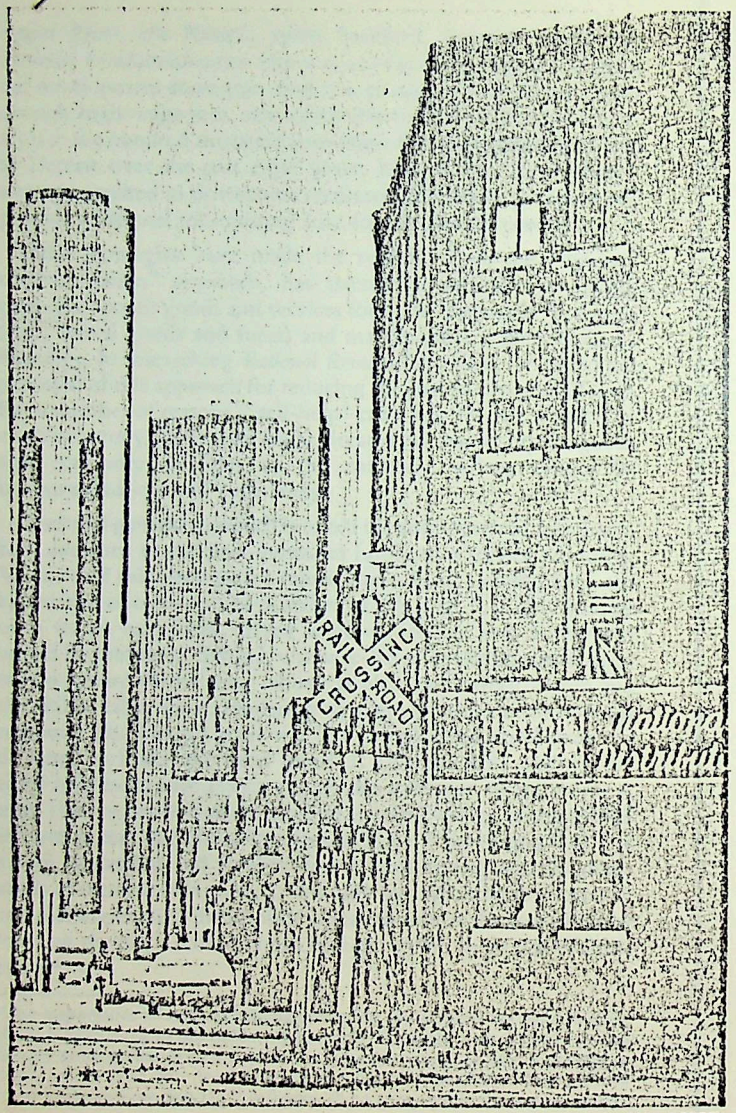

EARL DOTTER

Rebuilding Detroit

A Rational Reindustrialization Strategy

Dan Luria and Jack Russell

I. INTRODUCTION

DETROIT is America's most disinvested city. Its industrial base has been eroding since the late 1950s, a process that accelerated after the 1967 rebellion. But the distress of the American auto industry since early 1979 has unleashed a wave of plant closings and employment loss without parallel in United States economic history. This has shattered a recovery strategy based on the city's much-vaunted "Renaissance" of downtown commercial development.

During his four-year term on the Detroit city council, Ken Cockrel made a principled and powerful critique of the terms and limits of the Detroit "Renaissance" (see *Socialist Review* 49). As members of the Detroit Alliance for a Rational Economy (DARE)—and one of us serving as a staff person for Cockrel—we shared with others the responsibility for developing an alternative economic recovery agenda premised on the needs and interests of working-class Detroit.

In June 1980, a special issue of *Business Week*, "Reindustrializing America," provided a focal point for the American industrial policy debate. We believed the left should enter this debate with a plausible program for urban economic development as an element of a progressive industrial policy.

Motivated by our work in DARE and the urge to contribute to the industrial policy debate, we wrote *Rational Reindustrialization: An Economic Development Agenda for Detroit* (available from Widget-

Upper Press, c/o Russell, 19660 Stratford, Detroit, MI 48221). *Rational Reindustrialization* serves as a critique of existing or potential development strategies. And it is an agenda to retain or create enough high-wage jobs, not vulnerable to cyclical fluctuation, to replace the hundred thousand auto-related manufacturing jobs lost to Detroit over the past eight years. Even if the "Renaissance" strategy resulted in downtown recommercialization, it would not provide a rational job-creating base for the Detroit economy.

Other strategies have made the rounds. One, the "localist/communitarian" approach, has stressed substitution of locally made non-profit goods and services for both "imported" products (e.g., baked goods and meat) and market-inflated services (e.g., housing). In researching *Rational Reindustrialization*, we tested the potential of this approach for reducing the cost of living in Detroit. For a number of reasons, "self-help" can't help Detroit much. The city's economy, built over eight decades to export capital goods and consumer durables to the national market, cannot be bootstrapped into self-sufficiency.

A second general approach is to bid the auto-centered past goodbye, and turn to the post-industrial future of a service economy. We rejected this strategy for two reasons. First, judging from the experience of cities that have followed this path, it is only feasible once wages have been driven so low that *any* new investment would be profitable. Second, a service-based development strategy would ignore the existing industrial plant and infrastructure and the skilled labor force, rendering obsolete Detroit's most obvious resource. The Detroit economy is a complex industrial structure designed to make and bend metal. If Detroit's industrialness resided only in its auto plants, the service transition might work: at most twenty per cent of the city's industrial workers are employed in those plants. But Detroit's economic base is more than that. It is a web of explicit and implicit connections among literally thousands of metalworking shops. It is only by exploiting this resource and making explicit the implicit connections that the cost of transforming the city's economy can be kept within the realm of feasibility.*

*The importance of acknowledging and using connections between existing plants is illustrated in the following example. Recently a small firm came to the city government with a request for a tax abatement to help it through a rough period. The only local supplier of a crucial input had recently closed down its operations, leaving this firm with no comparable alternative source. Why had they not anticipated this and sought a secondary source? Because they had no idea this was the only supplier. Had the city known the nature of the connection between these two firms, steps could have been taken earlier in the process, perhaps a subsidy to the supplier, which would have been less costly to all parties involved—the two firms and their employees, the city, and the taxpayers.

A third strategy has been proposed which does acknowledge some existing labor resources: the "high tech" strategy. Its appeal lies in more than its futurist label: the demand for robot arm systems, a key high-tech output, is growing rapidly; thirty per cent of orders during this decade will come from the auto industry. We have found, however, that high-tech product lines such as robots do not hold much promise for economic development in Detroit. They consistently come up short on the scale of job creation, skill mix, and exploitation of existing linkages between industries and firms.

Rational Reindustrialization, excerpted in Part II, is an alternative state and local economic development strategy. The logic of this development strategy derives from three principles:

1. To minimize the cost of economic development, the *existing resources* of the Detroit economy should be used—the skilled labor force, the complex web of interrelated metal-working shops, and the public infrastructure that supports them.

2. Again to minimize the total costs to the community, investment or disinvestment decisions should be based on a social or *public accounting* principle rather than a private accounting principle.

3. To guarantee its success, details of the economic development program should be bargained in a tripartite political structure representing the interests of labor, private capital, and local government.

THIS PROGRAM should bridge a critical gap between local development and an emergent national corporatism. Detroit would be a model of democratic local economic development to be fully realized only when national policies can complement it. It will, however, be a training ground and power base from which progressives can influence the evolution of national corporatist institutions. Without this pressure from state and local power bases, corporatists will simply impose from above strict and regressive

nditions on the privilege of drawing on a pool of reindustrialization capital.

Rational Reindustrialization as a political agenda fits the political reality in which we find ourselves. It does not assume, or critically depend upon, any particular resolution of current national debates on auto protectionism, energy policy, or capital targetting. Its full implementation, however, is optimized by certain outcomes: relief from unrestrained Japanese vehicle imports (either quotas or local content requirements), a continued move away from subsidy of synfuel capital costs, and a well-endowed national development bank. We believe that all three of these are likely eventualities, which would benefit our agenda by slowing the destruction of auto-related inter-firm linkages, inducing industrial fuel switching from oil and natural gas to coal-based synthetic gas, and providing investment resources for our new hybrid metalworking sector.

Our provisional experience in organizing for this agenda has shown us that community groups and union locals, as well as business and government elites desperate for job retention, are ready and able to acquire the technical expertise required to enter the debate on this level. In the real world of 1982, a United States without a left or even a legacy of a social-democratic "alternative economic program," *Rational Reindustrialization* is offered as a step toward both, as a tool with which progressives can enter the central policy debate of our time: the terms and power relations of economic progress.

II. THINKING RATIONALLY ABOUT REINDUSTRIALIZATION

A RATIONAL economic development agenda must be centered on replacing the declining private activities of the city—auto assembly, parts, and machining—with new activities that take maximum advantage of the existing industrial linkages. There are many activities that produce desirable goods and services for a national as well as a local market that fail to exploit these linkages. For example, a bakery may produce bread for the Midwest market, but it doesn't salvage the tool and die shops whose auto industry orders are drying up. Similarly, there are activities that require inputs from existing intermediate goods suppliers, such as buses and rail and subway cars, but for which existing public policy

anticipates no predictable unmet local, regional, national, or international demand.

We have developed a set of key criteria across which potential economic development ventures may be compared, to identify workable production activities:

1. *Scale of job creation.* Would the ventures provide substantial employment to residents of Detroit?

2. *Conservation of capital.* Would the firms producing the proposed outputs be able to reuse a significant portion of Detroit's existing stock of industrial facilities and idle or underused machinery and equipment? Could they take advantage of the city's in-place industrial infrastructure (see also 5 and 9 below)?

3. *Local economic impact.* Would the new activities, at full scale, play a role in the local economy similar to that of auto in the past? Would they constitute a set of major "exports" from Detroit to the national and even international market, bringing resources in from faster-growing regions and from abroad?

4. *Characteristics of markets.* Are the demands for the proposed product lines sufficiently strong and enduring to justify large capital investments? Are the markets located properly?

5. *Use of Detroit's comparative advantage.* Would the contemplated ventures take full advantage of the city's existing skilled metalworking labor, of its industrial infrastructure, and of the key linkages among cognate metal industry activities spawned by the region's legacy of auto dependence?

6. *Market countercyclicality.* Is demand for the ventures' outputs stable or highly cyclical? If it is cyclical, does its cycle counteract or reinforce the shocks to the local economy that come from dependence on auto?

7. *Labor cost barriers.* Do the private sector firms producing similar or identical products pay wages as high as those to which Detroit workers are accustomed as a result of auto's past high profitability? And are they as high as those they could expect in light of the decline of American auto companies' market power?

8. *Transport cost barriers.* Is the cost of moving the proposed products from Detroit to market destinations prohibitively high? Or are there classes of products whose size, price, and existing production sites allow Detroit manufacture more readily than others?

9. *Advantages of publicness.* Do some products make more sense than others as candidates for public/private production? Are there products whose cost of production could be especially reduced under public ownership?

10. *Profitability for entry.* Are the private firms now producing similar outputs characterized by above-average, and less cyclical than average, profitability? Does selection of the product lines we propose move Detroit into a national sector growing fast enough to allow new entrants?

In a sentence: What projects can re-employ a large number of skilled and semi-skilled workers, at or near their accustomed wage, taking maximum advantage of the area's concentration of metalworking capital stock and labor-force training and of the city's northern deep waterway location, producing products for a growing, undersupplied, long-lived national and international market for which the business cycle is either absent or opposite to the auto/auto parts demand cycle?

THERE ARE at least four viable projects that meet all of the criteria: (1) deep natural gas and heavy oil production and upgrading equipment; (2) residential and industrial steam/electric cogeneration units; (3) large coal- and diesel-fuel-fired industrial process engines; and (4) mine-mouth coal gasifiers.

A rational development plan for Detroit would plan conversion of existing underutilized capacity or development of new plants and equipment to enter the growing markets for these products.*

*If one assumes a different set of national energy, transportation, and tax policies, a number of other product lines meet the ten criteria. For example, if a set of tax and regulatory changes transferred nuclear-power and synthetic-fuel subsidies to solar equipment, Detroit could capture a significant share of a burgeoning Midwest market for flat-plate solar collectors. Similarly, a shift in policy toward more rational urban commuter and national freight transportation systems would swell demand for product lines—buses, light and heavy rail cars, and rail electrification equipment—for which major componentry could be manufactured in Detroit.

It would not be sound local-level economic development planning, however, to base a reindustrialization agenda on outputs for which existing national policy promises no mass market. On the other hand, while this paper is confined to product lines realistic under current national policy, a more speculative and generic application of our perspective would study which cities could expect to capture significant shares of the bus, rail car, and rail electrification markets, should they evolve in the future. Detroit would appear to have the means to stake a major claim in a future rail electrification industry; Cleveland, Cincinnati, Dayton, and Philadelphia might earn a large part of the rail-car market; and Youngstown, Pittsburgh, Seattle, and Memphis seem suited to the bus manufacturing business. Finally, it is a good bet that there will soon be a major international market for $200–$300 receiver "dishes" that will process transmission from direct broadcast satellites (DBS). Any city with a substantial stamping/metalworking sector should prepare for entries into that market as it develops.

A description of these products and their appropriateness to this development strategy are supplied in the Appendix—TechSpeak—and further elaborated in *Rational Reindustrialization.*

These energy hardware products uniquely pass the ten tests, but there exists a paradox: if Detroit is ideally suited to host production of these outputs, why hasn't manufacture occurred? The answer lies in two related failures of capitalist accounting and governance. First, private capitalists underinvest as a result of a private cost-benefit calculus that undervalues non-private costs and benefits. Second, city governments institutionalize this undervaluation by accepting a definition of the "business climate" based on private costs (wages, benefits, contributions to safety net programs), rather that seeking to minimize *total* costs by getting the greatest possible mileage out of the linkages among enterprises, many of which represent public investments (e.g., rail lines, sewers).

On the Public Account

IF A CALCULATION of return on investment included not only private costs and profit but the costs and benefits to the community as a whole, investment patterns would be very different (see *Rational Reindustrialization* for an elaboration of the public accounting approach).

Using the public accounting approach, we find there are social benefits of job-creating investment that are overlooked in private-sector accounting. A city might deem an enterprise requiring an ongoing subsidy "socially profitable" and hence worthy of support. There are three such benefits which, if large enough, justify investment where the private sector might instead withdraw:

1. direct and indirect local employment;

2. retention of a reinvestible surplus; and

3. the effect on the "business climate" of supplying low-cost goods and services consumed by Detroit workers.

We will treat each of the three in turn. First, by creating or retaining jobs, a social cost-benefit approach results in capturing the gains of not having to provide as much unemployment insurance, general relief, and crime control; to settle as many insurance claims; to incur such exorbitant health costs; nor to levy such high tax rates. Many jobs are sacrificed today because the costs enumerated above are borne by the public sector, rather than by the private investors whose decisions are responsible for them.

Imagine a Detroit enterprise that employs 250 workers earning $15,000 each per year, of whom two-thirds own homes and half live in Detroit. The enterprise, let us say, is losing $500,000 per year. Assuming that closing the facility makes private accounting sense to its owners, let us ask whether closing the facility is also rational for the total society. On the negative side, operating the plant costs society $500,000, the private loss. On the positive side, keeping the enterprise open garners the society about $172,000 in property taxes, $57,000 in worker-paid city income taxes, $138,000 in state income taxes, and $487,000 in federal income taxes. It also saves $920,000 in unemployment insurance (a one-time cost), welfare, and food stamp transfer payments. Adding these social benefits, one gets about $1,770,000 in year one and $850,000 each year thereafter. Netting out the annual $500,000 loss, over a decade society is better off to the tune of $4.4 million by keeping the plant open.

Second, this sort of calculation understates society's saving: by keeping the plant open, the city may be preserving other jobs in enterprises supplying the plant. While the degree of "linkagedness" of a firm to the rest of the local economy is difficult to quantify, it is important to understand that it can be increased by rational planning. In fact, planning an ever more interconnected sector is the essence of the reindustrialization task in Detroit. In return for a subsidy, for example, the City can require that a firm increase its ties with other local firms. By making the firm do so, the City (*a*) earns a return on its subsidy, (*b*) captures tax revenues and their future stability, and (*c*) forgoes the costs associated with continued disinvestment. The savings can then be used to seed new enterprises in the sector, to invest in cost-cutting infrastructure projects, or even to reduce local tax rates.

Third, to the extent that keeping the plant open constitutes part of a broader plan to integrate salvaged labor and capital resources into a new, planned public or public/private sector, the city's new sector planning authority can reduce its subsidy liability by offering workers in the enterprises an income/job security trade-off. Success in doing so can be a powerful tool in convincing private capital that, if it is willing to play by the rules—secure employment, accountability to a citywide enterprise linking plan, etc.—it too can enjoy the benefits of what a private accountant would consider lower labor costs.

Transcending Sidelineism

WE ACKNOWLEDGE our debt to the public-balance-sheet literature produced by activists working in the areas of housing and community self-help. In Detroit and many other disinvested industrial frost-belt cities, however, advocates of such local market-oriented projects concede, by abstention, the *industrial* policy debate. They fail to address the needs of workers at risk from disinvestment. They cannot muster the required city- or metropolitan-wide challenge to Administrations that conduct business as usual late in the eleventh hour.

The hurdles to be overcome in bringing this agenda into being are, in some important ways, independent of the scale of the proposed activity. Many of the legal, financial, regulatory, political, and ideological obstacles that attach to a fairly grandiose conception of a new sector apply with equal force to a small version. Moreover, unless our agenda speaks to the core need of the disinvested local economy for a large number of stable, well-paid, metal-working jobs, it will at best operate at the margins of reform.

Detroit is too far gone to be salvaged by even the best decentralized, neighborhood-based projects often advocated by adherents of the small-scale entrepreneurial model of revitalization. Though these projects have a role to play in Detroit, they cannot form the core of a rational plan for rebuilding an industrial economy.

The best available writing on the "localist/communitarian" alternative, Carnoy and Shearer's *Economic Democracy*, argues that a needs-oriented sector based on small businesses can be built on a big enough scale, i.e., small, but repetitively, to "make . . . fights against [service and employment] cutbacks unnecessary by sub-

stantially reducing . . . economic distress." We have tried to test that hypothesis for Detroit by seeing how much a low-profit, needs-oriented sector could reduce living costs in the city. In the most charitable case imaginable, some thirty per cent of local consumption could be locally produced in such a small-business sector. Even if that sector could sell output at fifteen per cent below its current prices—which we doubt—living costs would be reduced only five per cent.

Such an improvement in the living standards is of course desirable. But producing basic necessities for local consumption cannot rebuild the economy, and so cannot justify any substantial claim on the resources available for basic reindustrialization. Moreover, while an agenda such as ours, which aims directly at the creation of a new emphasis for the manufacturing base, *can* sustain the small-business sector so critical to the decentralized vision, the small-business sector *cannot* restore industrial vitality.

We share with Carnoy, Shearer, and other progressive redevelopment activists a commitment to the notion that only a new political culture can sustain the movement necessary to build a new urban economy. In the Detroit case, we believe that *Rational Reindustrialization* is a workable agenda which, if implemented, could initiate the process of a steadily growing planned, semi-public sector, the managment of which would create the possibility of a mass political culture of involvement, competence, and productivity. Such a culture could lift the transition toward real public/worker governance out of the realm of theory and into the real world of industrial and community planning.

We foresee a future Detroit in which the hours of work per job could be progressively reduced in favor of increased employment through worker and comunity power in economic planning. We foresee a Detroit in which workers, collectively, can become managers, and in which the tension between increased current benefits and increased investment for growth can be openly debated and resolved. In the place of a Detroit whose factories are vacant monuments to the limits of purely private economic power, we want a Detroit whose factories are open and alive with constructive debate over conflicts between the full development of new work relations and the needs of a democratically determined general development plan.

This future Detroit is possible.

III. POLITICAL IMPLEMENTATION

IN THE PRECEDING selections from *Rational Reindustrialization*, we have shown how to pick winners for a given local or regional economy when development objectives are socially rather than privately defined. We have applied this method to contemporary Detroit by targeting specific industrial opportunities, and demonstrated the rationality of social accounting and public planning as essential elements of such development. And we have argued that small-scale community development has little prospect of either bringing a better life for workers or building the left.

Rational Reindustrialization was written from the left but not for it. The structure and especially the language of the book were determined by the specific political/economic context of Detroit in the early 1980s. Writing as combatants on our own local terrain and as advocates of social accounting, public planning, and bargained development, we were required to offer a model for the implementation of our agenda. This model had to engage the self-interest, and survive the skepticism of all the key participants in the multi-class coalition that is necessary to this agenda.

Our model for political implementation acknowledges that the power and needs of private capital will continue to dominate the national and regional economy for the rest of the century. At the same time, we assume the possiblity of a political alternative to the unconstrained dictates of capital in the economy and the state. This will involve a bold role for local government sustained by a politicized people and a strategy for building important elements of worker authority in planning and production.

Stages of Development

THE WAY IN WHICH this will unfold is not entirely predictable. However, it is useful to think in terms of three phases to the rational reindustrialization of Detroit.

A "pilot project" phase would begin with an effort to avoid a major plant closing. Based on the work of an emerging coalition we describe below, a threatened plant would be converted to production of energy hardware. This conversion may be based on traditional private investment; it may be a worker buyout structured as a cooperative or through an employee stock ownership plan, or

may involve *both* private and worker equity. Detroit would host several such pilot projects before the confidence, capacity, and mutual trust of the orchestrating participants make a new phase possible.

A second, "mixed enterprise zone" phase would follow. Schooled and politicized in its prior dealings with converted plants and worker equity, city government would bargain the development effort in this zone. Such matters as public investment, use of eminent domain, access to pension fund capital, wages, hiring and training policy, child care, coordinated production of intra-zone orders, cooperative marketing, and taxation would be bargained in this phase of the project. The achievements of bargaining would be embodied in development contracts which both advance *and* constrain the interest of participating manufacturers and lenders, worker-owned firms, trade unions, community organizations, and government and its quasi-public agencies.

A more distant possibility might be called the phase of "working class metropolitanism." At this stage, industrial planning will assume a regional dimension, and the balance of authority in some important sectors of the area economy will shift to government and labor. A mass political culture of involvement and competence would nature in the bargained-development experience and in hard-fought contests to elect local governments pledged to the agenda.

For "working-class metropolitanism" to push forward rational development, however, a dramatic evolution in the *national* politics must occur. A substantial social-democratic movement, a greatly expanded arsenal of federal economic development tools, national policies (e.g., mass transit, rail renewal) that create additional industrial opportunities for the Detroit region, and much else will be necessary.

Corporatism on the Agenda

AT SOME POINT in the 1980s (and sooner than we anticipated only a year ago), the nation will confront the failure of Reagan's laissez-faire, supply-side stewardship of economic policy. Because of its current ideological bankruptcy and programmatic disarray, welfare liberalism will not again offer a political alternative. With traditional models of conservatives and liberals in question, a period of danger and opportunity will arise in American politics. The coming debate will center on the objectives, forms and costs of a qualitatively new state intervention in the economy.

All participants in the debate will offer drafts for a new social contract which will be the foundation for renewed growth. Differences in these social contracts will center primarily on the distribution of class power—who will make the decisions and who will pay the costs of growth. There will be sharp conflicts over regional competition, energy sources and costs, urban redevelopment, renewal or replication of basic infrastructure, and state policy toward both growing and stagnating industries. Despite differences, all serious participants in the contest will assume the necessity of major state spending and macro planning. Vulgar critiques of big government will wilt before the hard evidence of economic and social decay.

We can already witness the early rhetoric of these contests in *Business Week*, in the writing of Lester Thurow and Amitai Etzioni, in the cautious positioning of a number of rightward-facing post (neo?)-liberal politicians (e.g., Glenn, Hart, Tsongas, Blanchard, Bradley, Jerry Brown, Andy Young) and especially in the frostbelt jeremiads of Felix Rohatyn, corporatism's chief American ideologue. Certainly the Reagan debacle will intensify discussion of corporatist options and clarify camps within the broadening ranks of those committed to aggressive state intervention. For better or worse, by the end of this decade, the long period of economic and political instability dating from the early 1970's will have been superseded by a provisional order based on corporatist arrangements.

At present, progressive forces are ill-prepared for the coming of this Leviathan. Unions are on the defensive, especially those based in manufacturing and public employment. Without leadership or organization, the poor are falling through Reagan's rents in the social safety net. Black and Latino bases hold up a few fine leaders, but they serve as spokespeople, not as generals of an army on the move. The left hardly exists as a political force, having survived the 1970s as an amalgam of aging clubs, graffiti gangs, out-caucus trade unionists, populist or communitarian state-wide federations, single-issue and single-city movements, publication staffs, individual heroes of history, and—one hopes—thousands of quietly

active individuals shaped by the new left whose own practice is less discontinuous than our collective record.

As corporatism emerges as the primary agenda of American capital, organizing in the 1980s must build movements that can form a progressive resistance to its unbargained imposition. A left committed to this effort must win much broader credibility within trade unions and with workers. It must become skilled in electoral combat and generate candidates who can win, shed remaining liberal, populist, communitarian, and infantile-militant illusions, and be rooted in organizations that can stay the course.

Obviously, the movement necessary to resist the imposition of right-wing corporatism and to advocate a bargained alternative does not yet exist even as an inchoate opposition. But patient groundwork, debate, and the rising tide of mass discontent can bring such a movement to life. The *latent consensual themes of the left* should be the banners of this movement: *socialization of investment; democratic authority in economic life.*

THE PRIMARY FRONT for this movement will be the disinvested urban centers of America, particularly the cities forming the damaged spine of the industrial Midwest and Northeast. The working and unemployed people of the blasted frostbelt will respond to practical and plausible programs for economic recovery. For workers in an at-risk factory, socialist principles abstracted in a purely national platform are not enough. The same principles Michael Harrington proposes for a national program will evoke greater enthusiasm when translated into a concrete local economic development plan that will save jobs and communities.

Our own political model is implicitly "corporatist," and will, therefore, initially trouble many American socialists whose commitment was forged in the new left of the 1960s. Corporatists, as we use the term, call for voluntary cooperation between capital, labor, and the state beyond the normal institutions of bourgeois democracy (e.g., elections; the union contract), assert the need for economic planning from above as the basis for this tripartite integration, and seek common ground on which to contain conflict and organize growth.

To be clear: we do *not* believe that any variant of corporatism can itself provide the basis for a transition to socialism, and we grant that corporatist participation in Europe by the trade unions and parties of there left has, on balance, served the interests of capitalists in slower real wage growth.*

Detroit as the Testing Ground

THE EXPERIENCE of Detroit exemplifies the form corporatism may take in the remainder of this decade.

Detroit's peril has put severe pressure on the high-profile public/private coalition that, in one form or another, has helped tend the city's fortunes from the Rebellion of 1967 through the recent restructuring of municipal debt. This coalition operating through such organizations as New Detroit, The Detroit Economic Growth Corporation (DEGC), and Detroit Renaissance has brought together government, community, and commercial leaders with retired elder statesmen from the auto industry to guide the redevelopment of the downtown commercial district.† Organized labor has been dealt into this coalition in deference to its strong political presence. But in reality only top government and corporate representatives have had real influence in the crucial economic development initiatives, due partly to the inactivity of labor. But the efforts of this leadership have not brought a new Detroit.

In order to preserve the legitimacy of the coalition, the conservative private stewards of Detroit's economy will be compelled by their more liberal colleagues to take the unprecedented risk of including labor as an equal partner in a new coalition committed to the reindustrialization of Detroit. The civic leadership is being forced in this direction because the massive auto disinvestment and relative failure of their own program has left a void in which an unorthodox development plan is rapidly gaining grassroots support.

*See Leo Panitch, "Trade Unions and the Capitalist State," *New Left Review* 125 (January–February 1981).

†New Detroit was formed in the post-rebellion period by black and white leaderships to deal with racial tensions. The board of directors of the DEGC are primarily executives of business and financial institutions. The purpose of the DEGC was to drive forth commercial and industrial development, though its limited success has been primarily in the commercial area. One industrial showpiece is thie Central Industrial Park Project, popularly, if incorrectly, known as the Poletown Project. Detroit Renaissance is a patrician coalition of retailers, real-estate men, and auto executives (Henry Ford II and Max Fisher were involved). The primary goal of this coalition was to preserve the hub function of downtown Detroit in order to protect existing business interests. Their primary project was the Renaissance Center.

And a reindustrialization plan based on the conversion of existing auto plants and related industries to new forms of production and ownership will *only* work with the support of the UAW. Thus, the current business leadership of Detroit is facing a situation where they will be forced to consider new forms of planning and new terrains for bargaining. In short, we see Detroit as the crucible of a center-left corporatist encounter in which class relations could be very different than in the dreams of Felix Rohatyn.

IN THE MONTHS since we published *Rational Reindustrialization* our sense of the possible has, if anything, expanded. Following a lengthy presentation to the coalition's top quasi-public strategy group, the Detroit Economic Growth Corporation (DEGC), we were asked for a list of next steps. One of these has already been set in motion; the DEGC and the City are now helping a trade show entrepreneur with an extensive local metalworking clientele to stage a large-scale oil and gas technology conference and exposition. This event, called Oiltech 82, will bring many of the energy hardware giants to Detroit in September. It will open with a general session on "Retooling for the 1980s" at which we will present the core of *Rational Reindustrialization*. In another such step, the City has convened an ongoing reindustrialization working group where we will join representatives from Detroit Edison, Michigan Consolidated Gas Company, the DEGC, Chrysler, Budd, the State Department of Commerce, the UAW, and the sponsors of Oiltech 82.

We have been able to write an industrial facilities conversion loan fund into state law. An "economic development authority" will make loans financed by revenue bonds based on oil and natural gas royalties. It has priority access to this public development capital and can make working capital loans to ESOPs that have full voting rights. Also on the state front, some of our themes have been picked up by progressive candidates for state office.

Several of the more established and independent community groups in the city, including the Michigan Avenue Community Organization (MACO) and North Central Seven, have come together in an unprecedented common project that will carry out a grassroots education program to demystify "economic development" and build links with union locals in at-risk plants. And as *Rational Reindustrialization* has become increasingly visible and its relevance to bargaining over plant closings more obvious, there is beginning to be serious discussion of these ideas in the UAW International. The Greater Detroit Chamber of Commerce, working with Detroit Edison and a regional government coalition, is, on the basis of our plan, giving serious consideration to recruiting energy hardware producers to the Detroit area.

Perhaps the unsettled mood of disinvested Detroit and the unusual politics made possible by crisis are best suggested in the comment of a member of the Detroit city council after we had finished a presentation to the full body in late March. Said stalwart conservative Jack Kelly, "I don't give a damn if they're socialists or communists or Irish! I'm for it!"

The Center-Left Corporatist Coalition

WE OFFER THIS personal summary not (only) as evidence that we are two fine lads on a roll, but to show the impact that a coherent left-wing proposal can have even before it has organized support. To be sure, none of those with whom we are working is equally interested in all elements of the rational reindustrialization agenda. Each is most attracted to the parts that address their most immediate needs: for customers and profits, for good wages and jobs, for renewed political standing, or for some protection from ad hoc, arbitrary development efforts. But our initial probe suggests the potential for a center-left corporatist coalition in which social accounting, public planning, and bargained development can eventually govern growth.

We do not believe that Detroit is somehow a special case. We foresee center-left corporatist coalitions becoming the terrain of urban politics in the frostbelt as a whole. We are localists only in our choice of action on the metropolitan scale as a necessary initial strategy. The public firms, worker cooperatives, mixed and purely private enterprises that benefit from bargained development in a given region will also operate in a national and international economy. Public planning can forge many cost-efficient trans-regional links (Detroit cogenerators for New York public housing, for example). These links could intensify the political dimensions of rational development, since such integrations might be best facilitated through trade unions, a progressive party, or party wing.

ENOUGH OF FUTURES. In the here and now of deepening stagnation and decay, reaction, defeated liberalism, and marshaling corporatism, clear choices must be pressed upon the progressive forces that are the only basis for left political work. We believe concrete and plausible programs for economic recovery can pose such choices.

The leaders and members of the industrial unions have a choice between controlled defeat through concession bargaining, or an opportunity for political rejuvenation through aggressive bargaining over planned conversion and worker equity.

For decent, disoriented liberals, the choice is between the illusion that sixties redistributive programs can be replayed in the eighties and the recognition that democratic advance requires qualitatively increased public authority in the economy.

For "fair" share populists, the choice is between more (often cynical) campaigns to organize the peoples' discontent block by manageable block, and accepting responsibility in those city-and state-wide movements that make claims on the public capital for pro-working-class redevelopment.

The best electoral militants have the choice of continuing to endorse individual candidates, ad hoc, or constructing an economic platform that will serve as a yardstick against which to measure all candidates and shift leftward the debate on recovery.

And for democratic socialists, the choice is between politically inert national programs and a quadrennial waltz that reduces good activists to the leftovers of the possible, and programs for rational reindustrialization that make social accounting, public planning, bargained development and their rewards winnable objectives for which urban citizens can and will fight.

We have no great confidence that people from all or even most of these tendencies will make the decision we prefer; we are convinced, however, that organizing in the 1980s should compel such choices.

APPENDIX: TECHSPEAK

Gas and Heavy Oil Equipment

AS EASY-TO-TAP RESERVOIRS of natural gas and crude oil are exhausted, a larger proportion of energy industry resources are being invested in prospecting for deep deposits of natural gas and "completing" known fields of heavier crude oils. The stock of structures and machinery that require gas and oil products will not be junked despite waning supplies of cheap, easy-to-extract oil and gas. Thus a massive market in the hardware associated with drilling deeper, faster, and in more locations is assured. In addition to the traditional equipment required—pipe, rigs, bits, derricks, masts, wellheads, etc.—the depth, viscosity (thickness) impurity, and pressure conditions of oil and gas below about eight thousand feet promise a growing market in pumps, steam injection engines, steam compressors, and oxygenators. Simply put, to take full advantage of reserves of "sour" oil and gas, horsepower must be available to force the fuels out and upgrade them to pipeline (gas) and refinery (oil) quality.

Orthodox industrial location thinking would not immediately link the need for oil and gas field equipment with the underused capacity of Detroit; but in the new energy world of the 1980s and 1990s we may well have a major comparative advantage for the production of the pumps, engines, compressors, tubular goods and other componentry now demanded in the field.

Cogenerators and Industrial Process Engines

A LEGACY of cheap, accessible, domestic oil and gas has not only produced an economy that runs on these fuels, it has also stimulated a pattern of use that, at today's prices, is unaffordably wasteful of them. The best case is the structural divorce between the use of heat and the use of electricity. When oil or gas products are burned, the energy embodied in them is released in the form of heat. In both structures (homes, office buildings, and factories) and processes (steelmaking, smelting, etc.), however, individuals and corporations purchase fuels for heat and electricity for light, for appliances, and to power non-oil/gas machinery. The heat lost in burning oil and gas—from thirty per cent in most residential

burners to over fifty-five per cent in some industrial processes—is simply wasted: it does no work. Meanwhile, electric utilities purchase oil, gas, coal, and uranium, and burn (or, in the nuclear case, bombard) them to make the steam that drives electrical turbines. On average, they lose over sixty per cent of the available heat content in the fossil fuels they burn.

An increasingly attractive alternative, and one assured a growing market, is to *co*generate heat and electricity from the same fuel input. Engines or burners that do this are called cogenerators. Markets exist, and are expanding rapidly, for cogenerators that heat houses and halve electricity bills all the way to massive cogenerators that provide virtually all of the heat and power needs of multi-plant industrial complexes. The smallest units look, weigh, and are built much like low-compression small car engines. Two Detroit-suited product lines emerge: small, medium, and large cogenerators, and, as a spinoff as well as a lease on the life of existing investments, industrial process machine-driving engines.

Minemouth Gasifiers

FINALLY, the United States is unquestionably on the verge of a major new industry geared to reconcile the existence of a four-hundred-year supply of coal with a capital stock that was built to run on a forty-to-seventy-year supply of oil and gas. For all the talk of making Colorado's shale deposits into a five-hundred-year supply of diesel fuel or of producing massive volumes of heating oil from West Virginia and Kentucky bituminous coal, the only proven technologies that resolve the mismatch between the form in which American hydrocarbons exist in nature and the forms in which they are consumed involve the conversion of coal into gaseous fuels embodying between one-seventh and two-fifths of the heat content of natural gas. In the face of uncertain policy, the investment community is voting in the marketplace for the machinery that turns coal into "synthesis gas" at the coal-mining site.

There are at least three attractions for Detroit in the production of such gasifiers. First, unlike the equipment used to liquefy shale or coal, gasifiers need not be huge to be commercial scale. There are today at least three companies straining to meet the demand for gasifiers that cost just $830,000 and that convert as little as twenty-five tons of coal per day into "syngas"; ninety-two per cent of

American coal mines, it should be noted, have daily output exceeding fifty tons. Second, unlike coal liquefaction equipment, which must be custom-built and optimized to process a particular type of coal, syngasifiers can transform coals of widely differing heat, water, and sulfur content into clean gaseous fuels. This greatly increases the range and siting of their application. Third, where commercial-scale liquefaction equipment must be built near, and partially assembled on, the process site, minemouth gasifiers are small enough to be transportable fully-built, allowing their producers to capture most of the value-added they embody. In fact, Detroit may well be the one place in the United States that could host *all* of the jobs required to produce gasifiers, from steelmaking from scrap all the way to final product assembly.