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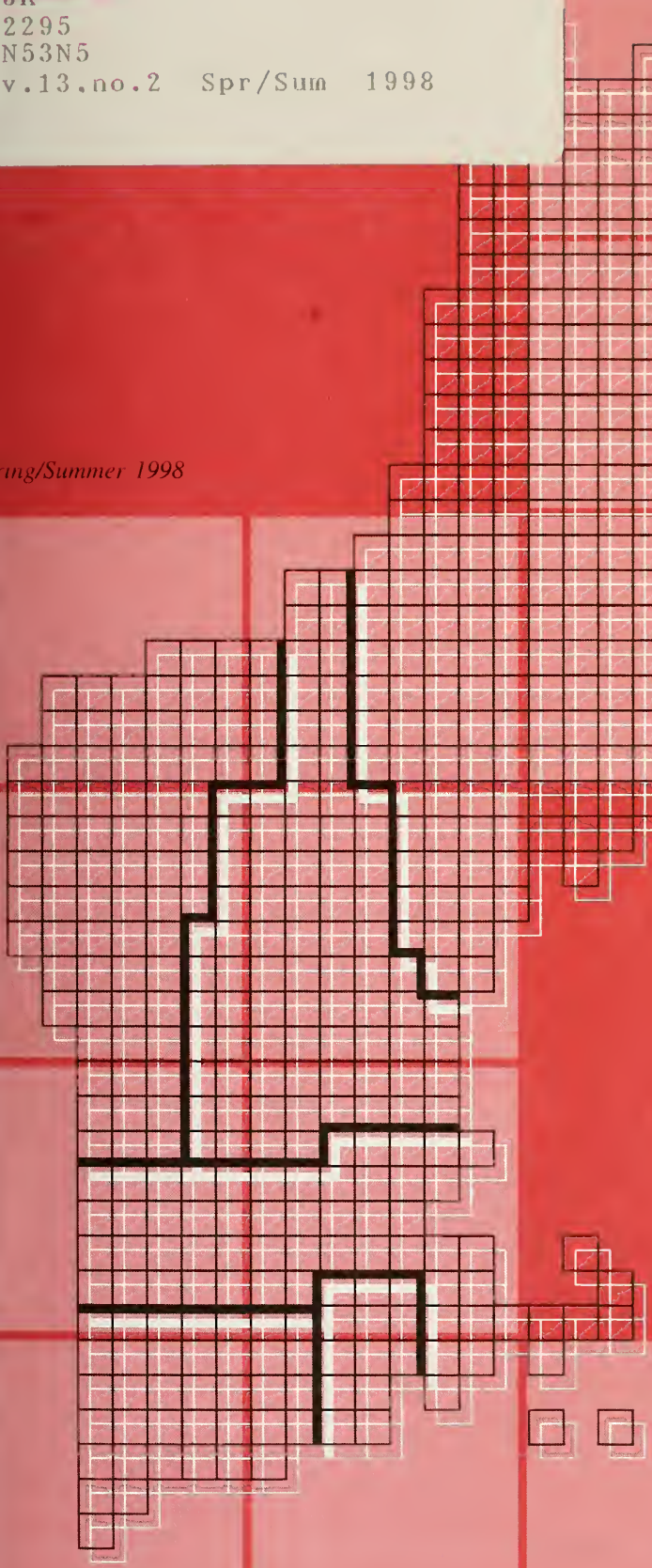

New England Journal of Public Policy

A Journal of the
John W. McCormack Institute
of Public Affairs
University of Massachusetts Boston

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A Journal of the John W. McCormack Institute of Public Affairs
University of Massachusetts Boston

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Editor's Note

Padraig O'Malley

The first weekend in May brought revolutionary change to the global economy, a revolution that, for all intents and purposes, occurred right under the public's nose, unnoticed and evoking less comment than the public's, or at least the media's, unending preoccupation with the travails of the likes of Monica Lewinsky or Kathleen Willey, or the continuing unfolding of White House shenanigans.

Not that we should be surprised by this. The lurid and the lewd have a fascination that allows us to wallow in our own sense of righteousness, beat our breasts with moral gusto, and keep our minds properly focused on the minutiae of scandal in High Places. Besides, wallowing is, at the best of times, a confessional experience, a cleansing exercise: it decontaminates our own shortcomings, encouraging a slight feeling of superiority that elevates our humble positions in the larger scheme of things.

And, of course, it is to this larger scheme of things to which the revolution I cite, the birth of a currency — the euro — belongs, namely, the agreement among eleven European nations to phase out their individual species and replace them with a single European legal tender. The countries involved in the historic monetary union — Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal, and Spain account for 19.4 per cent of the world's GDP compared with the United States' 19.6 percent and Japan's 7.7 percent. It is responsible for 18.6 percent of world trade, not counting internal trade, to this country's 16.6 percent and Japan's 8.2 percent. Which means that the euro will at once become the world's second currency and may, in time, challenge the dollar for supremacy.

The euro is the culmination of an experiment that grew out of the ruins of post–World War II Europe, out of the conviction that the devastation of the war must never happen again. First, the Council of Europe, then the European Coal and Steel Community, the European Common Market, the European Economic Community, and today's European Community. Nor is it an experiment that is over. There is the continuing debate over whether the EC should focus its direction on widening — the admission of other European countries, especially those to the East, or on deepening — the pursuit of stronger ties among existing members, with the implicit implication of some form of political union at some unspecified time in the future.

For better or worse, the advent of the euro will change the way we do business, trade, perhaps the balance of economic power, how we will align ourselves politically, how we entertain new forms of governance, and not least, of course, how the process of globalization advances. By any measure, it is a giant step in the direction of a more cathartic globalism, but giant steps leave giant imprints in their wake, not all of which bring tidings of good news.

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Readers of this journal will have noticed an increasing emphasis on the impacts of globalization in recent issues. Not only has it become the mantra of the last years of the dying millennium, it is being presented as an elixir of unbounded possibilities, a process that will, with the help of some undefined alchemy, make the twenty-first century fulfill the promises and potential that somehow got lost or marginalized in the tumultuous upheavals of the twentieth. Yet its implications are largely unknown, the pace and speed of change are laboratory equations, and the unintended consequences of our hubris in our capabilities to manage our planet are a matter of guesswork.

Thus, in "Industrial Policy: Federal, State, and Local Response," Zenia Kotval quotes from Ann Markusen's study of industrial districts and how they succeed in an increasingly competitive world ("sticky places in slippery space"). She characterizes the problem as follows: "Sticky places are complex products of multiple forces of corporate strategies, industrial structures, profit cycles, state priorities, local and national politics. Their success cannot be studied by focusing only on local institutions and behaviors, because their companies are embedded in external relationships." Yet, as Kotval points out, "planners have been slow to analyze these impacts . . . and for the most part, industrial planning as a topic of scholarly and professional inquiry can be described as a black hole. A quick review of the recent programs of the annual conference of the American Planning Association shows that the word *industry* scarcely appears in the description of the sessions." "Have we been ignoring a critical, swiftly changing, and complex issue that is likely to have major impacts on all our communities?" she asks.

Kotval's analysis: "Influential to the current debate on industrial policy and global competition are the conceptual frameworks put forth under the rubric of 'new growth theory.' These frameworks, purposely constructed for use by policymakers, renounce the current effectiveness of Keynesian macroeconomics and monetarist policies put in place by the United States in the post–World War II years. This discourse is a response to the new global competition and, more specifically, the interpenetration through trade of the industrialized economies. The changing competition has been brought about by a leveling of the playing fields among industrial nations, continuous technological innovations, and the globalization of industry in general."

While the debate between "new growth" theorists and their protagonists continues, Kotval argues that one important variable, perhaps the most important — the increasing interdependence of the world's large companies — is unaddressed. "These companies," she writes, "are virtually free of commitment to nations and exist increasingly as global entities of their own. They are quickly responsive to the initiatives of Japan Inc., NAFTA, GATT, and the European Union in terms of the impact on the company rather than on their workers or on their home nation. Given the mobility of capital, varying labor costs, and the internationalization of markets, they have little choice." Kotval's conclusion: "It is essential that industrial policy confront this issue and strive to create approaches which create stability and worker security before any public investment occurs." And: "As multinational corporations divide and multiply their operations throughout the globe, engaging in joint ventures for research and production with other corporations and governments, they create an increasingly complex web of relationships that supersede the borders of the nation-state and stretches the balance of political-economic theory and policy."

The recent $39 billion merger between Daimler-Benz and Chrysler is merely a harbinger of deals to come. Chrysler, once a symbol of all things American and apple pie, is no longer even American. Good-bye, America.

As a result of the way in which states and localities have experienced the effects of economic restructuring — for some it has brought economic and social disaster, for some mere disruption, and for some new opportunities for growth and expansion — localities have developed increasingly sophisticated economic development programs to replace lost jobs and lost programs. The retreat of the federal government from local affairs in the 1980s has forced local regions to compete with one another for jobs through their business recruitment policies. States and localities are rapidly acquiring the expertise to understand regional and economic forces and develop sophisticated tools to promote their own economic prosperity. But in the final analysis, the ultimate success or failure of these efforts depends on the voracious appetites of global economic forces. These are the issues we must recognize and address.

Hence the emphasis on Kotval's article. It provides the context for reading Eve Weinbaum's "The Politics of Industrialization: Three Case Studies," Michael Leo Owens's "Citizen Participation and Strategic Community Planning for an Urban Enterprise Community," Lawrence Franko's "Is Boston Becoming a Branch-Plant Town?" and Carolyn Ball's "What Predicts Success in JTPA? Test of a Three-Component Model."

Four other articles covering a potpourri of public policy questions round out this issue: Aimee Marlow's "The Professional Decline of Physicians in the Era of Managed Care" evaluates the history and ultimate failure of propositions 214 and 216 in California. John Portz's "Governing Massachusetts Public Schools: Assessing the 1993 Massachusetts Education Reform Act" concludes that superintendents are most satisfied with their role, especially their authority over principals and teachers, while school committee members are least satisfied with the changes, although they still provide general support for the aims and goals of the act. Jeffrey Gerson's "Cambodian Political Succession in Lowell, Massachusetts" argues that five key factors appear to determine the degree of Cambodian participation and representation in Lowell politics Three are internal — coming to terms with the legacy of the genocide perpetrated by the late Pol Pot's murderous regime, the lack of a tradition of democratic participation in the home country, and general differences between those who regard themselves as Cambodians and the American-born. Two factors are external — Lowell's two-tiered political system and the response of the city's elected officials to the influx of Southeast Asians that began in the early 1980s. Finally, Robert Hackey and Peter Fuller, in "Institutional Design and Regulatory Performance: Rethinking State Certificate of Need Programs," review the capability of Rhode Island in this regard and conclude that the state's experience with capital expenditure regulation in the 1980s and 1990s underscores the importance of institutional design and policymaking capacity on regulatory effectiveness.

Robert Reich, the former secretary of labor, often referred to in these pages for his recondite insights into how public policy works in this country, puts things in perspective in *Locked in the Cabinet,* his memoir of his years in the Clinton administration. He recounts the following incident, which truly illustrates that government regulation impinges on the lives of not only the poor and the downtrodden, but of those of us who would assume ourselves to have rather important roles to play in the conduct of our affairs. I quote.

> [I enter} a small windowless room [in the Department of Labor]. . . . A man in a white jacket is cleaning a small vial. He turns to me "Oh, *Mr. Reikk."* He has an Eastern European accent and a full white beard. "I'm *Doktor* Svenkell. I'll be *vit*

you in just *vun* moment. *Tis* must be prepared carefully, of course." He turns back to his cleaning. . . .

"Are you ready, *Mister Reikk*?"

"Yes," I say bravely.

Dr. Svenkell offers me the small glass container. "Perfectly clean. Now, if you'll just step *troo tat door-vay,* you can do your business in private."

"Excuse me?"

I hold the container, but I still don't get it.

"Mister Reikk, you need *somp* time perhaps?"

"What do you want me to do?"

"Urine. . . . Pee. . . . Piss. Into container. *Troo dat door* is a *batroom. Sometink* wrong? *Nutting* in your bladder right now?"

"But *why*?"

"Federal *rek-u-la-tion.* Drug test. Can't even be in *te* cabinet *vit-out havink* your pee looked at. Quite a country we *haf,* isn't it?" He laughs, opening the door to the bathroom before ushering me in. "Everyone's got to pee for *te* government, no matter who. *Dat's* what I *luf* about *tis* country. Everyone's a *pisher.*"

* * *

I apologize for omitting from the masthead of the special issue *Workforce Development: Health Care and Human Services* the names of the guest editors, James Green and Andrés Torres.

Industrial Policy

Federal, State, and Local Response

Zenia Kotval, Ph.D., AICP

During the past twenty years, many economists and policymakers have strongly advocated that the United States formulate a national industrial policy to improve the competitiveness of American firms in the global marketplace. These proposals call for both direct and indirect assistance to specific industrial sectors. Some would contend that U.S. industrial policies are being challenged by newer growth theories that shift the focus from the nation as the basic unit of industrial geography to regions and municipalities. There is little argument about the need for industrial policies that tie national, state, and local initiatives together. However, confusion and disagreement exist as to what defines industrial policy and what its appropriate level should be. This article addresses the debate about national industrial policy and state and local responses to industrial policy and offers a summary of key themes in the current literature.

Over the past two decades, local planners have become increasingly aware of the changing character of the industrial base in their communities. The end of the cold war and concomitant closing of defense industries, the downsizing of industry as it becomes less labor intensive, the increased mobility of capital and international trade agreements are but a few of the factors that are influencing this change.[1] Ann Markusen's study of industrial districts and how they succeed in an increasingly competitive world ("sticky places in slippery space") summarized the problem as follows: "Sticky places, then, are complex products of multiple forces–corporate strategies, industrial structures, profit cycles, state priorities, local and national politics. Their success cannot be studied by focusing only on local institutions and behaviors, because their companies . . . are embedded in external relationships.[2] Yet planners have been slow to analyze these impacts, among others, and to reflect on them in their proposals. Indeed, for the most part, industrial planning as a topic of scholarly and professional inquiry can be described as a black hole. A quick review of the recent programs of the annual conference of the American Planning Association shows that the word *industry* scarcely appears in the description of the sessions. Have we been ignoring a critical, swiftly changing, and complex issue that is likely to have major impacts on all our communities?

This article is designed to help overcome the lack of knowledge about industrial policy and planning by presenting and analyzing key scholarly works on the topic. I hope that academics and professional planners can gain increased understanding of the key issues that frame the topic and, at least in the case of practitioners, begin to react to them in

Zenia Kotval, an assistant professor of urban and regional planning, Michigan State University, researches the impacts of policy choices on local economic development and planning.

their professional plans and projects. The first of three sections addresses the debate over national industrial policy and the second the state and local responses to industrial policy, while the third section summarizes the key themes in current literature and the missing elements of the debate.

The Industrial Policy Debate

Since the end of World War II, an explicit goal of U.S. economic policy has been to establish and maintain conditions that permit the free market system to work with minimal government intervention. Increasingly, however, advocates for industrial policy seek to involve the federal government in the domestic economy to an unprecedented extent, while opponents of industrial policy deplore the moves toward increased intervention at home and protectionism abroad.[3] The fact of the matter is that U.S. national economic policies have evolved steadily since the Industrial Revolution. The changing role of the federal government in the affairs of the private economy has dictated much of what has occurred over the past two hundred years. This is a curious paradox given the U.S. government's laissez-faire, anti-interventionist philosophy concerning private enterprise.

Traditionally, the federal government became involved in the private economy only when it was deemed necessary to correct free market imperfections such as monopolies or negative externalities. Notable exceptions include U.S. intervention in the agricultural sector to maintain stable farm prices; its defense procurement policies, which directly affected the development of the shipbuilding, aerospace, telecommunication, and electric industries; and its antipoverty programs.[4] In the international realm, the United States has focused its trade policy on lowering the barriers to free trade among nations under the umbrella of the General Agreement on Tariffs and Trade (GATT) and the North American Free Trade Agreement (NAFTA).

At the national level, the federal government has historically assumed a significant economic role by routinely engaging in regulatory and budgetary matters. These forms of interventions and macroeconomic controls were also put in place to ensure an efficient and unfettered free market system.

Not until the Great Depression did the federal government become directly involved with economic development matters at the state and local levels. The economic programs that were enacted as part of the New Deal legislation would profoundly influence the public's expectations of the federal government's role in the economic affairs of the nation.

Since the 1960s, regional and local economic development has assumed a more activist role. Planning efforts at the substate level began to focus more on the debilitating effects of failed national monetarist policies and the mounting wave of deindustrialization. The domain of economic development planning activities was mainly twofold: (1) the administration of federal and state programs to deal with the economic and social impacts of deindustrialization, and (2) the development of local and regional reindustrialization strategies that were aimed at expanding the economic base of communities.[5] During this period, economic development efforts were extensively influenced by federal legislation and federal funding. Many of the federal programs specifically attempted to address the growing problem of structural unemployment through a myriad of programs aimed at creating jobs and expanding the economic base of cities and towns. Structural unemployment also developed a geographic aspect during the

1970s as scores of industrial plants closed and relocated to other parts of the country and throughout the world. Capital became much more mobile than populations and workers in the emerging global economy.[6]

Ironically, the enactment of more recent federal economic and community development programs and the infusion of funds to localities occurred in the absence of a national economic development policy. It has been argued that the federal initiatives were tantamount to a de facto national policy that effectively removed the federal government from economic and community development and instead passed the problems on to individual states and localities. Still others have commented that this wave of federal legislation and funding was but a piecemeal solution to the powerful forces that were reshaping local and regional economies.[7]

Many states and substate regions with more than their share of declining industries and job loss simply could not afford to wait for the national political climate to grow more hospitable toward a national industrial policy. The continuous evaporation and relocation of jobs in mature industrial sectors has prompted the need for state and local industrial policies.[8] It has been argued, in fact, that state and local industrial policies may be more appropriate for state and substate regions that may want to target specific industrial sectors.[9] Industrial regions and localities also have varied power structures among groups with stakes in the industrial policy and in their expectation in terms of cost benefits.[10] Thus, it can be argued that locally authored industrial policy is better able than national policy to speak to the more defined political and economic interests of a particular region or locale.[11]

National Industrial Policies

In its simplest form, national industrial policy can be defined as public initiatives that influence and guide the development of targeted industrial sectors in society.[12] This definition closely fits industrial policy as it currently works in the United States, an approach consisting of short-term programs and projects without an overall framework. Robert Reich offers a more comprehensive definition:

> Industrial policy focuses upon the most productive patterns of investment, and thus it factors business segments that promise to be strong international competitors while helping to develop the industrial infrastructure (highways, ports, sewers, and skilled workforce) needed to support these elements. At the same time, by balancing regional growth and by assisting workers to retrain and relocate, it seeks to reduce the resistance to economic change likely to come from those who would be the hardest hit.[13]

Reich's definition includes almost all the elements of industrial policy that are being discussed at the national level. These are public incentives, industrial targeting, political involvement, international competition, infrastructure improvements, workforce development, worker training, balanced growth, and help for the displaced worker. Although there is no common agreement as to the scope of industrial policy, advocates generally focus on the needs discussed in the following sections.

Prerequisites for Industrial Policy

Attempts to forge an industrial policy face a twofold challenge, namely, to ensure that the policy is both analytically sound and democratically responsive. Liberals maintain that current industrial policies are partially hidden or implicit, contradictory and ad hoc.

The federal government should "tailor and coordinate the broad range of government programs in order to ensure that they facilitate growth in competitive productivity."[14]

In addition to program coherence, a rational industrial policy also requires administrative coherence. There is no single entity presently accountable for all the implicit industrial policies of the United States; they are spread among dozens of competing agencies. Ira Magaziner and Reich advocated in 1983 that the president and Congress each establish an agency to evaluate the initial competitive consequences of all government policies and programs.[15]

Second, industrial policies formulated by various agencies must be consistent with one another and provide the same messages to all types of companies. There should be one voice to tie together the operational procedures and directives of the bureaucracy. Otherwise, efforts to create a workable industrial policy will be meaningless.[16]

Third, government regulations and the capacity of industries to adhere to them should be cooperative. Any regulatory intrusion in the industrial marketplace should allow companies time and funds to react. The regulatory process should also include a commitment by the regulators to assist in finding solutions to critical problems.[17]

Fourth, there must be a commitment to long-term research and development activities. Current tax policies penalize companies that emphasize long-term research. Antitrust laws discourage competing industries from undertaking joint research projects.[18]

Last, industrial trade policies must be formulated in response to increased global competition and the growing interpenetration through trade among industrialized economies. The traditional economic development approach, which studies a region's natural resources, industrial mix, and economic base, must be expanded to develop an appreciation of the "international dynamics" of the industries involved.[19]

The Challenge for Industrial Policy Development

Irrespective of ideology, most industry analysts would agree that in order for an industrial policy to be successful, it must clearly articulate competitive strategies aimed at improving the efficiency and productivity of U.S. manufacturers. While specific strategies differ according to ideological persuasion, each would need to focus on such factors as firm innovation, increased productivity, and market penetration.[20]

Influential to the current debate on industrial policy and global competition are the conceptual frameworks put forth under the rubric of "new growth theory." These frameworks, purposely constructed for use by policymakers, renounce the current effectiveness of Keynesian macroeconomic and monetarist policies put in place by the United States in the post–World War II years. This discourse is a response to the new global competition and, more specifically, the interpenetration through trade of the industrialized economies. The changing competition has been brought about by a leveling of the playing field among industrial nations, continuous technological innovations, and the globalization of industry in general.[21]

Growth theorists would argue that U.S. industrial policy has taken on a bad connotation among economists and the public because it is normally associated with the federal government's propensity for bailing out "sick firms in dying industries."[22] Criticism has also been leveled at the federal government for providing subsidies and tax breaks for corporations. This so-called corporate welfare as a means of government intervention has steered investment away from the training and development of the American workforce.[23] The subsidization of industry by the federal government also has a direct bearing on state and local industrial policies. For instance, states have often used fed-

eral tax dollars to poach companies and jobs from other states.

The challenge for successful U.S. industrial policy, according to new growth theorists, is not to subsidize inefficient corporations in declining industries or simply to help stabilize the national economy. Rather, government policy must help to stimulate investment and innovation to match industry's evolving structure.[24] Successful industrial policy should also help serve the market and help create "organizational superiority" in strategic industrial sectors.[25]

State and Local Responses to Industrial Restructuring

The impacts of economic restructuring are experienced not at some abstract national level but at the state and local levels where people live and work.[26] This section describes economic development programs used by state and local governments to help replace lost jobs and tax revenues and to take advantage of new economic opportunities. It focuses on state and local practices rather than on ideologically based policy debates.[27]

Ideological values do, however, play a role in the choice and critique of state and local economic development policies. Conservatives believe that a nation maximizes its potential by organizing its economic development activity through market forces with little or no government intervention. Liberals believe that market forces, though powerful and useful tools, need the government to channel and regulate the forces to ensure an equitable society. Progressives view market forces as but one aspect of an entire capitalist system that harms some to increase the wealth of others. The only way to improve conditions is to democratize decision making. Progressives believe that incremental reform can accomplish this goal while Marxists hold that only a full-scale revolution can achieve lasting reform.[28]

According to this classification system, the state and local economic development policies that have evolved since the Great Depression, and especially those of the 1980s, generally fall within or close to the liberal approach. States and localities intervene in the market in numerous ways, through public financing as well as worker training. New Deal policies and programs of the 1930s represent what has been referred to as the "First Wave" of economic development activity in the United States.[29] The formation of the National Resources Planning Board during the New Deal era set the tone for the federal government's interventionist activity by promoting state and local economic development planning agencies. Although the National Resources Planning Board was short-lived, vestiges of its industrial development programs had already become entrenched in most states. The conservatism of the federal government through the 1980s was partially accountable for the increasing liberal interventionism of states and localities during that decade. By the early 1990s, virtually every state and large city had adopted a form of industrial policy.[30] Local government thus became more liberal in an effort to compensate for conservative federal power.[31]

Features of State and Local Industrial Policy

It is also evident that the ideologies at the national level have a clear, direct link to the states. The increased strength of conservatives in Congress has already had deep impacts on how the states determine priorities. For example, debt reduction, one of Congress's priorities, has resulted in fewer funds for transportation, infrastructure, and community development assistance. Welfare reform, in turn, means that the states and their localities must take action to either replace federal benefits or to turn their backs

on some of their citizens. Defense downsizing has already caused hundreds of military bases to be closed and a major restructuring of our defense industries. What is most interesting is that these federal initiatives are occurring as random acts. They are not connected by any set of policies, for example, toward cities, toward competition, or toward the poor. It is here that the states and their communities have had to focus their actions. In the broadest sense, they deal with recruiting new businesses, retaining and expanding the existing industrial base, and more recently, exporting local goods and services to national and international markets.

Business Recruitment, Retention, Formation, and Expansion

Until recently, the practice of economic development was virtually synonymous with business recruitment, or "smokestack chasing." This approach consisted mainly of marketing a region's low taxes, low financing costs, and low wages. As competition increased, states and localities added numerous incentives to outbid each other.[32]

These programs gained particular popularity in southern states where commerce departments were created to perform a variety of economic development functions that included industrial promotion and recruitment.[33] These agencies were also empowered to offer generous financial incentives to companies. The so-called First Wave policies, which were originally conceived as planning tools to assist distressed areas in building their capacity for value-added innovation, evolved into state strategies for capturing as much industry as possible from other regions and localities.[34] The model had a singular focus, which was to recruit manufacturing plants from outside the state by offering them "low-cost investment locations and public financial incentives."[35]

Some argue that state and local economic development, based on business recruitment, often does not help the segments that need it most and that current state and local development practices, especially business recruitment approaches, are undemocratic. They claim that the process is elitist because public officials tend to identify with the interests of the business and development community that they are courting. Elected and appointed officials underplay the magnitude of the incentives they offer to firms and exaggerate the benefits in jobs and future economic growth that will come from an improved business climate.[36]

The industrial recruitment model has lost little of its political allure. A large manufacturer's announcement of its intention to relocate to a community and bring a specified number of jobs remains a highly visible and newsworthy event.[37] Unfortunately, in too many cases it was learned that the motivations of large multinational firms were not necessarily compatible with the needs or interests of local communities.

What the recruitment strategies formulated by economic development agencies failed to consider were the factors and conditions that contributed to the demise of manufacturing jobs in the first place. For instance, there existed little understanding concerning the magnitude to which the emerging global economy and the use of new technologies had altered the geographical boundaries of industry. The increased mobility of capital greatly diminished the comparative advantage of individual cities and regions of the country.

This economic reality eventually gave birth to the "Second Wave" of economic policy in the United States. In the Second Wave, which unfolded during the 1980s, economic development planners began to experiment with a host of new global strategies to help foster local and regional economic growth. These tactics included the development of entrepreneurial environments, university-industry linkages, manufacturing

modernization, and regional industrial clusters.[38] Second Wave economic development did not entirely abandon the business attraction or industrial recruitment model. Rather, planners, realizing its limitations, changed their focus to "indigenous" economic development activities that would help existing firms improve their productivity. Local capacity building was key to the new economic development consciousness. There existed a newfound belief that the strongest magnet for economic growth is "an economic environment rich with the human, technological, financial, and infrastructure resources that support existing firms and entrepreneurship."[39]

The economic policies of the Second Wave were nurtured by a hospitable political environment in the United States and abroad. The role and legitimacy of big government was being questioned by a neoconservative movement that had gained political power and strongly influenced public opinion. The conservative brand of Reaganomics practiced in the United States espoused the virtues of decentralized free markets, deregulation, small business, and entrepreneurship.[40] It could be argued, therefore, that Second Wave strategies were formulated more in response to an ideological persuasion than from a prescribed set of operational principles derived from a coherent national economic policy. The recipe for successful economic development bestowed on regions and communities was simply to build entrepreneurial environments in which business and industry could flourish with minimal government regulation and interference.

It was soon determined that Second Wave economic development thinking had also missed the mark. The major criticism was that Second Wave policies and strategies misread the dynamics of the evolving global economy. The transition from the First to Second Wave represented a policy change from industrial recruitment to internal or indigenous economic development. However, the emerging "Third Wave" has represented a growing recognition that in order to create the total economic environment envisioned by Second Wave proponents, new economic institutions and organizations would have to be developed. Third Wave economic development principles have been based on various state initiatives and experiments. They typically involve different forms of manufacturing network programs. The key elements or set of operational principles that have evolved from these state initiatives include (1) the application of government resources only to "demand driven" strategies, (2) a greater leveraging of public and private resources, (3) the encouragement of competition among resource suppliers, and (4) the creation of "automatic feedback loops" to determine program accountability and effectiveness.[41]

Third Wave programs and initiatives continue to emphasize a limited role for governmental involvement. The underlying motivation is to create a new flexible business environment free of the existing maze of government regulation. The model manufacturing network would have a close spatial dimension and a knowledge-based production system with mutually supportive business firm relationships. Economic development planning in a knowledge-based manufacturing environment would also take on a more entrepreneurial identity. Planners would be expected to assume the role of facilitator in helping to create and nurture an environment that is conducive to economic growth and competition. Planners would also routinely be expected to provide targeted economic incentives, infrastructure improvements, and more flexible land use regulations.

Third Wave case study examples include the "high performance" manufacturing zones popularized in the Midwest[42] and new manufacturing network initiatives in Michigan, Indiana, and Ohio.[43] Battle Creek, Michigan, is viewed as a prototypical high-performance manufacturing zone because the city and the region were severely

impacted by a wave of deindustrialization during the 1970s and have since been revitalized through a proliferation of Japanese transplants. A number of other traditional manufacturing locations in the upper Midwest have also been targeted by Japanese foreign investors. In each case, the new economic development strategies focused on organizational restructuring, new delivery systems, innovative management practices, and more formalized worker training and vocational education programs. States and communities are increasingly focusing on business formation or growth from within. Regardless of its total accuracy, David Birch's point on the majority of new jobs being created by firms that are less than ten years old, employ fewer than twenty people, and manufacture a product is taken seriously in most states, especially in New England.[44] Many states and localities are paying equal attention to business retention and expansion strategies and realizing that they are more cost-effective than business recruitment.[45]

Even if one accepts business retention approaches on ideological grounds, it does have several limitations as a development strategy. First, from the political standpoint, it is riskier and less glamorous than business recruitment, since politicians have nothing new to show for their efforts. Instead of being able to unveil a brand-new building or corporation, a politician is given the unenviable task of selling something familiar back to the constituents.[46] Is it any wonder that politicians are reluctant to endorse such a strategy? Second, retention efforts work only in communities that already have a fairly healthy economic climate. If there are local shortages of labor, problems with workforce skills, land use problems, and high operational costs, all the retention efforts in the world will not work. Again, it could be argued that the very communities most in need are those which are too poor to afford this type of aid. Last, retention efforts are not immune to the state wars and interstate bidding games.[47]

What Does the Literature Tell Us? A Summary of Key Themes

Virtually all the books and articles reviewed point out that if the United States is to be competitive, it must compete globally. This is probably no surprise to the reader. However, what is striking is the difference of opinions on how best to improve our competitive posture. The debates over NAFTA and GATT illustrate the difficulty in coming to agreement.[48] What is most interesting, however, is the fact that business at the local level has, in many ways, ignored the debate and undertaken efforts on its own to become internationally competitive.

In second place is the need to stimulate research and development (R&D) and to move it away from its military orientation.[49] While opinions differ concerning how best to accomplish this, there are indications of some movement in this direction. The shift from Defense Advanced Research Projects Agency to Advanced Research Projects Agency, while partially a simple change in name, reflects the government's understanding of the need for this change. Also, the role of the National Institute of Standards and Technology in creating regional innovation centers is another positive step.

The third is the interest in industrial clustering.[50] The idea that regions have existing and emerging groupings of industry with linkages among labor, finance, and R&D is quite popular. While few argue for government to target clusters, most scholars see great merit in stimulating local strengths and opportunities.

As part of the industrial clustering, most industrial policy advocates see, as the fourth factor, the need to change corporate culture. More specifically, they are aware of

the necessity to develop industrial networks that share ideas and approaches. The age of totally isolated individual firms developing products totally from within has passed. They also argue for government to help stimulate business commitments for the long term. The quick return-on-investment strategies of many companies creates a climate of insecurity and instability at the local level.

The fifth focuses on education and training. The nation must effect an extensive shift in the way we educate and train our workforce.[51] It is clear that lifelong education is a requirement for a healthy economy.

The sixth is the need to improve our infrastructure.[52] This is not simply a matter of roads and bridges but ensuring that our telecommunications systems are state of the art and meet the requirements of all regions of the nation. It means that our water must be pure and deliverable to regions that lack it. And it means that our sanitation needs must be environmentally appropriate and that our people are protected.

Finally, regulatory reforms have to be addressed.[53] These include, as examples, anti-trust laws at the national level, unemployment and workers' compensation laws at the state level, and zoning laws at the local level. Putting all these together is no easy task!

Missing Elements

What is the debate lacking? The first element is the link between industry and the environment. Yes, we see an increased concern over protecting the environment. Yes, we see higher and higher standards that govern environmental hazards. And yes, we have noted increased environmental awareness at the local level. But beyond this, we see little attention being paid at the federal level to industrial site recovery. It is ironic that the Environmental Protection Agency is responsible for the "brownfields" initiative. EPA's mandate is not to attract industry to brownfields, it is to stimulate the cleanup of the polluted industrial landscape. This action is "stove piping" at its worst. EPA should not own this problem at the federal level but should share it with the departments of Housing and Urban Development and Commerce. Few industrial policy advocates or analysts, except George Lodge, have picked up on this issue. It clearly needs to be addressed.

Second, industrial policy advocates have steered away from place-specific programs. Little current literature calls for the creation of an Appalachian-type commission in some region of the country. This represents a fundamental shift in the position of advocates in the 1970s and early 1980s. Perhaps the current advocates no longer see the need for such agencies, perhaps the inherent policy of the nation to redistribute wealth across the country is working, or perhaps there are newer, less bureaucratic methods to undertake regionally assisted development. The fact remains that the literature underplays the desirability of regionally directed approaches.

Third, relatively little attention is being placed on cities. Beyond Michael Porter's call to make cities more competitive, Robert Beauregard's perspective that the negative sides of urban life have been exaggerated, and Ann Markusen's call to use some of the mythical peace dividend for urban restructuring, mighty few advocates are looking at linking industrial policies and urban revitalization. It is as if our cities are to sink or swim on their own merits.

Finally, the increasing independence of the world's large companies is underaddressed. These companies are virtually free of commitment to nations and exist increasingly as global entities of their own. They are quickly responsive to the initiatives of Japan Inc., NAFTA, GATT, and the European Union in terms of the impact on the

company rather than on their workers or on their home nation. Given the mobility of capital, varying labor costs, and the internationalization of markets, they have little choice. In light of this phenomenon, it is essential that industrial policy confront this issue and strive to create approaches which create increased stability and worker security before any public investment occurs. Otherwise our communities will be involved in risky business.

A Final Word

Even as we debate and adopt, reject, or compromise on various visions of national industrial policy, the global economy itself continues to change rapidly. As multinational corporations divide and multiply their operations throughout the globe, engaging in joint ventures for research and production with other corporations and governments, they create an increasingly complex web of relationships that supersedes the borders of the nation-state and stretches the balance of political-economic theory and policy.[54]

It is tempting to assume that these developments will continue unchecked, gradually pushing protectionism aside until the world becomes one big market. We must, however, avoid such simple assumptions. National nontariff barriers are increasing in significance, as are regional trading blocs. Indeed, the division of the world economy into a yen bloc in the Pacific, a dollar bloc in the Americas, and a mark-dominated bloc in Europe has, to some extent, already occurred. It is therefore important that we make conscious choices among the industry and trade policy options before us, mindful of their consequences not only for the world output and income, but for each nation's worker, consumer, and community income and well-being.

Furthermore, states and localities have experienced the effects of economic restructuring in different ways, some as economic and social disasters, others as mere disruptions, yet others as opportunities for new growth and expansion. In response, localities have established increasingly sophisticated economic development programs to replace lost jobs and tax revenue. Owing in part to the retreat of the federal government from their affairs through the 1980s, local regions have focused their energies on competing with one another for jobs through their business recruitment policies. They are also using more deliberate analysis and planning procedures to establish appropriate development goals and strategies.[55]

With or without a change in federal priorities, several trends seem irreversible. States and localities are rapidly acquiring the expertise to understand regional and economic forces and developing increasingly sophisticated tools to promote their own economic prosperity. Yet the ultimate success or failure of the state and local economic development efforts also depend on the development of global economic forces as well as that of other national governments. The task ahead for states and localities, and for the federal government, is to generate mutually cooperative policies that promote equity and human welfare.

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The Politics of Industrialization
Three Case Studies

Eve S. Weinbaum, Ph.D.

This article analyzes the grassroots efforts of the working and unemployed poor of three Appalachian communities to improve their towns' devastated economy in an era of rapid economic change and globalization. While all three were beset by plant closings, their forms of political mobilization, both before and after the shutdown, differed. Each group of workers mounted a communitywide campaign designed to convince the company to stay, to induce local government action, to receive pay and benefits due, and to influence state legislation and economic development policy. Mobilization in the wake of a plant closing is rather extraordinary, especially in isolated, low-income rural areas. Why did it occur in these communities, and what were its consequences for the participants and for the state? First, each group's ultimate failure to influence an economic outcome and policy reveals the grim prospects for meaningful local democratic politics in a global economy. But second, the mobilization in two of the three cases succeeded in transforming the participants and the local community.

There is something new and disturbing about current economic afflictions," says *The New York Times*.[1] In the 1990s, journalists and social scientists of all political persuasions are observing troubling trends and widespread anxiety regarding economic issues, especially among the unemployed and the poor, but increasingly throughout the American middle class. The changes that accompany downsizing and deindustrialization are affecting a broad group of workers — from blue-collar production workers to high-level managers — in nearly every region of the country.

The changes of the late 1980s and early 1990s in New England have been particularly severe. Partly because of decreases in defense-related spending, the Northeast has seen what one economist has called "dramatic employment reductions . . . the most severe recession the region has faced since the Great Depression."[2] A disproportionate share of these reductions has been caused by business failures or plant closings in a variety of economic sectors. Closings in New England, as elsewhere in the nation, have had serious, undesirable implications for the regional economy. Firms that cease to exist cannot rehire workers in periods of economic recovery, banks whose business customers default become less likely to finance new ventures, and communities are decimated as laid-off workers disperse. Accordingly, economists argue that high rates of plant closings tend to have lasting repercussions and to slow eventual economic recovery.[3] The "global economy" has had an obvious and well-documented impact on Americans'

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standard of living and economic expectations, but it also has affected our politics.

I analyze the political changes that accompany deindustrialization in cities and rural areas all across the United States by closely examining three plant closings in Appalachian Tennessee. Although local conditions and regional differences are important, these communities provide a useful microcosm for the study of political mobilization around economic change in any region. Many of the firms that once left New England and the Midwest for the low wages and less stringent regulations of southern regions like Tennessee are now moving on. Some are going overseas in a continuing quest to reduce production costs, others are moving between states and counties to benefit from economic development policies and incentives. Whatever the reason, capital mobility is becoming more prevalent than ever, leading to serious consequences for every region of the United States.

All three subject communities analyzed experienced plant closings between 1988 and 1993. The workers in each plant, deciding to protest the shutdown in some way, undertook an effort to improve their community's devastated economy in an era of rapid economic change and globalization. Different forms of political mobilization took place either before the closing (with the hope of preventing it) or afterward, or both. Each community mounted a communitywide campaign to prevent the plant from closing, to induce local government action, to acquire the pay and benefits due them, or to lobby for state or federal legislation. Such mobilization in the wake of a plant closing is rather extraordinary, and I examine the reasons for its occurrence and its results in all three cases.

I discuss the mobilization in several stages, the first covering the circumstances of the shutdowns. It is striking that, although the workers in these plants had more or less notification and time to prepare, this made little difference; all the closings came as a shock and a hardship. The three factories are in small towns in rural areas, and the workers knew that once laid off, finding work, except at fast-food restaurants, cleaning houses, or through temporary agencies, would not be easy.

The second stage is the mobilization campaign. The nature of the effort varies tremendously between cases. Is the problem framed as a single plant's failure or as a challenge to the structure of the American economy? Besides the breadth of the issue, there is the question of the nature of the target of the activity: the plant manager, the corporation, the local, state, or federal government. I show that these are not given parameters but the choices of the leaders in the early stages of a campaign.

The third stage involves the nature of the coalition that forms around the issue as it is framed. To be successful, organizers must recruit others who can provide resources and examples. Their ability to do this depends on many factors, including the current degree of organization in the workplace and in the community and between the two, as well as the leadership and organizing skills of those involved in the drive.

Finally, I argue that the success or failure of each mobilizing effort must not be judged by economic outcomes alone. When small, rural, economically and politically marginalized groups confront national and international institutions on the direction of the global economy, positive material outcomes are a rarity. At least as important are the changes in the individual participants and in their communities brought about by the experience of political mobilization. Through this process, participants come to understand many factors in an entirely different light: their own power and the power of collective action; power relations in their communities; their relationship to authority and the ability to stand up for what is right; the "economy"; national debate of public policy

issues; politics and the role of elected officials; and their commonality with working people across the country and the world. I based the description and analysis of the striking differences in their perceptions of their experiences, and of politics more generally, on my sixty in-depth interviews, conducted October 1993 through February 1994, with employees in all three communities. These transformations demonstrate the potential of grassroots organizing to generate political change.

These cases show that organized and sustained struggle requires many factors, including various types of resources, preexisting community networks, and perhaps most important, leadership. I show that the differences in the types of issues defined, the campaigns waged, the coalitions formed, and the changes in both understandings and material conditions are directly related to the type of political organizing that characterized each effort.

Case 1: Greenbrier Industries

The more than five hundred Greenbrier Industries employees who returned from their Fourth of July vacation in the summer of 1993 found a rude surprise awaiting them. The Clinton, Tennessee, workers were greeted by a telephone message instructing them not to report to work the following day. Some disregarded the message or, certain it could not be true, went to the factory to find out more about what was happening. There they found supervisors and plant managers who were equally confused. The workers were told only that they would receive word in a week as to when they should come back to work. When they checked in the following week, they received the same response. No one knew what to expect, but there was no work. Little by little, the employees discovered the truth: Greenbrier would not reopen. Even worse, it appeared that the company had for months been secretly siphoning off funds. Most workers' final paychecks had bounced. Many payroll taxes had not been paid, suppliers had stopped deliveries when months-old bills were left unpaid, and the company was behind on its obligations. On July 28, 1993, Greenbrier Industries quietly filed for Chapter 7 bankruptcy at its New Jersey headquarters.

Hiring as many as 650 people, Greenbrier Industries had been the second largest employer in Clinton, a town of only 8,000. An apparel plant owned by Northerners, it was a rather typical rural southern factory employing mainly women to sit in front of assorted sewing machines for long days. The pay was low; in 1994, most new workers were paid $4.50 an hour. More experienced workers hoped to be placed in piece-rate jobs in which they could be rewarded for extraordinary speed. But when a worker or a group became too efficient at a particular task — when their earnings neared $7.00 or even $8.00 an hour — engineers appeared to conduct new time studies and reevaluate the piece rate downward. Sewing machine operators did not get rich at Greenbrier, yet workers maintain that they liked working there. Treated well, they considered themselves part of the Greenbrier "family."

The large old brick factory building by the river, just two blocks from City Hall and in clear view of the Anderson County courthouse, could not have been a more centrally located landmark. It drew workers from very poor rural Campbell, Union, and Roane counties, but most of the employees lived nearby, and nearly everyone in Clinton seems to have had at least one relative, friend, or neighbor who worked at Greenbrier. The twenty-two-year-old company had a rather checkered past. Plagued by investigations and allegations of corruption, Greenbrier had been shifted among various interrelated

owners for many years, yet had continued to grow and thrive. Greenbrier's main customer — for years it had been the only one — was the U.S. government. The plant, which was awarded Department of Defense contracts, had started by making body bags, eventually branching out into parkas, bulletproof vests, camouflage suits, tents, windbreakers, and dress coats. The workload had been extremely heavy during Operation Desert Storm, and managers not only hired many more workers, but everyone put in overtime hours, sometimes as long as sixteen-hour shifts several days in a row. But business had slowed so that workers were being shifted around and sometimes laid off. Everyone seemed to know that business was bad, but management had continued to assure workers that everything was all right. The sudden bankruptcy was a shock to the entire Clinton community.

For many workers, the devastation of suddenly being faced with no work and no income was intensified when they learned the details of the bankruptcy. Many were burdened by the most serious problem of owing huge hospitalization bills. While they were employed, the workers had continued to contribute weekly payments — approximately $30 a week from a gross salary of less than $200 — for health insurance. But without informing anyone, the company had stopped paying their bills six months previously. Greenbrier, a self-insured business, had not paid medical bills for half a year. Some workers owed up to $40,000 in hospital bills, despite the assurance of the company, to both the workers and the doctors, that it would cover all services, including major surgery. By the fall, the workers were being hounded by collection agencies on behalf of hospitals, and some began to receive notices that their wages, if they had any, would be garnisheed to pay Greenbrier's outstanding bills.

Many workers had also contributed to a 401(k) pension plan, some up to 15 or 20 percent of their monthly wages, on the promise that their personal contributions were being matched by those of their employer. After the company declared bankruptcy, these employees found that not only had there been no matching payments, but their own contributions had been seized by the bank. Workers watched helplessly as their livelihood and their entire savings disappeared.

The Greenbrier Workers Committee

When it was clear that the plant was permanently closed, the Greenbrier workers called a meeting at which almost three hundred people appeared. Comparing notes, they discovered common ground: everyone had been promised that they would return to work after the summer vacation; nobody's hospital and doctor bills had been paid for at least six months; no one knew what had become of their 401(k) savings. One by one, outraged workers stood up to tell their stories. The group, becoming increasingly angry, discussed possible courses of action. Because the company had declared bankruptcy, no one was optimistic about the plant's reopening. Someone pointed out that although the workers' bills had not been paid and many of their final paychecks had bounced, the managers and office staff were still working. So the group decided to begin picketing twice a week. They demanded that the company dedicate whatever money remained not to office staff in an empty factory but to repayment of its debts to the workers. The activists also decided to continue meeting in the county courthouse every Thursday evening to share information and to make further plans.

Although the decision to picket was spontaneous, it was taken seriously by the attendees. More than one hundred workers, armed with angry picket signs, arrived the following Saturday morning and led a lively parade in front of the factory. The local

press showed up, and even the Knoxville newspaper and television stations took notice, for picket lines are an unusual sight in the quiet Cumberland plateau. Energized by this attention to their plight, the workers told their stories and attempted to garner even more notice. They called their senators and representatives and contacted county and city executives, asking that an official investigation be undertaken. The federal officials' only response was to refer them to the nearest job training and employment offices, and the local officials claimed that they had no power to intervene.

When a report of the Greenbrier workers' initial meeting and picket line appeared in the Knoxville press, the Tennessee Industrial Renewal Network (TIRN) became interested. A coalition of labor, community, church, and environmental groups dedicated to organizing around such economic issues as plant closings, TIRN had been involved in helping workers in similar situations. TIRN sent a staff organizer, Tom Turner, to speak with the Greenbrier workers to determine whether they would be receptive to his assisting them in planning strategies and educating people about their rights and opportunities. Turner attended an early meeting, bringing with him two women who had lost their jobs when their sewing factories closed. They described to the group the hardship of surviving a plant closing and provided information regarding the various government programs and what could be expected of each. Following this gathering, Turner continued to attend Greenbrier meetings and picket lines and began to work more closely with a group of key leaders. They decided to call themselves the Greenbrier Workers Committee (GWC), elected officers, and formally joined TIRN.

The picket lines and meetings continued, but as weeks passed the ex-workers became demoralized. They had succeeded in getting the office staff out of the empty plant, but were given no answers concerning the money due them. The media ceased to be interested in the stale plant-closing news, and politicians no longer returned phone calls. Some of the workers found new jobs, most requiring significant commutes and paying less than their previous amounts, and most had no time to continue protesting. Others decided that the situation was hopeless and gave up. By early December, fewer than ten people attended a Thursday meeting, and it seemed unlikely that the GWC would continue to exist. The leaders decided to hold one more meeting, in mid-January, to see if progress had been made in tracking down their 401(k) and other funds, and to disband after that.

The Failure of the GWC

At an early meeting the laid-off workers had discussed possible strategies. Understandably, their immediate goal was to secure the money they feared was lost: their final paychecks, health insurance, and pension savings. Toward this end, Turner suggested that they contact a lawyer, bringing Rick DeLone, a Knoxville attorney experienced in bankruptcies to their next meeting. The attorney had spoken with the bankruptcy trustee in New Jersey to ascertain the status of the Greenbrier estate. After listening to the workers' concerns and needs, DeLone presented the bad news. If he were in their shoes, he told them honestly, he would not spend the time and money either suing Greenbrier or following up on their claims. It would be prohibitively expensive for the workers to hire him, DeLone said, because it would require repeated trips to the northern New Jersey company headquarters where all its records and the bankruptcy papers were filed. And it would be unlikely to pay off, since the bankruptcy was complete, and Greenbrier's individual owners, who reportedly had fled to South America, were protected by American incorporation laws.

Some workers at the meeting resisted DeLone's conclusion. Some wanted to think of ways of raising money. They were eager to offer proof of management's wrongdoing and to prosecute the offenders. One woman verbalized the certainty of many concerning the firm's mismanagement. "They knew, probably two, three, four years ago, that they were running into financial difficulties. There's no doubt in my mind that in this time frame, they started taking money and putting it into other companies, changing names, putting it in their own pockets. They really did. And if I had the time, if I had the money, I could prove this with Greenbrier. But I just don't have the money." She also explained that their goal in hiring an attorney would not be to win a large settlement but simply to see justice done. "It wasn't the money that we wanted. I think we would have been satisfied with an apology. But we never heard from them. It's just horrendous."[4]

Another woman described her sense of violation and powerlessness. "When they claimed bankruptcy, it made me so mad I wanted to die. I said it's like standing on the courthouse steps being raped, and the police driving by and just waving. You know, they took our money. And apparently they'd been taking it a long time."[5] A man wondered at the imbalance of justice he suddenly saw: "It's like, you've let them steal everything you've got, and there's nothing you can do about it. But now if we — if you or I — go out here and steal something, they'll put us in jail. It's just not . . . it's just not fair."[6]

Yet this tremendous sense of injustice and anger had no outlet. The workers, unable to dispute DeLone's conclusions, deferred to his expertise. Certain individuals continued to look for ways to fight rather than to accept their fate passively. Ann Ritter went to the Anderson County courthouse to see if she could take out a warrant for the plant manager's or the owner's arrest, because, as she said, "He's took money out of our checks and used it for his own." But, as she was told, "He's protected by the bankruptcy court."[7] She persisted, calling news stations and being interviewed repeatedly about the Greenbrier situation. She called Senator Jim Sasser's office and sent reams of information to his aides, but ultimately received no response. Eventually Ritter, who had to take on three jobs to replace her Greenbrier work, had no more time for protest.

Months later a group of workers reconvened and decided that they should continue to try to raise awareness about their plight. They were still saddled with huge hospital bills — one was trying to pay off a $38,000 debt at $5.00 a month, which was all he could afford. They had received no word about their savings money. They were still outraged and energetic, but after brainstorming awhile, they could think of no real channels by which they could hope to effect positive changes. They decided to stage a one-day picket at the county courthouse, to try one last time to move local officials to take up their case and at least investigate, or preferably to advocate on behalf of the displaced workers. By then, only about ten workers showed up on the picket line. There was a palpable sense that their cause had been lost, and that further actions were unlikely and probably futile.

The Greenbrier workers were desolate and bitter. Although their work was tedious, dangerous (injury rates, including carpal tunnel syndrome, nerve damage, severed fingers, and back injuries, were astronomical) and low-paying, they had been surprisingly content. One worker said, "I thoroughly enjoyed my job. I enjoyed learning. And I just learned so many things, I just loved it."[8] Nearly all talked about how terribly they would miss their coworkers, about the close relationships they had formed at work.

To many, the most devastating aspect of being laid off was the extreme disrespect demonstrated in Greenbrier's actions. As one worker explained, "We knew they was in trouble. We were not surprised they were going to close. We were just surprised at how

they treated us. That it was done so dirty."[9] Another elaborated:

> "I think it wouldn't have bothered any of us near as bad if they had said, 'Hey, we don't have a job for you anymore, we don't have your 401(k), we don't have this . . .' But they didn't say anything. And that's what bothers you so bad. It is terrible. And it takes a long time to get over that. Because you have the devastation of being without employment, you know, just the financial aspects of it, you have no health insurance, but then you have to deal with being treated that way. And that, for me, has been the hardest part. I'm not over that yet. Because I feel like somebody that they had no respect for whatsoever. And that has been very difficult for me."[10]

Prior to the closing, most workers had felt extremely loyal to Greenbrier. Bob Walker, who worked on maintenance and security for eighteen years, described his deep loyalty to the plant manager.

> "He was like a father to me. . . . I would have done *anything* for him, really. I was always a company person . . . I cared about the place and wanted to see it grow. I had opportunities on top of opportunities to take kickbacks on things and I didn't."

He described being injured several years ago, and his decision not to file a workers' compensation claim or to ask for sick pay.

> "No pay, no workmen's comp, or anything. I wanted to be . . . I felt at the time that it would just hurt the company. Then I had a car wreck with one of their vehicles, reinjured my back. But I didn't sue or apply for workmen's comp or anything. The company had enough of that on 'em, so I didn't."[11]

Like many other workers, Walker was astonished to learn that the managers did not have the same respect for him.

When asked to explain why the plant closed, the Greenbrier ex-workers were unanimous in their judgment: bad management. Some blamed the plant and personnel managers; other placed the fault on upper management and owners in New Jersey. Some believed their bosses to have been devious and manipulative; others guessed that they were merely incompetent and lost money by planning and running the factory poorly. Every worker believed that the plant was entirely profitable, efficient, and productive, and that it therefore closed unnecessarily. Most workers personalized their blame, and expressed their sense of extreme betrayal by the plant managers who had been like parents to them.

Although Greenbrier Industries survived entirely on government contracts with government inspectors always overseeing every aspect of its production, the workers did not blame the government for what happened. All they would ask the government to do differently is to punish the "thieves" — the corporate officials who took their savings and health premiums without providing the promised benefits. None of those interviewed had ever been involved in political campaigns or issues, and many had never even voted. For them, the plant closure and their elected officials' inefficacy only reinforced their sense of powerlessness and their belief that the political system is ultimately corrupt.

The fired Greenbrier workers were more likely to look within the plant itself for an

explanation. Many blamed their fellow workers. One supervisor described the high turnover rates, which compromised both efficiency and product quality. While she noted that machine operators whose $8.00 or $9.00 an hour rate for piecework had been decreased to $4.50 an hour, she did not connect this fact to the high turnover. Instead, she blamed the workers: "People don't take any more pride in their work. They're really not that ambitious, you know . . . especially young people. I guess they're spoiled, probably. I think a lot of them are satisfied with welfare and that kind of help." She also blamed workers for submitting excessive workers' compensation claims, although acknowledging that work-related injuries were rampant, and she had no examples of fraud.[12] Even after the extreme hardship foisted on them by the company, the workers often blamed one another for hurting Greenbrier. Even after being forced to apply for welfare and food stamps, the workers put down people who drew welfare or relied on any type of government subsidy, seeing themselves as fundamentally "different." Although they were down on their luck, the Greenbrier workers believed that unlike other recipients of aid, they were more than willing to work.

Case 2: Acme Boot Company

Once upon a time, the Acme Boot Company owned and operated five large boot-making plants in Tennessee. It employed thousands of workers in sorting, cutting, stamping, stitching, piping, and shipping and receiving. Making high-quality casual, dress, and cowboy boots for such famous labels as Dingo, Dan Post, and Luchessi, Acme was the largest boot manufacturer in the world. Unlike most factories in rural Tennessee, Acme Boot was unionized, and employees were well treated and relatively well paid. Workers describe leaving farms or coal mines to work at Acme, then encouraging their families and friends to join them. Many attest to the closeness they felt with their fellow workers and to their pride in the unsurpassed quality of the product they turned out every day. The company had been in Tennessee for nearly seventy years, and at corporate headquarters in Clarksville, Acme was proud to be the county's largest and best-known employer. People in Clarksville still remember how, during the Great Depression, the company had sent its workers out to cut the grass every day rather than lay them off.

Beginning in the early 1980s, Acme Boot plants began to shrink or close, as the work was moved elsewhere. Acme had opened nonunion, lower-wage plants in Texas, Mexico, and South America, and much of the production was done there, with boots returning to Tennessee for finishing, repairs, and shipping. By 1990, the Clarksville plant was the only one remaining, and many laid-off workers had relocated there to keep their boot-making jobs. In November 1992, the final bomb fell. Acme announced plans to close the Clarksville manufacturing plant. About six hundred people would be laid off, most within two months, and production work would shift south, especially to a new plant in Puerto Rico. The company president announced that some management and supervisory personnel would move to Puerto Rico immediately to begin operations there. He reassured the community that although no manufacturing operations would remain in Clarksville, almost a hundred managerial employees would remain in corporate headquarters there. "Acme will continue to be in Clarksville . . . Clarksville is home," he said.[13] The workers saw it differently.

The events leading to this closing had begun several years earlier. In 1985 the company had been bought out by Farley Industries, a Chicago-based, privately held firm led by industrialist and high-profile takeover specialist William F. Farley. A diversified company with interests in automotive components, railroad parts, apparel, and foot-

wear, Farley Industries is best known for its Fruit of the Loom label. Farley viewed Acme's reported annual sales of more than $3 billion as a profitable addition to its footwear holdings. The decision to close the Clarksville plant, made in Farley's offices in Chicago's Sears Tower, was part of a long-term restructuring toward outsourcing, according to corporate spokespeople. Acme would move out of manufacturing and into marketing, buying low-cost boots from makers in Latin America and elsewhere and selling them under the Acme labels.

For the immediate future, however, production was booming in El Paso — much of the actual work was done, for much lower wages, across the border in Mexico, where the two Acme plants had doubled their employee base and tripled production in the previous year.[14] The Clarksville boot-making operations were being moved to Puerto Rico. Asked to explain this decision, Acme president Mike Vogel said, "It's better for us to do it there. It's less costly . . . There are some tax code advantages to doing work in Puerto Rico." He also cited lower wage and benefit costs and potential employee training incentives for Acme. He did *not* say that the Clarksville plant was closing because it was doing badly. Indeed, 1992 was Acme Boot's second best profit-making year of all time.[15]

The decision to move the plant to Puerto Rico was directly encouraged by both the Puerto Rican and the U.S. governments. After discussions, Puerto Rican officials gave Acme Boot a building in Toa Alta owned by the Puerto Rico Industrial Development Company, a government entity. The building and its surrounding roads and utilities had been built with federal government money, and had previously been occupied by a pharmaceutical division of Baxter International Inc. Acme, in return, had promised to invest $1 million in production equipment and machinery and to hire six hundred workers. The newspaper *Caribbean Business* reported, "The establishment of Acme Boot operations in Puerto Rico is a major boost to the island's footwear and leather goods industry, especially in light of the North American Free Trade Agreement, which is seen as influencing labor-intensive industries such as apparel and leather goods to set up plants in Mexico."[16]

This great boon for economic developers in Puerto Rico was an equally great tragedy for the Clarksville workers. The Acme jobs were not extremely well paid, and the work was certainly not easy. The highest pay bracket for unionized workers, $7.95 an hour, was only for those who had been on the job more than thirty years. When the plant closed, the average employee was forty-eight years old and the average length of seniority was twenty-five years. Most workers had believed their jobs were absolutely secure. Having worked at Acme for their entire adult lives, they had no experience or training in anything else. Moreover, Clarksville was in the middle of a serious recession — according to most workers a true depression — and they knew other jobs would be scarce and pay well below Acme's rates. Jobs above minimum wage were nearly impossible to find.

The Union Fights Back

For about ten years previous to Acme Boot's closing, management had been telling the union — United Rubber Workers Local 330 (URW) — that times were tough and demanded cuts in wage scales and concessions on benefits. Alan Buckner, Local 330's chief steward at the time, remembers one particularly harsh round of negotiations in the early 1980s. "We went through negotiations to give concessions to keep the plants open. I tried at that time to get [the union president] not to do it. I said, 'They're going to

close the plants anyways.' But cuts and concessions came. I went from piecework to hourly work. I went from $13.22 an hour to $5.35."[17] With every contract, more pay cuts were handed down and more hard-won benefits were lost. Managers brought in cost figures from El Paso and elsewhere and told the employees that to retain the work in Clarksville they had to be "competitive" and cut their own costs. The workers voted to go along with the concessions in the hope of saving the factory and their jobs.

When the company announced that the Clarksville plant would close, the union leadership was surprised and furious. They had seen Acme's other Tennessee plants close, and had been reassured that the Clarksville factory — Acme Boot's first and flagship plant — was doing better than ever. Suddenly they were told that within two months from the announcement, half the employees would be laid off. Even worse, managers were already being relocated to Puerto Rico to hire 250 workers for the brand-new Acme Footwear, Inc.

The union immediately challenged the legality of the shutdown, claiming that Acme Boot officials had violated the federal Worker Adjustment and Retraining Notification Act by not telling the employees who would be laid off when. Federal law requires companies to give employees sixty days' advance notice of potential layoffs or plant closings. The Tennessee Department of Labor was given a list of those who were to be separated in the coming two weeks, but the workers were never advised.

The union then began a publicity campaign, notifying the local press and local officials of Acme Boot's plans. The union held a very well-attended rally, claiming that closing the Clarksville plant was possibly illegal and certainly immoral. Individual workers told their stories and wondered what they would do after losing one of the best jobs in Clarksville. Forced to respond, company officials assured the public that they intended to be a "good corporate citizen" of Clarksville, providing more assistance and notification on the closing than required by law. Focusing on the hundred remaining employees, Vogel claimed, "The last five or six years have been very tough. What we are trying to do is make this company well so we have jobs for the remaining employees."[18] The workers, who had received their highest production bonuses ever, knew differently. The Clarksville plant's profits were higher than they'd ever been.

Union leadership, who began to research Acme's proposed move to Puerto Rico, found that the company was taking advantage of the Possessions Tax Credit, also known as Section 936 of the U.S. Internal Revenue Code, which allows Puerto Rico subsidiaries to repatriate their profits back to their American corporate parents without federal taxation. Federal corporate income taxes are waived on profits earned in U.S. territories, including Puerto Rico, Guam, and the Virgin Islands, giving multinational corporations a legal 100 percent tax break. Also, under the Puerto Rico Tax Incentive Act, an American company is not required to pay the high Puerto Rico income taxes. The company acknowledged that it was looking forward to the tax breaks.

With the help of the Oil, Chemical, and Atomic Workers International Union (OCAW), which had just been through a similar fight against the Elkhart, Indiana, Whitehall Pharmaceuticals, the URW learned more about Section 936 and decided to fight Acme's plans. The strategy was to block the company from taking advantage of Puerto Rico's tax breaks, relying on a 1987 commonwealth law which said that local officials can refuse to waive the local corporate taxes if they find that a company's move caused economic hardships on the mainland. A question on the tax break applications asks if the jobs in Puerto Rico would cost jobs in the United States. If the answer is yes, the company is ineligible for tax benefits. Acme's answer, no, was a lie, which

constitutes tax fraud.

In January the union held a second rally, focusing on Acme's move to Puerto Rico. Calling Acme a runaway shop, the URW directly blamed Section 936 for Clarksville's expected loss of 480 jobs in one year. The United Rubber Workers vowed to save Acme Boot by convincing either the U.S. or the Puerto Rican government to review and deny the company's claims, an action that had never been taken. The union amassed proof that equipment was shipped directly from Clarksville to Puerto Rico and that the work planned for Puerto Rico duplicated part of the Clarksville operation. The union found support from other organizations, such as the Midwest Center for Labor Research (MCLR), which identified thirty-five communities from which more than 15,000 jobs were transferred from mainland plants to Puerto Rico tax-sheltered factories — these represented only a fraction of the 100,000 people known to be employed in Puerto Rican factories owned by American corporations. A researcher with the MCLR called this "a case of tax-loophole-driven job destruction" and agreed with the URW's position against Acme's petition.

Union leaders traveled to Washington to try to convince the American government to block Acme Boot's 936 request. There they found themselves up against the Puerto Rico-USA Foundation, a lobbying group made up of seventy major Fortune 500 corporations fighting to uphold Section 936 and other incentives. Initiatives by members of Congress to amend 936, or to require confirmation that job transfers do not harm mainland workers, have repeatedly failed. The congressmen cannot compete with aggressive lobbyists for companies like Pfizer Pharmaceuticals, which saves $156,400 in taxes for every employee in Puerto Rico, whose earnings average only $26,471. The U.S. Treasury Department estimates that it annually loses about $3 billion in taxes to Section 936 — profits that accrue directly to transnational corporations.[19]

Union leaders also initiated contacts with Puerto Rican officials, urging that they enforce their law prohibiting tax benefits to manufacturing companies whose relocation on the island is directly responsible for job losses in the States. They found that Acme had already been received with open arms by local politicians desperate for new jobs at almost any price. URW president Mitch Tucker wrote to Puerto Rico governor Pedro Rossello to ask that he deny tax benefits to Acme Boot. He said that the plant scheduled to open in Toa Alta, Puerto Rico, would be carrying out essentially the same manufacturing procedures being performed in Clarksville. "We state to you unequivocally that this is a runaway shop . . . If an exemption has already been granted, you must revoke it . . . If an application is now pending, it should be denied." Tucker added that Acme "plans to perform Clarksville production processes on Clarksville brand name boots with equipment shipped from Clarksville . . . Any attempt by Acme Footwear, Inc., to represent the facts otherwise, especially on its application under the Puerto Rico Tax Incentive Act, would be fraudulent."[20] Tucker also sent letters to resident commissioner Carlos Romero Barcelo and to vice president–elect Albert Gore, neither of whom replied.

Thwarted in its efforts within regular political channels, the URW launched a public campaign. Its goal was to increase public pressure to persuade the company to continue manufacturing operations in Clarksville and to abandon its plans to open a boot finishing plant in Puerto Rico. At a rally in Clarksville, Mitch Tucker vowed, "We want to send William Farley a message. We intend to fight this illegal shutdown." Turner called on Farley to fulfill his promise, made at the time of purchase, that Acme Boot would maintain manufacturing in Clarksville.[21] The rally featured Connie Malloy of the

OCAW, who had helped fight Section 936 in Elkhart, and Ricky Mullins, a dislocated Decaturville Sportswear worker. The URW repeatedly drew on the parallels between the Clarksville and Decaturville stories, as the Decaturville plant closing had been a major campaign issue in 1992 when the company moved from Tennessee to Central America with the support of the Agency for International Development. Vice President Gore had visited Decaturville and denounced the pattern it represented, and Ricky Mullins had been invited to the Faces of Hope luncheon at the Clinton inaugural. Yet when the URW pointed out the similarity and asked for the Clinton administration's support, it received no reply.

The union urged all area unions as well as community groups and churches to attend its rallies, demonstrations, and events and to participate in its campaign. The media, and some public officials, began to take notice. The *San Juan Star* quoted Puerto Rico's new chief of economic development, Clifford Myatt: "If it is a clear case (of a runaway), then we will be obliged to make a decision in accordance with the facts." But Myatt also cautioned that while his agency would take a close look at the Acme application, there is "a very thin line" between runaways and normal plant closings. "We will have to see the reasons for the closing, whether the company thinks it makes business sense, and if it does not relocate in Puerto Rico, if it intends to relocate somewhere else." And a spokeswoman for vice president–elect Al Gore said Acme's proposed move was "an unfortunate use of the existing tax law, which was intended to create jobs."[22]

With other groups from Clarksville and elsewhere in Tennessee and the nation, the Acme workers planned event after event. They held demonstrations, press conferences, and marches. Supported by the Clarksville community, they held a three-hundred-car motorcade through the small downtown. Every weekend, workers stood in front of K-Mart and Winn-Dixie, distributing flyers that explained Section 936 and their plight and encouraging community members to contact all relevant decision makers. In April the union sponsored a mass public boot-burning, at which hundreds of Clarksville residents burned their Acme-made boots. This dramatic gesture inaugurated a national boycott of Acme, Dingo, and Dan Post boots. A boycott flier, "The Anatomy of an Acme Boot," designed by award-winning labor cartoonist Mike Konopaki, was distributed by labor unions nationwide.

On May 29, 1993, the *Walter Cronkite Report* covered the shutdown of the Clarksville plant. Invited by the URW, the *Report* staff attended the boot-burning and other events, including the last day of work at Acme Boot on May 21. The *Cronkite Report* aired extensive footage of interviews with dislocated employees and showed the devastating impact of job loss on workers in the already depressed Clarksville economy. It emphasized job flight, the lure of Section 936, and the connection between tax policy and job loss. Following the *Cronkite Report,* other national and local news media picked up the Acme Boot story. Members of Local 330, who received mail and support from individuals and groups around the country, were tremendously encouraged by the outpouring of public support for their cause.

At the end of May, Acme suddenly announced that it would not seek federal income tax exemptions on profits from the Puerto Rico plant. The company withdrew its application for Section 936 benefits. Acme president MikeVogel explained that although the company was distancing itself from the 936 issue, it would still receive local incentives and was still moving. He claimed that the Clarksville plant closing and the establishment of a new plant in Puerto Rico were "nonrelated, coincidental issues."[23] A high-ranking Puerto Rican official cited "corporate exhaustion" as the reason for Acme's

withdrawal of its tax exemption application. And Clifford Myatt said, "I think the union has been so vociferous and unfair in its attack on them that [Acme doesn't] want any more bad P.R. Also, they've been inundated with so much paperwork and expenses that they decided to forget it."[24]

This was a major victory for the workers' campaign against Acme. Yet they had not succeeded in saving their jobs or their community. The Clarksville plant closed on schedule, and the company, without benefit of tax breaks, moved its operations to Puerto Rico. After months of mobilization, coalition building, public education, media attention, political lobbying, and protest, the Clarksville community lost Acme Boot.

Lessons from the United Rubber Workers Fight

The most obvious and significant difference between the situations at Greenbrier and Acme Boot was the presence of a strong union. First, because the URW was regularly negotiating contracts with the company, it had access to financial reports and other information and could see the coming changes before anything drastic happened. Second, because the union had an organizing structure in place, workers could be informed almost immediately as events unfolded. They were therefore less likely to blame one another and were kept up to date on the situation. Third, the union had connections to larger organizations, especially to the URW International Union, other labor unions, coalitions like Tennessee Industrial Renewal Network, and research and advocacy institutes like the MCLR. All these provided crucial support at various stages of the workers' mobilization and lobbying. Fourth, the union knew how to launch a public campaign. It, and other unions, unlike the Greenbrier workers, had held marches, parades, rallies, boycotts, and other events previously and knew how to organize actions successfully. They had dealt with the press regularly. Union leaders and members had been active in political campaigns, so they knew which officials to call first. Finally, the URW had access to resources from outside the Clarksville community. They could pay people to fly in for rallies; send representatives to Washington to lobby; create leaflets, posters, and banners; and buy advertising space in local newspapers. By contrast, the Greenbrier workers could not even communicate with the bankruptcy trustee because they could not afford a long-distance phone call to New Jersey.

Interestingly, despite all these benefits Acme's workers were not more pro-union than Greenbrier's. A few blamed the union for giving away too much or for not doing more to prevent the closure, but most were absolutely indifferent on the subject of unions. Although they were not ideologically committed to unions, they appreciated the benefits and work environment created by a union. Sally Kellam was typical; referring to her search for a new job, she said, "I don't care one way or the other; it don't matter to me if it's union or non-union." On the other hand, she noticed real differences between the two types of plants, and she did have a preference. "I just don't like the way that things are just different [at nonunion plants]." Her most serious complaints at her new job involved layoffs, which were random or involved favoritism, mandatory overtime, and unequal treatment of workers.[25] With the union at Acme Boot, workers had come to expect fair treatment, open and agreed-upon procedures, and reliable avenues for redress of grievances. This general expectation of fair treatment seems to have fueled the campaign against Section 936 as well.

Although the Acme Boot campaign failed in its immediate goal, it had a striking impact on both participants and other members of the community. Ironically, while unions are usually charged with creating antagonism between workers and management,

just the opposite can be demonstrated here. Unlike the Greenbrier workers, no Acme Boot employees blamed their supervisors or managers. Instead, they blamed the federal government for maintaining the Section 936 tax loophole and helping major corporations rather than workers of either country. The workforce was effectively educated to understand the national and international political decisions that led to the plant closing. They understood Acme's move as a strategic decision encouraged by a series of governmental decisions made under pressure from large transnational corporations. When other economic issues arose, such as the North American Free Trade Agreement, they could understand them in this same context. While most of the Greenbrier workers who had opinions said they believed NAFTA would probably be "a good thing," all the Acme Boot workers interviewed could speak quite knowledgeably about the agreement and its effects on both American and Mexican workers.

The Acme personnel were better educated about American politics as well. They had participated in letter-writing campaigns, met with politicians, and learned a great deal about the political process. They were not, however, necessarily more sanguine about the political system. Sally Kellam expressed a common sentiment: "We [the URW workers] went out here and worked for [President Clinton] to get him in office. Now we feel like we've been let down. So, I don't think I'm gonna vote again. What's the point? . . . Now, maybe I'll change when the time comes again."

But whether or not she participates in electoral politics, Kellam was changed by the Acme Boot campaign: "I've gotten more involved in a *lot* of things since this plant closing . . . I've gotten more involved. I have never in my life wrote letters to congressmen and the White House; I never was like this . . . But I feel like we need to stand up because that's important. They need to *know* how the people feel. It could make a change. It could make a difference."[26]

Case 3: General Electric

In Morristown, a midsize town in the mountainous, rural Appalachian region, a job at General Electric had been considered one of the best positions a person could hold. Morristown has a low rate of unionization and, like all of upper East Tennessee, Hamblen County has been hard hit by plant closings and layoffs. In 1988, GE was considered a progressive employer and an invaluable asset to the community, with wage scales higher than those of most local industrial facilities. Most workers earned between $9.00 and $12.00 an hour, had been there for many years, and considered that they had secure, permanent jobs. Yet a new management team had begun to institute changes that seemed to alter the character of the plant and labor-management relations for the worse. The workers felt increasingly harassed and powerless.

In June of that year, the International Brotherhood of Electrical Workers (IBEW) launched a union organizing campaign at GE's Morristown plant. There was great initial supporl among workers, but the company spared no expense to counter the union campaign. Management treated employees to parties and gifts. Workers were shown films describing how the union would hurt them and the plant. The company produced its own videocassette devoted to "the GE family," complete with shots of nearly every worker, some with families and friends, and the beautiful surrounding area. For the video, the company commissioned an original country music song dedicated to the people and countryside of Morristown. It promised that GE would protect its workers and their community more than any "outside" union could.

By September of 1988, by instilling a mixture of fear and complacency, the company had won the struggle, and the union was voted down by a 3-to-1 margin. One observer noted that "the employees beamed with pride because they thought this would demonstrate to the company how they believed in General Electric."[27]

One week after the vote, GE laid off more than one hundred of those same workers. They were told that they would be recalled to work in the spring of 1989. But the next week they learned from radio, television, and newspapers that their jobs were permanently lost. The distribution center warehouse was moving thirty miles away, literally down the road, to the town of Mascot in adjacent Knox County. GE had received economic development incentives from Knox County to encourage the move, as well as state funding to train new workers. At the new site, GE announced, all work would be subcontracted through USCO, an independent company, and all jobs would be redefined as "temporary," even though the work was no different than it had been. The pay would be about $6.00 an hour, with no benefits, a far cry from the union wages the workers had once anticipated. Knox County executive Dwight Kessell commended the county's director of economic development for "the extraordinary work she did in securing this new industry and these new jobs for Knox County."[28]

After hearing about the new plans, the laid-off workers attempted to contact managers to see if there was any alternative. They met as a group to discuss possible courses of action. Their offers to freeze or cut their own wages in order to keep their jobs, benefits, and seniority were refused. Attempting to initiate negotiations to retain their jobs, they were again refused. The company stated that, in order to remain competitive in the global market, tough measures were necessary. After giving up on changing management's mind, some workers simply traveled to the USCO plant, asking to be hired there — to do their own jobs, for half the pay and no benefits. They were never called back.

By the end of 1989, the hundred permanently laid-off workers were looking for new jobs. The official listings at the Tennessee Department of Employment Security Job Service comprised very few openings, and hardly any above minimum wage. Officials referred worker after worker to temporary service and contract-labor agencies. Unlike traditional employers, these agencies were continually hiring. Morristown-area factories were increasingly choosing to contract out for "temporary" employees rather than hire their own permanent workers.

The Birth of CATS

Having lost good jobs at General Electric, the workers were shocked to hear that temporary service was their only option. Many had to support families and could not rely on jobs with absolutely no security or stability, at such low pay and — most important for some — with no health insurance or pension benefits. They were shocked, too, to find that they were not alone; permanent, decent-paying jobs in Morristown were systematically being replaced by temporary jobs, either through agencies or through in-house temporary labor pools at large companies. The outraged workers, mostly women, began to meet regularly. At one meeting, someone — no one can now remember exactly who — suggested they call their group Citizens Against Temporary Services, or CATS, and the name stuck.

One of their plans was to hire an attorney who would file a lawsuit against GE. Charging age discrimination, since older workers had been disproportionately singled out for layoffs, and fraudulent use of government funds, they compiled evidence for a case against GE. Although they believed their case was strong, the initial hearings

dragged on, and it became apparent that, if they could win at all, the legal route would not further their goals in a timely fashion. Eventually, under pressure from GE management, their lawyer withdrew from the case and they were forced to drop the suit without winning anything.

Initially optimistic that aid would be forthcoming once the facts of their case were public, they began to contact politicians and community leaders to see if anything could be done. When they met with only apathy or outright hostility from officials, CATS decided to plan community meetings to put pressure on GE but also to expose their larger concerns about the increasing use and abuse of temporary and contingent workers by large companies. CATS set out to generate support and to exert pressure to get their jobs back, but also to look for ways to address issues of injustice in the workplace that were affecting workers in Hamblen County.

With a little research, CATS leaders quickly discovered that the loss of permanent jobs to the instability and inequities of temporary jobs was a national trend. In fact, the growth of part-time, seasonal, and other forms of contingent work represents a sea change in the American workplace. In 1989 the National Planning Association estimated that nearly one third of the entire workforce was composed of contingent workers, and that the percentage was growing. Perhaps unsurprisingly, women and minorities are disproportionately represented in the temporary workforce — nearly double their percentages in the total workforce.[29] Between 1983 and 1993, the number of temporary workers increased by more than 300 percent.[30] The payroll of temporary employment services — one part of the contingent work boom — increased by almost 3000 percent between 1970 and 1992.[31] By 1994, Manpower, Inc. — a temporary help supply service — was the largest employer in the United States, with nearly one million employees.

As CATS began to seek help elsewhere and to devise plans, they found many local groups and individuals who had similar concerns. They talked with unionized and unorganized workers, and with community groups, politicians, and unemployed people. Workers from all industries were aware of the problem and troubled by the trend toward contingent work. On the one hand there was a broad concern and support for reform; on the other hand, there was very little precedent for positive change. CATS found that because temporary service agencies in Tennessee were completely unregulated, there was no official route through which to address abuses. At a legislative meeting in late 1989, the administrator of Tennessee's Personnel Recruiting Service Board, which licenses permanent employment placement agencies, said she receives about ten complaints per year about permanent employment agencies, but she gets three complaints per week about temporary agencies, over which she has no jurisdiction.

After organizing in the fall of 1989, CATS proved extremely persistent and determined. Wearing their self-made, bright red T-shirts emblazoned CITIZENS AGAINST TEMPORARY SERVICES across the back, they were highly visible around town. One of their initial events was a community meeting in Morristown to publicize their plight and the issue of temporary jobs. Nearly four hundred people attended — a record for the small town. Shortly thereafter, CATS marched down the streets of Morristown calling for fair labor laws in Tennessee. Hundreds of people attended the parade, which was spirited yet serious in its demands for attention and reform.

These events, and the remarkable turnout they generated, were all the more impressive because the only Morristown newspaper refused to carry any stories about CATS. The city and county governments, the Chamber of Commerce, the local business community, and the local media either actively opposed CATS — as antagonistic to corpo-

rate interests and therefore harmful to Hamblen County's "business climate" — or dismissed it as irrelevant. After being blacked out by the town's one paper, CATS had to find other strategies to publicize its message and events. One way involved organizing members and their families to distribute leaflets advertising events at supermarkets and other public places. Another was to buy space in the *Smoky Mountain Trader,* a small, free advertising weekly that was available all over town. In it, CATS publicized its meetings and other activities, even publishing short articles. This proved most effective, as the *Trader*'s wide circulation made it a useful conduit of information.

If CATS's public events did not draw mainstream media, they did serve another crucial function: attracting the attention of important potential allies. One of the marchers at the April parade was Bill Troy, a staff member of the Committee on Religion in Appalachia (CORA), a coalition of church groups working on issues of economic justice. Troy was in the process of founding a new organization, the Tennessee Industrial Renewal Network (TIRN), a coalition of labor, community, and environmental groups to work on economic issues statewide. Having learned about the CATS march through friends at the Highlander Center for Research and Education, another Appalachian institution interested in economic justice, Troy was inspired by CATS members. He immediately got in touch with the group and remained involved for the next five years. He invited CATS representatives to a June 1990 Chattanooga conference he was organizing for June 1990, "Responding to Plant Closings in Tennessee." CATS members attended the conference, speaking movingly about their experiences with the GE warehouse closing and its aftermath. This was the beginning of a close alliance with TIRN, which set up an ongoing committee to assist CATS efforts with staff support and other resources.

Through their contacts with Highlander Center staff, CATS became aware of an Appalachian citizens group, Save Our Cumberland Mountains (SOCM). It had worked primarily on environmental and land use problems for many years, but had recently become more involved with economic and job issues as well. In 1990, CATS voted to become the Morristown chapter of SOCM, thereby taking advantage of the group's extensive experience in organizing, strategizing, and lobbying skills and resources. This alliance was a further means of institutionalizing CATS and ensuring a strong base from which it could continue its work.

With the help of SOCM staff, CATS began to design a strategy to push for government action. Ferreting out the facts of the government's complicity in GE's move proved difficult. CATS leaders made hundreds of frustrating phone calls to Nashville and Washington, to every imaginable relevant office. A few traveled to Nashville several times to ask questions in person. After nine months of research, they finally discovered that tax dollars had indeed been allocated to GE to support its move to Mascot. They tracked down the contract showing that GE had been promised $200,000 in Job Training Partnership Act (JTPA) funds to train new workers for the exact jobs from which they had been fired. CATS argued that this was illegal, because JTPA funds cannot be used for jobs from which fully capable workers had been laid off. GE argued that it was legal because the new factory was operated by USCO, the labor contractor, rather than by GE. After putting pressure on Knox County officials and state and federal labor department officials, CATS won. It was able to prove that GE was directly responsible for the warehouse and that the fully capable Morristown workers had not been offered the new jobs although many would have been willing to take them. CATS finally persuaded the Department of Labor to declare the GE/USCO warehouse in Mascot

ineligible for JTPA funding and withdraw the $200,000.

Toward the end of 1989, CATS began to push their state legislators to set up a study committee to look at the issue of temporary services. They also lobbied for a study committee on fair labor laws in Tennessee. Both committees were set up, and CATS then demanded that they hold hearings in Morristown. Finally a joint hearing was scheduled for October at Walter State Community College. CATS once again distributed leaflets, wrote articles for the *Trader,* activated their telephone tree, and contacted labor unions, community groups, churches, and anyone else they could think of. Their efforts paid off, as an unexpected seven hundred people showed up to overwhelm the legislators. Many testified movingly about the experiences they had undergone and their worries for the future of their families and children with all the changes in the workplace. CATS members were surprised and heartened by the outpouring of support for them and their issues from all over East Tennessee. They heard horrible stories similar to theirs from friends and allies they never knew they had. Everyone seemed to agree that the situation for factory workers was dire and becoming worse, and that it was the government's responsibility to take action. The committee listened dutifully, but, as usual with study committees, no results materialized.

CATS finally decided that if Tennessee were to have any type of fair labor laws, the members themselves would have to create them. In 1990 they wrote legislation that would define temporary employees as temporary, regulate temporary agencies, and forbid the replacement of permanent workers with temporary ones. This was precedent-setting legislation, since at that time no state or local legislation dealt with the abuse of temporary services. With help from TIRN and SOCM, CATS members pressed for their bill to be introduced in the 1990 legislative session. As the date for the vote approached, they organized a delegation of about fifty citizens to drive four hours to Nashville to lobby for themselves. Although CATS had done extensive lobbying ahead of time, when they arrived in Nashville for the vote, they found themselves outnumbered and overpowered by opponents. Federal Express, Eastman Kodak, and other major Tennessee employers were pushing hard against the CATS bill. The National Association of Temporary Services and its Tennessee affiliate were also lobbying against it. Although CATS had received promises of support from a majority of committee members, several decided not to vote at all, and the bill never made it out of committee. The following year CATS presented a more streamlined, less ambitious bill, for which they again lobbied extensively. They believed they had a good chance of winning, but they were outmaneuvered by more politically powerful opponents. After two years of legislative work, their only tangible result was a bill requiring temporary service agencies to register with the state, a minimal requirement that contained no provisions for regulation or enforcement.

CATS's Ongoing Legacy

CATS failed to accomplish any of its original goals. It did not succeed in keeping the GE jobs in Morristown; it did not get even one worker rehired. After investing considerable sums in attorneys' fees, CATS members lost their lawsuit against General Electric. The time and energy spent lobbying elected representatives did not generate even a minimal bill to protect temporary workers. The temporary service industry is subject to no more regulation than previously, and temporary jobs are still multiplying in Morristown as permanent ones disappear. Yet despite these failures, CATS is an excellent example of a successful organizing effort. Members of CATS were involved in a

sustained effort at social change around economic issues. Both the individual participants and the larger Morristown community — arguably even the entire state of Tennessee — were transformed by the struggles begun by a small group of women laid off from GE.

CATS scored several points that cause it to stand out among community mobilizations around economic issues. One is symbolized by the name of the group. Unlike the two companies described above, the Morristown laid-off workers did not organize simply around the events at GE. They did not call themselves the GE Workers Committee, or Morristown Citizens Against GE. From the outset they were Citizens Against Temporary Services, representing a conscious decision to focus on the cause of their problem rather than its symptom. Moreover, because of its close alliance with larger organizations in East Tennessee, and because of the region's rich history of community organizing struggles, CATS was immediately encouraged to foster an understanding of its members' experiences within a wider context. This association with similar yet diverse groups had many consequences.

First and probably most important was the contribution of organizing expertise. Bill Troy of CORA and Susan Williams of the Highlander Center worked closely with the CATS group, helping them strategize, build a local coalition, plan events, and carry out an entire campaign. The CATS activists credit Troy and Williams with inspiring them, helping them think through their ideas, planning next steps after disappointments, and keeping them going when they felt like giving up. The chairperson of CATS calls them a lifeline, saying that she would not have survived without their aid.

Second, other organizations provided people to participate in CATS events and to publicize their issues and struggles. CATS members spoke to a national audience at the TIRN founding conference in Chattanooga and to statewide audiences at rallies in Knoxville and Memphis. They joined TIRN leaders to speak with other displaced workers about practical issues like JTPA and other programs, but also about the changes that are required to better serve the needs of working people. Some even attended a conference in Washington, D.C., about women in the changing workplace.

Third, other organizations provided essential training in leadership skills. CATS members participated in workshops at the Highlander Center with community activists and organizers from all over the South and Appalachia, learning how similar struggles were handled in similar communities. They were encouraged to speak publicly, to persuade others to get involved, to confront decision makers, all entirely new experiences for the women involved.

Fourth, CATS members were exposed to communities extremely different from their own. The most dramatic example was a trip to the *maquiladora* (free trade) zone in Mexico, sponsored by TIRN. Two CATS leaders participated in the trip, along with eight other women workers from East Tennessee. They visited a General Electric plant, among others, and were horrified by the living and working conditions provided by American corporations. They learned to make connections between their own experiences and those of Mexican women working in the *maquiladoras* for very low wages, with no job security or organizing rights. Simply by traveling around Tennessee and meeting with other groups in the context of their fight for fair labor laws, CATS members were educated about changes in the economy and their effects on all kinds of groups.

Finally, even more intensely than the Acme Boot workers, the CATS participants underwent a political education and transformation. Until 1988 they had been very

lucky, holding some of the best, most secure, and highest-paying jobs in Hamblen County. Through a sudden management decision they became not just laid-off factory workers but, even worse, workers qualified only for the most unstable, poorest-paying temporary service positions. This changed their view not only of themselves but of others as well. Kathy Muller, a CATS leader, described the changes she saw in herself:

> I must have been a shallow person. Because, see, I was in my own world. I got up every day, and I went to work, and I made good money, and . . . when I went to the grocery store and I saw somebody that had food stamps, I always thought, "Oh, that little kind of people, they ought to get a job and go to work . . ." Now I'm grateful that I'm able to look and see and have compassion for people, because they're having a hard time. I wrote Al Gore a letter and told him that I fully believe that 98 percent of our society would work, if they could make a decent wage to where they can survive . . . I really think if you give people the incentive that they'll work.[32]

In addition to their attitudes, their political behavior changed as they organized CATS. Not one member had ever been to the state capitol in Nashville, and very few had ever so much as written a letter to a public official. As Muller said, "When I worked at GE I would've never asked my government a question. I would've never challenged them on anything. Now I challenge them on everything. I mean, I wouldn't take their word for nothing . . . I can see beyond what they say." This was a major change for Muller. "I had all these ideas that there was justice in the Labor Department. Even when I lost my job, I thought, Well, not to worry, I'll go out and find another job, and then when reality started setting in I thought, Well, our government won't let GE do this. And when you realize they *will* let 'em do it, they're doing it every day, then I began to ask questions."[33]

The process of beginning to ask questions and doubting long-held beliefs about authority was extremely difficult for many. Joe Perkinson, a veteran of the Korean and Vietnam wars, who was fifty years old when he was laid off, seriously contemplated suicide and other types of violence. He threatened to bring in a gun to force GE managers to give him his job back, at whatever wage. Others in the group convinced him to use more peaceful means. He now has a minimum-wage, temporary job as a security guard at the Morristown mall. He says he understands why the crime rate is so high in areas where there are no good jobs.[34] Kathy Muller points out that none of the CATS members had ever fought for something like this before. "I was the type of person, I guess that if [GE] had told me to go out in a lake and jump in, I would've went in, because I thought they knew what was best for me . . . I had been brought up to think that if you got a job you did the very best you could, you worked as hard as you could, you did what they said, because they were boss, and you'd be okay! When I realized that didn't work, it was hard, it was really hard."[35]

These hard-learned lessons stuck. More than anyone in Greenbrier or Acme Boot, the members of CATS continued to participate in political activities. CATS became the Hamblen County chapter of SOCM, and Muller became a leader in a new campaign to get city drinking water for people living in a neighborhood near a polluted landfill. Other members, including several who were previously virulently antiunion, led and worked in union campaigns. All the members interviewed were extremely knowledgeable about NAFTA, welfare reform, labor law reform, and other national economic issues. They continued to write letters and meet with legislators at every opportunity. Most important, they have learned to stand up for themselves, both individually and

collectively. Each one can tell stories of confronting authorities, at work and elsewhere, when injustice was being done. These small demonstrations of resistance, taken together, have had an impact on many lives.

CATS also transformed Morristown. Anyone in that town who has a problem in the workplace knows to contact a CATS leader. A small group of them now serve as informal job counselors for nearly the entire city's population. Moreover, although it has become SOCM and has quieted down during the past four years, public officials in Morristown remember CATS. The county executive and Chamber of Commerce officials refer to it as having instituted the strongest protest about jobs and the economy Hamblen County has ever seen. Although CATS may have lost the immediate battle, its legacy can be detected in the ongoing decisions made by local officials who have known the group's organized power and will always, even unconsciously, anticipate their reactions.

* * *

The most striking conclusion to be drawn from the three cases of mobilization in East Tennessee is the exceptional potential of ordinary working people to take on a complicated issue, educate themselves, fight for what they deserve, and join with others in a common struggle. The crucial corollary is that in order for this process to take place, enormous resources are necessary. This is true not in the sense of a traditional "resource mobilization"[36] framework, but in terms of indigenous resources from within a community: an institutionalized base with which groups can affiliate and learn organizing skills, sources of publicity and information, and leadership.

These three examples show that abundant crises in every community can serve as sources of mobilization and protest, but their consequences are more difficult to predict. In all three companies, the consequence the participants sought — to keep their jobs — eluded them. The global economy brings a widening gap in power that has proved to be too severe for impoverished local groups to overcome. Only few such campaigns will ever produce concrete improvements in economic circumstances, by keeping a plant from moving on or by pressuring local governmental entities to strengthen their economic development bids. Yet even if material benefits never appear, these organizing efforts are not failures. Where grassroots mobilization has occurred, people have a much stronger comprehension of fundamental political issues and, as important, a transformed understanding of themselves in relation to those issues. Organizing is likely to increase political participation and thus strengthen local democracy, educate citizens on local and national issues, nourish leadership, and foster solidarity and collective responsibility. Different types of mobilization lead to different sets of experiences, understandings, and resulting political behaviors among participants.

Studying political mobilization among low-income rural people reveals the incentives and barriers to true local democracy in an increasingly global economy. This study has focused on the concern most central to poor people's lives: their jobs and, more generally, the condition of the local economy. It shows, first, that the most devastating economic changes result not from an invisible hand within an optimizing free market, but from sets of national, state, and local institutions and political decisions. It then shows that local people can have an impact on these issues, although they must contend with formidable structures and opponents. Although local organizing cannot compete with the forces shaping national and global economic policy, it *can* transform local politics and is an essential beginning. It is important to note that these local battles are indeed only a beginning.[38]

The histories presented here prove that in no way should this type of organizing be

seen as limited to local groups and traditional neighborhood issues. In every case, people were more than capable of seeing their struggles in a national and international context and learning to analyze their own towns' economies in this framework. The transformation from the personal and local to the global remains the test of successful organizing. Small, disadvantaged communities always encounter difficulty in mobilizing around economic issues, but if they neglect to act, they are excluded from the decisions that most affect their lives. Examining systems that enable excluded groups to achieve a voice in such judgments is central to debates about democracy and power in contemporary American politics and public policy. In an era of downsizing, deindustrialization, and economic globalization, these questions are more important than ever.

Notes

1. "Downsizing and Its Discontents" (masthead editorial), *New York Times,* March 10, 1996, E14.
2. Yolanda K. Kodrzycki, "The Costs of Defense-related Layoffs in New England," *New England Economic Review,* March/April 1995, 3.
3. James W. Meehan, Jr., Joe Peek, and Eric S. Rosengren, "Business Failures in New England," *New England Economic Review,* November/December 1993, 33.
4. Interview with Joanne James, December 7, 1993, Clinton, Tennessee.
5. Interview with Ann Ritter, LaFollette, Tennessee, December 10, 1993.
6. Interview with Bob Walker, Clinton, Tennessee, December 6, 1993.
7. Ritter interview.
8. Ibid.
9. Interview with Bobbie Bishop, Clinton, Tennessee, December 6, 1993.
10. James interview.
11. Walker interview.
12. Bishop interview.
13. Douglas Ray, "Acme Plans Boot Plant in Puerto Rico," *Clarksville* (Tennessee) *Leaf-Chronicle,* December 27, 1992.
14. The El Paso plants employed more than seven hundred employees, a number similar to that of those fired from the three other closed Tennessee plants. The company would not reveal the wages of workers in El Paso or Mexico. See Stephen Franklin, "Union Wants Puerto Rico to Boot Acme," *Chicago Tribune,* February 1, 1993, 1.
15. Ray, "Acme Plans Boot Plant," 1.
16. Pablo J. Trinidad, "Acme Boot to Produce Footwear in Toa Alta," *Caribbean Business,* December 10, 1992, 1.
17. Interview with Alan Buckner, Clarksville, Tennessee, December 14, 1993.
18. Franklin, "Union Wants Puerto Rico to Boot Acme," 1.
19. Harry Turner, "Congress Urged to Eliminate 936," *San Juan* (Puerto Rico) *Star, May* 15, 1992), 1.
20. Robert Friedman, "Rossello Urged to Deny Factory Tax Benefits," *San Juan Star,* January 12,1993, 1.
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22. Robert Friedman, "Acme Boot Company: A Runaway Plant?" *San Juan Star,* January 10, 1993,20.
23. Jimmy Settle, "Will Newest Stitch Come in Time for Acme Workers?" *Clarksville Leaf-Chronicle,* May 18, 1993, A1.
24. *San Juan Star,* May 7, 1993.
25. Interview with Sally Kellam, Clarksville, Tennessee, December 15, 1993.
26. Ibid.
27. Linda Yount and Susan Williams, "Temporary in Tennessee: CATS for Stable Jobs," *Labor Research Review,* no.15: 74.

28. Ibid., 75.
29. Richard Belous, *The Contingent Economy: The Growth of the Temporary, Part-Time, and Subcontracted Workforce* (Washington, D.C.: National Planning Association, 1989).
30. Nine to Five, "National Profile of Working Women" (Washington, D.C.: Nine to Five, 1995), 1.
31. By 1994, Manpower, Inc., a temporary help service, was the largest employer in the United States, with nearly one million employees. See Robert E. Parker, *Flesh Peddlers and Warm Bodies: The Temporary Help Industry and Its Workers* (New Brunswick, N.J.: Rutgers University Press, 1994), 27.
32. Interview with Kathy Muller, Morristown, Tennessee, December 10, 1993.
33. Ibid.
34. Interview with Joe Perkinson, Morristown, Tennessee, December 8, 1993.
35. Muller interview.
36. See, for example, John McCarthy and Mayer Zald, "Resource Mobilization and Social Movements: A Partial Theory," *American Journal of Sociology* 82, no. 6 (May 1977); Anthony Oberschall, *Social Conflict and Social Movements* (Englewood Cliffs, N.J.: Prentice-Hall, 1973); Charles Tilly, *From Mobilization to Revolution* (Reading, Mass.: Addison-Wesley, 1978); and William Gamson, *The Strategy of Social Protest* (Homewood, Ill.: Dorsey Press, 1975).
37. Here I amend the arguments of Harry Boyte, Doug McAdam, and others. See, for example, Harry C. Boyte, *The Backyard Revolution: Understanding the New Citizen Movement* (Philadelphia: Temple University Press, 1980); Harry C. Boyte and Sara M. Evans, *Free Spaces: The Sources of Democratic Change in America* (New York: Harper & Row, 1986); Doug McAdam, *Political Process and the Development of Black Insurgency, 1930–1970* (Chicago: University of Chicago Press, 1982).

Is Boston Becoming a Branch-Plant Town?

Lawrence G. Franko, Ph.D.

A decade ago, Boston appeared to be emerging as a headquarters city for a large number of world-class enterprises. Notwithstanding the recovery from the early-1990s recession, and a thriving entrepreneurial economy of business acorns, Boston today seems on its way to becoming largely a branch-plant town. None of the 1980s Massachusetts Miracle saplings or the more recent acorns have grown into mighty corporate oaks headquartered here. This article discusses the risks of having our current prosperity increasingly based on branch plants acquired or established by firms centered elsewhere. Its concern is based on the proposition that having big-business corporate headquarters here does matter, not only for long-term economic success and stability, but also for the vitality and funding of our cultural, art, philanthropic, and community service activities.

When I moved back to the Boston area in the early 1980s, part of the excitement for a then-still-youngish professor of international business and finance returning to the hub of the universe after a dozen years in Europe was being close to the headquarters action of the seemingly world-class firms then emerging — DEC, Wang, Data General, Apollo, Prime, Lotus, Foxboro, Fidelity, State Street, BayBanks — not to mention those institutions already "emerged" — Raytheon, Polaroid, Gillette, Stride-Rite, Dennison, Sheraton, the First National Bank of Boston, and the Bank of New England. There was also a myriad of small or already medium-size high-tech and other firms in the farm team, like ChipCom, BBN, Powersoft, Wellfleet Communications, GCA, Thinking Machines, Kendall Square, and Au Bon Pain, just waiting to burst upon the world scene. Acorns aplenty, whether or not nurtured by Arthur D. Little's eponymous park, just waiting to grow into mighty oaks.

Not only did Massachusetts have its own headquarters team, but the Boston region was attracting some non-U.S. multinationals as a site for their Stateside or North American regional headquarters. NEC, Bull, and Scitex looked to be the leading edge of a coming wave.

Some of these firms are still going strong; quite a few others clearly are not. Some are no longer around, or they survive, usually only partially, as divisions of the larger firms that have absorbed them. In the event, a forest of mighty, world-class, locally headquartered oaks is not what has emerged in the Massachusetts economy. Only two Massachusetts companies (Raytheon and Digital Equipment Corporation [DEC]) were on the 1995 Fortune Global 500 list, which includes both manufacturing and service companies. Switzerland, the country from which I returned, which coincidentally has

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roughly the same population as Massachusetts, has sixteen on that list. Only two Massachusetts companies, Gillette and Fleet Financial, are on the 1996 *Wall Street Journal* 100 Biggest U.S. Companies by Market Value list.[1] Of the eighteen Massachusetts companies in the 1989 Fortune U.S. 500 Industrials, no fewer than seven have subsequently disappeared by merger, takeover, or bankruptcy. And industrials were not the only disappearing companies once headquartered here: "Jordan Marsh is now Macy's. Mergers eliminated other familiar names like Shawmut and BayBank. The Boston Company is owned by Pittsburgh-based Mellon Bank Co. There's no more New England Telephone, only Nynex, soon to become [and now is] part of Bell Atlantic. *The Boston Globe* is now owned by the New York Times Co."[2]

Moreover, in spite of the near-euphoric mood currently setting in about the state of the Massachusetts economy, the survival prospects for still others of "our" larger, locally headquartered firms are perhaps even more questionable than in past. After earning the dubious distinction of being on the *Wall Street Journal*'s list of 10 Worst Performing Stocks for the past one, five, and ten years, DEC may yet be sliced and diced. (On January 26, 1998, the sale of DEC to Compaq of Houston was announced.) Fleet Financial, once the great consolidator of regional banking, itself has become the subject of takeover rumors after recent financial underperformance. Even presumably impregnable State Street appears to be a tempting target for the Bank of New York.

Indeed, banking and financial services constitutes the next cluster of the Massachusetts economy on the list of most likely takeovers, consolidations, and mergers — and possible headquarters removal. The political dams preventing absorption of Massachusetts banks by more-global, more-nimble, more-efficient, and lower-cost (read bigger — banking has become a scale game) competitors will soon break down with the arrival of full interstate banking. Insurance is also an activity that hardly seems immune to the threat of consolidation, and a shakeout in a mutual fund industry in which there are more funds competing than there are stocks listed on the New York Stock Exchange is but a matter of time and stock market fortune. Even without a stock market correction, Boston's concentration of high-overhead, star-system active management funds makes it vulnerable to the competition of no-load, index-fund competitors based elsewhere.

After considerable uncertainty, Raytheon appears to have emerged as a survivor/acquirer as the musical chairs stop in the defense restructuring game, although shareholder suits and antitrust queries concerning its recent spate of acquisitions could still cast doubt on that outcome. Although Gillette is currently the one unqualified Massachusetts global-large-enterprise success story, it is worth recalling that even Gillette had a near-death experience in the not-too-distant past.

The propensity of locally headquartered institutions to underachieve, fail, or be taken over is also no longer confined to firms. The controversy over the (possibly temporary — or aborted) "rescue" of nonprofit Tufts–New England Medical Center from the clutches of Columbia/HCA, a giant for-profit hospital management firm headquartered in Nashville (*Nashville?*), Tennessee, has highlighted the existence of a high-cost Massachusetts health care system ripe for rationalization at the hands of outsiders. Cigna, headquartered in Philadelphia, has acquired Healthsource of New Hampshire, a move that will bring its HMO membership to nearly 6.5 million, and the number of its total HMO-plus-indemnity customer base to over 12 million in twenty-nine states.[3] Whether, and how, Massachusetts not-for-profit HMOs can hold out against the scale and access to capital markets of such rivals remains to be seen. The U.S. health care management system revolution is increasingly being led — or pushed — by employers, governments,

and organizations that see insurance, care, and hospital management as economic activities rather than as callings, and the leaders in this cost revolution are not headquartered in Boston.

Could even the very bastion of Massachusetts's identity and success, its universities, someday come under competitive and takeover threat? Could the ever escalating costs and ever rising tuition fees someday call forth real competition? Could the revolution in technology promote such an unthinkable revolution? Could "our" students ever become so crass as to succumb to the blandishments of upstarts like the University of Phoenix and its *Wall Street Journal* advertisements for an "online MBA," or to those of the other 971 "cyberschools" in the 1997 *Distance Learning* guide?[4]

Even without such seemingly remote risks, there are worries enough at hand.

Route 128 versus Silicon Valley and Beyond

The most obvious and current problem is on Route 128. It is also one of the most worrying, since high technology is one of the key base industries by which Massachusetts earns its keep in the world via exports to other regions and countries and on which a whole service-economy edifice of real estate, legal services, construction, medical services, and state and local government rests.

Whether or not Silicon Valley has won the high-tech race can be debated. The pessimistic view of Route 128 presented by AnnaLee Saxenian in her 1994 *Regional Advantage: Culture and Competition in Silicon Valley and Route 128* may or may not be too stark.[5] The purported openness of Silicon Valley's commercial, market-oriented culture versus Route 128's more closed, vertically integrated, Pentagon-dependent firms has — thankfully — not led to the disappearance of Massachusetts high tech. Indeed, Boston high-tech boosters can and do point to the flourishing existence of some 2,000 software firms in Massachusetts, although most are very small and very new, to a considerable amount of venture activity, and to some continuing successes in computing and communications hardware. What is, however, incontrovertible is the fact that Route 128 is not the equal of its former self. Many of the great hopes of the 1980s have fizzled or failed, not just in the realm of minicomputers and not just because of the end of the cold war. One looks with some nostalgia at the listing of "up and comers" in the Porter-Monitor report on the competitive advantage of Massachusetts.[6] Names such as Thinking Machines, Kendall Square, and Symbolics resound like those of ancient cities, long disappeared.

Moreover, when Silicon Valley, or Seattle, has not simply defeated Massachusetts high-tech firms, it has taken them over. Sometimes these are called mergers, but it is curious how frequently such "mergers" are followed by the rise to top management positions of people based in places like San Jose. Apollo has become part of Hewlett Packard, ChipCom was acquired by 3Com, Cisco (under the direction of a Wang alumnus) has acquired a series of Route 128 high-tech hopes, and Wellfleet, Powersoft, and now Cascade have been "merged."

Even within firms' divisions, somewhat hidden from public view, a tectonic shift toward California and the West has sometimes been discernible. Japan's NEC used to view Boxborough as its center of U.S. personal computer operations; now a "merger" of these into California's Packard Bell has displaced much of its activity — and personnel — westward.

Why Worry? Does It Matter?

Of course, one possible response to this litany of the inability of Massachusetts to spawn big businesses with large stock market values is: Who needs large firms anyway? Small is beautiful. Emerging entrepreneurship is the wave of the future. True, the early nineties recession was scary, but we now have a very low unemployment rate, total nonagricultural employment has finally recovered to its previous 1988 peak,[7] real estate values and rentals are rising, and confidence is high. True, venture capitalists pour more money into California, but Massachusetts is still the number two recipient of venture dollars in the nation. Moreover, we have the mother of all creators of enterprise, MIT — celebrated as godparent to the creation over the past half century of 4,000 currently active enterprises, 1,065 of which have headquarters in Massachusetts.[8] If commonwealth firms are conspicuous by their (near) absence from the lists of the largest, Massachusetts companies are well represented in the small and medium-size enterprise scoreboards of *Forbes, Inc. Magazine,* and *Business Week,* albeit with one notable weak spot that is perhaps the consumer-marketing obverse of the state's strength in MIT-spawned producer technology. In *Entrepreneur*'s list of 100 Fastest Growing Franchises, only one Massachusetts firm is to be found: Dunkin' Donuts, now British owned.

To the question "Who needs large firms anyway?" can be appended another, to wit: "Who needs headquarters?" Boston's own former labor secretary, Robert Reich, stirred this controversy a number of years ago in the context of the (then) feared disappearance of corporate headquarters in the United States as a result of the (then) feared conquest of U.S. industry by foreign firms, especially the (then) invincible Japanese. In his much commented upon article, "Who Is Us?" in the *Harvard Business Review* of January–February 1990, Reich asserted that Americans should not worry about whether or not American firms were headquartered in the United States, since what was really important was whether jobs and technological know-how were located in — or transferred to — America. Whether companies were identified as American or Japanese or Swiss or whatever was irrelevant because footloose, anational multinational corporations run by supranational cosmopolitans would locate activities around the world wherever those activities were most productive or efficient, regardless of nationality of ownership, management, or headquarters location. Thus, while one might reasonably worry about the quality of the American labor force, or worker education, or economic infrastructure, neither sleep nor sympathy (nor public policy, aka subsidies or tax breaks) should be lost on American companies or their headquarters personnel or headquarters locations.

Of course, people *do* worry about whether "their" firms have a large or small volume of sales, or a large or small total value in the marketplace, or whether a Gillette, DEC, Bank of New England, Shawmut ("They were more concerned with local customer service"), Blue Cross, or Tufts–New England Medical Center is taken out of town, or out of existence. They worry so much that Raytheon and Fidelity can obtain special tax breaks in return for not leaving town, and they worry so much that they try to use the political process to subvert the notion that the United States is a single economy and to obtain special government protection for competitively threatened banks, nonprofits, electric and telephone utilities, and whatever else seems more "us" than "them."

Headquarters location, in the real world, still defines an essential part of who is us versus who is them. On a national level, the Reichian vision of the unimportance of headquarters in a world of footloose multinationals quickly gave way to the promotion

of U.S. businesses by Ron Brown and Laura Tyson. Somehow, Texas Instruments, Boeing, General Motors, Ford, Chrysler, and Caterpillar did look more like America than did Nippon Electric, Airbus, Toyota, and Komatsu. Locally, whether State Street will report to New York or Tufts–New England to Nashville is treated as news, precisely because something seems to threaten us — namely, them. And the Wang of the time of The Doctor is still missed. Somehow neither the people of Lowell nor the aficionados of the arts in Boston can feign indifference to that firm's demise.

Still, while simple fear of change, or of foreigners, or of New Yorkers, or of non-New Englanders, or of for-profits or of multinationals may be lampoonable offenses, both self-serving and intellectually challenged, there is significance lurking behind the passion. There is, in fact, good reason for citizens of a city or region that has high aspirations to care about whether there are large firms and organizations headquartered there. The core of the reason has to do with wealth creation. Headquarters is where the money tends to be. And, although the Puritan tradition would have Boston not be too blatant about it, being the Athens of America, let alone the hub of the universe, takes money.

One lesson of many centuries of history is that great art, great architecture, great public works, and great institutions are built on great fortunes. In today's world, great fortunes are built on great business institutions, which in turn are built on scale and scope, according to the title of the seminal work on the roots of long-term enterprise success and failure by Harvard Business School's Alfred Chandler.[9] It is no accident that Seattle's opera is flourishing while Boston's has become next to nonexistent. There are many Microsoft and Boeing millionaires to finance it. A whale is a whale, and an assemblage of minnows does not a whale make.

As products and services inevitably mature and spread to mass markets, and to global markets, scale, or size, is necessary to achieve the lowest-cost competitive positions that are the enduring barriers to competitive entry. These in turn permit high profit margins, high wages and salaries, high stock prices — and wealth. Invention, entrepreneurship, and flourishing small companies are a wonderful start, but if there are no, or exceedingly few, second acts, prosperity based on such a potentially evanescent base is fragile and unstable. As Chandler and others have shown, U.S., German, and Japanese firms led the world in achieving corporate scale and scope, first within national boundaries, then globally. This rise and development of large enterprise enabled these nations to become the wealthiest economies of the world. In contrast, much of the decline in Britain's industrial position came from an inability or unwillingness of small and medium-size enterprises to make the capital, management, and psychological commitments to become truly world class and world scale.

Moreover, in the modern world, initial success in building big business arguably begets more success later. The underdog-beats-big-baddie myth — David upsets Goliath, tiny mammals replace big dinosaurs, Apple vanquishes IBM, and so on — is so deeply entrenched in our culture and consciousness that we hardly notice that, more often than not, it is the Apples, not the IBMs, that become the endangered species. Established firms, at least those with alert management, have learning, cost, distribution, and brand-name advantages with which they can "preempt the market by dispersing their models along quality space," to cite Joanna Stavins in her study "Firm Strategies in the Personal Computer Market: Are Established Brands Better Off?"[10] Chandler found that in recent history, it is Goliath that has usually bested David in pharmaceuticals, chemicals, and computers, and noted that "the ability of large established firms to use learned routines and integrated capabilities to enter related product markets helps to

explain a significant change in the ways in which major new industries are coming to be created. Established firms in recent years have played a greater role in the creation of new industries than entrepreneurial start-ups because the time and cost of commercializing technologically complex new products and processes is *not* in invention or research. It is in development — in the long and complex course required to produce goods in large enough quantity and with high enough quality to be purchased by a substantial number of customers in national and global markets."[11] Such words may ring in our ears as more local Lotuses, and biotech startups, and hospitals, and HMOs, and financial service boutiques disappear into, or on account of, big business competitors headquartered elsewhere.

Furthermore, to become world-scale in the global market, it is a distinct advantage for firms to have already become large at home: it is large firms, dominant and competitive in home markets, that can afford the often sizable overheads and investments involved in seeking out foreign markets, conducting lengthy negotiations with prospective partners and agents, overcoming distance, language, and cultural barriers, and adapting to unfamiliar mores. Boston small business may be doing well locally, but it has almost totally missed some key international opportunities. A case in point: between 1991 and 1995, the Philippines moved from turtle to tiger in Asia. The turnaround in that country's economy presented a major international opportunity. Some firms seized it: exports of California companies to Manila trebled. However, exports from Massachusetts, already tiny, declined.[12] Another: following the fall of the Berlin Wall, hopes were high that Massachusetts environmental firms would clean up, and clean up in, East Germany, Poland, Russia, and elsewhere in the ecological wasteland left by communist misrule. Alas, they have been bypassed by those countries and their new governments, which have sought out *large* American and European environmental services and waste management firms (not headquartered in Massachusetts) with broad systems, and financial and management capabilities.[13] Moreover, as is often the case with small and medium-size firms in many industries, it was not every Massachusetts environmental firm that even wanted to be bothered with the cultural and currency complexities of doing business outside the United States.

Hosting Big Business Is Good, Housing Its Headquarters Better

Many states and localities implicitly acknowledge the wealth-creation effects of big businesses through their assiduous efforts to court large enterprises to locate factories, distribution centers, R&D laboratories, and the like in "their" region. Indeed, the rise of the new South and the Sun Belt is intimately bound up with a redrawing of the U.S. big business map. The success of Charlotte, North Carolina-based Nucor in many southern locations, the Research Triangle's attraction of major facilities from Canada's Nortel and Britain's Glaxo-Wellcome, BMW's location of its gleaming plant in South Carolina, Motorola's branch-plants in Phoenix, Intel in New Mexico, and Mercedes's new factory in Alabama, are but a few of many examples.

Whole countries have sometimes adopted basing their prosperity on welcoming "others'" firms. The post–World War II prosperity of Belgium is in large measure a testimonial to the benefits of hosting the branch-plant activities of companies headquartered elsewhere. The demonstrations and protests triggered by the sudden closing of a plant by France's Renault suggest, however, the potential instability of such an economic development strategy. When the going gets tough for firms, the periphery some-

how seems to be downsized before the headquarters center. (Does anyone remember GM Framingham?)

If plants, distribution centers, and the occasional lab can bring jobs and tax revenues to a region, having companies locate their headquarters there is even better, especially if, as for Boston and Massachusetts, high costs of energy, transport, housing, and labor limit or preclude any major success in the industrial hospitality business. Moreover, it is at headquarters where the highest-skill, highest-income, and highest-tax-base jobs are and will remain.

Headquarters business and organizational functions are extremely resistant to decentralization and geographic dispersion. Like it or not, research and development, information gathering and information technology, financing and financial management, accounting and control systems, logistics and purchasing, not to mention corporate legal, governmental affairs, and human resources functions, and more, all have central roles to play in the hub connecting the spokes of any sizable organization. In spite of much talk of decentralization and internationalization in the business literature, R&D, for example, remains largely a headquarters activity. One study of the world's largest industrial enterprises found that 44 percent of parent companies reported that they had no overseas R&D expenditure, and another 13 percent reported that overseas R&D accounted for less than 5 percent of their total R&D expenditure.[14]

All these functions are subject to the need for an agglomeration of critical mass and for rapid face-to-face communication among people. All the marvels of modern telecommunications, fax machines, aviation, inter- and intranets have not and will not change the fact that many more jobs in such activities are found at places that are recognizable as headquarters than in branches, subsidiaries, factories, and service centers.

A disproportionate number of headquarters hub jobs require high skills, which mean high pay, high taxes paid by the people who work in headquarters hubs, and, not least, high contributions to the community. It is not an accident that the Bank of Boston has been particularly involved in inner-city education and community development. It's not just that it hires here, but its managers have to live and walk on the streets here or nearby. When Wang and DEC were successful, they could embark on inner-city initiatives that were later unsustainable. Before "power shifted . . . to out-of-towners," Boston had the Vault, the coordinating committee consisting largely of CEOs of firms headquartered here, which took on missions of business social responsibility and even political compromise in order to "make the city work."[15]

Headquarters cities also tend to be where firms'owners are concentrated; owners are not just founders, but include their families and descendants, and managers and employees who earn or take equity in their firm. And owners are the sources of fortunes needed to endow and invigorate a region's cultural life. Boston got a Wang Center just in the nick of time. Could it not use a few more such endowments?

What Should Be Done?

First and foremost, managers of firms and other economic organizations who care about Boston and Massachusetts — and there are many who would rather live here than in Silicon Valley or New York — should bestir themselves even, and perhaps especially, if they are managing successful enterprises. Managers, consultants, business scholars, and gurus alike might ponder the phenomenon of the tendency of smaller, successful Massachusetts firms hardly ever to make it into the league of world scale, scope, and global

headquarters. (Indeed, it is one of the ironies of our situation that few states are as well populated by business management experts, much of whose expertise is supposed to help acorns grow into oaks, as the commonwealth.)

Of course, one cause of aborted business trajectories is hardly new. Not long ago I had the occasion to ask Ken Olsen an undiplomatic question following a talk he gave at the Colonial Inn in Concord: "What is your diagnosis of what caused DEC to stumble?" His answer rings all too true: "Too much past success." The ancient Greeks called it hubris. Despite the chastening of the recession, and especially because of the recovery, a little too much of it still hovers around Boston. The attitude seems to be "Since we have been at it so long, 'our way' of doing medicine, or banking, or mutual funds (which we invented, after all), or high-tech, or indeed education, must be the right way to do it." When I hear such sentiments, I am too often reminded of the maps of the world that used to be sold in Harvard Square when I was an undergraduate in the 1960s: the parody Mercator projection with Cambridge, Boston, the Cape and Islands, Maine, New York, and sometimes the Grand Tour parts of Europe, portrayed very large, and the rest of the United States of America, and the world, pictured very small.

Managing and making it in Massachusetts in the next century will require more than a federally financed tunnel to the twenty-first century. It will require a transcontinental (California is our main competitor, and not just in high-tech) and transnational vision.

A Public Policy Response?

One thing the Massachusetts economy does not need, but is in the process of acquiring, is a public policy and a political climate of institutional protectionism whose aim is to keep out New York bankers, Tennessee hospital managers, Canadian electricity providers, and whoever. Alas, the lesson of investment protectionism the world over is that, at best, it provides a short-term defense of the status quo and, at worst, leads managements to compound past inertia with yet new inefficiencies made possible by the new administrative and regulatory barriers to competition. Creating barriers behind which local institutions can continue current or create new inefficiencies increases the probability that their demise will only be more painful in the future than it would be today.

Not only do governmental barriers to competition breed inefficiencies, but Massachusetts protectionism also stores up the prospect of future retaliation. New York can surely be as creative at finding reasons why BankBoston or Fleet or State Street itself could someday be denied an acquisition target there as the commonwealth is in protecting State Street from "foreign" predations. Worse, building a wall around one's garden shuts one in, just as, or more effectively than, it shuts others out. Indeed, the demise of the Bank of New England was almost certainly partially the result of earlier attempts to "ring fence" the home team. Protecting New England banking from outsiders encouraged New England banks to put all their eggs in one regional basket, with the disastrous results that are only too well known.

What public policy *can* do is to keep us from becoming Taxachusetts again, to make the commonwealth hospitable to enterprises of all sizes and from all origins, to get rid of the kind of regulation that keeps our electric costs at four times the kilowatt-hour rate of electricity delivered at the Canadian border, and to make, and then keep, our communications and transport infrastructure world class.

Public officials also need to communicate and to persuade the public that such steps are useful and necessary. They must also establish more open processes to ensure that

they do not end up in the kind of unproductive political stalemates in which our region seems to specialize. To take but one example: headquarters managers must fly a great deal, and getting to Logan Airport is less than a joy for many. Hanscom use and expansion would be part of a solution to the problem, but community mistrust of Massport is at such a level that this bottleneck to world-business expansion appears destined to become far worse before it gets better.

An all-out effort to improve education, and to link it to the modern, technological business world would be in order. Too much of the Massachusetts education establishment seems wedded to 'sixties dogma about the desirability of "Resisting the Corporate Agenda in Higher Education" (the title of a recent teachers union conference) rather than to recognizing the real problem, which is that Massachusetts has too few truly giant corporations and too few students prepared to make their way in a capitalist world.

In addition, public officials might exercise leadership by attempting to inspire the Massachusetts polity with a desire for true economic excellence. This might take political courage. In Communist China, leaders can actually go around saying things like "To get rich is glorious." Here, such a statement would likely be the butt of media ridicule and qualify its maker to be disinvited from speaking engagements at noted universities. Can one imagine politicians actually saying kind words about big business and wanting their headquarters here, and not only about entrepreneurial start-ups? This could end up going well against the grain of the commonwealth's already abundant antibusiness, populist attitudes, attitudes which political leaders reinforce not only directly by their attacks on "profits" (as if the state did not get a slice of those evil profits, with which it then pays politicians' and bureaucrats' and teachers' and professors' salaries), but indirectly by their stoking popular cynicism toward "capitalism" via expedient, but ultimately market-perverting, corporate-welfare tax breaks and protections from takeovers for specific firms and institutions. Promoting Boston as a headquarters city, and Massachusetts as a headquarters state, is not the same thing as reflexive favoritism toward whatever wheel squeaks loudest.

Indeed, there is little that is more embarrassing to those who wish a flourishing of business and wealth creation in the commonwealth than the spectacle of what Theodore Forstmann has called the "statist businessman" lobbying government for subsidies for his own firm and for penalties and regulations for competitors.[16] Such sowing of the political process to "game" the market will reap the whirlwind of a more-than-understandable future backlash against "greedy, self-interested business," even when the main victims of corporate welfare may be other competing businesses. Perhaps a modest proposal is in order: a most favored nation, or company or organization (for nonprofits can play this game as well) clause which, every time a tax break or a subsidy is handed out to a company out of fear that it, too, might disappear from Massachusetts, would ensure that equivalent benefits were made available to all other businesses and institutions in the state.

The most important task of the managers of commonwealth businesses and other economic organizations is not to go hat in hand to government for protection from outsiders but to demonstrate the dynamism and success of their enterprises. To modify slightly a famous statement by a former governor of the commonwealth, the business of business ought to be business. Ultimately, whether Boston becomes a branch-plant town depends on the vision and action of Massachusetts managers.

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Institutional Design and Regulatory Performance

Rethinking State Certificate of Need Programs

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The success of state efforts to control rising health care costs depends on the incentives contained in the legislative design of regulatory policies and in the administrative capacity and autonomy of state agencies. States have regulated the construction and expansion of health care facilities and services for more than two decades through "certificate of need" (CON) programs designed to limit the diffusion of expensive new medical technologies and to avoid the duplication of health care facilities. Although the cost-control record of state certificate of need programs has been widely criticized, Rhode Island's experience with a reformed CON process from 1985 to 1995 suggests that properly designed capital expenditure controls can impose order on the rapid diffusion of new medical technologies. Staunch political opposition from health providers, however, raises serious questions about the ability of state officials to implement such reforms. In the end, Rhode Island's experience with capital expenditure regulation in the1980s and 1990s underscores the importance of institutional design and policymaking capacity on regulatory performance.

The 1974 passage of the Health Planning and Resource Development Act, Public Law 93-641, marked the federal government's first comprehensive effort to regulate the behavior of health providers. While earlier federal planning efforts in the 1960s lacked teeth, P.L. 93-641 required hospitals to obtain a certificate of need (CON) from state health planning agencies before undertaking significant capital projects. State CON programs required applicants to demonstrate both the need for their projects and their consistency with goals of an overall health system plan. Through the CON process, state planners sought to impose orderly development on the health care industry, expand access for the poor and in geographically underserved regions, reduce duplicate and underutilized services, and above all, control health care costs. In the eyes of their critics, however, CON programs have stifled competition, failed to control costs, and had little effect on access to health care.[1] Opposition from health providers, coupled with recurring doubts about the cost-control record of state and local planning agencies, led to the termination of federal support for health planning in 1986.[2] The end of federal support for health planning produced a range of responses at the state level. Although some states replaced federal dollars with state funds, and a few states increased their

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regulatory efforts by strengthening existing CON statutes, thirteen states abandoned health planning and certificate of need activities altogether after 1986. The prevailing view of state capital-expenditure controls is summarized by Randall Bovbjerg, who concludes that "the evidence that CON in practice has accomplished any useful social objectives is very weak."[3]

On closer inspection, however, certificate of need programs offer several lessons for policymakers. The design of regulatory institutions structures the incentives and opportunities for state officials, industry groups, and other interested parties in the regulatory process. In most instances, the creation of CON programs represented a departure for the states from their traditional role of licensing health providers to a more active regulatory mode. The development of state CON programs required legislatures and health bureaucracies to rethink the limits of public authority and to develop new state capacities. As such, state efforts to control health care costs through capital-expenditure controls afford an opportunity to examine the impact of institutional design on policy development and implementation.

Beginning in 1984, Rhode Island established an aggregate ceiling on capital costs subject to certificate of need review, known as the CONCAP, in an effort to control hospital capital expenditures and rationalize the diffusion of new medical technologies. Despite a documented record of cost containment, a proposal to eliminate the state's capital budget cap passed the General Assembly with broad-based support from the executive branch, the hospital industry, and third-party insurers a decade after its introduction. We explore the political evolution and programmatic success of CON in Rhode Island through the use of data from a series of semistructured, open-ended interviews with public and private officials conducted during the summer and fall of 1992.

All the participants in the state's CON process, including representatives of Blue Cross, Ocean State Physicians' Health Plan, the Hospital Association of Rhode Island, the state Health Services Council, and the state Department of Health agreed to be interviewed for this project. To assure their expression of their candid opinions, respondents were guaranteed anonymity. Data on the performance of state CON programs over the past decade and state and national data on the fiscal health of the hospital industry are also included to place Rhode Island's cost-control record in both a regional and a national context. In retrospect, the rise and demise of Rhode Island's innovative controls on capital expenditures for health care providers illustrate the constraints facing state regulatory agencies in an uncertain political and fiscal environment.

A Framework for Analyzing State Cost-Containment Programs

In recent years, the rediscovery of institutions within mainstream political science has underscored the significance of program design in structuring policy outcomes.[4] The design of the regulatory process and the scope of state enabling legislation shape both the politics and the performance of state CON programs. As Lawrence Brown notes, "In general CON labors under heavy burdens as a cost constraining technique, but . . . under specific and favorable conditions it may rise above its liabilities."[5] Several conditions, in particular, influence the effectiveness of state controls on capital expenditures. First, the presence, and level, of threshold requirements for reviewing capital projects, for example, exempting projects costing less than $1 million from CON review, affects the ability of state regulators to control capital-related costs by limiting the number of projects subject to regulatory approval. Where review thresholds are high, only major

renovations or construction require state review. Conversely, if the review threshold is set too low, state regulators are vulnerable to charges of micromanaging institutions, as even minor repairs or service enhancements, such as upgrading existing telephone systems, are subject to regulatory oversight. In 1992, review thresholds for hospital capital projects in New England ranged from $300,000 in Vermont to $8.5 million in Massachusetts.[6] While several states required that all new equipment purchases undergo a CON review, others exempted purchases of less than $1 million.

Second, state CON programs can also foster discipline by establishing a budget constraint for decision makers; in an open-ended system, regulators have few incentives to challenge the prerogatives of providers backed by supportive community groups.[7] A ceiling on capital costs forces decision makers to prioritize projects and approve only those that offer the highest relative benefits. Unlike an open-ended CON process, the regulatory process under a capital cap becomes a zero-sum game for providers in which the approval of an additional proposal automatically reduces the pool of funds available to other institutions. As David Young argues, "the failure of CON programs to control costs is largely because of lack of competition for a limited pool of resources."[8]

Third, the success or failure of hospital regulatory efforts in controlling systemwide costs also depends on the number of payers or providers subject to regulatory review. If only acute-care hospitals are required to participaate in certificate of need review, nonhospital providers, such as freestanding surgical centers, dialysis centers, diagnostic imaging facilities, and similar ventures, may gain a competitive advantage that undermines support for the system. Furthermore, unless CON controls apply to nonhospital providers, states find it impossible to control systemwide health care costs, for physicians and hospitals have an incentive to shift care to unregulated nonhospital settings. Since the scope of state regulatory powers is defined by statute, the ability of policymakers to contain costs through certificate of need review is ultimately a political question.

Fourth, the external environment in which regulatory programs operate affects both their performance and their long-term prospects for survival.[9] The continuation of health planning and certificate of need programs in more than thirty-five states after the expiration of federal support for health planning in 1987 is a puzzle, for both state and federal policymakers have increasingly favored market-oriented solutions rather than regulatory ones over the past decade. State CON programs must balance the competing and often contradictory expectations of service consumers with the needs of resource providers who sustain their activities.[10] This dependence on external resources leaves public officials at the mercy of potentially hostile groups whose long-term interests conflict with the state's desire to control costs.[11] The recurring fiscal woes of many state governments in the late 1980s and early 1990s produced an annual ritual in which agencies scrambled to cope with threatened (or actual) cuts by squeezing out inefficiencies or identifying new revenue sources.[12] Although the statutory recognition granted to government agencies, coupled with their established relationships with legislators and support from clientele groups interested in controlling health care costs, for example, third-party insurers, favor organizational survival, CON programs remain extremely vulnerable.[13] As regulatory programs that must wrestle with complex issues, state CON controls are typically low in salience for the public at large.[14] Furthermore, since capital expenditure regulation impinges on the managerial autonomy of health providers, CON programs often find themselves with few supporters and many critics.

Finally, the administrative capacity of state regulatory programs has a powerful

impact on policy outcomes.[15] Specialized knowledge and expertise have become prerequisites for the development of effective regulatory policies in the health care industry. The complexities of the contemporary hospital reimbursement process, coupled with the inherent difficulty in objectively evaluating the "need" for new health care facilities and sophisticated new medical technologies, foster a technocratic decision-making process that relies on data, forecasts, and evidence of clinical outcomes.[16] Many observers, however, remain openly skeptical about the ability of state governments to compete effectively with well-financed interest groups and policy think tanks in developing and modeling the impact of various policy choices.[17] Skeptics suggest that the limited administrative capacity of American political institutions, particularly those at the subnational level, represents a formidable obstacle to effective policy making. State legislatures and bureaucracies were regarded for decades as backwaters of cronyism and patronage politics. While times have changed, and state governments are increasingly sophisticated in their ability to draft, implement, and evaluate policy choices, the development of state administrative capacities remains uneven. In some states, policy development lies in the hands of quasi-academic think tanks or working groups in which well-educated, highly trained professional policy analysts apply the tools of their trade to developing and assessing various policy options. In other states, acquiring professionally staffed agencies remains a goal, not a reality, as key appointments are made without regard to policy expertise or prior experience in the field.

The professionalism and expertise of state agencies, however, depend on the resources available for hiring and retaining talented staff.[18] In particular, the adequacy of state compensation and the level of staff support emerge as critical issues for building institutional capacity over time. Unless they can compete for talent with the private sector by paying comparable salaries, regulatory agencies find it difficult, if not impossible, to hire skilled employees with professional training in law, public policy, and health economics. Once hired, professionally trained staff must have sufficient resources like space and administrative and computing support to compete with private-sector lobbying groups and think tanks. In the absence of these essential resources, state regulatory agencies are likely to serve as stepping-stones to the private sector, which offers the most capable employees a chance to hone their skills before moving up to more lucrative opportunities outside state government.[19]

Widespread departures from its top management positions can leave a regulatory agency without a clear sense of direction, hardly a situation predisposed to the development and implementation of innovative public policies. Sapolsky, Aisenberg, and Morone's case study of hospital rate setting in New Jersey concluded that "it is less difficult to bring together a talented group for designing a new program than to hold one together for the arduous task of program implementation and refinement. The reward for even a brief association with an interesting project is often a much better position elsewhere."[20] When a state's resources are overwhelmed by the private sector, the stage is set for interest groups to dominate the regulatory process. Leadership stability is also vital for the ongoing success of state regulation. Effective leaders can energize an organization by clearly defining a unifying sense of purpose and mission and by mobilizing support for their goals among significant external constituencies.[21] Leadership can take many forms, from charismatic public salesmanship to behind-the-scenes efforts at coalition building. In either case, however, frequent changes in leadership can create uncertainty among client groups concerning the agency's direction and policy priorities. Under such circumstances, legislative leaders and interest group representa-

tives are reluctant to make long-term commitments to support the agency's agenda, for new leaders or an interim administration may pursue a quite different agenda.[22] As a result, short-term administrators face a credibility gap — if others do not expect them to remain in their positions long enough to carry out their stated goals, they find it difficult, if not impossible, to back new regulatory initiatives.

The specialization of state policymaking expertise includes both the degree of institutionalization in a state legislature and the division of labor among distinct working groups or units in state government. State legislatures vary considerably in their degree of institutionalization. While legislative service is a full-time job with possibilities for career advancement in some states, in other states legislators serve only part time for little pay and few perks. In addition, while some state legislatures have developed highly differentiated committee systems that foster specialization among their members, others have not.[23] The extent of staff support for both committees and individual members also influences the ability of legislators to serve as proactive players in policy development.[24] Part-time legislatures with limited staff support and few specialized committees find it more difficult to develop and oversee specialized regulatory programs than full-time legislatures with narrowly defined committee jurisdictions and a cadre of personal and committee staff.

The Political Evolution of Certificate of Need in Rhode Island

Although many groups have supported health facilities planning in Rhode Island over the past three decades, each had its own vision of how the process should work. As a small state with a population of just over one million persons, Rhode Island is home to eleven acute-care hospitals, four of which are located in the capital city of Providence. The Rhode Island Department of Employment Training and Security estimates that one of every nine workers in the state is employed in the health care industry. Rhode Island's hospitals are a major force in the state's economy. Data provided by the Hospital Association of Rhode Island (HARI) indicated that the state's hospitals employed more than 23,000 people in 1994; Rhode Island Hospital (a founding member of the Lifespan hospital network) is the state's largest private employer. Over the past two decades, the hospital industry has emerged as one of the state's most influential lobbying groups whose paid lobbyists develop and track legislation affecting its membership, testify at hearings, and coordinate grassroots lobbying campaigns with the association's member hospitals. During the 1980s, hospitals grew displeased with the CON process and chafed under the state's strict capital expenditure controls. HARI's political advantages were compounded by the fact that until 1994 the 150 members of Rhode Island's legislature served only part time and received only $5.00 a day for their efforts; with little professional staff support available to individual members and committees, legislators are forced to rely heavily on testimony and information provided by interested parties in formulating legislation.[25]

During the past decade, Rhode Island hospitals, like their counterparts in other states, made a difficult adjustment from a system of retrospective, cost-based reimbursement to one in which providers are paid prospectively or at a steep discount from quoted charges. By the end of the 1980s, however, Rhode Island hospitals were in a precarious fiscal position. For example, they were found to have relatively low levels of financial liquidity when they were compared with similar U.S. institutions.[26] They ranked forty-sixth in the nation in days of cash on hand and forty-seventh in their

overall operating margin.[27] Capital spending particularly fell far behind both national and regional averages, although Rhode Island's teaching hospitals had the eighth highest number of medical residents per thousand members of the population in the United States in the late 1980s.[28]

Prior to the mid-1980s, Rhode Island's hospital industry had not witnessed the intense competition that accompanied the expansion of for-profit hospital chains, managed care, and alternative delivery systems. Until that time, the private health insurance market was dominated by Blue Cross and Blue Shield of Rhode Island, which insured more than 85 percent of the population not covered by government-sponsored programs like Medicare and Medicaid despite modest inroads by two fledgling HMOs.[29] Blue Cross, in turn, was a key player in the state's prospective rate-setting program, which determined both individual hospital budgets and an overall ceiling on hospital expenditures each year. No preferred provider organizations operated in the state during the 1970s and 1980s. While four ambulatory surgical centers were licensed during the 1980s, two were limited to providing abortion services and gynecological surgery. Furthermore, no for-profit hospitals or national hospital chains currently operate hospitals in Rhode Island, although both Columbia/HCA and Tenet proposed to acquire nonprofit institutions in 1996 and 1997. While Columbia/HCA's controversial bid to purchase Roger Williams Medical Center failed, Tenet's proposed merger with Landmark Medical Center still awaits regulatory approval.

Rhode Island health planning has a long history dating back to the mid-1960s; private planning efforts predated the passage of federal and state certificate of need legislation. In general, hospitals have favored private planning initiatives that do not threaten their autonomy and opposed planning functions lodged within the Department of Health as unnecessary intrusions on medical practice. In 1968, Rhode Island became the second state in the nation to regulate hospital capital projects. The legislature's decision to regulate capital construction won the endorsement of the hospital industry and a special legislative commission appointed to study the rapid increase in hospital charges during the 1960s. At the time, hospitals viewed CON as a less onerous alternative to state rate setting despite the inherent risks involved in ceding regulatory authority to the state. Hospitals also favored CON as a means to limit competition in the state's health care system, for "providers have seen some merit in entry barriers as a means of turf protection and therefore have generally given CON at least their tacit support."[30] Blue Cross and Blue Shield of Rhode Island, for its part, enthusiastically supported facilities planning as a means to control its costs in the past two decades. As the state's dominant third-party health insurer, Blue Cross continued to hold more than 70 percent of the nongovernment health insurance market in the early 1990s despite recent inroads by the state's two largest health maintenance organizations, United Health Care (formerly Ocean State Physicians' Health Plan) and Harvard Community Health Plan of New England, formerly the Rhode Island Group Health Association. Unlike neighboring states like Massachusetts, however, few business groups and other third-party payers played a major role in health care policy debates during the 1980s and 1990s.[31]

In the early 1970s, Rhode Island's fledgling health planning programs received a significant boost as a result of the federal government's decision to embrace health planning and certificate of need as its principal cost-control strategy. Under an amendment sponsored by Senator Claiborne Pell, the state was exempt from requirements mandating local citizen planning boards to assess the need for proposed projects in the context of statewide health plans. As a result, funds that were channeled to local health

systems agencies in other states were allocated to the Rhode Island Department of Health (DOH), generating a windfall to support its nascent planning activities. The department's early initiatives reflected a strong commitment to rational planning but showed little sensitivity to the political ramifications of its policy prescriptions. This political naïveté was reflected in the development of the state's first comprehensive health plan, which proposed a radical restructuring of health care delivery. The draft health plan that was released to the public in 1980 immediately agitated providers, which drummed up support in their local communities to meet the perceived threat. The plan proposed, for example, to eliminate "excess capacity" in the state's hospital bed supply and to restrict the number of surgeons who could practice in the state.[32] Employees and patients of hospitals targeted for closure or service reductions jammed public hearings across the state to plead their case.[33]

The public forums about the draft health plan were raucous affairs that drew hundreds of local residents; at one meeting in southern Rhode Island, local police were called to escort the planners out of town after a tumultuous hearing during which angry residents charged that the state's proposal to close "surplus" hospitals would result in layoffs for hundreds of local residents. As one DOH senior planner recalled, "In the early years we didn't know what we were doing; we didn't look at the political obstacles, just our rational models." After a dose of political reality, subsequent plans of the department backed away from some of its more controversial proposals. Rather than decertifying beds, the DOH elected to promote competition among health providers to transform the state's hospital industry during the 1980s. In the decade after the publication of the state's first draft health plan, a combination of mergers, closures, and service conversions reduced the number of licensed Rhode Island hospital beds by nearly 13 percent, from 3,461 in 1980 to 3,015 in 1993.[34]

Imposing Competition from Above

By the early 1980s, a growing body of evidence suggested that "CON laws and health planning [had] made little difference in costs, quality, or access to health care."[35] Although the state's CON process provided for a case by case review of proposed capital projects on the basis of need, in the absence of limitations on the number of new capital projects, CON controls had a limited impact on systemwide costs. The limitations of Rhode Island's existing CON legislation were readily apparent during the debate over an application from Women & Infants' Hospital in Providence to replace its aging facility in the early 1980s. As one senior hospital administrator recalled, "No one had ever envisioned the replacement of a hospital, but dropping out of the sky was a $50 million project." In response, officials at the Department of Health called for efforts to strengthen the CON process by imposing a statewide capital budget cap on all new construction projects.[36] The department's proposal to strengthen the CON process won the endorsement of a special legislative commission, chaired by state representative Anthony Carceri, to study health care capital expenditures. In its 1982 report to the General Assembly, the commission argued that the "health care system, like individuals, must be held more closely to the discipline of a budget." In 1984, both chambers endorsed a statewide capital expenditure limit with unanimous support for the Health Care System Affordability Act (84-H-7103) despite opposition from HARI.

Two factors played a significant role in the legislature's decision to expand the scope of certificate of need in Rhode Island. The DOH enjoyed unusual influence and prestige

within the state bureaucracy as an agency that provided unbiased and sophisticated analyses. Federal planning funds, which exceeded $1 million per year in the late 1970s and early 1980s, enabled the DOH to hire a cadre of planners and policy analysts to develop a number of innovative databases on health care costs, utilization, and outcomes. In addition, the department enjoyed strong support during the 1980s from several prominent legislators and from the executive branch, which added legitimacy to its policy recommendations. As one senior DOH official noted, these relationships "helped a great deal in terms of support for our budgets and proposed legislation."

The Health Care System Affordability Act established a statewide ceiling on hospital capital expenditure projects. Under the CONCAP, each certificate of need application approved by the state's Health Services Council (HSC) reduced the amount available for other projects; the cost of interest and depreciation for all projects under review was not allowed to exceed the CONCAP amount negotiated annually by the hospital association, Blue Cross, and the state Medicaid program. After 1984, all CON applications subject to CONCAP review were evaluated in a single batch each year to foster a comparison of each proposal. In addition to establishing a ceiling on total capital expenditures in 1984, the enabling legislation required the HSC to review proposals for (1) new facilities in excess of $600,000, (2) increases of ten or more acute-care beds or 10 percent of existing capacity, (3) the addition of services that increase operating expenses by $250,000 or more, and (4) the acquisition of health care equipment requiring an expenditure of more than $400,000.[37] Finally, the 1984 legislation directed the state's HSC to first review applications on the basis of need and then rank order each on the basis of its relative merit. After this priority ranking was completed, each project would be approved in order until the annual CONCAP budget was exhausted. The Health Services Council, however, was not required to fully deplete the CONCAP negotiated by the participants in the state's prospective reimbursement program — Blue Cross, the state's hospital association, and Medicaid. Each certificate of need approval reduced the amount available for other projects, thus creating a zero-sum game among applicants. The actual dollar limit of the CONCAP reflects the estimated cost of the annual capital-related operating expenditures, interest, depreciation, and leasehold expenses negotiated during the state's prospective rate-setting process.

Rhode Island's amended CON process was designed to determine both the public need and the affordability for each proposal. The initial review of a project is usually conducted by one of the Office of Health System Development's two project review committees, which make written recommendations to the full Health Services Council. The HSC has the option of approving, rejecting, or modifying a proposal. The HSC recommendation is then forwarded to the director of HSC for a final determination. Although the director is free to accept or reject the recommendation, few of the council's decisions have been overturned.

Two other types of review are designed to make the CON process more flexible and responsive to both routine and unusual needs. Applicants may apply for expeditious review of projects that are designed to meet emergencies and other urgent public health needs. The CON statute also provides for an accelerated review of projects that present a prima facie demonstration of need and affordability, for example, in the case of projects proposing a one-for-one replacement of equipment. Projects approved under an accelerated review are not subject to the CONCAP priority listing procedure, and they are allowed to draw first from the amount budgeted by CONCAP. Both forms of priority review have been criticized by providers for offering an unfair advantage to some appli-

cants, for institutions able to demonstrate that their projects fit the criteria for either expeditious or accelerated consideration leapfrog over other projects on the HSC's priority ranking scale.

The Success of CON in Rhode Island

Current perceptions of CON's failure as a cost-control strategy are largely based on assessments of program performance during the 1970s. Previous efforts to measure CON program performance have been criticized for their inability to show that the imposition of capital controls made a difference in either a state's level of capital expenditures or the fiscal condition of its hospitals.[38] Most studies confined their discussion to the percentage of projects that were approved, denied, modified, or withdrawn.[39] Rhode Island's CON process became more stringent after the adoption of the CONCAP; the overall approval rate for CON applications fell from 84 percent in the five years preceding 1984 to less than 70 percent from 1985 to 1990.[40] Between 1990 and 1992, the state Health Services Council approved twenty of the twenty-fix CON applications it received from hospitals, but denied petitions to construct a bone-marrow transplant facility and additional cardiac catheterization laboratories. Savings from hospital projects that were either modified, denied, or withdrawn exceeded $68 million in capital costs and $25 million in annual operating costs from 1971 to 1986.[41]

While Rhode Island compares favorably with other states in this regard (see Table 1), measurements of process say little about a program's effectiveness. Other indicators, including equity financing ratios, occupancy rates, and capital-expense ratios, offer better measures of the impact of CON on hospitals' capital-related operating costs. Projects approved by the Health Services Council from 1984 to 1994 reduced hospitals' interest expenses by increasing institutions' equity participation, or "down payment," on new projects to nearly 40 percent of total approved capital expenditures.[42] A higher percentage of equity funding, in turn, constrains costs by reducing the expenses associated with servicing capital debts.

Various indicators of hospitals' fiscal health can be used to gauge the impact of Rhode Island capital-expenditure controls, for CON programs can affect hospital investment patterns in several ways. First, CON review may deny institutions' applications to

Table 1

CON Application Review Outcomes, Selected States

State (years)	Approved (%)	Withdrawn, Denied, or Modified (%)	N
Maine (1982–1992)	295 (81.0)	69 (19.0)	364
New Hampshire (1982–1991)	69 (77.5)	20 (22.5)	89
Rhode Island (1979–1983)`	47 (83.9)	9 (16.1)	56
Rhode Island (1984–1992)	47 (72.3)	18 (27.7)	65
Vermont (1984–1993)	117 (88.6)	15 (11.4)	132

Sources: Maine Department of Human Services; New Hampshire Health Services; Rhode Island Office of Health Systems Development; Rhode Island Department of Health; and Vermont Health Care Authority.

build new facilities, add equipment, or expand services, resulting in a savings of both capital costs and ongoing operating costs associated with the proposed project. Second, CON approval may be conditional, in that hospitals may be required to modify their initial proposal by lowering costs, meeting well-defined national standards, guaranteeing access to underserved populations and the uninsured, and fulfilling other goals defined by the review panel. Furthermore, "the very existence of certificate of need acts as a deterrent to frivolous or obviously misdirected projects. Few institutions are likely to expend the time, energy, and money to traverse the complex certificate of need process for a project which cannot withstand the test of public scrutiny."[43]

A comparison of various indicators of capital-related costs for New England hospitals is shown in Table 2. Capital-related costs for Rhode Island's eleven acute-care hospitals fell well below national and regional averages in the decade following the enactment of the CONCAP. The capital-expense ratio describes the cost of interest and depreciation relative to an institution's total operating expenses, since higher values for the ratio indicate a higher level of indebtedness and lower values are indicative of both fiscal health and fewer long-term obligations. The median capital expense ratio for state hospitals (0.05) was the lowest in the region and the second lowest in the United States in 1992, indicating that the state's hospitals had an unusually low level of debt relative to their counterparts in other states.[44] The second column in Table 2 presents the median values of hospitals' debt-service-coverage ratio, which measures institutions' ability to repay the costs of both interest charges and principal payments. Higher values indicate a greater ability to meet their financing commitments; the debt-service ratio is also the single most important indicator of debt capacity used by bond- rating agencies.[45] While the median debt-service-coverage ratio for Rhode Island hospitals exceeded the national median, the state ranked fourth among its New England neighbors. The state's relatively poor performance on this indicator, however, is not owing to high levels of capital investment but to the fact that Rhode Island hospitals have a low net income relative to institutions in other states as a result of the high proportion of Medicare and Medicaid patients served by the state's nonprofit institutions.

The utilization rate of health care facilities also provides insight into the effectiveness of Rhode Island's strengthened capital-expenditure review process. Since CON programs subject proposed capital investments and service changes to a comprehensive

Table 2

Hospital Capital Expenditures in New England, 1992

State	Capital Expense Ratio	Debt Service Coverage	Equity Financing Ratio
Connecticut	0.057	5.57	0.720
Maine	0.071	2.96	0.503
Massachusetts	0.084	2.54	0.316
New Hampshire	0.088	4.40	0.492
Rhode Island	0.050	3.23	0.507
Vermont	0.074	4.36	0.589
U.S. Median	0.079	3.16	0.535

Source: W. Cleverly, *1993 Almanac of Hospital Financial and Operating Indicators* (Columbus, Ohio: Center for Healthcare Industry Performance Studies, 1993).

review process, states with effective CON programs would be expected to have, on average, a more efficient use of existing facilities. Despite growing competition in Rhode Island's health insurance marketplace and a national trend toward lower utilization of inpatient services, the median occupancy rate for Rhode Island's acute-care hospitals exceeded both the regional and national medians. The state's median occupancy rate of 68.9 percent was the fifth highest in the nation in 1992. The high utilization of existing health care facilities reflects the fact that Rhode Island did not experience a surge in the construction of ambulatory surgical centers, freestanding imaging centers, and new hospital facilities following the termination of federal planning programs in 1987.

In addition, because projects must pass more stringent tests before institutions can break ground or add new services, hospitals in states with aggressive CON programs should be older than their counterparts in other states. Again, evidence indicates that CON controls in Rhode Island have had a demonstrable effect. The median age of the state's acute-care hospitals, 9.51 years, is considerably higher than the national median and the median of all other states in the region except Connecticut. In 1992, the average age of Rhode Island's hospitals' fixed assets was the third oldest in the nation.[46]

The effectiveness of Rhode Island's certificate of need process can be traced to a steady expansion of the scope of projects subject to regulatory review. In 1978 the law was amended to include most other health providers, including freestanding ambulatory and surgical centers. Debates over the construction of the latter particularly proved to be highly controversial in recent years, as the director has rejected proposals to build additional for-profit centers in the state because of concerns about an existing overcapacity of outpatient surgical facilities and the potential impact of "cream skimming" by the centers on the financial stability of existing institutions.

Change and Continuity in Rhode Island's CON Program

Rhode Island's success in controlling capital outlays would be expected to strengthen the opposition of providers to the capital-review process and increase its vulnerability in an uncertain fiscal climate. Although hospitals initially supported CON as a less onerous alternative to rate-setting controls, by the mid-1980s the process significantly circumscribed institutions' managerial autonomy. Hospitals strongly objected to the CONCAP process on the grounds that it unnecessarily limited their freedom to react to a changing market for health services. CONCAP survived for nearly a decade without major revisions through strong support from both the legislature and the senior management of the Department of Health. From 1987 to 1992, the General Assembly made several largely technical changes in the CON law. Health care providers gained an important concession in 1991 when the length of the review process was capped at 120 days (91-H-6712). The legislature also limited the scope of the CON program by raising the financial thresholds for projects subject to review (91-H-6652) and by exempting certain nursing and home health care providers from the process. In 1993, the legislature also exempted new state health care facilities from CON review (93-S-499). The legislature, however, refused to approve wholesale exemptions for cancer treatment facilities (91-S-1073) and for repeal of fees for CON reviews for equipment (91-H-5599).

One critical challenge facing organizations lies in managing the transition from program start-up to successful implementation.[47] State government bureaucracies are particularly vulnerable to problems of program implementation, because budget cuts, interest group opposition, and lucrative opportunities in the private sector often lead to a revolving door through which employees use state employment as a training ground for better-paying private-sector jobs. Innovative state programs are often victims of their own success, for "the presentation of new ideas often brings the designers widespread attention and career opportunities to serve in a larger jurisdiction . . . The reward for creativity draws talent away from state government at the point when ideas are being implemented and refined."[48] The Department of Health's tendency to promote from within was a critical element in preserving its commitment to CON, for it promoted the development of an institutional memory rooted in health planning. During the 1980s and 1990s, the DOH managed to attract and retain talented administrators and analysts to oversee and refine the CON process. Senior department officials drew upon the cadre of health planners that developed the state's health plans in the 1970s to assume leadership roles. By the early 1990s, several officials in the senior management team, including the deputy director, the associate director for health services regulation, whose office oversees the CON program, and the chief of the Office of Health Systems Development had fifteen or more years' experience with health planning and facilities regulation.

Political support for CON, however, eroded in the early 1990s. As Rhode Island's economy stumbled into a recession, state agencies were forced to cope with successive rounds of budget cuts, personnel layoffs, and furloughs.[49] The Hospital Association of Rhode Island, for its part, had sought to modify the CONCAP law since its passage, arguing that the statewide expenditure ceiling "could constrain the retooling process necessary for hospitals to adjust to the new [competitive] environment." HARI's 1988 *Environmental Assessment for the Hospitals of Rhode Island* noted "growing disillusionment with many aspects of certificate of need and particularly with the CONCAP program" among its members.[50]

The ongoing opposition of the health care industry was amplified by a growing anti-regulatory sentiment in the state's business community. Business leaders had been expressing a concern over the antibusiness reputation of the state, which, it was widely believed, adversely affected the state's ability to attract new industry and investment. The Rhode Island Public Expenditure Council, a watchdog group supported by several of the state's largest employers, repeatedly cited unwarranted government regulation as detrimental to the state economy. In addition, critics charged that the CON process was increasingly driven by political rather than policy considerations.[51] In 1992 and 1993, local hospitals viewed proposals to build freestanding surgical centers in three cities as a direct threat to their survival. Several hospital mergers and compacts contributed to a climate of uncertainty in the hospital industry and brought the Health Services Council into the public limelight.

The HSC had always been a politically sensitive body. Fifteen of its twenty-two members are appointed by either the governor or the leaders of the General Assembly. Although members are not appointed for set terms and can be replaced any time, the council was seldom subject to overt political pressure. One hospital vice president commented in 1992 that "the process was always political, but it was discrete. Now it seems that anything goes." In 1993, a total of nine HSC members — 41 percent of its total membership — were replaced. The timing of the appointments also raised questions. In

June 1993, two members were abruptly replaced amid a heated discussion over a proposal to build a rehabilitation hospital in Warwick. Less than six months later, three members were replaced during an acrimonious debate over a proposed outpatient surgical center in the town of Johnston. The HSC itself may have added to the perception of undue political influence by issuing decisions based on what appeared to be incompatible objectives. In approving one proposed surgical center in Providence, the HSC sought to promote consumer choice and competition. Several month later, the council rejected a proposed surgical center in Johnston, citing concerns about the effects of competition on St. Joseph Hospital. This struggle was played out before an increasingly cynical public that had recently witnessed several major scandals involving highly placed officials, including the former governor, the chief justice, and the chief court administrator.

In 1994 Governor Bruce Sundlun asked the director of DOH to prepare legislation to modify the CON process. According to Peter Dennehy, the governor's principal health policy adviser, the Sundlun administration was increasingly concerned about the state's slow rate of economic growth. In this climate, the governor viewed CON as a burden for one of the few growth industries in the state. After a series of meetings between the DOH staff and the governor's office, the Sundlun administration drafted legislation that significantly revised the CON process by eliminating the CONCAP. The bill, 94-S-2841, was introduced as part of the governor's legislative package and passed the Senate by a 45 to 0 margin and the House by 75 to 0 in June, ending Rhode Island's experiment with global budgeting for hospital capital expenditures ten years after it began. Although the types of projects subject to review by the Health Services Council remains essentially unchanged, the number of projects eligible for approval under the revised statute is unlimited. In the words of a former DOH official, the General Assembly's action, at the governor's request, had "pulled the teeth of the CON program."

* * *

The rise and demise of Rhode Island's reformed CON process offers several useful lessons for other states. First and perhaps foremost, Rhode Island's CON program demonstrates the effectiveness, if not the necessity, of a budget cap for controlling health care providers' capital expenditures. In particular, opportunities to "outmaneuver" the Rhode Island's CON process were sharply curtailed after the introduction of the CONCAP in 1984. A ceiling on capital costs forces decision makers to prioritize programs and choose the most cost-effective projects. Since the merits of each application are judged relative to others, capital caps place much greater emphasis on the opportunity costs of forgone projects. Unlike an open-ended CON process in which an unlimited number of projects could be approved if they demonstrated need, the CONCAP emphasis on statewide affordability created a zero-sum game for providers. Under these circumstances, the approval of an additional proposal automatically reduced the funds available for other institutions' projects.

Second, although the effectiveness of CON programs can improve with age as personnel gain experience and sharpen their skills, the ability of any regulatory initiative to succeed in the face of opposition from the regulated industry depends on the institutional capacity of the implementing agency.[52] In the long run, the effectiveness of state CON programs depends on their ability to recruit and retain key personnel. Building the institutional capacity of state CON programs, however, requires a commitment from policymakers inside and outside the implementing agency.[53] The fiscal crisis that beset

the Rhode Island state government in the early 1990s buffeted the DOH even though the program had a stable source of funding from providers' application fees. Furloughs, wage and hiring freezes, and restrictions on the purchase of new equipment contributed to sagging morale among program personnel. In addition, turnover had a significant impact on the Office of Health Systems Development after the end of federal support for health planning. Although Rhode Island had assembled an impressive health planning and regulatory infrastructure during the 1970s and 1980s, the state did not replace federal health planning funds after the repeal of P.L. 93-641. Without continued funding, several experienced planners and regulators left for jobs in the private sector; others stayed with the department and received promotions to senior management positions. The CON program managed to retain a core group of experienced analysts but was unable to replace those who departed. Simultaneously, new productivity demands emerged after legislative changes in 1991 shortened the review period from 210 to 120 days.

Providers, for their part, used their considerable resources to outlast the Department of Health via an incremental approach to the review process. Several institutions reapplied successfully for CON approval after addressing the comments and critiques raised by the Health Services Council and program staff during the review of the initial application. Rhode Island DOH staffers do not dispute the fact that those who reapply often win approval, but they nevertheless defend the process. As one senior policymaker noted, "Sometimes tenacity pays off. It's not necessarily because the CON process has been worn down, but because we're disseminating technology in a planned way." A singular focus on the rate of project denials may be counterproductive, for the deliberations that accompany the CON review process often lead to concessions by providers that expand access to services or lower program operating costs. Modifications, not merely rejections or withdrawals, must be seen as significant successes for CON programs, particularly if they increase hospitals' equity participation in proposed projects or lead to reductions in staffing and operational costs.

In other cases, however, state officials were handicapped by the program guidelines that had been established through collaborative planning arrangements. In 1993, for example, the DOH was forced to approve two competing proposals to establish cardiac catheterization laboratories at two Providence hospitals. The approvals came despite concerns about the duplication of facilities and the clinical appropriateness of existing procedures because both applicants had met the formal criteria established by the state's Cardiac Care Advisory Committee (CCAC) in the mid-1980s. Under the criteria established by the CCAC, a hospital could demonstrate that a proposed catheterization lab was "needed" if the applicant's existing labs were operating at more than 90 percent of their designed capacity and the utilization rate for all facilities in the system exceeded 80 percent. The CCAC, which was heavily dominated by cardiac surgeons who were sympathetic to calls for expanded capacity, made it impossible for the Health Services Council to reject projects on the basis of need, although several design and financing issues led both institutions to reapply after the HSC rejected their initial proposals in 1992.

The legislature and executive branch consistently supported CON in Rhode Island until the mid-1990s despite growing opposition from health providers. Although changes in party control often lead to policy shifts, the 1984 election of Rhode Island's first Republican governor in more than a decade had a negligible impact on DOH's activities. Instead, department funding was nonideological and nonpartisan. In addition,

the active participation of such respected former legislators as Representative Anthony Carceri on the state Health Services Council provided CON with greater legitimacy. The retirement of several prominent legislative supporters of health planning, coupled with a high rate of turnover among experienced members of the HSC in the early 1990s, made the CON program increasingly vulnerable to attacks from its critics. The departure of the program's legislative patrons was particularly significant, for apart from prominent party and committee leaders, individual legislators had no personal staff at their disposal. In the context of a highly partisan legislature in which power was concentrated in the hands of the House and Senate leadership, members actively sought advice from lobbyists and colleagues with acknowledged policy expertise on complicated issues.[54] With the retirement of several prominent CON supporters from the legislature and the replacement of experienced members of the Health Services Council in the early 1990s, the influence of the hospital industry grew steadily.

Third, CON also fell victim to what Martha Derthick and Paul Quirk have described as "the politics of ideas."[55] During the 1980s, both industry groups and senior state officials within the Department of Health embraced market-oriented, competitive solutions as the most effective means of controlling health care costs. Enrollment in managed care plans rose steadily after 1980; by 1994, Rhode Island, with 27.6 percent, had the ninth highest rate of HMO penetration in the nation. Entry regulation, by contrast, was seen as a costly administrative burden on health providers and as an anticompetitive device that hospitals could use to establish entry barriers for alternative delivery systems.[56] In contrast to other states, projects proposed by noninstitutional providers were also subject to CON review in Rhode Island; elsewhere, hospitals sought to circumvent the process by acquiring equipment in stages, collaborating with private physicians, and establishing parent corporations.[57]

CON programs, however, need not play a reactive role that stifles innovation. The Rhode Island Department of Health initiated a request for proposals (RFP) process to evaluate new submissions in identified areas of need in the late 1980s to assist institutions in long-range planning. RFPs for magnetic resonance imaging (MRI), cardiac catheterization units, rehabilitation services, and home health care were issued during the 1980s to make the state's CON process more proactive in its orientation. The use of RFPs balanced the demand for new technologies with the state's continuing emphasis on cost containment. In the case of MRI facilities, a nonprofit network emerged as a cost-effective solution to the desire of community hospitals to obtain advanced imaging capabilities in the mid-1980s. A consortium of ten hospitals joined to share MRI technology through a mobile network that provided portable MRI units for each hospital at least two days per week. Participating hospitals were spared the full cost of building a permanent facility and hiring specialized staff, since radiologists employed by the network performed and analyzed MRIs at each hospital. The result was a compromise acceptable to all parties, as the state's tertiary care centers were allowed to construct permanent MRI facilities, and institutions in outlying communities were afforded access to the latest technology. The CON process simultaneously facilitated the diffusion of new technology, minimized hospitals' financial obligations, and avoided unnecessary duplication of equipment and health care personnel.

While a preset ceiling on moneys available for capital projects such as the CONCAP can increase the effectiveness of capital-expenditure review, CON alone cannot bring hospital costs under control, as capital projects account for only a small portion of institutions' total costs. Furthermore, as Arnold Relman noted nearly a decade ago, "The

chief cause of the cost crisis [in American medicine] is not so much the price as the ever increasing volume and intensity of medical services being provided in outpatient settings and hospitals."[58] Physicians exercise considerable control over the volume of services performed by hospitals; economic analyses of physician and hospital behavior over the past two decades by Joseph Newhouse, Mark Pauly, and others suggest that in the absence of well-defined and commonly accepted protocols for treatment, doctors can essentially "create demand" for profitable diagnostic and surgical procedures to maximize their incomes. In fact, the president of the American College of Cardiology confirmed this suspicion when he noted that "important economic incentives are at work in some of these increases in rate of procedure utilization."[59]

In recognition of the continued need for some regulation of health care capital expenditures, both certificate of need programs and local health planning regained popularity in the early 1990s after their more than a decade under siege. While some states repealed their CON legislation in the late 1980s, Delaware, Florida, and Georgia all expanded the scope of their CON programs between 1989 and 1991.[60] While most observers share Sapolsky's view that "physicians, and more relevantly, hospital administrators, quickly discovered that the planning system could be outmaneuvered [and that] . . . the system was not much of an obstacle once the consultants were called in to advise," the cost-containment record of capital expenditure regulation in Rhode Island suggests that the prevailing wisdom about certificate of need has to be reexamined.[61] The principal historical shortcoming of state CON programs was the placing of too much hope on a program with multiple objectives to control health care costs.

The proliferation of new technologies, from magnetic resonance imaging facilities to cardiac catheterization labs, provides a constant reminder that new, often expensive procedures that offer institutions lucrative opportunities to increase patient volume are constantly being created. A number of states imposed moratoria on new hospital construction after the end of federal health planning subsidies in 1986. Such actions, however, are blunt tools for controlling the diffusion of new technologies because they did not discriminate between projects with proven clinical benefits and demonstrated need and less essential proposals. In contrast, CON imposes rationality on the diffusion of new technologies and the introduction of new services by providing an institutional mechanism to evaluate the demand for new capital. In the absence of CON, hospitals' desire to increase their market penetration and reputation through the acquisition of promising new technologies and renovations of maternity and outpatient surgical facilities has the potential to devolve into a technological arms race between competing institutions.

Using recent studies as a benchmark, state regulators are beginning to apply the guidelines developed by outcome researchers in evaluating CON applications based on the appropriate utilization of existing services. Recent studies of the appropriate utilization of cardiac catheterization, coronary angioplasty, and other specialized diagnostic and therapeutic procedures in recent years have been driven, at least partially, by reimbursement. In particular, payer status — private insurance, Medicaid, self-pay — is strongly associated with patients' utilization of health services. Studies of cardiac catheterization, carotid endarterectomy, and coronary angiography found that many surgical procedures were either "inappropriate" or of "uncertain" clinical value.[62] In the absence of evidence that proposed services have a significant impact on patient outcomes, the state may use the CON process to identify potentially unnecessary and costly facilities and discourage the overutilization of specialized and expensive procedures.

Capital-expenditure review is likely to play a significant role in controlling costs over the next decade, for after the demise of the Clinton administration's health care reform package, the focus of attention has again shifted to the states. Rhode Island's experience with CON provides evidence that a comprehensive approach to capital-expenditure review, including an ongoing facilities planning process, "batch" review of applications, and a cap on capital-related operating expenditures, offers policymakers an effective institutional mechanism to control costs. In the wake of mounting evidence that the adoption of new technologies has fueled health care inflation over the past decade, capital-expenditure review still offers policymakers one of the few institutional levers to shape the organization and delivery of health care services.

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What Predicts Success in JTPA? Test of a Three-Component Model

Carolyn Ball, Ph.D.

The Job Training Partnership Act (JTPA), an education and training program to assist the economically disadvantaged, is one of sixty or more programs Congress is considering consolidating. This program had great success in the late 1980s and early 1990s, but its value and support have been declining. This author examines whether JTPA should continue through a test of three employment theories: discrimination, signaling, and human investment using data from Maine's JTPA program. Findings indicate that while the program can reduce discriminatory barriers and negative signals such as welfare status, it does not consistently succeed as a training investment. Enrollment in an educational training program has a negative effect on an individual's ability to obtain a job, a particularly important finding, given the changes in welfare law. If it is to continue in some form, JTPA must be revised to better serve clients who need education.

In 1982, senators Daniel Quayle and Edward Kennedy crafted the Job Training Partnership Act (JTPA) (PL 97-300), which states administer by contracting with service providers to train and place economically disadvantaged individuals. Ten years later, Congress endorsed JTPA's continuation, increasing the emphasis on literacy and remedial education.

To continue to receive contracts, providers must meet the program's wage and placement performance standards. Based on its internal evaluation, JTPA has had a successful track record in New England and elsewhere (see Table 1 in Appendix A). Measured in program years that run from July 1 to June 30, it has consistently achieved about a 70 percent placement rate nationwide from Program Year (PY) '86 to PY '89, dipping downward with the recession in PY '90. This success has led the National Commission for Employment Policy to view performance standards as driving JTPA to success.[1] Additionally, many scholars view performance standards as the best measure of programs.[2]

Yet even with this strong record, JTPA may encounter difficulty as Congress considers merging more than sixty education and training programs into block grants.[3] With the advent of the new welfare law, Temporary Aid to Needy Families (TANF), JTPA is again under scrutiny. Congress will undoubtedly expect JTPA to provide greater assistance to welfare clients, a group it has always served. Since TANF requires able-bodied individuals to work while receiving welfare, JTPA will have less flexibility in assisting individuals, about half of whom are welfare recipients. Quick placement will

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be a primary goal with education and training a secondary goal. Given these new pressures, should JTPA continue in its present form or be revised? To answer this question, I measure JTPA's success through the lens of three common theories of employment: discrimination, signaling, and human investment theory.

The Job Training Partnership Act is most closely associated with human capital investment theory. According to legislative intent, training is an investment in individuals and in the nation's economy, not a government expense.[4] Signaling theory, on the other hand, predicts that employers choose employees based on such signals as education level, which identify an employee's potential productivity. And, of course, discrimination theory suggests that employers judge individuals on overt unalterable characteristics, not on ability. Each theory provides a different perspective on the JTPA's ability to assist participants.

To test these theories, I build exploratory regression models to measure success based on JTPA performance standards methodology. Success is measured by the outcomes measures of placements, post-training wages, and education (for those lacking a seventh-grade reading level or a general equivalency diploma) combined with placement. The data set for the models is from Maine's Title II-A adult program for PYs '89 to '91.

JTPA Performance Standards Methodology

What predicts success for the Job Training Partnership Act? The Department of Labor (DOL) measures it by two general categories of outcomes: placements and post-training wages. The specific outcomes vary, reflecting changes in the goals of JTPA, refinements in evaluation, and new data. For example, in PY '93 a new standard, placement combined with education, was added to reflect a legislative mandate to increase the literacy level of trainees.

After determining outcome measures, DOL creates ordinary least squares regression models. Unlike textbook models, which provide explanations, these models of regression are meant to be management tools which do not include all the factors that might affect outcomes. Models "hold constant those factors over which the service deliverer has little or no control."[5] Therefore, JTPA models control for participant characteristics and area economic differences. JTPA models control for the difficulty of serving women, minorities, welfare recipients, and those who lack a high school education, groups that DOL has labeled "hard to serve."[6] Success, then, occurs when service providers meet or exceed standards, a numerical range of acceptable performance.

Theory

Discrimination Theory

Employment discrimination research tells us that there are major differences in wages between men and women, minorities and whites, and black and white women.[7] We also know that income and job stability increase with age although economists argue aboute discrimination through civil rights laws. On the other hand, these same people also receive higher wages.

Some studies emphasize discrimination as an explanation for wage disparities. For example, in his 1991 study, Clifford Adelman traced high school graduates in the years 1972 to 1984 to examine the achievements of men and women in the marketplace.[9]

Though women had higher aspirations, continued their education at the same rate as men, and had higher grade point averages in college, their pay was less than that of men. This held true even when men and women with no family responsibilities were compared.

In another study, a controlled experiment examined labor-force disparities.[10] Black and white males were coached on interviewing, matched to control for characteristics such as age and physical appearance, and given fictitious indistinguishable résumés. The results indicated that blacks received fewer interviews and job offers than whites.

Studies of Job Training Partnership Act clients in Indiana, Ohio, and Tennessee also confirm the effect of gender and race on the placement and wages of participants.[11] But according to Kathryn Anderson, younger clients are more difficult to place than older clients, countering expectations of discrimination theory.[12]

JTPA performance standards models include indicators of protected status age, race, and gender, making data readily available to put the theory in operation. Based on this brief review, we expect that JTPA clients would feel the impact of discrimination, affecting the success of JTPA to place individuals.

Signaling Theory

Signals of life choice events are also theorized to affect a participant's chances of employment.[13] Employers who cannot directly assess productivity consult a person's record of education or work experience to reduce uncertainty in the hiring decision. Race, gender, and age, which are unalterable, are distinguished from signals. For example, an individual can choose to invest in an education but cannot choose her race.

Obviously, research demonstrates that education is important in determining jobs and wages, and a few support the applicability of signaling.[14] In one study, John Bishop found that signals, provided they were conspicuous, did have an effect.[15] High school graduates with high-level skills did not receive wages any higher than those with low-level skills. The diploma rather than skill served as the signal of productivity.

Work experience or its lack because of welfare status can serve as a signal as well.[16] Those who report their welfare status are less likely to be hired. Employers prefer to hire those who are not welfare recipients even when government provides incentives for hiring those who are.

JTPA studies confirm a statistically significant effect of welfare status and education.[17] In fact, Anderson found that welfare status and education had a greater effect on placement than gender or age.[18] Not surprisingly, then, we hypothesize greater success for high school graduates and those who do not receive welfare than for those who have no diploma and receive welfare. JTPA models always include education and welfare status as control variables.

Human Investment Theory

The mission of the Job Training Partnership Act is based on human investment theory more than on discrimination or signaling theory.[19] Human investment theory assumes that public subsidies for training create higher incomes, higher associated taxes, and social spillovers (reduced health care costs, reduced crime) that assist both society and the individual. Government subsidizes training because employer and individual decisions lead to insufficient education and training.[20] Employers fail to provide general training because it is visible to other employers and may lead to turnover. Individuals often do not seek training on their own because they lack funds or perceive few rewards

for doing so. Thus, government-sponsored training programs such as JTPA close that gap by providing training.

JTPA research indicates that the type of training provided is critical to success (see Glossary for definitions). For example, research has found that on-the-job training consistently yields high placement rates, but by and large has less impact on earnings than other forms of training.[21] Nationwide, however, more JTPA participants are enrolled in job search instruction, the least effective type of training.[22]

It is fair, then, to conjecture that training has an impact on success but varies with the type of training. DOL performance models adjust for factors outside the control of service providers, so training activities are normally excluded. However, data on enrollment in the most common forms — on-the-job training, occupational training, educational training, and job search assistance — are collected and available.

Test of a Three-Component Model

To test the ability of the three theories to explain the success of the Job Training Partnership Act, I retain its methodology and measure success as placement, wages, and placement combined with educational training. Rather than assuming that one theory is more important than another, I view the theories as three components affecting success. The probability of success is estimated as a linear function of (unalterable characteristics) + (signals) + (training investments) + e, where e is a random error term. For clarity and simplicity, I use only the most common factors and outcome measures found in Department of Labor models and employment theories. The variables are gender and age to measure discrimination, education and welfare status to measure signaling, and the four types of training to measure investment. I exclude race in the exploratory models since there are very few nonwhites in Maine's population or client base. I use logit regression[23] for the two placement models and ordinary least squares regression for the wage model.

To determine the success of the Job Training Partnership Act, turn first to the placement models in Table 2, Appendix A. Interpreting logit regression is straightforward. The chi-square improvement indicates that each component of the model is statistically significant, improving the model's explanatory power as one moves from entering unalterable characteristics to training investments.[24] One can also examine the cases correctly predicted. For both the placement and education/placement models, adding the third component dramatically affects the explanatory power of the models. This is particularly true in the education/placement model, in which the cases correctly predicted increase by 8 percent.

The logit regressions, however, show that JTPA's success depends on which theory or component is viewed. First, as predicted by discrimination theory, JTPA has more difficulty placing older participants. Placements increase as participants become older, tapering off for the oldest participants. But gender is significant only in the education/placement model. The probability of being placed and having received educational training, all other factors held constant, is 61 percent for females and 73 percent for males.[25]

JTPA has unexpected success overcoming signal barriers. Welfare recipients have a greater probability of being placed than non–welfare recipients. Being a dropout has significance only in the education/placement model, which one might expect. Even here

the difference is relatively small; the probability of dropouts being placed amounts to only 3 percent less than that of high school graduates. Signals that normally make it difficult to find a job have limited effect on Maine trainees.

As expected, the success of JTPA depends on the training. Since the act is based on human investment theory, this result is more troublesome for its future success as a stand-alone program. The placement model indicates that only on-the-job training is a positive investment. But for those who receive educational training, investment in any additional training, whether job search assistance or occupational training, is a positive benefit. This seems to indicate that there are two groups of trainees served, those who can use on-the-job training and those who need a greater investment for their future.

How do the three components affect success measured by post-training wages? The regression model in Table 3, Appendix A, shows that with each component, the R-square increases by about 2 percent, and all components work in the direction theorized. The investment component's impact, again, is highly dependent on the type of training provided. Only occupational training increases wages. On-the-job training has a negative impact while educational training is not significant. What appears to be happening is that service providers can, for the most part, overcome discrimination and negative signals when placing individuals, but wages are affected by all three components.

Strength of Theories

The reduced models in Table 4, Appendix A, with nonsignificant variables eliminated, give a clearer picture. If one views the Job Training Partnership Act as a means to overcome discrimination or signaling life events, the program has been successful. For example, signals have no significance in the education/placement model;[26] wages, however, are more difficult to equalize. When all other factors are removed or partialed, indicated in the last column of Table 4, female wages decrease by about .19 and dropout wages by about .12.

If one views JTPA through the lens of an investment strategy, the reduced models reveal greater problems. The probability of placement for those who receive educational training decreases by about .20 when all other variables are removed. This is a dramatic effect: receiving educational training is the most important variable in explaining the lack of success of JTPA as an investment. Only occupational training has an effect on increasing post-training wages and serves as an investment strategy..

The Relation of Theory and Practice

How do these theoretical results relate to practice? Before answering that question, one has to resolve a technical issue. Have the theories actually been tested? The R-square and the comparable chi-square indicate that critical factors were left out of the three-component models, biasing the results. The Center for Governmental Studies at Northern Illinois University, however, has found that performance standards models routinely explain 5 to 7 percent of the variance regardless of the demographic or economic data included.[27] Therefore, given similar modeling results, the three-component models show that service providers have been successful at overcoming discrimination and negative signals in their placement policies. In fact, Maine welfare recipients have a greater likelihood than non–welfare recipients of being placed.

To improve the success rate, however, JTPA service providers must be aware of creating a human investment strategy, particularly for their welfare clients. With the Work First philosophy DOL is embracing to support TANF legislation, greater emphasis has to be given to on-the-job training.[28] In the past, DOL frowned on such training, viewing it as a subsidy to employers who would teach individuals anyway. JTPA needs to increase its contacts with the business community to make on-the-job training possible for more than a small group of people. Job search assistance alone is not likely to benefit people even though it is the most common form of training nationwide.

The Job Training Partnership Act currently balances emphasis on placements with wage performance standards. Performance standards are expected to continue, but states will be receiving bonuses for welfare placements. This will make it more difficult for JTPA to improve educational opportunities and, hence, recipients' future wages. In Maine, virtually no welfare recipients have received both on-the-job training and educational training. Those entering JTPA in need of remedial education have been difficult to place, which is not likely to change. But if clients receive an additional investment in other forms of training, they will be placed and their wages may be comparable.

Finally, JTPA has to build upon its success in overcoming signal barriers for welfare clients by active involvement in helping individuals make decisions about their training and by obtaining resources for clients once they complete the program. Nationally, welfare recipient wages have risen steadily but only to an average of $7.05 per hour for a thirty-six-hour week. On-the-job training can meet their short-term needs, but occupational training has greater success in increasing participant wages. Considering the Work First emphasis, however, fewer JTPA clients may see occupational training as a viable option. Welfare recipients, with some exceptions, must work. States that value higher wages for JTPA clients will have to request exemptions, since the act provides funding for only two years of schooling when many careers demand at least four years.

Glossary

Educational training: conducted in an institutional setting, training designed to enhance participants' employability by upgrading basic skills, for example, remedial education, basic/GED education, literacy, and English as a second language. Educational training does not provide the technical skills and knowledge required to perform a specific job or group of jobs nor does it provide job search assistance such as résumé writing, interviewing skills, and so forth.

Job search assistance: activities designed to facilitate movement into the labor market including job-seeking skills, résumé writing, interviewing techniques and job referrals, labor-market information placement assistance, job clubs, counseling, and help in establishing and achieving employment goals.

Occupational training: conducted in an institutional setting, training designed to provide the technical skills and knowledge required to perform a specific job or group of jobs. Classroom vocational training is included in this category.

On-the-job training: provides the knowledge and skills necessary for full performance of a job while participants are engaged in productive work. Employers that provide on-the-job training may be reimbursed for their services.

Placement: includes only the formerly employed who are placed in an unsubsidized job, enter the armed forces, become self-employed, or enter a registered apprenticeship program.

Appendix A

Table 1

Comparison of Outcome Measures and Participant Mix

	Nationwide		Connecticut		Maine		Massachusetts		New Hamp.		Rhode Island		Vermont	
	PY89	PY90	PY89	PY90	PY89	PY90	PY89	PY90	PY89	PY90	PY89	PY90	PY 89	PY90
Percentage Placed	71	63	72	57	82	83	74	61	69	39	71	66	65	56
Average Hourly Wage	5.64	5.85	7.22	7.29	6.16	6.32	7.77	7.94	6.93	6.70	6.76	6.98	5.99	6.09
Percentage Female	56	58	59	64	68	67	58	64	65	78	49	43	50	45
Percentage Dropout	27	26	26	24	25	13	23	23	21	31	23	19	28	30
Percentage Welfare	28	31	43	51	30	39	44	45	38	59	26	24	47	53

Source: Data from U.S. Department of Labor, Employment and Training Administration.

Table 2

Logistic Regressions of Success

	Placed			Placed with Educational Training		
	B	B	B	B	B	B
Unalterable Characteristics						
Gender	0.259[a]	0.124	0.089	0.511[a]	0.326	0.562[a]
Age	0.092[a]	0.095[a]	0.082[a]	0.113[a]	0.117[a]	0.140[a]
Agesq	-0.001[a]	-0.001[a]	-0.011[a]	-0.001[a]	-0.002[a]	-0.002[a]
Signals						
Welfare	0.507[b]	0.390[b]	—	0.766[b]	0.441[a]	
Dropout	-0.153	-0.018			-0.333	-0.128[a]
Investments						
On-the-job training	—	—	1.748[a]	—	—	—
Educational			-1.634[a]	—	—	—
Occupational	—	—	-0.382[a]	—	—	0.033[c]
Job Search	—	—	—	—	—	0.905[c]
Explained Correctly	76.4%	76.4%	77.9%	65.3%	64.7%	72.9%
- 2LL	2539	2516	2377	644	629	570
Chi-square improvement	17.0[b]	22.9[c]	139.0[b]	9.9[a]	15.9[b]	58.1[c]

N = 2369 for the placement model.
N = 504 for the placement with educational training model.

Source: Data files of the Maine Department of Labor, Augusta, for PY '89 to PY 91'.

Notes:

Placed =	1 = Placed; 0 = Not placed.
Gender =	1 = Male; 0 = Female.
Age	22 through 70.
Dropout	1 = No GED; 0 = GED/high school diploma.
Welfare	1 = Welfare; 0 = Not on welfare.
Training	1 = Received training; 0 = Did not receive training.

[a]Significant at .05 level.
[b]Significant at .001 level.
[c]Significant at .0001 level.

Table 3

Ordinary Least Squares Regressions of Success

		Wage	
	B	B	B
Unalterable Characteristics			
Gender	0.6556[a]	0.8315[a]	0.9431[a]
Age	0.1391[b]	0.1257[b]	0.1224[b]
Agesq	-0.0017[b]	-0.0015[b]	-0.0015[c]
Signals			
Welfare	—	-0.2612[d]	-0.2758[d]
Dropout	—	-0.8324[d]	-0.8324[d]
Investments			
OJT	—	—	-0.2861[d]
Educational	—	—	0.0724
Occupational	—	—	0.4820[a]
F	15.6700[a]	16.2620[a]	14.2200[a]
R-square	0.0282	0.04788	0.06584
R-square Ch	0.0282	0.01966	0.01796

N = 1623

Source: Data files of the Maine Department of Labor, Augusta, PY '86 to PY '91.

[a]Significant at .0001 level.
[b]Significant at .001 level.
[c]Significant at .01 level.
[d]Significant at .05 level.

Table 4

Final Models

	Placement		Placement with Education		Wages	
	B	Rao	B	Rao	B	Partial
Observed Characteristics						
Gender	—	—	0.640[a]	0.092	0.942[b]	0.189
Age	0.083[a]	0.045	—	—	0.122[b]	0.083
Agesq	-0.001[a]	-0.052	—	—	-0.002[b]	-0.078
Life Events						
Welfare	0.414[b]	0.070	—	—	-0.269[c]	-0.056
Dropout	—	—	—	—	-0.275[b]	-0.118
Training						
On-the-job	1.755[b]	0.070	—	—	-0.298[c]	-0.051
Educational	-1.635[b]	-0.200	—	—	—	—
Occupational	-0.388[a]	-0.044	0.970[d]	0.133	0.479[b]	0.105
Job Search	—	—	1.037[b]	0.182	—	—
Explained Correctly	77.7%	—	73.05%	—	—	—
- 2LL	2377	580.59	—		F	16.210
Chi-square	178.41	—	73.718	—	R-sq	0.066
Chi-square improvement	7.04	—	7.837	—	R-sq Ch	0.020

N = 2369 for the placement model.
N = 501 for the placement with educational training model.
N = 1623 for the wage model

Note: In the placement with education model, job search rather than on-the-job training. Only four individuals were enrolled in the latter and received educational training.

[a]Significant at .01 level.
[b]Significant at .0001 level.
[c]Significant at .05 level.
[d]Significant at .001 level.

Notes

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3. Johnny Ray Youngblood, "Jobs for Nobody," *New York Times*, June 30, 1995, A19.
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16. John Bishop, "Toward More Valid Evaluation of Training Programs," *Journal of Policy Analysis and Management* 8 (1989): 209–228.
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19. Gary Becker, *Human Capital,* 3d ed. (Chicago: University of Chicago Press, 1993). According to David Hornbeck and Lester Solomon, *Human Capital and America's Future: An Economic Strategy for the '90s* (Baltimore, Md.: Johns Hopkins Press, 1991), human capital refers to the acquired skills, knowledge, and abilities of individuals.
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23. The probability of placement =

$$z = \frac{1}{1+e^{-z}}$$

where:

z = is a linear combination

$$z = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + e$$

24. The probability of the observed results is measured mathematically as -2 times the log of likelihood, -2LL. If the model fit the data perfectly, -2LL would be zero. The chi-square improvement is the difference between -2LL as components are added.
25. This is the probability when the average age is thirty-four, the individual also received job search assistance, and the individual is not a high school dropout. For an explanation of logit modeling, see John Aldrich and Forrest Nelson, *Linear Probability, Logit, and Probit Models,* Sage University Paper Series on Quantitative Applications in the Social Sciences, 07-001 (Beverly Hills: Sage Publications, 1984).
26. Rao (R) serves a similar function as the partial correlation in ordinary least squares. Small values indicate a small contribution to the model. Like a partial, Rao is affected by the other variables in the model.
27. Correspondence with John Baj, research associate, 1988 to 1995, Center for Governmental Studies, Normal, Illinois. See also John Baj et al., *A Feasibility Study of the Use of Unemployment Insurance Wage-Record Data as an Evaluation Tool for JTPA* (Washington, D.C.: National Commission for Employment Policy , 1991).
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The Professional Decline of Physicians in the Era of Managed Care

Aimee E. Marlow

Physicians have long enjoyed prestige, power, and autonomy, but the rise of managed care organizations has drastically changed their status. Many doctors are in thrall to the financial well-being of the corporations that employ them, their knowledge and expertise controlled and manipulated in the interest of profit maximization. This article investigates the professional decline of physicians, citing the use of gag clauses, incentives to withhold care, and the breakdown of their authority. In an effort to regain some measure of control, physicians have taken their concerns to the public, supporting state and federal legislation that attempts to curb questionable managed care practices, but this new alliance is unreliable. The author evaluates the history and ultimate failure of California's propositions 214 and 216, both created to protect patients and physicians. The results clearly suggest that physician influence alone can no longer sway public opinion.

Physicians, facing deprofessionalization in the new corporate structure of medicine, are losing a tremendous amount of power. Some no longer control the simplest medical decisions, for example, what they may tell patients and what tests they may or may not administer.[1] The few who downplay the importance of such restrictions fail to recognize that "the fate of patients is tied to the fate of doctors."[2] In other words, the attenuation of medical practice is an issue not only for physicians, but for all who consult them. This article examines several of the myriad details regarding the state of U.S. medicine.

What Is a Profession?

Sociologists have long studied the rise of U.S. professionalization, a product of the late nineteenth and early twentieth centuries, which increased dramatically during and after the Industrial Revolution, leading to growth of large bureaucracies.[3] As society developed more complex structures, institutions flourished, and the need for experts and leaders quickly became evident.[4] Technical training and leadership capabilities separated the professional from the lay person.[5] The literature of sociology acknowledges that in aspiring to professionalization, an occupation generally "strives to attain" the following characteristics and goals:

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1. Altruistic service to clients and society;
2. A basic liberal education followed by professional and technical training;
3. Licensure by the state . . . The criteria for licensure and practice . . . should be drawn up [in]. . . consultation [with] practitioners representing the profession.
4. The competence of professionals is judged by other professionals;
5. Professional practices continually directed by the body of theory and research relevant to the field; and
6. A code of professional ethics . . . continually developed, corrected, and enforced by the profession itself.[6]

The link between integrity, service, and appreciation for knowledge, evident in all six points, places a large responsibility on members of an occupation to uphold its professional status. Their reward for achieving success is great, for the professional gains the right "[of] freedom, not only to do his work according to his own best judgment . . . but also to choose his own style of work and economy of effort."[7] This model reflects medicine as it should be and what most Americans expect it to be: an altruistic profession embodying integrity, autonomy, and ethical accountability.

Professional knowledge and theory are particularly important. Physicians, who traditionally rely on their interpretive wisdom to separate them from other professions, secure a coveted niche in society as healers. Basic medical knowledge, a touchstone offering them a sense of the role they should play, serves to separate patient from physician. We trust physicians with one of our most valued possessions, our health; their role encompasses strong "moral and social functions."[8] Everett Hughes notes that, in general, professions "also claim a broad legal, moral, and intellectual mandate."[9] He adds, "Not only do the practitioners, by virtue of gaining admission to the charmed circle of the profession, individually exercise a license to do things that others do, but collectively they presume to tell society what is good and right for it in a broad and crucial aspect of life."[10] Medicine fits this mold exactly. Physicians and patients have a give-and-take relationship: patients give their trust to doctors, whose moral and intellectual obligations, they are confident, will safeguard them from harm.

In rising to dominance, physicians met all the criteria noted above, benefiting first from structural changes in society and later from their collective power. Prior to gaining authority in the late nineteenth and early twentieth centuries, doctors encountered a host of obstacles.[11] Without a scientifically sound body of knowledge and a lack of "unity . . . and collective authority," physicians required grounding.[12] The traditional view of illness that dominated society aggravated the issue. Paul Starr writes, "Many Americans who already had a rationalist, activist orientation to disease refused to accept physicians as authoritative. They believed that common sense and native intelligence could deal as effectively with most problems of health and illness."[13]

The late nineteenth century, a time of great cultural, scientific, and social change, greatly influenced the state of all professions. The United States embarked on a "cultural revolution," when "Americans became willing to acknowledge and institutionalize their dependence on professions."[14] In addition, the Industrial Revolution brought about the urbanization of life in America and a new reliance on complex organizations with hierarchical structures, which became comfortable and accepted. The term "professional" represented power, wealth, and advanced education, all qualities revered in society.

Concurrently, physicians acquired the knowledge that granted them access to and control over grounded scientific "evidence." Advances in "diagnostic technology . . . strengthened [their] powers . . . in physical examination of the patient." Science also developed tests for "specific . . . disease," and in the 1880s, the organisms "responsible in tuberculosis, cholera, typhoid, and diphtheria were isolated"; by the 1890s, "laboratory tests had been introduced to detect [them]."[15] Thanks to science and to society, physicians started gaining power.

But other hindrances remained; structural changes came from within the profession and physicians at first lacked a strong collective society that could represent them. More troublesome was the profession's lack of a "fixed track" for education; "whether or not a physician went to medical school and if he did, for how long and with what general education, were all variable."[16] Such ambiguities left plenty of room for alternative forms of treatment like homeopathy and eclectic medicine to enter the market. Even as late as 1900, "the ports of entry into medicine were still wide open and the unwelcome passed through in great numbers."[17]

The formation of the American Medical Association (AMA) in 1847 was an attempt to give physicians an organizational foundation, but more important, the AMA sought to standardize medical education with a view toward eliminating alternative medicine.[18] Initially, the organization suffered from internal conflict and lack of structure but remained dedicated "to [addressing] the problem that originally motivated its formation, control of medical education."[19] In 1904 the AMA formed the Council on Medical Education, which set standards for medical schools, including increasing the preparation time necessary to become a doctor of medicine and mandating that all physicians pass state licensing examinations before being allowed to practice.

The 1906 Flexner committee, in a report that investigated the country's 160 medical schools, concluded that only 82 achieved adequate standards for medical education.[20] The best were encouraged to remain open, while the weaker would be closed or merge with stronger institutions. This tremendous overhaul of the educational system "greatly increased the homogeneity and cohesiveness of the profession [and] instilled common values and beliefs among doctors . . . and . . . discouraged sectarian divisions."[21]

Standardization of medical education provided other benefits as well, enabling doctors to truly define the role of physician. The lines of distinction drawn between doctors and other health care professionals were changed in the twentieth century. Hughes extrapolates: "The elaboration of the organization of hospitals, clinics, and public-health agencies combined with great technological change in medicine and an immense increase in the demand for medical services has led to a great reshuffling in the whole medical system."[22] The reshuffling led to more power and autonomy for physicians. The profession simply passed along certain duties, such as taking blood pressure or filing forms, to other workers.[23] This served to set physicians even further apart, for menial, time-consuming tasks were no longer their responsibility.

By pushing forward and successfully taking advantage of the structural changes occurring on the national level, physicians ascended to the professional ranks, continuing through the post–World War II era. The new advances in scientific technology that appeared, "making [medicine] more effective in treating illness," were coupled with federal money for new hospitals and "the explosion of private health insurance."[24] Physicians attained an unimaginable level of resources and wealth.

The boom in the medical industry presented people with previously unimagined

prospects for making money; many physicians took advantage of the potential bonanza, adding the role of businessman to their persona.[25] Investment opportunities took many forms, but none was as lucrative as those offered by pharmaceuticals, an industry which by the mid-1950s was worth $4.5 billion.[26] It seemed reasonable for physicians to invest in these companies, for as Howard Wolinsky and Tom Brune noted, "doctors knew something about the drugs they prescribed."[27]

But the public did not buy this explanation. For the first time, people were forced to realize that "doctors' clinical judgment [could be] influenced by their business interests."[28] Overwhelmingly, they rejected the physician as businessman. People were clearly uncomfortable and threatened by the thought that doctors could be persuaded to prescribe the products of drug companies in which they had a financial interest rather than more appropriate medications.[29] Recognizing the loss of public trust, the AMA denounced doctors' involvement with these organizations. In a further effort to polish the tarnished image of physicians, AMA delegate Dr. Edwin B. Dunphy declared in June 1952, "The medical profession is not a luxury business but a profession dedicated to rendering service to humanity. Reward or financial gain is a subordinate consideration. Physicians should never lose sight of this principle. If they do, the medical profession will certainly be government regulated eventually *and* [emphasis added] with public approval."[30] One might assume that such bad publicity and public disapproval would have deterred physicians from involving themselves in business ventures, but as history tells us, it didn't. For the most part, corporate medicine found physicians to be willing participants.

Evolution of For-Profit HMOs

Dunphy had no inkling of the future of medicine and its business alliances. Today, reflecting on his words, one questions how far medicine has come and if the lessons of the past taught anything. The success of physicians in their pursuit of professionalism involved luck. Being positioned more than once in history to take advantage of societal changes is remarkable for any profession; the specific events noted above comprise a few such fortuitous examples in the chronicles of physicians. But what is also evident from Dunphy is that more than forty years ago, doctors, even when they held the upper hand, feared a corporate threat to their integrity.

Modern for-profit HMOs and corporate medicine do not offer physicians the power to reject or dispute the corporations. The managed care concept first gained popularity in the early 1980s.[31] Most HMOs maintained a nonprofit status until 1987, their main theoretical purpose for existence based upon utilitarianism and rationalization, namely, to provide for as many people as possible quality health care at the least expense. As Wendy Mariner stated, "The goals of managed care came to be seen as the efficient use of health care resources . . . to provide quality care."[32] By 1987, "there were 650 HMOs with about 29 million members."[33]

Early nonprofit HMOs, seemingly adhering to the original purpose, "encouraged coordinate care, [including] preventive services, in long-term personal relationships between patients and primary care providers."[34] Moving managed care into the competitive market and making it a for-profit industry apparently offered improved quality and efficiency overall since "increased competition could achieve the goals [of] providing good quality care."[35] The success of profit-making HMOs depended largely on physicians' ability to keep a "foot in both the medical and the business camps" and its success in performing "both medical and business functions, taking actions to provide or

withhold care that touches the traditional sphere of medicine, and, at the same time, acting like ordinary business enterprises with no moral obligation or, at least, obligations that have little to do with traditional medical ethics."[36]

In the model under discussion, medical ethics and business concerns are accorded equal priority. Although this was the intent of for-profit HMOs, it was not borne out in reality. When faced with conflicts between providing "quality medical care and . . . obligations to preserve their assets," profit-making HMOs favored the needs of the corporation, not the profession.[37] Business concerns that "put profits before patients" are now "the palpable force destroying care."[38]

Recent Voices: Ignored but Prophetic

The rise of for-profit HMOs and the subsequent deprofessionalization of physicians should not surprise Americans. Although many people spend time and effort evaluating the present state of medicine, they fail to integrate one crucial piece of information: physicians and sociologists predicted all of today's events more than ten years ago. The most compelling prophecies were those of Paul Starr and Eliot Freidson, both medical sociology experts, and George Lundberg, longtime editor of the *Journal of the American Medical Association.*

In the final chapter of *The Social Transformation of American Medicine*, Starr painted a dreary picture of the future of American medicine. He envisioned a time when the corporation, or "private sector," would step in to "rationalize" medical services, taking over faltering public institutions. As corporations appropriated medicine, new challenges to physician autonomy and prestige would be inevitable, and in an extreme case, "doctors will no longer have as much power over such basic issues as when they retire."[39] One backlash of this trend also brings to light for Starr another obstacle, namely, boundaries. He says, "Another key issue will be the boundary between medical and business decisions; when both medical and economic considerations are relevant, which will prevail and who will decide? . . . A regime of medical austerity will test the limits of professional autonomy in the corporate world."[40]

Also at issue, according to Starr, was the "different techniques for modifying the behavior of physicians, getting them to accept the management's outlook."[41] Physicians will be "socialized" not merely as doctors but as corporate spokesmen, learning "to do things the way the plan or the company has them done."[42]

But his most chilling vision of the future seemed to be the most prophetic. Starr believed that the medical profession's and the public's complete inability to control the situation was an invitation to corporations to turn medicine into a for-profit industry. "Instead of public financing for prepaid plans," he wrote, "there will be corporate financing for private plans . . . whose interests will be determined by the rate of return on investments."[43]

Freidson also feared for the future of medicine. He too recognized the emergence of the corporation as the biggest threat to the profession and, more specifically, turned attention to the detrimental role of inducements to cut health care costs. Freidson asserted that "considerably less emphasis on economic incentives would greatly improve the spirit in which practitioners approach their work."[44] More idealistic than Starr, he believed that a "greater emphasis on professional values" would be the only way to repair the ailing reputation of American physicians.[45]

Freidson predicted that the medical community would face a "critical choice" that

would determine the future. "We can passively accept a health care system that, in the interest of cost containment, slowly moves toward mechanizing and bureaucratizing services. Or we can actively choose to struggle for a system that . . . [is] designed to do everything it can to improve the unique lots of all those who need help."[46] The first choice has "physicians and health care workers [following] elaborate rules of procedure" and "patients [as] standardized objects," while the second focuses on "truly human health services."[47]

In closing, Freidson takes issue with the way the industrialization of medicine will inevitably lead to "the loss of something precious" for both physicians and patients. Within a mechanized health care system, doctors "will have lost the opportunity to do autonomous, challenging, and creative work" and patients will "lose the opportunity to regain . . . their full potential."[48]

Sociologists were not alone in addressing the problems facing the medical community and physicians. In a 1985 editorial, Lundberg lashed out at his own profession, focusing on how "we, the aggregate medical profession, are in big trouble with the public at large."[49] The problems he reports surround the issue of trust, but not technical or personal trust. Rather, he believes that the real issue is patients who do not trust physicians economically or morally. He states, "Never in modern history has the medical profession been weaker . . . To a great extent, physicians are becoming seen as highly successful businessmen who are functioning with the business ethic rather than the professional ethic . . . We are viewed by many as a restrictive cartel."[50] Thus, industrializing medicine has bankrupted the profession of any morality. In this scenario, both physicians and patients pay.

Lundberg substantiates this point by citing longitudinal data that reflected a severe decline in patients' trust of physicians, specifically in the area of money. "In 1982, 42% of the public queried expressed the opinion that physician fees were reasonable. This declined 15 points to 27% in 1984, a shocking change."[51]

As an insider in the medical profession, Lundberg, is critical of the conflict of interest between the physician as businessperson and the physician as healer. He offers various solutions to the problems at hand, calling on doctors to "reestablish the fact that . . . as physicians, we will represent the best interests of our patients and the public."[52] Changing their image was not enough; Lundberg challenged physicians to "change reality, thereby becoming viewed as primarily proactive rather than reactive . . . promoting rather than opposing progress."[53]

In financial matters, Lundberg implored all physicians to be aware of each person's "financial circumstances," to adjust payment to need when necessary. He emphasized the need for physicians to take a "leadership position" in cost management and containment and to be "intolerant of devious cost shifting and of questionable creative accounting."[54] Above all, physicians "should promote openness and full disclosure of facts because the truth is more central to medical science and to the practice of medicine than any other human endeavor."[55]

Lundberg's conclusions provided room for hope, positive change, and the possibility of a bright future, but it was all contingent on physicians' reverting to "caring for the public," choosing altruism over greed, and taking a stand against unethical practices.[56] So far doctors have failed to rise to the occasion. Why is that so important? From a professional point of view, it means no more than successfully adhering to the Hippocratic oath, which asserts "that physicians have duties to (1) be loyal to patients; (2) act in their patients' interests; (3) make their patients their first consideration, even when

their own financial well-being is opposed."[57] Physicians are, more than just technicians, accepted experts of the body working in an American society obsessed with life and death. We expect a social contract in which the professional physician serves us as effectively as possible.

Declining Power and Prestige

The shifts in American medicine are clearly leading to physicians' losing power, which results in deprofessionalization. In the six criteria for all professions, profit-making HMOs rob physicians of their ability (1) to be "altruistic servants," as indicated by the role of monetary incentives to reduce treatment; (2) to have their work and competence judged by other physicians, because the very structure of managed care works against camaraderie and collective activity; and most important, (3) to use medical knowledge to its fullest in a variety of contexts, for their authority and autonomy are tempered by gag clauses in managed care contracts, which determine what physicians can and cannot tell their patients and the public.

Altruism has long been a tenet of the medical profession. Many who enter the field speak of "the call," the need to help others and to save lives.[58] The ethics and mission of medicine encourage nothing less than physicians doing everything possible to help patients, but for-profit HMOs remove this crucial element by establishing financial incentives for physicians to reduce services.

Managed care corporations introduced incentives only a few years ago, recognizing that "other approaches, such as administrative monitoring and penalties for overuse [were] less effective" in curbing physicians from excessively offering or wasting resources.[59] There are obvious flaws in this reasoning according to Marc Rodwin. "If incentives to provide services cause physicians to use too many resources and to perform unnecessary procedures, would not incentives to reduce services result in too few services? . . . How can we be sure physicians will reduce only unnecessary or wasteful services?"[60]

Financial incentives are wrapped in various packages. In their most blatant form, they deter physicians from administering expensive diagnostic tests.[61] In another form, HMOs "significantly reduce hospitalization," often forcing patients out the door after major surgery.[62, 63] A large proportion of a physician's salary may be contingent on such incentives. In 1995, "74% of independent-practice association HMOs and 50% of group-model or staff-model HMOs [based] physicians' payment in part on measures of utilization and cost."[64] In doing so, such for-profit managed care organizations as US Healthcare bind "primary care physicians' interests to [those of] the [firm] . . . Income is tethered to conduct that furthers corporate profitability."[65] Physicians are rewarded, "sometimes quite directly, for doing less for their patients," an "inherent conflict of interest."[66] This cuts to the very heart of the altruistic nature of the profession, calling into question the moral and ethical implications of such activity.

The declining importance of altruism is related to how and by whom physicians are judged. Doctors have long enjoyed the ability to oversee their profession's educational standards, ethical codes, and the opportunity to rate one another's performance.[67] Performance review is of specific concern. Physicians working within the for-profit HMO structure find that the quality of their work is based not on their ability to be good practitioners, providing excellent care and developing trust with patients, but on their ability to cut costs and generate returns.

The system of for-profit HMO denies physicians the opportunity to foster relationships not only with patients but with other physicians. The new wave of corporate medicine includes a loose collection of physicians who work in various locations for the same entity. Thus, some HMOs are composed not of "a core of dedicated staff" but of "networks and private practitioners linked by part-time contracts."[68] Solidarity among physicians is impossible in an arrangement that has "forced practitioners to reorganize into larger units."[69] Such an elaborate structure makes measuring performance and quality of care an intricate, at times frustrating experience.

These issues are important indicators of the deprofessionalization of medicine. Yet the control of medical knowledge through the restrictions is the most solid, telling gauge of the trend. The value of medical knowledge and the public's trust in it is a significant element in the physician-patient relationship. Placing a high value on knowledge presumably upholds the "legal, moral, and intellectual mandate" of medicine.[70]

But in the new design of managed care, expertise and knowledge are exploited and controlled for the good of the corporation, perhaps best exemplified by the use of gag clauses or rules. Generally, these take several forms, all of which potentially impose constraints on the physician-patient relationship and on doctors' overall autonomy. The clauses, to which physicians have to agree, are written into their contracts with managed care organizations. Gag clauses eliminate alternative treatments that the managed care organizations view as unnecessary or inappropriate for any number of medical conditions. Physicians who defy these stipulations face, at the least, reprimands, and at the most, dismissal.

Legal experts identify four types of gag rules, the first of which places "restrictions [on] doctor-patient discussion of treatment alternatives."[71] The rules specifically prohibit physicians from "disclosing treatment options that the [managed care organization] determines are inappropriate."[72] This restriction declares that physicians may not discuss alternative treatments with a patient "until the plan has agreed to pay for them"[73] and gives its approval. If the corporation deems them unsuitable, physicians may not reveal an alternative to the patients.

This type of clause also prohibits physicians from "making statements to patients that would undermine the patient's confidence in the [HMO]."[74] A doctor who disagrees with an organization's actions may not reveal his or her opinion to a patient. In addition, "suggesting that a course of treatment may be beneficial or even life-saving, but reporting that the plan will not cover it, could be construed as disparaging or as suggesting that the plan offers substandard care."[75] The physician, unable to share all treatment options with the patient, may feel trapped.

A second type of gag clause prevents physicians from "discussing conflicts of interest with patients."[76] A doctor may not reveal the terms of his or her agreement of association with the managed care organization. Most important, physicians cannot reveal how they are paid, for this is considered a "business secret requiring protection."[77] They cannot bare the fact that the amount of their paycheck is, to a large extent, contingent on the treatment options they choose for patients — less treatment translates to larger salary — which could negatively affect a patient's health.

Another gag clause restricts doctors' ability to recommend facilities where patients can receive treatment outside their care organization. Physicians are forbidden to recommend "uncovered treatments" even if they believe such alternatives could help their patients"[78] This rule also prevents physicians from giving advice on the nature of managed care organizations or "offering their perspective on what plans are better for

patients in general, or [one] patient in particular"; therefore, some of their expertise is denied to patients.[79]

A final gag rule precludes physicians from publicly "making negative comments about the plan" with which they are associated.[80] It serves to keep physicians silent in the public debate on managed care, for they are "unable to offer candidly their experiences and expertise to patients and political debates alike."[81] Public discussion is compromised by the denial of a voice to these eminent actors.

The nationwide debates on the subject of gag clauses grow more heated as these stipulations are gradually leaked to the public. Yet because of vague language that "disguises" them, the clauses are sometimes difficult to locate in managed care contracts. Additionally, a "lack of any [nationwide] centralized clearinghouse for contract information" that monitors all managed care contracts makes the search even more cumbersome.[82] This scarcity of information adds controversy to the mixture. Proponents of managed care organizations deny the very existence of such clauses in physicians' contracts, claiming that the agreements are fashioned with patient protection in mind. Opponents insist that these clauses are commonplace, that they blatantly "violate the physician's ethical duties," and that they must be outlawed immediately.[83]

Controversy aside, the very notion of gag clauses leads to disturbing conclusions about this method of cost cutting. Such rules directly threaten the welfare of patients by controlling the use of medical knowledge. They "threaten to erode the doctor-patient relationship by silencing physicians and keeping patients uninformed."[84] They raise important legal, ethical, and even constitutional questions. Legally, they pose dilemmas specifically around the doctrine of informed consent: patients "should be autonomous over their bodies, which requires that physicians inform patients of their conditions and options for treatment."[85] According to the doctrine, a doctor must inform a patient of all alternatives. As previously noted, rules that do not allow for full disclosure of information violate the doctrine of informed consent. "Gag clauses that prohibit physician disclosure of uncovered treatment threaten to turn back the clock to a time when patients were kept uninformed of their alternatives and physicians made treatment decisions without regard to the patient's concern."[86]

Failing to adhere to the doctrine of informed consent suggests that, legally, physicians are not doing their job, which can leave them wide open to charges of malpractice.[87] Ethically, gag clauses place physicians in potentially difficult situations, unable to "advance the patient's health," the overarching goal of medicine.[88] Ethics seems to run a distant second to profit maximization in the new calling of corporate medicine. John McArthur and Francis Moore write, "When a corporation employing physicians seeks profit by selling [its] services, the physician-employees cease to act as free agents. Professional commitment to patient care is now subordinated to new rules of practice that assure profitability of the corporation."[89]

Another important consideration is the way gag clauses threaten constitutional rights of doctors by withdrawing their freedom of speech.[90] Some forcibly keep physicians' voices out of the public domain on health care issues, and violation of these terms is cause for the dismissal of doctors. Therefore, "a gag rule is an example of the loss of free speech, not by order of public law, but by the dictates of health care corporations."[91]

US Healthcare, one of the nation's largest for-profit HMO corporations, provides an excellent example of manipulation through gag rules. In 1995 it cared for 2.4 million members, earning a profit of $1 million a day.[92] Steffie Woolhandler and David

Himmelstein note the following clauses from a US Healthcare contract with one HMO. "Physicians shall agree not to take any action or make any communication which undermines or could undermine the confidence of enrollees, potential enrollees, their employers, their unions, or the public in US Healthcare or the quality of US Healthcare coverage . . . Physicians shall keep the Proprietary Information [payment rates, utilization-review procedures, and so on] and this Agreement strictly confidential."[93] Translated, these clauses state that physicians cannot openly disagree with US Healthcare on any ground and that any cost the HMO assumes or does not assume must not be disclosed to the patient.

In addition, releasing an employee who disagrees with company policy is also part of the reality. After coauthoring "Extreme Risk," and speaking out against certain HMO policies on national talk shows, David Himmelstein, "on December 1, 1995, received notice from US Healthcare of his termination."[94]

Gag clauses, which reduce the value of a physician's knowledge to monetary terms, deleting moral and intellectual components from the picture, are only one of several questionable tactics created by managed care corporations whose primary concern is profit realization. In an effort to combat corporate control, more and more physicians are turning to the public for support, a move that has both positive and negative effects. On the positive side, physicians and patients working together represent increased people power and increased opportunity for physicians to educate the public about the potential harm profit-making HMO policy can generate. For example, many professional doctors organizations have produced offspring in the form of patient organizations. Physicians Who Care, a group of more than 30,000 doctors, is allied with the 15,000 members of Patients Who Care.

Yet bringing concerns to the public and inviting citizens to join forces with them has not necessarily resulted in success for the physicians. They face the fact that quality health care alone may not be enough to sway public opinion. Indeed, physicians place themselves in the position of having to deal with countervailing modes of influence. The history of propositions 214 and 216, two proposals aimed at ending unfair and unethical managed care practices in the state of California, are prime examples of this phenomenon. Both propositions, introduced as precursors to the creation of the Health Care Patient Protection Act of 1996, called for the following measures, reported in the Fall 1996 *Physicians Who Care Newsletter.*

A. Banning all written gag clauses;
B. Outlawing financial bonuses tied to the denial of necessary care;
C. [Giving] patients the right to [pursue] a second opinion before denying doctor-recommended care and [publicizing] HMO guidelines for denying treatment;
D. Requiring "just cause" for [terminating services] of physicians and other professionals.[95]

Proposition 216, the more radical of the initiatives, also added clauses that included establishing "a consumer watchdog organization, and [imposing] taxes on health-care mergers and acquisitions, hospital closures, and bed reductions."[96]

The goals of both propositions offered something for everyone. Not only would patients be protected against financial incentives that may influence a physician's quality of care, but the doctors themselves would be free from the threat of the gag clauses that silence them. Both measures gained huge support from more than 150 interest groups

and individuals on the state and national level. Activist Ralph Nader proclaimed, "Passing the Patient Protection Act is the single most critical health care battle this year for California and as an example for the rest of the nation. . . . The denial of care, gag rules for doctors and nurses . . . are a national scandal."[97]

It is also important to realize that neither proposition called for "new taxes, litigation, or government agencies."[98] Considering the propositions' comprehensive programs, it was almost impossible to imagine the public's not passing them. Yet both failed on the ballot, even with the support of thousands of physicians and ordinary citizens nationwide. In a poll conducted days before the election, 46 percent of the 824 people surveyed indicated that they would vote against both propositions, while an additional 25 percent and 26 percent remained undecided about 214 and 216, respectively.[99] On Election Day, 214 failed by a ratio of 58 to 42 percent, and 216 by 61 to 39 percent.[100]

A perplexing question is central to examining the failure: How could the citizens of California, a state with more than 30 million residents, 58 percent of whom are enrolled in HMOs, vote against propositions so clearly designed to protect them from unethical managed care? Some groups, Taxpayers Against Higher Health Costs, for example, interpreted the defeat as an indication that "Californians [were saying] no to more government involvement in health care," which reflects today's probusiness, promarket, antigovernment sentiment.[101] Health care reform appears to be unnecessary if the market provides checks and balances as it should. One opponent of the propositions stated, "Those opposed to [managed care] think we will suffer as soulless bean counters deny [us] needed care . . . But free-market capitalism creates a powerful check on such tendencies."[102]

Another explanation points to the lack of voter understanding surrounding the propositions. When asked specifics about each proposition in a preelection poll, respondents' answers reflected "confusion about what is what and what each would do" and highlighted an overall general confusion about managed care.[103]

The media's role in the failure offers a further possibility. The proponents of these proposals, physicians included, were unsuccessful in transmitting the message that for-profit managed care organizations, through the use of gag rules and unethical incentives, pose a legitimate threat to the health and well-being of patients. The print media opposed the propositions. Editorials in fifty major newspapers across California recommended a no vote on both.[104] The state's largest newspaper, *The Los Angeles Times*, held nothing back in its attack. It recognized the "[legitimate] problems"of the HMO system but stood firmly for the rights of the corporation. In its evaluation of the propositions, the *Times* concluded, "They [are] fuzzily worded provisions. Both [for example] try to eliminate gag rules by allowing caregivers to disclose information 'relevant to the patients' health care.' While physicians are certainly entitled to freedom of speech, managed care companies should be able to impose some restrictions." Focusing on the need to contain costs, the editorial further declared that the propositions "would tie the managed care companies, making it difficult to effect the nimble balance between quality and cost effectiveness."[105]

In sheer numbers and ability to reach and educate the public, the battle for power between a media supporting managed care organizations in California and physicians desiring to change unethical policies is really no contest. Yet in appealing to the public for support, physicians must face the media as well as such other forces as antigovernment sentiment that sway opinions. If propositions 214 and 216 suggest anything, it is

that physicians collectively cannot overcome the many powers that influence the public. On the subject of managed care, they are "pushed and pulled from all directions in the debate . . . and are likely to remain neutralized."[106]

Finding a Solution for the Future

Several issues emerge from the foregoing. First, much as physicians would like to believe otherwise, they have for decades had to grapple with finding a niche in their professional role for the businessperson. One must realize that although the public never approved of this new role and was often frightened and threatened by it, the profession persisted in its attempts to embrace it. Because their professional status and power allowed it, doctors could manipulate the public and control the interference of corporations and business in their work.

Now that physicians need help in reclaiming their professional power, they appear to have nowhere to turn. Corporate takeovers are still rampant in medicine, and although some state and federal legislation has managed to ban a number of unethical incentives and gag clauses, problems persist. Americans should be deeply concerned about the deprofessionalization of medicine and the dangers associated with "bad managed care, investor-owned, for-profit entities operated by insurance companies and managers with little or no experience in health care delivery," but confusion and lack of awareness distance them from the issues.[107]

Attempting to dismantle managed care is not an appropriate solution — the managed care model of medicine is apparently here to stay. The number of people in some sort of managed care arrangement increases every year. For example, "In 1995, 54 million Americans were enrolled in health maintenance organizations and as many as 130 million [were] insured in one or another form of managed care."[108] This number represents an increase of 13 percent from 1994.[109] Therefore, abandoning the managed care concept is currently not practical or possible.

To accomplish anything, physicians must come to grips with their position rather than ignoring indicators that suggest the decline of their professional status. As Freidson and Lundberg asserted years ago, they must focus on the original goals of their profession, primarily patient advocacy. Furthermore, unless doctors resist the businessperson mentality, which historically has always undermined them, their autonomy will vanish. We will enter an era in which medical knowledge, and its use and distribution, is controlled by businesspeople. As this occurs, patients will suffer and continue to lose faith in physicians, widening an already large rift between the two camps.

The success or failure of physicians and patients in regaining control of health care will depend largely on the degree of willingness of all parties to be radical and progressive. Specifically, physicians must be ready and willing to work with the public and other health care professionals to effect change. As Woolhandler and Himmelstein assert, "We must scale care to a human size . . . Unless HMO physicians, workers, and patients are centrally involved in planning this transformation, and the movement for reform, it will surely fail."[110]

Glimmers of this mentality and its possible benefits are coming to the surface. For example, in June 1996 the American Medical Group Association (AMGA) was formed "from the merger of the American Group Practice Association and the Unified Medical Group Association."[111] This new confederation of more than 350 group practice associations, which brings together administrators, physicians, and patients, states that its

primary goals include serving as "an information resource for group practice administrators and as an advocacy group for physician decision-making and managed care reform."[112] The group also plans to continue to build upon a "patient-centered outcomes database," thus creating for patients a "sounding board" on which they can voice their concerns and rate their quality of care.[113]

The birth of the AMGA is certainly an encouraging sign, but for real change to occur, a more radical approach is necessary. I suggest that the American Medical Association become the organization that unifies patients, physicians, and other health care workers in their battle against corporate medicine. The AMA already identifies itself as "a grassroots organization [that] has served as a national leader in efforts to extend access, contain costs, and improve the quality of the American health care system. The AMA is extremely active in public health campaigns, working vigorously for healthy lifestyles."[114] If this is indeed the mission of the AMA, it should have no problem taking a stand against the corruptive nature of so many for-profit HMOs, but as Howard Wolinsky and Tom Brune report, the AMA has never truly attempted to help patients, and in fact billed itself as one of the "most powerful political lobbies [not] to protect our rights as patients . . . Rather, it has worked hard to look after physician income and interest."[115]

In the health care crisis sweeping the nation, the AMA has the potential to play a tremendous role. It could, without much internal turmoil, undertake the following:

1. Advocate socially responsible investing — encourage people to divest their stock portfolios of profit-making HMOs that use financial incentives and gag clauses.
2. Support any state or federal legislation that encourages increased patient and physician protection, such as propositions 214 and 216, providing funds and manpower for campaigns.
3. Launch a national HMO awareness campaign — flood the media with information concerning gag clauses and other pros and cons of managed care.
4. Develop a code of ethics for all managed care corporations, creating an obtainable balance between business concerns and medical ethics.
5. Change medical school curricula to include a mandatory internship in a managed care setting for all students. As of now, only 16 percent of schools have this requirement.[116]
6. Create a patient organization that works closely with other AMA groups in advocacy projects.
7. Invite patients to serve on patient-physician committees designed to monitor activities of the many large for-profit HMOs.
8. Provide financial support to patients who rightfully sue HMOs for breach of contract or malpractice.

More radically, the AMA could use its vast resources to support many grassroots organizations, such as Health Care for All of Boston, which attempt to provide quality medical care to those who cannot afford it. The possibilities are endless.

Robert Larsen states, "There is a window of opportunity for someone to step up to the plate and provide the vision that can eliminate many of the current [health care] dilemmas."[117] I believe that the AMA can accomplish this task. It comes down to the

organization's willingness to change reality, not simply an image, as Lundberg suggested. The American Medical Association stands ready to deliver, but will it meet the call or retreat? Only time will tell. Until then, we have to wait, hoping that the situation does not become progressively worse.

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Cambodian Political Succession in Lowell, Massachusetts

Jeffrey Gerson, Ph.D.

This article asks, What factors have in the past affected and will continue to affect the degree of Cambodians' participation and representation in Lowell politics? Gerson argues that five key factors, three internal — coming to terms with the legacy of mistrust resulting from the holocaust wrought by Pol Pot's murderous regime; lacking a tradition of democratic participation in their home country; and generational differences between those who regard themselves as Cambodian and the American-born — and two external — Lowell's two-tiered political system and the response of the city's elected officials to the influx of Southeast Asians that began in the early 1980s. The author believes that oral history is an indispensable tool for studying ethnic and urban politics.

Since its 1826 founding as an industrial city on the banks of the Merrimack River, Lowell, Massachusetts, has continued to attract immigrants. The Irish arrived before the Civil War, the French Canadians during and after it; from the late 1800s through the early 1920s, the Greeks, Lithuanians, Portuguese, Swedes, Jews, and Poles came to the city and established ethnic communities. In the decades after World War II, as the once mighty Lowell textile mills fell all but silent, the most recent stream of immigrants and migrants made their way here. First, from the Hispanic Caribbean came Puerto Ricans, Cubans, and Colombians; following the Vietnam War, Southeast Asians, mainly Cambodians, fleeing the horrors of civil war.

Demography

The most remarkable change in the mosaic of Lowell's ethnic population has occurred over the past fifteen years. In 1980 Southeast Asians comprised less than one percent of the city's population (604 of 92,418); today that number hovers around 24 percent, or 24,148 of 105,000. Eighty percent of Lowell's Southeast Asians are of Cambodian ancestry. The only rapid demographic change comparable to the past decade and a half was the growth in Lowell's population during the first half of the nineteenth century, thanks to the boom in textile manufacturing and Irish immigration. The "city of spindles" grew from 2,500 to 33,000 between 1826 and 1850.[1]

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Theory and Literature: A Survey

Succession as a concept was first developed by sociologists. Political scientists came late to the study of ethnic groups. In the 1920s, the Chicago School of sociologists, led by Robert W. Park, argued that ethnic groups move through various stages in their relations with dominant ethnic groups. Some of these processes are described as conflict, accommodation, and assimilation — groups that have lived in one area for extended periods frequently become dispersed and are finally assimilated. The pluralists believe that ethnic groups coexist peacefully while holding on to some of their culture. While Park's model considered conflict as part of the succession process, it saw an orderly, irreversible sequence of change.

Based on models of plant ecology, Chicago School succession is defined in demographic terms. Michael J. White of Princeton University explains: "Succession is the dynamic process by which the population composition of small areas (neighborhoods) within cities changes. We can define succession as the replacement of one identifiable population subgroup by another within the boundaries of a given neighborhood."[2] Succession is seen as a basic process of urban ecological change.

White continues: "Succession proceeds as the new group (often newcomers to the metropolis) replaces the previous group. The rate of replacement and the amount of resistance offered by the original group are elements of the process that may vary with circumstance."[3]

Economists also use succession theory to study urban housing and spatial location of ethnic groups by income. Along with sociologists they see succession as a series of stages, beginning with initial penetration, proceeding through invasion and consolidation, and concluding with piling up. In sum, succession has been useful to scholars studying geographic, socioeconomic, and housing characteristics as well as the ethnic composition of neighborhoods. However, few political scientists have studied succession and minority group relations together.

One of the few works by a political scientist to address the phenomenon of political succession was a book by a sociologist and a sometime political scientist who doubles as a U.S. senator from New York. In the early 1960s Nathan Glazer and Daniel Patrick Moynihan collaborated on a study of ethnic groups in New York City, *Beyond the Melting Pot.*[4] In it they argued that ethnic political succession, though not a main theme of the study, was "a central dynamic of the city's organizational life."[5]

In an article reviewing succession since *Beyond the Melting Pot*, Moynihan observed that the Irish had dominated the political life of New York City for decades but by 1977 not one Irish person served on the city's major government boards. Succession by Jews and Italians had been achieved. One of the chief reasons for this accomplishment was the persistence of ethnicity in general and ethnic groups' role in American life as interest groups making claims for benefits from the state. The state in turn found it helpful to organize claims made on it through ethnic lines.

Succession is defined by Moynihan as a dynamic process consisting of "the displacement of established groups (established in a neighborhood, a profession, a church, a sport, a trade union) by another group and also . . . the attainment of one group to the condition of another."[6] By this Moynihan means that in a mixed ethnic group in which one faction is dominant, its norms appear to be normal for everyone. Attainment to the condition of the other means that the designated inferior ethnic group achieves the norms of the dominant group. According to Moynihan, the latest wave of migrants and

immigrants that he and Glazer studied, blacks and Puerto Ricans, were acting according to their theory of political succession, by both challenging and emulating the norms of previously dominant groups.

The glass-half-full optimism of Moynihan's analysis is shared by pluralist theorists. The most current example of a theoretical model that views ethnic politics through a pluralist lens, one that addresses the latest group of immigrants and refugees in America, is Lawrence Fuchs's *The American Kaleidoscope*.[7] This brief review of the literature singles out Fuchs because he epitomizes the pluralist ethnic political model of succession, which is the underpinning of this article.

The debate of the elite versus pluralist models in urban politics has centered on the role of the urban political machine. Did the machine incorporate or exclude new ethnic groups in city politics? Studies by Steven Erie and Diane Pinderhughes argue that the machine tried its best not to share the spoils of patronage for a number of reasons.

Erie, who surveyed a dozen cities around the nation that experienced Irish control of the party apparatus, found some of the main reasons to be the machine's limited resources as well as pressure from middle-class homeowners to keep property taxes low. For Pinderhughes, who studied the Chicago machine under Daley, blacks achieved symbolic or descriptive representation only because a monopoly of political power prevented substantive issues such as discrimination in employment, housing, and education from reaching the political agenda.[8] Generally speaking, as Roger W. Lotchin has written, elite theorists find machine leaders partial to a strategy of limited ethnic mobilization; a smaller electorate, which is more manageable, was preferable.[9]

Pluralist theorists view the role of the machine more favorably. Their concern is the rate of succession, not whether it occurs. They believe that the speed at which an ethnic group moves up the ladder of political power depends on a number of factors. Among these are the rate of demographic change within a political jurisdiction, the size and distribution of the group, the intensity of political party competition for the ethnic vote, the degree of independence of the new ethnic voters, the quality of ethnic group leadership, and legislative reapportionment.[10]

Fuchs's View of Ethnic Political Succession

Lawrence Fuchs considers succession a three-stage process.[11] The first stage witnesses the forming of associations for religious and fraternal solidarity, the second organizing for economic success, and the third achieving political power. I argue that the first and second parts of the process are well under way in the Cambodian community of Lowell, as they have been for other Southeast Asians across the country. For example, such religious and civic organizations as Buddhist temples and mutual assistance associations, in addition to such communication outlets as newspapers, radio and cable TV programs, and public ceremonies, serve the same purpose they did for earlier immigrants and refugees: to "express their sensibilities, protect their interests, or promote some public good through organized activity."[12] Moreover, they help newcomers to "keep in touch with each other and to cope with loneliness, vulnerability, and fear that immigrants often experienced."[13] Economically, newcomers form small businesses and business associations that benefit the community, for example, beauty salons, auto repair shops, jewelry stores, and so forth. Lowell already has a hundred small businesses run by Southeast Asians, most of whom are Cambodians. Cambodians concerned about the health of small businesses have formed groups like the Cambodian League of

Lowell to help obtain bank loans, mortgages for first-time home buyers, and so on. Interestingly, Cambodians in California have found a niche in the doughnut business, running 20 percent of all such shops there.

In the third stage of succession, new ethnic groups call for greater ethnic power, which is usually threatening to established groups. Fuchs believes that those in the latest wave have joined the older wave immigrants in exercising their right to express themselves. New groups catch on to the fact that public expressions of ethnicity through group action are legitimate in the United States. Even resident aliens, without the vote, are active because they were encouraged to be so by foundations and corporations' providing the training ground for leadership development. "Newcomers have [also] followed the pattern of older groups . . . in mobilizing their claims and defending their interests."[14] Disagreements about old country politics occur among all groups, new and old, who are often divided by class, region, ideology, and generation.

In response to the advocacy of immigrant ethnic interests, local and state governments create citizen advisory groups concerned with immigrant affairs, which, Fuchs writes, encourages the creation of immigrant and refugee advocacy groups and their participation in politics. Many of these organizations reach out to newcomers, which is especially important in places where the political machine has withered.

Even such refugee groups as the Southeast Asians, "who, much more than immigrants, tended to be preoccupied with old country politics, moved with remarkable ease to participate in American politics."[15] Fuchs argues that refugee groups in particular have great potential for political mobilization because of their sheer numbers (in 1985 there were 634,200 Vietnamese, 218,400 Lao, and 160,800 Cambodians in the United States). Moreover, refugees are in a better position to become mobilized than immigrants because settlement programs organized by voluntary agencies with the assistance of state and federal government agencies are enormously helpful. This argument is supported by literature in the field of political socialization. Gillian Cohen notes, "Refugees experience a different kind of political incorporation process than other immigrants, have more frequent and in-depth interaction with government and migrate involuntarily."[16] While hard times, lack of language skills, and poverty have retarded their political incorporation to a degree, like other immigrant ethnic groups, they are starting to naturalize in large numbers once they realize they cannot return to their homeland. "Once naturalized, they feel empowered in American politics."[17] Fuchs reports a burgeoning of political clubs and citizen/voter leagues within the refugee community.

Finally, the latest wave of refugees also have several other advantages over second wave (1880–1920) immigrants: a higher proportion of persons with education and financial resources and a larger proportion of people who wish to reunite with close family members already in the community.

Fuchs concludes by taking note of one of this study's chief findings: their experience with genocide may slow the succession progress of Cambodians. Fuchs writes that among the Southeast Asians, "the Cambodians were most passive, possibly because of their persecution under the Khmer Rouge dictatorship in Cambodia, but some of them became active in local politics and even in the Dukakis presidential campaign. It was only a matter of time until the Laotians and the Cambodians became more active."[18]

My thesis is that Cambodians have begun the process of political mobilization. However, while my study of Cambodians in Lowell concurs with Fuchs's argument generally, I am fully cognizant of the pitfalls in Fuchs's rosy analysis of ethnic and racial

history. As April Schultz accurately points out, Fuchs tends to ignore "the pain, the ambivalence and multiple identities of those living at the confluence of ever-changing borders" of ethnic power in America.[19] Moreover, adds Jesus Salvador Trevino, "in his zeal to demonstrate the impressive ways in which Americans of all backgrounds have made the American civic culture work for them, he tends to downplay the human price paid for these gains."[20]

Therefore, while I concur with Fuchs that the process of succession is indeed under way among the Cambodians in Lowell, they comprehend that the road is full of inequalities, struggles, and contradictions.

The Literature of Cambodian Politics in America

A survey of the literature about Cambodian politics in the United States reveals a paucity of research on the subject. One reference work on Asians in America describes Cambodians as inactive in U.S. politics.[21] A work on the political socialization of Southeast Asians in Lowell, however, critiques this notion and lends support to Fuchs. Gillian Cohen argues that Southeast Asian refugees in Lowell quickly "acquired the political knowledge necessary to successfully force the Lowell city government to acquiesce to demands concerning their children's educational needs."[22] She further asserts that the special resources Southeast Asian refugees received from federal and state governments, as well as the establishment of a dense network of voluntary agencies, international, national, and local, which assisted particularly with the establishment of local mutual aid associations, allowed Southeast Asian activists to gain an important political education that may serve them well in future political activity.

Cohen acknowledges that the success of the Southeast Asians was largely the result of an alliance created between Puerto Rican activists in Lowell and an outside legal advocacy group, Multicultural Education, Training, Advocacy, which filed the federal lawsuit that was instrumental to a compromise settlement which ended discriminatory and segregated conditions in Lowell's public schools.

Though political participation in the schools' struggle was led by a small group of well-educated Southeast Asian professionals, nearly one hundred parents attended meetings to protest unequal conditions. Cohen's is a limited study, however, examining the years 1984–1988. In the years following 1988, the Cambodian Mutual Aid Association experienced internal upheaval, and the Lao Mutual Aid Association closed its doors. These events raise doubts about whether the skills Southeast Asian activists learned during the school conflict will translate into "potentially learned strategies and gained knowledge that they can apply in new political contexts."[23]

Given the limited material and the difficulty hypothesizing just how active Cambodians are in American local politics, I have undertaken an audio and video oral history of the community's political experience.

Research Methods

The lack of meaningful papers, diaries, photographs, memoirs, and letters relating to Lowell politics, and urban politics in general, requires that the serious scholar of political history resort to oral history. Political leaders in particular rarely keep documents because they conduct most of their business in person or on the telephone.[24] As an oral historian, I hope to give voice to those whose stories have not yet been told.

The late labor historian Herbert Gutman understood the value of oral history and argued that immigrants especially must be understood in terms of how they deal with large social forces, making deliberate choices among perceived options. Though their choices may be limited, they must never be reduced to being merely passive victims.[25] C. Wright Mills, too, saw an important place for oral history, stating that social science must be "the study of biography, history, and of the problems of their intersection within the social structure. To study these problems . . . requires that our work be continuously and closely related to the level of historical reality — and to the meanings of this reality for individual men and women."[26]

I believe that oral history is the best tool for capturing the human struggle of political life, intimate views of political relationships, and stages and periods in the process of individual and political development. As a method, it holds in esteem the way people view their life and times. It asks researchers to inject less of their own perceptions of it. The people's views, critically assessed, provide the greatest understanding of history.

Oral historians realize that people's accounts may be several steps removed from actual occurrences. Impressions have their own biases; all memory is selective and fallible. The potential for fabrication, prejudice, and exaggeration is always present. Oral history must be approached open-mindedly and with skepticism. A scholar must remember that nothing recounted can be cavalierly dismissed nor uncritically embraced.

To prepare for the oral histories, I reviewed scholarly articles on the political history of the city, an oral history collection of ethnic group impressions of Lowell, and examined the clipping files of the city's sole newspaper, the *Lowell Sun,* for the years 1985 through 1995.[27]

I interviewed eighteen community activists and scholars, most of them current and former city government officials and social service workers. Language was not a barrier to these interviews with Cambodian participants because the community's activists have a solid grasp of the English language. There were, however, cultural hindrances to this study.

The Cambodians I interviewed regarded me, a college professor of non-Cambodian heritage, as an outsider, and initially a few of them were reticent about talking with me. My inability to speak Khmer barred me from employing a familiar and comfortable means of communication. I considered hiring a Cambodian research assistant to remedy this condition but recognized that it was important for me to meet face to face with community leaders to establish a rapport. At the start of the interviews, it was tough to pierce the Cambodian community's inner workings partly because Cambodian culture places great value on courtesy and indirectness; individuals were always outwardly polite and refused to be critical of one another. I soon learned to change my manner of questioning. It is understandable that a vulnerable immigrant group would not wish to reveal its internal divisions and tensions to a potentially hostile world.

While my outsider status at first inhibited me, it soon proved to be an enhancement to the study. My position as a university professor was a big plus, given the Southeast Asian community's deep respect for education and educators. Furthermore, the community leaders see the university as one of the city institutions that has come to their aid. For instance, the university, through its faculty, obtains grants that are of some benefit to community social service agencies. Several professors have worked closely with the community. For example, political science professor Hai B. Pho, an immigrant from Vietnam, who was instrumental in assisting the resettlement of Southeast Asian refugees

in Lowell during the early 1980s, is well respected by the community.[28]

My desire to win the confidence of Cambodian community leaders is evident in the conditions I established for the interviews. I offered the interviewees a cassette tape of the interview along with a written transcript, giving them the opportunity to negotiate any desired editing. Oral historians generally frown on allowing interviewees the power to alter their initial conversations. As trust develops between the community leaders and me, this condition may no longer be necessary.

Before interviewing the community leaders on audiocassette, I requested permission to interview them on camera as well. Most were pleased to learn that they might appear in a videocassette and may have cooperated to guarantee their participation in the endeavor. This documentary film is a complement to my article.

Cambodian Political Succession: The Early Stages of Political Mobilization

Throughout American history, ethnic tension followed the move of a new immigrant or refugee group into an established community. It is only natural for older, well-rooted groups to feel ill at ease when there is an abrupt tear in their community's fabric. The key question remains: How do they manage the transition and juxtaposition of power and culture?

To date, following a trend in the immigrant and refugee political experience, no Southeast Asians are represented in Lowell's elective institutions, the City Council and the School Committee. Political succession takes time. Though the first Irish arrived in Lowell during the 1820s, the first Irish mayor, John J. Donovan, was not elected until 1882. The French Canadians waited even longer for one of their own — Dewey Archambault became mayor in 1936. Although 20,000 Greeks immigrated to Lowell before World War I, they waited until 1951 to see George C. Eliades elected the first mayor of Greek descent in Lowell — and in the United States.[29]

The process of Cambodian political succession is under way in Lowell and Massachusetts. More than seventy-five Southeast Asian–owned businesses have been established in Lowell, and five Cambodian officers have been added to its police force. The campaign to end school overcrowding and create well-funded bilingual and multicultural educational programs resulted in the state's paying $131 million to build ten new schools, refurbish six others, and establish bilingual education programs. In the electoral arena, a Cambodian community activist has campaigned for the Lowell School Committee. In what can only be viewed as a pioneering effort, Sambath Chey Fennell ran for office in 1995 and again in 1997. His poor showing in both races — twelfth place finish in 1995, eleventh in 1997 — reveals how long a row Southeast Asian candidates must hoe in the city.[30] An encouraging sign did appear in the town of Randolph, where Daniel Lam became the first Cambodian-American elected to a local office, as a selectman, in Massachusetts. Moreover, Revere's mayor, Bob Hass, credits his 283-vote margin of victory in November 1997 to the Revere Cambodian community of 3,500. Roughly three hundred new voters were registered by the Hass organization.[31]

At the national level, ironically, succession received a boost from anti-immigrant sentiment in Washington. The Immigration Reform Act of 1995 dramatically cut benefits for legal immigrants, rendering many Southeast Asians ineligible for several crucial federally funded programs such as food stamps, Medicaid, and Supplemental Security Income. According to the Massachusetts Immigrant and Refugee Advocacy Coalition,

applications for citizenship in the state skyrocketed in 1995 and 1996. Nationally, in 1995, the Immigration and Naturalization Service received nearly one million applications for citizenship, three times the annual average of 300,000. In a survey conducted by the Federal National Mortgage Association, 84 per cent of immigrants who acquired citizenship cited the ability to vote as a reason for doing so.

So great was the movement toward citizenship that the Clinton administration was repeatedly taken to task by the Republican Congress for making it too easy for newcomers to become citizens. Evidence of the growing power of immigrant voters can be found in the 1996 election of Congresswoman Loretta Sanchez and the defeat of incumbent Robert K. Dornan in California, the nearly break-even Clinton vote in the Cuban-American community, once a Republican stronghold, and in Massachusetts, which witnessed the defeat of the state's only two Republican congressmen.

Apparently the Republican congressional leadership recognized the folly of its anti-immigration measures. On November 12, 1997, Congress undid two key provisions of the 1996 Immigration Act, a law that severely harmed immigrants' rights and sped the deportation of hundreds of thousands of people who had lived in the United States for many years. Likewise, Clinton and the Congress agreed to ease the suffering caused by the 1996 Welfare Reform law, which also spurred successful movements in the states, most notably Massachusetts, New York, and California, to pressure legislatures to partially restore funds for programs that were cut at the federal level.

As the result of a complex set of factors, including but not limited to language, their refugee status, and the brutal destruction of their culture at the hands of the Khmer Rouge, many Cambodians are not yet citizens and therefore cannot participate in local elections. The exact number of Lowell Southeast Asians who are citizens, and of that group the number that are registered to vote, is unknown. One estimate was made in 1994, before welfare reform was announced, of 700 citizens and 300 registered voters — the Cambodian American Voter League (CAVL), the only group actively seeking such information, is the source for these figures.[32] In a city of 46,000 registered voters, it's no wonder that their community lacks political clout. One thing of which those who are active in city politics are certain is that, with a fifth of the city's population Southeast Asian, half of whom are under 18 years of age, and an average family consisting of 5.03 people as compared with 3.06 for white families, this group's numbers will continue to grow and Southeast Asians will be a political force to be reckoned with in the coming years.[33]

The central question I pose is: What factors have affected and will affect the degree of Cambodian participation and representation in Lowell politics? My answer is that five key factors, three internal and two external to the community, help explain the seeming absence of an active local political community as well as elected or appointed Cambodians in Lowell city government. The first three, deemed internal because they are largely within the control of the Cambodian community, are most crucial for understanding the succession process. These are (1) coming to terms with the legacy of fear and mistrust that resulted from the holocaust wrought by Pol Pot's murderous regime; (2) the lack of a tradition of democratic participation in their home country and therefore little familiarity with American political institutions; and (3) one of the key divisions within the Cambodian community: the problem of generational differences between those who consider themselves Cambodians, and perhaps speak only Khmer, and the American born, who have no recollection of Cambodia and think of themselves as American. These factors make the establishment of an organized political effort to en-

courage citizenship, registration, and capturing elective office in Lowell very difficult.

The two relevant factors that are considered external, or outside the immediate control of Cambodians, are (1) the structure of Lowell's political system, which has two important components, the city's political party organization and the electoral system of representation; and (2) the response of the city's elected officials to the influx of Southeast Asians that began in the early 1980s.

Internal Factors

The Legacy of Fear

On April 17, 1975, the Khmer Rouge invaded the Cambodian capital of Phnom Penh and Lon Nol's five-year government fell. Hours later a forced evacuation and relocation of the city's residents to the countryside began. Former members of the Nol regime were executed. Reeducation labor camps were established to wipe out any remnants of Cambodian culture and ancient traditions, including religion. Resisters were killed.

Not enough can be said about the impact of the next four years of Khmer Rouge "killing fields" on the lives of Cambodians. It is estimated that between two and four million Cambodian men, women, and children were killed, the reason Cambodians have come to the United States. They see it as the time that has changed all time.

Two interviewees describe how they believe Cambodia's history of regime change, civil war, and the tragic events that followed created a deep distrust of politics and politicians.[34]

Samkhann C. Khoeun, the executive director of Lowell's Cambodian Mutual Aid Association, had served in that capacity for a year and a half at the time of the interviews. He addressed the issue of grave mistrust and fear in the Cambodian community.

> In Cambodian history, there have been a lot of invasions from neighboring countries. Cambodian leadership itself has been completely neglected. If we don't train our leaders, someone else will train them. The same problem will befall us here as happened in Cambodia. A history of Cambodian politics reveals that in 1970 we had a change in government to a republic under Lon Nol from the royal government under Prince Sihanouk; in 1975 another change: the Khmer Rouge came to power; in 1978 the Vietnamese military invaded Cambodia and took control. Connections to former governments was a liability; death under the Khmer Rouge. It was not safe to be active in politics. It is hard to take sides, to know who to believe. It is dangerous to be educated.
>
> In Cambodia, Cambodians were taught that education was the key. Then the Khmer Rouge came to power and sentenced the educated to death. A mixed message. To be a better person, education is still believed important but there is ambivalence about it. Education was a weapon to kill you. Mistrust exists.
>
> There is a real fear of death, real concern; they don't want to jeopardize their family; they've lost so much, family members, village, homeland. They're not ready to lose another member of the family; if they can do without confronting anything they will choose to be in the back seat, to be outside, as long as they survive. Maybe their children can do something to change that . . . They are most likely not to trust someone just because they claim to do something for them. They have to see for real that that person or those persons will really do something for them. They are also interested in benefits, if they help them right away. They can't wait for the next five to ten years.[35]

Khoeun is echoed by Michael Ben Ho, cofounder of the Cambodian Mutual Aid Association (CMAA) in 1984, the area's first Cambodian Buddhist temple in 1985, and the Cambodian American Voter League in 1990. Trust, Ho says, is the key to community empowerment.

> Who would want to teach them to become involved, given the past? They are afraid that the leaders draw you to the river, to the hole, again. The people feel the leaders just use them to get the power for themselves. Suppose I try to educate the people to do something, they will say that I want the power for myself. They don't trust anymore, even their own people. . . . You have to build the trust and the relationship back.[36]

In sum, it appears that one legacy of the Cambodian holocaust is that Cambodians in America are reluctant to engage in local political activity until they are able to trust leaders from within and without their community.[37] There is little to indicate that sufficient trust has been forged between the community and its leaders to build an electoral movement in Lowell. If anything, the lack of trust has grown, in light of School Committee candidate Sambath Chey Fennell's political blunders.[38] Still, even with their reservations, many Cambodians backed Fennell for the same reason previous newcomers have given: he was the first of their people to seek office.

Another result of the brutality of the Pol Pot regime is the mental health problems that have been diagnosed among Cambodians who lived under the Khmer Rouge. Michael Ben Ho, who is still enduring nightmares, is not alone. Khoeun said many have nightmares, bad memories, post-traumatic stress syndrome, and other emotional problems. Some social service workers refer generally to these illnesses as Pol Pot syndrome.

> [It] includes insomnia, difficulty in breathing, loss of appetite, and pains in various parts of the body. . . . 84 percent of Cambodian households in California have reported that at least one household member was under the care of a medical doctor, compared to 45 percent of Vietnamese households and 24 percent of Hmong and Lao households.

Post-traumatic stress disorder, a delayed reaction to extreme emotional stress, has also been found among Cambodians in the United States. It is a malady that plagues numerous Vietnam veterans.[39]

Cambodia's Lack of a Democratic Tradition

Activists and scholars have noted that Asian-Americans have roots in societies with little tradition of political participation. Daphne Kwok, executive director of the Organization of Chinese Americans, a Washington-based lobbying organization, states that political participation in America "is a very new concept for most Asians who are immigrants. In their home countries, political participation was not done or was looked on with skepticism and sometimes fear."[40]

David Chandler, a scholar of Cambodian history, has written that whether it was the colonial French or Cambodian Prince Norodom Sihanouk's government, Cambodia's time-honored political practice was paternalism between patrons and client, government and the masses, with "the one providing protection and cash, the other delivering loyalty and votes." After 1945, the "French and high-ranking Cambodian officials shared the view that Cambodia's 'little people' were not ready for self-government or for civil

rights." Moreover, when efforts were made, through a small but growing democracy movement in the legislature, to allow for greater political participation, the French and royal governments cracked down hard on them.[41]

Another student of Southeast Asian politics and history, Hai B. Pho, argues that this is a crucial point for understanding Cambodian participation in Lowell. He believes that, unlike Western nations, Southeast Asian countries have no experience with democratic institutions. Southeast Asian power was centralized either in the nation's capital or in regional centers. Village life did not train or socialize the people for decision making in government.[42]

The following interviewees confirm the experts' opinion regarding the importance of one's political heritage for local participation. Vesna Nuon has worked for the Middlesex County district attorney's office as victim advocate and cultural consultant since 1990. He also is a member of the CMAA Board of Directors.

> There was little political participation in Cambodia and that might be responsible for the tendency to believe we are here in the U.S. for survival purposes only; that we shouldn't ask for more than basics. We learned from the Khmer Rouge [that] we have to accept what is given to us. Say yes, don't ask for more; that is the legacy from the king and his puppet, to go along; we can't use that as an excuse as to why we are not politically active here in the U.S.; even back home there were a lot of educated students who were ready at the moment to voice their concerns, knowing that voicing that concern could affect their and their family's welfare.[43]

Michael Ben Ho agrees

> Yes, we believe in Cambodia [that the person] who is born king is a gift from God to manage the whole population. . . . We feel everything belongs to him and believe that he should direct the country. We need to teach people how to make decisions for themselves and not expect people to do [it] on [your] behalf. . . . We need to organ-ize with the middle-age generation, age thirty to fifty, because they can still learn.[44]

Cambodians have been in the United States a relatively short time. One should not assume that individuals whose political socialization process did not include learning about the fundamentals of representative government and civil liberties and civil rights can step easily into the American political process. Millions of Americans have not been socialized to political efficacy, the notion that what they think and do really matters in public life. Political efficacy is tied to class, education, race, and many other important factors.

Generational Differences

Political activity is less likely in those who view themselves as Cambodian, not American — usually the older Cambodian population. As Tem Chea sees it, these people are more interested in the politics of their homeland than their younger counterparts. Meanwhile, the younger, American-oriented generation, who may find politics a route to social mobility as past immigrant and refugee groups have, show little interest. Vesna Nuon asserts that the younger folk are hesitant to participate in community organizations because they feel that the older generation does not treat them with respect and is out of step with American cultural and political traditions.

In Tem Chea's opinion, two-thirds of Cambodians think that Cambodian homeland politics is their first priority, which makes it very hard to organize and interest Cambodians in Lowell politics. Factions fiercely debate Cambodian politics.

> [One group] have in their own mind to go back to Cambodia to help establish and rebuild the country. The other group would like to do that but feel it is beyond their capacity, so they think it is better to organize and survive in this country by being involved in politics at this time. If we are strong here, we may contribute that to help rebuild our country back home, they believe. . . I should say that we as a community are not divided by age or education or financial background as much as we are divided into two groups by the issue of Cambodia.[45]

The divisions over Cambodia have boiled to the surface over the local Cambodian-language newspaper, the *Cambodian Press*, which is published twice a month and distributed free of charge in stores and restaurants around the country. The paper's publisher, Eang Bunthan, has been severely criticized by Lowell refugees for supporting the Khmer Rouge, whom he calls nationalists, as he characterizes himself.[46]

Noun believes that there is a genuine cultural divide between the old and the young.

> It leads back to Cambodia where the belief is that [because] they are older than you . . . you have to bow to them. You have to listen to their advice and oftentimes you have to accept it. Which is not true. We came here and we went to Western schools and we learned the importance of it is that each one of us has a voice. If the other voice did not really apply in this case you just reject it or somehow reject it in a polite and constructive way. I ran into that a couple of years ago when I first became involved in the community . . . A lot of young people are not involved in the community. I was told, "You are too young," "You were just born yesterday." "You're too young, you don't know what you're talking about and not mature enough to give your own voice or to run this organization or to do this or that." My question to them is: How long do I have to listen to you? It's a compromise, so to speak.
>
> That same thing happened in the community, the old versus the young. An example of that is when parents pull their kids in one direction, to come home and be Cambodian kids. You have to be polite, nice. If you are a girl, you have to be shy, timid. If you like a guy, don't show him that. You are shy, stay in your room. When the kids go to school, their peers then would say to them, "Why are you so shy?" Their teacher would say, "You have to raise your voice up, I cannot hear you." All of those things confuse the kid. Should I stay in school and act like my mother said at home or stay at home and act like what my teacher said to me?[47]

Khoeun adds supports to Nuon.

> The older generation hope to go home. Stronger feelings among older adults, forty years and older, that they want to go back. But they also have the feeling, after visiting, that their homeland is not theirs anymore. Parents gone, children gone . . . to find out their environment is just not suitable for them. The weather. Living conditions. They are used to living in an apartment. Running water. TV. Electricity. Gas to cook their meals. Everything is within reach. In Cambodia it's not. There is insecurity. Corruption. No running water. No phone. It's hard for them. They're older. They don't have the energy to farm, to gather water. It's not a life that's possible to them. The people there are completely different people. Their mentality is

different from before the war. People don't look each other straight in the eye. They're more dishonest. They only care about today. Some want to go for a month but come back in a week. Can't eat the food there. No clean water. Even food that was cooked still makes them sick in Cambodia. If forced to go back, they will go. And they will adapt, but it will be hard.[48]

Furthermore, young people are confused about their role in society. Dr. Sam-Ang Sam, a Cambodian musician, scholar, and activist, currently director of the Cambodian Network Council in Washington, D.C., believes that "many young people are plagued by identity problems, leading them to discard their Cambodian first names in favor of English first names, and they must often deal with racism from classmates and with being teased about their foreignness."[49]
Additionally, many young men have lost their fathers to the civil war, and some of them have found that gangs are an attractive means of acquiring a sense of belonging that they cannot develop at home. Will many of these youngsters who are leading troubled lives find a way out of despair through participation in the political arena?[50]

External Factors

Political Structure: Party Organization

During the early part of the century, immigrant groups who settled in northeastern American cities were often greeted by a local political party organization, which came to be known as a political machine. The name has both a negative and a positive connotation. Those who were critical of the "machine," the self-labeled reformers, were unhappy with the party organization's mechanical efficiency in winning the immigrant vote in exchange for support to the fledgling immigrant community, usually in the form of much appreciated jobs, contracts, and city services. Political machine supporters, known as regulars, took pride in their helpful relationship with the newcomers, who would surely fall prey to powerful business interests, among other hostile city institutions. Machines were created in large and small cities by members of both the Republican and the Democratic parties.

The once potent political machines are largely a thing of the past. The latest wave of immigrants has arrived in cities with no strong political party present to assist their succession into local office, and as a result, they are worse off than their historical counterparts. Boston-based political consultant Michael Goldman believes:

> Political power is harder for new ethnic groups to gain than it was at the turn of the century, when Irish and then Greeks and French moved up the ranks in government. It's totally different since there are no parties out there the way there used to be. In the past, in cities like Lowell, the Democratic party bosses came from the ethnic groups in their neighborhood, making sure their group got a piece of the government jobs. The party system bred competitors for political office that kept whole neighborhoods politically active. But that system has been replaced by TV ads and primaries. Either of two things could get minority voters into the booth and convert population strength into political strength: a charismatic leader or a coalescing issue.[51]

It's interesting that there is a parallel to the Russian Jews when they first came to this country . They were terrified of the political process and thought that being invisible

was the way to stay out of trouble. In fact, after a short period of time in America, they realized that the way to gain power was to use the political parties that were then in play. In particular the large ethnic communities such as Italians, Greeks, Jews, Irish. They all understood that by controlling neighborhoods, controlling votes, they would access government jobs which were plentiful.[52]

The absence of political parties in Lowell is in part attributable to the turn of the century municipal reformer's success in creating local nonpartisan elections — or elections in which party labels do not appear alongside candidates' names. Instead, reform Lowell style has given birth to elections dominated by family and friendship networks organized along ethnic lines. To win a local election in Lowell a candidate must develop a personal following of family members, friends, and acquaintances, who then carry out the numerous laborious tasks that are required in campaigns, from stuffing envelopes to raising money. In return, the candidates reward the faithful, just as the political machine did, with jobs, contracts, and municipal services. It is reported that the Lowell School Department is rife with political appointees.[53]

An important difference between partisan and nonpartisan elections is that, traditionally, parties were decentralized. Organized through ward or district boundaries, new immigrants were often able to capture pieces of patronage commensurate with their organized voting strength. These "submachines" allowed immigrants to bargain votes for symbolic and substantive rewards. According to those who are in a position to know, the nature of Lowell's familial political system closes the door to newcomers and has entrenched certain ethnic groups, such as the Irish, French, and Greeks, in a seemingly impenetrable wall of protection from Hispanics and now Southeast Asians desirous of acquiring greater political clout.

Michael Conway, who owns an insurance company in Lowell, has run for Congress and the state Senate as a Republican. His family owns one of the oldest continuously operating businesses in the commonwealth. Conway might be the last person likely to claim that Lowell's political scene is closed, even to those with connections like his.

> When I first got involved in politics back here in Lowell in 1979, the Democratic Party was very much in control and it was stifling. There was no room for anyone else to participate in the system unless you were a Democrat, and then only if you were part of the machinery that was in place at the time. In a sense you could almost make the case that Lowell is a feudal society. There are only certain groups and certain people who participate in politics, social circles, different things, and then everybody else who is excluded from that is angry or doesn't participate in the system and that is what a feudal system is. There is a certain segment of the population who are very politically involved . . . make sure that it runs to their benefit. Those who are excluded become very angry. They're motivated eventually to do something. At what point and what event sparks that motivation always remains to be seen.
>
> When the Cambodians started becoming politically involved in the community, they found that there really wasn't much room for them in the Democratic structure because the Democrats didn't need the votes. . . . One of the stories is that Southeast Asians definitely feel excluded from a lot of things here, and I think at some point the city is going to have to accept them and open up the doors because it's like a banquet hall and there is a banquet going on inside and the Southeast Asians are banging on the door trying to get in. And they're mad and they want to get in. Once they get in they are going to knock that banquet table over because they're so mad.

> It's a good story and I think that people ought to pay attention to it and let them get involved and help them along their way.[54]

Traditionally, there are a handful of older, ethnic group leaders who are wise enough to see the handwriting on the wall and make efforts to reach out to the newest immigrant group. Conway stands all alone in this category, one reason being the perception among elected city officials that their constituency would be extremely angry with them if they sought out Southeast Asian votes. Those constituents understand that there are only so many patronage positions to go around. Sharing the spoils of victory with Southeast Asians means fewer resources for the incumbents and their faithful, needy communities.[55]

Political Structure: At-Large versus District Elections

I believe that Lowell's at-large election system also makes it difficult for Southeast Asians to move swiftly into elective office. Political scientists and federal courts have long found that district-based elections enhance immigrant opportunities to win office while at-large systems limit chances for capturing elections.[56]

Another feature of machine rule was a decentralized electoral system. Voters chose candidates for local office from district or ward boundaries, often created during reapportionment to fit the contours of the latest immigrant group population. Ward-based elections allowed immigrants to parlay their population density into electing local ethnic leaders to party posts and, soon after, city councils and school boards.[57]

During the Progressive era of the early 1900s, reformers successfully implemented changes in electoral systems of representation. To weaken machine rule, reformers made it harder for immigrant groups, largely working class, whom they viewed as the grease that made the machine run smoothly, to win office. District-based electoral schemes were overturned in favor of at-large or citywide districts. To capture local political office, immigrant group leaders would have to campaign citywide. Reformers felt that this would shift the machine politicians' focus away from caring for their own ethnic group first, to the detriment to the public good of the city as a whole. In effect, established groups, with many resources to draw on, such as money, education, and professional qualifications, and with allies throughout the city, would be favored to win. Not surprisingly, it was the reformers, largely middle- and upper-class Republican Yankee Protestants who were well placed to take full advantage of the at-large plan. Today, Lowell's entrenched old guard, the Irish, Greek, and French groups, are the beneficiaries of the system.[58]

Federal courts have thrown out the at-large system in numerous cities, ruling it an unconstitutional form of government violating the one-person, one-vote standard of the U.S. Constitution. The courts have recognized the effect of at-large electoral systems in reducing the representation of geographically concentrated minority populations. They argue that smaller districts within cities ease access to elective office and increase representation for minority ethnic groups.

The most recent Massachusetts case involved the city of Holyoke, in the western part of the state, where an underrepresented Hispanic population won a federal lawsuit to overturn the city's at-large electoral system.[59] Daniel J. Gleason of the Boston firm Nutter McClennen and Fish argued the complaint of the city's Puerto Ricans.

> The eight at-large seats were used as a permanent majority for the white establishment, and ward lines were drawn to dilute the voting strength of Hispanics . . . We

> sought a compromise with the city, but they refused to acknowledge there is a correlation between the city's political structures and the dramatic underrepresentation of Hispanics in local government. . . . Hispanics in Holyoke can't win citywide elections because Hispanics account for 20 percent of the voting-age population, and they don't vote. Yes, there is Hispanic voter apathy; in 1993, only 2 percent of the Hispanic voting-age population voted, but that apathy is the by-product of exclusion from public life. Moreover, whites as a bloc haven't voted for Hispanic candidates under any circumstances . . . The real fear of old-line ethnic leaders is that district-based elections will open politics to new groups, meaning patronage, in the form of municipal jobs, a valuable commodity in a city stuck in economic decline, will have to be shared.[60]

Politicians' Response to the Southeast Asian Migration

Another key ingredient for an effective succession is assistance from leaders of the city's older, established ethnic groups. The response of those in power can run the gamut of possibilities: at one end, they have the ability to welcome and accommodate new groups; at the other, they can exhibit hostility and attempt to exclude them from political participation.

In Lowell, the response has been mixed. During the middle to late 1980s, some leaders, albeit a vociferous minority on the School Committee, expressed open disdain for the migration of Southeast Asians to the city and through school board policy exerted every effort to make the newcomers unwelcome. During this time the schools were the scene of great ethnic conflict over the still controversial issues of bilingual education and school busing. A group, dubbed the gang of four by the *Lowell Sun,* was hostile to Southeast Asians in the city and refused to act quickly to remedy the overcrowding that developed in the Lowell public school system.

Granted, by all accounts the city was overwhelmed by the massive influx into the schools. Still, the schools' leaders were unprepared and inflexible to change. Moreover, they felt that the city was unfairly being asked to take in the Southeast Asian refugees, while neighboring communities were not asked to share the burden, and the city's already poorly funded school system was strapped for resources.

Paul Sullivan, host of a morning talk show on Lowell's WLLH radio station, echoes what many social service workers and Cambodian leaders have reported: that succession is proceeding apace, and that several city leaders, particularly city manager Jim Campbell, mayors Richard Howe and Robert Kennedy, and district attorney Tom Reilly, did reach out to the Southeast Asian community and helped them settle into Lowell. The near absence of hate crimes and the hiring of four Cambodian police officers are two prominent achievements of the city to date. Moreover, the defeat of one of the more vociferous gang of four School Committee members, Sean Sullivan, was a sign to many that the city, at the very least, felt uncomfortable with bigoted officials representing them.

> We're talking about the largest influx of change in a community, probably in the history of this nation, and in three to four years, 30 percent of the city's ethnic population changed. And [the city] absorbed it without riots, no fights, very little discord, and still were criticized by the liberal press . . . and it wasn't fair. People were thrilled, in my opinion, to have youngsters of all colors coming into their classes. They would have accepted Southeast Asians coming into their neighborhoods to go to school with their youngsters, shoulder to shoulder out in the playground, but they didn't want their kids going from one end of the city to an-

other end of the city. And again, the characterization that that is not inclusive and has racial overtones somehow is unfair. And frankly, I think it deflects the real issue: Why do cities have to do it, why do cities have to bear the whole brunt of integrating society?

"Look at what the Irish went through and the Greeks went through in the city of Lowell and how long it took for them to achieve what they achieved versus the Southeast Asians, who in less than fifteen years are accepted and in some cases thriving, and certainly their issues are being addressed by the city. I don't think they've got a lot to squawk about. And the truth is, I don't hear a lot of squawking. Now maybe I'm not in the right circles, but I think anything that has to be done is fine-tuning. I don't think there is racial discord in the city. I think the white crowd is concerned with whatever issues of color in the city. And that's why we have spent so much time on the gang situation, which is really an intramural fight that is taking place in the Cambodian community. Somebody that was insensitive would ignore it and they aren't. Cambodians, Vietnamese, and Thai communities have done very well under that system. And . . . in fifteen years they've done very well in what they've achieved. And that's not because they've had a helping hand.[61]

Sullivan's perspective, that the city has reached out to the Southeast Asian community and deserves a lot of credit for doing so, is a position that is supported by the oral histories I collected for this article. Even the U.S. Immigration Commission, under the leadership of the late Congresswoman Barbara Jordan, marveled at Lowell's succession achievements compared with other cities that experienced great demographic change in the 1980s.[62]

An expanded version of this article will explore in greater detail the city, state, and federal government's response to the settlement of Southeast Asians in Lowell. Preliminary evidence indicates that Lowell sought to accommodate the needs of Southeast Asians. There were, however, interest groups that pressured the city to live up to its commitments.[63]

The preliminary findings of this study revealed that Cambodians have begun the political mobilization phase of the succession process. Nevertheless, there remains a long road ahead for Cambodian political succession in Lowell. Even with all the obstacles before them, there is no reason to believe that the process will be a longer one for Cambodians than it was for the various ethnic groups that settled in Lowell before them. What has emerged is the importance of both internal and external factors in the challenging endeavor of political succession. However, the internal factors seem a little more important than the external ones. The special legacy of the Cambodian holocaust, the absence of a Cambodian tradition of participatory politics, and generational differences all work against the development of an electoral movement that might challenge or overcome the city's at-large representative system and the lack of active political parties.

Interviewees suggested other areas for research that will undoubtedly shed greater light on the succession process. Class divisions: 70 percent of Cambodians living in Lowell are at or below the poverty line at the same time that a solid middle class has been established. Gender: women's participation in politics is frowned upon in Cambodian culture though there are signs that young women are poised for leadership roles. Religion: the monks of the Cambodian Buddhist temple are the most revered figures in the community. Lowell's two Buddhist temples are at odds on Buddhist practices as well as the proper place of religion in American politics; one of the temples has shown signs that it may indirectly lend a helping hand to political education and organizational

efforts.[64]

While external factors appear to be less important than internal factors, matters of political structure are still relevant. A number of questions remain unexplored at this time. To overcome the obstacles to minority empowerment that at-large elections represent, it seems that Cambodians must form alliances with the city's other sizable minority group, Hispanics, and a bloc of sympathetic white ethnic voters to win election citywide. Because a structural change of the electoral system is unlikely anytime soon, coalition building is of the highest order. Still, a failure to elect Southeast Asians to local office in the coming years could lead to a lawsuit similar to the one filed by Hispanic residents of Holyoke.

While local elections are nonpartisan, state and federal elections are not. Even with a mere 500 registered voters, Cambodians have it within their power to tip the scales in favor of either the Democrats or Republicans in closely fought state and national races. Successful bloc voting would force the powers-that-be to show the Cambodians greater political respect. Michael Conway's efforts on behalf of Southeast Asian Republicans represent just the kind of interethnic cooperation that has sped succession in other cities. Efforts by Republican and Democratic candidates for the 1998 governor's race to reach out to Cambodian activists is evidence that state politicians have taken notice of their potential.

Finally, a word about method. Oral history was extremely useful in uncovering the political conflicts within the Cambodian-American community. Knowing more than ever how reluctant Cambodians are to reveal internal squabbles, it is imperative for students of Cambodian politics to seek corroborating testimony from those who work closely with the community. Also, while more in-depth interviews are essential to the further exploration of succession in Lowell, an examination of the growing effort to increase citizenship, voter registration, and voting levels among Cambodians through the scrutinization of voting records and voting behavior is necessary. The campaigns to elect Sambath Chey Fennel to the Lowell School Committee must be assessed; the University of Massachusetts Lowell's Center for Immigrant and Refugee Community Leadership Empowerment (CIRCLE) program, a university-community collaboration seeking to develop sustainable leadership, which is in its third year, should also be evaluated.

Notes

1. *Massachusetts Municipal Profiles* (Lowell, Mass.: Middlesex County, Lowell Public Library, 1992), 162. The latest population figure is from the Lowell Public Schools, "Enrollment by Race," October 1, 1996, 1, Table 3. A total of 4,644 Southeast Asian children attended Lowell schools in 1996. Using a widely accepted formula for projecting community population created by the Massachusetts Office of Refugees and Immigrants, 4,644 is multiplied by 5.2 (estimated average family size) to establish the population figure of 24,148. The largest growth spurt occurred between 1985 and 1990 when Lowell experienced a secondary migration pattern of Southeast Asians from within the United States. A variety of reasons account for it: family reunification, available jobs and job training, and the establishment of a Buddhist temple and a mutual assistance association in the city. Interview with Hai B. Pho, October 2, 1995, audiocassette, and Jean Larson Pyle, "The Impact of Immigration Policy on Local Economies: The Importance of the Phenomenon of Secondary Migration," unpublished paper prepared for testimony at a public hearing of the U.S. Commission on Immigration

Reform at the Boott Cotton Mills, Lowell, August 1, 1994. The source for Lowell's nineteenth-century population is Mary Beth Norton, David Katzman, Paul Escott, Howard Chudacoff, Thomas Patterson, and William Tuttle, Jr., *A People and a Nation: A History of the United States, Volume 1: To 1877* (Boston: Houghton Mifflin, 1994), 281.

2. Michael J. White, "Racial and Ethnic Succession in Four Cities," *Urban Affairs Quarterly* 20, no. 2 (December 1984): 165.
3. Ibid., 166.
4. Nathan Glazer and Daniel P. Moynihan, *Beyond the Melting Pot: The Negroes, Puerto Ricans, Jews, Italians and Irish of New York City* (Cambridge: MIT Press, 1963).
5. Ibid., 4.
6. Daniel Patrick Moynihan, "Patterns of Ethnic Succession: Blacks and Hispanics in New York City," *Political Science Quarterly* 94, no. 1 (Spring 1979): 1.
7. Lawrence Fuchs, *The American Kaleidoscope: Race, Ethnicity, and the Civic Culture* (Hanover, N.H.: University Press of New England, 1990). Fuchs, the Meyer and Walter Jaffe Professor in American Civilization and Politics, Brandeis University, served as executive director, Select Commission on Immigration and Refugee in 1981.
8. Steven Erie, *Rainbow's End: Irish-Americans and the Dilemmas of Urban Machine Politics, 1840–1985* (Berkeley: University of California Press, 1988), 320, and Diane Pinderhughes, *Race and Ethnicity in Chicago Politics: A Reexamination of the Pluralist Theory* (Urbana: University of Illinois Press, 1987), 64.
9. Roger W. Lotchin, "Power and Policy: American City Politics between the Two World Wars," in *Ethnics, Machines, and the American Urban Future,* ed. Scott Greer (Cambridge: Schenkman, 1981), 6.
10. See Jeffrey Gerson, "Building the Brooklyn Machine: Irish, Jewish, and Black Political Succession in Central Brooklyn, 1919–1964" (Ph.D. diss., City University of New York Graduate School, 1990). Some earlier pluralist writers on the subject include: Wallace S. Sayre, "The Immigrant in Politics," in *Our Racial and National Minorities,* edited by Francis J. Brown and Joseph S. Roucek (Englewood Cliffs, N.J.: Prentice Hall, 1967), 643–660, and Lawrence H. Fuchs, "Some Political Aspects of Immigration," *Law and Contemporary Problems* 21 (Spring 1966): 270–283.
11. Fuchs, *American Kaleidoscope,* 343. Fuchs's supporters include Robert A. Dahl, *Who Governs: Democracy and Power in an American City* (New Haven: Yale University Press, 1961); Elmer Cornwell, "Party Absorption of Ethnic Groups: The Case of Providence, R.I.," *Social Forces* 38 (July 1961): 87–98; and "Bosses, Machine, and Ethnic Groups," *Annals* 353 (May 1964): 27–39.
12. Fuchs, *American Kaleidoscope,* 343.
13. Ibid.
14. Ibid., 346.
15. Ibid., 349.
16. Gillian Dara Cohen, "Knowledge of How to Combine: The Political Socialization of Southeast Asian Refugees in Lowell, Mass.," bachelor's thesis, Department of Social Studies, Harvard University, 1994. Cohen cites Jerome Black, "The Practice of Politics in Two Settings: Political Transferability among Recent Immigrants to Canada," *Canadian Journal of Political Science,* December 1987, 731–753, and "Government as a Source of Assistance for Newly Arrived Immigrants to Canada," in *Education for Democratic Citizenship: A Challenge for Multi-Ethnic Societies,* edited by Roberta S. Sigel and Marilyn Hoskin (Hillsdale, N.J.: Erlbaum Associates, 1991), 167–192.
17. Fuchs, *American Kaleidoscope,* 353.
18. Ibid., 554, fn 52.
19. April R. Schultz, "Searching for a Unified America," *American Quarterly* 45, no. 4 (December 1993): 642.
20. Jesus Salvador Trevino, "The *Pluribus* That Makes the *Unum,*" *Los Angeles Times Book Review,* February 10, 1994, 11.
21. *The Asian-American Almanac: A Reference Work on Asians in the United States,* edited by Susan Gall and Irene Natividad (Detroit: Gale Research, 1995), 29–39, 105 (the most up-to-date survey of the status of Cambodians in the United States), and Peter Nien-chu Kiang, "When Know-Nothings Speak English Only: Analyzing Irish and

Cambodian Struggles for Community Development and Educational Equity," in *The State of Asian American Activism and Resistance in the 1990s,* edited and introduced by Karin Aguilar–San Juan (Boston: South End Press, 1994), 125–145.

22. Cohen, "Knowledge of How to Combine," 7.
23. Ibid., 106.
24. Ivan D. Steen, review of "Don't Call Me Boss: David L. Lawrence, Pittsburgh's Renaissance Mayor," *Oral History Review* 17, no. 1 (Spring 1989): 183.
25. Herbert Gutman, "Labor History and the Sartre Question," *Humanities* 1, no. 1 (September/October 1980): 189.
26. C. Wright Mills, *The Sociological Imagination* (New York: Oxford University Press, 1959), 134.
27. Useful background information was found in Mary H. Blewett, "The Mills and the Multitudes: A Political History," in *Cotton Was King: A History of Lowell, Massachusetts,* ed. Arthur L. Eno, Jr. (Somersworth: New Hampshire Publishing, 1976); 161–189; Brian Mitchell, *The Paddy Camps: The Irish of Lowell, 1821–1861* (Urbana: University of Illinois Press, 1988); and the archival collections, *The Working People of Lowell,* Lowell National Historical Park, Mary Blewett and Martha Mayo, University of Lowell, Center for Lowell History, Mogan Center, 1987.
28. Professor Hai B. Pho of the University of Massachusetts Lowell ran a program, under the aegis of the Indochinese Refugee Foundation, that provided job training and placement as well as education programs to Southeast Asian refugees in Lowell from 1980 to 1985. He has also written on Southeast Asians in Lowell; his latest work on the subject is "The Impact of Recent Southeast Asian Immigration on Lowell and Lawrence,"a paper prepared for a round table discussion, Multiculturalism and Transnationalism: An International Conference, October 14–16, 1994, University of Massachusetts Lowell. Pho interview.
29. Not until the 1850s, thirty years after the Irish first arrived in Lowell, did Benjamin F. Butler organize the Irish into a bastion of the Lowell Democratic Party. See Blewett, "The Mills and the Multitudes," 168, 174. On Franco–Americans, see Ann MacGibbon's paper, "The Franco-Americans of Lowell, Massachusetts: Ethnic Politics in a New England Industrial City," 1996. The most prolific author of Greek life in Lowell is Nick Karas; see his *Greek Immigrant Chronicles* (Lowell: Lowell Hellenic Heritage Association,1991), 120.
30. See Cohen, "Knowledge of How to Combine," and Kiang, "When Know–Nothings Speak English Only."
31. In what can only be described as a pragmatic and opportunistic strategy for winning, Fennell ran on a conservative ideological plank: eliminate school busing and bilingual education. It is reported that one of his advisers is a longtime School Committee member, George Kouloheras, who made a name for himself in the 1980s as a staunch opponent of busing and bilingual education. Fennell is also backed by a small group of Southeast Asians who consider themselves Republicans. Interview with Michael Conway, August 18, 1995, audiocassette. Craig Sandler, *Lowell Sun,* October 11, 1995, 4; *Lowell Sun,* November 8, 1995, 1. Lam showed the importance of persistence, winning election on his third try. Interview with Daniel Lam, October 9, 1997, audiocassette. Mayor Hass is quoted in Kay Lazar and Mark Arsenault, *Lowell Sun,* "Cambodian Vote Seen as Untapped Force in Lowell," November 9, 1997, 15, 17.
32. Interview with Tem Chea, August 8, 1995, audiocassette. In May 1990, the CAVL was cofounded by Tem Chea and Michael Ben Ho. Its goal is to encourage Cambodians to become citizens and registered voters. He is a school social worker in the Special Education Department of the Lowell public schools. I am investigating the latest figures for Southeast Asian citizenship and registered voters in Lowell.
33. See *The Asian-American Almanac,* 33, for figures on family size.
34. I have edited some oral histories in the interest of clarifying language.
35. Interview with Samkhann Khoeun, June 14 and 21, 1995, audiocassette, August 4, 1995, videocassette; interview with Michael Ben Ho, August 1, 1995, audiocassette. Ho, who was born March 29, 1942 in Cambodia, is a supervisor in the Massachusetts Department of Social Services in Lowell. He is highly respected as an elder statesman in the Cambodian community.

36. Ho, August 1, 1995, interview.
37. One federal government study suggests that Southeast Asians, African-Americans, and Latinos view leadership differently. Southeast Asians, for example, believe the development of trust is instrumental for political participation. See "Providing Leadership," in *The Future by Design: A Community Framework for Preventing Alcohol and Other Drug Problems through a Systems Approach* (Washington, D.C.: U.S. Department of Health and Human Services, 1991), 60. My experience confirms this study. I have facilitated a political leadership workshop for immigrant and refugee activists in Lowell since 1995. Trust is a recurring issue in the discussions with all the Cambodian participants.
38. Although it is not possible to present here a full explanation of the events that have set back the development of trust among Cambodians, a few words on the subject are in order. Fennell engineered a coup d'état against the CMAA in 1991, forcing out the executive director, Vera Godley. The manner in which it was carried out reminded many Cambodian activists of the worst political traditions of Cambodia. Fennell was dictatorial, acting without the support of the community and its leaders. CMAA was able to stabilize itself in the fall of 1996, when a new board of directors that opposed Fennell was voted in. Fennell, because he is the only Cambodian who has run for political office, remains a force in the community even though his ability to garner votes from the white ethnic or minority communities of the city is extremely poor.
39. *The Asian-American Almanac,* 37. Also, for a moving and harrowing story of the war trauma some Cambodian women refugees have experienced as a result of witnessing unimaginable horrors, see Alec Wilkinson, "A Changed Vision of God," *The New Yorker*, January 24, 1994, 52–68.
40. Steven A. Holmes, "Anti-Immigrant Mood Moves Asians to Organize," *New York Times,* January 3, 1996, A1, A11.
41. David Chandler, *The Tragedy of Cambodia* (New York: Cambridge University Press, 1991), 29.
42. Pho interview.
43. Nuon was born in Phnom Penh and lived through the holocaust. When the Vietnamese Army took over the country, he and his family fled to Thailand, through fear of again being placed in concentration camps. Nuon was fourteen when his father and mother and he and his seven brothers and sisters made it to the United States in 1982. He serves on the board of the Cambodian American League of Lowell. Interview with Vesna Nuon, June 12, 1995, audiocassette, and September 7, 1995, videocassette.
44. Ho interview.
45. Chea interview. Chea points out several other obstacles to organizing: older Cambodians cannot read or write English, and younger Cambodians have no interest in applying for U.S. citizenship because of their perceived lack of an immediate benefit. The latter point has lost some of its strength since the 1996 passage of national welfare reform. The fear of losing Supplemental Security Income, public assistance, and food stamps led many immigrants and refugees to apply for citizenship in record numbers.
46. Ashley Dunn, "Cambodians in the U.S. Say the Dark Shadow of the Khmer Rouge is Back," *New York Times,* August 14, 1995, A10–11.
47. Nuon interview.
48. Khoeun interview.
49. *The Asian-American Almanac,* 38.
50. It appears that some of Lowell's Cambodian youth are not faring well in this regard. James Higgins and Joan Ross, photographers, film makers, and authors, have traced the development of a group of Cambodian children whom they photographed for *Southeast Asians: A New Beginning in Lowell* (Lowell, Mass.: Mill Town Graphics, 1986). Higgins found that many of the children are troubled; several found their way into local gangs, a continuing problem in the Southeast Asian and Latino communities. Interview with Higgins, Lowell, April 22, 1995. See Higgins and Ross, *Fractured Identities: Cambodia's Children of War* (Lowell, Mass.: Loom Press, 1997).
51. Goldman, quoted in Craig Sandler, "For Minorities in Lowell, There'll Be Little Impact at the Polls," *Lowell Sun,* September 18, 1994, 22.
52. Interview with Michael Goldman, Boston, July 27,1995, videocassette.
53. Interview with Sean Sullivan, August 8, 1995, audiocassette. Sullivan, who was

elected to the Lowell School Committee in 1987, served until 1989, when he failed to win reelection. He was elected on an anti-immigrant, antibusing, and antibilingual education platform. He was defeated for his vocal opposition to the school desegregation plan designated as central enrollment and his support for an extension for Superintendent Henry Mroz by an active parent-supported school reform group and a larger than usual minority voter turnout.

54. Conway interviews.
55. Interview with Larry Martin, April 3, 1996, audiocassette. Martin, a Lowell City Councilor from 1993 until his defeat on November 7, 1997, was also the director of admissions at the University of Massachusetts Lowell for many years.
56. Frank J. Mauro and Gerald Benjamin, eds., *Restructuring the New York City Government: The Reemergence of Municipal Reform* (New York: *Academy of Political Science, Proceedings* 37, no. 3, 1989), 16–30.
57. Gerson, "Building the Brooklyn Machine." I maintain that, owing in part to the district-based election units of Brooklyn's Democratic Party organization, Jews and later blacks of the borough were able to effect a relatively fluid political succession. Other factors that assisted succession were rapid demographic change, favorable reapportionment of districts, astute ethnic group leadership, and a history of great competition from within and without the party for the new ethnic vote as well as independent voting on behalf of Jews and blacks.
58. The classic statement of this thesis is in Samuel P. Hays, "The Politics of Reform in Municipal Government in the Progressive Era," *Pacific Northwest Quarterly* 55 (1964): 157–169.
59. The First Circuit Court of Appeals in Boston ordered federal district court judge Michael Ponsor to review his findings in the voting rights case brought by Latinos against the city of Holyoke. "The ruling set aside Ponsor's order reducing the number of at-large seats on the 15 member City Council from eight to two"; *Boston Globe,* October 1, 1995, 26. In the fall of 1997, Judge Ponsor reversed his previous ruling, which held that Holyoke was discriminating against Latino voters. The city did, however, settle, favorably to the plaintiffs, that part of the suit alleging violation of section 203, which sets forth the legal requirements for bilingual elections. *The Docket, ACLU of Massachusetts* 27, no. 2 (November 1997): 3.
60. Gleason is quoted in Kevin Cullen, "Judge's Ruling Divides Holyoke," *Boston Globe,* April 24, 1995, 1. Also, interview with Daniel J. Gleason, Boston, July 27, 1995.
61. Paul Sullivan interview, videocassette, August 3, 1995; Diane MacLeod interview, July 29, 1995, audiocassette; Jeffrey Davidson interview, July 30, 1995, audiocassette. MacLeod was Lowell's affirmative action officer from 1982 to 1994. Davidson has been with the Lowell Police Department for twenty years. Both served on Lowell's Southeast Asian Task Force and are well respected by Southeast Asian activists. Both believe that several of the city's political leaders during the 1980s, from the mayor to the city manager to the police chief, are deserving of praise. MacLeod cited the establishment of a revolving housing court that meets in Lowell, as well as in Salem and Lawrence, Massachusetts.
62. U.S. Commission on Immigration Reform, "Summary of Public Hearing, Local Impacts of Immigration," hearing held in Lowell, Massachusetts, August 1, 1994.
63. Paul Hudon, "The Ethnic Covenant," paper prepared by this VISTA volunteer at the University of Massachusetts Lowell, Office of Community Service, May 1996.
64. Terry Tun interview, August 8, 1995, audiocassette. Tun offers a Cambodian woman's perspective on the expected role of women in the community. In the fall of 1995, Tun left her position with a Cambodian community organization to become congressman Martin Meehan's liaison to the Southeast Asian community. This is yet another indication that ethnic political succession is proceeding. I thank Pov Ye for her wisdom in this regard, as well as her research assistance for this article. Interview with Pov Ye, September 22, 1995. I hope to interview many more Cambodian women. For insight into the division among the Cambodian temples, see Samkhann Khoeun interview, June 21, 1995.

Governing Massachusetts Public Schools

Assessing the 1993 Massachusetts Education Reform Act

John Portz

The Massachusetts Education Reform Act of 1993 created a number of important changes in public education. In the area of local governance, the act was guided by a corporate model in which authority and responsibilities were reallocated among school committees, superintendents, principals, and newly created school councils. School committees in particular assumed a policymaking role, and superintendents became the chief executive officers of their school districts. This article, based on responses to a mail survey, is an early assessment of the act's governance changes. Superintendents are most satisfied with their role, especially their authority over principals and teachers. School committee members are least satisfied with the changes, although they still provide general support for the goals of the act. Although they are concerned about their job security under the new system, principals are supportive. A comparison of the corporate model of governance with political leadership and shared governance models indicates that two important challenges lie ahead: developing support from other local political leaders and fostering a cooperative environment among local governance actors.

American public education is one of the most central institutions in our society, yet it is also one of the most troubled. Dissatisfaction with public schools is a recurring theme in the media, among policymakers, and for the general public. Low test scores, poor pedagogy, weak management, and a host of other criticisms are heard frequently. Proposed solutions are many. Various "waves" of reform, from statewide standards to restructuring, have swept through school systems in recent years.[1] Criticisms, however, continue.

Educational governance is on the target list of problems as well as solutions. Governance, which involves the establishment of educational goals and the allocation of resources, is fraught with controversy and debate. Goal setting raises controversial questions about the very purpose of teaching and learning; resource allocation involves the contentious division of limited and often shrinking resources. The critique of school governance ranges from the lack of parental and community participation in the governance process to incompetence of educational professionals to deliver education effectively in the classroom. Solutions are equally broad, from enhancing the parental role with school vouchers to reallocating responsibilities among educational professionals.

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This article focuses on one piece of the governance debate: the allocation of authority and responsibility among educational professionals and leaders at the local level. My analysis is based on a case study of governance changes under the Massachusetts Education Reform Act of 1993. This act, described below, adopted a corporate model of governance in which important educational responsibilities were reallocated among superintendents, principals, school committee members, and school councils. Superintendents, for example, became the chief executive officers of school districts, while school committees became policymaking boards. The following analysis, based on mail survey responses from superintendents, school committee members, and principals, is an early assessment of these important changes under the act.

Governance Models

Educational governance can be achieved in a variety of ways. One prominent example is a decentralization model in which governance responsibilities are moved to the school level.[2] The thrust of this reform movement is to shift decision making around goals and resource allocation to the individual school. School-based management, for example, appears in various forms as a means to empower local school councils composed of teachers, parents, and principals. Under school-based management, many of the key decisions that shape the learning environment are made in each school building. Chicago, Miami, and other cities have experimented with this governance reform.

A market model of governance, in which competition is the key dynamic, comprises another popular reform. Vouchers and school choice, for example, are forms of governance in which schools compete for the attention of educational consumers, that is, parents and students.[3] In this competitive model, governance arrangements are a byproduct of consumer choice. Successful governance is among the attributes of those schools which succeed in the educational market by attracting more students.

Many popular reforms combine elements of both the market and decentralization models. The charter school movement, for example, encourages competition among schools as well as a school-based approach to educational governance. Charter schools operate under a contractual arrangement with public authorities, but they are outside the direct supervision of traditional public school authorities and have increased flexibility to alter curriculum, hours, and other aspects of the learning environment.[4] Privatization is another reform movement that builds upon these models, particularly the market model. In Baltimore, for example, the private firm of Educational Alternatives, Inc., was hired to operate a number of schools in the city school system.[5]

The traditional governance model, however, focuses more squarely on public-sector actors. Superintendents, local school boards, mayors, state boards of education, state legislators, governors, and even members of the U.S. Department of Education are public actors who assume governance roles. Debates over governance reform often center on the proper allocation of authority and responsibility among these various players in a federal system.

There are three variations of the traditional governance model at the local level. One variation, a corporate model of governance, is the focus of this article.[6] Central to this model is a clear demarcation of roles and responsibilities among governance actors. School board members, for example, concentrate on the broad issues of educational policy; superintendents focus on implementing board policies. Each governance performer should be held accountable for his or her actions and responsibilities. As the

chief legislative sponsor of the Massachusetts Education Reform Act writes, "Accountability is the key to successful education reform."[7] With the business world as a guide, the corporate model argues for a separation of policy and management that is characteristic of the relationship between a corporation's board of directors and the chief executive officer.

Shared governance is a second variation of the traditional model. Rather than emphasize a sorting out of authority and responsibilities, as in the corporate model, it highlights dialogue and interdependence among governance actors.[8] In this model goal setting and resource allocation are shared responsibilities; communication and cooperation become critical.[9] School committee members and superintendents, for example, must develop a high level of trust and respect that facilitates the sharing of responsibilities and tasks. Similarly, superintendents and principals become partners in the management of the school system. Collective, rather than individual, accountability is characteristic of this model. Shared governance can even be expanded to include community actors, thereby creating networks in which collaboration and creative dialogue become critical.[10]

A third variation focuses on political leadership. In Chicago, Boston, Baltimore, and several other cities, mayors have assumed a central governance role in their respective school systems.[11] In Boston, for example, Mayor Thomas Menino appoints members of the school committee and has taken a leading role in educational goal setting and the allocation of resources. As the mayor stated in a 1996 speech, "I want to be judged as your mayor by what happens now in the Boston public schools. I expect you to hold me accountable . . . If I fail, judge me harshly."[12] The mayor of Chicago has also assumed a major role in his city's schools. Labeled by one group of researchers as "integrated governance," this centralization of authority under Mayor Richard Daley appoints members of the school board and exercises considerable control over the allocation of resources to the schools.[13]

Local Level Educational Governance: Education Reform

The Massachusetts Education Reform Act of 1993 covered a broad range of educational activities, including school finance, teacher certification, learning standards, and curriculum models as well as governance. In the last area, the corporate model clearly guided the reform efforts. As the state Department of Education notes in a publication explaining the act, "We view the school committee as the publicly elected or appointed equivalent of a board of directors of a corporation . . . [and] the superintendent serves as the school committee's chief executive officer and educational advisor."[14] With this model as a guide, governance responsibilities were reallocated among four local bodies: school committees, superintendents, principals, and newly created school councils.

The major reform thrust for *school committees* is an emphasis on their policymaking role. Their major responsibilities are to

- establish educational goals and policies;
- negotiate and approve collective bargaining agreements;
- vote on school choice policy;
- adopt general disciplinary policies;
- approve all school department expenditures;

- review and approve the budget;
- hire superintendent and several other identified districtwide personnel;
- establish compensation policy for principals;
- establish performance standards for all personnel; and
- adopt a professional development plan for all personnel.

The most significant authority *removed* from school committees is the hiring of principals and teachers. A superintendent no longer submits to the school committee the names of candidates for principal and teaching positions.

Superintendents, on the other hand, assume administrative and management responsibilities. As chief executive officer of the schools, superintendents are responsible for the day-to-day operations of their school districts. In this context, major responsibilities include:

- appointing principals and other personnel not assigned to specific schools;
- reviewing and approving the appointment of teachers and staff proposed by principals;
- publishing the school committees' district policies on teacher and student conduct;
- recommending employee performance standards to the school committees;
- maintaining records on all students and staff and filing a detailed annual report;
- reviewing and approving the process for the formation of school councils; and
- overseeing the general operation of their school districts.

The most significant *new responsibilities* for superintendents are in the personnel area. Superintendents now have total authority over hiring principals and indirect control over hiring teachers.

Principals are also recognized as key actors in school governance. Although they are appointed by superintendents, each of them has considerable authority over the allocation of resources within his or her school building. Major responsibilities include:

- administering and managing resources within the school;
- suspending and expelling students;
- hiring and firing all teachers and school staff, subject to approval of the superintendent, relevant collective bargaining agreements, and state law;
- establishing and serving as cochair of the school council.

Increased accountability is the purported theme of the Reform Act for principals. They exercise greater authority over school personnel and are individually accountable for teaching and learning in their school buildings. Significantly, principals, defined as managers, can no longer engage in collective bargaining. Each principal negotiates an individual employment contract (up to three years) with his or her superintendent.

Finally, the Reform Act required the creation of a *school council* in each school in

the state. These councils are composed of teachers, parents, community members, principals, and at the high school level, students. Through the councils the Reform Act encourages the participation and involvement of parents, teachers, and community members in the governance of individual schools. The major responsibilities of councils include:

- advising the principal in setting educational goals and school policies, as well as reviewing the school budget; and
- preparing and reviewing an annual school improvement plan.

Evaluating the Impact of Governance Changes

To assess the impact of these changes, I sent a survey questionnaire to all Massachusetts school committee members, superintendents, and principals. Of the 4,310 questionnaires mailed, 957 (22 percent) were returned. (See Appendix A for a discussion of the survey.) In addition to demographic questions, the survey posed a number of questions concerning governance changes under the Education Reform Act. Questions probed the level of satisfaction with a respondent's governance role, the impact and importance of governance changes, and the support for or opposition to other possible governance changes. My analysis focused on the similarities and differences among responses by the three local governance actors. Their impressions and self-reported experiences of educational professionals and leaders form the basis for the following assessment of the corporate governance model adopted in Massachusetts.

General Assessment of Roles

On a measure of general "satisfaction" with their governance role, superintendents are clearly the most satisfied with changes under the Education Reform Act. Survey respondents were asked, "How *satisfied* are you in your current governance role?" The average responses for all three groups are provided in Table 1.

Table 1

Satisfaction in Current Governance Role

	Dissatisfied 1	2	3	4	Satisfied 5
School committees			3.2		
Superintendents				4.0	
Principals			3.3		

The feeling of satisfaction among superintendents is striking: an average score of 4.0. In fact, 75 percent of superintendents circled 4 or 5; only 9 percent expressed dissatisfaction by circling 1 or 2. To be certain, some superintendents complained of continuing micromanagement by school committees, but the overall level of satisfaction is quite high.

In contrast, school committee members are the least satisfied among the three types of governance actors. In response to the same question, the average response is only 3.2. Only 43 percent of school committee members circled 4 or 5, while 33 percent

expressed dissatisfaction by circling 1 or 2. Principals lie in the middle on this measure of satisfaction, with an average score of 3.3. In response to the question, 52 percent of principals circled 4 or 5, and 29 percent circled 1 or 2.

A second question concerning general governance roles reveals a similar trend. Question 3 of the survey uses a 1 to 5 scale for the following question: "In the allocation of governance responsibilities in your district, how would you *rate* the role of each of the following [school committee, superintendent, principal, school council]."

Too Weak	Just Right.	Too Strong
1 2	3	4 5

From this perspective, 81 percent of superintendents describe their role as "just right"; only 13 percent viewed it on the weak side of the scale (1 and 2). This was the highest self-assessment score among all three groups. Furthermore, superintendents look favorably on the role of the other two governance categories. With respect to the role of principals, for example, 85 percent of superintendents view the principal's role as "just right." The role of school committees rates a slightly lower 75 percent "just right" score, while school councils score 70 percent on the same measure. In general, superintendents appear to be quite satisfied with their role as chief executive officer of a school system.

School committees, again, show a sharp contrast and different assessment of their governance role. In assessing it, only 41 percent of the members rate it as "just right," while 53 percent rate it weak (scores 1 and 2). Clearly, school committee members have concerns over their role in governance. Not surprisingly, this cohort also questions the roles of other governance participants. Although 48 percent of committee members view the superintendent's role as "just right," an almost equal number, 44 percent, rate it on the strong side (scores 4 and 5). For principals, the picture presents a greater split: 51 percent of the members view the principals' role as "just right," with the remainder divided between weak and strong. Finally, 41 percent of school committee members view school councils as weak (scores 1 and 2) , while 37 percent rate them "just right."

Principals again fall in the middle, although their assessment lies closer to that of school committee members than of superintendents. In assessing their own role, a bare majority, 52 percent, rate their role as "just right." In contrast, 39 percent of principals offer a self-assessment on the weak side of the scale. In light of this judgment, a significant number of principals view the role of other governance actors as too strong. With school committees, for example, 53 percent of principals perceive the committee role as "just right," while 35 percent perceive it as strong. The pattern is almost identical for superintendents: 52 percent of principals consider the superintendent's role as "just right," while 37 percent consider it as strong. With school councils, however, principals are more sympathetic. For these partners at the school level, 62 percent of principals think their role is "just right," while 29 percent think it is weak.

Assessing the Importance of Changes

To assess the relative importance of specific changes under the Massachusetts Education Reform Act, the survey uses a 1 to 5 scale for the following question: "Listed below are major governance changes under the Education Reform Act. *Regardless of the impact on your district,* how *important* do you think each is in improving educa-

tional governance?" The tables below list the average response for the three types of governance personnel.

School Committees and Superintendents

One of the most important changes under the Education Reform Act involves a shift in school committee responsibility from general hiring decisions to a policymaking board that hires only the superintendent. The companion to this change is the assumption of authority by superintendents to hire principals and teachers. These two changes are central to the corporate model that was instrumental in guiding reform legislation: board of directors (school committee) making policy and chief executive officer (superintendent) responsible for hiring.

The assessment of each change is reported in Tables 2 and 3. Each change was perceived as quite important in school governance, particularly by superintendents. For both survey questions, the average response for superintendents is 4.8. In the case of each question, 85 percent of superintendents circled 5 on the response scale. In contrast, school committee members are less inclined to view this change as very important. Their average response is 3.8 or 3.9 for these questions. For the first question, only 39 percent of school committee members circled 5, and for the second question only 35 percent did so. Principals fall between the two, although they are more closely aligned with superintendents. Their average response rating is 4.6 and 4.4, respectively, for the two changes. In general, the responses indicate a fairly strong endorsement of the corporate model of governance, although school committee members have significant reservations.

Table 2

Hiring Authority

(School committees' focus on policy and budget with less hiring authority)

	Not Important 1 . . . . . 2 . . . . . 3 . . . . . 4 . . . . . Very Important 5
School committees	3.9
Superintendents	4.8
Principals	4.6

Table 3

Superintendents' Responsibility for Hiring Principals

	Not Important 1 . . . . . 2 . . . . . 3 . . . . . 4 . . . . . Very Important 5
School committees	3.8
Superintendents	4.8
Principals	4.4

Principals

For principals, several of the changes under the act are greeted with considerable support. In particular, those which enhance the authority of principals are perceived as important to educational governance. The authority of principals to hire teachers, for example, receives strong endorsement (see Table 4). The average response for principals is 4.8, with 82 percent of principals circling 5. Superintendents are also highly supportive of this change. Their average response is 4.6, with 71 percent circling 5. Not surprisingly, school committee members, who lose authority under this change, see it as less important to improving governance. Their average response is 4.0, and only 38 percent circled 5.

Table 4

Principals' Responsibility for Hiring Teachers

	Not Important 1 . . . . . 2 . . . . . 3 . . . . . 4 . . . . . Very Important 5
School committees	4.0
Superintendents	4.6
Principals	4.8

Enhanced authority for principals over student discipline receives an approximately similar level of support from all parties. As Table 5 indicates, school committee members, principals, and superintendents gave an average response of either 4.1 or 4.3.

Table 5

Principals' Authority over Student Discipline

	Not Important 1 . . . . . 2 . . . . . 3 . . . . . 4 . . . . . Very Important 5
School committees	4.1
Superintendents	4.3
Principals	4.3

One final change regarding principals, namely, their removal from collective bargaining, receives less support as important to governance, particularly by them (see Table 6). This controversial provision in the Education Reform Act is deemed by many principals to be a removal of protections from arbitrary actions by superintendents. The principals' average response is only 3.2. Equally significant, 33 percent of principals circled 1, indicating strong sentiment against this change. On the other hand, many superintendents and school committee members regarded this change as an important step in enhancing principals' accountability. The average response of both of these groups is 4.0.

Table 6

Principals' Loss of Collective Bargaining

	Not Important 1 . . . . . 2 . . . . . 3 . . . . . 4 . . . . . Very Important 5
School committees	4.0
Superintendents	4.0
Principals	3.2

School Councils

A final area of change involves the creation of school councils. These site-based advisory groups are newly created under the Education Reform Act. Support for school councils is fairly consistent across respondents (see Tables 7 and 8), although the level of importance in educational governance is less than that attributed to several other changes, particularly the changes in policymaking and personnel responsibilities.

Table 7

School Councils' Advice to Principals

	Not Important 1 . . . . . 2 . . . . . 3 . . . . . 4 . . . . . Very Important 5
School committees	3.8
Superintendents	3.9
Principals	3.7

Table 8

School Councils and Principals' Development of Improvement Plans

	Not Important 1 . . . . . 2 . . . . . 3 . . . . . 4 . . . . . Very Important 5
School committees	3.9
Superintendents	4.1
Principals	4.0

Possible Changes in Educational Governance

In addition to the changes made under the Massachusetts Education Reform Act, a number of other governance reforms are under consideration or are the subject of debate. Another part of the survey used a 1 to 5 scale (strongly oppose to strongly support) for the following question: "Listed below are possible changes in educational governance and policymaking. Would you *support* or *oppose* these changes?"

School Committees

For school committees, one possible change is to *restore* their hiring authority, primarily the choice of principals. Survey respondents were asked whether they supported or

opposed allowing school committees to vote on the hiring and dismissal of principals. Under the new Education Reform Act, superintendents have sole responsibility in this area. Not surprisingly, this change receives support from school committee members, with an average response of 3.8, but strong opposition from superintendents, whose average response is 1.5. In fact, 70 percent of superintendents, indicating their strong opposition, circled 1. Principals, 51 percent of whose responses to a hiring process that opens their appointment to the scrutiny of school committees circled 1, were also strongly opposed to this change (see Table 9).

Table 9

Should School Committees Vote on Hiring and Dismissing Principals?

	Strongly Oppose 1	2	Neutral 3	4	Strongly Support 5
School committees				3.8	
Superintendents	1.5				
Principals		2.1			

One method of limiting the likely scope of school committee action — restricting school committees to quarterly meetings — also sparks divergent responses (see Table 10). School committee members, not surprisingly, strongly oppose such restrictions. Their average response is 1.4, with 80 percent of them circling 1. Superintendents, however, find more merit in this proposal. Their average response score of 3.7 indicates sympathy with a change that might lessen micromanagement of the school system by the school committee. Principals, with an average response of 3.3, evidence a more neutral position on this change.

Table 10

Limiting School Committees to Quarterly Meetings

	Strongly Oppose 1	2	Neutral 3	4	Strongly Support 5
School committees	1.4				
Superintendents				3.7	
Principals			3.3		

Finally, a more radical change in choosing school committees — appointment rather than election — receives general opposition from all parties, particularly school committee members, whose average response is 1.8 (see Table 11). It appears that despite their support by former governor William Weld, this concept and Boston's experiment with an appointed committee have little advocacy among local educational leaders around the state.

Table 11

Allowing Local Communities to Appoint School Committees

	Strongly Oppose 1	2	Neutral 3	4	Strongly Support 5
School committees	1.8				
Superintendents		2.1			
Principals			2.6		

Superintendents

Two possible changes in the responsibility and authority of superintendents receive mixed responses. One proposed change is to require superintendents to negotiate labor contracts, which is currently the responsibility of school committees. It can be argued, however, that this is not an appropriate function for a policymaking board. Rather, it is a management function that should rest with the chief executive officer of the corporation. Such a proposal draws divergent responses (see Table 12), with school committee members generally opposed (2.5), principals in favor (4.1), and superintendents slightly opposed (2.8).

Table 12

Requiring Superintendents to Negotiate Labor Contracts

	Strongly Oppose 1	2	Neutral 3	4	Strongly Support 5
School committees			2.5		
Superintendents			2.8		
Principals				4.1	

A second change would reduce superintendents' authority by removing the requirement that a superintendent approve the hiring and dismissal of teachers. Under the Education Reform Act, principals have primary responsibility for teacher personnel decisions, but superintendents retain final approval authority. This proposed change draws quite strong opposition from school committee members (2.0) and superintendents (1.6). Opposition is particularly strong among superintendents, of whom 70 percent circled 1 on the survey. Principals generally support this change, but their level of support is mild (3.3) compared with the opposition of the other two groups.

Table 13

Allowing Principals Sole Authority to Hire and Fire Teachers

	Strongly Oppose 1	2	*Neutral* 3	4	*Strongly Support* 5
School committees		2.0			
Superintendents	1.6				
Principals			3.3		

Principals

The authority and responsibility of principals is another important governance area. One proposed change, to involve them in the teachers' collective bargaining process, is

designed to enhance the accountability of principals. Since collective bargaining contracts often restrict the authority of principals and other administrators, a role for principals in the process appears logical. The reaction, however, is mixed among respondents. School committee members, who probably perceive this as a loss of authority, tend to oppose such a change (2.6), and principals generally support (3.6) it, although neither group stakes out a strong position on this issue.

Table 14

Allowing Principals to Participate in Teachers' Collective Bargaining

	Strongly Oppose 1 . . . . . 2	Neutral 3	Strongly Support 4 5
School committees	2.6		
Superintendents		3.2	
Principals			3.6

Job security is a second important issue for principals. Under the Education Reform Act, principals are no longer allowed to participate in collective bargaining and avail themselves of concomitant job protections. Many principals perceive this as threat to their positions and a change that undermines their accountability. A proposal to require minimum two-year contracts for principals receives support or a neutral response (see Table 15). Support by principals is particularly strong (4.6); 73 percent of them circled 5.

Table 15

Requiring Minimum Two-year Contracts for Principals

	Strongly Oppose 1 . . . . . 2	Neutral 3	Strongly Support 4 5
School committees		3.1	
Superintendents		3.4	
Principals			4.6

School Councils

A general reluctance to expand the scope of governance is evident in a question that proposes to give school councils authority over a portion of the school budget. School councils possess only advisory authority under the act; they lack the decision-making and financial authority that is often sought by advocates of school-based management. This proposal, however, is generally opposed by educational professionals (see Table 16). Superintendents (2.0) and school committee members (2.2), in particular, tend to thwart such a diminution of their authority.

Table 16

Giving School Councils Authority over Part of the School Budget

	Strongly Oppose 1 . . . . . 2	Neutral 3	Strongly Support 4 5
School committees	2.2		
Superintendents	2.0		
Principals		2.8	

Other Changes

The reluctance to share governance responsibilities is even more evident when the proposal is made to allow municipal officials more authority in collective bargaining. Under the Education Reform Act, the chief executive in each city or town — the mayor or town manager — sits with the school committee to vote on collective bargaining contracts. The intent of this provision is to involve municipal officials, who are responsible for the allocation of funds to all departments, including the schools, a greater role in determining how funds are spent. Education leaders, particularly superintendents, oppose an expansion of authority for municipal officials (see Table 17).

Table 17

Increasing Municipal Officials' Authority in Collective Bargaining

	Strongly Oppose 1 . . . . . 2	Neutral 3	Strongly Support 4 5
School committees		2.3	
Superintendents	1.6		
Principals		2.4	

A final proposal reveals a general ambivalence on the part of local education leaders toward significant changes within the school system. This proposal would enable local districts to establish within-district charter schools. Like Boston's pilot schools, the charter schools would be exempt from many regulations and procedures mandated by the district office and labor contracts, but the individual schools would still be part of the local school district. This proposal receives a generally neutral response from respondents, although superintendents indicate mild support (see Table 18).

Table 18

Allowing Local Districts to Establish Charter Schools

	Strongly Oppose 1 . . . . . 2	Neutral 3	Strongly Support 4 5
School committees		3.1	
Superintendents			3.4
Principals		3.0	

* * *

In general, governance changes under the Massachusetts Education Reform Act of 1993 receive support from educational leaders at the local level. Superintendents, particularly, are satisfied with their new role and responsibilities as the chief executive officers of the school system. School committee members and principals express a number of concerns, but they also are generally supportive of the overall thrust of the act.

One of its most important changes — the reallocation of hiring and dismissal authority — is supported by governance actors, albeit with some significant reservations. Under reallocation, school committees are restricted to hiring and dismissing superintendents (and a few others in districtwide positions); superintendents, who hire and dismiss principals, have final approval of teachers and other school-based personnel; and principals assume primary responsibility for hiring and dismissing teachers and others in their buildings.

Schools are slowly adjusting to this new allocation of responsibilities. Thus far, superintendents appear to be most satisfied with their role. Their authority over the key official at each school, the principal, is enhanced considerably. A majority of school committee members, on the other hand, are concerned about their loss of authority over personnel, particularly principals. In fact, 68 percent of school committee members support (circled 4 or 5) resumption of their power to hire and dismiss principals. Principals, for their part, strongly endorse their authority to hire and dismiss teachers, thereby enhancing their accountability for the quality of teaching. Some principals, however, remain troubled about collective bargaining restrictions and legal roadblocks to dismissing teachers. As one elementary principal writes, "Why not put teachers on the same one-to-three-year contracts and abolish tenure and professional status? Do that and you'll revolutionize education overnight."

Furthermore, many principals are disturbed about their new status outside collective bargaining. A common refrain is that they are vulnerable to the whims of the superintendent. As another elementary principal writes, changes should be made to "reduce a superintendent's power — absolute power corrupts; principals are at the mercy of superintendents." Emphasizing this point, 88 percent of principals support (circled 4 or 5) requiring a minimum two-year contract for individuals in their position.

School councils, newly created under the Education Reform Act, receive general support from participants in the survey. School improvement plans, which are approved by school councils, also receive a favorable rating. One principal writes, "The school improvement plan helps to bring together the vision, goals, and objectives for the school from principal, staff, and parents."

In general, school committee members, superintendents, and principals favor many of the act's reforms, but they are also cautious and protective of their authority and position. When faced with reforms that might alter the balance of power, local actors are typically opposed or neutral. Appointed school committees, for example, are opposed by all three groups. Similarly, more extensive budget authority for school councils is opposed, chiefly by school committees and superintendents. All three groups are opposed to granting municipal officials more authority in the collective bargaining process, and they are generally neutral about the prospect of creating within-district charter schools. For these educational leaders, there are limits to the acceptable scope of educational reform. Future legislative proposals to alter the governance framework need to take this cautious perspective into consideration or risk strong opposition from

major educational constituencies.

The Massachusetts Education Reform Act is inspired by a corporate model of educational governance. The essence of this model is a sorting-out or demarcation of responsibilities among governance actors. A policymaking board of directors, the local school committee, and a managing chief executive officer, the superintendent, are central to this model. In addition, school principals are to take charge of their individual buildings, and school councils provide a forum for teacher, parent, student, and community input to the decision-making process.

On the basis of the self-assessments of school committee members, superintendents, and principals, the Education Reform Act has generally been effective in clarifying governance responsibilities and enhancing accountability. However, major challenges lie ahead. In fact, the two other variations of the public-sector approach to governance outlined earlier — political leadership and shared governance — point to two of them. Each variant points to a different piece of reality in the world of educational governance.

From a political leadership perspective, the key challenge is the development of support for public education from among political and community leaders *outside* the schools. This is an external concern generally lacking in the corporate model, which instead focuses on policy development and management *within* the school system. School committees focus on educational policies; superintendents concentrate on systemwide administrative and management responsibilities; and principals are concerned with the operations of their own school. Under a corporate model, fostering broad political support from external constituencies in the community is not central to the tasks of these governance actors. Mayors and city councillors, for example, are not of major concern from a corporate model perspective. Indeed, this model eschews the political world for the bias and influence that it might exert over a policy and management process which should focus on educational rather than political matters.

The political leadership model, however, poses a different reality in which broad political support for education is critical. This perspective is particularly pertinent in Massachusetts, whose school districts are fiscally dependent on local governments. The latter, composed of city councils, mayors, managers, and others, must approve the overall school appropriation. If the schools lose favor with these political leaders, the school budget suffers. Of course, the funding formula of the Education Reform Act requires a certain level of local fiscal support for the schools, but this is essentially a minimum. To go beyond this level, local government leaders must be convinced that the schools merit additional funding. Thus, governance actors must add to their duties the political tasks of seeking and lobbying for support, particularly fiscal support, from these leaders.

In this context, it is interesting to note that Boston stands apart from other state communities, for, unlike other school districts' system of independently electing school committees, the city's mayor appoints the members. Boston thus benefits from a political leadership approach to governance that has translated into considerable fiscal and administrative support for the school system. As noted earlier, Boston's Mayor Menino has staked his political future on improving the schools.

The second major challenge is apparent from the shared governance approach. From this perspective, the critical concern is how to build an environment of cooperation and mutual respect. As this model emphasizes, governance in local school districts often defies the demarcation and sorting-out rationale of the corporate perspective. As one educational association notes, "[The] line between policy and administration is rarely

clear-cut."[15] Dialogue and interdependence can be as important as division of authority and responsibilities. The question, then, is whether the corporate model can foster this cooperative environment while retaining its emphasis on the policy-management distinctions.

A major challenge to building a cooperative environment comes from suspicions and divisions among governance actors. Under the Education Reform Act, for example, the job insecurity noted by many principals can be disruptive to the development of shared governance. Many principals perceive their position as subject to the whims of the superintendent. The act's intent is to make principals more accountable for their schools, but so mandating, it also increases the authority of superintendents over principals. The result has not always been a more cooperative environment for governance. As one principal noted, policymakers need to "rethink collective bargaining for principals — we are much too vulnerable in our present position."

A Public Agenda Foundation study raised a similar point in its conclusion that building a cooperative environment is the critical step in educational reform.[16] "Good ideas about curricula, textbooks, tests, financing and governance will founder if the parties who must implement them cannot get along."[17] One superintendent in this study compared his school district to a "giant dysfunctional family," while in several communities surveyed, educational reform fell "victim to division, factionalism, and gridlock."[18] In Massachusetts as well, fostering a cooperative environment is difficult. As one superintendent notes, "There has been a distinct and open polarization of school committees and superintendents. In fact, Education Reform has created an even greater and more intense political climate."

The challenge is formidable. A cooperative governance arrangement implies that all sectors work together and that accountability is collective. From this perspective, school committees, superintendents, principals, and school councils are in the governance game together. Each plays a part in a collective enterprise that is judged on its overall success — the educational achievement of students. A critical task is to combine this collective accountability with the individual accountability of the corporate model. It requires a means of assessment that discriminates between the collective and individual responsibilities of governance actors. Principals, for example, are individually accountable for their school buildings, but they are joined by other governance players in overall accountability for the educational performance of students. Measuring and assessing such distinctions is difficult, as is establishing an acceptable system of rewards. Nevertheless, this is an important task that lies at the heart of improving educational governance.

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Appendix A

Survey Methodology

A survey questionnaire was mailed to all Massachusetts school committee members, superintendents, and principals in the fall of 1996. School committee members received theirs in a quarterly mailing from the Massachusetts Association of School Committees, superintendents and principals in a regular Massachusetts Department of Education mailing. Several questions were open-ended, while others used a five-point scale to assess the respondents' impressions. Questions also sought information regarding various demographic and other background characteristics of the respondents. The response rate was as follows:

	Surveys Mailed	Responses Received	Percentage Returned
School Committee Members	2,200	391	18 percent
Superintendents	280	138	49 percent
Principals	1,830	428	23 percent
Total	4,310	957	22 percent

Available demographic data for the entire population of each governance group form the basis for the following comments on the representativeness of the responses.

School Committee Members. Compared with a 1995 membership survey conducted by the Massachusetts Association of School Committees as characteristic of the entire state population, my respondents are representative in terms of gender and education. Distribution of males and females in both is roughly equal, and approximately 50 percent of the respondents and the school committee population have graduate or professional degrees. In years of service, however, my group is more experienced. Among them, 58 percent had five or more years of service on a school committee, whereas the comparable figure for the state total is 34 percent..

Superintendents. Population characteristics for this group are based on an annual survey conducted by the Massachusetts Association of School Superintendents. My survey group is representative in terms of age and size of school district. Among both respondents and the state population of superintendents, 34 percent are between the ages of 36 and 50, while 66 percent are 51 or older. By school district, 66 percent of my sample and 69 percent of the state population are superintendents of districts with enrollments between 1,000 and 5,000. In terms of years in their current governance role, my respondents are more experienced than the typical total state population. Among all superintendents, 44 percent have been in their jobs for 1 to 3 years and 39 percent for 4 to 10 years. In my survey, the comparable percentages are 24 percent and 52 percent, respectively. Again, as with school committee members, my respondents are somewhat more experienced than the overall state population.

Principals. The Massachusetts Department of Education reports that the gender distribution of state principals is 64 percent male and 36 percent female; my respondents reported identical figures.

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Citizen Participation and Strategic Planning for an Urban Enterprise Community

Michael Leo Owens

Public policies rarely have single objectives. For the federal Empowerment Zones and Enterprise Communities initiative, bettering the socioeconomic opportunity structure among a collection of the nation's low-income areas is only one of its goals. Another initiative objective is to foster the representation of common citizens, especially residents, in the planning and implementation of strategies and programs designed to redevelop these low-income areas. Strategic community planning was the method chosen by the initiative's designers to achieve both objectives. This article, which makes use of the case study approach, addresses strategic community planning as an instrument of advancing citizen representation in urban redevelopment processes. Specifically, it describes and critiques the process jointly administered in three upstate New York cities — Albany, Schenectady, and Troy — that are participating in the urban portion of the federal initiative. The purpose of this study is to assess the degree to which residents of the low-income areas of these three cities participated in the strategic community planning process.

Residents who participate directly in the process of urban redevelopment planning have the opportunity to acquire expertise in the subject matter, patience to see projects through from problem definition to implementation, and new skills, for example, idea formulation, deliberation, negotiation, and consensus building, along with a sense of political efficacy.[1] Moreover, citizen engagement in urban redevelopment, both at the planning and policy implementation levels, holds out a possibility for "the development of responsible social and political action on the part of the individual,"[2] which democratic theorists like Carole Pateman and Jane Mansbridge envision as the end product of political participation and the central aim of democratic societies.[3] Consequently, urbanists of all types, for example, planners, philosophers, and political scientists, assert that urban redevelopment should be democratized, namely, that citizen participation in urban decision making should be increased and widespread.[4] Scholars, however, are not alone in calling for greater citizen participation; governments have also made this assertion. Consider the example of the Clinton administration[5] and the implementation of the urban Empowerment Zones and Enterprise Communities initiative by its Department of Housing and Urban Development (HUD).[6]

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In the early stages of the initiative, which is a reincarnation of earlier federal policies targeting grants and tax incentives to low-income urban neighborhoods,[7] strategic planning was relied upon to provide for and encourage citizen participation in the redevelopment decisions for low-income neighborhoods nominated by their cities to receive federal reinvestment funds from HUD under the initiative.[8] In the hands of common citizens, strategic planning is a tool for identifying community problems and priorities; scanning their community's weaknesses and strengths vis-à-vis those of other communities; formulating plans aimed at minimizing the disadvantages of their communities and exploiting their strengths in relation to new opportunities; and targeting community resources more efficiently and effectively.

HUD required prospective applicant cities to administer strategic community planning processes that were bottom-up driven and open to all who had stakes in the future of the targeted communities.[9] As Marilyn Gittell notes, "The Clinton Administration invited — indeed encouraged — communities, including community organizations as well as rank-and-file citizens, to pull together in drafting blueprints for future economic growth and urban development."[10] A cross section of affected groups — community residents, social and religious organizations, representatives from the private and nonprofit sectors, and local governments — were to be involved. However, of the ordinary citizens who were expected to participate in the planning process, no group was considered more important than the residents of the low-income communities that would eventually be targeted for federal funding: it was expected that they would be full partners in the process.[11] This notion was mortgaged to a belief that the representatives from low-income neighborhoods should be, would want to be, and are capable of being active participants in the redevelopment of their communities.

An evaluation of the Empowerment Zones and Enterprise Communities initiative showed that, among the sample of eighteen cities selected for study, most of the strategic community plans submitted to HUD were initiated and designed through processes that included cross sections of citizens.[12] This study of participation and governance in the planning phase concluded that "the citizen participation that occurred during the development of strategic [community] plans was *significantly and substantively greater* than that which [took] place under previous federal urban initiatives."[13] However, "because community involvement is solicited," notes Gerry Riposa, "it does not necessarily follow that . . . [political elites] will divide authority and decision-making powers with those whose input is sought."[14]

Despite the finding of "significant and substantive" citizen participation, some strategic community plans submitted to HUD were formulated with very little, and sometimes without any, citizen involvement. In an undetermined number of cases, the Clinton administration's call for citizen participation and community empowerment went unheard. In some instances, as John Gaventa and his colleagues found, "regional development districts or industrial boards led the effort to draft [strategic community plans]. Because some institutions had little experience with bottom-up planning, strategies that they devised largely flowed from the top down."[15] As a result, "participation of community groups was only an afterthought; for the most part, professional bureaucrats and politicians shaped [their] city's plan."[16] Absent high levels of government involvement, private-sector elites from both the non- and for-profit realms assumed responsibility for and control of their city's strategic community planning process.[17] While a wide range of groups may have been present "around the table," those involved in designing and setting the agendas that created the plans for their cities

were "the same old players who had always managed planning and development [in their cities]" — government, philanthropic, and economic elites.[18]

Looking through the lens of citizen participation and participatory planning literature, this study evaluates HUD's use of strategic community planning in its Empowerment Zones and Enterprise Communities initiative. It describes and critiques the strategic community planning process that took place in one of the nation's sixty-five urban enterprise communities, namely, Albany-Schenectady-Troy.[19] The survey centers on the case study approach to detail the strategic community planning process that took place among the poorest sections of these three cities prior to their joint submission of an application to HUD for designation as an enterprise community. It (1) identifies the actor(s) who initiated and guided the strategic community planning process that was administered; (2) describes the level of resident participation throughout the strategic community planning process; and (3) outlines how such planning for federal urban neighborhood redevelopment initiatives can be enhanced to promote greater citizen participation in the future.

The Urban Enterprise Community Program

According to HUD secretary Andrew Cuomo, the urban Empowerment Zones and Enterprise Communities initiative is the Clinton administration's opportunity "to prove to the nation that we do know how to revitalize devastated areas."[20] Functioning as the nation's urban policy, the initiative targets low-income urban neighborhoods for concentrated and coordinated federal resources; coordinates redevelopment and revitalization efforts among both the public and private sectors; promotes long-range strategic community planning as a vehicle for citizen participation and community empowerment; and promotes holistic redevelopment strategies that combine physical, social, and economic revitalization activities.[21] The Clinton administration hopes that HUD's implementation of the initiative, which incorporates federal funds with regulatory relief, technical assistance, and the participation of *stakeholders* — residents, business owners, service providers, and governments — will yield inner-city low-income communities that provide security, community, and opportunity to their residents.[22]

The initiative is comprised of two components — the Empowerment Zones program and the Enterprise Communities program. The former targets $815 million in flexible grants and $900 million in federal tax credits among a few central cities;[23] the latter targets far less money at a far greater number of small to medium-size cities.[24] Of the two, the Empowerment Zones portion has received the bulk of the academic community's attention.[25] The Enterprise Communities program,[26] however, while not as well funded or administered in the nation's largest cities, cannot be overlooked: Over the next ten years it will aim an estimated $195 million in Title XX Social Services Block Grants and $195 million in federal tax credits at improving the economies and social environments among a number of U.S. urban low-income communities.[27]

Cities in this program, as well as those in the Empowerment Zones program, were chosen by HUD on the basis of their submission of strategic community plans that (1) identified specific geographic areas that met the initiative's criteria for socioeconomic distress;[28] (2) detailed how the economic, physical, and human capital among the residents of the identified impoverished communities would be increased; and (3) noted the degree to which state, local, and private resources would be made available for redeveloping these communities. Taken as a whole, a city's strategic community plan had to address the creation of economic opportunities and sustainable community development

in its low-income neighborhoods by identifying strategies that could effectively lower the barriers to employment faced by the residents of their city's low-income communities and rebuild the physical and social environments of such places. But that was not all.

Developing strategies for bettering the socioeconomic opportunity structure in the nation's low-income areas was only one requirement for cities applying to the urban Enterprise Communities program. For another, the cities had to foster the participation of ordinary citizens, especially residents, in planning and implementing strategies for redeveloping their low-income areas. This participation, according to the Clinton administration's written record and the rules and regulations for the Empowerment Zones and Enterprise Communities initiative, was to be direct and have the effect of empowering average citizens.[29] As a consequence, applicant cities had to describe the extent to which rank-and-file citizens, especially residents of target communities, participated in the strategic community planning process, along with their anticipated roles in the post-designation process.[30]

Empowerment through Participation: A Note on Praxis

Susan Fainstein and Clifford Hirst discern a strong belief that "participation in urban politics and community life [is] a potentially transformative experience."[31] Those favoring citizen participation, especially among residents, in the public decision-making processes surrounding urban planning and redevelopment consider collaboration itself to be educative and socially transformative: participation fosters the development of "public regardedness" and a concern for collective interests over individual interests.[32] But beyond serving as a means of fostering public regardedness and collectivism, citizen participation in urban redevelopment is promoted as an instrument of empowerment, notably among the residents of low-income urban neighborhoods.[33]

Empowerment is centered around the axiom that the inclusion and ongoing involvement of residents in the formulation and implementation of community-based agendas are essential to the sustained revitalization of low-income communities.[34] As Robyne Turner informs us, empowerment "is more than agenda access; it is the ability to change direction and be responsible for making it happen. . . . It addresses the question of who defines the process rules and ultimately the agenda."[35] In their study of neighborhood participation in five U.S. cities, Jeffrey Berry, Kent Portney, and Ken Thomson conclude that it "may not transform people to the degree that participation theorists have anticipated, but it does make a difference in the attitudes of people who become involved in such political activities"; resident empowerment *can* come from participation in public decision-making processes.[36] Through education and encouragement by governments and philanthropies, residents can play a direct role in and influence, if not control and determine, the course of their communities.[37]

"Making the case for [participation and empowerment] on theoretical grounds is much easier," caution Berry et al., "than demonstrating that it will work."[38] But theory is being put into practice and yielding the expected results. Around the United States, low-income communities are being reconverted to stable places of residence through the organization and mobilization of their occupants, coupled with external funding from not-for-profit and public institutions.[39] In these situations, residents are often the primary instruments for reversing the downward trajectory of their neighborhoods. Boston's Dudley Street Neighborhood Initiative (DSNI), for example, demonstrates

empirically that participation and empowerment are not only possible but fundamental to the redevelopment of low-income localities.[40]

In the Dudley Street neighborhood, incorporation and involvement not only encouraged the leadership of residents in addressing community issues but increased their political efficacy, which was necessary to the success of resident-controlled community redevelopment.[41] The DSNI illustrates that in choosing action over resignation (accepting neighborhood conditions as unalterable) and exit (flight from a neighborhood), citizens can be effective at community problem solving.[42] Although resignation and exit remain viable options for them, the residents of such neighborhoods can also choose to engage in day-to-day, grassroots, community-based activities intended to reverse spiraling socioeconomic conditions in their surroundings.[43] Examples of these activities include neighborhood crime watches, incumbent upgrading, community gardens, formation of neighborhood associations, and chartering community development corporations.

Albany, Schenectady, and Troy in a Regional Context

As in other northeastern U.S. cities, economic restructuring has had a profound effect on Albany, Schenectady, and Troy, which, 150 miles north of the Bronx, are in New York State's Capital Region.[44] For example, over the last quarter of a century, manufacturing jobs in and around these three cities have decreased by more than 40 percent [45] while technology and advanced service industry employment has increased. Between 1973 and 1995, manufacturing employment in the region dropped from 19 percent to 9 percent, while service employment increased to 36 percent, up from 25 percent.[46]

Besides experiencing alterations in the private-sector employment structure of their economies, public-sector employment, which has been central to the three cities and their economies, especially Albany's, is declining.[47] By century's end, the public sector is expected to have contracted by 10 percent.[48] If predictions prove true, government employment will account for fewer than 20 percent of the region's jobs, down from the current 30 percent.[49] The restructuring of employment opportunities in the public sector, particularly at the state government level, is expected to have "major direct and indirect impacts for the long term stability of the region's economy," for instance, retail vacancies, declining home ownership and housing values, and decreased local revenues, especially in Albany, Schenectady, and Troy.[50]

In addition to transformed economies, the region's urban housing markets have undergone noticeable changes; a majority of the region's population has shifted from its cities to its suburbs. In 1970, 53 percent of this population resided in the three cities.[51] Twenty years later, less than half (44 percent) of this population resided in one of the three.[52] Coupled to the region's increased suburbanization of population and housing is the increased suburbanization of commercial activity and employment. In 1972, Albany, Schenectady, and Troy accounted for 63 percent of the region's retail sales, but by 1990 the figure was less than 50 percent.[53] Windshield tours of the three cities reveal that commercial vacancies have increased; in some sections, whole commercial blocks have been abandoned. Buildings in which large retailers like Woolworth once prospered are empty; they are too large and too expensive for most local entrepreneurs.

The migration of human, financial, and social capital to the suburban peripheries of the region's three urban centers has depressed the socioeconomic conditions of the inner

cities. Social distress, as measured by indicators such as poverty and physical deterioration, have risen.[54] In Albany, for example, the poverty rate has grown and the number of people on public assistance has doubled.[55] This downward mobility has occurred despite the fact that the city's residents have experienced an overall increase in their median household incomes.[56] Moreover, in the poorest communities of the three cities — Albany's South End, Arbor Hill, and West Hill neighborhoods, Schenectady's Hamilton Hill neighborhood, and Troy's North Central neighborhood — representatives of neighborhood-based and grassroots community development organizations assert that municipal services, the quality and quantity of housing, and the public infrastructure of roads, parks, and sewers are all in decline.[57] Unemployment and poverty, along with other measures of socioeconomic distress, are believed to be higher in these communities relative to their cities and the region.

There is no statistical proof to support the claims made by community organizations regarding municipal malfeasance. But there is evidence that the social environments of the cities' poorest neighborhoods differ markedly from the rest of the Capital Region. While unemployment stood at 10 percent in the poorest urban neighborhoods of Albany, Schenectady, and Troy at the start of the decade, the rate for the region was 5 percent.[58] In terms of poverty, 33 percent of families residing in the cities' low-income neighborhoods were in poverty in 1990, compared with 9 percent of families throughout the region.[59] As for the proportion of households on public assistance, 19 percent of those in the region's poor urban communities received public assistance compared with 5 percent for the region.[60] Finally, 67 percent of adults residing in the cities' low-income neighborhoods were high school graduates, compared with 87 percent for the region as a whole.[61]

These statistics show clearly that the low-income neighborhoods of Albany, Schenectady, and Troy would be nominated to participate in the urban Enterprise Communities program. They typify the districts the Clinton administration's Empowerment Zones and Enterprise Communities initiative intended to target. As one mayor wrote to HUD, "The neighborhoods that would benefit the most from [the Enterprise Communities program] are overwhelmed by the more complex and life-threatening burdens of the drug war and the associated social ills of unemployment, teenage pregnancy, and substance abuse."[62]

Planning for the Albany-Schenectady-Troy Enterprise Community

HUD issued criteria for the selection of city-nominated communities to participate in the Empowerment Zones and Enterprise Communities initiative in January 1994.[63] Applicant cities were given six months to organize residents; involve representatives from both the public and private sectors; formulate strategic plans for their communities and submit them to HUD. Applicant cities were required to form strategic community planning committees comprised of a cross section of people broadly representing the racial, cultural, and economic diversity of the neighborhood. HUD mandated that committees include all stakeholders: residents of target areas, along with officials from municipal and state government and representatives of the private for- and not-for-profit sectors had to be chosen as members.[64]

Generally, local governments were the catalysts for the strategic community planning process in the cities that applied for federal funding under the initiative.[65] Mayors or city managers usually initiated their cities' application.[66] But the mayors of Albany,

Schenectady, and Troy initially chose not to apply to the program despite the fact that an Enterprise Community designation would provide $2 million in federal-state funding to each municipality.[67] The catalyst for the initiation, development, and submission of the Albany-Schenectady-Troy Enterprise Community application was a nongovernmental institution established and funded by the 300 largest private for-profit corporations in the Capital Region, the Center for Economic Growth (CEG). This group formulated the proposal for a joint-municipality application; convinced the mayors to pursue an Enterprise Community designation; raised funds to arrange for the strategic community planning process; served as the liaison between the three cities, New York State, and HUD; and selected the membership of the strategic community planning committee.[68]

The Center for Economic Growth

Prior to HUD's inviting applications for the urban Enterprise Communities program, projects involving the redevelopment of the region's poorest urban communities, especially those with large African-American and Latino populations, were absent from the activities of the Center for Economic Growth. In line with the perspective of Paul Peterson on urban economic development, CEG adheres to the notion that urban policy alternatives are limited by cities' having to be economically competitive.[69] Emphasizing the commercial intensification of land use and economic growth, CEG seeks to expand commercial opportunities for established companies, attract new firms to the region, and provide services to firms that either relocate to the region or are starting up.[70] It attempts to increase its ability to accomplish such goals by advocating for public policies assumed to increase the region's competitive advantage in relation to its economic position, political influence, and social prestige, namely, tax abatements, wage credits, and low taxes, which are common government inducements to entice investors, producers, and consumers to relocate from other areas.[71]

CEG's interest in the low-income neighborhoods of Albany, Schenectady, and Troy was fostered by the urban Enterprise Community program's emphasis on economic opportunity, especially job creation and entrepreneurship, rather than on social services.[72] Because the program was not redistributive in terms of policy, CEG's involvement would not gainsay its growth-oriented agenda. (It is plausible that had the application for the program required a financial commitment from the private and local public sectors, CEG would probably not have initiated the pursuit of an Enterprise Community designation for the three cities. Residents and activists from the target neighborhoods, however, contend that the motivation behind CEG's involvement was a public relations campaign aimed at providing its membership with the appearance of being responsible corporate citizens.)[73]

Moreover, since the program called for collaboration and cooperation between the public and private sectors, CEG, which has promoted public-private partnerships since its inception, viewed it as an opportunity to advance the interests of the region.[74] It was in the spirit of creating a regional private-public partnership that the Center for Economic Growth involved itself with the Enterprise Community program: "By working with [Albany, Schenectady, and Troy] to coordinate the application, CEG [played] the role of honest broker in an effort which could result in additional federal assistance for a vast array of economic development and job creation efforts in the region."[75]

Following HUD's issuance of the Empowerment Zones and Enterprise Communities initiative's criteria, CEG spent three months promoting the joint application of Albany, Schenectady, and Troy to the urban Enterprise Community program. In its meetings

with the mayors of the three cities, CEG proposed to cosubmit to HUD an application that focused on regional collaboration and cooperation among the for-profit, nonprofit, and public sectors. Such an application, influenced by the scholarship which contends that regions, not cities or states, are increasingly the central social and economic units of society, might prove to be novel compared with others received by HUD.[76] Beyond its originality, regionalization made sense in the context of the Capital Region and the relationship among its three cities: "No community in the region [was] economically self-sufficient, nor will they be. . . . The region already functions as a region, not as a collection of self-sufficient municipalities."[77] A region-based strategic community plan would allow the municipalities to deal together with problems like poverty, unemployment, and crime, something that had never happened in the region. Should an Enterprise Community designation be awarded, a regional plan for the cities' low-income communities would, in the words of one mayor, "allow for a sharing of successful programs [that] will greatly enhance the efforts to improve distressed neighborhoods in all three communities."[78] Collaboration would allow the cities to coordinate their policies and programs and share in a new pool of resources that might allow them to be effective at turning around their poor neighborhoods.[79]

There were, however, more practical reasons for CEG's regional approach. If the cities applied to the Enterprise Community program individually, each would probably be rejected. Although each city had low-income areas, no single city could identify enough of them to meet HUD's criterion of socioeconomic distress. In addition, should an Enterprise Community designation be awarded to the three cities, the moneys that accompanied the designation could be used to enhance the background conditions that are believed to influence decisions regarding business relocation, for example, implementing human resource policies that foster and sustain a skilled workforce.[80] Finally, because HUD did not require a financial commitment, the cost of applying for an Enterprise Community designation was low.[81]

The Albany-Schenectady-Troy Committee

With the consent of the mayors of the three cities, along with $30,000 in public funds — $10,000 in discretionary funding from each municipality — CEG established the Albany-Schenectady-Troy Enterprise Community (TriCity EC) Steering Committee. According to HUD, this committee "reflected the age, ethnic, economic, and gender diversity of the designated neighborhoods and representatives were identified through a community-based nomination process which identified one resident from each of the participating neighborhoods as a member."[82] This description is inaccurate.[83]

The committee was comprised solely of representatives of the three cities' private, nonprofit, and public sectors, and the strategic community planning process was top-down and elite-driven rather than bottom-up and community-centered. No residents of the communities that would be targeted by the TriCity EC Steering Committee's strategic community planning process served on the committee, nor was the membership of the steering committee decided by nomination and election or by governmental appointment.

The membership of the steering committee was determined by CEG. It extended invitations to those groups believed to possess the best knowledge about and resources for developing and submitting a strategic community plan that emphasized regionalism. These groups then selected representatives to serve on the committee. The result was a steering committee that represented the interests of the three municipalities: high-level

staffers from their economic development and planning departments; the Council of Community Services, an association of the region's not-for-profit social services agencies and a United Way human services planning affiliate; the Capital District Regional Planning Commission, a regional planning agency; and the Center for Economic Growth.[84]

The TriCity EC Steering Committee charged itself to identify and assess the strengths and weaknesses of the cities' low-income communities and create a strategic community plan that would be submitted to HUD by Albany, Schenectady, and Troy. However, by the time the steering committee convened its first meeting, three months had elapsed since the application guidelines for the Enterprise Communities program were issued. It was only three months until the June deadline for HUD's receipt of applications. To expedite its planning process, the TriCity EC Steering Committee issued a request for proposals from local economic development consultants and grant writers. One month later it hired EastWest Planning & Development, a Troy-based firm, to assist the steering committee in formulating a planning process for the three cities.[85] It would prepare strategic plan narratives, complete the application forms, conduct a survey, and organize a set of community forums.[86] Most important, EastWest was contracted to "structure a strategic plan consistent with Enterprise Community principles."[87] Its "presence in the process," from EastWest's perspective, "would provide an opportunity to help the [steering] Committee think critically about the decisions" it would make concerning its target neighborhoods.[88]

Citizen Participation and Resident Input

With the hiring of EastWest Planning & Development, the TriCity EC Steering Committee had three options concerning the strategic community planning process: (1) with an impending June deadline, the steering committee could limit resident access to the process, focusing more of its attention and time on institutional cooperation and the production of a plan suitable for submission to HUD; (2) influenced by EastWest's knowledge of the importance of legitimacy to comprehensive community initiatives, the steering committee could open its planning and decision-making processes to direct resident participation; or (3) the steering committee could apply a midrange approach, one that would allow for a modest degree of resident incorporation to occur without jeopardizing the committee's ability to meet HUD's deadline. The TriCity EC Steering Committee chose the third option.

According to the application the steering committee submitted to HUD, "Many of the Steering Committee members believed that resident input into the strategic planning process could be obtained by gathering key human service agencies together to represent the needs of their constituencies."[89] Over time this belief was muted. The opinions and attitudes of residents concerning their communities and policy priorities entered the strategic community planning process through two mechanisms that are widely used to capture citizens' sense of problems and priorities: public forums and surveys. In theory, when used as part of public decision-making processes, forums and surveys are useful.[90] In practice, however, these instruments have been used by political elites to limit the direct participation of citizens in public decision making.[91]

To facilitate citizen participation in the strategic community planning process, the TriCity EC Steering Committee sponsored "structured community workshops."[92] A workshop was held in each of the three cities one month prior to the date the strategic community plan was due to HUD.[93] These workshops introduced the target communi-

ties to the Enterprise Communities program and the membership of the TriCity EC Steering Committee. The intent of these public forums was to elicit community participation and provide the committee with a clearer understanding of the communities' problems, resources, and prospects for affecting positive socioeconomic and physical change, that is, job creation, home ownership, and youth enrichment. The workshop format consisted of a general introduction by the committee followed by a question-and-answer period and small-group discussions.

The Enterprise Communities program "promised residents authentic input into the planning process and the opportunity to share feedback on the proposed strategic plan, giving them reassurance that their voices mattered."[94] According to the steering committee, its workshops fulfilled this promise by providing a mechanism which ensured that the strategic community planning process for the TriCity EC "was driven by the needs and wishes of the residents"; "represented the diversity of the neighborhoods"; demonstrated "hands-on resident support" in its development and implementation; and validated "the importance of the problems, resources, and obstacles identified in other studies by residents of the targeted communities."[95]

The application submitted to HUD by the TriCity EC Steering Committee does not state the number of attendees at these community workshops, which, with the exception of the Schenectady workshop, were held outside its targeted neighborhoods.[96] But few residents from these neighborhoods attended the workshops. Those who did attend the workshops were generally "outnumbered three-to-one by the service providers operating in the target neighborhoods."[97] Consequently, most of the "citizen" input came from neighborhood social service providers, many of whom "were perceived by neighborhood residents as unaccountable, unresponsive, over-professionalized, and inaccessible," as well as "partially responsible for abandoning their problems, choosing professionally or politically expedient courses of action, and setting up unnecessary programmatic limitations, guidelines, and rules which isolate many residents from needed services and support."[98]

Concurrently with the community workshops, EastWest Planning & Development conducted a survey among the five neighborhoods that the TriCity EC Steering Committee would eventually nominate to participate in HUD's Enterprise Communities program. This "needs assessment" survey was designed to identify the strengths, problems, and policy priorities of the neighborhoods, which would be used by EastWest in preparing the strategic community plan.[99] Social services and human resource providers, along with local businesses serving the neighborhoods targeted by the steering committee, were surveyed by mail. Resident were also surveyed for their opinions about the problems and prospects for these neighborhoods. According to the steering committee, nearly two-fifths of the 600 surveys (38 percent or 227) were completed and returned to EastWest.[100] Of this number, almost three-quarters (71 percent or 162) were returned by residents of the steering committee's target communities. The resident response rate, however, must be put in perspective: fewer than one percent of the five neighborhoods' 39,072 residents responded to the survey.

Relying on the information culled from the three community workshops and the survey responses, EastWest prepared the TriCity EC strategic community plan. The steering committee then submitted the plan, which emphasized three areas of "community" concern — employment, youth development, and neighborhood capacity building — to HUD. At the end of the strategic community planning process, the steering committee declared in its application to HUD that the degree of participation in the three

cities "was designed to maximize community involvement and consensus."[101] Pointing to its public forums and survey, the committee avowed that it had met its requirement of participation.

Reflections on Strategic Community Planning and Federal Urban Initiatives

Urban scholars acknowledge that introducing common citizens to the process of public decision making is difficult; making collective decisions "can be time-consuming, cooptative, and nonproductive" for rank-and-file citizens.[102] Moreover, issues of expertise and incrementalism, along with citizen interest and ability to articulate alternatives effectively, influence levels of citizen participation and incorporation into public decision making.[103] Residents of low-income neighborhoods targeted for redevelopment are prone to be intimidated by the jargon and complexity of redevelopment and, perhaps rightfully so, suspicious and impatient with the process of incremental urban policymaking.[104] Nevertheless, the inclusion of ordinary citizens in the planning and implementation stages of public policymaking continues to have its academic advocates.[105]

Robert Chaskin and Sunil Garg note that there are ethical and practical reasons for the incorporation of citizens in public decision-making processes that affect their communities.[106] "Ethically, to include citizens in policymaking and program delivery is to take seriously their rights and responsibilities to have some control over policies that will have an impact on their lives."[107] Additionally, as theorists of democratic participation profess, "the experience of participation [in public decision making] in some way leaves the individual better psychologically equipped to undertake further participation in the future."[108] Average citizens, whether from poor or nonpoor communities, possess that which government lacks: "a unique understanding about their own lives, hopes, aspirations, goals, and preferences and about the manner in which resources should be provided or services should be designed and delivered."[109] In accordance with this idea, Jeffrey Henig has found that citizens "represent resources in knowledge, information, creativity, commitment, and energy" that often prove useful to government decision-makers and policy success.[110] Therefore, "practically, involving citizens in planning and implementing practices that affect them promotes better (i.e., more connected, directed, and appreciated) public policies."[111] Being closest to the problems facing their communities, citizens can provide perspectives that may go unconsidered by public officials and their staff in the absence of resident involvement.[112] Yet the structure of citizen participation in public initiatives that promote urban redevelopment makes "a substantial difference in the degree to which such structures can be seen as connected to, and acting on behalf of, the interests of the community."[113]

The key terms of the federal administration's urban policy orientation and the tenets underlying its Enterprise Communities program are cooperation and collaboration; participation and empowerment.[114] Still, the strategic community planning process for the Albany-Schenectady-Troy Enterprise Community failed to engender cooperation and collaboration among residents and nonresidents or to promote high levels of participation from or empowerment in the areas targeted for federal revitalization funds by the TriCity EC Steering Committee. Surveys and forums proved inferior methods of effectively structuring resident input into the strategic community planning process for the TriCity Economic Community. "Residents of the [TriCity EC] had participated in the

community workshops and filled out surveys — but they lacked the capacity to develop a truly 'bottom-up' neighborhood plan."[115] Instead, the EastWest Planning & Development plan outlined a citizen-driven process in the post–strategic community planning period.[116] This was a blueprint for neighborhood planning and resident empowerment after HUD designated the three cities as a joint Enterprise Community.[117] In short, the strategic community planning process for Albany, Schenectady, and Troy deferred resident participation and community empowerment to an unknown point in time. Why?

The rules and regulations for the Enterprise Communities program were not specific about the role of residents in their city's planning process. Beyond the statement that community residents were to be included in partnerships with the public and private sectors, there was no definitive message about the type and quality of resident participation that should characterize the process. This lack of specificity allowed for narrow definitions of participation to be used in determining who would be involved in a city's strategic community planning process and how their connection would be facilitated. It also impressed upon elites that resident participation was a suggestion, not a requirement for strategic community planning; resident consultation was adequate to constitute participation.

In the future, policymakers designing federal urban neighborhood redevelopment initiatives could ensure, through direct language, that citizen participation go beyond the level of consultation, as expressed through surveys and forums. As Sherry Arnstein's "ladder of citizen participation" illustrates, unless citizen consultation by government decision makers is linked to other opportunities for participation, communities cannot be guaranteed that their resident ideas and concerns will be taken into account by those guiding the agenda-setting and decision-making processes.[118] Moreover, when government decision makers "restrict the input of citizens' ideas solely to [consultation], participation remains just a window-dressing ritual."[119]

Residents of areas targeted for redevelopment often want to serve their communities in capacities that go beyond survey responses or public forum statements.[120] If this is to be believed, policymakers could create opportunities for resident participation by mandating that urban neighborhood redevelopment programs that receive federal funds must, during the planning and post-planning periods, include residents of the affected communities on the committees appointed to formulate neighborhood redevelopment plans. Policymakers could also establish formal institutions for citizen governance of strategic community planning processes. Such neighborhood-based entities could be charged with arranging, planning, and coordinating strategies for neighborhood redevelopment. In terms of their membership, these institutions might be comprised of neighborhood representatives chosen by election or by stratified, random sampling from communities targeted for public reinvestment and redevelopment.[121] Also, policymakers could require that the proposals formulated by neighborhood-based institutions be submitted to resident comment, perhaps through resident-community referenda.

Citizen participation comes with costs, the most basic being time and money. Policymakers should grant enough time and public funds to program administrators to allow citizen participation to reach a level above consultation. In the Enterprise Communities program, cities were afforded six months to create and submit their strategic community plans. Because of the time it takes to select and organize committees, orient members with the requirements and processes of a given program, and raise

awareness among affected communities, federal urban initiatives relying on strategic community planning probably should last longer than six months. A period of a year, for example, would allow planning committees more time not only to organize themselves and their communities, but increase the likelihood that their activities, be they surveys, community forums, or other mechanisms for divining citizen opinions, will produce better plans in terms of their citizen input and ideas. Not only might more citizens participate in the planning process, but a greater number of cities might be able to compete for funding based on their plans, and the quality of the plans submitted to the program itself increase.

* * *

The Enterprise Communities program is grounded on the belief that citizen participation and sustained community involvement are essential to the success of federal initiatives to influence the revitalization of low-income communities.[122] Therefore, residents of the neighborhoods targeted by the TriCity EC Steering Committee, with the assistance of public, private, and not-for-profit professionals, should have been at the forefront of the strategic community planning process of the TriCity EC. But residents were not significant and substantive participants in that strategic community planning process.

The lack of resident participation in the planning for the Albany-Schenectady-Troy Enterprise Community was partly the result of the steering committee's misunderstanding that resident participation would matter more in the post-designation period, after areas of Albany, Schenectady, and Troy were designated as an Enterprise Community and federal funds were secured. It was also the result of the committee's reliance on forms of participation that discouraged citizen incorporation and community empowerment. Moreover, the opportunity for citizens to take part in the planning was limited by HUD itself: (1) it failed to define what it meant by resident involvement; (2) it did not account for slow responses from cities and the weak commitment of elites to empower residents; and (3) it overlooked the importance of funding cities to promote citizen participation and neighborhood empowerment as part of strategic community planning.

Another reason was the steering committee's displacement of the Clinton administration's goal of resident incorporation. By placing its goal of meeting HUD's application deadline ahead of HUD's goal of resident incorporation, the committee obstructed the realization of high levels of resident participation and community empowerment.

The TriCity EC Steering Committee achieved its goal in December 1994: HUD designated portions of Albany, Schenectady, and Troy as one of the nation's sixty-five urban Enterprise Communities. This designation was accompanied by $3 million in federal funds to be shared equally among the three cities. However, this goal was achieved in violation of the principles outlined by the Clinton administration's written record and the Enterprise Communities program's formal requirements.

In the pre-designation period, the TriCity EC Steering Committee lost an opportunity to empower residents of the low-income neighborhoods of Albany, Schenectady, and Troy. In the post-designation period, however, new opportunities for participation and empowerment appeared with the establishment of a second steering committee and the implementation of the Albany-Schenectady-Troy Enterprise Community's strategic community plan that emphasizes resident planning and neighborhood empowerment. "The people in the neighborhoods [comprising the TriCity Enterprise Community]," according to the president of the Center for Economic Growth, "will be making the

decisions."[123] Unfortunately, the residents of the low-income neighborhoods in the three cities have yet to influence the public decision-making process of their Enterprise Community.[124] Instead, the TriCity EC Steering Committee continues to favor elite control and expediency. Unfortunately, resident skepticism and reticence concerning the possibility of collaboration and cooperation between residents and nonresidents of the targeted communities has deepened.[125]

Notes

1. Peter Medoff and Holly Sklar, *Streets of Hope: The Fall and Rise of an Urban Neighborhood* (Boston: South End Press, 1994).
2. Carole Pateman, *Participation and Democratic Theory* (Cambridge, England: Cambridge University Press, 1970), 24.
3. Ibid. and Jane J. Mansbridge, *Beyond Adversary Democracy* (New York: Basic Books, 1980).
4. See John Abbott, Community Participation and its Relation to Community Development, *Community Development Journal* 30, no. 2 (1995); Sherry R. Arnstein, A Ladder of Citizen Participation, *AIP Journal*, July 1969; Benjamin R. Barber, *Strong Democracy: Participatory Politics for a New Age* (Berkeley: University of California Press, 1984); Jeffrey M. Berry, Kent E. Portney, and Ken Thomson, *The Rebirth of Urban Democracy* (Washington, D.C.: Brookings Institution, 1993); Rachel G. Bratt, The Role of Citizen-initiated Programs in the Formulation of National Housing Policies, in *Citizen Participation in Public Decision Making*, edited by Jack DeSario and Stuart Langton (New York: Greenwood Press, 1987); Robert Chaskin and Sunil Garg, The Issue of Governance in Neighborhood-based Initiatives, *Urban Affairs Review* 32, no. 5 (1997); Pierre Clavel, Jessica Pitt, and Jordan Yin, The Community Option in Urban Policy, *Urban Affairs Review* 32, no. 4 (1997); John Michael Daley and Julio Angulo, People-centered Community Planning, *Journal of the Community Development Society* 21, no. 2 (1990); Susan S. Fainstein and Clifford Hirst, Urban Social Movements, in *Theories of Urban Politics*, edited by David Judge, Gerry Stoker, and Harold Wolman (London: Sage, 1995); Robert Fisher, Neighborhood Organizing: The Importance of Historical Context, in *Revitalizing Urban Neighborhoods*, edited by W. Dennis Keating, Norman Krumholz, and Philip Star (Lawrence: University Press of Kansas, 1996); Jeffrey R. Henig, *Neighborhood Mobilization: Redevelopment and Response* (New Brunswick, N.J.: Rutgers University Press, 1982); Medoff and Sklar, *Streets of Hope;* Ronald Shiffman with Susan Motley, Comprehensive and Integrative Planning for Community Development, paper prepared for the 1989 Community Economic Development Assessment Study Conference; Randy Stoecker, *Defending Community: The Struggle for Alternative Redevelopment in Cedar-Riverside* (Philadelphia: Temple University Press, 1994); Clarence Stone and Heywood T. Sanders, *The Politics of Urban Development* (Lawrence: University Press of Kansas, 1987); and Robyne Turner, Political Coalitions and Neighborhood Initiatives: Comparing Types of Political Responses in Urban Places, paper prepared for the 1995 meeting of the American Political Science Association.
5. U.S. Department of Housing and Urban Development (HUD), *Empowerment: A New Covenant with America s Communities President Clinton s National Urban Policy Report* (Washington, D.C.: HUD, 1995), and John Gaventa, Janice Morrissey, and Wanda R. Edwards. Empowering People: Goals and Realities, *Forum for Applied Research and Public Policy* 10, no. 4 (1995): 116-21.
6. The Empowerment Zones and Enterprise Communities initiative emphasizes both urban and rural community renewal. The urban portion is administered by the U.S. Department of Housing and Urban Development; the rural component is administered by the U.S. Department of Agriculture. This study focuses solely on the HUD-administered portion of the Empowerment Zones and Enterprise Communities initiative. In particular, it emphasizes the small-medium cities component of this urban initiative the Enterprise Communities program.

7. Parallels have been drawn between the Empowerment Zones and Enterprise Communities initiative and prior federal urban initiatives such as the Community Action Program and Model Cities. See Sarah F. Liebschutz, Empowerment Zones and Enterprise Communities: Reinventing Federalism for Distressed Communities, *Publius: The Journal of Federalism* 25, no. 3 (1995); Marilyn Marks Rubin, Can Reorchestration of Historical Themes Reinvent Government? A Case Study of the Empowerment Zones and Enterprise Communities Act of 1993, *Public Administration Review* 54, no. 2 (1994); and Gerry Riposa, From Enterprise Zones to Empowerment Zones: The Community Context of Urban Economic Development, *American Behavioral Scientist* 39, no. 2 (1996).
8. Strategic planning is a method for maximizing the position of an organization in a changing and competitive environment ; its objective is to provide the organization with an effective and efficient means of adapting to future economic, social, and physical conditions. The logic behind strategic planning, which guides corporations and govern ments alike, is to pull out of losing ventures and concentrate resources on strategic opportunities. See Todd Swanstrom, The Limits of Strategic Planning for Cities, *Journal of Urban Affairs* 9, no. 2 (1987); 139, 152. This way of reasoning, however, is no longer practiced solely by the institutions of the market and the state. Acting through neighborhood associations and community-based organizations, common citizens use strategic planning to prepare and respond to changing environmental and urban conditions. See, for example, Berry et al., *The Rebirth of Urban Democracy,* and Michael J. Rich, Community Building and Empowerment: An Assessment of Neighborhood Transformation Initiatives in American Cities, paper prepared for 1995 meeting of the Association for Public Policy Analysis and Management.
9. HUD and U.S. Department of Agriculture (DOA), *Building Communities Together: Empowerment Zones and Enterprise Communities Application Guide* (Washington, D.C.: HUD and DOA, 1994); U.S. Government Printing Office, *Federal Register* 59, no. 11 (18 January 1994): 2700—2710; and HUD,*Empowerment.*
10. Marilyn Gittell, Growing Pains, Politics Beset Empowerment Zones, *Forum for Applied Research and Public Policy* 10, no. 4 (1995), 107—111.
11. HUD and DOA, *Building Communities Together.* See also U.S. Government Printing Office, *Federal Register.*
12. Nelson A. Rockefeller Institute of Government, *Empowerment Zone Initiative: Building a Community Plan for Strategic Change Findings from the First Round Assessment of the Empowerment Zone/Enterprise Community Initiative* (Albany, N.Y.: Nelson A. Rockefeller Institute of Government, State University of New York, 1997).
13. This study, however, failed to distinguish between citizen participation and resident participation. The degree to which the residents of the target communities included in the study sample of eighteen cities were involved in the strategic community planning process that preceded their city s designation as either an Empowerment Zone or an Enterprise Community is unknown. See Rockefeller Institute of Government, *Empowerment Zone Initiative,* 2.
14. Riposa, From Enterprise Zones to Empowerment Zones.
15. Gaventa et al., Empowering People.
16. Gittell, Growing Pains, Politics Beset Empowerment Zones.
17. See ibid. See also Marilyn Gittell, Kathe Newman, Janice Bockmeyer, and Robert Lindsay, Expanding Civic Opportunity: Urban Empowerment Zones, *Urban Affairs Review* 33, no. 4 (1998); Gaventa et al., Empowering People ; and Kian Tajbaksh and Brian Sahd, Community Empowerment in Urban Policy: Comparing the Harlem and South Bronx Empowerment Zones Processes, paper prepared for the1998 meeting of the Urban Affairs Association.
18. Gaventa et al., Empowering People, 118.
19. This single upstate New York Enterprise Community is comprised of the poorest sections of the cities of Albany, Schenectady, and Troy.
20. Testimony of Andrew Cuomo before the Subcommittee on Human Resources, U.S. House of Representatives, Ways and Means Committee, Washington, D.C., March 22, 1994.
21. Liebschutz, Empowerment Zones and Enterprise Communities ; Riposa, From

Enterprise Zones to Empowerment Zones ; and Rubin, Can Reorchestration of Historical Themes Reinvent Government?

22. HUD and DOA, *Building Communities Together.*
23. Six cities Atlanta, Baltimore, Chicago, Detroit, New York, and Philadelphia/Camden were designated Empowerment Zones, which were accompanied by an award of $100 million in block grant funding, coupled with another $150 million in federal tax credits, to assist the cities in the implementation of their strategic plans. At the same time, Los Angeles and Cleveland were chosen as Supplemental Empowerment Zones, the former being awarded $125 million in economic development assistance and the latter receiving $90 million.
24. HUD has designated areas of sixty-five cities as urban Enterprise Communities. These include Birmingham, Alabama; Phoenix, Arizona; Pulaski County, Arkansas; San Diego and San Francisco, California; Denver, Colorado; Bridgeport and New Haven, Connecticut; Wilmington, Delaware; Miami and Tampa, Florida; Albany, Georgia; East St. Louis and Springfield, Illinois; Indianapolis, Indiana; Des Moines, Iowa; Louisville, Kentucky; New Orleans, Louisiana; Lowell and Springfield, Massachusetts; Flint and Muskegon, Michigan; Minneapolis and St. Paul, Minnesota; Jackson, Mississippi; St. Louis, Missouri; Omaha, Nebraska; Las Vegas, Nevada; Manchester, New Hampshire; Newark, New Jersey; Albuquerque, New Mexico; Albany/Schenectady/Troy, Buffalo, Newburgh/Kingston, and Rochester, New York; Charlotte, North Carolina; Akron and Columbus, Ohio; Oklahoma City, Oklahoma; Portland, Oregon; Harrisburg and Pittsburgh, Pennsylvania; Providence, Rhode Island; Charleston, South Carolina; Memphis and Nashville, Tennessee; Dallas, El Paso, San Antonio, and Waco, Texas; Ogden, Utah; Burlington, Vermont; Norfolk, Virginia; Seattle and Tacoma, Washington; Huntington, West Virginia; and Milwaukee, Wisconsin.
25. See, for example, Gittell et al., Expanding Civic Opportunity ; Gerry Riposa, L.A. s Empowerment Zones: Can the Community Development Bank Empower South Central? paper prepared for the 1998 meeting of the Urban Affairs Association; Rockefeller Institute of Government, *Empowerment Zone Initiative;* Tajbaksh and Sahd, Community Empowerment in Urban Policy.
26. HUD applies two designations to cities participating in the Urban Enterprise Communities program Enhanced Enterprise Communities and Enterprise Communities. A city s designation determines the amount of public investment it will receive: Enhanced Enterprise Communities receive $25 million in Title XX Social Services Block Grants; Enterprise Communities receive $3 million in Title XX Social Services Block Grants and $3 million in tax credits.
27. HUD and DOA, President Clinton Announces Designation of More Than 100 Empowerment Zones and Enterprise Communities, joint press release, December 21, 1995. See also HUD and DOA, *Building Communities Together.*
28. To be eligible for designation as an enterprise community, target areas must have had a maximum population which is the lesser of 200,000 or the greater of 50,000, or ten percent of the population of the most populous city located within the nominated area ; pervasive poverty, unemployment, and general distress; not exceed twenty square miles in total land area; a poverty rate equal to greater than 20 percent in each of its nominated census tracts, or 25 percent in 90 percent of the census tracts within the nominated area, or 35 percent for at least 50 percent of the census tracts within the nominated area; a continuous boundary or consist of not more than three noncontiguous tracts of land; been located entirely within the jurisdiction of the unit(s) making the nomination, and not be located in more than two contiguous States; and not included in any portion of a central business district unless the poverty rate for each census tract in the district was at least 30 percent. See U.S. Government Printing Office, *Federal Register,* 2701.
29. See, for example, HUD and DOA, *Building Communities Together.* See also, HUD and DOA, President Clinton Announces Designation.
30. See U.S. Government Printing Office, *Federal Register,* 2708.
31. Fainstein and Hirst, Urban Social Movements, 170.
32. Medoff and Sklar, *Streets of Hope;* Shiffman with Motley, Comprehensive and Integrative Planning for Community Development ; Stoecker, *Defending Community;* and

Richard Taub, *Nuance and Meaning in Community Development: Finding Community and Development* (New York: Community Development Research Center, New School for Social Research, 1990).

33. Daley and Angulo, People-centered Community Planning ; Alan Barr, Empowering Communities Beyond Fashionable Rhetoric? Some Reflections on Scottish Experience, *Community Development Journal* 30, no. 2 (1995); Stella Capek and John I. Gilderbloom, *Community versus Commodity: Tenants and the American City* (Albany, N.Y.: State University of New York Press, 1992); Mel King, *Chain of Change: Struggles for Black Community Development* (Boston: South End Press, 1981); Andrea Isabel Nagel, The Dudley Street Neighborhood Initiative: A Case Study in Community-controlled Planning, master s thesis, Massachusetts Institute of Technology, May 1990; Gordana Rabrenovic, *Community Builders: A Tale of Neighborhood Mobilization in Two Cities* (Philadelphia: Temple University Press, 1996); and Turner, Political Coalitions and Neighborhood Initiatives.
34. This presumes, however, that when communities obtain more influence and control over the definition of their needs, as well as more influence and control over the responses to them, the visions they hold for their neighborhoods future stand a stronger chance of becoming a reality.
35. Turner, Political Coalitions and Neighborhood Initiatives, 12.
36. Berry et al., *The Rebirth of Urban Democracy*, 291.
37. See Barr, Empowering Communities ; Berry et al., *The Rebirth of Urban Democracy*; Medoff and Sklar, *Streets of Hope;* Fisher, Neighborhood Organizing ; and Taub, *Nuance and Meaning in Community Development.*
38. Berry et al., *The Rebirth of Urban Democracy,* 21.
39. See, for example, Keating et al., *Revitalizing Urban Neighborhoods,* and Medoff and Sklar, *Streets of Hope.*
40. For more on the Dudley Street Neighborhood Initiative, see Nagel, The Dudley Street Neighborhood Initiative, and Medoff and Sklar, *Streets of Hope.*
41. Medoff and Sklar, *Streets of Hope.*
42. John Orbell and Toru Uno, A Theory of Neighborhood Problem Solving: Political Action vs. Residential Mobility, *American Political Science Review* 66 (1972): 471—489.
43. Berry et al., *The Birth of Urban Democracy;* Medoff and Sklar, *Streets of Hope;* Michael Leo Owens, Renewal in a Working-class Black Neighborhood, *Journal of Urban Affairs* 19, no. 2 (1997); Rabrenovic, *Community Builders;* and Stoecker, *Defending Community.*
44. Rabrenovic, *Community Builders,* and State Commission on the Capital Region, *Growing Together Within the Capital Region: The Report of the State Commission on the Capital Region* (Albany, N.Y.: Nelson A. Rockefeller Institute of Government, State University of New York, June 1996).
45. State Commission on the Capital Region, *Growing Together,* 5.
46. Ibid.
47. Ibid.
48. Ibid.
49. Ibid.
50. Ibid.
51. Center for Economic Growth (CEG), *Albany—Schenectady—Troy Enterprise Community Designation Application* (Albany, N.Y.: CEG, 1994), 20.
52. Ibid.
53. Ibid.
54. Ibid.
55. Rabrenovic, *Community Builders,* and State Commission on the Capital Region, *Growing Together.*
56. State Commission on the Capital Region, *Growing Together,* 5.
57. Interviews with Aaron Dare, president and chief executive officer (CEO), Urban League of Northeastern New York, Inc., July 25, 1997, Aaron Mair, executive director, Field of Dreams, January 22, 1998, and Lloyd Stewart, former president and CEO, Urban League of Northeastern New York, Inc., October 31, 1995. See also Rabrenovic, *Community*

Builders, especially 60—62, 92—119, 164—190, and Amy Poe, Empowerment Failure, *Metroland*, January 29, 1998.

58. U.S. Bureau of the Census, *1990 Census of Population and Housing*, Summary Tape File 3A.
59. Ibid.
60. Ibid.
61. Ibid.
62. June 10, 1994, letter from Gerald Jennings, mayor of Albany, to Henry Cisneros, secretary, HUD.
63. Although the formal guidelines were not available until January 1994, the Empowerment Zones and Enterprise Communities initiative was announced by the Clinton administration, along with an invitation for applications, in December 1993. Cities across the United States were mobilized and began tentatively to plan for submitting applications to these programs as soon as the regulations were released. See, for example, Gittell et al., Expanding Civic Opportunity ; June Manning Thomas, Applying for Empowerment Zone Designation: A Tale of Woe and Triumph, *Economic Development Quarterly* 9, no. 3 (1995); and Robin Boyle, Notes on the Detroit Empowerment Zone Process, manuscript.
64. The justification for including both residents and nonresidents in strategic community planning processes is that the union of different perspectives, bases of knowledge, bodies of expertise, access to resources connects professional planning with grassroots knowledge and intent. In the case of the Empowerment Zones and Enterprise Communities initiative, residents and nonresident partnerships were anticipated to combine the skills and energies of professional planners and the residents of the target neighborhoods to produce consensus documents that outlined common understandings of the target neighborhoods priorities and pragmatic solutions for advancing community renewal. See Robert Chaskin and Sunil Garg, Neighborhood Governance, in *Core Issues in Comprehensive Community-building Initiatives*, ed. Rebecca Stone (Chicago: Chapin Hall Center for Children, University of Chicago, 1996), 44; U.S. Government Printing Office, *Federal Register*, especially 2701; and HUD and DOA, *Building Communities Together.*
65. See Gittell et al., Expanding Civic Opportunity, 535—539, and Rockefeller Institute of Government, *Empowerment Zone Initiative*, 1—2.
66. Gittell et al., Expanding Civic Opportunity, 535—539, and Rockefeller Institute of Government, *Empowerment Zone Initiative*, 2.
67. August 27, 1996 interview with Kevin O Connor, president, CEG , Albany, N.Y. This finding is surprising considering that local officials had proved quite entrepreneurial in the past, seeking federal funds for such economic development projects as the Omni Hotel in downtown Albany. See Rabrenovic, *Community Builders*, 61.
68. O Connor interview.
69. Paul E. Peterson, *City Limits* (Chicago: University of Chicago Press, 1981).
70. See CEG, *Annual Report* (Albany, N.Y.: CEG, 1995), and CEG, *Albany—Schenectady—Troy Enterprise Community Designation Application*,15.
71. Michael Leo Owens, Enterprise Zones and their Incentives for Business and Jobs in Poor Places: A Review, manuscript.
72. O Connor interview.
73. Dare, Mair, and Stewart interviews.
74. O Connor interview.
75. CEG, press release, May 3, 1994.
76. See, for example, William R. Barnes and Larry C. Ledebur, *Local Economies: The U.S. Common Market of Local Economic Regions* (Washington, D.C.: National League of Cities, August 1994); Henry Cisneros, *Urban Entrepreneurialism and National Economic Growth* (Washington, D.C.: HUD, September 1995); and Manuel Pastor, Peter Dreier, J. Eugene Grigsby, and Marta Lopez-Garza, *Growing Together: Linking Regional and Community Development in a Changing Economy* (Los Angeles: International and Public Affairs Center, Occidental College, April 1997).
77. State Commission on the Capital Region, *Growing Together*, 7.

78. Letter to Henry Cisneros, secretary, HUD, from Eugene Eaton, mayor of Troy, June 20, 1994 .
79. See letter to Henry Cisneros from Kay Ackerman, Schenectady director of development, June 17, 1994.
80. Some believe that CEG involved itself only to acquire federal revitalization moneys for projects outside the neighborhoods targeted for investment by the Enterprise Community program, namely, the central business district of Albany, where CEG is headquartered. This insight was obtained from my interviews with Dare, Mair, and Stewart.
81. In other cities across the country, the private sector made substantial financial pledges to support efforts of their cities should their target areas be designated Enterprise Communities. See HUD and DOA, President Clinton Announces Designation.
82. HUD, *Albany, New York, Enterprise Community Performance Report, 1995—1996* (Washington, D.C.: HUD, 1997).
83. HUD s description is applicable only to the steering committee formed in the post-award process of the Enterprise Communities program, not the committee that managed the *pre—award* process of strategic community planning for the three cities in the Capital Region.
84. CEG, *Enterprise Community Designation Application*, 15—17.
85. To supplement the work of EastWest Planning & Development, the membership of the TriCity EC Steering Committee volunteered their staff and other organizational resources. CEG provided the committee with the technical assistance for defining the objectives of the strategic community plan and the blueprint for its implementation if the three cities received an Enterprise Community designation. It also coordinated the committee s public relations and media strategy. The Council of Community Services identified the social, economic, and physical assets of the target communities and identified barriers to the start—up of new social services and human development programs. Additionally, they were used to assist the committee in organizing community workshops. The Capital District Regional Planning Committee analyzed census data and created demographic neighborhood profiles and maps for the committee, which it included in the final version of its plan. The local municipalities contributed resource materials and considered changes to their regulations and ordinances. See CEG, *Enterprise Community Application, 29.*
86. Letter to James Conroy, vice president for community development, CEG, from John M. Holehan, CEO, EastWest Planning & Development, June 21, 1994.
87. Ibid.
88. Telephone interview with Margaret Irwin, EastWest Planning & Development, October 26, 1995.
89. CEG, *Enterprise Community Designation Application*, 72. Critics of the TriCity EC Steering Committee contend that it backed away from significant resident involvement for fear of being criticized for the past actions of committee members and their organizations. This information was obtained from my interviews with Dare, Mair, Stewart.
90. Mary Grisez Kweit and Robert W. Kweit, The Politics of Policy Analysis: The Role of Citizen Participation in Analytic Decision Making, in *Citizen Participation in Public Decision Making*, edited by Jack DeSario and Stuart Langton (New York: Greenwood Press, 1987), 30.
91. Arnstein, A Ladder of Citizen Participation.
92. Albany-Schenectady-Troy Enterprise Community Steering Committee, *Strategic Plan Summary* (Albany, N.Y.: Albany-Schenectady-Troy Enterprise Community Steering Committee, 1994).
93. CEG, *Enterprise Community Application*, 45—51.
94. Ibid., 75.
95. Ibid., 45.
96. Ibid., 45—51.
97. Telephone interview with Doug Sauer, executive director, Council for Community Services, and member, Tri-City Enterprise Community Steering Committee, October 31, 1995.
98. CEG, *Enterprise Community Application,* 72.
99. Ibid. This was further supported by my interview with Irwin.

100. CEG, *Enterprise Community Application,* 52.
101. Ibid., 3.
102. Norman Fainstein and Susan S. Fainstein, Participation in New York and London: Community and Market under Capitalism, in *Mobilizing the Community: Local Politics in the Era of the Global City,* edited by Robert Fisher and Joseph Kling (Newbury Park, Calif.: Sage, 1993), and Frances Fox Piven and Richard A. Cloward, *Poor Peoples Movements: Why They Succeed, How They Fail* (New York: Vintage Books, 1972), especially 256—282.
103. Daley and Angulo, People-centered Community Planning ; Berry et al., *The Rebirth of Urban Democracy;* Jack DeSario and Stuart Langton, Citizen Participation and Technocracy, in *Citizen Participation in Public Decision Making;* Jane J. Mansbridge, *Beyond Adversary Democracy;* Medoff and Sklar, *Streets of Hope;* Stoecker, *Defending Community;* and Taub, *Nuance and Meaning in Community Development.*
104. See Stoecker, *Defending Community,* and Medoff and Sklar, *Streets of Hope.*
105. See, for example, Arnstein, A Ladder of Citizen Participation ; Barber, *Strong Democracy;* Barr, Empowering Communities ; Nigel Berkeley, George Goodall, David Noon, and Clive Collins, Involving the Community in Plan Preparation, *Community Development Journal* 30, no. 2 (1995); Berry et al., *The Rebirth of Urban Democracy;* Daley and Angulo, People-Centered Community Planning ; DeSario and Langton, *Citizen Participation in Public Decision Making;* Susan S. Fainstein and Clifford Hirst, Neighborhood Organizations and Community Planning: The Minneapolis Neighborhood Revitalization Program, in *Revitalizing Urban Neighborhoods;* and Stuart Langton, *Citizen Participation in America* (Lexington, Mass.: Lexington Books, 1978).
106. Chaskin and Garg, Governance in Neighborhood-based Initiatives.
107. Ibid., 633.
108. Pateman, *Participation and Democratic Theory,* 45.
109. Daley and Angulo, People-centered Community Planning, 93; see also Henig, *Neighborhood Mobilization.*
110. Henig, *Neighborhood Mobilization.*
111. Chaskin and Garg, Governance in Neighborhood-based Initiatives, 633.
112. Henig, *Neighborhood Mobilization.*
113. Chaskin and Garg, Governance in Neighborhood-based Initiatives, 638.
114. HUD, *Empowerment.*
115. CEG, *Enterprise Community Application,* 74.
116. Irwin interview.
117. Ibid. and Sauer interview.
118. The sets of rungs on Arnstein s ladder of citizen participation, from lowest to highest levels of participation, are *nonparticipation* (manipulation and therapy), *tokenism* (informing, consultation, and placation), and *citizen power* (partnership, delegated power, and citizen control). See Arnstein, A Ladder of Citizen Participation.
119. Ibid., 219.
120. See, for example, Berry et al., *The Rebirth of Urban Democracy;* Medoff and Sklar, *Streets of Hope;* Rabrenovic, *Community Builders;* and Stoecker, *Defending Community.*
121. For more on this, see Berry et al., *The Rebirth of Urban Democracy;* Chaskin and Garg, Governance in Neighborhood-based Initiatives ; and Chaskin and Garg, Neighborhood Governance.
122. HUD, *Empowerment.*
123. 3 Cities Pave Way for Building Enterprise Zones, *Albany Times Union,* August 23, 1995, A1.
124. See Poe, Empowerment Failure, and Albany s Enterprise Zone Slow to Show Progress, *Albany Times Union,* September 14, 1996.
125. See Poe, Empowerment Failure, and Albany s Enterprise Zone Slow to Show Progress.

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