

Chamber of Commerce (9/26/90)

Introduction

Pleased to have this opportunity to share with you
some of my thoughts about the future...

My remarks will be focused on the interaction
between the University of Michigan,
and the City of Ann Arbor...
...its people and its commerce.

I believe that these two great communities,
the University and the City
have always been intimately linked together...
...with intertwined destinies.

Of course in recent months there has been a good
deal of talk about town and gown...
...but, of course, that is nothing new.

If one looks at any period in the histories either of
the city or the University, there has always been
a certain tension--and a certain interdependence
of town and gown.

Indeed, this is true of any community with a large
university--whether it be Ann Arbor, Madison,
Berkeley, New Haven, or Cambridge.

But I believe these tensions are creative...not destructive
...in fact it has helped to make Ann Arbor an exciting
and wonderful place to live.

Indeed, it was the principal reason that Anne and I moved
to Ann Arbor over two decades ago.

And this is a very important perspective for you to understand

as you listen to my observations today.

Anne and I have lived in Ann Arbor for 22 years...

...we raised our children here

...we have spent most of our adult life here

...it is our "home town" in every sense of the term.

We have strong emotional ties to this place!

The important role played by the City in the life of the

University was reinforced by a statement I once

heard Bob Fleming make during his presidency in the 1970s

He observed that the three universities in the United States

that were the most difficult to raid for faculty were:

1) Harvard, because of its tradition and reputation

2) Indiana University, because it is the focus of
the entire state

3) the University of Michigan, in large measure
because of the quality of life characterizing
the City of Ann Arbor

Have always regarded UM and Ann Arbor as

one and the same...

There is more overlap than contrast between

University and the city.

Hence, when we talk about town/gown relations,

we are talking, in effect, about different directions
of one general community.

We have joined together to face challenges in the past...

...and it is my belief we must join even more tightly
as we face the challenges of the future.

Let me shift to a somewhat broader perspective to

illustrate this...

My Message

Few have realized the enormous changes that our society is undergoing as it approaches the 21st Century.

We are becoming more diverse, more pluralistic as a people. Indeed, almost 90% of the new entrants into our workforce during the 1990s will be people of color, women, or immigrants.

Our economy and commerce are becoming every more interdependent with other nations as the United States becomes a world nation, a member of the global community -- as this past year's events in China, Russia, and Eastern Europe make all too apparent.

And we are rapidly evolving into a new post-industrial society, in which the key strategic resource necessary for prosperity and social well-being has become knowledge itself, that is, educated people and their ideas.

Indeed, knowledge will play the same role that in the past were played by natural resources or geographical location or unskilled labor...

In the pluralistic, knowledge-intensive, global future that is our destiny, it is clear that the quality of and access to

- ...education in general
- ...higher education in particular

...and great research universities
such as the University of Michigan
and its sister institutions
most specifically of all...
are rapidly becoming the key determinants
of the strength and prosperity of our state,
our nation, and the world.

The good news is that Ann Arbor is well-positioned
for this future.

The bad news is that we are located in a state
that seems unusually vulnerable...and
asleep at the wheel...

Concerns...

Needless to say, these same challenges of pluralism,
of globalization, and of this age of knowledge
that is our future will pose great challenges and
demand similar changes in our state and our nation.

The America of the 20th Century that we have known...
was a nation characterized by a rather homogeneous,
domestic, industrialized society...

But that is an America of the past.

Our students will inherit a far different nation...
a highly pluralistic, knowledge-intensive, world nation
that will be the America of the 21st century

Of course, these themes of the future,
the changing nature of the American population...
our increasing interdependence with other nations
and other peoples... and the shift to a knowledge-intensive,

post-industrial society.

Are actually not themes of the future

...but rather themes of today...

...in a sense, I have simply been reading the handwriting on the wall...

Yet I also fear that few have realized the enormous changes that our society is going through as it approaches the 21st Century.

The impact of these changes are already painfully apparent to Michigan's workers and industries.

In fact, it is here in Michigan...in the heart of the "Rust Belt" that the impact of these extraordinary changes are most clearly seen...

We all know that past decade was a period of great difficulty for our state...

Industries of great economic importance to our nation such as steel and automobiles have fallen victim to intense competition from abroad...

Plants have closed...we still have many people chronically unemployed...or under employed...

There are many indicators of the impact of this transition on our state...

Over the past decade, Michigan has slipped badly in several key indicators of quality of life:

- 30th in per capita income
- 41st in overall employment
- 48th in business climate (perceived)
- 48th in high school graduation rates
- 50th in return on federal tax dollars

Oh, we still rank near the top in some things...

For example, we rank...

- 12th in property tax burden
- 14th in teenage unemployment rate
- 13th in incarceration rate (and rising rapidly)
- 13th in percentage of children in poverty
- 10th in infant mortality
- 4th in public aid recipients
- 1st in mortality from major disease

There is still one other category of indicators of some concern, and these reflect our willingness to invest in the future. Michigan ranks

- 37th in support of HE per student
- 45th in support of HE during 1980s
- 40th in support of K-12

It is clear that our state is in the midst of a profound transition...

...from an industrial economy based upon the abundance of natural resources, unskilled labor, and, to some degree, constrained, slowly moving domestic markets...

To a knowledge-based economy, characterized by intensely competitive world markets, rapid change, and--most important of all--educated people and their ideas.

This has not been...and will not be...an easy transition to make.

The truth is that the outcome is still very much in doubt!

producing jobs and improving our quality of life.

Whether we will emerge from this transition as a world economic leader once again...with a strong, prosperous--albeit new--economy

Or whether we will fail to heed the warnings...

...to make the necessary investments and
sacrifices today necessary for strength and
prosperity tomorrow...

And become an economic backwater in the century ahead.

It is clear that we face a watershed--a fork in the road ahead.

My central theme is that education, broadly defined, will
be the pivotal issue in determining which of these two
alternative futures will be Michigan's...and America's.

Indeed, I am absolutely convinced that the dominant issue of
the 1990s will be the development of our human resources.

Previous economic transformations were closely associated
with major public investment in infrastructure such as
railroads, canals, electric networks, and highways.

In the coming economic transition, an equivalent
infrastructure will be an educated population.

The actions we must take today...

...and the investments we must make...

...will clearly determine our capacity to
respond to this future...

The Prototype of an Academic Womb Community

Ann Arbor is what Esquire used to call

an "academic womb" community--

a small city dominated by a large university

Other examples are Madison, Champaign-Urbana,

Chapel Hill, Berkeley

This creates some good news...and some bad news...

Good News:

Gives community an extraordinary quality of life

...schools, arts, events, excitement

...note recent poll

Payroll (\$1.8 B) insulates community from
economic rollercoaster faced by most
other cities

Without UM, Ann Arbor would be like any other
small city in America...

But, of course, it is instead an exciting,
cosmopolitan, richly diverse, and
wonderful place to live and work.

Not to say that there aren't drawbacks, of course.

Bad News

One cannot view such towns from "a normal perspective"

The presence of such a large, non-profit institution takes
a good deal of the property tax off the tax base.

There is the native impact of the University, whether it
be through parking, crowds, or student behavior.

The inevitable tensions which grow up between town
and gown.

Cultural problems in which many members of the city
community who are not directly associated
with the University view themselves as outsiders
in the life of both the University and the city.

Impact of University (parking, crowds, students)

Some facts of life about the University of Michigan

- i) UM is half of central core of Ann Arbor by area
- ii) It employs 18% of Washtenaw County's labor force

- ii) UM is a community of over 54,000 people--
 36,000 students, 18,000 employees
 over 50% of Ann Arbor population--
 but beyond this, there are few people in Ann Arbor
 who are not associated in one way or another
 with the University
- iii) Largest resource in community (\$1.8 B payroll,
 70% in wages)--including 23% of Washtenaw County
- iv) UM students spend an estimated \$43 to \$48 M in area
- v) UM draws over 1.5 million visitors here each year to
 cultural and athletic events, and medical care
- vi) UM is a magnet for new business and new residents...
 ...40 research companies spun off by Engineering
 ...53 by affiliated laboratories
- v) Last year UM paid \$5.3 M to city for services
 ...\$4 million for water and sewer
 ...\$361 K for police
 ...\$192 K for school board
 ...\$480 K for fire protection
- iv) UM is a world university
 ...not a regional, state, or even national university.
 It is one of a very small handful--6 or less--of
 universities which set the pace of education in
 the English speaking world

Some problems characteristic of Ann Arbor

(and Berkeley and Madison and...)

Both the City and the University are still suffering from
 the hangover of the 1960s--the dramatic increase

in political activism which stresses rights rather than responsibilities.

We have not benefited from the powerful political representation in Lansing characterizing many other cities--in part because of the whims of the political process leading to key committee appointments in the Legislature.

City Council appears to suffer from several serious structural problems (partisan politics, ward system of election) which make consensus difficult and hinders effective action

It is clear that both City government and the political process which creates public policy has inadequate control over the nature of the City environment (recent crime and disruption problems involving bars in the vicinity of the campus, lack of control over the quality of commercial tenants)

Sometimes characterized by a "Save the world... but to hell with our town" attitude.

(...and "to hell with our University" as well)

...a preoccupation with the cosmic, when we really need to focus at times on problems in our own back yard.

Rapidly changing nature of city is neither understood nor appreciated, i.e.,

interaction with southeastern Michigan area

...themes of 1990s...

...changing demographics

...world community

...age of knowledge

...all of which focus on UM and Ann Arbor

Apparent absence of ability to pull together a leadership group--either within or outside city government--capable of thinking and dealing strategically with future of city.

(Indeed, in most strategic meetings of any group of civic leaders, the first subject which inevitably arises is "parking". But, of course, that is also the first subject that usually arises in University discussions as well...)

So what can UM do to help city?

Assist in developing a strategic vision of future:

- Concerned about limited ability of City (and leadership to think and act strategically)
- Perhaps UM could put together a group of leaders from public and private sector
- Including UM urban planners, public policy types, business folks
- Key alumni (Taubman, Ross, Sidman)
- People from other "academic womb" communities

Joint Ventures

- Assist in the development of commercial space adjacent to campus (ON the tax rolls)
- Joint efforts to develop high-quality hotel space in the campus vicinity

- A joint initiative to build a convention center suitable for University and City purposes.
- Efforts to expand the campus toward the downtown area to provide suitable campus-downtown connection corridors.
- Convention Center
- Arts center
- Condominiums for retired faculty, staff, alumni (thereby building a permanent, informed, and involved population downtown capable of sustaining retail activity)
- Assisting in going after federal or state financing
 - ...downtown development projects
 - ...mixed use facilities
 - ...transportation systems (North Campus???)
 - Example: VA Hospital expansion
- K-12 projects (perhaps with WCC, EMU)

Doing what we do best...

- Attracting to Ann Arbor exciting, talented people as students, faculty, and staff
- Attracting new companies (Phillips, Siemens,...) (new computer companies)
- Spinoffs
- Cultural center of Michigan
 - (performing arts: Hill project
 - visual arts: AAA Museum
 - athletics:
- Health care

UMMC now regarded, along with Mayo Clinic
and Cleveland Clinic, as the most outstanding
complex in the central United States
UMMC (\$1 B of investment...\$400 M in next few years)
VA (\$100 M...)

Some other observations about Ann Arbor

Finances

Should the University pay more to the city?

...To our knowledge, we already pay far
more than any other university in the country...
...public or private...
(\$5.3 M last year alone)

...We are certainly prepared to pay for the
services we receive...

...But as a public institution, we are clearly
prohibited from paying taxes on our
teaching, research, and service activities...
...or making payments in lieu of taxes...

Rather we believe it more important that the city
face up to the real issue...its tax structure
simply does not reflect the nature of Ann Arbor
today...or Ann Arbor as it is evolving.

Why? Because the present tax system assumes that
wealth is directly correlated with property, and
hence property taxes should be the dominant
form of taxation.

Yet: UM generates \$1.8 billion per year, 70% of
it in wages...that is, INCOME...primarily to

people living or working in Ann Arbor...

Further, Ann Arbor is increasingly populated by a high-income population residing in moderate-cost housing (e.g., condominiums).

It seems clear that Ann Arbor simply must restructure its tax basis to recognize the true wealth structure of the city...

Let me be even more specific...

...There is a clear need to shift from our presently highly inequitable and inadequate property tax mechanism...

...To a combination of income tax (both on those who work in...or live in...the city)

Structure and Effectiveness of City Government

It is rare that I talk with leaders of the private sector in Ann Arbor without encountering their frustrations about the effectiveness of city government.

Here, I am talking less about city services themselves than the intensely political system we use to govern city activities.

All too frequently the city seems to be paralyzed by political skirmishing, unable to come together to take effective and timely action in needed areas.

Hence, while I am suggesting a reassessment of tax financing structures, let me also suggest it is time for a careful and independent

analysis both of the effectiveness both of
our City Council structure--and more general
city management structures itself.

As you know, the University is beginning a
thorough analysis of "restructuring" possibilities
similar to those performed in private industry.

Perhaps it is time for city government to do the same.

Conclusions

Changes are sweeping our world.

We have already felt the full force of them in Michigan
and it has been a painful time of adjustment for us.

The University, too, is undergoing change and having to adapt
to a very different world than we have known before.

Most important lesson we have learned is that

if we don't look ahead and plan

if we don't try to make our own choices

and choose our own direction

then change will be imposed by others

or will build incrementally without our volition,

our judgement and commitment.

I think the same is true for our city, our state, and our entire region.

We can continue as we have been of late,

fruitlessly debating tired old conflicts and debates

ignoring winds of change.

But they are altering our city

in countless ways not all of them pretty

over which we exercise little choice or control

We will not stop change by holding our breath and wishing it away.

Change is here with us every day
and happens in countless daily decisions, large and small.
What we can do is work together to choose a direction
we need to discuss and plan together.
Create a compelling vision of the future
that will draw us together
pool our resources of people and ideas to realize the vision.
Nothing will stop us if we get together, work together.
Alone, we will lose ground and eventually our worst fears.
will be realized.
Many of our problems and issues transcend our current
political processes and boundaries.
We cannot address our future in isolation, but we need
to have structures that bring together surrounding
areas and communities so that we can all
cooperative and collaborate.
We need a coherent and comprehensive approach.

Appendix

The brave new world of higher education in Michigan
Important to remind you that we are a public institution.
Our resources are public resources.
We are not a cash cow.
Our fiscal problems have been severe over the last decade
as you all know well.
This has an impact on the city as it does on the University.
Every year we try to do more with less.
Indeed, Michigan now ranks 45th in state appropriations
to higher education.

That is a painful reality to us both in the community as well as on the campus.

The only way to overcome fiscal problems is to work together whenever we can.

We need your support in building understanding and support
for higher education and for the University of Michigan.

This is the key to the future of our community and our state
and we have to help persuade people and leaders to change their
priorities.

What sense does it make to spend XX to keep someone in prison for a
year

when a year in school is only Xx or in college on xx?

And what sense does it make to undercut support for research
universities

at the very moment they have become the critical ingredient
for economic development and prosperity in the age of
knowledge?

For that matter what sense does it make for us to be at odds with each
other

when we have so much to gain by working together.
it isn't as though we could get a divorce.

It makes no sense.

And it makes no sense for our leaders to continue to govern by polling
opinion,

or by passing the buck, taking the easy way out or trying to relive
times past.

When we get down to it, I think the famous philosopher Pogo said it
all,

when he noted "I have met the enemy, and they is us."

:Public Safety

Let me digress a moment to talk a bit

about the recent public debate over public safety.

First off, I assure you that the University is

not seceding from Ann Arbor---

We like it fine here and I think we are

good citizens of our community---

I know we try to be.

Indeed, I want to assure you and the Ann Arbor public

that the University has been and will continue

to negotiate in good faith with the city to plan

an integrated approach to public safety

that we believe will in the long run benefit

both the city and the University.

The truth is that arrangements arrived at many decades ago

no longer meet the needs of either party.

I don't have to tell you that Ann Arbor is changing and growing

Like other communities across the country,

crime and drugs are now a serious problem

jobs and economic and educational opportunity ,

especially for our youth, are problems, housing

and social services for those in need are problems.

They are a problem for the city and the University.

We will not solve them independently of each other.

Certainly we cannot address them effectively

if we are at odds and spend our time

scapegoating each other.

On the issue of safety and security,

the bottom line is that as President of the University

I have the obligation to do everything that I can

to provide a safe campus for our students and for our faculty and staff.

Students cannot learn when they fear for their safety
and in the past few years,
they have had too much reason to be afraid.

Their parents and the taxpayers expect us to maintain security
to the best of our ability.

The past arrangement with the city was not meeting our needs.

Despite two years of intensifying efforts to negotiate improvement
since I became President, we had made little progress
and during that time the crime situation on and
near central campus deteriorated.

I asked our Dean of Music, Paul Boylan, and a task force of
students, faculty and staff to assess the situation
and make recommendations to me about how to improve security.

We have begun to implement their recommendations
across a broad front including improved lighting,
educational efforts aimed at prevention, improved night
transportation
and escort services and other measures
including a strengthened security force.

And it is only this last item that has received much public attention.

I come back to my point.

We can only solve our problems by working together
not by hurling charges and countercharges

Political grandstanding may attract headlines
but it is a form of self-indulgence that our community can ill afford.

If we want a viable downtown,
if we want the University to continue to thrive

and be an attractive magnet for the best scholars and students
then we all have to work together to solve our security problems.

I certainly don't suggest that crime problem is solved
only by increased security forces.

We need improved security but that is only one part
of larger effort needed.

Let us drop the posturing and get serious about developing
a comprehensive approach to helping our young people
build meaningful lives, to substance abuse prevention and treatment
to improved educational opportunity and to building
an environment that thrives on diversity

The UM wants to be a part of solutions for this community
and we have the people and ideas to help plan enlightened
and systematic community wide approaches.

But let me make clear that I do not believe
we can find the vision and enlist the commitment
we need from our entire population through tired ideological
nagging.