Chapter 11:

Can Our Cities Show the Way Forward?

Detroit is America's poster child for urban dysfunction, a metaphor for failure and self-destruction, a grim vision of entropy. But beyond what the city represents in the American psyche, its concrete, on-the-ground reality is more alarming. The vertigo-inducing facts give the terrible sense that Detroit's downward spiral is only going to get worse. The highest unemployment in the country, more than a third of its citizens below the poverty line, per capita income at half the national average, the nation's highest violent crime rate, a dwindling population less than half its 1950 peak of 1.85 million--all underscoring its shrinking tax base and increasing inability to fund basic city services.[1]

The demolition of homes and the implosion of the city's housing market make it tough for even the most jaded observers to suspend their disbelief. Over the last decade, thousands of derelict houses have been torn down, leaving whole city blocks largely empty or gutted, pockmarked with the detritus of abandonment and disuse. In the first year after his 2009 election, Detroit Mayor Dave Bing pledged to tear down another 10,000 structures by 2014, highlighting the need to shrink the footprint of a 139-square-mile city that neither the police nor fire departments can adequately serve.[2]

All that pales, however, in comparison to the ongoing negotiation over what still remains: In 2003, the median home price of a Detroit home was $98,000. By 2010, the median price dropped below $8,000--well under the price of even the cheapest car--and in some cases realtors are selling homes for a dollar. As a 2010 report analyzing the fiscal troubles of the city soberly noted, "Remaining businesses and individuals are challenging property tax assessments on parcels that have lost value and, in some cases, can not be sold at any price." The report's overall summary is grimmer still: "The 'Great Recession' that began in December, 2007 has exacerbated the effects of population loss, poverty, and disinvestment on the City of Detroit. The tax base, already stressed, has deteriorated significantly, as the number of businesses and jobs has declined, unemployment has increased, and population has dwindled."[3]

Is this the end or the new beginning for this once great city? It depends who you ask, of course. Today Detroit's casinos employ nearly as many people as the automakers still do. But contained within the despair over the city's fate is a drive to radically rethink its future. This includes transforming large swaths of the now-fallow city into green parks and gardens, a kind of twenty-first century back-to-nature movement that squarely acknowledges that manufacturing is no longer the city's destiny. Rather than clinging in vain to its industrial forefathers, the city's advocates are seeking to extend Detroit's reach by acknowledging its diminished status, shrinking its footprint, and redirecting its course. They have fallen so far, it's hard to imagine that they will escape their downward spiral, but it suggests an awakening to the necessity of dramatic change, however belated. The effort itself offers a hard lesson to Detroit's urban industrial peers and a nation in search of a new direction.

Clearly, that means stripping away nostalgia and looking at facts squarely. Consider: Among the eyesores already demolished under the mayor's plan is Presidential aspirant Mitt Romney's childhood home, a 5,500-square-foot structure in the long-exclusive Palmer Woods neighborhood, which is struggling to stave off the same deterioration that has enveloped the rest of the city. Romney's family lived there for 12 years until 1953, before his father went on to become head of American Motors Corp., Governor of Michigan, and U.S. Secretary of Housing and Urban Development. As recently as 2002, the house was sold for $645,000, then suffered foreclosure, abandonment, and disrepair.[4] This was one more indication that no quarter of the city is free from the centrifugal force of decline ─ the sad fate of a city that became a company town.

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Detroit's unraveling did not happen all of a sudden. This was the city known as the Arsenal of Democracy, the dynamic hub for the country's massive World War II military production. The name was coined by President Roosevelt in his fireside chat of Dec. 29, 1940, when he gravely detailed the Nazi threat of world domination and the urgent necessity facing America. "We must be the great arsenal of democracy," he asserted. "For us this is an emergency as serious as war itself." And FDR made clear that manufacturing would be at the center of this effort, since "it is the purpose of the nation to build now with all possible speed every machine, every arsenal, every factory that we need to manufacture our defense material. We have the men, the skill, the wealth, and above all, the will." [5]

Indeed, the country did. By March of 1942, *Time* Magazine described the "miracle" of war production and cited Detroit's auto industry as its "miracle worker." Hyperbole aside, a vast machinery was in motion, covering miles and miles of industrial landscape previously devoted to the automobile and its assembly line production. “Endlessly the lines will send tanks, jeeps, machine guns, cannon, air torpedoes, armored cars,” *Time* noted, taking advantage of “many of the world's smartest manufacturing brains concentrated in Detroit.” In one massive plant extending more than half a mile in length and capable of containing more than seventy thousand workers, Ford would soon produce a four-motored, thirty-ton bomber every hour. In another, Chrysler assembly lines were producing trainloads of olive-green tanks. General Motors was turning out arms of all kinds, while Packard and Studebaker were making airplane engines, Hudson anti-aircraft guns, and Nash engines and propellers. And the manufacturers were still ramping up, fueling *Time*'s breathless, optimistic prose: “Once Detroit's conversion to war is complete, when the lines are all moving with the precision of timing and economy of motion that Detroit borrowed from the morning stars, they will pour out such a flood of war machines as no man has ever imagined. The onetime auto industry will employ a million men & women, twice as many as it ever did, will make a billion dollars' worth of armaments a month. If Armageddon is to be decided in Detroit, Armageddon is won.”[6]

Thankfully, Detroit played a crucial role in beating back Armageddon, but saving itself was quite another matter. While the Motor City reestablished its previous purpose as a center for car production after the war, little more than a decade later it was losing its grip. The same publication that praised its wartime genius was now describing a grim march toward the cliff. *Time*'s account from 1961 offers a picture remarkably similar to the present day: “Detroit's decline has been going on for a long while ... the U.S. Government lists Detroit as an area of substantial and persistent unemployment ... blight is creeping like a fungus through many of Detroit's proud, old neighborhoods. Vast areas have been leveled for redevelopment projects that have not materialized... Its problems run so deep that they can be solved only by the effort of labor, management, government and citizenry--working in a spirit that once made Detroit the symbol of economic dynamism."[7]

At that time, a full half century ago, more than a few Detroiters were sure their best days were ahead of them. For many, it was true, their destiny defined by the sexy Ford Mustang, the sleek styling of the Chevrolet Impala, or many other muscular beauties that captured the nation's imagination and fueled profits. But beyond the seductive showrooms and glittering promise of next year's model, Detroit the city was struggling to hold together.

If there was any doubt, the riot in July of 1967 was a turning point, a destructive week of arson and looting triggered by an aggressive police raid on an after-hours bar that left forty-three dead, hundreds injured, thousands arrested, and a smoldering city at war with itself. In the tumultuous years of '67 and '68, Detroit was one of dozens of urban centers ripped by riots, social unrest, and racial strife, but it was arguably the worst. Viewing the terrible damage concentrated in the city's most impoverished neighborhoods, Detroit's mayor Jerome Cavanaugh said "it looked like Berlin in 1945." The conflagration hastened the exodus of whites to the suburbs north of Eight Mile Road, scared away business and investment, and exacerbated the violent crime, drug dealing, and urban blight that continues to infect the city today.

The two-decade rule of Mayor Coleman Young, Detroit's first African-American mayor elected in 1973, only exacerbated the racial conflicts and economic disparities exposed by the riot for the world to see. Here's how the co-writer of Young's 1994 autobiography, *Hard Stuff*, explained the challenge of managing a city that saw nearly 90 percent of its white population exit: “While his antagonists have tediously complained that Young introduces race into every issue, the fact is, as a public servant with a manifest black constituency, he is duty bound to identify any racial impositions upon the citizens under his charge. That's what big-city administration has essentially become in the segregated, suburban-oriented, two-nation modern society--the defense and promotion of the minority cause.”[8] Put another way, Young was managing a city under siege, from the inside and out. Not exactly a recipe for constructive action.

Whatever thrill the nickname Motor City once afforded, it became a burdensome symbol of a city unable to redirect its fate--as goes General Motors, so goes Detroit. While Detroit the city and Detroit the Big Three automakers were seen as synonymous--and eventually a depressing marker of bloated and failed leadership--this Rustbelt capital was facing the same collapse of manufacturing that has starved so many other industrial towns. The numbers depict the hard facts of industrial decline, a choked reality defined by over-dependence on a dominant industry. In 1947, Detroit tallied 3,272 manufacturing firms employing 338,300 workers. By 1982, the number had dropped to 1,508 manufacturers employing 106,000, and by 2002, the U.S. Census Bureau counted a mere 647 firms with 38,000 employees, one fifth the number of companies in 1947 and nearly one-tenth the number of jobs.[9] Investors, jobs, and people were exiting the once-great city.

This path was not inevitable. Jane Jacobs, the famed student of cities, describes a dynamic Detroit from 1880 that produced and exported a surprising range of goods--from paints and varnishes, to steam generators and pumps, to medicine, furniture, and sporting goods. “This was the prospering and diverse economy from which the automobile industry emerged two decades later,” she wrote in *The Economy of Cities,* only to be stifled by the exporting power of the car. As much as that industry built a modern Detroit, it posed a grave danger: “A very successful growth industry poses a crisis for a city. Everything--all other development work, all other processes of city growth, the fertile and creative inefficiency of the growth industry's suppliers, the opportunities of able workers to break away, the inefficient but creative use of capital--can be sacrificed to the exigencies of the growth industry, which thus turns the city into a company town.”[10] Jacobs' focus here was on Detroit, but it's a sobering reminder of why a diversified economy is so crucial for every metropolis to unleash its potential--and why some American cities are geared for long-term prosperity and others are on the road to Detroit.

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At any given time, whether the national economy is promising or plummeting, individual cities portray a wide disparity of fortune and misfortune; they offer useful indicators and insights for assessing the country's prospects. Like the rest of the planet, America is becoming more urban--four out of five Americans live in cities today. And as strong as Americans' attachment may be to their country, we believe that their connection to their city is even stronger. Just think how fiercely sports fans feel about their home teams, even when they've moved elsewhere. They may live in America but they reside, everyday, for good or bad, in New York or Los Angeles, Chicago or Detroit, Phoenix, Austin, or any one of more than 366 metropolitan areas with a population of at least fifty-thousand. (Last on that list, according to 2009 U.S. Census data: Carson City, Nevada, pop. 55,157.) That connection, when it translates into cooperative, purposeful action, means that even the most troubled towns possess the capacity to turn things around. Just look at what happened in Pittsburgh.

Against the backdrop of Detroit, Pittsburgh is riding on a fast track to the future. Rather than cling desperately to its industrial heritage and risk drowning, the city's leadership took advantage of its history of strategic cooperation, legacy of civic-minded philanthropy, and belief in its ability to change course. In a nod to the city's economic turnaround since the collapse of the steel industry, President Obama picked Pittsburgh to host the 2009 G-20 summit. The world's leaders debated their response to the international financial crisis, and they learned how one American city acknowledged its troubles, took stock of its strengths, and charted their way out of an economic mess. In a single sentence, *Newsweek's* summarized the story that the city's planners dreamed the world would hear: “It was a rusting steel-making behemoth that, through struggle, pain and creativity, retooled itself as a surprisingly vibrant, 21st-century leader in education, computer science, medical research, sports entertainment and boutique manufacturing.”[11] While this golden tale glosses over the city's continuing struggles to right its course, it correctly grasps that Pittsburgh, unlike so many of its urban industrial peers, has escaped the painful fate of merely managing decline.

As much as Detroit is tied to the auto industry, Pittsburgh has been defined by its long history as a steel town. Like Detroit, it was a central hub in the rise of a great industrial nation, with all the benefits and attendant miseries. In 1868, seven years before steel magnate Andrew Carnegie opened his first mill, Pittsburgh was already decried as "hell with the lid off." This demonic description by *Atlantic Monthly* writer James Parton stuck because it aptly defined the physical reality that plagued natives and visitors alike. “Smoke, smoke, everywhere smoke!,” Parton wrote. “The entire space lying between the hills was filled with the blackest smoke, from out of which the hidden chimneys sent forth tongues of flame, while from the depths of the abyss came up the noise of hundreds of steam hammers...."[12] As recently as the early 1940s, daytime was typically dark as night; drivers needed headlights and pedestrians relied on streetlamps to find their way. Leading corporations threatened to abandon Pittsburgh, described as a "used-up city," unattractive and unpromising economically.[13]

That began to change after financier Richard King Mellon, one of America's richest men and a Pittsburgh scion from one of the city's dynastic families, teamed with mayor and long-time Democratic boss David L. Lawrence. The Republican-Democrat duo brought together many of the city's public and private sector leaders to revitalize the dilapidated and polluted central city. Mellon, chairman of Mellon Bank, could make things happen: He held dozens of corporate directorships; was on the board of General Motors, Gulf Oil, and other Fortune 500 companies; and had already formed in 1943 the Allegheny Conference for Community Development, an organization of business and political leaders that still influences the region's economic development. Launched in 1946, their Renaissance Project focused on cleaning the acrid and dirty air, building river dams to stem frequent floods, razing hundreds of old buildings and slums, clearing away unsightly railroad yards, and erecting new skyscrapers and parks. And that meant keeping together the complex coalition of interests for the larger purpose. "This is a Pittsburgh project, not a Democratic or a Republican project," Lawrence insisted.[14] In 1958, *Life Magazine* described "Mellon's Miracle" in a promotional feature about Pittsburgh's gleaming revival: "What does a city do when slums and soot and apathy sap its vitality ... when real estate values fall and business moves elsewhere? This is the problem of many cities ... and it's being tackled magnificently by Pittsburgh."[15] The city's glimmering Gateway Towers and verdant Point State Park remain visible reminders of that effort, which by the mid-1960s encompassed some fifteen hundred acres, nineteen urban renewal projects, and sixty new buildings.

Pittsburgh's Renaissance became a national model of urban redevelopment, but its local import is greater: It's a revered reminder of the city's commitment to strategic cooperation. This is more than living history; Renaissance has become a key piece of the city's sense of identity and civic pride. "That was a real model of the public and private sector working together," Dennis Yablonsky, executive director of the still-thriving Allegheny Conference, told us. "That legacy is an important part of the Pittsburgh story. It's in our DNA."

The belief in the city's capacity to work together and fix problems was sorely tested with the collapse of steel manufacturing in the early 1980s. The region was hit by the loss of more than 150,000 jobs and the exodus of more than 100,000 of its residents. It could have suffered the same grim fate as its Midwestern cousin, unable to disconnect from its deep focus on a dominant industry. At that time, the city's leaders were talking about taking advantage of their universities and shifting toward a knowledge-based, high-tech future--a vision that seemed then quite fantastical to Steven. After all, this was one of the least mobile populations in the country, a staunch working-class culture deeply wedded to its gritty industrial history and way of life. The city's morale was as low as the jobless totals were high. Did Pittsburghers really have the agility, wit, and will to shift into this alternate world?

Perhaps the better question is, did Pittsburgh have another option? This was not a case of incremental decline, which unwinds with the deluded promise that things might revert to "normal." The quick, catastrophic collapse of the steel industry--devastating whole towns and families throughout the region--was the kind of bell-ringing event that left little doubt its glory days were over. The region faced a clear choice: Change or die. As a result, the city benefited from this painful wake-up call; its survival was at stake. “It all happened so severely, there was no doubt about the problem,” Yablonsky says. “This is a tough-minded place. It will take a punch and figure out how to hit back pretty quickly.”

Of course, Pittsburgh needed the building blocks that could make the change to an alternate, more diversified economy possible--and the ability to identify those assets and the leadership to take advantage of them. To the city's great fortune, the focus shifted to what is often described as “eds and meds.” Heading that list was Carnegie-Mellon University, the University of Pittsburgh, and the University of Pittsburgh Medical Center (UPMC). They were not only significant drivers of the city's revitalization--their leaders often working in tandem to spur economic development--each has become a highly-ranked, globally relevant player in their own right, capable of attracting major funding, talented newcomers, and innovative firms seeking to tap into their resources.

While their Pittsburgh roots are deep, each of these institutions was limited in scope three decades ago. While Carnegie-Mellon and Pitt were well-regarded regional schools in the 1980s, they evolved into world-class research universities and magnets for excellence. Combined, they attract more than $1 billion in annual research funding, a tenfold increase since the 1980s. Half of Pitt's freshman are in the top 10 percent of their class. A third of Carnegie-Mellon's students come from more than a hundred differnt countries, many drawn to its track record in computer science, robotics, and biotechnology. UPMC, forged from the merger of several regional hospitals in 1990, is now the region's largest employer with fifty thousand employees; one of the world's largest academic medical centers, it's become an $8 billion health care powerhouse with medical centers in far-flung locales around the world.[16] It's only fitting that in 2008 the UPMC initials were affixed atop the 64-story U.S. Steel Tower, the city's tallest building and now UPMC's headquarters.

In the days leading up to the G-20 summit, the heads of Carnegie-Mellon, Pitt, and UPMC were interviewed by *Newsweek* columnist and Pittsburgh native Howard Fineman before an audience of international journalists. To no one's surprise, they painted the virtues of their respective institutions. But they also detailed an unusual level of cooperation that colors their success and Pittsburgh's progress. Amid the intense global competition for investment and funding, this could read as simple city boosterism--their particular song and dance. Yet their partnership offer a strong counterpoint to urban peers and national leaders who fail to put aside partisan differences to identify and pursue their common purpose.

Literally neighbors in this compact city, they have collaborated on more than five hundred academic centers and projects in a wide variety of disciplines, from education, robotics, and computer science to biotech and medicine. They were early adopters of the idea that research universities are a key to economic development. “We knew that we needed to cooperate and find ways to harness the [academic] power for our own good and the good of the community,” Mark Nordenberg, Pitt's chancellor, told the crowd. Jared L. Cohon, Carnegie-Mellon president and a Cleveland native, was asked why his hometown had not accomplished what Pittsburgh has. “They've never figured out how to work together--quite the opposite,” he said, referring to Cleveland Clinic and Case Western Reserve University. “It's in stark contrast to what you find here: a private university working very comfortably with a public university and both of us working very eagerly and productively with our major medical center.”

As critical as these building blocks were to the city's reemergence, their presence alone was no guarantee of success. The city and western Pennsylvania region benefited from a series of long-range initiatives, including the 1985 Strategy 21 economic development report, the result of a partnership between then-Pittsburgh mayor Richard Caliguiri, the presidents of CMU and Pitt, and Allegheny County commissioners. Their push was part of an evolving public-private consensus, reinforced nearly a decade later when the Allegheny Conference combined with CMU President Robert Mehrabian to reassess the region's agenda--capitalize on existing strengths by supporting advanced manufacturing and technology, financial services, and energy; leverage university-based research to spur new businesses and commercially minded R&D; rebuild the downtown cultural zone that had fallen into disrepair; enhance the city's natural assets along the riverfront to create a more appealing destination; revitalize dead and rusting mills for new purposes.[17]

Unlike many newer cities still building alliances, Pittsburgh could count on the support of its leading families and their well-funded philanthropic foundations. Steel magnate Andrew Carnegie symbolized this philanthropic impulse, using his vast fortune to build libraries, schools, and museums, including Carnegie-Mellon University and the Carnegie Museums of Pittsburgh. The names read like an historical register of the richest Americans: Carnegie, Mellon, Heinz. Add to this the Pittsburgh Foundation, created in 1945 and comprised of more than thirteen hundred individual donors dedicated to the community. With assets exceeding $6 billion, they annually contribute to the region more than $300 million, not only an important financial boost but also a source of stability amid wrenching change. They have helped sustain traditional cultural institutions--the opera, the symphony, the museums, the libraries, the downtown cultural district--but also invested in the infrastructure of economic development.

And the results from this decades long refocus? The city can tally more than five hundred biotech and sixteen hundred information and communications technology firms. It has held onto the headquarters of U.S. Steel Corp. and numerous other Fortune 500 companies; added thousands of jobs from top specialty steel makers such as Allegheny Technologies; and expanded cutting-edge manufacturing in robotics, life sciences, and energy. Its downtown cultural district, no longer home to porn and pawn shops, boasts sparkling new theaters and galleries. The riverfront features a smart new stadium, bike paths, and trails for outdoors lovers, while a Southside brownfield site formerly owned by Jones & Laughlin Steel has been transformed into a stylish collection of shops, restaurants, and cinemas. An area once owned by U.S. Steel and location of the Homestead Strike's bloody clash between steelworkers and Pinkerton agents is now a massive open-air mall for shopping, dining, and living. And while the unemployment rate escalated and the real estate market crashed nationwide during the Great Recession, Pittsburgh remained relatively stable, bettering the national averages. As for icing on this high-fiber cake, *The Economist* picked Pittsburgh as the most livable U.S. city in 2009 and *Forbes* did the same in 2010, based on its arts and leisure scene, job prospects, safety, and affordability.

These examples underscore the city's economic evolution, but they might not be the best signal that old smokestack Pittsburgh has become a brain center--and prepared to drive its future. That can be seen in 2009 data collected by University of Pittsburgh researchers Sabina Deitrick and Christopher Briem: Nearly half of Pittsburgh's workers aged 25 to 34 have earned at least a bachelor's degree, well above the national average of 35 percent. That places this young generation of workers among the top five metro areas nationwide, just behind Boston, San Francisco, Washington, D.C., and Austin. The findings are even more impressive when examining the percentage of workers aged 25 to 34 with a graduate or professional degree: Pittsburgh sits at the top of the list, virtually tying Washington, D.C., with 21.5 percent. In stark contrast, Pittsburgh workers over 55 and especially those over 65--those most likely to have counted on steel jobs when they came of age and lived through the industry's collapse--have schooling well below the national average.[18]

Here's how Deitrick and Briem explained these facts to their fellow citizens in the *Pittsburgh Post-Gazette*: "Pittsburghers have moved beyond their once-embedded industrial-town psyche. The tradition of working in the mill ended when the mills closed. Since then, subsequent generations of Pittsburghers have been urged to get an education. The shift has taken decades, but our youngest have come of age with an emphasis on higher education few Pittsburghers had in the past."[19] That means young and educated people are finding reasons to come and reasons to stay, a welcome sign after more than a generation of accomplished (and not so accomplished) young residents headed elsewhere for opportunity.

The region continues to struggle with an aging population, more deaths than births, a long-dwindling population, and an inability to lure sizable numbers of immigrants--all factors that remind of its troubled past and raise lingering questions about the region's long-term health. But in spring 2010 Pittsburgh experienced a bump in its population, the first overall increase since 1990. The city's advocates are hopeful that this uptick will turn into a trend, providing the city one more indication that its renewal is progressing. As Tom Waseleski, op-ed editor of the *Post-Gazette* told us, "You could solve a lot of the problems of the place with another 50,000 people." The comment should give pause to all the people who decry the challenges of population growth caused by immigration.

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Before many people knew or visited Austin, Texas, they knew--and watched--*Austin City Limits.* The Austin-based PBS show is the longest-running music series in television history, a brand-defining ode to a creative city that bills itself as the "live music capital of the world," an internationally broadcast program beloved for its roots-oriented music and hand-made authenticity. In 2011, thirty-five years after the show first aired in 1976 with hometown hero Willie Nelson performing, *Austin City Limits* (ACL) stepped out of its homespun comfort zone and took on big, new digs. The show's upscale new home is a 2,500-seat theater inside a just-built, $300-million downtown tower for the W Hotel and residences--a far cry from its modest 320-seat studio on The University of Texas-Austin campus and yet another sign of change in the Texas capital. To keep it real and keep touch with their heritage, the show's producers transported the well-stomped planks of the original wood stage to the new venue. But they also set their sights on an expanding universe of *ACL* branded cafes and a partnership with the Rock and Roll Hall of Fame.

That's one picture of what growth means in Austin. And there are others--plenty of them.

ACL and Austin are starting to live large as high-end hotel properties like the W and Four Seasons reconfigure the city's skyline and its identity; this evolution has been decades in the making, even when Austinites prided themselves on their city's relaxed, sleepy college town feel. In 2010, in the midst of the economic downturn, Austin was still adding jobs, attracting new residents, and garnering fresh praise. *Kiplinger's* tapped Austin for the top of its 2010 list of "Best Cities of the Next Decade." With a focus on growth and growth potential, pollsters searched for an innovation mix of smart people, good ideas, and collaboration; places where governments, universities, and business communities "worked together to create economic vitality."[20] The nation's fifteenth largest city with a population of more than 750,000, Austin also topped the 2009 *Forbes* list of best big cities for jobs and a Portfolio.com ranking of leading cities for small business vitality.[21] While national employment fell by half a percent between 2004 and 2009, Portfolio noted, Austin's job base grew 15.6 percent. And "no other market came close" to matching its pace in adding small businesses, aided by the strongest concentration of young people in its survey of sixty-seven metro areas. Dead last in the Portfolio "vitality" rankings? Detroit, which lost 298,000 jobs in the same five-year period, a drop of more than 16 percent.[22]

All these business lists talked about business-friendly tax rates, relatively low cost of living, and the stability-inducing benefits of a state capital and major research university. (Texas may be a staunchly red state, but the deeply blue Austin has the second largest collection of state employees in the country: 63,000 in 2010.) But the rankings also gave a strong nod to the more amorphous but equally significant cultural ethos that lures creative talent. In Austin, franchise businesses like Starbucks and the Hard Rock Cafe have closed down while more bohemian local operations like Jo's Coffee on South Congress and music clubs along Red River Street prosper. Call it the fun factor, what Austin has aplenty to attract not only a cutting-edge combination of music, film, gaming, and digital media makers, but also a hipster crowd of young consumers and tourists who want to be close to that action. The result is revenues exceeding $2.2 billion plus nearly fifty-thousand arts-related jobs. Only San Francisco can boast more performing arts groups per capita than Austin.[23]

How did the city's leaders tap into that? One way was to recognize the value of idiosyncratic behavior and embrace a once-fringe slogan in all its freak-flying glory: “Keep Austin Weird.” Another was to understand that even as it's winning the growth game now, it cannot rest on its laurels and grow complacent. Listen to how Austin attorney Pike Powers described it to us: “We'll never be content. We are always looking forward to the next big thing.” It's easy to say, but harder to pull off when times are good. That's why Jane Jacobs admonition about the risks of growth and the danger of relying on a dominant industry is so critical. It's also why Austin leaders dance gingerly along a high beam between big corporate players on one end and a bevy of homegrown boutique firms on the other.

Powers, known as Austin's godfather for his networking acumen and key role in the city's tech-based economic development over the last three decades, might be expected to slow down and savor his victories. But that's not his style. (Asked by a local newspaper how he unwinds, he answered that he doesn't know what the word means.) In 1983, he helped Austin beat out fifty-seven competing cities and land Microelectronics and Computer Technology Corp. (MCC), an early high-tech consortium for R&D which eventually generated more than $150 million and spun off more than a dozen companies.[24] The city already claimed manufacturing operations from IBM, Motorola, Texas Instruments, and Advanced Micro Devices. But landing MCC--the result of an aggressive campaign and close collaboration between city and state government, business leaders, and the University of Texas--significantly raised the city's technology profile. Five years later in 1988, with that team still in place, Austin did it again: Sematech, the consortium of semiconductor manufacturers, many of whom already had a presence there, picked the Texas capital over 137 competing cities. That hard work paid off, alright: Over the following decade, Austin added more than a hundred thousand tech-sector jobs and the city's population doubled. And since 2002 Powers, determined to keep the momentum going, allied with Gov. Perry to help launch two statewide technology funds totaling $500 million, providing capital for promising start-ups and R&D and expanding the state's competitive ability to lure business to Austin and Texas.

With its relatively isolated location in central Texas, Austin struggles to beat an international powerhouse like Silicon Valley with its cluster of top universities and deep-pocketed venture capital firms. But the city has spawned an impressive entrepreneurial climate and benefited from singular success stories. University of Texas freshman Michael Dell launched his company of custom-built personal computers from his Austin dorm in 1984; several decades later, industry-leader Dell Corp was employing nearly eighty thousand people in three dozen countries, including some sixteen thousand in central Texas. Not long after Dell's emergence in the ‘80s, George Kozmetsky, the visionary dean of the UT business school, created the Austin Technology Incubator and its think-tank offspring IC2, supporting dozens of fledgling startups and helping define the city's collaborative identity between the university and business. As much as Powers and others in the city's economic development game understood the importance of “elephant hunting,” he said “the real future was to be an economic garden where you grow your own.”

That meant luring young entrepreneurs and keeping university graduates from leaving town, a task made easier when students or other visitors fall in love with the city. Locals says that about one of every four UT-Austin grads ends up staying, one reason why the city boasts such an educated population. Rodney Gibbs is one of them. A gaming industry entrepreneur and Tennessee native, Gibbs left Austin for Los Angeles and the television business after pocketing a master's degree in screenwriting in 1996. “But I always pined for Austin,” he told us. “Something about it is contagious.” So he came back, first taking freelance assignments, then launching Fizz Factor, a digital gaming company that grew to 75 employees and landed big projects from Hollywood film studios. After nearly eight years, he launched Ricochet Labs to build smartphone games that can be played in public places like pubs and movie theaters. He also joined the board of the Austin Film Society and other civic groups shaping the city's expanding digital media community. While the talent pool of top professionals was relatively thin--compelled to head to L.A. or New York to get ahead--that becomes less true every day. The converging fields of music, gaming, social media, and film and TV--of technology and creativity--plays to Austin's strengths. Gibbs mentions some of the gaming world's top production talent who live in Austin. “All of these guys had the opportunity to go elsewhere,” he says, “but they wanted to stay.”

Ironically, while the music scene defines the city's creative ethos, it remains surprisingly undeveloped business-wise. With hundreds of music venues, the music scene has perfectly expressed the entrepreneurial, small business ethos that permeates the town. This was rarely a path to great riches--musicians seeking to hit it big headed to Nashville, New York, or L.A.--but that was part of what made Austin different.

That laid-back, just-for-fun sense is a part of what lured James Moody. A New Orleans native, Austin felt familiar and good, and it also felt like an opportunity to combine his love for music and his business know-how. “When I first came eight years ago, I was shocked by how much room for growth there was here,” Moody told us, a bar band shaking our floorboards from the floor below. This is Moody's club, an indoor-outdoor venue called the Mohawk. “I'm here for the same reason that a lot of creative people are interested in being here ... It's not because Dell is here. They're moving here because of ‘Keep Austin weird’ and the lifestyle. I don't know how long that's going to last, how long Austin can hold onto it.”

Managing growth may sound like a quality problem if you've just arrived from Detroit or some other hard-hit urban coldspot. But that doesn't mean that Austin's leadership isn't challenged about the future. Mayor Lee Leffingwell, a 70-year-old Austin native and a Delta Airlines pilot for thirty-two years before being elected in 2009, says he's seen the city double its population three times in his lifetime. He's quick to praise the city's “strong and flourishing” tech sector. He ticked off for us fresh announcements like social media giant Facebook opening in Austin its first office outside Palo Alto and Korean electronics maker Samsung, already a multi-billion-dollar player in town, investing another $3.6 billion into a fabrication plant expansion, making it “the biggest chip fab in the Western Hemisphere.” This is what confidence sounds like: “We've been doing very well," Leffingwell told us, “but it helps that it's Austin, Texas, because the city really sells itself.”

The affable mayor, trained as a mechanical engineer and a self-described problem-solver, understands that Austin's infrastructure needs improvements if the city is going to maintain its progress. With a current population of nearly 800,000, the city is estimated to nearly double over the next three decades, Leffingwell says. High on the list of problems is mass transit: Austin's I-35 freeway, which has the unenviable achievement of appearing four times on *Forbes*' top 100 worst intersections in the country; nearly every other slot was taken by roads in New York, L.A., Chicago, or San Francisco.[25] Still, while that choked highway may spike road rage and hamper movement around town, it seems unlikely to slow the moves to Austin, especially if Austin's leaders land the long-discussed light-rail system. For his part, Leffingwell recognizes that his job requires a high degree of communication and cooperation. “With over sixty citizen boards, we practice advanced democracy here,” he says. And he's not complaining, even if all the input can be challenging: “It's better to have people who are interested in the city than not.”

Count club owner James Moody among that contingent. He's taken an active role on several city boards to help navigate a path that supports growth while saving space for creative expression, even when it's not financially profitable. He may not be an engineer by training, but you could call him a problem-solver, too, as well as an Austinite who's optimistic about the future. “I feel my dollars are safer here than about anywhere else in the country,” he says. “I just moved to the right city at the right time. Sometimes you just get lucky.” Luck or not, it helps to have the right pieces in place; and that includes leadership not afraid to recognize and polish their assets, even if it makes them seem weird.

While Austin is a Democratic stronghold in a predominately Republican state, this city’s ethos is less defined by partisan battles than the creative drive to get things done while remaining uniquely Austin. That’s a powerful brew, and just the kind of weirdness that dares to be bottled and shipped around the country.

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