region, appears to have been an essential catalyst. Conjoined with this leadership has been a strategic and nimble approach to economic development. Akron and the wider region have not chased a single "magic answer or silver bullet." Rather they have employed diverse and often innovative strategies to promote the growth of the economic and the quality of life, services and amenities within the downtown and wider city and region.

This is a story of an economic turnaround, but the centerpiece of the story is the end of precipitous and traumatic decline in a single dominant industry. The signs of the turnaround are evident and Akron is now growing at the national rate on many key economic measures of growth.

List of Persons Interviewed

Mr. Daniel C. Colantone
President and CEO
Greater Akron Chamber
One Cascade Plaza, 17th Floor
Akron, OH 44308-1192

Mr. Richard Rebadow
Senior Vice President, Economic Development
Greater Akron Chamber
Akron, OH

Mr. Patrick J. Kelly
Director, Economic Development
FirstEnergy Corporation
76 South Main Street
Akron, OH 44308

Dr. Thomas Waltermire, Chief Executive Officer
Dr. James Robey, Vice President for Research
TeamNEO
737 Bolivar Road, Suite 2000
Cleveland, OH 44115

Robert Bowman
Deputy Mayor for Economic Development
City of Akron
166 South High Street
Akron, Ohio 44308

Pat D'Andrea (telephone)
Program Manager
Economic Development Dept.
Summit County
175 South Main Street, 8th Floor
Akron, OH 44308

Ms. Deborah D. Hoover
President
The Burton D. Morgan Foundation
22 Aurora Street
Hudson, OH 44236

Brad Whitehead
President
Fund for Our Economic Future
1422 Euclid Avenue, Suite 1300
Cleveland, OH 44115

Ron DeBarr
President and CEO
NEOTEC
Kent State University
Administrative Services Building
Kent, OH 44242

Endnotes

1 Larry Ledebur is the Director of the Urban Center, Editor, *Economic Development Quarterly*, and Professor of Economic Development at the Levin College of Urban Affairs, Cleveland State University.

Jill Taylor is Assistant Director of the Urban Center and Research Associate in the Economic Development Program, The Urban Center, Cleveland State University.

2 U.S. Census Bureau, July 2006 population estimates.

3 George W. Knepper, A*kron: City at the Summit* (Tulsa: Continental Heritage Press, 1981).

4 City of Akron, *History of Akron* (2004). Available at www.ci.akron.oh.us/history/index.htm

5 IBID

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9 Karl Grismer, *Akron and Summit County* (Akron: Summit Co. Historical Society, 1952), as cited in Knepper (1981).

10 Donald N. Sull, "From Community of Innovation to Community of Inertia: The Rise and Fall of the U.S. Tire Industry." Paper presented at the XIII Congress of the International Economic History Association, Buenos Aires, Argentina, July 22-26, 2002. Available at: http://eh.net/XIIICongress/Papers/Sull.pdf

11 Moody's Economy.com

12 Location quotients measure the concentration of an industry in a region relative to the concentration of the same industry within the national economy. A location quotient greater than 1.0 indicates a higher regional concentration.

13 Sean Safford, "Searching for Silicon Valley in the Rust Belt: The Evolution of Knowledge Networks in Akron and Rochester." Paper presented at the annual meeting of the American Sociological Association, New York City, Aug 11, 2007. Available at: http://wage.wisc.edu/uploads/Articles/SaffordSearchingforSilicon.pdf.

14 In 2005, Ohio employed approximately 71,500 workers in NAICS 326. California ranked second with approximately 56,000 workers. Source: U.S. Department of Labor, Bureau of Labor Statistics.

15 Polymer Ohio, Inc., Ohio Polymer Resource Council, www.polymerohio.org/Portals/0/Documents/PolymerOhio_Regional_Charts.pdf

16 Nationally, the manufacturing sector provided 24 percent of jobs and 23 percent of GDP in 1980 and 12 percent of jobs and 13 percent of GDP in 2007.

17 Greater Akron Chamber of Commerce, 2006-2007 Directory of Largest Employers

18 Harold L. Wolman et al, "States and Their Cities" (Washington: The Fannie Mae Foundation, 2007), p. 1.

19 Patrick O'Donnell, "Akron's Sewer and Tuition Plan Innovative." *Cleveland Plain Dealer,* February 9, 2008, p. A1.

20 The Akron Global Business Accelerator is discussed on page 16.

21 Loan programs are primarily U.S. Small Business Administration and State of Ohio. Tax incentives are primarily those provided by the State.

22 Land in these industrial parks is available for purchase or lease.

23 The Akron-Springfield Township Joint Economic Development District and the Akron-Coventry Joint Economic Development District.

24 *Expansion Magazine*, December 3, 2003

25 Kathy Amoroso, "Akron and Bridgeport Recognized for Creating Better, More "Livable" Communities." *U.S. Mayor Articles*, 1999, retrieved April 6 2007, from www.mayors.org/uscm/us_mayor_

newspaper/documents/08_16_99/usm_0816199916.htm

26 Amber Young, "Joint Economic Development Districts" Working Paper. (Levin College of Urban Affairs, Cleveland State University, 2007).

27 Ohio Revised Code, sections 715.69-715.90. See David Civittolo, "Joint Economic Districts," Ohio State University Extension Fact Sheet, CDFS-1560-07.
Ohio State Bar Association, "Understand How Joint Economic Development Districts Work." www.ohiobar.org/pub/lycu/index.asp?articleid=444

28 2025 Imagine Akron: A Project for Citizen Participation in Planning the Future of Akron, Workgroup on Joint Economic Development Districts, available at www.ci.akron.oh.us/2025/Reports/jedd.html

29 The discussion of "The Fund" is abstracted from the *Fund For Our Economic Future* website at www.futurefundneo.org.

30 Recent investments include Ayalogic and Knotice, two software development firms; Delta Plant Technologies, which is developing and commercializing an alternative source for natural rubber; and ReXorce Thermionics, Inc., which develops and manufactures a thermal engine

31 Moody's Economy.com. Based on private sector employment only.

32 U.S. Census Bureau

33 The state defines similar districts based on demographic, socioeconomic, and geographic factors.

34 Ohio Department of Education, "Akron Public Schools 2005-06 and 2006-07 School Year Report Card." http://ilrc.ode.state.oh.

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For More Information

Larry C. Ledebur
Phone: 216-687-4551
E-Mail: l.ledebur@csuohio.edu

Jill Taylor
Phone: 303-860-5612
E-Mail: jill.taylor@cu.edu

BROOKINGS

1775 Massachusetts Avenue, NW
Washington, DC 20036
telephone 202.797.6000
fax 202.797.6004
web site www.brookings.edu

Metropolitan Policy Program
at BROOKINGS

telephone 202.797.6139
fax 202.797.2965
web site www.brookings.edu/metro