The Midwest is the bellwether of America, the spearpoint of the American economy.

It was the frontier when the first pioneers moved west, across the Alleghenies. The mills of Chicago and the factories of Detroit powered America’s industrial revolution. Here commerce boomed and labor wars first raged. The great reformers—Debs and Dewey, Bryan and La Follette, Jane Addams and Betty Friedan—sprang from Midwestern soil. The Great Depression began on Midwestern farms, ten years before the Crash. When the nation recovered in the 1940s, the Midwest recovered first, and most spectacularly. When American industry declined twenty years later, the decline started in the Rust Belt of the Midwest, along with the textile towns of New England. Midwestern steel mills, Midwestern auto factories, and Midwestern television makers felt the first sting of foreign competition, especially from Japan, as world markets began to open, long before globalization appeared.

Chicago invented the skyscraper. Henry Ford invented modern manufacturing. Midwestern unions invented the weekend.

What happens to America happens first to the Midwest.

It’s happening again. When Americans think about the Midwest, they think about stability, the rhythmic turn of the seasons, the unchanging solidarity of towns and cities where everyone knows everyone else, a land of deep roots. Now, for better or for worse, this Midwest has changed. If no part of America is immune to globalization, its impact is felt most here in the heartland, in the great fecund plain that spawned the American dream and nurtured
its values. No part of the Midwest, neither Ohio nor Iowa, Michigan nor Missouri, escapes. The problems are similar or the same in each state. The issues facing each state—farming, industry, immigration, rural decline, education—vary in degree, if at all.

Globalization unites and divides. It cements ties across borders while weakening old ties at home. It celebrates the transnational at the expense of old loyalties. It brings people together from around the globe while stirring new xenophobia. It destroys old industries and economies and creates new ones—not always in the same places. It makes some people richer and other people poorer, and this gap is growing.

And like any huge economic revolution, globalization has the power to remake societies—not just their economies but their politics, the shape of their towns and cities, the way their people think and live. The industrial revolution did this. In fact, the entire Midwest is the result of the technology—railroads, harvesters, the telegraph—that powered the industrial era: this era and its machines created the Midwest’s cities, formed its farm economy, shaped its universities. The global era is powered by technology as well, and it, too, is transforming the Midwest.

To grasp what is happening, we need to understand how globalization works. At its base, globalization means a revolution in communications—specifically, communications satellites and the Internet. This ease of communication has created a global money market—you can buy dollars or euros or yen for the same price in Chicago or Frankfurt or Singapore. This means that investors can borrow anywhere and invest anywhere. This means that big corporations are no longer cooped up within national boundaries or limited to a few “multinational” operations, such as factories overseas. Instead, these firms have turned themselves into global corporations, viewing the world as one big market and treating frontiers as though they don’t exist. These corporations, which are the driving force of globalization, can put their design, manufacturing, marketing, and almost everything else anywhere they want, so long as it makes economic sense. They can set up business where taxes are low and regulations lax: the biggest corporations, such as Wal-Mart or Exxon/Mobil or Toyota, are richer and more powerful than many of the countries where they do business. It also means that it’s cheap to ship things, and virtually free to ship ideas and services. In turn, this creates more trade: why buy one of something in Ohio when you can buy three from China for the same price? The digital-age communications, then, enable a relative handful of executives in the headquarters back home to control their empire with the click of a computer key.

Mostly, globalization makes it possible to hire workers almost anywhere in the world. This means that the corporations can put operations anywhere where workers are skilled but wages are low.

This all adds up to the one big fact of globalization: companies and workers who used to compete with the next town or the next state now compete with China, India, Ghana, Poland, Costa Rica, or anywhere else that global technology—which is to say, communications and shipping technology—makes investment possible and profitable.

The impact of this is being felt across the Midwest and especially in its old manufacturing towns. Galesburg, Illinois, the home of Carl Sandburg, is a town of thirty-three thousand that had a place in the industrial era but may not have one in the global age. In 2000, the Galesburg area provided 35,000 jobs. Then its Maytag refrigerator plant moved to Mexico, killing 1,600 jobs. The Australian owners of Butler, which had built steel buildings in Galesburg for seventy-five years, closed the plant, firing another 270 workers. A rubber-hose plant, an industrial-screens factory, a plant making landfill liners—all are gone. A local pottery works is down to a skeleton staff. Altogether, the Galesburg area has lost about 7,000 jobs in seven years. The town is too far from Chicago or St. Louis to live off the economies of those cities. Its workforce, basically hardworking high school graduates without the skills or education that the new economy demands, may be unemployable.

Galesburg, like much of the Midwest, is reeling before forces that it doesn’t understand.

But really, what’s so new? Trade has been growing since Marco Polo went to China. Distances shrank with every new invention,
from the steamship to the telegraph. Multinational corporations have made things in other countries for decades. In a recent speech, Ben Bernanke, the new chairman of the Federal Reserve Bank, said, yes, a lot of this is new, for three reasons.

First, he said, change has shifted into top gear. The Web and the browser, which make all this possible, are younger than today’s high school seniors. China and India have become the two biggest new players in the global economy: China decided to join that economy only thirty years ago, and India’s rise dates back barely a decade. There’s always been trade, foreign investment, flows of money, and they have always changed the way we live. But now the flows are global and the change is coming faster and faster. Globalization today is about where the industrial revolution was in 1790, twenty years after James Watt invented the steam engine. It took two more centuries for Watt’s revolution to run its course. We’re just at the beginning of ours.

Second, Bernanke says, globalization erases the dividing line between the First World and the Third. Once, poor countries and colonies shipped raw materials to the rich countries, which made the goods. Now both processes go both ways.

Geopolitics had a lot to do with it. The collapse of Communism, less than twenty years ago, added 2 billion new workers to the global economy. But these workers came from countries such as China, Russia, and Eastern Europe, plus India, that were poor and added little to the world’s supply of money. In other words, you now have 3.5 billion workers competing for the same pot of money, more or less, that was formerly shared by 1.5 billion workers. These 2 billion new workers are willing to work cheap. So the 1.5 billion First World workers will have to work cheap, too. No wonder Third World wages are low and First World wages are going down.

Third, production—of goods and ideas—is fragmented as never before. Once, an auto factory in Detroit produced most of a car, perhaps buying some parts from another factory next door. The boss worked upstairs over the factory. So did the designers, salesmen, and bookkeepers. Later, the company opened some factories in places like Europe, but kept everything else in Detroit. Now, as

Bernanke says, an American chip producer does research in California, production in Texas, Germany, and Japan, and final processing and testing in Thailand, Singapore, Malaysia, and China, then sells its product all over the world. If it were cheaper and better to do the research in China and the testing in Texas, that’s how the producer would do it. And that’s what a lot of Midwestern companies, including the auto suppliers that used to sell to that car factory in Detroit, have done.

Globalization transforms the way that even traditional businesses operate. In my hometown, I talked with Stan Redeker, who owns one of the biggest furniture stores in central Iowa. Redeker’s has been a fixture in Boone since Star’s father started the store in 1930. Stan and his wife, Maxine, both eighty, still go in regularly, but their son runs the store now, with help from his children: it’s a four-generation business.

Stan always bought a few accessories, such as lamps or vases, overseas. But the so-called case goods—bedroom and dining-room furniture, sofas, entertainment centers—were American-made, mostly top-of-the-line brands such as Ethan Allen and Thomasville.

“Then, five years ago, everything changed dramatically,” he recalls. Chinese factories started licensing and producing top American brands, using the latest technology, achieving high quality and low prices.

“We get three forty-eight-foot containers a week from China now,” he says. “In major wood furniture, seventy-five percent of what we sell is Chinese. Maxine and I went over there for two weeks last year. We went through a case goods plant that employs seventy-five hundred people and a leather goods plant that employs four thousand. They house their people in dorms. I watched Thomasville coming out of a chute. Then some Ethan Allen started coming out of the same chute. At the Chinese ports, there were thousands and thousands of containers stacked up. Unbelievable. They’re put on ships that handle four thousand containers, and then on a railcar to Omaha or Kansas City. They’re put on a truck to our back door. They’re sealed in China, opened in Boone.

“You name the company, they’re over there. Thomasville used
to have fourteen plants in North Carolina. They have one now and probably are having trouble keeping that going."

Only big furniture makers can survive this competition. At the other end, only big stores like Redeker's, which buy enough stock to fill a container, can stay in business. "When I started, every little town around here—Ogden, Jewell, Stratford—had a family furniture store. Jefferson and Perry had three. They're all gone now.

"The thing that scares everybody is that the Chinese might come over here and open their own stores. They're making the stuff, and they have the financial capability to do this."

It's like that in every arena. Only big companies can spread production and administration across a dozen countries. Only big stores can afford to deal with these companies. Only big farmers can deliver food to the specifications of the big corporations that dominate agribusiness. Only big cities offer the business services and intellectual pizzazz to compete in global services and global ideas. This is what is happening to small companies, mom-and-pop stores, family farms, and small towns. The implications are endless. Midwest farms and factories compete daily with farms and factories in China and Brazil. So do their workers. This means that jobs that used to be done here are moving overseas, mostly to places where workers can't follow. All the signs indicate that it's just beginning.

I drove to Freeport, Minnesota, a little town north of Minneapolis, best known as the place where Garrison Keillor lived when he began to write his "Lake Wobegon Stories." Keillor modeled much of Lake Wobegon on Freeport, including Ralph's Pretty Good Grocery, the Sidetrack Tap, and the Chatterbox Café: the town epitomized the safe, isolated Midwest of yesteryear. But globalization has come to Lake Wobegon. Freeport's small industry competes with factories in China. Factory farming, Mexican immigration, big-box retailing—the area has them all. "Globalization?" said Paul Hetland, Freeport city clerk. "It's here. You bet. We think about it, all the time."

We've had outsourcing before, of course. The Midwest became the Rust Belt when all those manufacturing jobs went south, to nonunion towns in Dixie, or were driven under by Japanese competition. That's what happened to the steel industry in Chicago and the auto industry in Flint: these industries collapsed two or three decades ago, before anyone had ever heard of globalization.

The Japanese invasion struck the Midwest first, wiping out the region's television industry, revolutionizing its steelmaking, shattering the dominance of its Big Three automakers, destroying its machine tool companies. What's happening now is different. The Japanese were good at what they did, with the aim of achieving dominance for Japanese firms, while keeping their own markets firmly closed. Globalization, by contrast, is based on open markets, not closed ones, and it's American firms, not Chinese or Indian ones, that lead the charge. Now Midwestern workers see their jobs move to Mexico first, then to China. Many of the cities we will visit in this book, from Dayton in Ohio to Newton in Iowa, are reeling from this second wave of outsourcing.

Most of this earlier outsourcing dealt with manufacturing and factory workers. For people who make economic policy or write editorials, this blue-collar outsourcing happened to uneducated people whom they don't know and was a regrettable price to pay for free trade and an open market. The newest wave is different. It's white-collar outsourcing, with jobs mostly going to India, not China, and it can hit anyone whose job isn't absolutely nailed down. The old globalization dealt with money, goods, and factory jobs; the new globalization deals with all this, and with service jobs, too. The color of your collar, the years of your education, and the size of your paycheck have less to do with this than the kind of job you have. Suddenly, for those policy-makers and editorial writers, it's personal.

Basically, any job that does not require face-to-face contact with a customer can be outsourced. Defense attorneys who must appear in a Wisconsin court cannot be in India, but real estate lawyers searching titles can. An Indiana X-ray technician has to be in the same room with the patient; the doctors who read the X-rays can be anywhere. Barbers in Columbus, taxi drivers in Chicago, and kindergarten teachers in Des Moines are outsource-proof. Stockbrokers and tax accountants aren't. All this is happening now. Already,
more than half a million American tax returns are being prepared in India each year: all it takes is a smart Indian accountant who understands American tax law.

Nandan Nilekani, cofounder of the Indian IT company Infosys (and the man who gave Thomas L. Friedman the idea that “the world is flat”), told the Financial Times newspaper that we haven’t seen anything yet. “Anything that can be sent over a wire can be outsourced, anything fungible is up for grabs, any tradable service anywhere in the world,” Nilekani said. “Fifty percent of global GDP is services, and a lot of that is tradable.”

Most of the Midwest remains in denial. Other regions of the world, from New England to India, know they are in global competition and are off and running. This truth is just beginning to dawn on much of the Midwest. Heavy manufacturing isn’t just in a slump: it’s going. The family farm has been replaced by the factory farm. Schools that were good enough to train workers for assembly-line jobs aren’t good enough anymore.

Globalization poses a conundrum that will bedevil the Midwest—and America—for the rest of this century. If globalization has a moral justification, it lies in its ability to raise the Third World to the level of economic decency that has enriched the lives of First Worlders, especially Americans.

But this is the question: must this be done on the backs of American workers? Can globalization work for both Chinese peasants and the factory workers of Indiana? Can we raise living standards in India without lowering them in Michigan or Iowa?

So far, globalization has destroyed more in the Midwest than it has created. But there are success stories. Globalization, like any economic trend, is impersonal. It can do great harm and great good, often at the same time. What it does depends on how it is shaped and guided.

Twenty years ago, Chicago epitomized the Rust Belt. Today it is a global city, reborn and revitalized. On a smaller scale, other Midwestern cities such as Minneapolis and Omaha find a global niche. Kansas City, sitting astride the trade route from Mexico, feels reenergized by the North American Free Trade Agreement, or NAFTA.

St. Louis has put all its bets on bioscience. Some Midwestern industries—medical instruments, for instance—boom. Some small Midwestern cities thrive: Warsaw, Indiana, is a world center for the manufacturing of implantable joints. Even the clapped-out iron mines of northern Minnesota still produce, thanks to investment from China.

But challenges and problems outweigh the boons. Even potentially positive forces, such as immigration, sit uneasily on a region that distrusts change.

Tom Friedman, the author and New York Times columnist, has written that a globalized world is a flat world. What he means is that global communications have brought previously remote places, like India, into real-time competition with the United States. Thus, there really is a level global playing field, and anyone anywhere with enough broadband capacity can compete on an equal basis with anyone else in the world.

But Friedman’s “flat world” metaphor misses a crucial point. This new world isn’t really flat. Instead, it’s made up of peaks and valleys. On the peaks stand the global cities, global universities, global research centers, hubs of global wealth and creativity. Chicago and Minneapolis are such global cities. Madison and Ann Arbor, arks of creativity, share this rarefied atmosphere. Other peaks rise in such places as Shanghai, Guangzhou, Bangalore, and Chennai. The West no longer dominates the world. In that sense, Friedman is right.

But that doesn’t mean that everyone, in America or India, shares this level playing field. From their mountaintops, the happy residents of the peaks—the global citizens—talk to each other and carry on the business of globalization. Far below, down in the valleys, live the rest of mankind, globalization’s have-nots, all but shut out of this conversation. They live in Calcutta’s slums and on China’s farms—and in much of the Midwest, in inner cities and remote rural villages. For these people, globalization is at best a rumor, at worst a threat.

The changes are felt everywhere—in farming, which has always defined the Midwest; in manufacturing, which has put bread on its tables; in education, long a source of pride but now a
vital concern; in immigration, which made the region and is now remaking it; in politics, where its greatest divisions lie—as well as its great hopes. In later chapters, this book will deal with each area and introduce the people who are leading the changes, or coping with the effects.

Larry Summers, the former Harvard president and treasury secretary, summed up the pressures in an article a week before the 2006 elections: “The vast global middle is not sharing the benefits of the current period of economic growth. As the great corporate engines of efficiency succeed by using cutting-edge technology with low-cost labor, middle-class workers and their employers—whether they live in the American Midwest, the Ruhr Valley, Latin America or Eastern Europe—are left out.” But it’s no comfort to Midwesterners to know that Europeans and Latin Americans share their pain, because this pain isn’t going to stop. As Summers said, globalization is going to grow, and “the economic logic of free, globalized, technologically sophisticated capitalism may well be to shift more wealth to the very richest and some of the very poorest of the world, while squeezing people in the middle.”

The Midwest can thrive only if it meets its global challenges on a regional basis. Globalization’s impact in the heartland is different from its impact on the West Coast, say, or the South, or New England. If the problems are regional, then the thinking should be regional, to find regional solutions. But this regional thinking and regional leadership are nowhere in sight.

Both Midwestern politics and Midwestern thinking are fragmented, based on states, not the region. As a result, the Midwest is coping with a twenty-first-century problem with a nineteenth-century political and social structure. In my travels, I was astounded to find so many “experts” in these states who had no idea what was going on next door, across the state line.

All over the world, in Asia and in Europe, regions are coming together to meet the challenges of globalization. As globalization weakens the reach of national governments, regions with common histories and problems find common cause. The Midwest also is a region with its own particular history, economics, demographics,

and politics. There’s no reason why it can’t find its own way to cope with the world.

But first it must find its voice.

Big cities, smaller industrial cities, corporations, universities—all face common problems but wouldn’t dream of working together to solve them. It is time for them to talk together, perhaps at a think tank funded by the Midwest’s foundations.

In the Midwest, nostalgia comes easily. All Midwesterners lament the passing of a golden era that, even if it never shone as brightly as we remember it, remains vivid in our minds. But nostalgia is the flip side of denial. The Midwest’s collective myth and memory keep it from dealing with the problems at hand.

The Italian philosopher Antonio Gramsci described the crisis of an era when “the old is dying and the new cannot be born.” The Midwest is just the opposite. The future is already here, but the past refuses to die. The good news is that globalization is new and can be shaped. The bad news is that the Midwest is already behind.

The American future does not lie in Alabama or Las Vegas. It lies where it has always lain, in the heartland, in the battered bellwether in the very middle of the country. So far, the Midwest is failing the global challenge. This book intends to ask how the Midwest—and America—can win that battle.
CHAPTER 2

The Midwest and the Globe

Thinking about the Midwest is hard, because no one can say just what it is. When I grew up in Iowa, we looked at Ohio and saw the effete East. Some Ohioans see Iowa as part of the Great Plains. Friends who do business in China say it’s hard to sell the Midwest there, because the Chinese think it’s in Arizona. One book argues that the Midwest’s real pastoral heart lies in Kansas; not surprisingly, the author was a professor at the University of Kansas.

The Midwest presents a blurry landscape, a squishy concept, an area with no real boundaries. It doesn’t begin or end so much as it oozes into the East on one end and the Great Plains on the other. In the north, it looks like Canada. In the south, it sounds like Arkansas.

To talk about the Midwest, we must decide what it is. This book argues that the Midwest exists as a coherent region, a single unit, with a common history, people, economy, politics, needs—and a common global challenge. This true Midwest embraces the vast American midsection of America from east-central Ohio to the eastern fringe of the Great Plains, just west of the Missouri River. This definition cuts across states, including all of some and only parts of others. State lines, drawn arbitrarily in the nineteenth century, have little to do with twenty-first-century reality. The states themselves are no longer political or social units but hives of warring interests, split by the forces of globalization and the modern world. If the Midwest has common problems, state boundaries, being irrelevant to the problems, are irrelevant to the solutions. Rooted in the past, they are roadblocks to the future.

The Midwest then includes all of Michigan, Iowa, Minnesota, and Wisconsin. It includes the northern two thirds of Ohio and Illinois and the northern halves of Indiana and Missouri. On its western fringe, the Midwest crosses the Missouri River, but not by much. Both Kansas Cities and Lawrence, Kansas, are Midwestern. So are Omaha and Lincoln, in Nebraska (although some people there say they truly belong to the Great Plains). This area (as shown in the map on pages viii and ix) contains about fifty-six million people, or roughly 20 percent of all Americans.

And there it ends. The southern third of Ohio and Illinois and the southern half of Indiana are Southern, closer to Mississippi than to Minnesota. The northern half of Missouri is mostly Midwestern, but the southern half, south of the Missouri River, is Ozarks, in economy and character. In the west, the rest of Kansas, Nebraska, and the Dakotas belong to the Great Plains.

My Midwest hangs together for two reasons. One is its economy, which stands on two legs, agriculture and manufacturing. The Midwest is a thousand-mile swath across the middle of America that depends on farming and heavy industry for its livelihood. The other reason is its people—their character and, especially, where they came from. The Midwest was formed by a great wave of nineteenth-century immigration from northern Europe and the eastern United States and retains that character to this day. If the early explorers were French, the Midwestern ethos is German, Scandinavian, Dutch, and English.

This definition consigns to the South that which is truly Southern, in heritage and attitudes. In southern Indiana and Illinois, the Ku Klux Klan flourished until the middle of the twentieth century. It also recognizes that the Great Plains is a separate region, drying out, depopulating, beset by problems that have more to do with geography and climate than with globalization. Some scholars see the region around the Great Lakes as the true Midwest, but any definition that includes upper New York State, Ontario, and Quebec is simply too unwieldy.

There is more to the Midwestern economy today than farms and factories, and later newcomers—largely black or Hispanic—have altered and enriched its people. But these two traits—economy and
demography—give the Midwest its basic character and enable its people to talk together, a kin with a common cause.

This Midwest is a region, not just a collection of states. When we talk about the Midwest in this book, we’ll be talking about the core region that shares this economy and this kinship, because it is this community that will shape the Midwestern future.

Naturally, differences exist between the Midwestern states, even if they are less than the natives claim. Minnesota has colder weather and better schools than Missouri. Michigan and Indiana build cars and car parts, Iowa and Illinois specialize in farm machinery. Central Ohio is more crowded and more religious than central Iowa. Michigan has more heavy industry than Minnesota and, hence, more industrial problems.

Attitudes differ, too. Michigan and Iowa talk about globalization all the time; Indiana seems barely aware it exists.

But in months of traveling across the Midwest, I found more similarities than differences. This region shares a character, a politics, and a set of common problems arising from common causes. First, though, this Midwest shares a history.

The first settlers in the Midwest arrived in the late eighteenth and early nineteenth centuries, and they came up from the South, from Appalachia, from Virginia, Kentucky, Tennessee, and the piedmont of the Carolinas. They crossed the Ohio River into southern Ohio or rode the river into southern Indiana and Illinois. These early pioneers were true frontiersmen, tough, independent, scornful of government, “with an emphasized loyalty to clan, a hierarchical sense of the social orders, relative indifference or skepticism toward education and a fatalistic outlook,” as an Illinois historian, Cullom Davis, put it. They sank cultural roots where they settled, and their part of the world—the southern tier of southern Ohio, Indiana, and Illinois—remains Southern in outlook to this day, more fundamentalist, patriotic, nationalistic, than the lands to the north. Their landscape is rolling, wooded, and harshly beautiful. Their economy rests on small farms, far from the great spreads and industrial towns farther north, and their accents are closer to the drawl of Alabama than the flat vowels heard farther north.

The settlers who gave the Midwest its true character came later, toward the middle of the nineteenth century, and they could not have been more different in origin and outlook. They moved straight west, from New York and New England, or directly from northern Europe—Scandinavians, Germans, English, and other nationalities. These people, according to Davis, “were much more modern in orientation, stressing individualism and ambition, faith in social progress and education, and civic egalitarianism.” These later immigrants both built the Midwest and gave it the reputation it has never lost, as a balanced society, hardworking, religious, stolid, and dull.

Other nationalities, especially Poles and other Slavs, flooded cities like Detroit and Chicago. Later, in the twentieth century, came two more waves of immigration, the great black movement from the South and, still later, the arrival of millions from Mexico. The newcomers modified the Midwestern character, especially in the cities, but never replaced it.

This Midwest also shares a common political history, stemming from two big national decisions. The first was the Northwest Ordinance, passed by the Continental Congress in 1787, which set up the Northwest Territory. This territory stretched from the Ohio River to the Canadian border and included the land that later became Ohio, Indiana, Illinois, Michigan, Wisconsin, and part of Minnesota. The second decision, in 1803, was the Louisiana Purchase, stretching from New Orleans to Canada; this vast swath later became many states, including Missouri, Iowa, and the rest of Minnesota.

The Northwest Ordinance, enacted 220 years ago, before most of the Midwest was even settled, decreed state boundaries that bedevil the region’s thinking to this day. The Ordinance said the territory would eventually become at least three and possibly five states, as soon as it was settled. It laid out the north-south boundaries, which are pretty much where the Ohio-Indiana and Indiana-Illinois state lines exist today. The existence of Michigan and Wisconsin, and the lines between them and their neighbors to the south, grew out of political horse-trading. The final result makes as much sense today as the arbitrary frontiers that colonialist governors drew in Africa and Iraq and cause almost as much trouble.
This Midwest shares a common economy, agricultural and industrial. It’s the breadbasket. The Midwest produces 85 percent of the nation’s corn and soybeans, 70 percent of its hogs, 45 percent of its eggs, 33 percent of its milk. Iowa and Illinois have more corn, Indiana and Ohio produce more cows and eggs. Take farming away from the Midwest and you’ve stolen not only its economy but its identity.

It’s also the foundry. Like farming, industry spreads fairly evenly across the Midwest. The five American states that depend most heavily on manufacturing for their income are all Midwestern—Indiana, Wisconsin, Michigan, Ohio, and (yes!) Iowa.

This Midwest shares a common focus. Midwesterners see Chicago as the metropolis, the city that defines and dominates the region. Any region needs a capital, as Barcelona is the capital of Catalonia. In southern Illinois and Indiana, they look to Memphis, a Southern city. Once into the Plains, they look to Denver. In the Midwest, it’s Chicago.

And this Midwest shares a common culture and a common reputation, which it goes to some effort to live down. The middle of the country gets low marks for exotica, which is unfair. Its flat landscape seems to excite some urge to the bizarre, from the pathologies of Bonnie and Clyde, to the rise and fall of utopian communities, to the pastoral purity of the Amish. A traveler through the Midwest runs often into strange and isolated little towns like Fairfield, Iowa, which has thrived ever since the Maharishi Mahesh Yogi came to town and set up his university there. Or Nauvoo, the Illinois town where Mormons have returned in droves to reclaim the community that once expelled them to Utah, or another Iowa town, Postville, split between its native Germans and Norwegians, an influx of ultraorthodox Hasidic Jews who came there to open a kosher packinghouse, and the hundreds of Mexicans who work there.

But the fact is that the Midwest lacks a vivid identity, and most of its people seem to like it that way. Historian Andrew R. L. Cayton calls it “the anti-region.” If there’s a Midwestern bumper sticker, it would read, “It’s no big deal.” Cayton wrote, “The premium in the Midwest is on politeness, on the vague and unthreatening universal rather than on the unfamiliar and dangerous particular.” It is a region with no regional feel.

The Midwest is often called the Heartland or the Homeland or Middle America, but these concepts rise mostly from the politics of the moment. They imply a solid, down-home area filled with practical but parochial folks, mostly rural, friendly and dull, and inclined to vote conservative. The Midwest has plenty of this, but so does every other region.

Everybody knows what the South is: it has a vivid common history defined by the Civil War and a clear boundary drawn by Charles Mason and Jeremiah Dixon. New England is a geographic and historical unit: the very words New England conjure up a certain scenery, architecture, manners.

The Midwest enjoys no such clarity. Almost no institutions study it or speak for it as a region. Books about the South could fill a library. There are many books about Midwestern places, from Chicago to the bridges of Madison County. But books about the region itself—its history, politics, economics, character—fit on a very short shelf.

Instead, Midwesterners flout Midwestern “values” and argue among themselves over which state exemplifies these values. In a book called Heartland, an Indiana historian named James Madison asked scholars from each state to describe their state’s history and character. Each scholar, writing about his or her own state, proclaimed it the repository of true Midwestern values.

“Missouri is the most American state,” said the Missourian. The others chimed in. “Michigan is first of all Midwestern,” said the scholar from Michigan. North Dakota “is the most Midwestern state.” “Iowa is indeed the middle land, lying at the center of the Midwest and therefore at the center of the nation.” What’s more, “If the Middle West is the nation’s heartland, then perhaps Iowa is the heart itself, pulsating quietly, slowly and evenly.” It’s hard to top that, but Ohio tries, by being both “the gateway to the Midwest” and “the epitome of Midwestern distinctiveness.” It was a relief to come to the wry chapter on Nebraska and to read that the state’s qualities of “determination, friendliness, generosity, stoicism and daring,” the ability of its people to be “audacious, honest, creative,
imaginative, frugal, practical and so on,” make sense only if these virtues are found only in Nebraska and nowhere else. Perhaps, the author suggests, good folk also live in Iowa, Kansas, even in Missouri.

Midwesterners do like to boast, in their quiet way, about “the bucolic and pastoral stability of the region, its traditional moral values and its down-to-earth veneration of family and hard work,” as Madison put it. He quoted a magazine called Midwest Living to the effect that Midwesterners value “the land we live on. Clean air. Wide open spaces. Genuine friendships. Our family-oriented values.”

Part of this is an aw-shucks act put on for outsiders. In reality, from John Dillinger to Charles Manson to Charles Starkweather, the Midwest has produced its share of psychopaths. More recently, watchers of the Enron scandal noted that virtually all the top players grew up on Midwestern farms or in small towns such as Tyrone, Missouri, or Aurora, Illinois, or Broken Bow, Nebraska. But part of it is a genuine appreciation of those values. And part amounts to a compensation for a small-town way of life that even boosters concede can be pretty boring.

These small-town values always were overrated. In life and in literature, the Midwest has too often been a place to leave. The small towns of Iowa post signs commemorating famous natives—the Donna Reed Theater in Denison, John Wayne Drive in Winterset, Mamie Eisenhower Avenue in Boone—but all these sons and daughters had to go away to get famous. The Midwest’s great writers—Ernest Hemingway, F. Scott Fitzgerald, Sherwood Anderson, Sinclair Lewis—mostly left to write novels about heroes and heroine who themselves fled the “dark fields of the republic,” as Fitzgerald put it, for more expansive places. Glenway Wescott, the Wisconsin-born novelist, called the Midwest “a state of mind of people born where they do not like to live.” These days, if any writer defines the Midwest today, it’s Garrison Keillor. But his Lake Wobegon, too, describes a Midwest that no longer exists, any more than the South of Gone with the Wind exists.

The stereotype of the narrow, bigoted, unworlly bumpkin, the image of the Midwesterner passed down by Lewis and other authors, clashes with reality. Across the Midwest, I found residents of once all-white towns dealing with maturity and sophistication with waves of Hispanic immigrants. Virtually every city of any size has its opera, symphony, ballet, art museum. And Midwesterners, especially in rural areas, also know they live far from the action and go to a great deal of trouble to stay in touch. If half the Midwest listens to Rush Limbaugh, the other half listens to NPR. As I drove through the Midwest, my car radio never passed out of range of Limbaugh and his brothers in bile, nor of first-rate classical-music stations, often broadcasting from local colleges and universities.

The Midwest is neither solidly conservative, like the South, nor as progressive as the cities of the seaboards. Rather, it’s both. Midwestern factory workers may be baffled by the global forces that steal their jobs. But Midwestern farmers and small-town businessmen have been dealing globally for years. If you want a smart discussion on global currency fluctuations, just go talk to a farmer who depends on exports for a living.

In other words, Midwesterners are tolerant, narrow-minded, cultured, crass, sophisticated, and naive in pretty much the same measure as other Americans. What makes them unique, though, is their isolation, especially from each other. Rural villages, immigrant towns, factory cities, all battle the problems of globalization in isolation from each other, unaware that other people in neighboring states are fighting the same battle. By nature, Midwesterners can be aloof and uncooperative. That nature is hurting them now.

This nature springs from the region’s sense of security, of distance from the evils of the outside world. Those of us who left the Midwest wanted glitter, excitement, the crush of cities. Those who stayed wanted something else—safety, or belongingness. Gopher Prairie was, as Sinclair Lewis wrote, “merely safe.” Ginny, the heroine of Jane Smiley’s novel A Thousand Acres, felt that “our farm and our lives seemed secure and good.”

To see into the region’s heart, I needed a poet. So I went to Nebraska, to meet Ted Kooser, and we talked one morning in a coffee shop in Lincoln, near the rural acreage where he lives. After an
Iowa boyhood, Kooser became an insurance executive in Omaha. But his real life belongs to poetry. He has published ten collections of poems, plus two small books of prose that may be the most evocative writing anywhere on Midwestern life. In 2004–5 he served two terms as America’s poet laureate. Wonderfully intelligent, wryly funny, Ted Kooser would have shone in any society. Why did he stay in the Midwest? I asked.

“I think it was because I felt safe here,” he said. “Most people here, you got a job, never asked for a raise. If you’re digging a ditch, you don’t ask why. I had enough of that in me. I got a steady paycheck. It was so much safer to stay where I was.

“My friend Margie Rine, her mother is elderly, lives in Seward. She’s on an electric cart. On a Sunday morning, when she was in her garden, she got dumped. She had to wait forty minutes until the neighbors came home from church and found her. Margie said, ‘Ma, what did you do for forty minutes?’ and she said, ‘I weeded the strawberries.’ That’s very Midwestern.

“We’ve got tractor pulls here. No amount of Islamic terrorism can ever touch this part of America.”

As Kooser suggested, the Midwest shares a communal myth, part Grant Wood, part Booth Tarkington, part Meredith Willson.

The Midwest lives on this historical myth, Ted Kooser told me. It’s a memory of a time that never really existed and is all the more powerful for that, like Garrison Keillor’s Lake Wobegon. It’s a past that keeps the Midwest from coping with its present.

Ted said, “This resistance to change is a big force. Our past is a fiction. It’s all stories. It may be that the collective past in an area like this is so uniform—so tied into the Depression and the golden Ike years—that it makes us resistant. If you have a common collective past that you keep vivifying, that affects how we deal with change.”

And now change is here, and that sense of safety is vanishing.

“In 1905,” Ted said, “leather-harness makers could retool for cars. Now nobody can retool that fast. You’re teaching computer codes that are going to be obsolete. If you’re a Californian, you resort to crystals or I Ching. If you’re a Midwesterner, it’s Bud Light.”

A communal myth or idealized history is no help in a time of transformative change. Every hundred years or so, an economic revolution comes along and changes everything. This means that all of us—societies as well as people—must reinvent ourselves. But as the Chicago-born sociologist Richard Sennett says, this is easier said than done.

“Instability can be an opportunity,” Sennett wrote about globalization, “if you have real wealth to invest, or are young and unattached, or an immigrant exploring cracks in the labor force. If you are dutiful but not brilliant at work, if you have children and a mortgage, if you are worried about old-age hardship, then instability does not equal opportunity.”

“Dutiful but not brilliant,” aging and insecure—that sums up much of the Midwest. Faced with globalization, the region seems in denial. As Ted Kooser says, we don’t handle change, let alone revolutions, very well.
CHAPTER 3

From Rust to Bust

It wasn’t always this way. The Midwest reigned as the Silicon Valley of the industrial era. Innovation flowed from fertile imaginations and invented a new economy. Companies that began with a lone tinkerer in a garage grew into mighty corporations. Young men sowed ideas like seed on the Midwestern soil and reaped riches. From around the world—from Poland and Lithuania, from New England and Appalachia—men and women poured into the Midwest to work and to found a civilization. In 1900, the United States held only fourteen factories, each employing more than six thousand workers: three were in the Midwest, all in Chicago. Fifteen years later, dozens of Midwestern factories were that big, including six auto plants in Detroit alone. Half of everything made in America was made in the Midwest.

It must have been an exhilarating time. In Dearborn and Detroit, Henry Ford and Ransom Olds launched the age of the automobile. The Dodge brothers, John and Horace, set up their auto plant in Hamtramck. In Flint, J. H. Whiting and William Durant created General Motors. Studebaker began in South Bend, Nash in Kenosha. The auto plants needed parts, and a vast swath of the upper Midwest became Auto Alley. In Akron, three firms—Goodyear, Firestone, and B. F. Goodrich—became the biggest tiremakers in the nation. In Canton, the sons of Henry Timken turned his invention of a roller bearing into an empire of auto axles. In Indiana, Judge Elbert Gary founded the steelmaking capital of the nation and named it after himself. More steel poured from Chicago and Youngstown. In Milwaukee, Allis-Chalmers made turbines. In Racine, J. I. Case made tractors.

Midwestern might was based, as we know, on easy access to iron and coal, on money, on railroad transport, on new methods of mass production. But mostly it rested on ideas, on the minds and imaginations of a generation of entrepreneurs, dreamers, and doers, unafraid to risk all on a roll of the industrial dice. As in Silicon Valley now, Midwestern innovation created a new world.

Where did it all go? A century later, the industrial Midwest amounts to a wasteland of empty factories, corroding cities, and crumbling neighborhoods. Some cities found new ways to earn a living, but nowhere is heavy manufacturing part of the solution. For the Midwest, mass production was a one-shot infusion, producing a boom that lasted one season and is now gone.

In many ways, the Midwest is the victim of its own success. These were company towns, totally dependent on one big corporation. Their founders had one really good idea, and that idea sustained their corporations for decades, eliminating the need for more good ideas. For workers, the factories provided a living—in time, a good living—so there was no need to go elsewhere, look elsewhere, imagine anything different, for themselves or their children. For the cities, the corporations were a constant, steady source of jobs, taxes, and leadership, so no mayor or city manager needed to seek new investment.

Why change? It worked.

"Just imagine," says George Erickcek, a Michigan economist, "just imagine that you’re the mayor of Flint in 1923. There’s a knock on the door. It’s the devil and he says, ‘Mr. Mayor, I’ll give you sixty years of prosperity.’ ‘Okay,’ you say, ‘what comes after that?’ and the devil says, ‘You don’t want to know.’ ” The Midwest took the devil’s deal. Sixty years? Not bad. And after that, we’re all dead.

Or if not dead, then dozing. I drove into Dayton, Ohio, on a recent Monday in May. The first building on Third Street as I entered downtown was the Montgomery County Building. Next
door stood the Coroner-Crime Laboratory. Most of the other buildings also were government buildings—police, city administration, a courthouse, a small college. Downtown held one decent hotel, a Doubletree, not much for a city of 165,000. I saw a little commerce—a few clothing stores, discount stores, pawnshops. Nor much traffic. Parking is easy to find. The city looked neat, not shabby, but dull, with little life.

Not to knock government, nor to glorify traffic jams. But a healthy downtown needs more than government buildings, and real cities are busy places, filled with commerce and people and traffic. Downtowns aren't supposed to be quiet.

Dayton helped create the twentieth century, and that century returned the favor. Now Dayton, like many of the Midwest's major manufacturing cities, is struggling with the twenty-first century, and with globalization. The city has a rich past. No one knows yet if it has a future.

Dayton, of course, is where manned flight began. In a Dayton bicycle shop, Orville and Wilbur Wright designed the first airplane. But that was only the start. Dayton has more patents per capita than any other American city. The cash register was invented here and so were microfiche and the bar code; if we live in a world of fast-moving commerce and carefully stored data, Dayton can take some credit. People in Dayton invented the parking meter, the movie projector, the parachute, the gas mask, and the pop-top can. The stepladder was born in Dayton. So was the food that astronauts eat in space.

Most important for Dayton was the arrival in 1904—one year after the Wright brothers made their maiden flight at Kitty Hawk—of a young Ohio State graduate named Charles Kettering. Kettering came to Dayton to work for the National Cash Register Company, but he spent most of this time trying to develop an electric ignition for automobiles. By 1909 he was ready to go. With his NCR boss Edward Deeds, he formed a company to make ignitions. They called it Dayton Engineering Laboratories Company, or Delco for short. By 1913 it already employed fifteen hundred people in Dayton.

Delphi, the successor to Delco, remains the nation's largest auto-parts supplier. But Delphi has gone global. It employs 185,000 persons now, but only 50,000 of them in the United States. Its biggest customer is General Motors, which is shedding sales, workers, and money. In 2005, Delphi declared bankruptcy—or rather, its American branch did: non-U.S. subsidiaries were not part of the filing. The purpose of the bankruptcy filing was to enable Delphi to cut costs by closing American plants, laying off American workers, getting rid of pension and health obligations to its American retirees, and shifting most production overseas.

The filing succeeded. General Motors and Delphi, working with the emasculated United Auto Workers, agreed to a deal to buy out 47,600 workers altogether. Of these, 12,600 worked at Delphi. The bulk will come from the Midwest: about 70 percent of Delphi's total U.S. employment is in the Midwest, mostly in Ohio, Michigan, and Indiana. Senior workers who kept their jobs agreed to accept wage cuts, from $28 per hour to $14 to $18.50 per hour, in exchange for a "buy-down" payment of $105,000 spread over three years.

These are big, abstract figures. In Dayton, it gets personal. In Dayton, Delphi is still the big employer, and basically, it's leaving town. Delphi has five big plants in Dayton and its region and employs fifty-seven hundred workers. It plans to close four of the five plants. It may end up with two hundred workers in Dayton. What Charles Kettering began in the early twentieth century is dying in the early twenty-first century.

Not that anyone should be surprised. Delphi employed thirty thousand workers in the Dayton region in the mid-seventies and twenty thousand in the mid-eighties. Those jobs have been disappearing for years. Some went early to the Sun Belt. Others left for Mexico. Some just went, lost to automation. Now they're going to China and other Third World countries.

Dayton, like almost all major manufacturing centers in the Midwest, fought this trend. It held on to its shrinking industries, supporting them at all costs. It assumed that things would stabilize, that a tide would flow back in. The big mills and factories might shed jobs, but they remained the biggest employers in town. Besides, they had always been there. They were what Dayton was all about. They were all there was. Having lived off them for a century, nobody could imagine life without them.
“It’s been death by a thousand cuts,” Joe Tuss, the county economic development director, told me when I went to his office. “In the Dayton region, we’ve been blessed and cursed. We’ve hung on to the core manufacturing jobs, both as a percentage of jobs and as part of our total output, for a much longer time than most places. We worked very hard to provide tax incentives. We worked with the auto sector, and all this let them continue to operate facilities long after they were shutting down elsewhere. We allowed a large workforce to make a good union wage.

“But now the economic forces are catching up with us. Now we are seeing that in a big way. The Delphi bankruptcy is our tipping point. We have to try to reinvent ourselves—but this work to preserve our base, it all took time and energy away from reinventing ourselves.”

Tuss described a transformation of the very world in which Dayton has lived: “We’re going through a global macroeconomic change that, at our local level, we can do very little about.”

Dayton can’t be compared to true basket cases, such as Gary or Flint or Benton Harbor, Michigan, or East St. Louis, Illinois. These cities died in the Rust Belt era and may never revive. But there are many Midwestern cities like Dayton—Akron and Toledo in Ohio, Grand Rapids in Michigan, Waterloo in Iowa, Rockford in Illinois—that once buzzed and hummed with industry and are now smaller, sadder, down but not completely out, trying to figure out what to do next.

John Austin sees the problem clearly. Not many Midwesterners do. In traveling the Midwest, I found many persons talking about globalization, but few with the breadth to see it in the regional framework, or to understand why it is hitting the Midwest so hard.

Austin is a University of Michigan scholar and state school board official who has studied the Midwestern economic crisis. Austin finds a culprit in the Midwestern mentality—the sort of complacency that enabled the region to forget its roots in innovation and settle for a slow, steady decline as a way of life. Faced with change, Midwesterners tend to stick with what works,

Austin says. But they can also be “anti-intellectual, nativist and insular.” Worst, they can be smug.

As their economy crumbled, “a culture of expectation and entitlement grew around the success of the mass production economy and the prosperous middle class it afforded,” Austin wrote. “A sense that this relative prosperity would always endure, that the region could reap good wages without education and continuing innovation, stilled the dynamic of entrepreneurialism and economic churn that built the region.”

Both business and unions are to blame, he said. “As industrial unionism gained co-equal status and organization to the increasingly large and paternalistic big businesses, both became change and risk averse, seeking protection of what they had, versus innovation and creation of the new.”

It’s a deep-seated malaise, Austin said, a social nostalgia widespread across Midwesterners who are “not fully aware of new demands of the global knowledge economy.”

Perhaps Midwesterners have a hard time grasping what’s happening because it’s been going on so long, and because what they had seemed so good. In the years after the war, the labor battles of the first half of the twentieth century ended in an accommodation between big unions and big business. Corporations and unions negotiated contracts that provided high wages, good pensions, solid health-care plans, and good working conditions, in exchange for the unions’ agreement not to strike. The result was an era of labor peace and the creation of what may have been the crowning glory of the American economy—the birth of an industrial middle class, men and women who worked in factories, at blast furnaces and assembly lines, but who owned their own homes, drove good cars, took vacations, educated their kids, and, in general, lived at a level never before achieved by a blue-collar population.

Some of this was an out-and-out mistake. The provision of health insurance through individual union-corporation contracts prevented the establishment of a national health program and, in the long run, saddled the corporations with ruinous health responsibilities for their employees and retirees. Even Walter Reuther, the
labor leader who helped negotiate these deals, saw the flaw but could not persuade corporations, with their hatred of government programs, to see sense.

But mostly, it is hard to blame the men who made these deals. Companies bought labor peace and thrived. Workers achieved an unprecedented level of economic decency. When Midwesterners now look back on this era with nostalgia, they have something to be nostalgic about.

This era rested on a set of temporary circumstances. Mostly, it could exist only inside a closed economy, without competition from outside. The Midwest had this huge industry all to itself. No Japan, no Sun Belt, no Mexico, could do it better—or do it at all. The Midwesterners who made the cars, steel, machine tools, and auto parts could run their economy any way they wanted.

The decline of the Midwest’s industrial base began in the 1970s and 1980s, possibly earlier: manufacturing employment peaked in the late 1970s and has been going down ever since. Globalization only seems to be finishing off what the earlier crisis spared.

Thirty years after World War II, a revitalized Japan entered the American economy with a wave of imports and investment that stunned Americans. Some of this Japanese success was based on savage price-cutting, subsidies, and the ability of its companies to compete abroad because they were protected by tariff walls at home. But the Japanese also were good. They put out high-quality products at low prices. They had imaginative design and efficient management.

Several other things happened at the same time. Third World countries such as Brazil began producing high-quality steel and other basic products and exporting them to the United States. Mexico began attracting American companies to move their mass operations and basic assembly processes south of the border, where cheap labor awaited. The invention of air-conditioning turned the American South into a plausible place to live and work, and companies began moving to the Sun Belt.

The first wave of competition hit the Midwest particularly hard. Partly, the Japanese turned out to be good at precisely the industries that underpinned the Midwest economy—autos, television sets, machine tools. Partly, some major Midwestern industries, like the integrated steel mills, produced basic, uncomplicated products that Third Worlders like the Brazilians could make just as well and a lot cheaper. Partly, Midwestern companies that were heavily unionized—and that included most of them—proved vulnerable to the nonunion lures of the Sun Belt.

Some competition for the Big Three auto companies came from imports. More came from “transplants”—that is, foreign companies like Toyota or Honda that set up factories in the United States. For the most part, these factories settled not in the Midwest but in the border states or Deep South, places with weak or nonexistent unions. Some of these transplants bought their auto parts from companies that also located in the South; others imported parts. Either way, the Midwest lost out.

The transplants have another built-in advantage that dates to the postwar glory days of Midwestern manufacturing. Ford and General Motors calculate that their health and pension costs for retirees add about $1,300 to the cost of every car and truck they make. Most of the transplants have been in the United States for only twenty years or so—not long enough to have any retirees. Someday they will, and that advantage will disappear. The question is, will Ford and General Motors disappear first?

Some Midwestern industries simply vanished in this era: TV manufacturing went away and never came back. But many industries, like auto parts, and many cities, like Dayton, fought back with severe cost cuts, automation, downsizing, and layoffs. In many cases, overall production stayed up: Gary, Indiana, produces more steel now than it ever did, but with one tenth the workforce. Their communities paid a stiff price. Gary basically is a slum, subsisting on taxes from casinos. More fortunate cities saw populations decline, schools decay, opportunity flee, but they survived. Diminished though they were, they still employed enough people in the remaining industries to maintain the facade of their old industrial selves.

And then came globalization, for which there was little defense. Some workers, such as bioscientists, have special skills; some industries, such as medical instruments, own a competitive edge;
some cities, such as Madison or Ann Arbor, provide unbeatable access to expertise. These workers, industries, and cities can compete in a global market. But much of the Midwest simply can’t compete. Midwestern high school dropouts performing repetitive work on an assembly line for high wages cannot compete with Chinese high school graduates doing the same work for low wages. Midwestern factories making basic auto parts or refrigerators cannot compete with factories in China or other Third World countries. Midwestern cities that depend on these workers and these industries cannot compete in a world in which China and India are investing heavily in research, technology, and, especially, education.

In the Rust Belt era, American firms, especially car companies, had positions to defend and led the losing fight against the Japanese invasion. Now, these companies have gone global themselves. General Motors makes cars and trucks in thirty-three countries and is part of a worldwide auto glut that is driving down prices everywhere. Delphi manufactures in thirty-four countries. No longer do foreign firms threaten American jobs. Now it’s American firms that have taken jobs overseas, in a desperate attempt to meet the global competitive challenge from overseas. These companies, like Delphi, will stay in business. They just won’t stay in business in Dayton.

In this debate, there are two schools of thought. One side wants to keep what’s left of the Midwest’s heavy industry and use it as the base of a revived economy. The other side says the region should let this industry die, sooner rather than later, and get on with the economy of the future.

The biggest heavy industry of all is the auto industry, which dominates Michigan, Ohio, and Indiana and spreads its influence throughout the Midwest. When Midwesterners talk about industry, they often mean cars. The future of the auto industry is where this battle will be fought.

On one side is Patrick Barkey, at Ball State University in Muncie, Indiana. Barkey sees the auto industry as the millstone of the past, not an anchor for the future. “In a very short span of time, perhaps as little as two or three years, the era of the highly paid automobile-industry production will come to an end,” Barkey has written. When I went to his office, he told me, “We’re in an economy in transition. Globalization profoundly affects the environment. The Midwest is one of the last undiversified places in the United States. That’s why globalization is hitting so hard here.

“Production isn’t doomed. There are still plenty of things for us to produce. But mass production with low skills—that’s doomed.”

Barkey’s right. The Midwest still makes lots of things. In the past twenty years, manufacturing output in the Midwest soared by 50 percent or more. But the number of jobs in manufacturing fell by about 20 percent in the major industrial states. This means fewer people are making more things. It also means that heavy industry can no longer support the Midwest and its people: there just aren’t enough jobs there.

On the other side are a number of Midwestern economic planners, especially inside state governments, who remain rooted in the industrial past.

“We are the center of the global auto universe,” a Michigan state economic-development official named Mike Shore told me, “and we are looking to hold on to what we have as long as we can.” The state government, driven by this attitude, recently passed a $600-million-per-year tax cut for manufacturers. It will have no effect at all. In the previous three years, Michigan lost 163,000 manufacturing jobs. It has 700,000 manufacturing jobs left, and many of those will go, too, tax cut or no tax cut.

These state officials know perfectly well that globalization will swallow their traditional industries. But they’re stuck. Workers vote, and a voter who has just lost his job will be an angry voter. When a plant is threatened, the local legislators hear about it constantly—from workers worried about their jobs, from cities worried about tax money. When an old factory closes, governors get blamed. When a new factory opens, governors get to cut ribbons. Every time a factory dies, its workers go from a private payroll to the public dole; in every Midwestern state, unemployment pay and retraining costs take money away from programs, such as education, that might offer some advantage in the new economy.

And so the pressure builds to subsidize the old industries, to do anything to keep them from moving away. Every state and every town tries. Most lose, and the time and money they spend trying to
keep twentieth-century jobs prevent them from creating twenty-first-century jobs.

If state governments seem determined to hold on to old jobs and old industries, attitudes outside governments vary from state to state. Indiana, for instance, is a grim, depressed place, more Southern than Midwestern, resigned to a slow and steady decline and seemingly not very upset by it. In Indiana, they say, “Good enough is good enough.” There’s a hope that the good days will come back. But if they don’t, that’s okay, because the state will cope somehow. Good ideas that involve sharp change don’t stand much of a chance. As one fed up Indiana official told me, “When an idea has some potential, people say that’s pretty risky. Our jobs are going down but total output is going up, and that’s okay. We’re getting poorer and poorer in comparison to other states, but in absolute terms, we’re growing. Not much but a little, and a lot of people in Indiana feel that’s good enough. Change is risky, they say, so let’s stick with what we’ve got.”

Go north into Michigan and the attitude changes entirely. Not that Michigan doesn’t have problems. It’s the car capital of the world, the home of Ford and General Motors, and for that reason alone it’s been hit harder than anywhere else. Perhaps it took this pain to get the state’s attention. Its state government, as we’ve seen, is in denial. But if there’s any place where scholars and planners have accepted the cold reality of globalization and are thinking hard about it, it’s Michigan.

“Michigan’s problem is that the big, unionized auto industry is no longer competitive,” Donald Grimes at the University of Michigan said. “It’s a price-cost squeeze. The price of cars has actually declined since 1995. So if labor costs are going up and the price of the car is going down, the industry is in this squeeze.

“Before, companies had a monopoly power over prices. It can’t do this anymore. This has been going on for some time, and globalization is the culmination of this process.”

The next steps, toward a knowledge economy, have already been taken—and they’re based on what the state has done in the past. Michigan isn’t going to make cars anymore, but it still knows more about cars than any other place in the world. New investment is going into the southeastern part of the state for auto research, design programs, marketing ideas. The idea is to make this area the global center for automotive ideas and innovation—even if the actual manufacturing will take place thousands of miles away.

Ann Arbor is the engine of this activity, not Detroit. It’s fueled by the brainpower at the University of Michigan, not the brawn of the old Polish and African-American neighborhoods. The jobs pay well but there are fewer of them. No one knows how big this new economy will be, or how many people it will support.

At Dundee, south of Ann Arbor, two new engine plants are being built by the Global Engine Manufacturing Alliance, a joint project by DaimlerChrysler of Germany and the United States, Mitsubishi of Japan, and Hyundai of Korea. Nominally competitors, these companies are betting they can save $100 million per year to develop an engine together, instead of working separately.

The two plants will produce 840,000 engines per year with only 562 workers. The state expects total employment to be eight hundred—about one third the number of jobs in a typical old-time engine plant. But the average wage is about $30 per hour. The plant is unionized, just like the old auto plants, but the rules have changed. For instance, there is one job classification, meaning that anyone can do anything: the old union rules that kept anyone but an electrician from changing a lightbulb are out.

“Southeast Michigan has talent and engineers and universities and designers, and they all know about cars,” Grimes told me. “That’s where we want to be.”

It’s the future, Grimes says. “On both sides of the political aisle, all that anybody talks about is how to save the auto industry. Granholm is smart,” he said, referring to the governor, Jennifer Granholm, “but she’s fighting an uphill fight. You’re fighting against a very real loss that people face. These guys are going to lose their jobs or take a substantial pay cut.”

It’s more than that. Rural areas that had small manufacturing plants will shrink economically. Small farmers who subsidized their farms with factory jobs may have to sell out. Third-generation factory workers without the basic education for retraining will
never again hold a good job. Cities like Flint and Saginaw will become rusted relics.

But “there’s no option,” says Grimes. “I’m saying, sorry, but this is the way the world goes, and that generates a lot of bitterness.”

It’s easy to say that the labor unions dug their own grave by winning high wages and restrictive work rules. But the fact is that these unions—especially the UAW—helped build the glory years of the American industrial era. Millions of workers shared the riches of that era. Unions underpinned an epoch of economic decency and political stability. Along with the public schools, they created the American dream. The Midwest was the crucible in which labor power was forged, where the great battles were fought and the great victories won. Midwestern history is unthinkable without the unions.

But their time has passed. The only unions that are growing are in the service sector, those that sign up housekeepers, hospital orderlies, or line cooks in hospitals and hotels. These are jobs that can’t be outsourced. They also are jobs at the bottom of the pay scale; the people who hold them are often women and Hispanic.

The contrast with the dying old industrial unions—mostly white, mostly men, mostly middle class in pay scale and benefits, mostly vulnerable to outsourcing—could not be greater. Most of these union locals will simply close, as UAW locals are closing around the Midwest now. Others have been reduced to managing decline. The UAW collaborated with GM and Delphi in negotiating the forty-seven thousand buyouts. That means that the union will soon have forty-seven thousand fewer members. Another thirty-eight thousand Ford workers have taken buyouts. The UAW once had 1.5 million members; now it’s 580,000, and falling. Before, the UAW fought legendary union battles, led strikes and factory sit-downs, and used its clout to win a new life for its workers. Now, it has no clout. No strike could possibly succeed.

The UAW isn’t dead yet, but it’s most useful in persuading its members to do what companies want; the deal at Dundee is an example. So is Peoria, Illinois, where Caterpillar, the giant earthmoving-equipment maker, is hiring workers—but on a two-tier scale that has always been anathema to unions. Older, less-skilled workers still earn more than $20 per hour, but new hires in the same job grades make barely half that, about $12.50 per hour. The upside is that workers get hired. The downside is that they will never have the middle-class life their fathers enjoyed.

Back in Dayton, I went to see Wes Wells, the regional director for the AFL-CIO in the Dayton/Miami Valley area of southwestern Ohio. Wells is a blunt, angry old union man, proud of the past and scared of the future. Once, running the AFL-CIO in the Dayton region must have been a good job. Now Wells sits in his office on the east side of Dayton, out near the Wright-Patterson air base, and tries to ease the pain. The industrial era is ending, in Dayton as elsewhere in the Midwest, and with it the unions’ golden age.

In Dayton, Wes Wells knows that the economy that framed his life is going. “We’ve got fifty-seven hundred workers in the Valley at Delphi [the biggest employer],” Wells said. “Several years ago it was upward of twenty thousand. Dayton has lost twenty-six thousand jobs since 2000—about twenty-one thousand in manufacturing.” Maybe some of the remaining jobs will survive. Most won’t.

Wells, like all union leaders, rejects the idea that unions played a role in their own decline, that this decline is a result of the wages and workers’ rights that unions won. Instead, he blames corporate mismanagement and corporate greed—an easy target because there’s so much of it around.

“Let me tell you something,” he said. “When you look at the golden parachutes of Delphi executives, Delphi is in this spot because of one thing—mismanagement.”

Another favorite culprit is trade and especially NAFTA. China may be the biggest competitive challenge to Midwestern industry right now, but most workers and their union leaders cannot look beyond NAFTA and Mexico. Their solution is simple—controls or barriers to trade. Economists, government officials, and editorial writers roll their eyes at this solution, but they are kidding themselves if they ignore the real pain that trade inflicts on much of the Midwest and the potential here for a political backlash: we saw the first signs in the 2006 congressional elections. Economists cite figures showing the dependence of Midwestern industry and farming
on exports, and this is true enough. But while trade can bring broad benefits to a society, it can cause sharp pain locally. Every imported car or car part means one less car or car part made in Dayton or Detroit, and one less worker with a job. The same worker can buy imported goods cheaper at his local Wal-Mart, but this doesn’t soothe him if he has no income. In the old industrial cities, there soon will be workers with nothing left but their votes.

“How in hell do you compete with China?” Wes Wells asked me. “How do you compete with Mexico? The only thing I fault Clinton for is NAFTA. NAFTA is not about bringing Mexico’s standard of living up to our level, but in taking our standard down to Mexico’s level. The only alternative I see is by legislative action. We have to have an administration that understands the plight of the manufacturing base in this country and can put in a fair-trade policy, which is an equal-trade policy.”

Then Wells said something that really startled me. He told me that Lyndon LaRouche, the conspiracy theorist and perennial presidential candidate, is gaining converts among the distressed workers of Dayton. “Some of our people are going to his meetings. Some of the materials he puts out make some sense.”

Globalization is made to order for demagogues and conspiracy theorists. By its nature, it exposes the vulnerable to distant and mysterious forces. It enriches a new class of global citizens, but undermines a way of life for middle-class workers who can’t understand what is happening to them and don’t feel they deserve it. This is not the way life was supposed to be, and they seek someone to blame.

This backlash is not inevitable but it is likely unless the cities and regions where these workers live can find new ways to earn their living and support their people. Today’s workers may be a lost generation, and their children face an uncertain future. In cities like Dayton, the logical forecast is for more decline and more economic misery.

Well, maybe so. But after listening to a litany of gloom about Dayton’s present and future, I came away with an odd sense that, if any place is likely to reinvent itself and make it in a globalizing world, it might be Dayton. It’s not just because there’s more to Dayton and its economy than Delphi and cars. Many of the town’s other business, unlike Delphi, belong in the twenty-first century. There’s a vigorous community college named Sinclair and two good universities, the University of Dayton and Wright State, both committed to the community. It also has a good and courageous newspaper, the Daily News, that is forcing the city to look hard at itself.

Most important, everyone I met in Dayton seemed to be asking the right questions. Perhaps the Delphi bankruptcy has really been a wake-up call. Throughout Ohio and Indiana especially, there is a terrific sense of denial about globalization and what it’s doing. Both civic leaders and scholars insist that these states will keep on earning their livings the same old way. Dayton, at least, understands what is happening to it, and why. It grasps that the industrial era is gone and globalization is here.

Perhaps disaster concentrates the mind. Much of the industrial Midwest is hanging on and so can keep kidding itself. But it should look to Chicago: nothing happened there until the city lost virtually all of its heavy industry—the steel mills, canning plants, stockyards, metalworking industries—and had to reinvent itself. Twenty-five years later, Dayton faces that challenge.

Chicago had strengths—its universities, hospitals, big consulting firms, especially its commodities markets—and it built on those to reinvent itself. In many ways it built on its past, on its expertise in farm markets and heavy industry, to create the new industries of the future. Dayton and many other cities have hidden strengths, some of them tied to their traditional industries, some entirely separate. If they can give up the old, they have a chance to thrive on the new.

Until 1970, National Cash Register still employed twenty thousand people in Dayton, most of them in manufacturing. Now NCR does no manufacturing in Dayton at all. But the company now specializes in data warehousing and solutions to information-systems problems. This is harder to understand than auto parts and employs fewer people, but it provides something that the twenty-first century needs.
Reynolds and Reynolds, a major seller of business forms to auto dealers, now leads the market for information solutions for these dealers. A similar company, Standard Register, has moved from business forms for hospitals to management solutions for hospitals. LexisNexis, the computer archive, is headquartered in suburban Miamisburg. Alien Technologies runs its RFID solutions center in Dayton. RFID stands for Radio Frequency Identification and is used by companies to track supply chains and logistics: someday it will replace bar codes.

Dayton has a National Composites Center, which researches lightweight materials. Not far away, the University of Dayton has a research institute that also studies composite materials. These materials may make the next generation of auto parts—a natural spin-off for a town that made its living on auto parts. They may not be made in Dayton, but they’ll be developed there; as in Ann Arbor, it’s a case of fewer high-tech jobs replacing many low-tech jobs.

Wright State University is next to Wright-Patterson Air Force Base. The university has a good medical school. The air force is moving its aerospace medical research and training to the base. Civic leaders in Dayton see jobs in space-age medicine moving into the gap left by Delphi.

Most of the rest of Ohio, which looks down its nose at Dayton, doesn’t think the city has a chance. Ned Hill, the state’s leading urban economist, calls Dayton “a hospice for Delphi,” scoffs that the air base’s only mission “is to blow things up,” and argues that “it’s not research that drives economies—it’s products.”

Perhaps he’s right. Dayton isn’t there yet. It isn’t even close to there. But the tired old city, against the odds, is taking three venerable institutions—auto parts, financial data, and the air force base—and seeing if they add up to a fingerhold on the global future.