After the long era of populist policy making, the Corporate Regime formed new policy making institutions and radically altered policy priorities. One of the elements contributing to the demise of the Populist Regime was the clash of incompatible ideals, working class and professional. The ideal of the professionals moved with them into the Corporate Regime, there to be in contest with two renderings of the entrepreneurial ideal. Entrepreneurs were driven by an ethos of individualism. For the professionals individualism was irrelevant; the means and ends of policy were collective.¹

**ENTREPRENEURS AND PROFESSIONALS**

Entrepreneurs saw themselves as individuals, saw the beneficiaries of their policies as individuals, and saw individuals as responsible for righting the wrongs of society. They also believed that individual goals and outcomes could only be achieved when channeled through organizations.²

Professionalism, conversely, rested in collectivism, both the subject and object of the professional ideal. For professionals, an organization was a collectivity managed by a collectivity to benefit a collectivity. To professionals, then, the organization was both ends and means.³

**TWO RENDERINGS OF THE ENTREPRENEURIAL IDEAL**

The entrepreneurial ideal motivated Samuel Mather, the iron monger Chamber of Commerce president, and the entrepreneur turned politician
Tom L. Johnson. In an 1895 speech before the Cleveland Chamber of Commerce, Samuel Mather pointed to English municipal reformer Joseph Chamberlain as the archetype of the entrepreneur as civic activist, a role model for the would-be Cleveland entrepreneur as activist. Mather praised Chamberlain for his willingness to trade his flourishing business career as a screw manufacturer for public service in Birmingham, which he parlayed into the leadership of the British Liberal Party.⁴

Tom L. Johnson, a member of Mather’s audience, was also impressed by the leadership role played by entrepreneurs in the English municipal reform movement, but for intellectual sustenance, Johnson drew more directly on the social reform doctrines of the quixotic American reformer Henry George, though the ripple effect of Georgeist doctrines spread also to England.⁵ The value of Chamberlain’s municipal reform movement and the ideas of Henry George to Cleveland’s entrepreneurial reformers is found in the distinctions drawn between active (good) and passive (bad) capital. These distinctions sustained Corporate Regime policies in tax reform, economic development, urban growth, service distribution, and wealth redistribution.

The treatment of monopoly capital divided the entrepreneurs. All agreed that monopoly capital was bad capital, but Tom L. Johnson and his allies wanted to replace monopoly capital ownership of transit and utilities with public ownership, while the entrepreneurial faction represented by Samuel Mather and the Cleveland Chamber of Commerce wanted to regulate and tax the franchisers. The stage was set for a split between the entrepreneurs.⁵

THE INSTITUTIONAL SETTING

The Cleveland Chamber of Commerce

Policy initiatives in the Corporate Regime were the near monopoly of the Cleveland Chamber of Commerce, but the task of policy implementation was dispersed through a mélange of private and public institutions, especially the municipality and the board of education, two suspect public institutions. The Cleveland Chamber of Commerce was also the keystone organization in the Corporate Regime’s institutional network, and it was here also that the triangular stresses between the two renderings of entrepreneurial ideal and the professional ideal first appeared. In 1893, however, the issue was not reconciling incongruent ideals but the more pressing matter of organizational renovation.
Created in 1893, the Cleveland Chamber of Commerce borrowed from the chamber of commerce movement in neighboring cities. They demonstrated that businessmen's organizations infused with a new sense of purpose and a more effective organizational structure could play a greater role in the city's business development and shape the larger course of urban policy. This prospect inspired a newly policy-sensitive corporate community in Cleveland to reform the Board of Trade. Cleveland, like other growing cities, spawned dozens of businessmen's trade associations, each isolated from the other. The new chamber of commerce movement federated these separate businessmen's entities under one organizational umbrella. So structured, the information services offered by the chamber enabled each businessman to see the local economy whole and in relationship to regional and national business trends. The federated setting also enabled chamber members from diverse business backgrounds to appreciate the nexus between business and public policy making. Ryerson Ritchie, a local man with a broad business vision and considerable organizational talents, was retained to mold the old network of business organizations into a modern chamber of commerce. Ritchie brought to the enterprise the skills and values of the professional manager, and he created in the Cleveland Chamber of Commerce an organization structurally and operationally the mirror of the modern business corporation.

Ryerson Ritchie's first task was to assemble a board of directors. It was composed of highly visible entrepreneurs whose reputations and fortunes had been made in durable goods manufacturing. A president elected for a one-year term was the chief executive officer, and he reported to the board. Reporting to the chamber's president were several subsidiary boards corresponding to the functional sectors of the local economy: minerals, shipping, manufacturing, retailing, banking, wholesaling, and construction. The business sector boards supplied business information and economic development policy recommendations to a civic board that was primarily responsible for shaping the larger contours of urban policy. In addition, the civic board supervised several ad hoc committees chartered at various times to study specific policy issues, including city and regional parks, civic beautification, public education, the charity system, housing, the criminal justice system, and more.

Initially, the policy research civic committees were chaired by entrepreneurs. As the Corporate Regime entered midpassage, however, entrepreneurs were replaced by corporate managers and professionals in law, medicine, architecture, engineering, education, and religion. This succession stemmed from differences in values between entrepreneurs and professionals. Under entrepreneurial direction, chamber civic committee
policy recommendations were individualistic, highly dramatic, and accompanied by recommendations for private-sector or quasi-public institutions to implement policy. Managers and professionals, driven by a collectivist managerial ethos, wanted to standardize policy and make implementation the responsibility of public bodies. But public institutions were captive of the populist political culture. Therefore, Corporate Regime professionals, from the outset, campaigned for structural reforms aimed at purging populism from the formal system of governance. Above the daily tumult of democratic political culture, chamber policy making committees dispassionately evaluated the city’s economic development, urban growth, service distribution, and wealth redistribution needs and made policy to serve these ends. With an annual calendar of meeting times, agendas, schedules, and a generous supply of money from the parent organization to hire professional staff, conduct surveys, and publicize results, the chamber’s policy committees were businesslike, efficient, hard working, and highly effective.

Ryerson Ritchie’s organizational reforms gave the chamber an operational structure, even though the formal structure of the organization was at first eclipsed by the charismatic leadership of Cleveland’s entrepreneurs.

Early in the process of forming the Chamber of Commerce, entrepreneur Samuel Mather delivered an after dinner address in 1895 that defined the civic responsibilities of the entrepreneur and set out the goals of the chamber of commerce. Getting down to basics, Mather bluntly told the assembled businessmen that Mayor McKisson and ward politicians were not responsible for McKissonism. “Gentlemen, the fault seems entirely ours. Government will not be as good as we deserve until we are willing to take the time and the pains to make it better.” For that purpose, Mather advised his fellow entrepreneurs to take time out from money making and turn their energies to making the city better.

Samuel Mather’s dinner speech admonishment bore immediate fruit. Businessmen rushed to serve on chamber committees, including street railway and steel magnate Tom L. Johnson, who, in the spirit of Mather’s talk, entered politics and eventually became mayor of Cleveland. Johnson and the business community represented by Samuel Mather and the Cleveland Chamber of Commerce are often depicted as implacable foes, but the two had far more in common than the food and sparkling wine shared that night in 1895.

The Municipal Association

More than launching political careers, the Cleveland Chamber of Com-
merce initiated an institutional overhaul of the city’s policy making apparatus. One of the most enduring new organizations was the Municipal Association. In 1895 the chamber lent its support to the group of young anti-McKisson professionals who founded the Municipal Association, which became the voice of the policy concerns of Corporate Regime professionals. The immediate object of the Municipal Association was the reform of government. In the long term, Municipal Association professionals believed policy would have to be implemented by institutions visible to the public and institutions in which the public could place its confidence, which meant structurally sound institutions not too much under the influence of mass democracy.

The first targets of Municipal Association criticism were machine politicians, corrupt municipal bureaucrats, monopoly franchisers, and, at times, Mayor Johnson. Even though Johnson and Municipal Association professionals endorsed many of the same reforms, the essential difference was that Johnson professed affection for mass democracy, while the Municipal Association would place restraints on it.

For this reason, the Municipal Association tinkered with structural reforms in the municipal government. After initially supporting the strong mayor system, the Municipal Association backed the franchisers’ efforts to weaken the mayor during the Johnson administration, only to endorse home rule and strong mayor charters thereafter. Exasperated at repeated failures to satisfactorily improve the performance of the executive function, the Municipal Association (by now the Civic League) in 1919 touted yet another panacea, the city manager system of government buttressed by nonpartisan elections and reductions in the size of the city council and school board as means to blunt the effects of mass democracy.

As civic architecture each of these structural reforms was flawed, inevitably falling short of an ideal design of public governance. Frustrated Corporate Regime professionals therefore tirelessly returned to the drawing boards in search of the perfect new form, only to be frustrated by the political tradesmen who sabotaged their work. But in the twilight of the regime, the collectivist municipal functions the professionals sought were far closer to realization than they could see.

TAX REFORM

Chamber of Commerce professionals regarded institution building as a necessary prerequisite to policy making. But the entrepreneurs who guided the Cleveland Chamber of Commerce in its infancy were deeply preoccupied
with what they saw as the parasitic relationship between various forms of capital and taxation. The policy course they chose for Cleveland would cost large sums of someone’s money, and taxes would have to pay for it. But who should pay most? To sort out the issue of tax burden, the Chamber of Commerce entrepreneurs borrowed the good capital–bad capital distinctions from Chamberlain and the Liberal Party.

Good capital was active capital, that is, the money the entrepreneurs invested in the export sector of the economy, related real estate, and personal property. Active capital was good capital not simply because it was beneficial to its holders but also for the goods it produced and the thousands of jobs it created. Active capital was taxed more heavily than other forms of wealth. Against this there were three forms of bad capital: (1) inactive capital, which was money invested in land, especially land held vacant against future gain by speculators, (2) monopoly capital, which most conspicuously included the assets of traction and utilities companies holding franchises awarded by the municipality, and (3) passive capital, the income from investments.

The entrepreneurial reformers schemed to transfer the tax burden from active capital to the three forms of bad capital. State and local tax revenues rested heavily on the property tax. However, property was so broadly defined by law that it failed to make distinctions crucial to the entrepreneurs, as between real property and personal property, the latter including the assets of individuals and corporations. The personal and corporate property tax exposed such assets as furnishings, machinery, inventories, and cash, certificates, bonds, and stocks deposited in banks to the tax collector and perfidious public officials. Real property was inactive (bad) capital. Personal property was active (good) capital, and it was the bulwark upon which the prosperity of the city depended. To reduce the multiplier effect of this hoard of active capital through confiscatory taxation was in the long run economically and socially damaging to all.

Even before the Cleveland Chamber of Commerce made public its formal lamentation of this state of affairs, entrepreneurs comported unilaterally to evade the personal property tax. Their tax avoidance artifices were well noted by embattled mayor Robert E. McKisson, who very loudly complained that the personal property tax collected annually amounted only to a minuscule fraction of the money on deposit in local banks.

Tom L. Johnson, the entrepreneurial reformer who was elected Cleveland’s mayor in 1901, came to the defense of good capital by launching a vigorous tax reform crusade. While campaigning for election, Johnson founded his “Tax School,” and for the first two years of his administration it attempted to educate the public on the need for tax reform. The Tax
School, echoing the thunder from the Chamber of Commerce, focused on the inequities of the property tax and on the tax favoritism shown monopoly capital represented by the franchisers. Tax reform became a staple of Cleveland politics, and in 1911, two years after Johnson was defeated in his final election, a Tax Commission was elected and the Johnson tax philosophy was carried forward by the commission’s chairman, Frederic C. Howe.23

Johnson held that high taxes on vacant real estate would bring land into the market sooner and thereby achieve its highest and best use. Moreover, high taxes on land already in use (in place of taxes on structures built on the land) would force land already in the market into higher and better uses.24 Johnson’s attack on inactive capital was misinterpreted in the popular press as an attack on property generally. Many of Johnson’s white collar and working class supporters, however, rallied to his side precisely because they thought he was making a more generalized attack on property, although Johnson never proposed to lay heavier taxes on active capital.25

Real estate interests, of course, criticized the higher land tax proposed by Johnson. To Johnson’s claim that a higher real estate tax on vacant and underused land would force land into higher and better uses, real estate interests replied that high real estate taxes would have just the opposite effect. High real estate taxes would force vacant land into the market too soon and into expedient rather than higher and better uses. Similarly, high real estate taxes on developed land would encourage owners either to abandon real holdings in marginal sites or alternatively put them to short-term inferior uses. Higher taxes on land, occupied or vacant, would have just the opposite consequence of higher and better uses.26

Tom L. Johnson, oblivious to real estate industry criticisms, next launched a parallel crusade to tax monopoly capital. Monopolies held by utilities and streetcar franchisers were easy targets, unpopular with both respectable people and the masses. Franchisers were given long-term service monopolies by the city in return for which the monopolists paid trifling sums in taxes. Johnson believed that monopoly capital had been given a privilege which franchisers exploited to price gouge consumers and dodge taxes. Abuse of privilege was the most frequently bandied term in the Johnson vocabulary of entrepreneurial reform.27 Chamber of Commerce entrepreneurial reformers saw nothing inherently wrong with Johnson’s reasoning. As a form of bad capital, monopoly capital merited severe taxation. The Chamber soon learned, however, that Johnson’s zeal for heavy taxation of monopoly capital was only a stop-gap remedy. His ideal solution lay in municipal ownership of these services.28
Johnson’s attacks on inactive and monopoly capital prompted the chamber to formulate its own tax reform initiative, a strategy also calculated to shift the burden of taxation from good capital to bad capital, that is, from active to inactive, monopoly, and passive capital. The strategy was only partially successful. Johnson’s rhetoric, and the popular response to it, made taxation a polarizing issue. Commercial real estate interests and traction and utility companies were not without their own political resources and tax avoidance strategies. Moreover, the chamber’s passion for taxing passive capital waned with the advance of time and the realization that passive capital represented the assets of entrepreneurial widows and heirs. The tax burden, thanks to the parallel efforts of the chamber, the Tax School, and the Tax Commission, was in the end shifted to real property, but the large commercial land interests, in turn, used their political resources to shift the burden of the real estate tax from large holders of realty to small home owners, who expressed their displeasure at the ballot box by killing many worthwhile civic projects on election day.29

ECONOMIC DEVELOPMENT AND THE MULTILOCATIONAL CORPORATION

One of the more curious ironies in the history of urban policy making is the low priority status the Corporate Regime assigned economic development policy. Once in control of the policy making apparatus, the men who built Cleveland’s industries practiced an economic development policy of benign neglect. A low-priority economic development policy was a misshapen response to the changing organizational realities of turn of the century industrial enterprises. American business organizations were evolving into larger and more impersonal forms, organizational changes that had a very personal and largely remunerative impact on the business lives of individual entrepreneurs and professionals; but as a civic decision making group, the men who built Cleveland’s industrial era economy failed to see the impact the evolving business organization had on the making of economic development policy.

Early in the Corporate Regime, key local manufacturing businesses changed from locally owned entrepreneurial enterprises into multilocational national corporations during a merger mania that erupted in the 1890s and peaked in the years before World War I. Mergers were effected by financiers resident in the nation’s financial centers, and mergers caused ownership to pass from highly visible local entrepreneurs, their families, and partners to anonymous nonresident stockholders and boards.
The multilocational corporation was important for both its sum and its parts. The multilocational corporation located its headquarters operation in large urban centers, preferably a major capital market, and strategically placed its parts—the branch plant and distribution centers—in key urban markets. Management of the multilocational firm passed from local entrepreneurs to a new class of professional managers. Professional managers transformed the merged business entities into a unitary multilocational corporation managed by means of a military style command and control organizational hierarchy. From offices in high-rise corporate headquarters buildings, executives and their staffs issued directives for implementation by subordinate line officers in branch plants and distribution centers.

In the new organizational hierarchy, Cleveland’s key businesses became branch plant operations of and distribution centers for multilocational corporations. Corporate headquarters decision makers, far more than local policy makers, directed the course of Cleveland’s economic development. Corporate location policy—the decisions about where to locate its parts—had a far greater long-term impact on Cleveland’s economic development than did the economic development policy of the Corporate Regime. In this new organizational environment, local policy makers did not control Cleveland’s economic destiny, although several decades passed before the impact of this new business paradigm was felt or even acknowledged locally.30

The Corporate Regime was unconcerned and unaware that economic development policy was no longer in its hands. In the earlier Merchant and Populist eras, by contrast, businessmen depended on the various favors and services local government could provide. Local public officials gladly acted as lobbyists for Cleveland businesses in the state legislature; more importantly, local public officials secured local funding for and supervised the construction of business related infrastructure. But the political needs of the national multilocal corporation transcended the authority and influence of local public officials and ex-officio policy makers. Multilocal corporations in metals, chemicals, electrical, and automobile industries, the largest employers in Cleveland, did business in several states, and their political needs in an era of expanding government regulation were federal rather than state or local. There was little that even the most compliant of local public officials could do to advance the political agenda of a multilocal corporation. Corporate Regime leaders continued to push the old economic development agenda of local infrastructure improvements as though nothing had changed.31

The corporate merger movement had an enervating effect on the lives of the entrepreneurial class. Cleveland’s entrepreneurs, once the holders
and vigorous defenders of active capital, became the holders of passive capital as they exchanged ownership and management in their firms for cash and stocks in the new multilocational corporate enterprises. Removed from the active management of the firms they founded, their business energies were directed toward managing paper assets, stocks, bonds, and deeds. With their bankers and lawyers, the entrepreneurs preoccupied themselves with estate management, family trusts, real estate trusts, and leaseholds. These defensive investment strategies signaled that the entrepreneurs were unwilling to convert their money into active capital for investment in new local business enterprises.³²

The apparent strength of Cleveland’s economy contributed to the Corporate Regime’s disinterest in economic development policy. This was an outgrowth of resolutely optimistic readings of the economic tea leaves, renderings which led policy makers to a false sense of security. Between 1895 and 1919, the years the Corporate Regime dominated local policy making, Cleveland’s population increased from 320,000 to 796,000.³³ A two and a half fold population increase was the sort of idle statistic that Cleveland Chamber of Commerce annual report writers seized upon as irrefutable evidence of the city’s prosperity. Even so, more probing looks into the demographic nooks and crannies sustained the enthusiasm of local boosters. In-migration and a comparatively high urban birth rate more than tripled the number of males in working age cohorts, but the number of jobs created rose fourfold, even drawing women into the labor force in substantial numbers, notably in the growing low-wage needle trades industries. Only in the World War I decade, when an 85,000 increase in the male working age cohort was offset by an 85,000 job increase in the war-driven manufacturing sector, did working age population growth even threaten to challenge the pace of job creation.³⁴ Chamber of Commerce boosters saw in Cleveland’s economy a business Eden that needed little tending, but they erred in doing so.

The essence of economic development is adding new work to old work in the export sector of a city’s economy; thus, a sound economic development policy is a predetermined plan to add new work to old work in that sector. Satisfied that the economy was fundamentally sound, the Corporate Regime did little that was premeditated to add new work to old work. The core of Cleveland’s export sector economy was manufacturing.³⁵ When the Corporate Regime assumed policy making dominance in the mid 1890s, over 40 percent of Cleveland’s labor force was employed in manufacturing, a proportion that increased to 50 percent in 1920. Reports published by an entrepreneur-dominated Chamber of Commerce proudly brandished this statistic, and it drew prolonged applause from an audience long accus-
tomed to taking economic development for granted. But jobs added in the manufacturing sector only masqueraded as economic development policy. New work was not being added to old work. The added jobs were only an expansion of old work.\textsuperscript{36}

The Corporate Regime deduced false conclusions from misread statistics. The reality was that manufacturing in Cleveland was heavily concentrated in the metals industry. Just three industries—primary metals, fabricated metals, and industrial and commercial machinery—accounted for 40 percent of all manufacturing jobs in 1890 and over 50 percent by 1920. Between 1890 and 1910, sixteen thousand jobs were added in these three industries, and in the single decade between 1910 and 1920, twenty-six thousand jobs were added in the three core metals industries.\textsuperscript{37} These were the very industries that were being merged into national multilocational metals corporations managed from out-of-town headquarters operations. Cleveland factories employing as many as 40 percent of all workers in the manufacturing sector became branch plant operations of multilocational corporations. In these industries so vital to the city’s economic destiny, Cleveland surrendered control over its economic development policy.\textsuperscript{38}

Early in the Corporate Regime, the electrical apparatus industry actually did add new work to old work, and late in the regime the automobile industry added new jobs to the local economy at a staggering rate, some fourteen thousand in the 1910–1920 decade alone. The appearance of both of these industries was encouraging because they not only gave Cleveland new work but they also bestowed upon the city “initial advantage,” the rapid growth deriving from an early start in an industry which gives the pioneering city an initial and sometimes permanent advantage over all urban competitors.\textsuperscript{39} In the electrical industry, Cleveland acquired its initial advantage when Charles F. Brush invented the arc light in 1879 and founded the Brush Electric Company in 1880 to manufacture his invention. But initial advantage in the electrical industry was squandered when Brush sold his business interests to the Thomas Houston Electric Company in 1889, which two years later merged into the General Electric Company. What had been Brush Electric became a branch plant operation of the General Electric Company. Jobs at the company expanded but the decisions to add new work to old work in Cleveland were made in the New York office tower housing General Electric’s corporate headquarters, not in downtown Cleveland.\textsuperscript{40}

Westinghouse was another electrical company founded in Cleveland. George Westinghouse had already invented a railroad air brake, which he manufactured in Cleveland. In the early 1890s, when municipal demand
for electrical power and apparatus offered a shorter route to riches, the entrepreneurial George Westinghouse diversified his air brake manufacturing operations to include electrical power and apparatus and added scores of new jobs at his factory. In the late 1890s, however, Westinghouse merged his holdings into a larger multilocational corporate entity, and the corporate headquarters building bearing the Westinghouse standard was built in Pittsburgh. Cleveland remained an important branch plant operation in the Westinghouse corporate family, but the city’s designation as an important branch plant operation was made in Pittsburgh. Cleveland’s initial advantage in the highly promising electrical industry washed away in the merger movement.\textsuperscript{41}

The automobile industry provides a gloss on this familiar merger story. In the early 1900s, Cleveland rivaled Detroit as the center of the emerging automobile industry. Several Cleveland inventors built automobiles equaling in technological virtuosity those crafted in Detroit. The inventors not only manufactured them locally but allied Cleveland enterprises quickly converted existing manufacturing facilities to the production of automobile parts and accessories. Cleveland’s initial advantage seemed assured. But after 1910, nearly all of these companies merged into larger multilocal automobile corporations headquartered in Detroit. Clevelanders applauded the Ford Motor Company’s decision in 1914 to build a large assembly plant in Cleveland, a factory designed to employ hundreds of workers. Despite its size, it was never more than a branch plant operation of the Detroit headquartered company.\textsuperscript{42}

By 1920, nearly 22,000 workers were employed in the automobile industry, nearly all of them employees of Detroit-headquartered multilocal corporations. The auto industry was a classic but misleading example of initial advantage and adding new work to old work. The 1899 Census of Manufacturers did not even list automobiles in its taxonomy of manufacturers. Two decades later, automobile and related manufacturing was one of the nation’s largest employers, and Cleveland was one of the industry’s most important production centers. What the 1919 Census of Manufacturers did not explain, however, was that Cleveland’s status as an important automobile manufacturing center was a determination made in Detroit, not Cleveland.\textsuperscript{43}

Cleveland was not master of its own economic development destiny in the five crucial industries that formed the core of the export sector of the local economy. These five industries—primary metals, fabricated metals, industrial machinery, electrical apparatus, and automobiles—employed one of every four workers in Cleveland’s entire labor force. Policy decisions about the fate of these key industries and 25 percent of Cleveland’s total...
work force were in fact made in corporate headquarters office buildings in New York, Chicago, Pittsburgh, and Detroit.\textsuperscript{44}

\textit{A Policy of Benign Neglect}

The entrepreneurs, the men who in the nineteenth century laid the foundations for the export sector of Cleveland’s economy, dominated the Chamber of Commerce until 1913; moreover, an entrepreneur was mayor of the city from 1901 to 1909, and a corporation lawyer served as mayor from 1912 to 1916. What all had in common was an inability to understand the relationship between the important changes taking place in the relationship between the modernizing business organization and economic development policy. The Chamber was the Corporate Regime’s primary vehicle for municipal reform. It debated the issue of land use controls, improved the delivery of distributive services, and redistributed the community’s wealth from haves to have-nots. But it neglected economic development policy.

This ordering of the regime’s policy priorities did not happen without internal debate. In the federated setting of the Chamber of Commerce, leaders of the Wholesale Merchants Board and the Retail Merchants Board challenged the industrial entrepreneurs’ urban policy priorities. Wholesale and retail merchants argued that the Chamber of Commerce should make economic development rather than civic betterment its highest policy priority. Although the protests of the wholesalers and retailers appeared self-serving and their concept of economic development skewed toward businesses with regional rather than national markets, wholesale and retail merchants sensed that Cleveland’s economic development should not be left to fate.\textsuperscript{45}

Entrepreneurs, however, dismissed the wholesalers and retailers as narrow-minded, self-interested bumpkins attempting to preserve the remnants of an older, out-moded commercial era economy at the expense of civic betterment.\textsuperscript{46} This rejection did the wholesalers and retailers a disservice. They understood the importance of the export sector of the industrial era economy and of course their relationship to it, though they could only sense but not fully articulate the fear that playing a pat hand in economic development policy would in time lead the city’s economy in a direction opposite of the one intended.

Savings and loan banker Jeremiah J. Sullivan did considerable business with wholesale and retail merchants, and he was one of their spokesmen in chamber debates on policy priorities. Yet when elected president of the
chamber in 1903, Sullivan recanted his earlier position and proclaimed that the civic work of the chamber was and should be the primary goal of the organization. Ryerson Ritchie, the man who reorganized the chamber in 1893, agreed and said so publicly when invited back to address the organization on the occasion of the twentieth anniversary of the reform effort. “I was speaking today to a gentleman,” Ritchie told the assembled members, “who some years ago openly criticized the Chamber for dabbling in public affairs. I asked him what he now thought of it. He said: ‘It is the best institution we have in Cleveland today.’” And entrepreneur Ambrose Swasey, the chamber president following Sullivan, said in 1905 that “Commercial and industrial success are merely the foundations for the higher development of our city. We strive for something nobler than that.”

Despite the high-minded rhetoric, economic reality, from time to time, did intrude on the chamber’s dream of a city upon a hill. Between the election of Swasey and the reappearance of Ryerson Ritchie, specific concerns were voiced about two related issues: the lack of investment capital available in Cleveland and the need to attract new industries. Measured by such conventional yardsticks as individual wealth, bank deposits per capita, assets of local banks, value of plant, production, and value added, Cleveland ranked high among the nation’s urban centers in capital density. The issue was less the presence or absence of capital than it was the flow of capital into tributary circuits.

Capital flows through an economy in three tributary circuits, primary, secondary, and tertiary. Primary circuit capital is invested in raw materials, manufacturing equipment, labor, and transport vehicles. Primary circuit capital is what was earlier defined as active capital. Cleveland’s active capital, generated by entrepreneurs and commercial banks, built the primary capital circuit during the early phases of the industrial revolution, and the primary circuit consequently fueled the development of the export sector of Cleveland’s economy. Primary circuit capital was locally controlled until the advent of the merger movement. The merger movement transferred control of the primary circuit from local entrepreneurs and commercial banks to multilocational corporations and investment banking houses, neither of which, to belabor the point, was headquartered in Cleveland.

Cleveland entrepreneurs who sold their assets in the primary circuit either became passive investors in the primary circuit or reinvested their gains as inactive capital in the secondary capital circuit. Secondary circuit capital is money invested in undeveloped land and the “built environment” of industrial, commercial, and retail buildings, housing, and public works projects. The secondary capital circuit during the Corporate Regime, in contrast to the departing primary circuit, was purely local in character.
Many entrepreneurs, having sold their active capital assets in the primary circuit, became passive investors in the secondary capital circuit, resulting in a flood of capital flowing into this circuit. Commercial banks joined savings and loan institutions and a diverse and aggressive local real estate industry as active capital participants in the secondary circuit. All elements in the burgeoning secondary capital circuit, passive and active, placed considerable pressure on local government to invest in public works projects emphasizing street and utilities expansion and a correspondingly expansive urban growth policy. These developments were evidence of the volatile and oscillating relationship between primary and secondary circuits of capital. During the Corporate Regime the oscillations between the circuits of capital were driven by the merger movement, the consequence of which was a primary circuit largely controlled by out-of-towners and an overheated secondary circuit locally controlled.

The tertiary capital circuit is represented by investments in education and culture. Considerable public capital was invested in the Cleveland Public School System, and private capital was raised from working class parishioners to fund the sizable parochial school network. The entrepreneurs weighed in with heavy tertiary capital investments in Western Reserve University, the Case Institute, and a host of other University Circle cultural and educational institutions, investments which were also a manifestation of the flow of capital out of the primary circuit. When dissident members of the Cleveland Chamber of Commerce complained of a shortage of capital locally they lamented a shortage of primary circuit capital, not fully appreciating that the oscillations between the three capital circuits had resulted in a massive transfer of capital from the primary circuit to local secondary and tertiary capital circuits. The loss of the primary circuit, however, was not irretrievable. Countervailing measures could have been taken.

The chamber regularly dispatched delegations of Clevelanders to visit sister organizations in other cities and report on their progress. Long accustomed to having these delegations report back to the parent body that the Cleveland Chamber of Commerce was vastly more enlightened and progressive than similar bodies in other cities, the chamber was startled when a 1909 delegation of members visited several of Cleveland’s industrial rivals and reported to a stunned audience that chambers of commerce in other cities aggressively pursued new industries and placed economic development over civic betterment as their highest priority. Chambers of commerce in rival industrial cities commissioned highly sophisticated economic base studies of their towns, studies which followed the principle of adding new work to old work with a carefully calibrated economic development plan calculated to add new but related industries to the manufacturing base.
already established. These same chambers aggressively recruited compatible out-of-town industries and made primary circuit capital available to them as well as to promising local enterprises. Under the sponsorship of local chambers, economic development partnerships were forged between local capitalists and commercial banks to provide these promising businesses with primary circuit capital, demonstrating that a local primary capital circuit could be revived even in the face of the merger movement overtaking older, established industries.  

These revelations caught the Cleveland Chamber of Commerce flat-footed, and the organization was momentarily gripped in panic. The chamber hastily formed an Industrial Development Committee, which, two years later, issued a preliminary report identifying potential industries that would add new work to old work. Cleveland, the report observed, was a metals making town. The city’s metals making factories exported their product in an unfinished state to other cities where it was turned into finished metals products. The obvious related industry and the object of any economic development plan, the report concluded, should be the addition of local finished metals products industries to Cleveland’s existing manufacturing base in metals making. These observations, the Industrial Development Committee cautioned, were merely preliminary. The whole matter required more detailed study, tracking transportation flows in and out of the city, identifying potential sites, assessing the availability of capital, and developing a public relations plan to sell the advantages of the city to out-of-town finished goods enterprisers. The Industrial Development Committee promised a detailed study and economic development plan posthaste. Despite repeated promises over the next two years, the economic development study and plan never materialized.

Debates over the several components of the committee’s preliminary report did take place, but the outcome was foreordained when the entrepreneurs refused to fund a primary capital circuit. The entrepreneurs insisted that Cleveland’s merits as an ideal location for manufacturing were self-evident, and once potential finished metals products enterprisers were so informed, their decision to locate in Cleveland would not require such artificial inducements as a pool of privately raised primary circuit capital. The entrepreneurs said that economic development policy had only two prerequisites: (1) a promotional campaign touting Cleveland’s locational advantages with potential manufacturers as its target and (2) renewed efforts to maintain and improve the city’s transportation, harbor, and wharf infrastructure.

This narrowly focused economic development strategy cost Cleveland opportunities to share in the automobile, aircraft, and motion picture
industries, among others. More aggressive cities such as Detroit, Pittsburgh, Chicago, and Los Angeles, cities on the travel itinerary of the Chamber’s Industrial Development Committee, were more aggressive and won these industries and more. The economic development policy of the Corporate Regime remained what economic development policy had always been: plodding demands on the municipality for river and harbor improvements, more dock and wharf space, and redundant studies of the industrial site potential of a lakefront still controlled by railroad companies with out-of-town headquarters. The Corporate Regime’s economic development policy was frozen in time, and, even though the trend drew scant local notice, rival cities soon outpaced Cleveland as manufacturing centers.

In the 1970s and after, Cleveland lost manufacturing jobs at an alarming rate. Shuttered factories and steel mills littered the landscape. The seeds of these departures were sown in the first two decades of the century when key Cleveland businesses were merged into larger multilocalic corporate entities, many of which later were merged into multinational enterprises or were simply looted and left as empty casings in the battle of leveraged buyouts. As long as Cleveland retained its locational advantages relative to domestic and international markets for metals products and the city’s labor force was competitive by international standards, the city retained its attraction as a site for branch plant operations; but when these business prerequisites changed in the 1970s, Cleveland lost its appeal. Cold-hearted accountants and strategic planners in corporate headquarters cities made decisions to move their branch plant operations elsewhere.