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The Political Economy of Regional Redevelopment: Business and Area Government in the Regeneration of the New England Economy

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From the 1920s through the 1980s, New England experienced repeated rounds of decline in core industries. Each episode of downsizing resulted in a concerted push to revitalize the local economy. The area's long experience with growth promotion provides a good opportunity to explore the evolving dynamics of regional redevelopment over the course of the twentieth century. Events in New England reveal both an important change and an important continuity in the political economy of redevelopment. The change involved the role of government, especially state government, in the campaign for growth. Over time, the states had an increasingly more important part in recovery work. During the 1920s and 1930s, the private sector dominated revitalization efforts, with state government playing a marginal role. By the late twentieth century, states had become the key local actors in the development domain. The continuity in regional redevelopment involved alignments within the business community on growth promotion. Corporate managers in certain industries enthusiastically supported development, while executives in other sectors were indifferent to, or even opposed to, such initiatives. These alignments were determined by the vested interests of the companies involved and remained stable over time.

The decline of long-established industries and the policy challenges this presents has been a central concern in all developed countries since the final decades of the twentieth century. In certain developed locales, the problem, also known as deindustrialization, dates to a much earlier era.

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One such place is the New England region of the United States, which experienced repeated rounds of industrial downsizing over the course of the twentieth century. Deindustrialization first occurred in the area during the 1920s and 1930s, as traditional sectors such as textiles and shoes saw sharp declines. The phenomenon emerged again in the years soon after World War II, as plant shutdowns resumed in textiles.[1] It reappeared during the period from the late 1960s through the early 1980s, as factories closed in a range of older industries and as the defense electronics sector, which had become a key element of the local economy, downsized with the waning of the Vietnam War.[2]

In each of these three eras, a principal response to industrial decline was a concerted push to revitalize the area economy. New England thus saw bursts of growth-promotion activity over a sixty-year time span. The region's long experience in this field provides a good opportunity to explore the evolving dynamics of regional redevelopment in the twentieth century, an era in which American political economy as a whole changed in dramatic ways. In carrying out my investigation, I focus on the commonwealth of Massachusetts, the Bay State. Massachusetts was the most populous of the New England states and one hit hard in all three of the regional cycles of industrial downsizing.

New England events reveal both an important change and an important continuity in the political economy of redevelopment during this relatively long period. The change involved the role of government, especially state government, in the push for growth. As time progressed, the states played a steadily more active role in recovery efforts. Whereas state government was a marginal player in growth promotion during the 1920s and 1930s, by the late twentieth century it had become the dominant actor in this domain. The continuity involved alignments within the business community on the issue of fostering development. Corporate managers in certain industries enthusiastically supported efforts at growth, while executives in other sectors

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[1] In Massachusetts, factory employment declined by 30.9% between 1923 and 1939. Between 1947 and 1960, the state's manufacturing payrolls fell by 15.5%. These percentages are my calculations, from statistics in the Commonwealth of Massachusetts, "Report of the Special Commission Relative to Establishment of a State Department of Commerce," Dec. 1945, Massachusetts *Legislative Documents* 1946 (House, No. 300), 75 (for the years 1923 and 1939), and from Massachusetts Department of Labor and Industries, Division of Statistics, *Census of Manufactures in Massachusetts*, various years, available at the Massachusetts State Library, Boston, Mass. (for 1947 and 1960).

[2] Massachusetts lost 112,000 manufacturing jobs between 1967 and 1972, with unemployment in the commonwealth reaching 8% in the latter year. During the deep national recession of the mid-1970s, joblessness in the Bay State hit 11%, several percentage points above the national average. For these statistics, and a description of the Bay State's economic ills of this era, see David Lampe, ed., *The Massachusetts Miracle: High Technology and Economic Revitalization* (Cambridge, Mass., 1988), 6-10.

were indifferent to, or even opposed to, redevelopment steps. These alignments were essentially determined by the vested interests of the companies involved and remained stable over time.

The Increasing Role of State Government in Redevelopment Efforts

In the early twentieth century, state government had a limited role in economic promotion. A dramatic push for growth took place in 1920s New England, but the private sector took the lead in that era's recovery efforts. In the mid-1920s, once the extent of the structural problems in the area economy had become clear, the region's corporate interests founded a new, area-wide business association known as the New England Council (NEC, or Council) to work for the renewal of growth.[3] The organization drew in leading figures from the local business community, maintained an office with a sizable staff, and carried out a wide range of development work. The fees paid by member companies and organizations financed the Council's activities. Committees of area business people did much of the group's work. These individuals put in significant amounts of their own time without compensation and doubtlessly relied on additional assistance, provided free to the NEC, from subordinates within their own companies.

In seeking to counter the effects of industrial decline, NEC leaders launched a wide range of initiatives. The Council encouraged New England firms to adopt the latest managerial techniques; urged the use of industrial research to develop new products; encouraged collaborations between companies and the area's many universities and engineering schools; and sought to mobilize financial support for small local manufacturers. The NEC also mounted a public relations campaign to improve negative perceptions of the region that might scare off outside investors; sought to encourage manufacturers based elsewhere to set up facilities in the region; and advertised local tourist attractions.[4] The Council even carried out statistical work of the kind typically done by government agencies. The organization collected and disseminated data on factory openings and closures in New England and maintained a monthly index of local business activity. In essence, the NEC was an economic development agency run wholly in the private sector: a regional, completely private equivalent of the U.S. Department of Commerce.

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[3] For a full account of the Council's organization, membership, and work, including citations, see David Koistinen, "Dealing with Deindustrialization: Economics, Politics, and Policy during the Decline of the New England Textile Industry, 1920-1960" (Ph.D. diss., Yale University, 1999), chap. 5.

[4] On the role of publicity in the development efforts of this period, see David Koistinen, "Public Relations as Redevelopment Tool: Accentuating the Positive in Deindustrializing New England," *Business and Economic History On-Line*, vol. 3: *The 2005 Annual Meeting*; URL: http://www.thebhc.org/publications/BEHonline/2005/koistinen.pdf.

State government did have a role in 1920s New England recovery efforts, but was of secondary importance. The key occurrence in this regard was the establishment of state government commissions to encourage economic development. Massachusetts set up the first such body in 1929.[5] A Republican governor who was deeply concerned about the commonwealth's economic prospects initiated the effort to create the panel. The idea won strong support in the state legislature, and the commission went into operation soon afterward. Business representatives, including manufacturers, had a central role in the body's work.[6] The commission carried out a modest promotional program in the ensuing years, gathering statistics on available factory space and industrial startups and shutdowns, recruiting out-of-state manufacturers, and advertising Massachusetts' tourist attractions.

The place of the public sector in Massachusetts revitalization efforts became more prominent during the years following World War II. In 1953, the commonwealth upgraded the promotional commission established decades before to a full-fledged agency of state government known as the Department of Commerce.[7] The volume of resources channeled into public development efforts also dramatically increased at this time. In fiscal year 1945-46, the Massachusetts promotional commission received a budget appropriation of $64,000 and had five permanent positions. By fiscal year 1955-56, the Department of Commerce had an appropriation of $551,000 and twenty-eight permanent positions.

The Commerce Department that Massachusetts set up in 1953 pursued an energetic pro-growth agenda in the years after its founding. Bolstering the state's ailing manufacturing sector was a principal focus. The agency worked in a concerted manner to bring in new industrial employers from out of state.

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[5] Originally known as the Massachusetts Industrial Commission, this entity was later renamed the Development and Industrial Commission.

[6] Manufacturers secured a key role in the endeavors of the Industrial Commission, which surely assuaged any concerns those in the group might have had about the existence of a state government body seeking to strengthen the factory sector. The commission's first chair, Frederick Payne, was an industrialist who had served in the leadership of the Associated Industries of Massachusetts, the association of state manufacturers. A study of the Bay State's manufacturing weaknesses prepared on behalf of the commission in the early 1930s repeated years of claims by industrialists that taxes, government regulations, and unions severely handicapped commonwealth producers. See Commonwealth of Massachusetts, *Annual Report of the Department of Labor and Industries for the Year Ending November 30, 1930* (Boston, 1931), 103, and *Annual Report of the Department of Labor and Industries for the Year Ending November 30, 1931* (Boston, 1932), 127-28; *Industry* [Associated Industries of Massachusetts] (24 Oct. 1925), 6; Freeland, Bates & Lawrence, *A Brief Study of Industrial Massachusetts* (Boston, n.d. [1931?]).

[7] For a detailed account of the establishment and work of the Massachusetts Department of Commerce, including citations, see pp. 339-44 of David Koistinen, "Public Policies for Countering Deindustrialization in Postwar Massachusetts" *Journal of Policy History* 18 (Summer 2006): 326-61.

Commerce also devoted considerable attention to strengthening Massachusetts' existing manufacturers, especially small ones. Staff members advised company managers on purchasing, manufacturing, and sales questions. A program of site visits begun in 1958 brought Commerce personnel to hundreds of commonwealth factories each year. The department additionally supported the work of local industrial development organizations, published useful economic information, publicized the strengths of the commonwealth economy, and advertised the Bay State as a tourist destination.

Massachusetts established a second major growth institution during the early 1950s: a development capital corporation (DCC).[8] DCCs were an innovation of this period designed to provide long-term financing to small and medium-sized companies needing such support. The DCCs pooled funds from financial institutions, using the money to extend loans with a higher degree of risk than conventional lenders could tolerate. The funds made available in this way permitted the creation of new jobs and preserved existing ones under threat. Because of their potential to generate employment, the organizations were attractive in areas of the United States seeking to build up or revitalize their economic base. Although they were private-sector entities financed by private funds, DCCs required public charters to operate. Maine set up the country's first such institution in 1950. Massachusetts' Republican governor organized support for a DCC in 1953, at the same time he pushed for creation of the Commerce Department. Numerous economic groups backed the idea, and the state legislature easily approved the organization's charter. The new entity was named the Massachusetts Business Development Corporation (MBDC).

In the years that followed, the MBDC pursued an active lending program. Employing funds borrowed from participating banks and insurance companies, the organization, by late 1957, had approved ninety-nine loans worth $13.9 million that allowed the creation or preservation of 15,000 jobs. The MBDC directed its funds exclusively to companies that would otherwise have gone without financing; applicants had to have been rejected for a conventional loan to receive the organization's support. Loan monies were used to construct additional factory space for companies with growth potential, provide bailout assistance to firms in difficulty, and assist operations moving into the commonwealth from out of state. As of late 1957, nearly a third of MBDC lending had been directed to localities where plant closures had produced high unemployment.

Development efforts based wholly within the private sector continued in Massachusetts during the 1940s and 1950s, paralleling the concerted activity in the public sphere. The NEC, in particular, remained an important player in the growth-promotion field. An important Council initiative in the years after the war was working to convince a major U.S. steelmaker to set up a New England plant. NEC leaders calculated that a local supply of raw steel

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[8] On the establishment and work of Massachusetts' DCC, including citations, see Koistinen, "Public Policies," 342-44.

would stimulate the growth of metal-fabricating companies in the region. The Council also pushed vigorously for a strong New England role in the emerging atomic power industry. One of the country's first commercial atomic reactors went into operation in Massachusetts, undoubtedly assisted by NEC efforts.[9]

Growth-promotion bodies active in Massachusetts in the years following World War II thus included a large new state Department of Commerce; a publicly chartered, but privately run DCC; and the completely private NEC, which continued to pursue a variety of development possibilities for the region as a whole. We might say that in the immediate postwar period, the public and private sectors shared redevelopment responsibilities in the commonwealth on approximately a 50-50 basis.

By the 1970s and 1980s, state government had become the central player in the push for growth. Massachusetts created a number of new public institutions to promote development during this era, while private-sector efforts were limited. So diverse and significant were the efforts of state officials in this field that one set of scholars termed Massachusetts "a national leader in creating new roles for states to play" in economic development policy.[10]

Innovative, government-led efforts to encourage growth in Massachusetts began in the mid-1970s during the first gubernatorial term of Michael Dukakis. The high technology industries had by then become a key motor of the regional economy. Many of the new development efforts concentrated on untapped possibilities in this field. To help bridge a shortfall in financial backing for high technology firms that emerged during the period, the commonwealth set up its own venture capital organization, the Massachusetts Technology Development Corporation.[11] At the same time,

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[9] On the steel mill, see the coverage from the late 1940s and early 1950s in the New England Council's publication the *New England News Letter*, and the records of the New England Council Steel Committee, Sterling Library Manuscripts and Archives, Yale University, New Haven, Conn. On atomic power, see coverage from the same era in the *New England News Letter* and the study *Atomic Energy and New England: The Report of the New England Committee on Atomic Energy to the New England Governors' Conference* (Cambridge, Mass., 1955).

[10] Ronald F. Ferguson and Helen F. Ladd, "Massachusetts" chapters, in *The New Economic Role of American States: Strategies in a Competitive World Economy*, ed. R. Scott Fosler (New York, 1988), 33.

[11] Information on Bay State development initiatives of this era comes from Ferguson and Ladd, "Massachusetts," 41, 44-5, 77; Peter K. Eisinger, *The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States* (Madison, Wisc., 1988), 258-59; Sandra Kanter, "Theory of the 'Little' State: Business-Government Relations in the Commonwealth of Massachusetts" (Ph.D. diss., Massachusetts Institute of Technology, 1981), 95; and "Sell Massachusetts," 26 Aug. 1980, *Boston Globe* clipping, in "New England Economy" folder in the archives of what was at the time the Bank of Boston, Boston, Mass. On the dearth of capital for worthwhile ventures that arose in the 1970s, see Ferguson and Ladd,

state government took action that leveraged additional venture funding from the private sector. Massachusetts life insurance companies were eager to be rid of a tax on their gross investments imposed by the commonwealth several years before. In exchange for repeal of the levy, the companies agreed to set up a new financing vehicle, the Massachusetts Capital Resources Corporation (MCRC). This entity would lend money to firms that could demonstrate the potential to generate new employment and an inability to secure support from other sources. Although the MCRC was a private body, explicit prompting by the state government brought the organization into existence.

State development efforts continued in the years that followed. In the late 1970s, conservative Democrat Edward King succeeded Dukakis as governor. As an advocate of laissez-faire, King was reluctant to involve the government in additional economic ventures. He nonetheless supported the creation of a new public agency, the Massachusetts Foreign Business Council, to encourage foreign corporations to invest in the commonwealth. Dukakis returned to the governor's office in the early 1980s and soon resumed institution-building in the development field. Under the Centers for Excellence program initiated by his administration, Massachusetts sought to encourage the progress of research-based industries through financial assistance to business-university partnerships. Centers for Excellence were established during the mid-1980s in polymers, biotechnology, marine sciences, solar power, and a number of more traditional industries.

In contrast to the flurry of activity in the public sector, private Bay State development initiatives were limited during the 1970s and 1980s. The most significant of these was Jobs for Massachusetts. Launched in 1972 with private-sector financing, Jobs for Massachusetts brought together high-ranking officials from business, labor, and government. The group mounted an intensive campaign to persuade out-of-state companies to locate in the commonwealth and nurture the expansion of the existing economic base.[12] Although Jobs for Massachusetts was largely a private-sector initiative, public officials did play a role in its work.

The steadily expanding role of Massachusetts state government in economic development between the 1920s and the 1980s was of course consistent with broader changes in American governance. The U.S. public sector expanded dramatically over the course of the twentieth century. This

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"Massachusetts," 39-41, 43; Edward W. Hill and Nell Ann Shelley, "An Overview of Economic Development Finance," in *Financing Economic Development: An Institutional Response*, ed. Richard W. Bingham, Edward W. Hill, and Sammis B. White (Newbury Park, Calif., 1990), 25; and New England Regional Commission, *Capital Markets in New England* (Boston, 1975), in the vertical file at Loeb Design Library, Harvard University, Cambridge, Mass.

[12] Ferguson and Ladd, "Massachusetts," 40-41; William L. Brown (former president of the First National Bank of Boston), interview with author, 13 June 1996, Boston, Mass.

growth occurred in numerous spheres of activity and took place at the federal and local—as well as state—levels of government.

The public and private redevelopment efforts carried out in Massachusetts over the course of the twentieth century generally produced marginal, though concrete, contributions to the revitalization of the local economy.[13] This is easiest to demonstrate in the case of the MBDC. The organization's lending made possible the creation or preservation of 15,000 commonwealth jobs. Because the MBDC extended loans only to companies turned down for conventional financing, most of this employment would have been lost to Massachusetts without the organization.

Alignments within the Business Community on Redevelopment

The principal continuity in New England redevelopment from the 1920s through the 1980s involved alignments within the business community on the issue of growth promotion. Corporate managers from certain industries favored redevelopment, while executives from other sectors were indifferent toward, or even opposed to, such steps. These alignments were basically determined by the interests of the firms involved and remained stable over time.

Service-sector companies that sold in New England markets and were therefore dependent on the overall level of prosperity in the regional economy were the leading backers of growth. Operating in industries such as banking, transportation, utilities, retail, hospitality, and local media, these firms were the core supporters of private development initiatives and the strongest advocates of state government measures to encourage growth.

The area's existing manufacturers of finished products presented the primary obstacle to redevelopment efforts. Selling an array of goods in national and world markets in competition with producers elsewhere, these firms benefited from New England's economic distress, as high local unemployment dampened wage rates and discouraged shop floor unruliness. Existing New England manufacturers played little part in the redevelopment efforts of regional business and at times openly resisted growth-promoting steps by state government.

Service-sector firms with business prospects closely tied to those of the regional economy were the most visible supporters of the New England Council.[14] For example, the Rhode Island and Massachusetts state affiliates of the NEC together had eighteen members in 1930 who were business people from identifiable sectors. Of these, four were officers of regional utilities, two were bankers, one was a hotel manager, and one apparently headed a regional shipping line. As the work of the NEC got underway in the 1920s,

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[13] In one instance, promotional activities seemingly had a major impact. I argue that the activities of the private-sector New England Council in the 1930s and 1940s made an important contribution to the postwar emergence of Massachusetts' famed Route 128 complex of high technology firms. See Koistinen, "Dealing," chap. 6.

[14] This and the following paragraph are based on Koistinen, "Dealing," chap. 5.

the National Shawmut Bank, the second largest lender in Boston, took out large newspaper advertisements supporting the new organization. When Council leaders during the early 1940s sought to raise funds for an industrial research foundation that would promote the revival of manufacturing in the region, they looked primarily to the area's banks, phone companies, utilities, and railroads for contributions.

New England's existing manufacturers, a mainstay of the area economy, were notable for their relative absence from Council activities. The most important industrial producer in New England, General Electric (GE), participated to only a limited extent in the organization's work. As a large employer with operations in numerous states, GE had little riding on the economic welfare of a particular locale. The textile and shoemaking firms that were disappearing from the economic map of New England similarly had little stake in the region's future and, for the most part, a restricted role in Council doings.

The split between factions of New England business on the growth-promotion issue became more visible as government took a more central role in regional recovery efforts. Particularly contentious was the proposal, initially put forward in the mid-1940s, to transform Massachusetts' promotional commission into a much larger state government department of cabinet rank.[15] At the time it was first advanced, the idea won the backing of the state's Democratic governor and an important business organization with a diverse membership.[16] However, the Associated Industries of Massachusetts (AIM), the state manufacturers' association, staunchly opposed the proposal. The announced reasons for AIM's stance were rather incoherent.[17] The true motive for its resistance doubtlessly stemmed from

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[15] For more on this episode, including additional sources, see Koistinen, "Public Policies," 339-40.

[16] Massachusetts Federation of Taxpayers Associations, Inc., *Proposal for the Establishment of a Department of Commerce and Development in Massachusetts* (Boston, 1945).

[17] AIM initially favored the 1945 proposal for a Department of Commerce. See *Industry* (Sept. 1945), 29. However, the group changed its position after receiving "hundreds" of letters on the subject from "leaders in industry throughout the Commonwealth." The organization's new stance was that Massachusetts could best aid its industries through cutbacks in social programs and taxes, and that such steps must precede the establishment of an economic development agency. In testimony before the legislative committee considering the Department of Commerce proposal, the AIM general counsel bemoaned the fact that "more and more burdens were being placed on industry, many times under the guise of social legislation." Current proposals to increase unemployment insurance benefits, enact a state wage and hour law, and establish a Fair Employment Practice Commission "dispel all ideas that industry is going to be helped in Massachusetts," he continued. The AIM representative also questioned the size of the agency's proposed $1 million budget, suggested that political hiring might become prevalent in the department, and averred that there was no need for urgent action because in the prevailing postwar

concern that the new manufacturers the proposed agency would likely bring into the state would drive up local labor costs. The state legislature considered the bill to create a Commerce Department during the 1946 session, but failed to pass it, an outcome to which AIM's hostility likely contributed.[18] Similar dynamics appeared in 1952. The Democratic governor that year proposed to bolster the manufacturing sector through a state fund that would finance the construction of new factory space. A number of Bay State industrialists spoke out against the plan.[19]

Tensions within business circles over the state's promotional role were again evident in 1953. A new proposal to create a Department of Commerce was the central element in the economic program put forward at that time by the just-elected Republican governor. As before, the plan won the support of business groups with broad constituencies. Representatives of thirty local Massachusetts chambers of commerce appeared at a legislative hearing to call for passage of the measure. Because these groups represented a broad spectrum of enterprises in a given locality, they were much more likely to support the idea than an organization made up entirely of manufacturers. An official of the Greater Boston Chamber of Commerce offered an enthusiastic endorsement, declaring that there was a "desperate need" for an agency that would "give Massachusetts a better weapon in the increasing competitive struggle between states for more business and more jobs."[20] AIM endorsed the Commerce Department proposal this time around, but did so with considerable reluctance and likely to avoid political difficulties. A Republican Party activist in the organization's leadership had to twist arms behind the scenes to secure AIM's backing.[21]

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boom conditions the economic situation of the commonwealth was good. See *Industry* (Feb. 1946), 36, 72-75, "more" on pp. 72-73; "dispel" on p. 73, "hundreds," "leaders" on p. 74. On the makeup of the AIM membership, see Koistinen, "Public Policies," 357 n51.

[18] Arguing that the ambitious proposal for a Department of Commerce would result in an unduly large and powerful agency, a well-placed conservative Republican legislator blocked approval of the plan. AIM's opposition likely encouraged the lawmaker's resistance, as manufacturers were important financial backers of the state Republican Party. On Republican Party financing, see Duane Lockard, *New England State Politics* (Princeton, N.J., 1959; Chicago, 1968), 165; Cornelius Dalton, ed., *Leading the Way: A History of the Massachusetts General Court, 1629-1980* (Boston, 1984), 281.

[19] Annual address of Governor Paul Dever, 2 Jan. 1952, Massachusetts *Legislative Documents* 1952 (Senate, No. 1), 29-32; *New England News Letter* (Jan. 1952): 8, 9. Like AIM in 1946, one industrialist argued at this later date that reducing the government burden on private enterprise would do more to aid manufacturing than setting up the proposed state institution.

[20] *Boston Globe*, 11 March 1953, evening edition, quotations at p. 4, and 12 March 1953, p. 3.

[21] In private correspondence years after the fact, a Massachusetts manufacturer intensely involved in the state's Republican politics wrote that, while the Department

Once the Commerce Department went into operation, Massachusetts' current manufacturers seemingly opposed the agency's efforts to bring in new industries from outside the state. Although this recruiting work was a key department function, Commerce officials were guarded in public discussions of the subject, suggesting that news of their efforts was unwelcome to some. One of the more direct formulations on the matter appearing in the department's 1950s public reports held that staff "cooperate . . . with industrial realtors and factory locating services both inside and outside the State. . . . As a result, active negotiations for new and expanding industries initiate from every major industrial center in the country."[22] By contrast, Commerce documents went into considerable detail on the steps taken to aid the commonwealth's *existing* manufacturers.[23]

Massachusetts industrialists also manifested considerable ambivalence about the DCC set up in the Bay State. Several AIM members sat on the committee of business people that the Republican governor established early in 1953 to organize support for a DCC.[24] These manufacturers probably joined the panel for reasons other than enthusiasm about the proposed institution's mission. Demonstrating support for a new GOP chief executive was one possible motive; preempting proposals for the establishment of a similar entity in the public sector was another.[25] In a message to members in mid-1953, the AIM president warned that if a privately run DCC was not established soon, Massachusetts would likely end up with a "public development corporation" that was "politically operated" and supported by

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of Commerce bill was under consideration in the legislature, AIM "seriously questioned the desirability" of the measure. At a meeting of the organization's executive committee, this manager "took it upon [him]self to state" that "the Department of Commerce was very necessary and desirable" and that it would be "absolutely ridiculous" for AIM to oppose creation of the agency. After "much discussion," the executive committee acceded to a formal expression of support for the proposal. See Hanson to Healey, 27 Feb. 1957, Sinclair Weeks papers, box 35, "Kurtz M. Hanson" folder, in Dartmouth College Library Special Collections, Hanover, N.H. Concern for appearances surely motivated the Republican activist to push for this change of position and AIM to agree to it. For a corporate group to stand against a major economic initiative by the new GOP governor would have been very embarrassing for the business-backed Republicans, especially because observers would likely see the motivations of AIM members as self-serving.

[22] Massachusetts Department of Commerce, *Activity Report, July 1, 1957-March 1, 1959* (Boston, 1959), 23.

[23] In the ensuing years, which were relatively prosperous in Massachusetts, the state's existing firms essentially "captured" the Department of Commerce. Aiding existing companies, rather than seeking to bring in new businesses from out of state, became the focus of the agency's work. See Kanter, "Theory," 149-51.

[24] *Industry* (June 1953), 5.

[25] The previous year, before losing office, the Democratic governor put forward a plan for a publicly run institution that strongly resembled a DCC. See *New England News Letter* (Jan. 1952), 22; *Boston Globe,* 13 March 1952, p. 2.

tax revenue.[26] That the AIM official addressed those in his organization in these terms indicates that the membership had hesitations even about creating a development finance body under business control.

The DCC set up in Massachusetts, the MBDC, confronted an equity shortage after beginning operations that again highlighted manufacturers' reluctance to support promotional efforts. Like other DCCs, the MBDC borrowed the funds it would loan out from local commercial banks and insurance companies. Government regulations prevented those financial institutions from purchasing the organization's stock. Capital thus had to be raised through sales of equity to other kinds of businesses, including manufacturers, as well as to chambers of commerce and sympathetic individuals. Commenting in 1958 on the difficulties of raising the needed equity and obviously speaking with local industrialists in mind, an official at a Boston commercial bank declared:

> . . . today it is harder to sell stock in [the MBDC] than it was before [the organization] really existed. . . . We started with the large ones and they came along very handsomely. After we got by that stage the going got tough.... *A lot of them think that they are bringing competition into the state, that they're affecting the labor market adversely*.[27]

Established alignments on the development issue continued to be visible within the Massachusetts business community during the economic difficulties the state experienced during the 1970s. Regionally oriented service-sector firms, especially in finance, were again principal advocates of growth. An economist at the region's largest commercial lender was a leading spokesperson for action to revitalize the local economy, and a high-ranking executive at the same bank played a key role in Jobs for Massachusetts.[28] Meanwhile, firms in established industries with most of their sales outside the region were once again chary about development endeavors. Thus, the

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[26] *Industry* (June 1953), 5.

[27] *Monthly Review* [Federal Reserve Bank of Boston] (June 1958), 3 (emphasis added). An MBDC regulation limited the organization's total borrowing from participating financing institutions to eight times its equity. By 1957, banks and insurance companies had committed to providing the MBDC with $10.6 million in loanable funds. Only $6.3 million of this amount could actually be borrowed and lent out, however, since the organization's paid-in capital that year stood at just $788,000. Over $4 million in loanable funds went unused because of the inability to sell sufficient MBDC stock. Statistics from the 1957 annual report of the MBDC, reprinted in United States Senate, Committee on Banking and Currency, *Development Corporations and Authorities: Reports, Statutes, and Other Materials on State and Local Development Corporations and Authorities*, committee print, 85th Congress, 2d sess. (Washington D.C., 1958), 168.

[28] First National Bank of Boston, *Prospects for the New England Economy* (Boston, 1972); First National Bank of Boston, *The Manufacturing Structure of New England: The Alternatives Before Us* (Boston, 1972); Hill and Shelley, "An Overview," 25; author's interview with William L. Brown, 13 June 1996.

state's existing high technology firms blocked a 1970s initiative by Governor Dukakis to convince foreign technology companies to set up branch operations in the commonwealth. When Dukakis's successor launched a new effort (coordinated by the Massachusetts Foreign Business Council) to draw in firms based abroad, staffers carefully avoided recruiting in the technology industries, despite the state's many strengths in that sector.[29]

There is no reason to believe that any of the Massachusetts events I describe in this paper are exceptional. Many other U.S. states saw their public economic development capacity expand over the course of the twentieth century, as occurred in the commonwealth.[30] The factors that led Massachusetts' existing industrialists to oppose efforts at redevelopment should apply in other locales as well. We can thus expect to find the political-economic patterns of redevelopment witnessed in the Bay State in numerous other jurisdictions confronting the decline of core area industries.

[29] Kanter, "Theory," 20, 153-54; "Sell Massachusetts."
[30] Koistinen, "Public Policies," 348-49; Eisinger, *Rise of the Entrepreneurial State*.