

**Notes from a Colloquium on the Economic History of Cleveland**

with

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In her opening comments, Dr. Lamoreaux identified a number of factors that may help explain why Cleveland's economy faltered a few decades into the 20<sup>th</sup> century after unprecedented growth for the previous 60 years. These factors included:

- A culture in which parents who earlier had been among the region's entrepreneurs began to encourage their children to pursue less risky career paths.
- A related increase in college enrollments, producing graduates more likely to work for large integrated firms than to be independent entrepreneurs.
- Impacts of the Great Depression, from its sheer economic chaos to the ensuing spate of regulations, including creation of the SEC and the onset of deposit insurance, which prevented banks from making high-risk investments.

Other participants suggested additional factors that may have contributed to the region's fall from its prior stature as the Silicon Valley of the era:

- The local economy had become quite conservative even before the market crash of 1929, with more investors focusing on opportunities in real estate and railroads than on technology-based start-ups.
- The highly organized nature of the regional labor market, which resisted changes in the workplace that might have maintained the area's manufacturing dominance.
- The burdens of prior success: Small, entrepreneurial companies grew to a point where their assets needed to be managed and preserved, and the cost of change rose sharply.
- For a century before World War I, Cleveland was the nation's cheapest locale for making steel, but changes in transportation and tariff structures took away that edge.
- Geography makes a difference. While the economic decline of the City of Cleveland has been notable, the larger region seems to have kept pace with national per-capita income trends over this period.

There were other comments as well, from an analysis of the life cycle of the machine tool industry, once the key to Cleveland's preeminence in manufacturing, to the shift from small, regional financial markets to one large, national financial market to fit the needs of the growing number of very large companies. Another participant observed that the political and cultural milieu of the Cold War inhibited the free interchange of new ideas that had fostered early technological growth in the region. And finally, there was discussion of the declining number of start-ups in the region, with the somewhat ambiguous result that there were fewer business failures. On contrast to the late-19<sup>th</sup> century pattern here in which new ventures were built "on the bones" of the failing or failed businesses started by Charles F. Brush, this drop in failures may reflect less willingness to tolerate risk while also reducing opportunities to convert devalued assets into new businesses.

A side conversation at the end of the session highlighted a positive development that I wanted to be sure to share with you. The recently launched Dark Fiber Project is already providing cheap, high-speed, ultra-broadband access to the Internet for many organizations in the region. This network, known as OneCleveland, exploits the unused (and thus "dark") fiber optic cable that was installed throughout the region in the 1990s by companies that in many cases have since failed because their projections of demand for the service were too optimistic. With its value written down, thus reducing operating costs, and with newer technologies to wring benefits from the network's capacities, the fiber optic cable is a hit.

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