**AP Human Geography Chicago’s Economic Geography Mr. Stepek**

American cities grow or decline because of their roles in the national economy. Chicago became the country's second largest city by 1889 because it captured many of the fastest-growing sectors of that economy. Businessmen and politicians enhanced Chicago's geographical position at the eastern edge of the nation's agricultural heartland, making it the center of multiple transportation networks. This supported wholesale trade and manufacturing which spurred the city's growth.

Chicago developed because its location was convenient for commerce. In 1673, the French explorer Louis Jolliet recognized Chicago's potential for wider trade: it sits on a low divide between the drainage/watershed areas of the Great Lakes and the Mississippi River, and only one portage breaks an all-water route between Lake Michigan and the Gulf of Mexico via the Chicago, Des Plaines, Illinois, and Mississippi Rivers. During the rainy season, the “Chicago portage” between the Chicago and Des Plaines Rivers could be traversed by canoe.

In 1795, the new United States government acquired a piece of land, around the mouth of the Chicago River, by treaty with Native Americans. Fort Dearborn, erected in 1803, secured the location. Trading eastern manufactured goods for furs established a base for Chicago's economy. From this point, Chicago's economy was tied to national and international markets and financing.

National business and political leaders created the conditions for the rise of Chicago in order to develop the country's western territories. When New York's Erie Canal connected the Great Lakes to the Atlantic Ocean in 1825, they searched for a port at the western end of the lakes to serve the potential trade with new settlers. Eastern businessmen and Illinois politicians revived Jolliet's vision to connect the lakes to the Mississippi through Chicago, and, in 1829, state legislators began planning the Illinois & Michigan Canal. From the mid-1830s, Chicago developed as a transfer point—shipping Midwestern agricultural products to New York and eastern manufactured goods to farmers on the plains.

1848 was a key year for the city—the Illinois & Michigan Canal was completed. The canal facilitated trade in bulky goods, not only farm produce but also coal from southern Illinois to fuel the city's homes and industries. Initial plans called for a deep-cut canal to allow boats to pass directly from the lake to the river system, but lack of funds led supporters to settle for a narrow, shallow one. This reinforced Chicago's position as a transfer point where goods were switched from lake boats to barges.

In the long run, Chicago's development as a rail hub was important for its dominance in wholesaling. Chicago’s position on both Lake Michigan but also at the southern tip of the Great Lakes allowed it to coordinate both trade traveling East and West but also North and South. By 1856, 10 trunk railroads ended in Chicago, making the city a breakpoint for railroad traffic as well as waterborne trade. Tracks paralleled the river and canal to facilitate transfers of goods between railroad cars, canal barges, and lake ships. Other railroads soon completed lines of track linking Chicago with the wheat fields of northern Illinois and southern Wisconsin. Later lines connected the city with Detroit, Cleveland, Cincinnati, New Orleans, St. Louis, Kansas City, Omaha, and St. Paul. Railroads were especially important as haulers of grain and livestock, which helped Chicago gain a primary role in the grain marketing and meatpacking industries.

By 1854, Chicago claimed title as the greatest primary grain port in the world, and the grain elevators lining the river dominated the skyline. The grain trade grew rapidly as a national speculative futures market developed. The telegraph made such a market technologically feasible, but the Chicago Board of Trade made it a reality. It created standards and measures such as grades of wheat along with an elevator inspection system, giving eastern capitalists enough confidence to invest in grain sight unseen. Chicago's ascendant commodity markets were the result of the city's strategic position within the nation's transportation network and its close proximity to some of the most productive farmland in the world. The unprecedented production of corn, wheat, and hogs within Chicago's immediate environs plus the cattle and lumber shipped in from the upper Midwest and Canada filled the city's enormous mechanical grain elevators and vast stockyards. The immense volume of agricultural produce forced the city's commercial community to use their ingenuity to temporarily store then ship these goods to domestic and international markets.

Chicago merchants combined wholesale and retail operations; they sent dry goods to small stores throughout the Midwest and kept stores in the city center for travelers and residents alike. Although the wholesale trade was the most important element in Chicago's economy until the 1870s, industries for processing agricultural and raw materials also developed. Pork—salted, pickled, and otherwise preserved—was the primary product manufactured for easterners. Chicago won the title, “Hog Butcher for the World” during the Civil War. It was able to do so because most Midwestern farmers also raised livestock, and railroads tied Chicago to its Midwestern hinterland and to the large urban markets on the East Coast. The Civil War extended the advantages conferred by geography and human initiative. St. Louis, an older and larger city, was Chicago's rival for the western trade. Chicago's railroad network was making the city more attractive to shippers, but Union forces delivered the decisive blow to St. Louis when they closed the Mississippi River during the war. Trade that shifted to Chicago did not return to St. Louis after the war.

At the same time, Chicago businessmen saw the potential of producing goods for farmers in Chicago rather than acting as middlemen for eastern manufacturers. In 1847 Cyrus H. McCormick opened his reaper works and initiated one of the city's most important industries— agricultural machinery.

By the end of the Civil War, Chicago was poised to build on its dominance of Midwestern trade and its manufacturing base. Growth came quickly, as the completion of the transcontinental railroad enabled the vast expansion of Chicago's potential market. Federal subsidies underwrote this rapid development, in the form of land grants to railroads laying new track. Once again the joint efforts of politicians and businessmen secured Chicago's future. As the eastern terminus of important western railroads and the western terminus of eastern railroads, Chicago remained the central transfer point for people and freight.

By 1890 Chicago had a population of more than one million people and had surpassed Philadelphia to become the second-largest city in the nation and the second-largest manufacturing center. The diversity as well as the size of its industries spurred this development. Manufacturing based on the trade in agricultural commodities, like brewing and baking, flourished. The furniture industry developed from the lumber trade; it prospered even after the woods of the northern Midwest had been decimated and the lumber trade declined in 1880s. Established industries like agricultural machinery also expanded as other manufacturers followed McCormick to Chicago. The creation of International Harvester from these companies in 1902 capped Chicago's leading position in this industry.

New industries such as iron and steel production also pushed Chicago ahead of other cities. The transcontinental railroads skirted the bottom of Lake Michigan, and production costs were minimized for manufacturers who obtained access to both lake boats and railroads by locating there. The new steel plant, which later became the United States Steel South Works, anchored the north end of the vast iron-and-steel-producing district that developed along the lake from South Chicago to Gary, Indiana. Like the stockyards, it attracted workers, especially immigrants from Eastern and Southern Europe, and created new neighborhoods on the fringes of the city.

Industries that used iron and steel, including those that manufactured machinery, machine tools, and railroad cars and equipment, also developed, most frequently near the steelmaking district. George Pullman, who manufactured railcars, saw the potential of the area around Lake Calumet; major railroads ran nearby and the lake provided an inland harbor accessible to Lake Michigan by the Calumet River. He built the town of Pullman on the western edge of the lake in 1881 to house his workers and a new factory.

Many manufacturers still found the resources of the old central city more useful. Garment manufacturing was one of Chicago's most important industries, and Chicago led the nation in the production of men's clothing thanks to firms such as Hart, Schaffner, & Marx. Garment makers settled in lofts west of the downtown near Chicago's poorest neighborhoods, because the cheap labor of women and children was their most important requirement.

Perhaps the most important resource of the central city was the concentration of modes of communication. Chicago's printing and publishing industry, second only to New York's, developed with companies such as R. R. Donnelley & Sons, which located near the downtown because of the demand for business information and the proliferation of commercial journals. Chicago businessmen who pioneered and came to dominate a new form of trade— mail-order houses—also utilized this concentration. Montgomery Ward was first in the field, but Sears, Roebuck & Co. became even larger. This revolution in retailing used printed catalogs to reach out to individual customers in rural areas and created white-collar “factories” in the center city—office buildings full of clerical workers who processed orders that arrived by mail and filled them from huge warehouses located on the river and the railroads.

The continuing vitality of the old core was most apparent in the central business district, known as the Loop after 1882 when it was encircled by a cable car line. Chicago banks had expanded quickly after the Civil War; the city ranked second nationally in banking, manufacturing, wholesaling, and population by the end of the century. Large banks now joined the Board of Trade and the Stock Exchange to make LaSalle Street Chicago's financial center.

The concentration of public transportation on the Loop enhanced its retail potential too, as middle- and upper-class shoppers enjoyed easy access from outlying residential neighborhoods. The department stores moved from Lake Street to State Street when Potter Palmer developed the latter as a fashionable street in the late 1860s. Stores such as Marshall Field's and Carson Pirie Scott reached a new level of elegance, appealing to the prosperous clientele created by the city's expanding economy as well as to the growing tourist trade. To serve the tourist trade, the Loop provided hospitality and entertainment for every taste—from the elegant Palmer House to the cheapest transient hotels, and from the best theaters to the infamous Levee, Chicago's vice district. Tourism hit a peak in 1893, when Chicagoans hosted the World's Columbian Exposition.

After 1920, the suburbs grew faster than the city. New transportation, the car and the truck, encouraged the suburbanization of people and industries and reversed the century-old pattern of increasing concentration. Cars and trucks allowed industries and people to disperse throughout the area. Even more significant were long-term shifts in regional development; the Midwest stagnated as the West and the South boomed. After 1920, cities in the Sunbelt enjoyed the advantages in location and transportation that previously had stimulated Midwestern economic growth. The regional shift determined the long-term trend in economic growth and hence in population, and in 1990 Los Angeles surpassed Chicago as the second city in population and wholesaling.

Chicago's economy did not fall behind for lack of leadership or innovation. To maintain their economic competitiveness, Chicagoans sponsored more transportation improvements, like the Chicago Sanitary and Ship Canal, built in the 1890s to replace the obsolete Illinois & Michigan Canal. Businessmen and politicians fostered transportation improvements. Chicago port facilities modernized. After the Cal-Sag Channel between Calumet Harbor and the Illinois River opened in 1922, Calumet Harbor replaced the Chicago River as the city's port. Chicagoans also embraced new technologies and developed Midway Airport in the 1920s, making Chicago the breakpoint for cross-country air traffic as it was for water and rail. The country's largest airline, United, headquartered in Chicago. To maintain the country's busiest airport after World War II, Chicagoans developed the larger, more modern O'Hare.

Between 1920 and 1970, the Chicago area retained most of its traditional industries. In 1954, it even surpassed Pittsburgh, the old leader, in iron and steel manufacturing, producing one-quarter of the nation's output. Production remained high in machinery, primary metals, printing and publishing, chemicals, food processing, and fabricated metals. The consumer electronics industry expanded greatly, as firms such as Motorola, Zenith, and Admiral captured a significant share of the market for radios and televisions. The first big loss, however, was meatpacking. The industry had been decentralizing since the turn of the century, as Chicago companies shifted to multiple plant locations in western cities, closer to the feed lots. The Chicago stockyards closed in the 1960s.

The history of the Loop reflected both the struggle to remain competitive and the process of deconcentration. Financial institutions stayed on LaSalle Street, though not all retained their dynamism. The Chicago Board of Trade stayed on top of the national futures market by creating innovative contract markets in new fields such as financial instruments

Beginning in the 1950s, many corporations moved their headquarters out of the skyscrapers to suburban “campuses.” Headquarters thrive on quick access to air transport, and O'Hare drew them out of the Loop to the northwest suburbs. Most notable was Sears, which left after trumpeting its success by building the world's tallest skyscraper. The Loop's tenuous economic situation is reflected in the building booms and busts since World War II, which left some of the world's most innovative skyscrapers often half empty.

The Loop's retail functions also ebbed. Marshall Field's and other Loop department stores opened their first branches in the suburbs in the 1920s. City officials replaced the cluttered and decaying South Water Street with Wacker Drive in the 1920s, but new building in the Loop virtually ceased for decades while North Michigan Avenue became the Magnificent Mile. Suburban competition became intense in the 1950s with the opening of shopping malls. Loop retail trade declined, but the Loop continued to attract conventioneers after the construction of McCormick Place Convention Center. Loop Hotels, theaters, and museums drew tourists to the lakefront of the central city.

Since 1970, the character of Chicago's metropolitan economy has been transformed; both manufacturing and wholesaling play a lesser role than in the past. The service sector is the source of most new growth for the metropolitan economy. The old central city is almost totally dependent on business services and tourism for its vitality. Where the river empties into the lake, a ferris wheel replaces the grain elevator as a symbol of what makes the city great. The diversity of the area's economy remains a strength, but its future, like its past, will depend on national and international economic trends. Chicago was geographically well situated to become the capital of the Midwest. It retains this position, but the old dream of dominating the continent has died