



Joel Kotkin



Richard Longworth



Michael Hicks

# Kotkin, Longworth, Hicks: **THREE VIEWS ON STATE'S CHALLENGES, OPPORTUNITIES**

By Charlee Beasor

Who better to ask about the unique (or is it?) makeup of Indiana than three well-regarded authorities on geography, demographics and economics.

It doesn't hurt that the three have diverse backgrounds and viewpoints on the topics at hand:

- **Joel Kotkin (JK)** is author of *The Next Hundred Million: America in 2050* and a recognized voice on global economic, political and social trends. He is the Roger Hobbs Distinguished Fellow in Urban Studies at Chapman University in California. [www.joelkotkin.com](http://www.joelkotkin.com)
- **Richard C. Longworth (RL)** is a senior fellow at the Chicago Council on Global Affairs, author of *Caught in the Middle: America's Heartland in the Age of Globalism* and a former economic journalist for the *Chicago Tribune*. [www.richardclongworth.com](http://www.richardclongworth.com)

- **Michael J. Hicks, Ph.D. (MH)** is director of the Center for Business and Economic Research and a professor of economics at Ball State University. He is a book and scholarly paper author and has appeared on/in numerous national media programs and publications. [www.bsu.edu](http://www.bsu.edu)

*BizVoice*® asked all three about the challenges and opportunities facing Indiana today and the possibility of having economically successful metro and rural areas. Their analysis – varying dramatically in some respects – looks at what Indiana has to offer and what it can continue to do to try to make the state one that is prosperous for all of its residents.

**BV: Is Indiana unique in its metro/rural makeup or does it closely compare to many other states?**

**JK:** “The idea that the state is dominated by one metropolitan area is not unusual. There seems to be a trend, which is that the larger communities in more rural states tend to pretty much dominate over everything else.”

**RL:** “I don’t think it’s unique. It is very much like other states and I’ll explain why. Major cities – Indianapolis in your case – are growing in population, growing in importance, growing in the economy. Metro areas are growing. What we are finding is that farm towns are having a hard time, simply because the number of farmers are shrinking and their natural market is shrinking.”

“The fact is that single, major cities in states are growing and becoming stronger and more powerful, quite often at the expense of the hinterland. The reason is the decline of the number of jobs available in agriculture, the decline in the number of jobs in manufacturing.”

**MH:** “There are a number of uniquenesses. What distinguishes Indiana from most of the rural states is what we’re calling ‘compactness.’ By that, I mean somewhere between 95% and 100% of Hoosiers live within an urban labor market shed. That’s different from western Iowa or the Dakotas or Kansas or Texas, which are vast rural areas where commuting to and from (urban areas) is not possible.”

**BV: There are three major metro areas (Cincinnati, Louisville, Chicago) in adjacent states – how do those impact Indiana’s economy?**

**JK:** “Your big competitor is Chicago. Louisville and Cincinnati aren’t so attractive that they’re going to be something that’s going to lure people or companies from Indiana. Chicago is a different story. But for better or worse, Chicago is rapidly disintegrating economically. There is less competition from Chicago today than you might have had 10 years ago. The patina of the Chicago comeback has started to dissolve a bit. There may be companies and individuals located in Chicago who may start looking at Indianapolis and Indiana as better places to be.”

**RL:** “I’m always surprised and dismayed ... the degree to which economies and urban areas in their management of their organization

have such a hard time crossing state lines. You’d have much more of an urban area if you didn’t have those state lines. Indiana is very guilty of this. It very much thinks Indiana. It’s a balkanized situation in the idea of cooperating across state lines (and that) has got to be bad for Indiana. Commerce tends to ignore artificial political boundaries.”

**MH:** “I think the big future story is going to be in terms of growth percentages. We’re going to see most of the expansion in Louisville happening north into Indiana as the new bridges are complete. If you have an urban area that’s plopped down without imposing geography around it – like in Indianapolis – you get uniform distribution. Or they move up transportation corridors. The growth in Louisville has been constrained by the river, but it’s natural that it will expand into Clark and Floyd counties.”

**BV: What are the challenges/opportunities with Indiana’s metro/rural mix?**

**JK:** “I would say from an international business point of view, the biggest challenge is logistical. It’s not easy to get to; that’s a big disadvantage. Coming from Los Angeles, getting to Indianapolis isn’t so easy. Getting to Chicago – there are an infinite number of choices. That’s a major problem. But the area has a lot of advantages too. Indiana in general has a pro-business climate, relatively low taxes and living costs.”

**RL:** “Indianapolis has got to keep doing what it’s doing. It is strong. And it’s growing and it’s focused on a certain number of industries and you have good universities there ... you have a good mix of people and a cultural life.

“But is Indianapolis as a city responsible for the rest of Indiana? The answer is no. ... The idea is to get rid of this balkanization (and move to) regional cooperation – which means towns and the counties that share a certain history or economy or geography along a river get together.”

**MH:** “Indiana is doing great. We have a great tax climate. We have what we think are the right workers, great public-private infrastructure, but we’re not getting population growth in the rural area. There aren’t places to live – connections between rural and



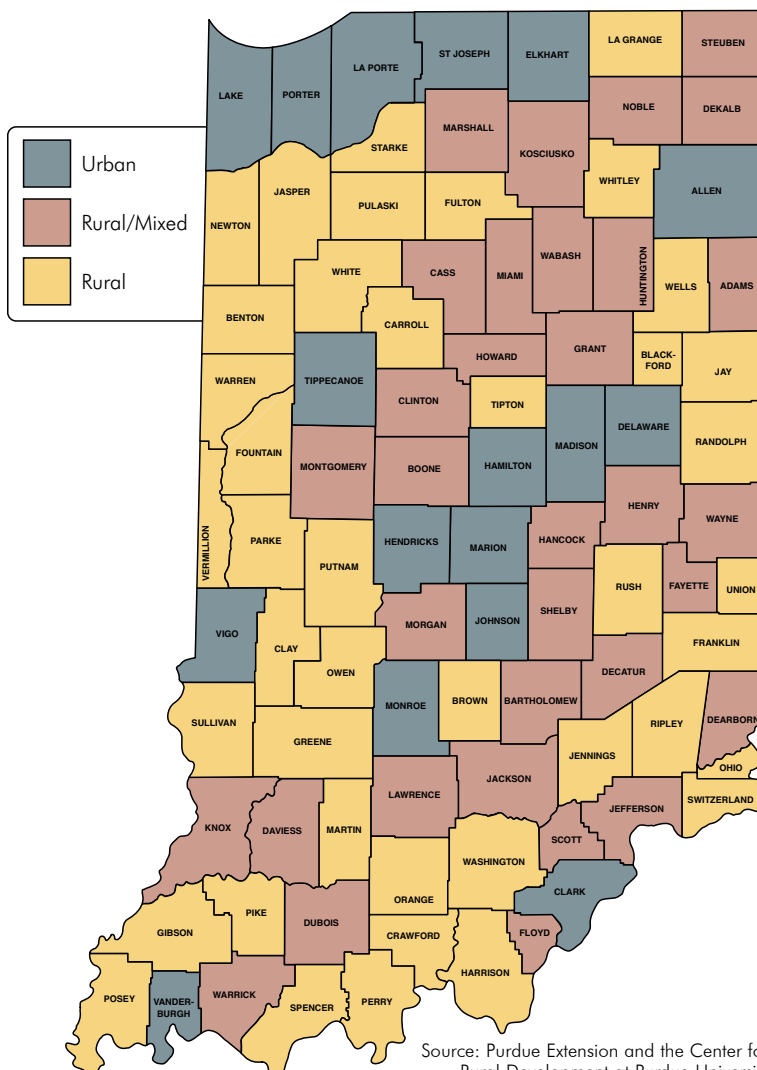
## Population Change by Classifications

	Population			Percentage Change	
	1990	2000	2010	1990 to 2000	2000 to 2010
Rural	807,430	875,140	891,906	8.40%	1.90%
Mixed Rural	1,402,284	1,525,295	1,579,354	8.80%	3.50%
Urban	3,334,442	3,680,050	4,012,542	10.40%	9.00%
Indiana	5,544,156	6,080,485	6,483,802	9.70%	6.60%

## Criteria Used for Classifying Indiana Counties

Criteria	Rural	Rural/Mixed	Urban
Population	Less than 40,000	40,000 – 100,000	Over 100,000
Density (people per sq. mi.)	Less than 100	100 to 200	Over 200
Population of largest city	Less than 10,000	10,000 to 30,000	Over 30,000
Identity	Rural	Rural with larger town(s)	Urban/suburban
Number of counties	42	33	17
Total population; percent of state's population	891,906 (14%)	1,827,247 (24%)	4,012,542 (62%)
Area (sq. mi.); percent of state's total land mass	15,963 (44%)	12,783 (35%)	7,674 (21%)

## Indiana Counties: Rural-Urban Classification



Source: Purdue Extension and the Center for Rural Development at Purdue University

urban places are not as strong as they need to be to work.

“And opportunities, we have the full range of those. We have Indianapolis, which is turning into a dynamic, breathtaking American city – one of those places with runaway growth. At the same time, Muncie is in its fifth decade of decline and public policy in Muncie is just beginning to wrestle with that. Thinking out of the box is going to be necessary.”

**BV:** A 2010 report from Ball State University and the Indiana Fiscal Policy Institute (Intrastate Distribution of State Government Revenues and Expenditures in Indiana) defeats the perception that urban areas are the big “takers” of state resources. In other words, these areas do not get more back from the state than they provide in taxes. What does that imply for the future of the rural areas?

**RL:** “That’s true. Again, very common. Certainly see it in Illinois. Chicago complains about it all the time. We send a lot more (money) to Springfield than we get back. It reflects the power of the rural areas and legislatures. It reflects the fact that if you’re going to put 10 miles of new highway in Indianapolis, you’re going to put 10 miles of new highway down in Brown County, even though the highway in Indianapolis is used by a lot more people and is much more badly needed.”

“You get this at all levels. How long can this go on? You would have thought cities would have rebelled already. As cities become bigger and more powerful, they’re in a bigger position to rebel. I don’t see any big groundswell of opposition to this yet. It will happen sooner, rather than later, especially as cities become strapped for funds.”

**MH:** (Hicks was lead author on the above-mentioned study). “Not everybody likes that study. Rural areas are also big recipients of federal aid. There is, across the U.S., a contentious point: The fact is that rural areas are getting a disproportionate share of federal and state tax dollars.

“That spending is not really helping rural areas, in part because the composition of it is so heavily toward agricultural subsidies: You’re paying people not to work. There’s not a lot of appetite for continuing that.

“We’re subsidizing the continued existence of

rural sprawl and the traditional rivalries that date back. We're subsidizing livestock areas in rural Indiana, broadband, you name it. If we're going to spend money in rural areas, (we should) spend money to make people better off, such as relocation assistance to households that have no employment prospects."

**BV: Is there a divide between suburbs and cities?**

**JK:** "If you're talking about young families (moving into the city), you have to improve the schools and public safety – that's a big part of it. If living in the suburbs means a 15-minute drive instead of a 10-minute drive, the good schools are worth the five minutes. You're not going to be able to appeal to people on a convenience issue. You're less likely to attract the single childless person in Indiana than you are in Chicago or New York.

"What is Indiana's value proposition? Affordable family-friendly places, a little bit of a slower pace. That's what you're selling. You're never going to win the war of hipper, cooler. If you have people who are doing well, they're coming from the culturally-sophisticated areas; there will be a market ... they will demand amenities.

"But trying to say we want to be a hip, cool center is kind of ridiculous. If I'm a 27-year-old and my interest is hopping around bars and hearing the latest music and food trends, I'm going to live somewhere other than Indianapolis. But for the sophisticated person, you can eat well, see a good play and get a new-run movie, (Indianapolis) might be okay. It's a tradeoff."



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**RL:** "Basically, I think you're part of one economic area: the city and the suburbs. If the city thrives, the suburb will thrive.


"The middle class has been forced out of the city. You want that mix. San Francisco is a big example: They found out that the person making an average income in San Francisco cannot afford to buy a house in San Francisco. London is this way. It is a problem."

**BV: How should the state balance investing in metro areas, with their growth and tax revenues, compared to rural areas?**

**JK:** "With rural policy, you have to say, 'Where would investment make the most sense? Are there rural areas on the fringes of the metropolitan areas? Are there small towns that might have some

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potential for economic growth?’ You have to have a proactive investment policy, not a ‘How do we sustain what’s already here?’ That could be the problem with servicing every small town. This one isn’t likely to grow, but this one has some possibilities. Maybe a highway widening or small airport might make a difference.”

**RL:** “How much do we want to enable areas of the state that do not have a future? If people in those areas get angry, more power to them. Meanwhile, Indianapolis is proving day after day it is part of a vibrant economy – young people from Indiana and outside Indiana are going to be able to make a decent life. I do not know how the Governor of Indiana sells this to rural areas.”

**MH:** “Almost all the growth in Indiana is going to come as a consequence of urban places. However, this is important: Almost all rural places in Indiana can benefit from that if they are connected to an urban area. The growth in urban areas will be faster and better for the urban places if they have a connection to the rural areas.”

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### **BV: Indiana’s four largest cities – Indianapolis, Fort Wayne, Evansville and South Bend – experienced strong population increases over the past three years. Why are cities so outpacing the rural areas in population growth?**

**JK:** “Because the rural economy requires less and less work. It’s more automated, so there’s less to do there and you happen to be going through this big Millennial period. The demographic trends are not working out well for a lot of (major) metropolitan areas. Particularly, Indianapolis (and similar cities) are serving as alternatives for people from the coasts. You’re seeing the beginning of a brain drain into the Great Lakes and Midwestern cities.”

**MH:** “If you look at places settled for 4,000 years, cities have seen all the net growth. If a place grows really fast, it’s a city. The only time we ever had a period of rural growth in the United States happened in the first hundred years after settlement by European settlers. Rural growth peaked 100 years after; by 1910 rural areas in America were in decline. Urban areas were growing.

“Some economists use the term endogenous – dual causation (which comes first, the chicken or the egg?). Some amenities are endogenous: Private sector amenities, golf courses, movie theaters, bars – those follow the population. The households you want to attract – with things like park land and public spaces and touchy-feely stuff that attracts people – for years we’ve ignored those things and it’s biting us very hard right now.”



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### **BV: Will Indiana (and other states) continue on this metro growth/rural decline path in population and jobs?**

**JK:** “I think the rural areas have some potential. Baby Boomers and dispersed work allowing young professionals to work from home (will make an impact). I wouldn’t necessarily write off the rural areas. One of the reasons for the rural decline is areas that were rural have been mixed into the metropolitan areas. Exurbs 30 years ago were rural areas and they grew and got put into the metro.”

**RL:** “Yogi Berra said ‘Never make predictions, especially about the future.’ Who knows? At the present, as far as we can see, yes. There’s this business of costs going up in the cities; this may end up driving people out into rural areas where living is cheap and they have the possibility of making a living online. That’s a theory, a possibility.”

**MH:** “Yes. The only difference will be some places that will grow well that are currently rural will turn into urban places. Lapel in southern Madison County is a rural area. But it is close enough to a cluster of employment in Indianapolis. In Lapel, I can live here and work in Indianapolis and so Lapel by the 2030 census won’t be a census tract that will meet a traditional rural definition.”

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### **BV: Is it plausible for Indiana to have a full plate – economically successful metros and rural areas? If so, how?**

**JK:** “I think it’s entirely possible. As long as you have an expanding economy and relatively robust demographic growth, the vast majority of the growth will be in the metropolitan areas, but there are many rural parts of Indiana that are quite attractive. You could conceivably attract Baby Boomers and young families down the road.”

**RL:** “I would say no, because the rural areas are based on an economy that is vanished: relatively small-scale farming, and that’s not coming back. And all the niche farming and market gardening isn’t going to change that. Indianapolis is where it is because there is an economic need. And Chicago is where it is because there is an economic need. South Bend and Elkhart and all these places are there because of an economic purpose to the place. And when that goes away, the place will die unless they find a new economic purpose. That’s up to them. But I’ve been surprised before.”

**MH:** “Yes, as long as they’re well connected with each other. They have to be well connected. A rural place that is unconnected to a vibrant city has a dismal future.”