BOOK REVIEW

The Business Confidence Game

by Peter Dreier

THE LAST ENTREPRENEURS: America's Regional Wars for Jobs and Dollars, by Robert Goodman, Simon and Schuster, 1979, 292 pp., $11.95

BIG STEEL: Black Politics and Corporate Power in Gary, Indiana, by Edward Greer, Monthly Review Press, 1979, 287 pp., $16.50

Businesses can move, but politicians usually stay in one place. That, in a nutshell, is the biggest dilemma facing progressives at the state or local level. If public officials move too aggressively against corporate interests, big businesses can threaten to pull out and take their jobs with them and/or direct a sustained political assault (usually with the aid of the local media) against the incumbent. The most recent well-known casualty, former Cleveland Mayor Dennis Kucinich, faced the financial and political wrath of that city's business establishment when he tried to take on the banks and utilities,* and lost his job to a pro-business Republican. Few politicians want to be stuck with the reputation that because they lost the "confidence" of the business community, they also drove away the jobs (and decreased the tax base) of their constituents. As a result, most public officials accommodate themselves to business's priorities.

Capital mobility—the freedom of business to invest wherever it wants—looms as a major political issue in the 1980s.

This problem has grown more acute during the past decade with the most recent wave of mergers and consolidations. As business firms become larger, less competitive, and more internationalized, their ability to set the rules of the game increases as well. As local or regional businesses are picked off by multinational corporations, communities become pawns in an international business confidence game. Plants are opened or closed, expanded or contracted, according to priorities established in corporate headquarters. Often these firms are profitable, but simply not profitable *enough* to meet the board of directors' requirements.[1] Big businesses can roam the globe, playing cities, states, regions (indeed, whole countries) against each other, looking for the best "investment climate"—low wages, low taxes, lax environmental laws, and a "union-free environment."

In an economic shell game, only the barker knows where the pea will eventually wind up. So long as state and local politicians play by the corporations' rules—competing to lure businesses to their areas—citizens will have little control over the fate of their communities.

Social scientists and political activists have long known the fundamental truth that business sets the parameters for political conflict and decisions. But the internationalization of capital and new technologies that have made business more footloose have added to the dilemmas of reform-minded officials who wish to tame the power of the corporations.

After the first wave of corporate mergers, around the turn of the century, which completed the formation of a national economy, Populists argued for public ownership of the major utilities and banks, but had to settle for regulation and (ultimately ineffective) anti-trust laws. After the second wave of corporate mergers, during the 1920s and 1930s, which created monopoly

*Salvadore Allende faced the same problem after his election as Chile's first socialist president in 1970. His moves to nationalize major multinational corporations, especially the copper companies, resulted first in a well-coordinated business "strike" (resulting in large-scale layoffs and spiraling inflation) and, later in 1973, in a bloody military takeover—both with the aid of the U.S. government.

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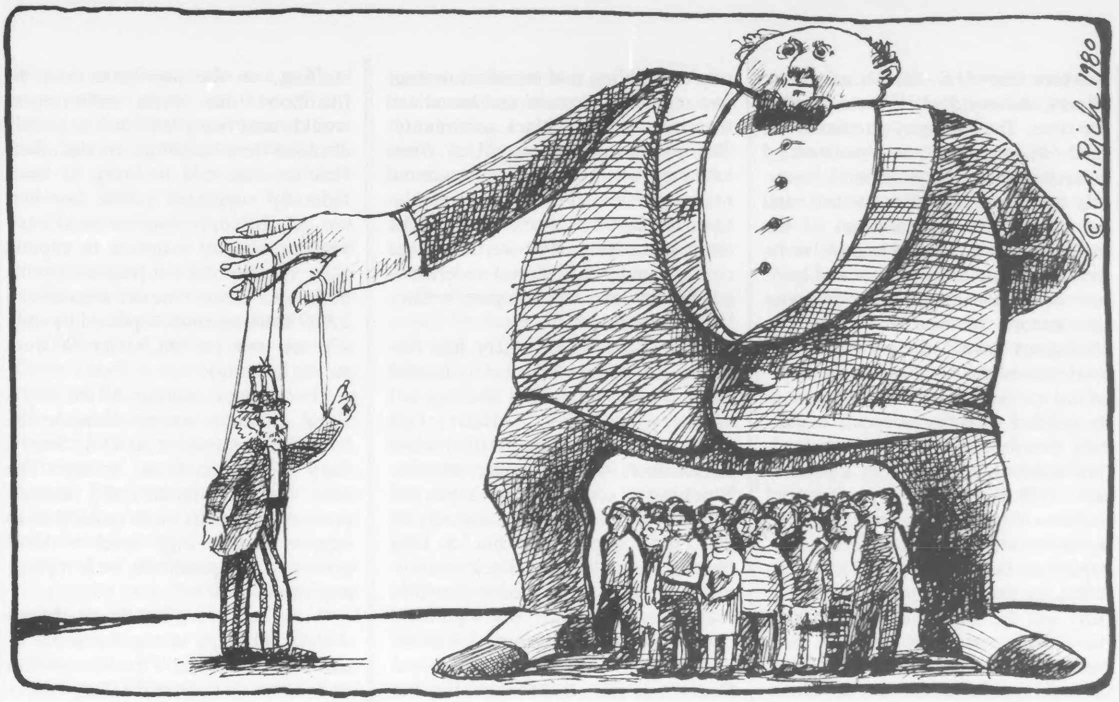

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capitalism, progressives again called for public ownership, and had to settle for Keynesian pump-priming, collective bargaining, and a bunch of government-owned demonstration projects (TVA and public housing, for instance). Now, in the midst of the latest wave of corporate mergers, which began in the 1960s, reformers are once again searching for solutions to the devastation left in the wake of the ''deindustrialization'' of the urban Northwest and Midwest—ironically, the base of the New Deal coalition. Once again we are hearing calls for public ownership and control of major investment decisions. What will we settle for this time? State-level ''plant closing'' bills to require advanced notice of shutdowns, as have been proposed in several states? Union and consumer representation on the boards of large corporations, as the Big Business Day's ''Corporate Democracy Act'' proposed and as UAW president Douglas Fraser's election to the Chrysler board has accomplished?

Both of these reforms take a small bite out of corporate freedom to act without some measure of public accountability. They also help raise consciousness about the public consequences of private corporate decisions. As such, they are a step in the right direction. But, as both Edward Greer and Robert Goodman demonstrate in their timely and provocative books, these reforms cannot adequately deal with the fundamental problem of how communities and governments are held hostage by footloose corporations.

Greer's *Big Steel* deals with the dilemmas and limits of reform politics in Gary, Indiana, a city of 180,000 where U.S. Steel's mammoth Gary Works is the largest employer, taxpayer, and polluter. It is the story of U.S. Steel's power to shape local politics, often without easily visible involvement, by holding the trump card—the threat to leave. It is also the story of Richard Hatcher, a Black lawyer who was elected Gary's mayor in 1967 (the first of the big-city Black mayors) following the wave of Black protest and the Black community's growing consciousness and voting strength. Like Newark's Kenneth Gibson, Detroit's Coleman Young, Cleveland's Carl Stokes, and others, Hatcher vowed to confront the issues plaguing his Black constituency—particularly the racism of local police, the decaying housing, and the decline of public services such as schools, sanitation, and fire protection. Hatcher also hoped to attack the dangerous air and water pollution emitted from the Gary Works that gave Gary a lung-cancer rate four times the national average and a childhood mortality rate (half of which was due to respiratory illness) twice the national average. The air pollution *within* the steel mill—especially the coke ovens and foundries where Black workers were concentrated by U.S. Steel's racist employment practices—were particularly hazardous.

Greer reveals, through a fascinating history of Gary, how the economic and political conditions that Hatcher inherited prevented him from carrying out his reform program. In doing so, Greer provides both an insider's account of day-to-day administration of city government (he was Hatcher's special assistant in 1968–69) and a theory of the ways, subtle and overt, that big business limits the options available to local communities.

Gary, Indiana, was founded around the turn of the century to house the workers from U.S. Steel's new Gary Works, the world's largest steel mill at the time. The company purchased the land; designed the city; constructed some housing, schools, a hotel, hospital, and physical infrastructure; and named it after its chairman of the board, but then decided to devolve its land to private homeowners and businesses as soon as possible. Learning the lessons of nearby Pullman, a "company town" where the company workers and the town's citizens erupted in a militant strike, it did not want to be saddled with the problems of running the city directly or of being landlord and retailer to the city's population. Within a decade, the civic and business affairs of Gary were being run by the middle class. The city's newspaper toed the company line, although it was not a company paper. The company left the day-to-day activities to the local small-businessmen and professionals who competed for elected and appointed office. As Greer shows, this arrangement reliably served the interests of U.S. Steel without revealing its hegemony. Local landlords exploited the unskilled immigrant workers, local police repressed union dissidents and strikers—but it meant that the company had to give up complete control of local politics and make some compromises. For example, when Roosevelt's New Deal swept into office in 1932, and the Democrats took over Gary's City Hall (they've never let go), the local police could no longer be counted on to bust the organizing drives of the CIO's steelworkers union, and U.S. Steel had to live with a unionized work force.

For the most part, however, the corrupt Democratic party machine that came into power (which Hatcher defeated in 1967) played by the company's rules on a live-and-let-live basis. Most of the mayors, tax assessors, and a few other local officials left office as millionaires. Housing inspectors from the city's building department considered bribes from landlords as part of their salary, rarely enforced housing codes, and typically viewed this patronage plum as a few-hours-a-week second job. Local police, also on the take, looked the other way at the city's gambling and prostitution rings and regularly harassed and brutalized the city's growing Black community. The tax assessors allowed U.S. Steel to submit whatever taxes it considered reasonable, based on its own calculations of the Gary Works' value. The entire structure of city government was corrupt, understaffed, and underfunded. Meanwhile, the company's Gary Works prospered.

By the late 1960s, Gary had followed the pattern of most industrial cities. Fueled by federal housing and highway policies, middle-class whites, as well as many skilled white steelworkers, moved to the suburbs. Working-class and unemployed Blacks soon constituted a majority of the city's population, but it took Hatcher to catalyze the Black community (aided by a small core of white, mostly Jewish liberals) into a political power base. Greer's description of the machinations of the local and national Democratic party that brought Hatcher into City Hall is spellbinding.

Immediately, however, Hatcher's efforts to confront the corrupt and intrenched public bureaucracies that he had inherited from the Democratic machine met with stiff resistance—and all in the context of severe fiscal crisis. He did increase the proportion of the municipal budget devoted to the police department, hire more Blacks on the force, and increase the number of patrols in Black neighborhoods. As a result, police brutality and repression of the Black community significantly declined. But, as Greer notes, "it would be foolish to deny that in many ways the larger structure of society results in a continuation of a fundamentally repressive role of the urban police in the Black community." During Gary's ghetto riot in July 1968, Hatcher brought in the state police to enforce a curfew, engaged in a mass arrest policy of dubious legality, prepared to bring in the National Guard if necessary, and acted like any white mayor would have.

Less ambiguous was Hatcher's inability to tackle the serious and deteriorating housing problems facing the Black community. Even if he could force the building department to do its job, he faced two problems: understaffing, on the one hand, and the likelihood that strict enforcement would cause many landlords to simply abandon their buildings, on the other. Hatcher was able to bring in some federally supported public housing, but only by supporting the local business community's agenda to expand Gary's urban-renewal program. In the trade-off, urban renewal demolished 2,900 housing units, replaced by only 476 new units (of which only 200 were public housing).

The obvious solution to the city's fiscal dilemma was to increase the local tax assessment on U.S. Steel's Gary Works. As Greer notes, "The Gary Works is a fantastically valuable productive facility, one quite able to support a very high level of local government expenditure, were it properly taxed."

With Greer's urging, the city began a series of steps to capture some of U.S. Steel's wealth. First it needed to do an accurate audit of the Gary Works plant to determine its value and reassess its property. Faced with a direct assault on its profits, the company turned its "invisible hand" into a fist. During negotiations with the city, it threatened to cut production and eventually leave town, taking its jobs and tax base with it. Corporate officials explained how the competitive nature of the international steel industry might necessitate transfer to a more friendly locale if the Gary Works' tax burden became too great.

Understandably, Mayor Hatcher backed down from the battle to raise the company's taxes and from the campaign to get the company to comply with air- and water-pollution regulations. The company gave Hatcher and its workers a choice—their health and an unfair tax burden or their jobs. Even when the federal Environmental Protection Agency forced the company to install minimum controls, U.S. Steel was able to deduct these expenditures from its federal, state, and local taxes, thus shifting the burden to Gary's working class. And Gary continued its downward spiral.

Greer's assessment, from the vantage point of 1979, is that the working and living conditions of Gary's Black and white working class have, if anything, deteriorated, more as a result of larger structural forces than of any failing of the Hatcher administration. U.S. Steel held the ax over Hatcher's head for ten years, threatening to slow down or halt production. But when layoffs accelerated in 1979, it was finally as a result of both cyclical unemployment and the declining competitive position of the American steel industry in the international economy.

If Gary's situation were unique, Greer's book would be of only passing interest. But, as Goodman reveals in *The Last Entrepreneurs,* U.S. Steel's form of industrial blackmail ("regional rotation," as he calls it) is widespread. The book analyzes the causes and consequences of this process and offers some programmatic solutions.

The Last Entrepreneurs destroys the popular view that the United States is now in the midst of a "second civil war" (as *Business Week* labeled it), pitting the "sunbelt" against the "snowbelt." Rather, he points out, we live in an interdependent national (even international) economy. National (and multinational) firms decide where to invest. The federal government decides where to provide subsidies (such as military contracts and installations, UDAC and CDBG grants) and tax incentives for capital investment. In the intense competition to lure private jobs and federal dollars, it is business—not regions—that benefits. It is a classic example of "divide and conquer" in which working people in all areas ultimately lose. Business's ability to decide where to invest, to play one locale against another, lowers the aggregate standard of living for all. Goodman notes that the conditions that make an area attractive for investment hardly qualify the workers and taxpayers there as "winners." Can anyone really argue that the J.P. Stevens employees have benefited from the textile industry's migration to the South?

The very conditions that companies look for—whether in New Hampshire or North Carolina, in urban areas or (increasingly, as Goodman shows) rural areas—promote slums, welfare-dependent populations, public health and environmental problems, and similar concerns. Goodman writes: "No pocket of the country, rural or urban, can remain immune to the effects of this shifting. . . . Just as business now tends to locate in rural areas, no amount of open space or country life-style will keep it from shifting back to urban areas, if wages and public incentives in these urban areas are made attractive enough."

Goodman describes in fascinating detail the many devices used by local and state officials ("the last entrepreneurs") to lure businesses to their areas. They include vocational training programs, industrial revenue bonds, tax abatements, sports stadiums, anti-union "right to work" laws, lax environmental and occupational safety standards, and a pool of low-paid and unemployed workers. These incentives are "packaged" through slick advertising campaigns (look in any business magazine or walk through any airport) funded by tax-supported economic development commissions. Public officials travel to corporate headquarters in the United States and abroad with hat in hand, selling their wares and knocking the competition. Alabama, for example, promotes its vocational training programs to businesses by promising "to develop positive attitudes in supervisors and subordinates toward their jobs, their employees and the organization." New York proclaims it has "one of the best tax incentive programs in America." When Volkswagen announced in 1976 that it planned to build an assembly plant somewhere in the United States, the *Wall Street Journal* wrote that "governors, mayors, state development officers and local businessmen are understandably drooling over VW." VW played hard to get, receiving delegations of Americans at its headquarters in Germany, forcing the Americans to outdo each other for the privilege of manufacturing the car, and waiting for each one to "up the ante." They finally decided to locate in Pennsylvania, induced by state incentives worth over $100 million. Union workers were forced to accept wages 20 percent lower than elsewhere in the auto industry. And six months after the factory opened in New Stanton, in October 1978, 2,000 workers went on a wildcat strike and were forced back to work with few gains when VW threatened to close the state-subsidized plant.

As Goodman points out, "The success of a winning public entrepreneur [the last entrepreneurs] is always temporary. . . . None has a monopoly over the conditions that will attract business; none can become the exclusive producer of a particular product and none can produce an exclusive anti-labor or lax environmental climate. As jobs increase in an anti-labor winner like New Hampshire, for example, labor organizing is likely to increase and New Hampshire's labor situation can come to resemble that of some loser states. Conversely, a current loser like Ohio might come to resemble Texas, if Ohio's politicians are willing to take more anti-labor positions in order to attract industries."

Fortunately the book is not just another angry attack on big business. Goodman also offers both a vision of a less chaotic, more humane political and economic arrangement (which he calls "regional socialism") and a transitional program to move in that direction.

Goodman's vision calls for national public planning of major investment decisions but emphasizes the need for some regional self-reliance. He combines a healthy skepticism of centralized planning with a realistic understanding that some degree of coordination is necessary to avoid anarchy. A nation-wide train system, for example, cannot be left to local planners. On the other hand, many areas can become more agriculturally self-reliant instead of depending on food imports that (due to energy-intensive agribusiness and expensive transportation costs) raise the price and lower the quality of the American diet. Goodman's scheme, though somewhat sketchy, is hardly utopian. He is no "small-is-beautiful" fanatic, but he recognizes the importance of providing for technologies, such as solar energy, that allow for some level of decentralization.

Public and cooperative enterprises are central to Goodman's vision. Government must be able to determine what kinds of investments and what kinds of jobs are necessary. Employees and consumers must have a voice in these decisions. Whether land should be stripmined or left alone, whether plants should be abandoned or renovated, whether research-and-development funds should subsidize new weapons systems or new mass-transit systems, and a wide range of other choices should not be left to the private market or to corporate planning.

Goodman is also realistic enough to understand that such a fundamental transformation of political and economic arrangements will not come easily. The last chapter of his book outlines a political strategy—with specific roles for unions, environmental groups, citizen action and civil rights organizations, and other progressive constituencies in the "winner" and "loser" regions—to move toward "regional socialism." Goodman's transitional program assumes that this coalition can gradually place major investment decisions in the hands of the public sector and gradually put the public sector in the hands of progressive elected officials who will be held accountable. To be effective, however, it will be necessary for local and regional groups to avoid the competition for jobs and dollars and develop a coordinated national political force. Whether this is possible is an open question.[2] Goodman does not address the issue of how the capitalist class would respond to any concerted attack on its prerogatives or how the left should (or could) counterrespond. Disinvestment and investment strikes can provoke an economic and political crisis (again, the Allende dilemma) that can undermine any radical reform program unless the American public is prepared to understand the long-term nature of the struggle and to make sacrifices in the short term. Although such a scenario is years away, the pitiful response of unions, workers, and political leaders to the current wave of plant closings, especially in the auto and steel industries, highlights the need to prepare, politically and ideologically, for this contingency on a society-wide basis.

Indeed, a persistent dilemma for progressives is the difficulty of dealing with these issues on a local or state level. Citizen action and consumer groups find that many of their initiatives—for utility rate reform, rent control, tax justice, bottle bills, and other legislation—are met with business claims that these reforms harm the state's "business climate" and erode investment and cost jobs. Thus, consumer initiatives in the industrial regions are held hostage by the weakness of unions and environmentalists elsewhere.

In the face of this situation, citizens groups (such as Massachusetts Fair Share) in the industrial regions have joined with labor unions, churches, and civil rights organizations across the country in statewide coalitions to pressure legislatures to adopt plant-closing laws to require that businesses give advance warning and financial assistance to communities faced with layoffs. So far, these efforts have had some legislative successes. But trade unions are reluctant to push too hard—when business threatens to move. Some political activists believe business threats are mostly bluff. Ira Arlook of the Ohio Public Interest Campaign argues that businesses aren't going to pick up and leave if states pass plant-closing bills or take away corporate tax breaks. The costs are just too marginal to be decisive.[3] And buying into this argument simply leads to political paralysis on the state and local level.

In the long term, of course, local efforts must be viewed as interim steps in building coalitions that can work on a wide range of issues related to corporate power on a national level. These include labor law reform and repeal of the "right-to-work" provisions of the Taft-Hartley Act, reform of the federal tax code that rewards corporations for relocation, and anti-trust reform that restricts conglomerate mergers. But ultimately the showdown with corporate power must take place at the national level.

Unfortunately, the fragmented nature of American government—with its federal, state, county, and local jurisdictions, each with the power to tax, zone, and regulate—provides a setting for national and multinational businesses to play one against the other. It is, ironically, this arrangement—and the widely held ideology of "local control" and "grass-roots democracy" that justifies it—that makes national planning more difficult. Most of the nations of Western Europe have much more stringent national laws regarding plant closings and relocation,[4] due in part to stronger labor unions and in part to their stronger mechanisms for central planning. The very same American-based multinationals that have vociferously attacked any laws restricting their freedom of movement have learned to live with them across the Atlantic.

Both *Big Steel* and *The Last Entrepreneurs* recognize that, within the boundaries of advanced capitalism, there is only limited room for political maneuver. Both also note, however, that just how much room exists is rarely tested. Most elected officials and political movements are unwilling to see just how far they can push. And, hopefully, a Congress filled with the likes of Ron Dellums and Elizabeth Holzman would make a difference; as might a growing number of politicians—such as Dennis Kucinich, Richard Hatcher, Ruth Messinger, Ken Cockrell, and others—who do not rely on corporate support to get elected, do not await a career in big business, and do not accept the wisdom of Milton Friedman or even John Maynard Keynes. Periods of economic and political crisis, such as the present, can lead either to timidity and cautiousness or to what André Gorz calls bold "trials of strength" between organized working people and their class antagonists. ■

NOTES

1 Barry Bluestone and Bennett Harrison, *Capital and Communities: The Causes and Consequences of Private Disinvestment* (Washington, D.C.: Progressive Alliance, 1980.)

2 See Peter Dreier, "Socialist Incubators," *Social Policy* (May/June 1980).

3 Bennett Harrison and Sandra Kanter, "The Great State Robbery," *Working Papers* (March 1976).

4 See "Economic Dislocation," a report on the European experience, published by the German Marshall Fund and the UAW, Steelworkers, and Machinists unions.

5 See Fred Block, "The Ruling Class Does Not Rule," *Socialist Review* (May/June 1977).