In his path-breaking paper, BUILDING THE BRIDGE TO THE HIGH ROAD,[1] Dan Swinney tells two stories that illustrate "the low road of economic development."

Taylor Forge

In 1975, Swinney was a turret lathe operator for Taylor Forge in Cicero, Illinois, a suburb on Chicago's west side. Taylor Forge made large industrial castings and pipe fittings. That year Gulf+Western (G+W) secured a huge loan from Chase Manhattan Bank and began buying up successful manufacturing firms, like Taylor Forge, breaking them up, and selling off the pieces.

G+W had no interest in the companies it purchased; the products they manufactured, or the communities they supported. Later, a case study at the Harvard Business School described it this way: G+W's strategy was to "milk the cash cow," sell off Taylor Forge's assets and use the cash to acquire companies in more lucrative sectors, such as Paramount Pictures. G+W began selling off Taylor Forge department by department. In 1982 G+W cynically told employees they could save their jobs if they took pay cuts and gave back part of their pensions, which the employees did. But this turned out to be a trick to see how much G+W could extract from the employees before closing Taylor Forge for good, which occurred in 1983.

The city of Cicero lost half its good jobs in the next six years as "the low road" became the norm and many other viable companies went the way of Taylor Forge. As a result, the U.S. lost a significant portion of its productive capacity and speculators like G+W turned enormous profits. The low road became firmly established as the modern way of doing business in the U.S., the era of the "casino economy" emerged, and the pathology of the inner city began to appear.

Stewart Warner

In the early '80s, Stewart Warner, manufacturer of gauges and automotive instruments, and an economic anchor of Chicago's north side, began asking its unionized workers for concessions during contract negotiations. Detailed analysis of the situation revealed that Stewart Warner's management had lost interest in the firm and was planning to sell its assets. Dan Swinney's Midwest Center for Labor Research (MCLR) urged the workers at Stewart Warner to make an offer to buy the company, but for various reasons this did not happen. Within a year Stewart Warner was purchased by British Tire and Rubber, a conglomerate with a habit of buying U.S. companies and closing them or moving them to the maquiladora zone in Mexico. Sure enough, within 2 years, part of Stewart Warner's production was moved to Mexico, the Chicago plant was demolished, and the British firm turned a nice profit by building high-priced condos on the former factory site.

According to MCLR research, this plant closing cost the community 2500 jobs in related businesses, $10 million annually in federal, state, and local taxes, and $24 million annually in lost consumer spending. Furthermore, MCLR's analysis showed that a realistic business plan could have sustained Stewart Warner as a profitable source of income and investment for the Chicago economy, but the workers and the community did not mobilize to keep the firm rooted, so it was lost.

Simultaneously, another problem was brewing. Hundreds of Chicago's small manufacturing firms faced an uncertain future because their founders were growing old and had no one to replace themselves. MCLR studied 800 Chicago manufacturing firms with an owner 55 or older and found that 40% were in danger of closing because they had no one lined up to take over. MCLR discovered that these companies could often be saved with a little effort and creativity.[2] Such firms often present good opportunities for employee buyouts. Or they may provide an excellent chance for aspiring local entrepreneurs, who are typically African Americans or Hispanics previously excluded from this kind of opportunity.

As speculators created the "casino economy" and sold off many of the nation's productive assets, those hardest hit were people of color and women in the central cities. In every serious analysis of these problems, race remains a key indicator of inequality, discrimination and oppression.[3] While Republicans and Democrats both sing the praises of our "Dream Economy," many U.S. inner cities have become indistinguishable from the poorest parts of the developing world. Fifty-percent (or greater) unemployment, soaring infant mortality, hunger and homelessness are characteristic. If there is work to be had, it pays poverty wages that won't support a family, so people grow cynical and start seeing the underground economy as the only possible path to success. Over the past 25 years, life in our central cities has become distorted by crime, drugs and all the other forms of social pathology that accompany extreme poverty.[3] The larger society has responded with a policy of mass incarceration, plus "white flight" to the suburbs, thus creating all the environmental and social dislocations known as "sprawl."

As these events have unfolded, it has become clear that many members of the business class have abandoned the obligations of stewardship of the economy. For the first 75 years of this century, wealthy industrialists claimed the exclusive right to make decisions about what products would be produced from what raw materials, using what processes. They controlled decisions about management, investment, and production. In return for this awesome (and largely undisputed) power, they agreed to share a modicum of the available wealth, thus creating the middle class.

Most of the time this social contract has worked well enough to avoid major strife.

But starting in the '70s, it became clear that many of the nation's business leaders were abandoning the social contract, selling off the nation's assets, destroying America's productive capacity, abandoning communities that depended on the jobs.

Now, Dan Swinney says, conditions are ripe for a new paradigm of economic development --one aimed at ending historical oppressions, putting democratic control and community well being at the center of the picture, accepting responsibility for lean, efficient, productive, profitable, and environmentally sustainable business enterprises, rebuilding the nation's cities, and thus putting limits on the environmental desecration and social isolation created by sprawl. Swinney believes we can attract a majority of Americans to such a vision because --done right --the vast majority of people will benefit.

The key to success will be ownership, Swinney says (pg. 72). "This is the critical determinant of how production is organized, the link between the company and other companies or the community; its patterns of employment and training, and the level of commitment to affirmative action and environmental standards."

"We must be prepared to have people with our values and priorities purchase and develop local industries. This can be accomplished in a number of ways: employee ownership, community shares in local companies plus positions on the Board of Directors, and ownership by local entrepreneurs directly linked to community initiatives and organizations. In these ways, we can most directly promote development with new standards and objectives consistent with community needs," Swinney says.

"To mobilize the grass-roots support necessary to our vision, the relationship of an enterprise to the community must change in three fundamental ways," Swinney says.

"First, we must democratize the workplace itself. This involves seeking non-discrimination and affirmative action, greater control by working people over safety and other conditions of work, and greater participation by employees in matters affecting their lives,
which have traditionally been reserved exclusively for management.

"Second, we must democratize relations among enterprises of the community. This requires facilitating their cooperation with and support for each other, and their common support for the community as a whole.

"Third, we must democratize the relationship of the enterprise to the community by finding ways for the community to evaluate and monitor a business's contribution to its overall economic, social, and cultural growth."

Obviously, none of these three requirements is simple or easy, but all are consistent with the premise that democracy has become an essential requirement for any industrialized human culture that hopes to survive for very long. (See REHW #618.)

Swinney goes on to describe briefly four essential organizations that will be needed as we make the transition from low road development to high road development:

1) The ENTERPRISE DEVELOPMENT COMPANY (EDC), a center for the technical side of development. Such an organization is needed to provide the full range of services and expertise to acquire, manage, and develop businesses consistent with the economic and social goals of a broad coalition. The EDC can function as a clearinghouse for information about local businesses gathered from a network of sources, including churches, community organizations, development corporations, city government, labor (organized and unorganized), and residents.[2]

The EDC will assist a company to develop financial resources through contacts with individuals, venture funds, banks and grant sources, and also will provide technical services such as accounting, legal, marketing, and management assistance. Examples of EDCs are Cooperative Health Care Associates in the Bronx, N.Y., and the Steel Valley Authority (SVA) in the Pittsburgh, Pennsylvania area.

2) The LINKED ENTERPRISE NETWORK aims to promote communication among companies that do similar work, to promote common purchasing and marketing arrangements, promote worker training and education, and establish links between businesses and community groups. At its most ambitious, such a network seeks to tie companies together formally to pool capital and resources for development, and to create educational, cultural and research institutions that, together, can provide member firms with greater economic strength and leadership. Examples include the Garment Industry Development Corporation in New York City and the Candy Institute, serving the needs of candy manufacturers in Chicago.

3) The umbrella community organization is harder to define, but essential. The key to this strategic concept is community control of the economy. However, as Swinney says, the ability to control is earned, not declared. At the beginning of such projects, the level of control is minuscule. Likewise, democracy is created through a process. A project cannot simply declare that it is "acting on behalf of the community." Democratic structures must evolve as people take advantage of opportunities to work together, develop trust, and widen the circle of inclusion. There is no formula for how such organizations can be built, Swinney says. Examples operating today include the Naugatuck Valley Project in western Connecticut, Sustainable Milwaukee, and the New Chicago Campaign.

4) It's not enough to work out the practical application of this vision at the company and community level. Comprehensive development policies must be fought for in all the institutions that help shape public opinion and are designed to serve the public. The work will almost always begin in a particular company in a particular community, but ultimately it must translate into public policy, and government must become the agent for expanding and promoting the vision.

Swinney says, "People do not organize for change just because they are oppressed or exploited. They organize FOR something." BUILDING THE BRIDGE TO THE HIGH ROAD lays out a vision of something we can all be FOR -- a vision of a decent, fair, environmentally sustainable society, and a commitment to apply this strategic vision AT THE COMPANY LEVEL OF THE ECONOMY. For most of us, this is new. And important.

Again we urge all our readers, including government officials and business people, to join Sustainable America, so that, together, we can build a strong infrastructure for ongoing multi-issue work. Check out www.sanetwork.org, or telephone executive director Elaine Gross in New York City: (212) 239-4221.

--Peter Montague (National Writers Union, UAW Local 1981/AFL-CIO)

[1] Dan Swinney, BUILDING THE BRIDGE TO THE HIGH ROAD (Chicago, Illinois: Midwest Center for Labor Research, 1998). Available from the world wide web --www.mcclr.com-- though you have to download it in 14 sections and reassemble them into one piece. You can also order a paper copy for $10 from MCLR, Room 10, 3411 W. Diversy, Chicago, IL 60647; phone (773) 278-5418.

[2] An EARLY WARNING/BUSINESS DEVELOPMENT NETWORKS MANUAL is available for $50.00 from Midwest Center for Labor Research. See note 1, above. It can also be ordered via the web: www.mcclr.com/publications.html.


Descriptor terms: democracy; economy; wealth; poverty; sustainable america; business development; gulf+western; stewart warner; taylor forge; community development;