

# Curbing Industrial Decline or Thwarting Redevelopment?

*An Evaluation of  
Chicago's Clybourn Corridor,  
Goose Island, and Elston Corridor  
Planned Manufacturing Districts*

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## **ABOUT THIS REPORT**

This report was produced at the University of Wisconsin-Milwaukee Center for Economic Development (UWMCED), a unit of the College of Letters and Science at the University of Wisconsin-Milwaukee. The analysis and conclusions presented in this report are solely those of UWMCED and do not necessarily reflect the views and opinions of UW-Milwaukee.

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other sectors, however, with employment falling from 406 workers in 1988 to 310 workers in 2004. A worker on Goose Island today is more likely to be employed in a warehouse than in an industrial firm. The decline of value-added activities on Goose Island and in the other PMDs has likely affected the earnings of workers in a negative way.

The industrial retention performance of the Elston Corridor PMD has been comparable to Goose Island, with manufacturing experiencing a decline from 1988 to 2000 but showing signs of recovery in more recent years. Confidence in the PMD among Elston Corridor stakeholders is weak in places. Vacant property in some locations has created the perception that the PMD is no longer working effectively.

The Clybourn Corridor, Goose Island, and Elston Corridor PMDs have not been problem free, but our research indicates they remain fundamentally sound. Moreover, they appear to be necessary to protect certain property owners from encroachment by incompatible land uses. City officials should continue to work with PMD stakeholders to uphold confidence in the PMDs and to better ensure that they perform their intended function of providing living wage jobs for Chicago residents.

## INTRODUCTION

One of the most troublesome economic developments in American cities since World War II has been the exodus of industrial firms from central cities. Until the mid-20<sup>th</sup> century, manufacturing was the lifeblood of cities, providing living wage jobs for large numbers of city residents and representing a substantial portion of city tax revenues. Since the 1960s, however, manufacturers have fled central cities in droves, moving to suburban, rural, and Third World locations. Urban scholars such as William Julius Wilson have identified urban industrial decline as a principal cause of chronic unemployment and related social dislocations among inner-city minorities.<sup>1</sup>

Explanations of the causes of urban industrial decline have tended to focus on the transportation and communications revolution following World War II, which gave industrial firms access to cheaper land and

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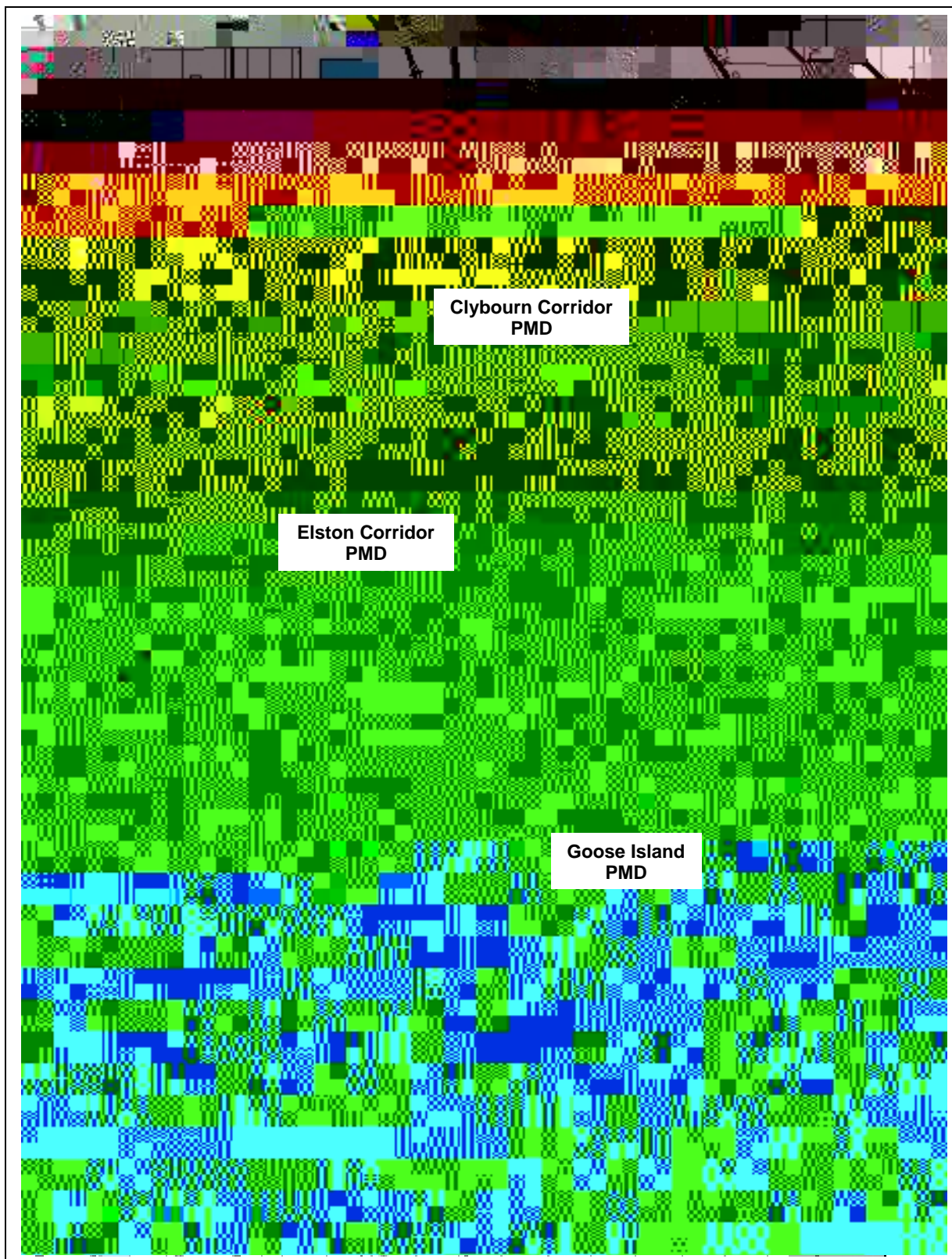
such as printing, apparel, metalworking, and food processing are still well represented in many central cities, although manufacturers often complain that city officials are insufficiently responsive to their needs. Such evidence suggests that there is more to urban industrial decline than globalization and capital mobility.

This study focuses on a phenomenon that has received little attention in the literature on postwar urban economic change: industrial displacement. Industrial displacement occurs when land in and near manufacturing districts begins to be used in ways that are incompatible with industrial development. It occurs most frequently in near-downtown industrial centers where gentrification of surrounding properties eventually destabilizes industrial land markets and introduces new land uses, such as condominium developments, that cannot easily coexist with neighboring industry. Industrial displacement has been observed in such cities as Chicago, Milwaukee, New York City, Boston, and Portland, Oregon.<sup>6</sup>

During the late 1980s, the City of Chicago initiated an innovative policy to curb industrial displacement in a rapidly gentrifying area on the city's Near North Side just north of Goose Island. In 1988, a 115-acre area between Clybourn Avenue and the Chicago River (the "Clybourn Corridor") was designated as a Planned Manufacturing Di

been in place for 15 or more years may provide valuable lessons that can be applied to the city's

Map 1: Clybourn Corridor, Goose Island and Elston Corridor PMDs









## STUDY FINDINGS

This section examines the performance of the Clybourn Corridor, the Goose Island, and the Elston Corridor PMDs from 1988-2004. We first examine the performance of the three PMDs combined. Then we evaluate each PMD individually.

### *The Clybourn Corridor, Goose Island, and Elston Corridor PMDs Combined*

When proposals to establish the Clybourn Corridor, Goose Island, and Elston Corridor PMDs were debated during the 1980s, critics frequently predicted that the creation of PMDs would cause land to lie vacant. Arguing that central city locations such as these had become unsuitable for good use, and that PMDs would be a relic of the PMDs of the 1980s.

**TABLE 1: Total Businesses in Clybourn Corridor, Goose Island, Elston Corridor PMDs, 1988-2004**

| SIC Division                    |            |            |            |            |            |            |            |            |            |            |            |            |            |            |            | % Change   | % Change   |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|                                 | 1988       | 1989       | 1990       | 1991       | 1992       | 1993       | 1994       | 1995       | 1996       | 1997       | 1998       | 1999       | 2000       | 2001       | 2002       | 2003       | 2004       |
| Construction                    | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Finance, Insurance, Real Estate | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Manufacturing                   | 177        | 188        | 175        | 172        | 173        | 170        | 173        | 188        | 185        | 145        | 147        | 168        | 188        | 188        | 182        | 182        | 182        |
| Retail Trade                    | 39         | 42         | 59         | 59         | 67         | 48         | 63         | 55         | 59         | 59         | 76         | 81         | 89         | 89         | 78         | 78         | 78         |
| Transportation                  | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          | 1          |
| Wholesale Trade                 | 47         | 58         | 45         | 45         | 45         | 45         | 45         | 45         | 45         | 45         | 45         | 45         | 45         | 45         | 45         | 45         | 45         |
| Other                           | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| <b>Total All Sectors</b>        | <b>410</b> | <b>454</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> | <b>356</b> |
|                                 |            |            | 1.2%       |            |            | 38.0%      |            |            |            |            |            |            |            |            |            |            |            |

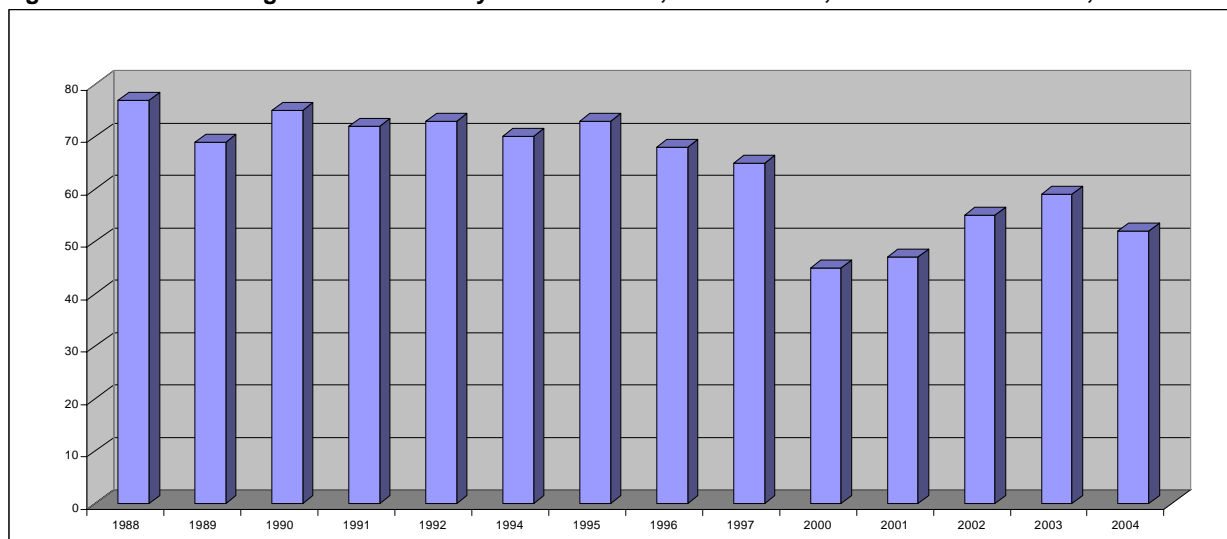
Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

**TABLE 2: Total Employment in Clybourn Corridor, Goose Island, Elston Corridor PMDs, 1988-2004**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | % Change | % Change |
|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|----------|----------|
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |          |          |

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

combined was somewhat flat during the 1988-2004 period, the F.I.R.E., retail, and service sectors combined experienced rapid growth. Both jobs and businesses in these sectors more than

**Figure 2: Manufacturing Businesses in Clybourn Corridor, Goose Island, Elston Corridor PMDs, 1988-2004**

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

### *The Clybourn Corridor PMD*

The Clybourn Corridor PMD is a 115-acre area located between Clybourn Avenue and the Chicago River just north of Goose Island (see Map 1). Established in 1988, the Clybourn Corridor PMD is the oldest of Chicago's PMDs. With no natural barriers separating the Clybourn Corridor from Lincoln Park to the east, the Clybourn Corridor PMD has experienced the strongest gentrification pressure of the three PMDs.

Due to the presence of residential neighborhoods east of Clybourn Avenue, a decision was made to divide the Clybourn Corridor PMD into two subdistricts: a core area located in the western portion of the PMD along the Chicago River and a buffer area located in the eastern portion of the PMD along Clybourn Avenue. Allowed uses in the core area are limited to heavy manufacturing. A wider range of uses—including manufacturing, restaurants, and retail establishments—are permitted in the buffer area, whose purpose is to buffer the heavy manufacturers in the core PMD area from residential neighborhoods east of Clybourn Avenue. No residential development is allowed in either of the PMD's two subdistricts.

Of the three PMDs, the Clybourn Corridor PMD has fared the worst in terms of manufacturing business and job retention. Tables 3 and 4 show the total number of businesses and jobs by sector in the Clybourn Corridor PMD for the years 1988-2004. Two developments are particularly noteworthy. Manufacturing businesses and jobs have both dropped precipitously,

while the retail sector has experienced rapid growth. Figures 3 and 4 show the number of jobs in the manufacturing and services sectors in the Cleveland area from 1988-2004. The manufacturing sector has experienced a decline in jobs while the retail sector has experienced rapid growth. Figures 3 and 4 show the number of jobs in the manufacturing and services sectors in the Cleveland area from 1988-2004. The manufacturing sector has experienced a decline in jobs while the retail sector has experienced rapid growth.

The weak industrial retention performance of the Clybourn Corridor PMD is due in part to the allowances made for commercial uses such as restaurants, bars, and retail establishments in the PMD buffer zone. When the PMD was first created in 1988, 20 percent of workers in the PMD buffer zone were employed in manufacturing. By 2004, that figure had fallen to less than 2 percent. Former industrial property is now occupied by such retail establishments as Crate & Barrel, Whole Foods, Bed Bath & Beyond, Circuit City, and Old Navy. The “retailization” of the Clybourn Corridor buffer area was not anticipated by the original planners of the PMD. The PMD enabling ordinance called for the marketing of property in the buffer area for industrial uses before non-industrial conversions would be allowed. However, special use permits, which were required for non-industrial uses in the buffer area, proved to be an ineffective enforcement mechanism. Requests for special use permits were ultimately granted freely.

The Clybourn Corridor PMD now contains several hundred manufacturing jobs, virtually all of which are located in the PMD’s core subdistrict. It could be argued that the City’s failure to promote the highest and best use of land on 115 acres of prime real estate in order to protect a relatively small number of manufacturing jobs is an unwise tradeoff. On the other hand, to dismantle the PMD and allow residential development west of Clybourn Avenue would place heavy manufacturers such as Finkl Steel and General Iron Industries out of compliance with provisions of the Chicago Zoning Ordinance governing noise and vibrations. Most likely, these manufacturers would be forced to relocate or go out of business.

This case illustrates well the fact that zoning decisions affecting PMDs have both political and economic ramifications. While the Clybourn Corridor PMD may make less sense economically than it did during the late 1980s, one purpose of zoning is to protect property owners like Finkl Steel and General Iron Industries from encroachment by incompatible uses. At present, the PMD appears to be necessary to ensure that zoning will continue to perform this function.



**TABLE 3: Total Businesses in Clybourn Corridor PMD, 1988-2004**

| SIC Division             | 1988       | 1989       | 1990       | 1991       | 1992       | 1994       | 1995       | 1996       | 1997       | 2000       | 2001       | 2002       | 2003       | 2004       | % Change    | % Change    |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
|                          |            |            |            |            |            |            |            |            |            |            |            |            |            |            | 1988-2000   | 2000-2004   |
| Construction             | 5          | 7          | 7          | 6          | 6          | 6          | 6          | 8          | 7          | 4          | 4          | 5          | 6          | 5          | -20.0%      | 25.0%       |
| F.I.R.E.                 | 8          | 9          | 13         | 13         | 18         | 10         | 8          | 8          | 7          | 8          | 8          | 12         | 12         | 9          | 0.0%        | 12.5%       |
| Manufacturing            | 24         | 17         | 18         | 18         | 20         | 15         | 16         | 15         | 10         | 7          | 8          | 9          | 9          | 8          | -70.8%      | 14.3%       |
| Retail Trade             | 2          | 3          | 3          | 2          | 3          | 4          | 4          | 4          | 3          | 3          | 3          | 3          | 3          | 3          | -38.3%      | 100.0%      |
| Transportation           | 13         | 15         | 12         | 7          | 8          | 10         | 11         | 10         |            |            |            | 3          | 3          | 3          | -63.2%      | 42.9%       |
| Wholesale Trade          | 0          | 0          | 0          | 0          | 10         | 13         | 11         | 1          |            |            |            | 19         | 19         | 17         | -100.0%     |             |
| Other                    |            |            |            |            |            |            |            |            |            |            |            | 1          | 0          | 0          |             |             |
| <b>Total All Sectors</b> | <b>111</b> | <b>106</b> | <b>100</b> | <b>122</b> | <b>145</b> | <b>159</b> | <b>127</b> | <b>117</b> | <b>107</b> | <b>107</b> | <b>104</b> | <b>119</b> | <b>110</b> | <b>111</b> | <b>-13%</b> | <b>170%</b> |

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

TABLE 4: Total Businesses in Clybourn Corridor PMD, 1988-2004

| SIC Division             | 1988       | 1989       | 1990       | 1991       | 1992       | 1994       | 1995       | 1996       | 1997       | 2000       | 2001       | 2002       | 2003       | 2004       | % Change    | % Change    |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|-------------|-------------|
|                          |            |            |            |            |            |            |            |            |            |            |            |            |            |            | 1988-2000   | 2000-2004   |
| Construction             | 5          | 7          | 7          | 6          | 6          | 6          | 6          | 8          | 7          | 4          | 4          | 5          | 6          | 5          | -20.0%      | 25.0%       |
| F.I.R.E.                 | 8          | 9          | 13         | 13         | 18         | 10         | 8          | 8          | 7          | 8          | 8          | 12         | 12         | 9          | 0.0%        | 12.5%       |
| Manufacturing            | 24         | 17         | 18         | 18         | 20         | 15         | 16         | 15         | 10         | 7          | 8          | 9          | 9          | 8          | -70.8%      | 14.3%       |
| Retail Trade             | 2          | 3          | 3          | 2          | 3          | 4          | 4          | 4          | 3          | 3          | 3          | 3          | 3          | 3          | -38.3%      | 100.0%      |
| Transportation           | 13         | 15         | 12         | 7          | 8          | 10         | 11         | 10         |            |            |            | 3          | 3          | 3          | -63.2%      | 42.9%       |
| Wholesale Trade          | 0          | 0          | 0          | 0          | 10         | 13         | 11         | 1          |            |            |            | 19         | 19         | 17         | -100.0%     |             |
| Other                    |            |            |            |            |            |            |            |            |            |            |            | 1          | 0          | 0          |             |             |
| <b>Total All Sectors</b> | <b>111</b> | <b>106</b> | <b>100</b> | <b>122</b> | <b>145</b> | <b>159</b> | <b>127</b> | <b>117</b> | <b>107</b> | <b>107</b> | <b>104</b> | <b>119</b> | <b>110</b> | <b>111</b> | <b>-13%</b> | <b>170%</b> |

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

### *The Goose Island PMD*

The Goose Island PMD, created in 1990, includes the entire 146-acre island formed by a split in the Chicago River on the city's Near North Side (see Map 1). Unlike the Clybourn Corridor PMD, the Goose Island PMD is not divided into core and buffer areas. Planners of the PMD determined that the river would serve as a natural buffer, making the creation of a buffer area within the PMD unnecessary.

Goose Island served as an early test of the City's PMD policy. As real estate markets in the area heated up during the late 1980s, Goose Island property began selling for prices well above industrial rates. Even after the PMD was created in 1990, the owners of several large parcels of land refused to develop them without zoning approvals for residential or retail uses. The resulting vacancies contributed to an atmosphere of decline during the early 1990s and caused several Goose Island manufacturers to withdraw their support for the PMD. The impasse was resolved during the mid-1990s when the City threatened to condemn and take ownership of the largest parcel of land on the island. Finally convinced of the City's commitment to the PMD, the landowner agreed in 1996 to create an industrial park on the northern half of the island.

Of the three PMDs, the Goose Island PMD has performed the strongest. Once speculation over future land-use possibilities was resolved, private investment quickly materialized. Tables 5 and 6 show the total number of businesses and jobs by sector in the Goose Island PMD for the years 1988-2004. As Table 6 indicates, the number of jobs increased from 1,256 in 1988 to just over 2,000 in 2004. Manufacturing did not fare as well as other sectors, however, with employment falling from 406 workers in 1988 to 310 workers in 2004.

While the manufacturing sector has lost jobs, this decline has been offset by growth in services, transportation, and wholesale trade. Major employers on Goose Island include the Chicago Transit Authority, River North Distributing, and Federal Express, along with manufacturers such as Republic Windows and Doors. The warehousing and distribution facilities that provide many of the jobs on Goose Island are generally compatible with manufacturing. An equally important concern, however, is whether the jobs they provide are as high paying as manufacturing. If so, then the growth of employment in these sectors seems consistent with the spirit, if not the letter, of the PMD. If not, then the decline of manufacturing on Goose Island becomes a more serious concern.

|      |      | % Change |       | % Change |                   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |  |
|------|------|----------|-------|----------|-------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--|
| 1993 | 1994 | 1995     | 1996  | 1997     | 1998              | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |  |
| 10   | 11   | 9        | 25.0% | 80.0%    | Transportation-   | 4    | 6    | 4    | 3    | 5    | 8    | 11   | 7    | 8    | 5    | 9    |      |      |      |      |      |      |      |      |  |
| 18   | 21   | 19       | 50.0% | 28.7%    | Wholesale Trade   | 10   | 12   | 11   | 12   | 14   | 18   | 19   | 18   | 16   | 15   | 17   |      |      |      |      |      |      |      |      |  |
| 61   | 150  | 150      | 115%  | 100%     | Other             |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |      |  |
| 77   | 95   | 106      | 70%   | 79.5%    | Total All Sectors | 94   | 99   | 99   | 97   | 144  | 171  | 170  | 167  | 169  | 159  | 169  |      |      |      |      |      |      |      |      |  |

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

**TABLE 6: Total Employment in Cape Island PMD, 1988-2004**

|      |      | % Change |      | % Change |       |       |       |       |       |       |       |                   |      |      |      |      |      |      |      |      |      |      |      |      |      |      |  |
|------|------|----------|------|----------|-------|-------|-------|-------|-------|-------|-------|-------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|--|
| 1988 | 1989 | 1990     | 1991 | 1992     | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  | 1999  | 2000              | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |  |
| 1207 | 1375 | 2017     | 2306 | 2230     | 1,189 | 1,543 | 1,711 | 1,792 | 2,030 | -5.3% | 70.7% | Total All Sectors | 1256 | 1293 | 943  | 1259 |      |      |      |      |      |      |      |      |      |      |  |

Source: Dun and Bradstreet. Data for years 1993, 1998 and 1999 unavailable.

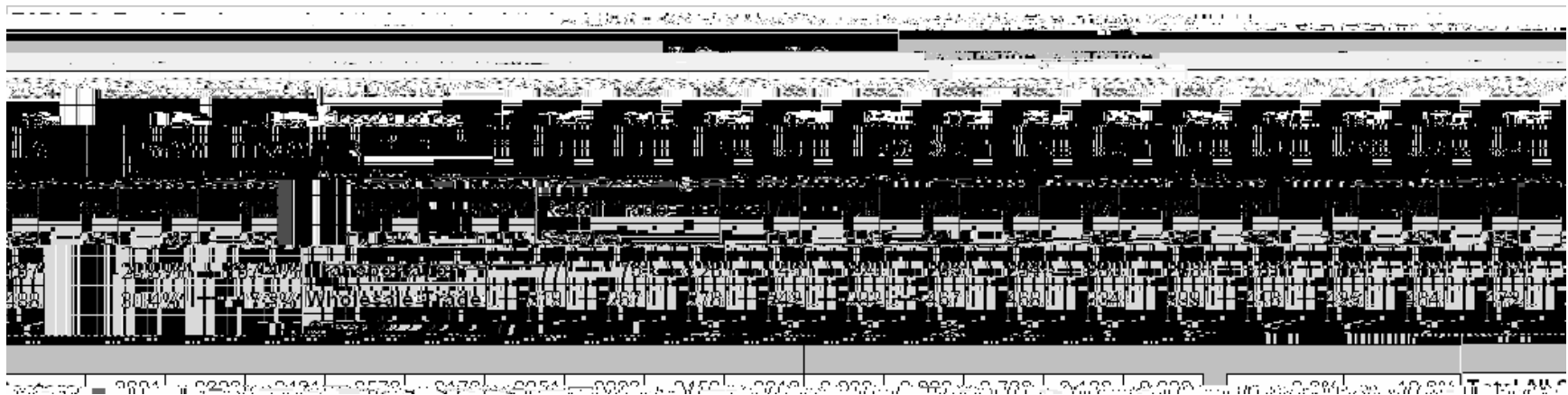
*The Elston Corridor PMD*

The Elston Corridor PMD, created in 1990, is located immediately

**TABLE 7: Total Businesses in Elston Corridor, PMD, 1988-2004**

| Year                     | 1988       | 1990       | 1992       | 1994       | 1996       | 1998         | 2000         | 2002       | 2004       | % Change   | % Change   |
|--------------------------|------------|------------|------------|------------|------------|--------------|--------------|------------|------------|------------|------------|
| Construction             | 6          | 8          | 5          | 5          | 5          | 11           | 12           | 7          | 8          | -11.1%     | 50.0%      |
| F.I.R.E.                 | 8          | 8          | 5          | 5          | 5          | 11           | 12           | 7          | 8          | -16.7%     | 80.0%      |
| Food Service             | 9          | 10         | 13         | 15         | 15         | 6            | 8            | 8          | 8          | 0.0%       | 33.3%      |
| Health Care              | 14         | 15         | 17         | 13         | 16         | -22.2%       | 14.3%        | 13         | 22         | 17         | 12         |
| Retail Trade             | 3          | 22         | 19         | 18         | 3          | 0.0%         | 0.0%         | 0          | 0          | 1          | 1          |
| Service                  | 110        | 153        | 170        | 191        | 144        | -7.6%        | 30.8%        | 119        | 123        | 139        | 134        |
| Wholesale Trade          | 14         | 15         | 17         | 13         | 16         | -22.2%       | 14.3%        | 13         | 22         | 17         | 12         |
| Other                    | 3          | 22         | 19         | 18         | 3          | 0.0%         | 0.0%         | 0          | 0          | 1          | 1          |
| <b>Total All Sectors</b> | <b>110</b> | <b>153</b> | <b>170</b> | <b>191</b> | <b>144</b> | <b>-7.6%</b> | <b>30.8%</b> | <b>119</b> | <b>123</b> | <b>139</b> | <b>134</b> |

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.



Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

**Figure 5: Manufacturing Employment in Elston Corridor PMD, 1988-2004**

Source: Dun and Bradstreet. Data for the years 1993, 1998 and 1999 unavailable.

There is a perception on the part of some Elston Corridor stakeholders that either the uses allowed within the PMD or the PMD boundaries themselves will ultimately have to be rethought. As evidence of this, portions of the Elston Corridor PMD are experiencing real estate pressures similar to what occurred on Goose Island during the late 1980s and early 1990s. The relatively high prices paid for certain industrial property in the Elston PMD in recent years suggests

## DISCUSSION

With PMDs resurfacing in recent years as a key feature of the City's industrial policy, there is much to be learned from the experiences of Chicago's first three PMDs. The Clybourn Corridor, Goose Island, and Elston Corridor PMDs experienced impressive growth in businesses and jobs from 1988-2004. However, as indicated earlier in the study, much of this growth has come in sectors besides manufacturing. With manufacturing representing just 29 percent of all employment in the three PMDs by 2004, it could be argued that the term Planned Manufacturing District has become something of a misnomer.

It is worth recalling that these PMDs were originally established in large part to preserve well paying manufacturing jobs for Chicago residents. PMDs continue to provide jobs, but the majority of them are no longer manufacturing jobs. A worker on Goose Island today is more likely to be employed in a warehouse than in an industrial firm. Given this turn of events, the assumption that PMDs will furnish living wage jobs for city residents is somewhat less convincing today than it was 15 years ago. While an analysis of wage rates in the PMDs lies outside the scope of this study, it is likely that the shift away from value-added activities in the PMDs has had a negative impact on wage growth. Since regulations governing PMDs are expected to remain flexible in terms of uses allowed, the impact of non-industrial uses on wages in the PMDs merits further investigation.

Our concerns about the declining share of manufacturing jobs in the PMDs are tempered somewhat by the revival of manufacturing in the PMDs during the years 2000-2004. As noted earlier, both manufacturing jobs and manufacturing businesses in the PMDs increased during this period, even as manufacturing in the city of Chicago as a whole declined. What explains this recent growth in manufacturing? Several of the individuals we interviewed suggested that manufacturing in the PMDs has gone through a process of restructuring. As one individual put it, "There were some tired old companies that needed to go out of business.... People that were making products like horsehair brushes—things that aren't made in the U.S. anymore—left and other kinds of businesses that support our new economy moved in." Manufacturers locating in the PMDs today are more likely to be engaged in such activities as light assembly work than in traditional heavy manufacturing. While the revival of manufacturing in the PMDs is cause for optimism, we caution once again that the impact of these developments on wages should be





observations for this study did not extend to these newly established PMDs, we find it hard to imagine that the planning of these PMDs