Introduction

On Common Misconceptions and More

In the middle of the no longer recent great collapse of the American economy, Tom Toles, the wonderful *Washington Post* editorial cartoonist who started his career in Buffalo, produced a cartoon occasioned by the grand reopening of the American History Museum in Washington. In the cartoon, people gather around a domed exhibit, a model of a common suburban house with mom and dad and two kids standing for a formal portrait outside the front door, their two cars in the open garage. The legend on the exhibit reads, “The Postwar Boom 1946–2007.” In the corner, a child asks her parent, “Did that really happen?” This is a great bit of cartooning, except for one fact. The postwar boom gave out by 1973, if not earlier. By about 1985, the American middle-class family experienced economic life significantly different from the way that their postwar forebears did.

Similar common misconceptions about our national economy abound.

1. The Fifties\(^2\) economy demonstrates the unmatched ability of American manufacturers in producing quality consumer goods inexpensively.
2. The decline of the American manufacturing economy is the result of greedy unionized workers who wished to be well paid for doing little.
3. The rebirth of the American economy would be guaranteed were we simply to reduce taxes and eliminate regulations.
4. The rebirth of the American economy would be guaranteed were we to stop the financial gutting of American companies by executives, banks, hedge funds, and private equity investors.
5. The future strength of the American economy can be guaranteed by investing heavily in (fill in this blank with your favorite newness).

Many partisans of local economies similarly believe “a lot of things that just ain’t so.” Consider Buffalo. Most of the locals believe:

1. In the Fifties, the City of Buffalo had a great, sustainable economy that unfortunately went downhill when the New York State Thruway, the Saint Lawrence Seaway, the suburbs, and high labor costs sapped its vitality.
2. The Buffalo area has lost the manufacturing jobs essential to a growing economy.
3. The decline of the City of Buffalo’s downtown impeded growth in greater Buffalo because a healthy downtown is essential to any thriving community and so the recent modest revival of downtown Buffalo is evidence that growth is returning to the area.
4. The undertaking of great public works—parks, buildings, bridges, stadia—is an essential catalyst for economic growth in this or any other area.
5. The decline in the Buffalo economy that has caused young adults to leave the area must be remedied by building an economy that will motivate them to stay.

These days misconceptions are most often attacked by either scholarly apparatus or by tendentious argument. There are other possibilities. One is the essay, and this book may be best seen as a very long essay. But what kind of an essay? It is not an essay about the economic development of either the United States or Buffalo. Rather, it is simultaneously about the American economy and Buffalo’s too. To understand either, one needs to look at both. Each story illuminates the other, for it is the contrast between them that raises questions about the process of economic change and possibilities for community economic redevelopment, aided, as is always the case, by governments, and so by law. Thus, as a book that is simultaneously about community, economy, and law, it is an essay that attempts to think about what can be learned from within such disciplinary categories, but without the limits that each separately imposes on understanding.

This book is structured around two questions that have occupied Americans for thirty-five years or longer. The first is: What happened to the Fifties economy and the communities that experienced it, and why? This question is essentially historical because effective action directed toward redevelopment requires an understanding of both local economic history and that of the larger entity within which it is located.

The second is: Why have we have been unsuccessful at recreating the Fifties economy and those communities that thrived in it, despite our attempts to bring about economic redevelopment? This question is essentially a matter of political
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The answers to these two questions are presented in five Parts of variable lengths. Each of the first two Parts present a relatively long story and accompanying commentary that attempts to answer the first question. The final three Parts attempt to answer the second question, initially by understanding how economic development takes place, and thereafter by exploring both national and local conditions since, for good or ill, most communities experience economy locally. A brief conclusion follows.

All five Parts are framed by two epigraphs. The first is from the great historian, Fernand Braudel: “Man lives from choice in the framework of his own making, trapped in his former achievements for generations on end,” which makes it clear why accurately understanding one’s economic past is important to shaping an economic future. The second is by the great urbanist, Jane Jacobs: “Economic life develops by grace of innovating; it expands by grace of import-replacing,” which, by linking the economic concepts of innovation and import-replacement with the discordant concept of grace, clarifies that a history of growth and development is not sufficient to explain the episodic structure of economic life.

Part I—Law and Economic Change in America

This Part tells the story of the intermittent economic growth and equally intermittent decline of the United States after the Civil War. These years saw repeated efforts by producers of goods and services—first industrial, later consumer—to control competition in order to avoid the risk of bankruptcy resulting from the introduction of new products or services, especially transportation services. These modestly successful efforts created various merged, then oligopolistic structures, sometimes supported by law. Despite periodic declines in overall economic activity, and one real depression, the national economy continuously expanded and the middle class too. Then, after World War II, the domestic economy flowered gloriously. Identified with high wages, low unemployment, and high-priced goods, this Fifties economy saw continued expansion of the middle class and the upper reaches of the working class became middle class too.
However, this success at creating a stable economic structure was dependent on the nation’s relative insulation from the world economy following WW II. That force for stabilization had disappeared by 1980. Recurrent efforts to reestablish such stability have regularly failed. As Braudel would have predicted, it is the Fifties economy that most haunts the United States.

Part II—Community and Economic Change in America: Buffalo, Queen City of the Great Lakes

This Part tracks the development of the Buffalo economy over the same time period. Once a gateway to the West and later a great rail hub, Buffalo’s history parallels that of the nation up through World War I. Like most of the cities in the Northeast, as Buffalo’s industrial and consumer manufacturing base grew, its population exploded with immigrants. These individuals gathered in dense ethnic/religious pockets. However, mergers and a growing oligopolistic market structure left Buffalo without the headquarters of any large corporation. In effect, it became a branch-plant town. After the Fifties most of the branch plants closed, just as they did elsewhere in the Rust Belt. Growth occurred primarily in government and service jobs. As Braudel would have predicted, it is also the Fifties economy that that most haunts Buffalo.

Part III—Thinking about Economic Development

This Part explores suggestive bits of political economy written by the urbanist Jane Jacobs in her books *The Death and Life of Great American Cities*, *The Economy of Cities*, and *Cities and the Wealth of Nations* in order to construct an understanding of economic change, of growth and decay. Jacobs focuses initially on the role of a city’s innovations and exports as the means for bringing economic life to local communities. She considers the assistance that others may offer, particularly subsidies paid to poorer regions and the promotion of trade between advanced and backward economies, to be as “transactions of decline.” Four troubling concepts underpin Jacobs understanding of economic change: *nature* as the ordinariness of productive tinkering; *grace* as a gift or blessing that is unknowable, unbidden, and undeserved; *the invisible hand* as a possible force in innovation; and *drift* as a fact of economic life.

After examining each of these concepts, the strongest pieces left in her analysis are the importance of export creation and the necessity of avoiding transactions of decline and the political impossibility of not engaging in such transactions
in a relative democracy. In the end, the inability to specify the circumstances under which economic development takes place makes it difficult to identify redevelopment strategies. One palatable alternative might be focused on making any community attractive to all of its residents, in recognition of their collective participation in rebuilding that community. Such a strategy has the advantage of possibly ensuring that a community’s attractiveness to the middle classes, admittedly not the most attractive or needy group of residents, who might bring economic development with them. Such a strategy can best be seen as action taken while “waiting for rain;” as such, it reappears in the final two Parts.

Part IV—Consider Buffalo

This Part begins by first comparing Boston’s economic history to that of Buffalo, Cleveland, and Pittsburgh, as part of a broader attempt to identify the economic, social, and political conditions of Buffalo and its region, the position that Braudel identifies as being “trapped in . . . former achievements for generations on end.” After the city’s branch plant economy disappeared, the region’s ethnic communities remained, though almost all but the African Americans dispersed to the suburbs. Voter demand for the replacement of lost jobs pushed elected officials into a continuing search for branch plants; the decline of the local tax base led those same officials to rely on transfer payments from federal, state, and even county government. As Jacobs might have predicted, these “transactions of decline,” designed to shore up an employment base in poor or lower-middle class neighborhoods, failed to rebuild Buffalo’s economy, exactly as was the case in other Rust Belt cities. Limited strengths, structurally difficult politics, and an, “I get mine too” mentality only made things worse. And so, the Buffalo community has been left to wait for the possibility of “grace,” or as the title puts it “rain,” even though local politics have created an imperative to act.

What then might Buffalo do were there at least modest funds available for investment into the community? If Jacobs is correct, the two possibilities that come most quickly to mind—investment into the poor, the neediest class, or the lower middle or working class, the most directly affected by the collapse of the local economy—are unlikely to do much toward making Buffalo or similar Rust Belt cities an attractive place to live and work. More plausible would be to attend to the wants, though not needs of the upper parts of the middle classes, a not particularly attractive target for governmental largess. Still, attention to their demand that their communities be safe, clean, and beautiful and that their children be well schooled by a government that does its regulatory job quickly
and predictably, might redound to benefit all citizens by providing a reason for the individuals who might create opportunities for economic development to come and stay, while at the same time making the region more attractive for those left behind should such “rain” never come.

**Part V—What Then about America**

This Part also begins, as Braudel might, with a recapitulation of the economic history of the United States from Part I, in order to identify the economic, social, and political conditions in which Americans find themselves. This review notes the country’s limited strengths—agriculture, transportation, education—great weaknesses—oligopoly, reliance on finance—and fractious political structure, as well as the difficulty of maintaining a consumer economy, dependent on imported goods for its continuation, without undercutting the economic opportunities of those whom it most benefits. Equally important, this Part makes clear that questions of economic change in such a large place as the United States are mostly reflective of local conditions—and their impact is largely local as well. Despite the overwhelmingly local nature of the economy, the fivefold division of social status nationwide—the poor, the lower-middle class, the middle-middle class, upper-middle classes, and the upper class—allows each group honestly to believe in the effectiveness its own set of federal level remedies to improve the economy, even though all remedies are likely to be ineffective on all but a few local levels.

After suggesting the implausibility of relying on both “do nothing” and the “do something” prescriptions for economic development as a substitute for Jane Jacobs’s ideas, discussion turns to a contextual analysis of three common prescriptions offered in political debate—tax cuts, minimum wage increases, and subsidy removal. All are rejected because of their indeterminacy as a result of the marginal, and so limited, impact on various social segments, as well as the deeply situational distribution of these benefits. Such difficulties are an example of the real limits of law to structure markets and direct economic change.

When one goes to law to address an economic or social problem, only sometimes does law even pay attention. Often law delivers aid different from that requested. In either case, only sometimes does the aid delivered successfully address the problem. Delivery of the desired aid may even make the problem worse, just as the delivery of aid not sought, perhaps even resisted, may address
the problem. Such seemingly random results are not evidence that going to law is a crapshoot; rather, the range of actual results shows that the interrelations between community, economy, and law are more complex than any form of policy analysis can comprehend.

In circumstances where legal action is likely to be overwhelmed by social structures, what action taken at the national level might be a sensible response to citizens’ desire for economic redevelopment? Here, as in Part IV, national funding for local efforts to address the provision of middle-class amenities is a sensible starting place. If designed to make local citizens, both current and potential, feel welcomed with choices among safe, clean, and beautiful living conditions in which children are well schooled and government sensibly expeditious, such action would be a sensible use of federal largess. Indeed, such funding, were it implemented in the spirit of avoiding harm, offering help, and promoting change, while being sensitive to complexity, would be a plausible place to start in building the local economic resiliency that most communities thought they once had and still desire. And, at the very least, it may create a pleasant place to be “while waiting for rain.”

Is Conclusion Even Possible?

The conclusion offers four observations. The first asserts that rooting analysis of economic growth and decline in communities, and not in larger entities, is important because it is in such communities that people build a hopeful, stable life. A key question for America going forward is why places like Buffalo, which so closely tracked the national economy, lost its tie to that economy. The second explains why the Fifties in Buffalo and elsewhere were anything but “The Last Fine Time,” as Verlyn Klinkenborg put it, why rebuilding that past economy is impossible, and why building a new economy that, like its predecessor, would create a wage-earner or hourly middle class, would be a good, if difficult, thing to do. The third suggests that given the certainty that economic life will change, that economic development is a matter of waiting for rain, and that the uncertain effects of any action by law (which is to say government) may accomplish, it is probably best to seek government funds to make our communities better by supporting by a broad middle class. The fourth asserts that when choosing even this modest action, it is important to remember the time-boundedness of our present ideas, built as they are on past experiences, and so to be careful not to
attempt to recreate a past that is but poorly remembered in order to meet a future that is quite likely to be unknown.

After this conclusion, comes “A Note for Historians.”

In aid of those readers who are willing to continue even after reading this introduction, my good friends and readers Tom Disare and Phil Halpern have suggested that this is not a book designed to be read straight through. Rather, it is best absorbed in twenty-five or so page chunks and with clean breaks between the individual Parts. It is unlikely that they are wrong and so there are plenty of places where the reader may pause—subheadings and, within them, subsections identified with a typographical ornament, such as the one above.