

THE UNEVEN ECONOMY
AND
THE STATE
IN MASSACHUSETTS

by

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ABSTRACT

This thesis examines the relationship between the state and economic change and development in the Commonwealth of Massachusetts. It traces the development of the Commonwealth's economy and of state intervention from colonial times, through the transition to manufacturing industries, to the modern era of corporate domination. Massachusetts was once at the forefront of economic development in the United States and led the way in promoting industrialization. However, the thesis shows that the economic base of the Commonwealth has now changed dramatically: the importance of industry has declined and, although other non-manufacturing activities have grown, the relative economic position of Massachusetts has deteriorated. The thesis points out the severe consequences these economic transformations have had for the people of the Commonwealth and for their cities, towns and rural areas.

In analyzing the forces underlying these changes, the thesis finds that popular presentations which suggest that the actions and attitudes of state government bear a large responsibility for the Commonwealth's relative decline are quite erroneous. Instead, it is demonstrated that the causes of the economic changes experienced in Massachusetts lie basically in a broader process of uneven capitalist economic development which operates at national and transnational levels. Moreover, the thesis shows that rather than restricting business, the state has played a fundamental role in facilitating capital accumulation.

Based upon this analysis, the thesis explores the economic future for Massachusetts. It argues that current state economic policies are unlikely to discourage uneven economic development in the Commonwealth and concludes that there is a vital need for a new, alternative approach at both the state and federal levels. The thesis outlines some of the key elements of this alternative approach and, in so doing, also identifies some of the problems which would be involved in implementing it.

Thesis supervisor: Professor Bennett Harrison

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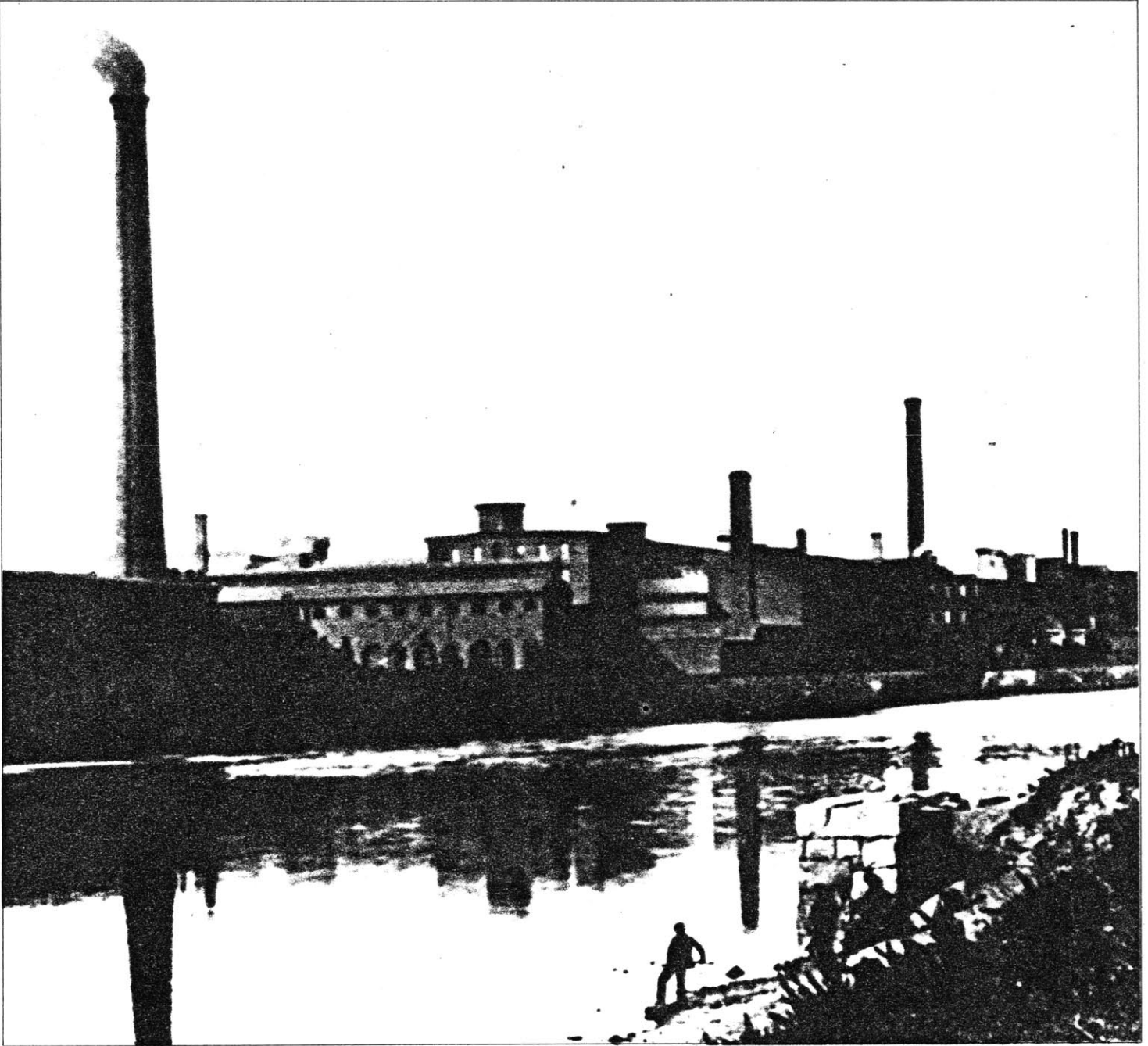
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The contrast between developed and underdeveloped countries, between town and country, between industries or different firms in the same industry, as well as between different parts of the same country or the same city are all part of the same process. Economists usually depict industrial development as a system in which the play of market forces normally irons out all the differences and the inequalities in the economic system: a self regulating system by which supply will always tend to equalize demand, wages and prices will tend to equalize everywhere. The reality is very different. Throughout its history capitalism has consistently failed to develop evenly or harmoniously... its history is one of intermittent crisis and depression during which significant inequalities between regions and areas grow and persist.

National Community Development Project, The Costs of Industrial Decline
(London: C.D.P., 1977)



THE "MILE OF MILLS" - LOWELL, MASSACHUSETTS, IN THE EARLY 1900's

CHAPTER 1 INTRODUCTION

Over the last two hundred years, the Massachusetts economy has undergone major structural changes. From an eighteenth century agrarian and mercantile society, Massachusetts developed into the first industrial state in the United States. By the middle of the nineteenth century, the state was industrially pre-eminent and technologically the most advanced and productive. Yet, in the twentieth century, industrial manufacturing sharply declined while service and professional activities steadily expanded. The pattern has been one of industrial growth and decline, service development and unremitting economic change.

Of course, this pattern is not unique to Massachusetts: it can be seen in the older industrial areas of Western Europe and throughout much of Northeastern USA. As in these other areas, in Massachusetts, these economic changes have literally transformed the lives of workers, their jobs and income levels, and the character of cities and the countryside. For example, there have been significant shifts in the locations of economic activities in the state. Industry has largely moved out of the

cities to the suburbs and, to an extent, moved out of state; central city areas have become the focus of corporate and financial activities; and rural areas have tended to lose their traditional employment bases of agriculture, forestry and small-scale manufacturing. In inner city neighborhoods, job losses have often far outweighed new jobs, and frequently those new jobs which have become available have been either low-paying or of a type requiring skills which local workers do not possess.

As a consequence of these economic and locational changes, a very uneven structure of employment has developed in the Commonwealth. In total, there are not enough jobs for all those who want to work, there is an uneven geographic distribution of existing jobs and job vacancies, and too many jobs pay low wages and involve dull or dehumanizing work.(1)

What have been the changes in Massachusetts?

As recently as 1947, nearly 45 percent of the non-agricultural labor force worked in manufacturing in Massachusetts.(2) The proportion now is just over one quarter. In numbers of jobs, there were about 800,000 manufacturing jobs in 1947, whereas in 1978 the average was 647,000. Over the same period, service-sector non-manufacturing jobs nearly doubled, increasing from roughly 1,000,000 in 1947 to 1,850,000 in 1978.(3)

The most recent low point for the manufacturing sector in Massachusetts was the recession trough of 1975, when employment plummeted, in June of that year, to 569,300. In that same month, non-manufacturing employment fell to 1,686,600, and the official figures said 300,000 workers, or 12% of the labor force, were unemployed.(4) With the national recovery in 1977 and 1978, employment in Massachusetts has been regained in both manufacturing and non-manufacturing and the Commonwealth ended 1978 with an official unemployment figure for the year of "only" 6.1%. However, in 1979, employment growth rates in most of Massachusetts' major industries have noticeably slowed(5) and the longer-term outlook for manufacturing in the state is still, in the words of the Governor's former economic advisor Richard Syron, "not so good." Syron points out that the trends in manufacturing investment are still declining in Massachusetts.(6)

CHANGING SECTORS IN THE MASSACHUSETTS ECONOMY

	<u>Employment (Thousands of Workers)</u>				<u>Change</u>	
	<u>1951(a)</u>		<u>1977(b)</u>		<u>1951 - 77</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
<u>Manufacturing</u>	<u>746.9</u>	<u>41.0</u>	<u>618.3</u>	<u>26.4</u>	<u>-128.6</u>	<u>- 17.2</u>
Construction	76.2	4.2	71.1	3.0	- 5.1	- 6.7
Transport, Utilities	120.5	6.6	109.5	4.7	- 11.0	- 9.1
Wholesale, Retail	362.9	19.9	532.6	22.8	+169.7	+ 46.8
Finance, Ins., Real Est.	79.9	4.4	135.2	5.8	+ 55.3	+ 69.2
Services	222.7	12.2	484.3	20.7	+261.6	+117.5
Government	213.7	11.7	386.0	16.5	+172.3	+ 80.6
<u>Non-manufacturing</u>	<u>1,075.9</u>	<u>59.0</u>	<u>1,718.7</u>	<u>73.6</u>	<u>+642.8</u>	<u>+ 59.7</u>
<u>TOTAL</u>	<u>1,822.8</u>	<u>100.0</u>	<u>2,337.0</u>	<u>100.0</u>	<u>+514.2</u>	<u>+ 28.2</u>

Sources: (a) Employment and Earnings, States and Areas, 1939 - 75
U.S. Department of Labor, Bureau of Labor Statistics, 1977,
Bulletin 1370-12

(b) Employment and Wages in Establishments Subject To the
Massachusetts Employment Security Law (Boston, Mass:
Division of Employment Security, 1977).

Within the overall decline in manufacturing over the last decades, there have been even more dramatic shifts. In 1923, the two leading employers in Massachusetts were the textile industry and boots, shoes and leather goods with 217,700 and 88,200 workers respectively.(7) By 1975, textiles employed just 25,600 workers, while boot and shoemaking employment has dropped to 22,800. Thus, in little more than 50 years, 257,500 jobs were lost in these two industries. In contrast, the electronics and electrical machinery industry grew from 60,000 to 106,900 jobs between 1947 and 1967. However, by 1972 it had contracted quite severely to 78,000, although by 1977, with 93,800 jobs, there had been some recovery.(8)

This pattern of growth in some industrial areas and sectors, and decline in many others, is evident in much of the rest of the Commonwealth's manufacturing structure over the years. But it is not true that growth in the high-technology sectors in Massachusetts has balanced the decline of the old mill-based industries. Between 1960 and 1975, traditional industries such as food processing, leather, and textiles lost 61,000 jobs. Only 11,000 jobs were gained in the high-technology industries of electrical machinery, transportation, and the like. However, service jobs paying less than \$5,800 a year increased by 60 percent, adding 170,000 jobs.(9)

In addition, many of the new jobs have been created in different locations from the old ones. As plants in older areas have closed, severe dislocation has been caused as workers have been forced to move to the suburbs for work or face unemployment or underemployment if they remain. For those unable to move because of racial barriers, poverty or lack of necessary qualifications, the problems have become compounded. This shift in the location of jobs has been particularly rapid in the post-war period. For example, in just the ten years between 1960 and 1970, the City of Boston's share of the jobs in its metropolitan area decreased by nearly seven percentage points, from 44.5 percent to 37.8 percent.(10)

This restructuring and relocation of key sectors of the Commonwealth's economy has had important human consequences and has intensified social and racial inequalities. Noticeable dichotomies have developed in the material quality

of life between the newer suburbs and older cities. For example, per capita-incomes were \$5,390 in Boston's suburbs in 1974, but only \$4,157 in the city. The proportion of non-whites in those suburbs in 1970 was just 1.6% while it was 18.2% in the city. Measured unemployment rates also differed - in the suburbs, the rate was 7.3% in 1977, whereas in the city, it was 9.6%.(11) Moreover, although official figures placed total unemployment in Massachusetts at 7.5% in 1978, youth unemployment (16-19 years) was 19%, while the proportion of minority youth without work was probably nearer 40%.(12)

Finally, in terms of personal income, it seems clear that Massachusetts has declined in relation to the rest of the United States. In 1970, manufacturing wages in the state were 96% of the national average; by February 1979, they had slipped to 89.7%.(13) Going further back, and looking at income in all sectors of the economy, per capital personal income in 1940 in Massachusetts was 131.8% of the United States average; by 1977, it had fallen to 103.4% of the national figure. (14) These figures do not take into account relative differences in the cost of living between Massachusetts and elsewhere, nor do they say anything about the distribution of income within the state — which has become more polarized since World War II. Whereas in 1967, 60% of the Massachusetts workforce held jobs paying above the Bureau of Labor Statistics lower living standard income level for a family of four, by 1976 that figure had dropped to 48%. This drop reflects the decline of high-paying primary jobs in the state and the growth of relatively low-paid secondary employment and helps to explain why Massachusetts has such a comparatively large proportion of its population in, or looking for, work. In order to make ends meet, many families now need two wage earners rather than one.

Who is to blame?

In questioning why industry in Massachusetts has experienced long-term decline, why investment is sluggish, why good, well-paid jobs are few and far between, and why relative incomes have fallen, the answer is often to single out state government itself as a major cause. Consistently, the state is accused of being "anti-business" and responsible for generating an adverse "business climate." It is said that the state has pre-empted productive private resources, grown too large, imposed strangling regulations, taxed too heavily, and discouraged worker motivation by paying "too high" rates of welfare support.

Such arguments are by no means new. In 1830, for instance, it was said that the policy of state corporation laws was the cause of the general business stagnation then current in Massachusetts.(15) In 1922, an Associated Industries of Massachusetts article entitled "What Can We Do To Prevent Unwise Social Legislation" argued against a legislative proposal to extend workingmen's compensation because it would ". . .unduly hamper business management."(16)Meanwhile, in 1958, the General Electric Company, in a letter to 30,000 employees, blamed over-legislation and overspending by the state legislature for the loss of 21,000 jobs in the Commonwealth over the previous year.(17)

More recently, similar arguments were used by the administration of Governor Dukakis. In discussing Massachusetts' poor industrial performance, one Dukakis report asserted that "the increasing costs of state and local government have placed an added burden on firms wishing to expand in, relocate to, or simply continue operation in Massachusetts.(18) That administration used such arguments to cutback on state social services programs and to justify increased aid to business.(19)

The same type of arguments have also been accepted, indeed promoted, by the present administration of Governor Edward King. On March 27, 1979, for instance, the Governor announced the formation of "a special commission aimed at cutting governmental red tape that may be slowing business expansion in Massachusetts."(20) Earlier, the Governor had been quoted as saying "the fastest growing industry in Massachusetts is inefficient government."(21) Governor King, particularly in his commitment to reduce property taxes by \$500,000,000 without cutting services, has repeatedly emphasized that business is being curtailed through high taxation and that once rates are lowered, expansion will occur.

Of course, other reasons besides the negative role of state government are often given to account for the problems of the Massachusetts economy. In 1976, An Economic Development Program for Massachusetts identified three other causes in addition to the increasing burden of state and local government on firms. These were, first, the high costs of energy and of shipping products to and through Massachusetts; second, the cutbacks in defense space programs which hit the Commonwealth's research and development firms; and, finally, a relatively high demand for jobs. Besides these, some other frequently listed causes include changing markets, poor management and investment decisions, bad labor relations, capital shortages and biases in federal policies.(22)

However, notwithstanding all these other possibilities, for Governor King, the prime fault lies quite clearly with state government. The Governor has stressed: "We can no longer blame our location, relative energy costs and federal policies for our economic problems. We have to blame a long history of self-imposed obstacles. Obstacles we can no longer tolerate."(23)

Implications of these explanations

The problem with these arguments is not that they are necessarily untrue, but that they do not go deep enough in explaining the fundamental causes of the changes and problems in the state's economy. The implication of laying primary blame on such factors as over-taxation by the state is the notion that these problems can largely be resolved through policies of tax incentives and tax breaks. Equally, blaming "externalities" or "market failures" such as high energy costs, biased federal policies or poor management decisions leads to the conclusion that all that is needed are "market perfecting" devices to correct these imbalances and that these should take such forms as lowering business costs (usually through tax cuts) or providing technical assistance to business. However, as subsequent chapters will try to show, because the advocates of these policies have misassigned cause, these types of policies are unlikely to have a substantial effect.

Moreover, the arguments which blame the state government are not simply secondary in fact, but also profoundly misleading in explaining the Commonwealth's relative decline. Rather than being negative or anti-business, one of the overriding roles of the state government has been to facilitate the very conditions for the accumulation of capital. There is strong historic evidence, and also strong contemporary evidence, to support this assertion.

Significantly, the arguments that the state government must share a major part of the blame for the Commonwealth's problems are not made only from outside the machinery of government; the arguments have been made and accepted inside, too, as Governor King exemplifies. But he is not the first. To an extent, this reflects the electoral aspirations of many politicians. By attaching cause to state government, it allows them to claim in their campaigns that they can resolve the state's economic problems, or - to use the catchword of King's campaign - that they "can do." If those problems abate, they can then seek the credit. The net effect of

focusing all this blame (and sometimes credit) on the state is to remove public attention from more deeply rooted causes. Moreover, there is reinforcement of a poor self-image upon the state and its personnel; this strengthens notions that the state does no more, and cannot do more, than simply sit atop the private enterprise market, to either burden and obstruct it or remove itself and let business grow free.

The deeper causes

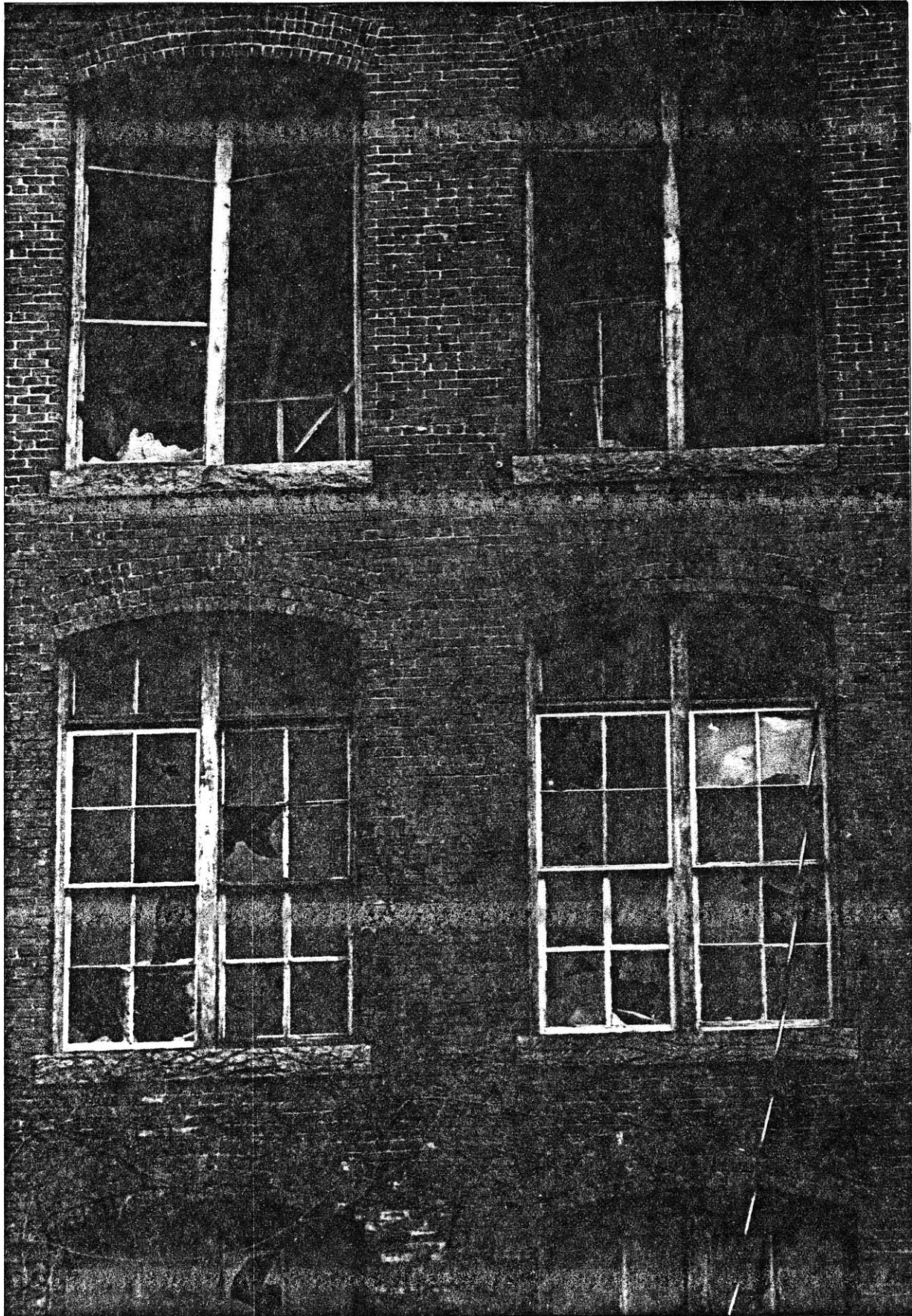
If the conventional explanations are less than accurate, then two questions immediately arise. First, what are the more fundamental causes of Massachusetts' relative decline? Second, if the actions of state government are not a primary cause of Massachusetts' relative decline, why is it that the state is under such a severe attack from pro-business forces both outside the State House and within?

It is these kinds of questions which the following chapters will address. To do so, the focus will be on the relationship between the machinery of state government and the growth, maturity and relative decline of the state's economy. The analysis will be firmly historical because this will provide not only an understanding of the events which have led to the current situation, but also illustrate the continuity of the structural relationship between the state and capital. But the argument will not be that the state itself is a prime cause in Massachusetts' relative decline, except in the important sense of "non-decision": this is to say that if state government had been able to make some decisions which to date have been deemed to be unthinkable or impractical, then events might have turned differently. In this light, in no way is this document a defense of the state government; it is highly critical both of previous and current state policy postures in Massachusetts and of the motives behind many of the present day attacks.

Thus, rather than blaming the state, the argument will stress that what is at work is a more fundamental process of uneven economic development which is affecting not just Massachusetts nor New England but, indeed, the United States itself. At times in the past, this process of uneven development led to parts of Massachusetts becoming relatively more economically developed than many other sections of the United States. Now, through basically the same process, these originally more advanced areas have declined, and other parts of both Massachusetts and regions elsewhere are today at the leading edge of economic development. Hence both

growth and decline, and wealth and poverty, are the outcomes of this uneven developmental process, and it simultaneously results in, and is the product of, social conflict. Currently, the United States in general, and Massachusetts and much of the old Northeast in particular, are suffering adversely from the consequences of uneven development. This retrenchment is, essentially, what underlies the attacks on state government: it is part of what has been called "recapitalization" — the restructuring, through the means of the state, of the relationships between capital and labor in the light of declining economic performance.(24)

In the context of this alternative explanation, the document will examine the policies now being followed or advocated by the Commonwealth to revitalize its economy. It will be shown that not only will those policies do little which would not have been done anyway, but that they often are a misuse of public resources which could well have been applied more usefully in the form of direct public investment or social services.



LOWELL IN 1979. DESPITE URBAN REVITALIZATION EFFORTS, MANY OLD MILL BUILDINGS ARE NOW EMPTY AND DECAYING.

CHAPTER 2 THE STATE AND THE ECONOMY

Introduction

The development of state government began in 1629 in Massachusetts when a royal charter of incorporation was granted to the "Governor and Company of the Massachusetts Bay in Newe England." In 1630, the first General Court of all freemen met—these were men who had worked off the indentures they had entered into with Massachusetts businessmen to finance their trip from England.(1) And right from the moment of its formation, the General Court involved itself in the economy of the fledgling state.

For example, the early General Court regulated inventions through a patent system based on seventeenth century English patent principles, which gave exclusive personal use of new inventions. Adopted in the "Body of Liberties" of Massachusetts by the General Court in 1641, the patent law said that "there should be no monopolies but of such inventions as were profitable to the country, and that for a short time only."(2)

One of the first applicants for exclusive privilege under this patent law was Joseph Jenckes, who wanted permission to undertake a new application of water power to mills. On May 6th, 1646, the General Court resolved:

"In answer to the petition of Joseph Jenckes, for liberty to make experience of his abilities and inventions for ye making of Engines for Mills to goe with water for ye more speedy dispatch of worke than formerly, and mills for ye making of Sithes and other Edged tooles, with a new invented Saw-mill, that things may be afforded cheaper than formerly, and that for fowerteen years without disturbance by any others setting up the like inventions, so that his study and cost may not be in vayne or lost; this petition is granted so as power is still left to restrain ye exportation of such manufactures, and to moderate ye prizes thereof if occasion so requires."⁽³⁾

This resolution is highly significant because within it there lie several keys to understanding what has happened to the Massachusetts economy from that early time until the present day, for it illustrates:

- . the drive to make things more cheaply—a reflection of the more fundamental drive to maintain and increase profits;
- . the drive, as part of this search for profits, to replace labor power with machines and then to replace simple machines with more complex ones and, eventually, with systems of mass production;
- . the intertwined relationship between the state and the owners of machines and capital.

The last point is particularly relevant because capital is invested in a market economy not only where it is most profitable, but also where it is secure. For Joseph Jenkes, the General Court was clearly ensuring he would be able to keep control over the gains his invention might bring him, although—as was the ethic of the time—the court retained power to "moderate ye prizes" if necessary.

As we shall see, it was the drive to maintain and increase returns and to develop new profitable sectors in the economy that originally underlay the industrialization movement in Massachusetts in the early nineteenth century. Much later, however, after a period of intense expansion of industry in the state—an expansion which had caused entire communities to arise around manufacturing plants—this same basic search for higher returns led these early industries to rationalize and relocate their production. Because of the resistance of settled workers, it was easier to close or run down sites in the older industrial areas and build new factories based on new technologies and newly assembled work forces in the suburbs, in the south, or abroad.

As this complex process of industrialization, deindustrialization and conflict between labor and capital has unfolded in Massachusetts, we shall see as well that state government has played a central role. The relationship has truly been an intertwined one. In the first decades of the new post-colonial Commonwealth, the state was decisive in the establishment of canals, roads, railways, banks, business corporations, and labor laws. As the Massachusetts economy has changed and undergone decline in its traditional industries in the twentieth century, the state has stepped in to try to improve the Commonwealth's competitive position and to encourage new, more profitable sectors such as high technology, research and services. Yet, the state's role has never been simply to aid the owners of capital; more often than not, there has been conflict over what the state should do, and—at various times—it has itself been an arena of struggle between farmers, merchants, workers, industrialists, consumers and commercial interests.

The rest of this chapter details some of the more important parts of this process of economic development, conflict and state intervention in Massachusetts. Although the state's economy has developed unevenly, with very many ups and downs, the analysis will identify four broad periods:(4)

- . the mercantile period—lasting through to the 1820s
- . the transition to industry—1812-1860s
- . the industrial economy—1860-1914
- . the corporate economy-1918+

It is important to remember, however, that the major changes and struggles which have occurred in the Massachusetts economy over the last two centuries have not taken place in isolation from what has happened in the rest of the American economy and, indeed, the world. While in the following account some of the key links are made between events in Massachusetts and elsewhere, it is left to the succeeding chapter to fully analyze these inter-relationships and the forces underlying them.

The Mercantile Period and the Growth of Merchant Capital

Before the Revolution, most of the colonists in Massachusetts lived off the land. In Dedham, for instance, 85 percent of the early inhabitants were farmers and "most of the rest derived the greater part of their support from the land."⁽⁵⁾ Nonetheless, during this period there were two other significant groups of people who were not farmers.

First, there were small numbers of wage earners, typically artisans or craftsmen—such as blacksmiths, cordwainers and millers—who owned their own workshops and tools. These remained a small group because of the state's sparsity of population, its dependence on England for many goods, and because most material needs (e. g., for shoes, carpentry, or clothes) could be met within the farmer's domestic household.

Second, there was an increasingly important class of merchants who, based mainly in Boston, had established a long-distance trade importing goods into the colonies and selling fish, furs, lumber, cattle and foodstuffs to Virginia, the West Indies and England. As this carrying trade grew, these merchants became increasingly wealthy. Whereas in 1687, the richest 5 percent of Boston's merchants owned 27 percent of the city's taxable property, by 1771 they owned 44 percent.⁽⁶⁾

The key functions of colonial government during this period were "to control wages and prices, maintain the quality of manufactured goods, prevent idleness, relieve economic distress and . . . enforce the mutual obligations of master and servant." ⁽⁷⁾

For example, the seventeenth century General Court believed strongly in the idea of the "just price" and set prices on commodities and wages. Both secular and religious sanctions were imposed on those who violated the general norms of fair dealing. In addition to this central control of business activity, the early General Court tried to stabilize the social structure by such means as prescribing codes of dress to keep people in their "proper place."⁽⁸⁾ However, as commercial activities grew, the merchants found all this too constraining and became "instrumental in subverting the Holy Commonwealth, overthrowing the semi-feudal Puritan leadership, and transforming the colonial economy, social structure and ideology."⁽⁹⁾

The major juncture in this transition was, of course, the break with Britain. The War of Independence not only ended the colonial subservience of the states to the mercantile interests of England, it also heightened the struggle within Massachusetts between old ideas and new ones—a struggle which matched a traditional agrarian economy against a rising mercantile class.⁽¹⁰⁾

As Oscar and Mary Handlin comment:

"The dissolution of imperial authority of 1774 hurled Massachusetts Society into a period of violent flux. As the government (British) collapsed beneath the weight of popular insurrection, and as a series of de facto administrations carried on the work of ruling, complex forces struggled to determine the character of the state that would arise from the revolutionary effort."⁽¹¹⁾

On one side were the farmers, who raised the question of whether commerce should be an important part of the new state's economy. Many resented trade which brought profits only to the seaboard and seemed to produce a glut of imports, drain away money and subject the state to foreign influence. On the other side there were the merchants, but they were in a complex position because of the debts Massachusetts had incurred to finance the Revolutionary War. To help pay back these debts, the anti-commerce farmers wanted to tax foreign trade, which the merchants obviously resisted. Yet, at the same time, the merchants were also the major creditors of the state's debt notes. Without further tax revenues, the merchants could not be repaid. The farmers would not accept any additional property taxes, so the merchants agreed to indirect taxation of foreign imports if domestic goods were taxed too. The net effect of this was to tax the farmers both as producers and consumers, while leaving the merchants free to export.⁽¹²⁾ Despite some very severe ups and downs in the post-colonial Massachusetts economy, the merchant class prospered: by 1790, the richest 10 percent of Boston's property holders owned 65 percent of the city's wealth.⁽¹³⁾

The Transition to Manufacturing

Small-scale manufacturing had long existed in Massachusetts, dating back almost to the foundation of the Bay State—as the General Court's grant of patent to Joseph Jenkes in 1646 to make agriculture tools indicates. Largely this manufacturing was craft-based, with a master blacksmith, cordwainer, printer or carpenter owning his own shop and tools and perhaps employing one or two journeymen or apprentices. In the eighteenth century, some colonial towns did erect large buildings with hundreds of spinning wheels and looms to employ indigent women and children. (14) But these early forebears of the mills were limited in scope and purpose: essentially, they were established as part of the colonial state's duty to prevent idleness and relieve economic distress. It was not until the beginning of the nineteenth century that the power-driven mill, financed by merchant capital, first appears to mark the foundation of the modern manufacturing system in Massachusetts.

In this transition to a manufacturing economy, the state played a fundamental stimulative role. For example:

- . 1786 - the General Court aided the start-up of cotton textile manufacturing by giving a grant of \$200 to Barrs from Scotland to help build a textile machine.
- . 1787 - the General Court gave exclusive rights for 15 years to a Boston company to manufacture glass in Massachusetts. The capital stock of the company was exempted from taxes for five years and the workmen employed absolved from military duties.
- . 1787 - the legislature chartered the Beverly Cotton Manufacture, which used spinning Jennies designed to state specifications.
- . 1792 - A Dr. Manning received financial assistance from the General Court and land from Ipswich town to build an experimental wind-powered manufactory (it failed in 1800).
- . 1804 - the General Court granted a 5-year tax exemption to the Pawtucket Cotton and Oil Company, Rehoboth.(15)

The drive to initiate manufacturing in Massachusetts came largely from a few merchants who began to realize the gains to be made from manufacturing goods like shoes and textiles directly rather than importing them from Britain, as had been the pattern throughout the 1790s and early 1800s. The 1807 Embargo, the 1810 Non-Intercourse Act and the War of 1812 gave these efforts a huge boost, as did the actions of government, both at the federal and state level. Early manufacturing was "endowed with a quasi-public and not a private character, and given numerous encouragements by the State."⁽¹⁶⁾

For instance, between the end of the Revolution and 1801, more than 300 business corporations were created throughout the new nation by state governments, whereas there had been perhaps only half-a-dozen before. About 200 of these were inland navigation, toll bridge and turnpike road corporations; 32 were insurance companies; and 36 were involved in water resource projects and dock building. ⁽¹⁷⁾ This governmental intervention continued into the nineteenth century with the opening up of the midwest. With federal blessing and participation, the states developed transportation links which pierced the Appalachians and enabled the creation of the new midwest markets—and the exploitation of that region's resources. These projects included the Erie Canal (New York State, 1817), the Pennsylvanian canal system (1825), the Chesapeake and Ohio Canal (Maryland, Virginia and the Federal Government, 1827), and state-pioneered railway ventures (Baltimore and Ohio, 1828; Erie, 1830s).⁽¹⁸⁾

The opening up of more fertile and profitable agricultural lands, in western New York and then in the midwest, throughout the first parts of the nineteenth century forced many farm families off the less competitive land in New England. The effect was to create a surplus of labor which could be used in manufacturing in the Bay State. At the same time, the decline of foreign commerce caused by Jefferson's Embargo and the War of 1812 with Britain, encouraged merchants with capital to look for investments aside from shipping. A number of cotton mills had been established in the years before the turn of the century - in Rhode Island, Connecticut, and, as already mentioned, in Massachusetts. Sometimes, mercantile

capital was used to finance these ventures: for example, in the 1790s, merchant Moses Brown formed a partnership, which included Samuel Slater, to introduce Arkwright spinning machines in the Pawtucket Mill, Rhode Island. But, more often, mills were family-owned, using minimal capital. With the trade restrictions with Britain in the early nineteenth century, these small mills proliferated: by 1810, there were 238 mills in America, including 54 in Massachusetts.(19)

However, developments were at hand which would fundamentally change the character of this textile industry. In 1813, a group of import merchants established the Boston Manufacturing Company in Waltham. Using a power loom, the mill was ". . .the first fully integrated factory in which all processes from raw material to finished product were powered under one roof."(20) Large economies resulted, and the mill was very profitable. Unlike the small family producers, the merchants were able to finance the huge capital costs - about \$400,000 - of such a mill. Moreover, in the depression following the War of 1812, Boston Manufacturing, with its large capital reserves, was able to expand production, whereas small family mills throughout New England were forced to close. The model was clearly a successful one: it influenced other merchants to invest in additional mills along water power sites in northern Massachusetts.

But, just as there had been popular struggles against foreign commerce immediately after the Revolution, there was also opposition in Massachusetts (as in other states) towards the growth of home-based industry. The Commonwealth's population was still predominantly comprised of small farmers, artisans and craftsmen who made their living, and acquired their ideas and values, from the traditional agrarian economy. The pivot of social and economic life was the family farm. Against this, the new manufacturing jarred, altering customary notions of work. Ownership became divided from production, work was not based upon the land, and the autonomy, initiative and skill characteristic of farming was replaced by the mechanical tasks required to make standard products. Since many of the early mills employed women, there was a disruption of traditional sex roles. The farmers and artisans also feared they would have to pay higher prices for goods because prominent merchants were advocating tariff barriers to protect their manufacturing investments.(21)



AT THE LOOM. MANY OF THE WORKERS IN THE EARLY MILLS WERE WOMEN.

Anti-manufacturing arguments were advanced by intellectuals as well. Jefferson, for instance, was afraid that urban disorder would result from the new class of property-less dependent urban workers which manufacturing would set up. Some sections of the commercial class of bankers, merchants and shippers also opposed home-based manufacturing, not only through conservatism, but because of a desire to maintain the viability of their own investments in ships and transportation facilities.(22)

The state was at the center of this struggle over manufacturing, for it alone had the power to charter business corporations and grant such favors as monopoly rights to protect investments and eminent domain to obtain property and access for industrial development and canal building. The nascent merchant industrialists were able, despite the opposition, to get the state to act in their favor. They argued that manufacturing was of general common benefit, as exemplified by the Newburyport Woolen Company which, at the turn of the nineteenth century, asked for state help, not "for private emoluments for themselves" but as "an object worthy of the Public encouragement."(23) But, perhaps more significantly, the merchants had power as major holders of the state's debt notes: indeed, as the state paid off the public debt (with interest), the large sums released were often used by merchants as capital to invest in manufacturing ventures.(24)

The degree of success achieved by the merchants in using the state to help develop manufacturing is indicated in the growth of charters to manufacturing corporations in Massachusetts, as follows:(25)

1789-1796 (8 years)	3
1800-1809 (10 years)	15
1810-1819 (10 years)	133
1820-1829 (10 years)	146
1830-1835 (6 years)	100

As the number of mills grew in Massachusetts—and, of course, in other parts of New England—the way was opened for the wider development of industrial capitalism. Around the mill sites rose new cities such as Lowell, Chicopee, and

Lawrence. The proportion of New Englanders living in communities of 10,000 or more people increased from 7 to 36 percent between 1810 and 1860, while from 1820 to 1860 the population of Massachusetts more than doubled from 500,000 to 1,200,000.(26) Boston broke out from the limitations of a mercantile economy, which had held its population close to 16,000 in the eighteenth century, to a city of 60,000 by 1830 and 180,000 by 1860. This urbanization increased the specialization of life: it led to an increasing demand for construction and for shoes, clothing, and furniture. The growth of textiles also created a new textile machine industry.

Of this dramatic transitional period towards a manufacturing and urban economy in Massachusetts, the historian Alan Dawley writes:

"After 1814, the dynamics of capitalist development broke apart the old links between household and marketplace. The search for profits drove Yankee traders even deeper into the realm of production, causing the emergence of groups who bought labor as a commodity and the groups who sold their ability to work to the highest bidder. The half-century after 1814 produced an economic transformation that eventuated in the industrial revolution based on the factory system."(27)

The essential development of this transitional period was the eclipse of, first, craft trades undertaken by a master or artisan, and subsequently, family-based manufacturing. In both these traditional modes, ownership, management and production were usually concurrent. But, as industrialization developed, these functions became increasingly delineated and separated. At the leading edge of this transformation was the textile industry: not only did it most clearly distinguish labor from management and ownership, it also introduced the power-driven mechanized factory and the female wage earner and fundamentally developed the corporation and the permanent urban factory class.(28) In addition to becoming more separated, ownership began to be concentrated. By 1850, fifteen Boston families—the "Associates," some of whom, as import merchants, had set up the original Boston Manufacturing Company—controlled 20 percent of the nation's cotton spindleage, 30 percent of Massachusetts railroad mileage, 39 percent of Massachusetts insurance capital, and 40 percent of Boston banking resources.(29)

For the textile industry, it has been shown that this separation of owners from workers led to "a promotional pattern, which drew its profit not from the manufacture of cotton, but from the organization of new enterprises."⁽³⁰⁾ In Massachusetts there were extensive stock manipulations, as profits were made on the model which had generated high returns at Lowell - selling land, water power, and machinery to new enterprises and stockholders, rather than actually producing textiles. Between 1820 and 1860, this led to a rapid over-expansion of productive activity. Moreover, the machinery the owners had developed stressed speed and efficiency at the expense of flexibility; it could only produce a narrow range of goods, the market for which soon became glutted. While individual fortunes were made (and sometimes lost), by 1860 the textile industry in Massachusetts was structurally weakened with overcapacity, and the seeds sown for its subsequent decline.⁽³¹⁾

The state aided the accumulation of wealth from manufacturing ventures by allowing, in 1829, the principle of limited liability, although for some years before that various reductions of full liability had been permitted by both the legislature and judiciary. Since, with limited liability, individual investors could not be held liable for the debts of a company, this protected and attracted investors. But it also enabled the Boston Associates to invest their own and other people's capital without risk to their personal fortunes. The state was under pressure to allow limited liability because, in the 1820s, large sums of capital were leaving Massachusetts to be invested in manufacturing in Maine and New Hampshire (both of which had limited liability).⁽³²⁾ Through attempting to stem this outflow by permitting limited liability, the effect was to further diminish state control of corporations in Massachusetts, while advancing and legitimizing corporations as private instruments of individual shareholders.

In addition to the protection of private capital accumulation in Massachusetts, the state was fundamentally involved in this period in the development of canals, turnpikes, bridges and railroads. The state promoted such internal improvements as a matter of deliberate policy; in so doing, it facilitated the conditions essential for the growth of manufacturing and, at the same time, provided profit opportunities for the builders, operators, stockholders and financiers of these projects. In the late eighteenth and early nineteenth centuries, state-chartered bridge corporations paid high returns, especially when new bridges boosted adjacent real estate values. For road and canal building, the state allowed corporations to take land and levy tolls, but in the speculative rush to build, the early canals were not always profitable to operate, although industrial growth in the 1820s led to better returns.⁽³³⁾

It was, however, in the development of railroads, which began to eclipse the canals after 1835, where industrialists, bankers and the state worked together, and sometimes fought each other, most vigorously. The construction of the Boston and Lowell Railroad, opened in 1835, is a case in point: the railroad was promoted as a "public good," but really served to profit, through land rights, access to Boston, and stock manipulation, the Boston Associates and their Locks and Canals Company (which was developing Lowell); it was chartered and given a monopoly by the legislature; and it opened the way for a frantic wave of railroad development as the big mill industrialists and financiers (such as Nathan Appleton) turned railroad construction, and the buying and selling of railroad stock, into a new area for capital accumulation.⁽³⁴⁾ Aiding these developments, Massachusetts issued \$6.5 million of state securities for railroads between 1837 and 1841, increasing this to \$7.3 million by 1860.⁽³⁵⁾

Industrial Massachusetts

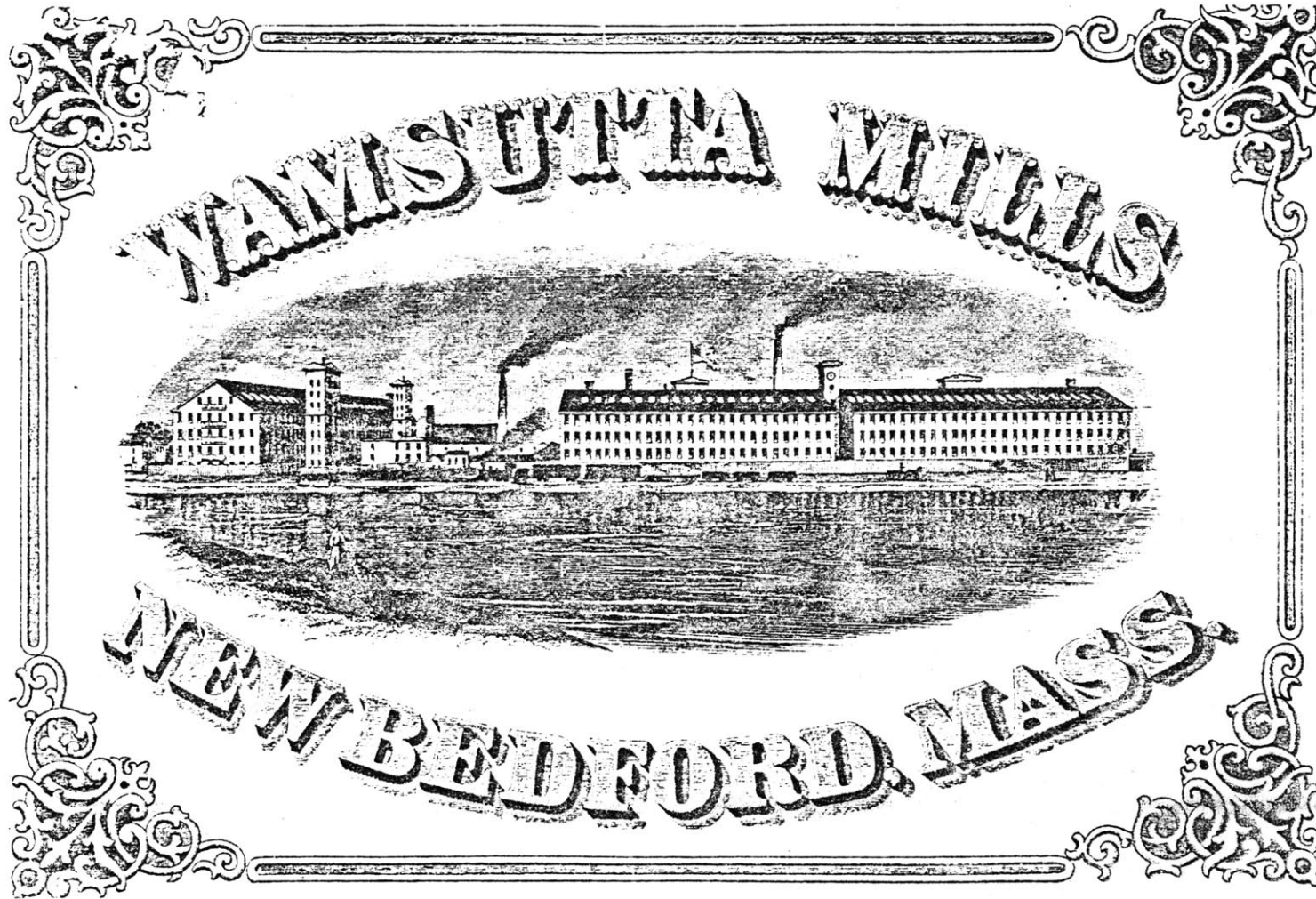
Just before the Civil War, the main areas of economic activity in Massachusetts were shoes and leather, textiles, machine-building, metal-working, the extractive industries (forest, fishery, and quarry products), and manufactured consumer goods. Shoemaking was the largest, employing over 60,000 people in 1860 or more than 28 percent of the state's labor force.⁽³⁶⁾ The growth of this industry followed national increases in population and urbanization. From a small eighteenth century cottage industry in towns such as Lynn, shoemaking expanded to meet rising demand by developing, first, a structure of home production around central shops (from 1830s) and, subsequently, a mechanized factory system (after Civil War). Massachusetts was able to take the lead in shoes because merchant capital was available to continuously develop, finance and market production; a further factor was the declining competitiveness of farming in the state, making available the labor needed to manufacture footwear.⁽³⁷⁾

Textiles had the second biggest workforce, with 50,000 workers - although the more intensively capitalized and mechanized mills exceed in dollar volume the output of shoe manufacturers.⁽³⁸⁾ While, in 1860, both textiles and shoemaking were broadly diffused across the state, a trend was emerging towards concentration in fewer companies with larger factories. "Local dependence on a particular industry was fast becoming the rule in many towns."⁽³⁹⁾

At the same time, in the wider American economy a clear, although uneven, pattern of economic specialization had emerged: the West produced food; the South, cotton for Northern and English factories; the North, manufactured goods and the transportation facilities to deliver them. Over the previous decades most of the funds for building factories, railroads, ships, and canals and for mortgaging farms and plantations had been supplied by New York and Boston financiers. As a result, they had garnered the greatest profits, although the South had held on to national political leadership despite its more limited single-staple, slave economy. However, as an increasing amount of Southern wealth went to enrich Northern industrialists, bankers and shippers, and as the North seemed about to take over political supremacy, the leaders of the South decided to secede. The Civil War ensued; its outcome was the shattering of the Southern economy, while in the North there was further development and concentration of industrial capital.(40)

After the Civil War, shoemaking continued to grow in Massachusetts, although mainly through the increased application of capital. The industry moved away from home-based production to the more intensive and regulated factory system which the new machines, such as the McKay stitcher required. Textiles also continued to expand, but the center of production shifted southwards from Lowell and Lawrence to Fall River and New Bedford. Part of the explanation for this shift lies in the application of steam power. Steam mills did not have the special, often isolated and expensive to harness, geographical needs of water power: rather, as one contemporary newspaper observed: "It is cheaper to use steam power in the midst of a dense population, than to use water power, which often makes it necessary not only to build a factory, but a town also."(41) In Fall River, local merchant-capitalists had built several water-powered mills, but by 1845, they had harnessed all the available river power. Instead of more costly expansion elsewhere, they took the profit from the water mills to build a second generation of steam-powered factories nearby. Without having to bear the costs of workers' housing and using immigrant labor, Fall River expanded dramatically in the 1860s and 1870s. New Bedford followed Fall River's example, using steam-powered mills, although it developed textiles because merchants were looking for new investment opportunities as whaling declined in the 1850s.(42)

Merrimack Valley Textile Museum (in Steve Dunwell, The Run of the Mill).



AFTER THE CIVIL WAR, TEXTILE PRODUCTION GREW IN FALL RIVER AND NEW BEDFORD.

From 1873 until the mid-1890s, industrial America experienced what was then called "The Great Depression." As Douglas Dowd comments:

"Unlike the Great Depression of the 1930s, the most prominent feature of the earlier period was pressure on profits, rather than massive unemployment. That pressure was due to the steady and dramatic lowering of prices throughout the period, which was in turn the result of great increases in efficiency, combined with the inability to cut off domestic or foreign competition in the context of relatively free trade and relatively competitive market structures."⁽⁴³⁾

In order to maintain profitability under this severe competitive pressure business resorted to price fixing and trust formation, further applications of technology to increase labor productivity, and towards the turn of the century, mergers and combination to avoid competition. Between 1886 and 1905, the size of the hundred largest firms quadrupled and by 1905, these top firms controlled 40 percent of America's industrial capital.⁽⁴⁴⁾

Boston financiers were in the forefront of this reorganization and amalgamation of industry. The American Bell Telephone Company, a holding company which is the predecessor of the American Telephone and Telegraph Company, was created by Massachusetts state charter in 1880 and financed largely by Massachusetts capital. The Stone and Webster holding company (electric power construction) was formed in 1889. In 1892, the Thompson-Hoston Electric Company of Lynn merged with the Edison Electric Company in New York to form General Electric. Six years later, eight national banks were merged in Boston to form the National Shawmut Bank.⁽⁴⁵⁾ In the textile industry, conglomerates began to develop, such as the American Woolen Company which, by the 1900s controlled 26 mills, including the world's biggest cloth factory in Lawrence (which alone employed 10,000 workers). The Stevens Company, then still based largely in Massachusetts, also began to acquire mills during this period. The underlying trend in textiles, as for other industries, was towards concentration in larger, more productive factories, causing less-efficient mills to have excess capacity and go out of business.⁽⁴⁶⁾ Moreover, in the 1890s, there were the beginnings of a slow down in the overall growth of textiles in Massachusetts: in part, this was due to Massachusetts' textile corporations placing increasing amounts of new investment in the South, rather than in the Commonwealth.⁽⁴⁷⁾

As leading Massachusetts' companies during this period grew larger, more concentrated and more capital-intensive, increasing numbers of workers were adversely affected. In the metal working industry, for instance, the introduction of improved machinery allowed firms to hire less skilled workers and phase out the apprenticeship system. But, despite this increased productivity, machinists' wages in Massachusetts were virtually unchanged between 1870 and 1900.(48) In addition, as these large firms concentrated hiring and firing in central personnel departments, the machinists lost their long-held status as independent sub-contractors. Meanwhile, in shoemaking, thousands of men and women who had worked at home or in small independent shoppes were displaced as large, mechanized factories arose in Lynn, Haverhill, Brockton, and Marlboro. In Lynn, in 1875, this factory system produced 7,000,000 more shoes with 2,000 less workers than it had done in 1855.(49) Yet, wages still fell: for the shoe industry in Massachusetts between 1872 and 1881, the average weekly wage dropped by as much as 25 percent for many workers. Those employed on new machines suffered most, with McKay sole operators seeing their average wages fall from \$22.22 in 1872 to \$15.29 in 1898.(50)

However, competition was not the only force shaping capital's search for profit during this industrial period: there was the development of strong counter-pressure as groups of workers started to organize themselves into unions. The year of 1860 had seen a bitter six-week General Strike in the shoe industry, as 20,000 workers demand higher wages and equal pay for women. But, with the help of scab labor and police power, the employers broke the strike. By 1868, the Lynn shoe workers had established a union - the Unity Lodge of the Knights of St. Crispin - and, in 1870, they struck against the owner's attempts to enforce a large wage reduction. The following period saw many more conflicts in the Lynn shoe industry over wages and hours, including a lock-out in 1872, six wage disputes in 1875, and two very bitter violent strikes over wages in 1877 and 1878. In this latter struggle, intervention by the state—in the form of police protection for strikebreakers—helped force the union into defeat.(51)

There was also a growth in trade unionism in other industries in the state, particularly in the machine shops and textile mills. These workers fought many struggles to lessen the working day and maintain wages. But besides company non-recognition and police harrassment, the unions were weakened through the increasing specialization of work which resulted from the growth in capital investment and technology. For the skilled, more organized workers, the introduction by the employers of unskilled and immigrant labor was competition and, despite many cases where these unorganized workers did join strikes, a rift developed between the craft unions and the mass of operatives.

As for state government, the industrial period saw the state (and its sub-units of municipal government) increasingly stepping in to alleviate the worst aspects of the living conditions of the now urban labor force. It was concerned to maintain the health of the working population, which was being threatened by disease, excess working hours, and abuse of child labor. A Board of Health was set up in 1869 in Massachusetts, followed ten years later by a Board of Statistics of Labor.⁽⁵²⁾ From the 1870s onward, there were many reports and hearings over conditions in the factories.⁽⁵³⁾ The state was also concerned to maintain in order the relations between labor and capital during the dislocations and conflicts of industrialization and concentration. In the late 1880s, a state Board of Arbitration was set up to mediate conflicts, while in 1906, state employment offices were first organized in Boston, Worcester and Springfield.⁽⁵⁴⁾

After the turn of the century, one of the ways the state intervened to try to control and diffuse labor militancy was by encouraging suburbanization and private home ownership. In 1911, the Massachusetts legislature appointed a Homestead Commission to help redirect workers from the cities to the suburbs and country. The Commission was founded on the belief that crowded central-city tenements and districts encouraged a population which ". . . possessed only ephemeral interest in the welfare of the community, comprising nomads whose mode of existence acted to the detriment of public health, standards of life, ideals and morals." The Commission wanted to move workers out of multi-family tenements and into single-family detached homes because it was convinced that ". . . the private home and exposure to nature were the sources of physical well-being, and the state's surest guarantee of good citizenship." In 1913, the Commission sponsored

legislation through the General Court establishing planning boards in all communities of 10,000 or more people so as to provide a framework for orderly private home development; in 1917, an appropriation was obtained from the legislature to encourage private capital into suburban development by setting up a demonstration project in Lowell to show that there was a reasonable profit to be made in erecting private homes for workers.(55)

Thus, the increasing social character of state intervention in industrial Massachusetts was based not upon abstract and independent ideals; rather, intervention developed out of labor militancy and the real need to curb and reform the excesses of the factories and urban slums for the sake of maintaining the system of private capital as a whole. It was a conflict situation, however, and employers often opposed reforms. Labor struggles, such as those to reduce the working day to twelve and then ten hours, to establish minimum wages, and to decrease child labor, were vehemently fought by industry, both at the point of production and in the arena of state government.(56) As one commentator, looking back on this period, remarked:

"...the relationships between employers and employed have at times in the past been the source of much discord and disorder, with the resources of wealth and power pitted against the force of numbers of our great industrial army. Each session of the Massachusetts Legislature has seen the representatives of these forces contending one against the other, for and against proposed statutory changes for the benefit, or otherwise, of the working people."(57)

At the same time as the social character of state intervention in the industrial period in Massachusetts was growing, the ground rules for its economic interventions were dramatically changing. With the concentration and centralization of private economic power in this half-century, the state could no longer retain the kind of direct oversight of business it had undertake in the first half. The large corporations now far outstripped state government. In the late 1880s, for example, one Boston-based railroad employed 18,000 people, had gross receipts of about \$40,000,000 a year, and paid salaries of up to \$35,000. The Commonwealth of Massachusetts, on the other hand, employed only 6,000 persons had gross receipts of about \$7,000,000, and paid maximum salaries of \$6,500. (58) Richard Hofstadter remarks that "the state governments were now relatively small enough to become the fiefs of the (large) corporations."(59)



△ Strikers outside the gate of the Merrimack Mill, Lowell, 1912.

◁ 'Big' Bill Hayward (of the I.W.W.) with strikers, Lowell, 1912.

STRONG COUNTER-PRESSURE TO CAPITAL'S SEARCH FOR PROFITS CAME AS WORKERS ORGANIZED.

The Corporate Economy

By the end of World War I, the basis of the modern American economy — that is to say, the modern corporation—was essentially in place. The leading sectors of this corporate economy were the technologically advanced industries of oil, steel, automobiles, electrical engineering and chemicals. The development of these industries was accompanied by rapid growth in institutions of banking and financial services. However, the economy of Massachusetts, despite the claim made by the Associated Industries of Massachusetts in 1923 that it was still "the industrial leader" of the U. S., depended very largely on traditional mill-based industries. (60) In that year, over half of the state's 600,000 manufacturing workers worked either in textiles (255,000) or boots, shoes and leather (88,000). The next decades would see some very severe changes as the Commonwealth was forced to adapt to the facts of life of the new corporate economy, changes whose costs bore heavily on hundreds of thousands of workers and whose repercussions are still with us today.

The year of 1923, in fact, marks the peak of industrial employment and production in Massachusetts in the inter-war period. After that year, there was almost continuous decline, except for a slight increase in the value of products between 1927 and 1929, and some recovery after the low of the depression in 1933. This is shown in the following figures:(61)

<u>Manufacturing</u>	<u>1923</u>	<u>1929</u>	<u>1933</u>	<u>1937</u>
Establishments	10,519	9,872	8,145	8,718
Wage earners	667,172	557,494	398,592	498,602
Total wages *	779.3	694.8	345.5	559.2
Value of products*	3,570.5	3,392.2	1,668.7	2,623.1

(*millions of dollars)

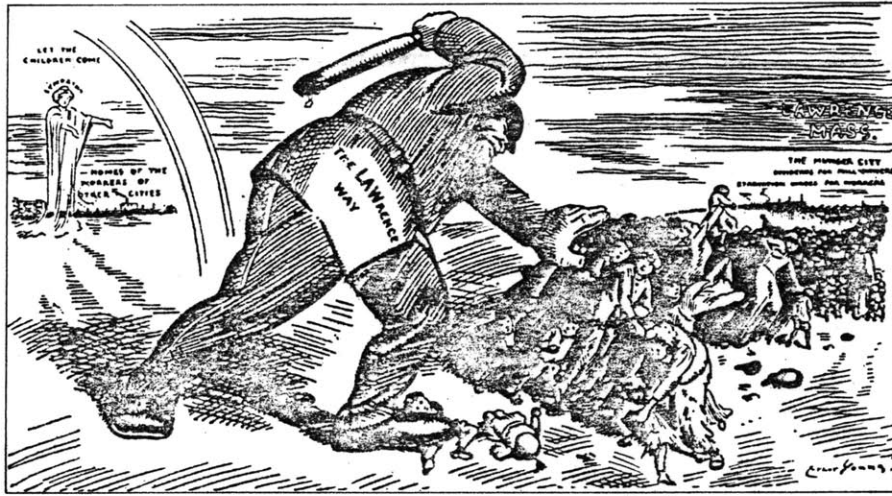
These figures show that the economy in Massachusetts was experiencing decline before the onslaught of the Great Depression. Between 1919 and 1929, the state lost 2,035 industrial establishments and nearly 157,000 jobs, despite the fact that the 1920's was a "prosperity decade." The heaviest losses were in the Commonwealth's leading industries—cotton goods (57 establishments and 52,000 jobs lost) and boots and shoes (132 establishments and 27,900 jobs lost). These same years saw the loss of 110 foundry and machine shops, although "only" 6,500 jobs were lost.(62)

What was beginning to gain momentum during the twenties in Massachusetts was a process of industrial restructuring, both economically and spatially - a process which was itself based in a re-establishment of the relations between capital and labor. In the industrial period in Massachusetts, as in other parts of America, the tendencies were for manufacturing capital to become more concentrated and centralized. But in the late manufacturing and corporate eras, without becoming economically less concentrated, capital began to shift geographically. Although in 1929, twelve leading industrial cities in Massachusetts still produced—according to value—64 percent of all goods manufactured in the Commonwealth's cities, excluding the city of Boston, during the years between 1880 and 1920, most of them experienced population decline.(63) The reason was the loss of manufacturing plants and jobs: industry was beginning to decentralize and recentralize. Between 1919 and 1929, manufacturing employment dropped from 36,650 to 23,100 in Lawrence; from 31,200 to 17,100 in Lowell; from 38,500 to 26,400 in Fall River; and from 44,200 to 32,100 in New Bedford.(64)

One of the forms recentralization took—particularly in textiles—was the "runaway shop"—employers moving their business out of the region. Nonetheless, the decline and recentralization of industry was due much more to bankruptcies and liquidations rather than actual migrations.(65) Any new capital which was being invested in the state—and there was some—tended to avoid the congested and conflict-scarred old central city locations.

With the stock market crash in 1929, economic conditions worsened in the Commonwealth. Two-thirds of the entire workforce were jobless in Lowell in 1930, while for the state as a whole, the 1934 official unemployment rates were 25 percent among whites and 40 percent for blacks.(66) The President of the United Textile Workers Union, Thomas McMahon, commented: "There is perhaps more destitution and misery in the mill towns of New England today . . .than anywhere else in the United States."(67)

in Steve Dunwell, The Run of the Mill



On February 24 and 25, soldiers and policemen forcibly prevented parents from sending their children away from Lawrence in cities that offered food and shelter

POLICE "CLUBBED, CHOKED AND KNOCKED DOWN WOMEN" DURING THE LAWRENCE STRIKE OF 1912.

Lowell Textile Museum



STRIKERS DEMONSTRATE IN MERRIMACK ST., LOWELL, 1912.

In relative terms, the depression hit Massachusetts harder than other industrial states. In 1921, the Commonwealth ranked fifth among all states in terms of the value of product output; by 1935, Massachusetts had fallen to eighth position.(68) Between 1922 and 1938, the capitalization of industrial corporations in the Commonwealth declined from \$2.8 billion to \$1.7 billion—a 38 percent drop.(69) There was some recovery in 1936, but even so, the underlying decline in manufacturing in the state continued to right up to the start of the war.

For working people, the years after the First World War were traumatic ones; these were times of conflict and militancy, but also—in the face of state and corporate power and economic depression—times of defeat, humiliation and misery. Just after the end of the war, textile workers throughout New England began to campaign for an eight-hour day. The employers would only agree to cut hours if pay was reduced—which for the mass of already low-paid, unskilled mostly immigrant workers was intolerable. In 1919, seven years after the great textile strike of 1912, workers in Lawrence struck for a shorter work week with no reduction in pay. The strike spread to textile centers throughout the region, including New Bedford and Fall River. Although the strikers were opposed by the leadership of the (skilled) United Textile Workers and were harrassed—frequently violently—by the police, after ten weeks the workers gained their demands.(70) One contemporary commentator on this strike wrote:

"(it) is a strike for wages carried on in a revolutionary atmosphere. That is, there are serious questionings of the justice of the existing economic order. In addition to that, there is a feeling on the part of the strikers that the government is against them. . .to many of them American government is personified by the Lawrence police."(71)

Worker resistance continued throughout the twenties in the textile industry, particularly in opposition to the owners' attempts to introduce labor-saving machinery, speed-ups, and wages cuts. The employers' response in their search to maintain profitability was twofold:

- . First, they tried to break the unions and weaken worker organization: a program of selected shutdowns was introduced in the mills, often lasting months, which forced workers to leave and dispersed union leaders; they accused unions of being "foreign" and "un-American," thereby fanning the "red scare" hysteria of the time; and, when strikes occurred, they were not above calling upon the police to help break up pickets. In conscious support of the employers' strategy, the state mounted its own attacks on labor and political organizers (eg: its support of the Palmer raids and the case of Sacco and Vanzetti).
- . Second, and most important, they increasingly used the strategy of decentralizing their capital. On the one hand, they moved or threatened to move shops to the South. But, much more significantly, they did not replace their capital in Massachusetts—rather, they reinvested it in new production technology in the South.⁽⁷²⁾

The object of this decentralization strategy was to create and take advantage of a new Southern labor force. Coming off the farms, these workers had less of an industrial history and consciousness. This meant they were non-unionized, lacking customary notions of what was skilled and unskilled work, and willing to work for lower wages. It was thus easier for the mill-owners to introduce new technologies and production methods using cheaper labor. In addition, the lack of history of workers' struggle in these southern states meant the owners were relatively unencumbered by labor legislation or taxation to provide for workers' "social wage."

In the boot and shoe industry, the picture was similar. One survey shows that between 1919 and 1927, Massachusetts lost 205 million dollars in value of boot and shoe products, twenty-four plants and 24,180 jobs, although overall U. S. output

POLICE BREAK UP CROWD OF STRIKERS NEAR BOOTT MILLS

As Workers Answered the Strike Call in Local Mills This Morning



Men gathered from one of the athletic rooms of the South Mills, leaving the place after a short stay. Some groups walk on the left, the rest going directly toward the north where they are to have their own demonstration.



Word of officers, including workers from the South Mills and the Merrimack Mills Co., being kept on the move by police at times and other times. During the early hours of the morning, some 100 workers demonstrated near the South Mills and police finally broke up the crowd.

Pickets Kept On Move By Detail of Officers

175,000 JOIN IN WALKOUT NO TROUBLE RESULTS BUT SITUATION IS THREATENING

Union and Mill Officials Give Widely Varied Reports on Strike Ranks of Strikers Gradually Increasing—Conservative Estimate Shows 2500 Now Out in Greater Lowell

As the strike nears its third week, all indications point to a continuation of the strike with no immediate prospect of a settlement. The situation is threatening and the ranks of strikers are gradually increasing.

Officials of the United Textile Workers demand that approximately 1000 men be sent to work, when all conditions would be met. An 8-hour day for a change in shifts is also demanded.

Carolina Wins First Race at Rockingham Park

HOLIDAY DEATH TOLL HIGH HERE

SENATE BOARD OPENS INQUIRY

Assigned To Wisconsin Church

Four Killed in Auto Crash in This Section

Jockey Club Trials Futile

SENATE BOARD OPENS INQUIRY

Assigned To Wisconsin Church

Seen Salvation of Nation in Common Sense and Courage of People

SENATE BOARD OPENS INQUIRY

Assigned To Wisconsin Church

Assigned To Wisconsin Church

SENATE BOARD OPENS INQUIRY

Assigned To Wisconsin Church

Assigned To Wisconsin Church

Assigned To Wisconsin Church

SENATE BOARD OPENS INQUIRY

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IN THE 1930's, LABOR CONFLICT INTENSIFIED - AND WAS OFTEN DEALT WITH, AT THE EMPLOYER'S REQUEST, BY POLICE AND STATE POWER.

remained fairly constant in dollar value during this period. The survey went on to explain:

"The agitation of organized labor has been given in many instances as the reason for the removal or liquidation of our shoe factories. Special emphasis has been placed by those interviewed upon the inefficient leadership of labor agents and the uneconomic requirements placed upon industry in the settlement of problems or disputes. In many of the labor contracts are to be found clauses prohibiting the employment of current practices developed as part of modern scientific management and applied to job analysis and wage setting."⁽⁷³⁾

One of the effects of the Great Depression in the 1930s was to intensify all these trends. In 1934, there were massive nationwide uprisings against the employers' attempts, backed by the federal government, to cut back wages and numbers of workers. The United Textile Union organized the workers to resist—but they were met, on the employers' request, by large forces of police and state national guardsmen. Confrontations occurred in Lowell and Lawrence, while in Dighton, police with shotguns turned away pickets. In other American textile areas—especially in Rhode Island but also in the South—strikes and strike-breakers faced particular violence. The forceful intervention of the states ultimately forced the strikers into submission—and also smashed the first attempts by southern workers to unionize.⁽⁷⁴⁾

For Massachusetts, the Depression hit hard. The Commonwealth was still dependent on mill-based industries, but the strategy of capital decentralization had left these with older, less efficient machinery. The state's mills and factories were thus often first to lose or go out of production and, when recovery came, last to restart—indeed, most never restarted.

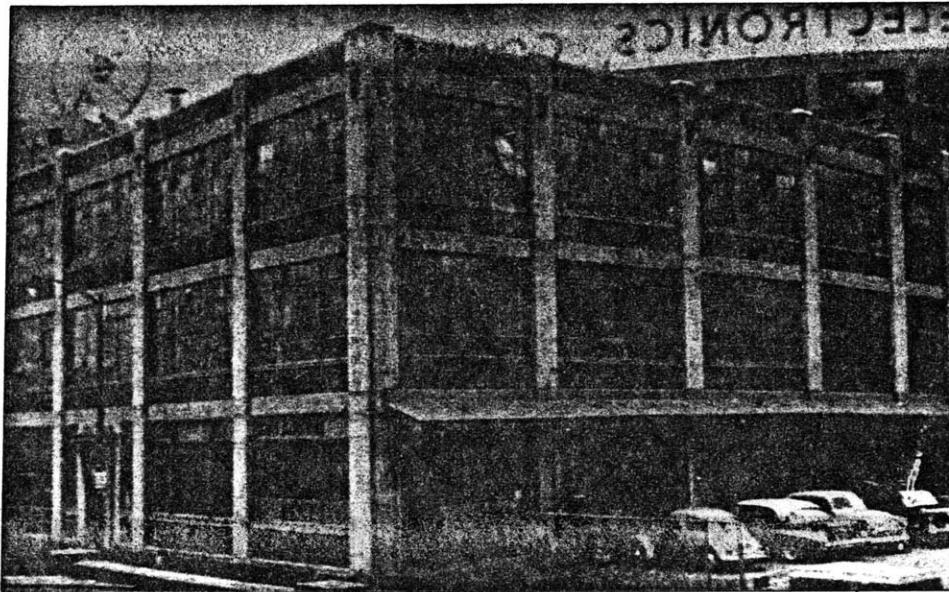
Although the advent of the Second World War gave a short boost to the Commonwealth's textile and footwear industries, in the post-war years an unremitting decline continued. The runaway shops kept running and capital continued to decentralize from old urban areas—but now going increasingly to low-wage Third World countries, as well as to the South.⁽⁷⁵⁾ By 1975, the Commonwealth's traditional industries were a remnant of their former importance; textiles employed just 25,000 workers and the footwear industry 22,000. Between 1960 and 1978, at least 95 major textile plants closed, with a loss of 20,000 jobs, while 143 major boot and shoe plants closed, losing 27,000 jobs.⁽⁷⁶⁾

If the demise of the traditional industries has been one structural change in the corporate era of the Massachusetts economy, another has been the development of the "high technology" sector. But this sector is not quite so new as is often thought: even in 1923, the electrical machinery industry was the Commonwealth's third biggest employer, with 26,400 workers; and even then, technological institutions—especially MIT—were working closely with corporations in these advanced industries.⁽⁷⁸⁾ World War II gave the sector a major push and, by 1947, the electrical and electronics industry employed 60,000 workers. In 1967, at the height of the Vietnam War, employment reached 104,000. However, the path to this peak was by no means smooth. From 1947-1950, employment in the industry grew by 7.8%; in the next three years, spurred by the Korean War, it jumped by 41.3% to 91,400; but with the ending of the war and subsequent recession, employment dropped to 81,900 in 1955. Employment peaked again at 98,600 in 1960 (the Sputnik era), fell to 83,100 in 1964, and then, fuelled by the Vietnam escalation, grew to its 1967 high. After that year, employment declined particularly with the sharp defense cutbacks and general recession of the early 1970s. In 1972, employment fell to 83,700, but has since gained some ground to around 90,000 workers now.⁽⁷⁹⁾

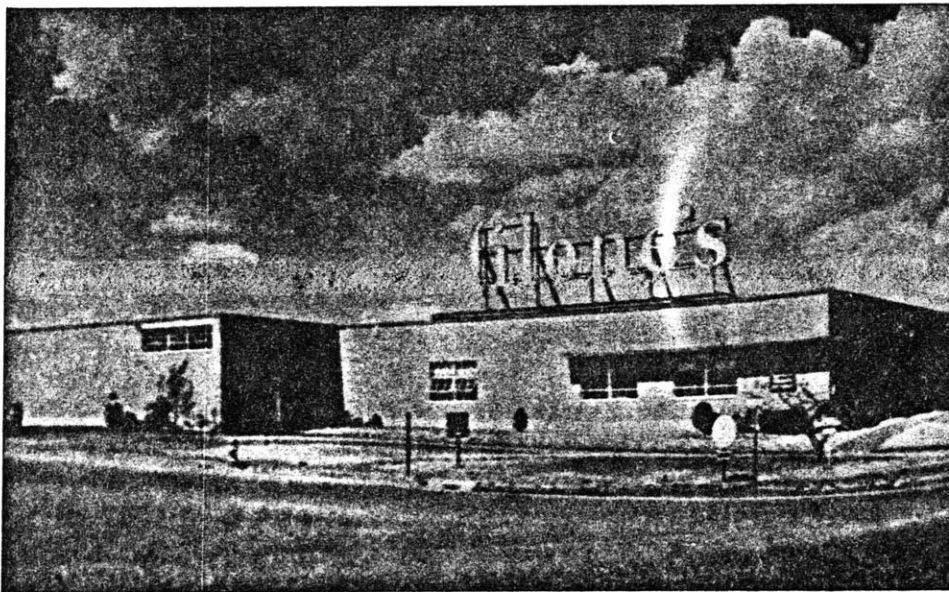
In the development of this high technology sector in Massachusetts, state government played two significant roles. First, it facilitated the expansion of centers of advanced education and research—such as MIT and Harvard. Although much of this expansion was financed through the federal government, the state aided it through granting property tax exemptions to these universities. Secondly, it facilitated the creation of new advanced industrial and research complexes on the periphery of the old industrial areas through the building of Route 128 and other highways. Route 128 was started in 1951 and "within a relatively few years the highway had been nationally recognized as the classic example of the stimulating effects of road construction on industrial development in suburban areas." By 1961, there were 306 companies adjacent to Route 128.⁽⁸⁰⁾

The new industries which located along the highway were largely based on electronics and instruments. But, very importantly, industrial production was not the only activity which was developed, although it was responsible for most new jobs. A 1957 survey showed that while distribution (e. g. warehousing) employed 12% of workers along Route 128, it was responsible for 44% of the total number of plants; production accounted for 41% of the plants, but 73% of jobs; and research and development and services accounted for the remainder.⁽⁸¹⁾ Moreover, the growth of plants and jobs was not confined to Route 128. It also pushed north along Routes 93 and 3, west along Routes 2 and 9, and south along Route 1—all of these newly constructed. New housing developments were rapidly fostered, together with the construction of shopping centers and, in general, a rapid suburbanization. Between 1950 and 1960, the population in the area lying between Route 128 on the east, Route 495 on the west, and Routes 2 and 9 grew from 173,140 to 267,390, or 54.4%.⁽⁸²⁾ This was six times the growth rate in the state as a whole. What was happening, therefore, was not so much the creation of circumferential industrial belt around Boston or even a spread of growth along the major highways, but rather the creation of several major new industrial and consumption complexes such as Waltham-Newton and Lowell-Andover.

In this restructuring of brand new series of industrial spaces, there were also new relationships developed between, first, labor and capital and, second, production and consumption. The workers employed were either highly qualified professionals or semi-skilled, mostly female, assembly workers in modern production environments: in both cases, they were—literally—miles away from the history, customs, work rules, and aged buildings and machines of urban mills and factories. In the new suburban areas, there was increased privatization and specialization of space: the (single-family) house was separated from other houses, homes were separated from workplaces, and aspects of communal life—such as shopping or recreation—split into discrete parts.



FORMER PLANT



ROUTE 128 PLANT

DURING THE 1950's AND 1960's, THE STATE HELPED TO CREATE NEW CENTERS OF ECONOMIC ACTIVITY - AS ALONG ROUTE 128.

Consequences of Changes

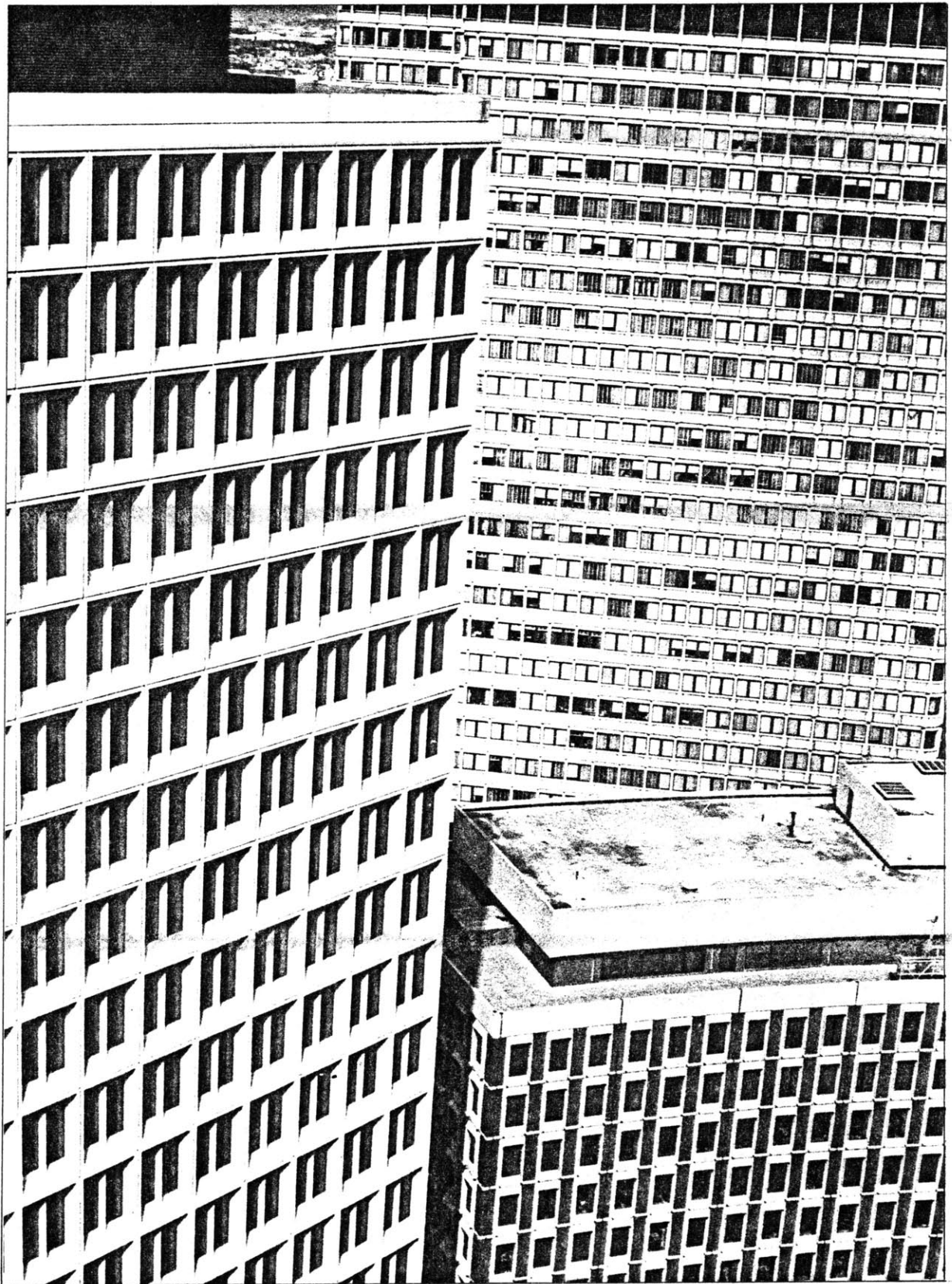
In the fundamental, often traumatic changes and transformations of the Massachusetts' over the last two centuries, we have seen that the state has consistently played a central role. It is, of course, true that nowadays the state's interventions have been increasingly aided, and at times taken over, by federal power and money. At the same time, it is also true that labor and popular movements have struggled against the state and tried to use it, through the democratic machinery, for their own advancement. But these elaborations do not fundamentally change the basic point that, throughout, the state in Massachusetts has been key in the promotion of capital accumulation, and in the maintenance and, when necessary, the restructuring of the relationships between labor and capital. The ways by which the state has done this have changed over time, varying with economic, political and social conditions. But, as this chapter has shown, amongst them have been: direct intervention to develop manufacturing and to provide economically vital infrastructure (e g. roads, canals, bridges and railroads); protection of private property rights and facilitation of the private corporation; protection of certain monopolies, especially in the formative years of industrialization; planning, facilitating and financing industrial and residential decentralization to suburban locations; opening up, through initiatives like Route 128 (and also urban renewal and revitalization) new areas for capital accumulation; quelling labor conflict and regulating both employed and unemployed labor; and reducing the most manifestly disruptive and exploitive aspects of capital accumulation.

We have seen too that the changes and developments facilitated by the state have caused, as well as resulted from, conflict at the point of production and within whole industries, cities and towns, and the institutions of state government. The underlying drive has been the unremitting search for profit - a search which has led both to industrialization and deindustrialization, to urban concentration and suburban decentralization, to the introduction of new technology and to its subsequent obsolescence, and to the development of an industrial working class and then to its deskilling and displacement. In this complex process, it stands out that private capital has had no permanent commitment to any particular place, technology, or group of workers. While Massachusetts has experienced huge capital

investments which have generated industrial growth and development, it has also seen capital disinvested to create industrial decline and decay. The signs of this disinvestment are everywhere evident in practically all of the Commonwealth's older cities - empty and under-utilized factories, vacant land, deteriorated housing, and unemployed and under-employed workers.

But industrial change has not been the only element in the Commonwealth's economic transformation. There has also been a growth, particularly in the post-World War II years, of new, non-manufacturing activities. Between 1951 and 1977, the number of service jobs increased by 261,000; finance, insurance and real estate expanded by 215,100 jobs; the wholesale and retail sector took on an extra 169,700 workers; and government jobs grew by 174,000. Many of these new jobs are in professional or highly skilled occupations and pay well. But the bulk of the new work has been low skill, routine and low paid (as in many retail, clerical and service jobs) or work which, although interesting and socially valuable, has not been correspondingly well paid (as in child care, social work and health care.) In 1977, the average annual wage in service occupations in Massachusetts was \$9,524; in finance, insurance and real estate, it was \$11,814; and in wholesale and retail jobs, it was \$8,271. By comparison, the average annual wage in manufacturing was \$12,686 in 1977, while the official lower living income standard for a family of four was \$11,481.(83)

Thus, not only have the new technological industries failed to fully replenish the jobs lost and the neighborhoods degraded by the collapse of the old industries; there has also been a failure on the part of the new non-manufacturing activities to provide a sufficient number of good, well-paying jobs. In sum, an increased polarization has developed: traditional blue-collar jobs have been lost, to be replaced (for some) by high-wage, high skill or professional jobs, but (for many) by low-wage, less-skilled work. For others, particularly youth, minorities and women, there have been no jobs at all.



BOSTON, 1979. MANY OF THE NEW JOBS CREATED IN THE POST-WORLD WAR II YEARS HAVE BEEN IN CLERICAL AND ADMINISTRATIVE OCCUPATIONS. DOWNTOWN AREAS HAVE BEEN RECONSTRUCTED TO ACCOMMODATE THEM.

CHAPTER 3
THE FORCES OF CHANGE

The explanations given for the changes in Massachusetts' economic structure and, in particular, for the decline of its traditional manufacturing base often suggest that the state has been a victim of its own history, geography, and politics. These interpretations typically run along the following lines:

- "Massachusetts, being an area which was settled early and possessing ports well-suited for trade with the Old World, was bound to be one of the first states to develop industrially. But as soon as the movement to the interior began and the South and West opened up for economic development, then Massachusetts was bound to lose its early lead. Industrialization had to spread."

- . "The first mills depended on water power, subsequent industry on the railroad and then the highway. As the technology of industry changes, so do its locational requirements. It was to be expected therefore, that firms would move in due course away from the older industrial centers in the Commonwealth."
- . "Massachusetts has the habit of taxing itself too highly, thereby increasing business costs and creating an adverse business climate. The state worsens this situation by costly regulation and by over-promoting welfare service programs."

Such explanations are the orthodoxy in textbooks, in newspapers, and on television. In recent years, this orthodoxy has included an additional explanation - the increase in the cost of energy, which has placed the Massachusetts economy at a further disadvantage.

At a surface level, these kinds of explanations seem to be quite reasonable. Hence, the Advent Corporation moves to New Hampshire - the reason: to gain advantage of lower social insurance taxes; or, an instrument engineering firm builds its new plant near Route 128 - the reason: cheaper land and highway access. However, there are major problems with such explanations. First, they say little about why factors like the ones listed come into play and what forces underlie them. This is to say, they treat technology, history, geographical advantage and politics simply as exogenous factors: they do not really explain what has caused these factors themselves to change or become relevant. Second, they implicitly assume Massachusetts is part of a system where investment flows freely of itself from more developed to less developed areas of the country and business operates in a competitive situation, looking for least-cost locations to maximize investment returns. But, this ignores the role state and federal governments have played in facilitating and protecting private investment and, of course, the increasing presence of powerful 'price-making' national and multi-national corporations. Finally, these explanations tend to be historically shortsighted. For example: while energy may well be an important consideration now, the traditional industrial base of Massachusetts was declining for decades before the onset of the 1970s energy crisis.

There is a need, therefore, to go beyond these surface explanations - to go deeper into exploring not what changes cause, but what causes change. To do so - and this is most important - requires looking further than the boundaries of industrial decline in the Commonwealth because, as we shall see, this decline is a part of a much bigger pattern of economic change. There is, in short, a larger story of capitalist development - a narrative not of balance and competitive equilibrium, but of highly uneven temporal, spatial, sectoral, and corporate development the outcomes and symptoms of which are now clearly evident in Massachusetts.

Uneven development over time

Over the last two centuries or so, the United States economy has grown remarkably, but this growth has been neither harmonious nor smooth. Rather, it has been characterized by severe ups and downs and spans of intermittent crisis and depression. During the years between 1800 and 1973, there were no less than sixty-one distinguishable periods of short-term business fluctuation:

- . three periods of boom, totalling four years;
- . eighteen periods of prosperity, totalling eighty years;
- . seven periods of recovery and expansion, totalling twenty-one years;
- . two periods of stagnation, totalling seven years;
- . seven separate years of panic;
- . twelve periods of recession, totalling seventeen years;
- . twelve periods of depression, totalling thirty-eight years.(1)

Over these same years, companies, markets and banking systems have become more interlinked, progressively operating, first, on a national level and, subsequently, on an international one. In addition, in the twentieth century, the federal government has increasingly tried to deal with problems resulting from these business fluctuations with national fiscal and monetary policies, often establishing national institutions such as the Federal Reserve Bank. Consequently, Massachusetts has become fully integrated with the rest of the American economy and increasingly less immune to the general ups and downs of business cycles.

In fact, since World War II, it appears that Massachusetts has become more vulnerable to overall business cycles than most other states. Factories and machines tend to be older in many of the Commonwealth's industries and, particularly where owned by national or transnational companies, many times play a secondary role to newer, more efficient machines elsewhere (ie: first to be laid off as a downturn approaches and last to be restarted); the Commonwealth also has many "durable" industries (producing goods like machine tools and instruments) which tend to be more sensitive to economic downturns; and the defense-based high technology industries in the state are highly vulnerable to political cutbacks in orders.(2) The sensitivity of Massachusetts to these factors over and above the "normal" ones was especially visible in the 1973-75 recession when, in the latter year, official unemployment figures for the Commonwealth went as high as 11.2%, compared with 8.5% for the country as a whole.

The propensity for capitalist economic development to veer rather rapidly between boom and bust has, of course, been for a very long time the subject of much debate and controversy amongst economists. Many economists try to explain these fluctuations by blaming external shocks to a basically smooth system. For example, in the nineteenth century, the British economist W. S. Jevons said that economic cycles were caused by fluctuations in harvests in agriculture, which in turn were caused by climatic changes related to sunspot activity.(3) More recently, this tradition of blaming external events has its counterpart in accusations that the Arabs and OPEC are responsible for America's current economic woes.

However, there are two problems with such "act of God (or sunspot or sheik)" explanations. First, it is hard to sustain that restrictions affecting one or two commodities can curtail output in general. In theory, substitution should occur, while in reality shortages have caused booms as often as they have caused depressions (eg: during wars), Second, the sheer number and rapidity of these fluctuations suggest that they must be due to processes intrinsic and internal to the system.(4)

For Massachusetts, these systematic fluctuations in the economy mean that much care must be taken in analyzing what is happening within the state. Currently, for instance, the Commonwealth is experiencing a "mini-boom": in the first months of 1979, unemployment dropped to "only" 6½%, production has increased, and investment and plant expansions are up. In the light of this upturn, top state officials have been unable to resist claiming that the credit is due to the state government's improved relations with business, or as one report puts it: "The reversal of Massachusetts' attitude towards providers of jobs has borne impressive results."⁽⁵⁾ The reality, however, is probably more that a national post-recession upswing underlies the Commonwealth's improved business performance of late but that the basic trend towards decline in the Commonwealth's traditional industries is still there. Come the next downturn in the American (indeed, international) business cycle, undoubtedly Massachusetts' performance will again reverse (unemployment up, production and capital expenditure down), almost irrespective of what attitude state government takes. Part of the reason for this lies in the fact that most of the leading sectors of the Commonwealth's economy are owned and controlled by national and transnational corporations who are basically not amenable to the sort of measures state government typically adopts.

The fact that the American economy is highly cyclical in nature over time, with Massachusetts being very sensitive to these cycles, means that in order to explain what is happening in the Commonwealth's economy, a distinction must be made between short-term, perhaps superficial cyclical events and long-term, more fundamental structural change. However, there is an important relationship between cyclical and structural change because, during periods of recession and depression, an opportunity is provided for restructuring capital and introducing new technologies and production methods which would be resisted by workers during periods of full employment. While this relationship tells us little about why particular industries undergo structural decline, it does help explain why that decline occurred, or was accelerated, at particular points in time. Thus, in Massachusetts, the deep unemployment of the 1930s weakened the ability of workers to fight against wage cuts, labor reductions and, ultimately, the movement out of much of the textile industry. However, as chapter 2 showed, the decline of the textile industry in the Commonwealth was already well underway in the 1920s, well before the Great Crash, although the depression did serve to speed up the process.

Uneven regional development

In addition to cyclical trends, economic development has also been very uneven in geographical terms in the United States. There have been important changes in economic structure as between regions - changes which have had, and which continue to have, significant implications for Massachusetts.

In the 1870s and 1880s, there were extreme regional disparities in America as the fast urbanizing and industrializing New England and Middle Atlantic regions became far more productive and wealthier than the agricultural Southeast and Central regions.(6) But, as Figure 3.1 shows, since then income differentials have narrowed among (although not necessarily within) the major regions. Within this context of a regional convergence of per capita incomes, the position of Massachusetts in relation to the nation has declined (illustrated in Figure 3.2).

Associated with this convergence on a regional level in average incomes, there has been an important change in the distribution of labor amongst the three major sectors of economic activity. In the late nineteenth century, the New England and Middle Atlantic regions had a strong pre-eminence in manufacturing, while the Southeast, Plains and Southwest were focused more on resource extraction (eg: agriculture, forestry and mining). Now, in all regions, service employment is dominant, while many other parts of the country besides the Northeast are important in manufacturing. These regional changes in employment have been particularly striking in recent decades. Between 1950 and 1975, nonagricultural employment increased by 114.8 percent in the South and 136.3 percent in the West, but grew by just 51.0 percent in the North Central region and only 30.6 percent in the Northeast.(7) For manufacturing jobs, between 1970 and 1977, the Northeast saw a drop of 681,000 (a decline of 11.5 percent), while the Midwest lost over 61,000 jobs (a 1.1 percent decline). On the other hand, the South and West combined gained more than 958,000 jobs in manufacturing (a 12.2 percent increase). In the nonmanufacturing (service) sectors, the South and West experienced a growth in employment over the same years (1970-77) which was nearly double the rate in the Northeast and Midwest.(8)

Figure 3.1 The Narrowing of Differences in Regional Per Capita Income

REGION	PER CAPITA INCOME AS PERCENTAGE OF U.S. TOTAL			
	U.S. = 100			
	<u>1860</u>	<u>1900</u>	<u>1940</u>	<u>1975</u>
New England	143	134	121	108
Middle Atlantic	137	139	124	108
East North Central	69	106	112	104
West North Central	66	97	84	98
South Atlantic	65	45	69	90
East South Central	68	51	55	79
West South Central	115	70	70	91
Mountain	-	168	92	92
Pacific	-	<u>204</u>	<u>138</u>	<u>111</u>
Difference between highest and lowest (percentage points)	-	159	83	32

Source: U.S. Department of Commerce figures, quoted in: W.W. Rostow, "Regional Change in the Fifth Kondratieff Upswing," in Perry and Watkins (ed), The Rise of the Sunbelt Cities, Sage Publications, Beverly Hills, California, 1977.

Figure 3.2 Relative Decline of Per Capita Incomes in Massachusetts

	<u>1929</u>	<u>1940</u>	<u>1950</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1977</u>
Per capita personal income as % of U.S.	129.9	131.8	109.2	110.8	107.5	109.4	103.6	103.4
Massachusetts total personal income as % of U.S.	4.9	4.3	3.4	3.2	3.1	3.1	2.9	-

Source: New England Economic Almanac (Boston: Federal Reserve Bank of Boston, 1977).

Underlying their employment gains, particularly in manufacturing, the Southern and Western regions have had significantly higher increases in investment in new capital equipment. When the years 1970 and 1976 are compared, rates of capital spending in the South and West showed a doubling in real terms, while in the Northeast and Midwest the picture was much more static. The rate of capital spending in Massachusetts was, in fact, 13.7% lower in real terms in 1976 than in 1970 (Figure 3.4).

As with all statistics, however, care needs to be taken in interpreting these figures. While the income statistics imply that the regions are converging as if by an equilibrium process (and this is how many conventional economists see it), the structural changes in employment and capital spending suggest something deeper and more uneven. It seems that rather than converging smoothly towards a point, there are fundamental differences between the old and new regions which have arisen from a dichotomous and asymmetric process of development. There is evidence that high-skill industries and research and product development activities have remained in the older industrial regions.⁽⁹⁾ The Northeast has also retained a leading position in financial and corporate office control functions and in professional, education and health services.⁽¹⁰⁾ On the other hand, it has been the less-skilled types of industries and the manufacturing and assembly stages of production which have most markedly been established in new locations, both in the South and West and abroad. Thus, while Massachusetts has seen the now semi-automated and routine work of textile production disappear to the South and, increasingly, to the Third World, precision metal working and machine tool development remains in centers such as Lynn.

A similar picture has emerged in the electronics industry. In 1958, during the early stages of the development of electronics technology, Massachusetts was the national leader in the production of electronic tubes. But, when tubes were replaced by more simply made semi-conductors in the early 1960s, the production of electronic components was dispersed out of state and employment in electronics in Massachusetts fell.⁽¹¹⁾ Industries using semi-conductors and, subsequently, the

Figure 3.3 The North-South Shift: Changes in Manufacturing and Services Employment, 1970-77

<u>REGION</u>	<u>MANUFACTURING</u>		<u>NON-MANUFACTURING (SERVICES)</u>	
	<u>Number of Jobs</u>	<u>% Change 1970-77</u>	<u>Number of Jobs</u>	<u>% Change 1970-77</u>
Northeast	-681.1	-11.5	683.0	19.3
Midwest	- 61.3	- 1.1	760.2	30.5
<u>Northeast & Midwest</u>	<u>-742.4</u>	<u>- 6.4</u>	<u>1,443.2</u>	<u>24.0</u>
South	607.1	12.7	1,167.2	42.2
Southwest	351.7	11.5	1,071.9	40.9
<u>South & Southwest</u>	<u>958.8</u>	<u>12.2</u>	<u>2,239.1</u>	<u>41.5</u>
United States	216.4	- 1.1	3,682.3	32.3
Massachusetts	- 40.3	- 6.2	79.2	17.7

Figure 3.4 Investment in New Capital Equipment

	(Number in Millions)			<u>1970-76 Change (money terms)</u>	<u>1970-76 Change (real terms)</u>
	<u>1970 (1970 dollars)</u>	<u>1970 (1976 dollars)</u>	<u>1976 (1976 dollars)</u>		
Northeast & Midwest	12,366.2	18,129.3	18,943.2	53.2%	4.5%
South & Southwest	9,848.6	14,438.4	21,592.1	119.2%	49.5%
United States	22,214.8	32,567.7	40,535.3	82.5%	24.5%
Massachusetts	618.1	906.2	781.6	26.5%	-13.7%

Source: (for both tables): Northeast-Midwest Congressional Coalition, The State of the Region (Washington, D.C., 1979).

silicon chip have developed in Massachusetts, but their operations usually follow this pattern of spatial division of functions For example, in mini-computing:

"... the headquarters of two of the three top firms, accounting for over 50 percent of sales in the field, (are) located in the Boston area . . . manufacturing capacity is spread out in the medium and small towns in Massachusetts and New Hampshire. These factories make components and sub-assemblies, but the development, testing, and other work which needs close supervision is done in Boston. Labor-intensive, relatively unskilled operations such as assembly of printed circuit boards and core components are done in faraway places like Taiwan and Hong Kong."(12) (Emphasis added)

Underlying forces

The forces which have underpinned regional development in America but which, at the same time, have caused that development to be uneven over time and space (and, indeed, across nations) are complex and often contradictory. One basic pressure has been the drive within capitalism to expand markets, to create effective demand for growing production, and to realize profits. A good example is the way Eastern finance and industrial capital not only pushed the western frontier of nineteenth century American capitalism all the way to the Pacific, but also advertised extensively in Europe to attract sufficient immigrants into those new areas to consume the outputs of Northeastern industry, In addition, the physical resources of those lands (eg: minerals and forests) enabled capitalists to make large profits). As the population of these new areas increased, it was to be expected that local retailing, construction, transportation, and manufacturing would be set up. But this does not adequately account for why sections of capital would abandon the older industrial areas and locate larger-scale, non-locally serving production investment in the South and West.

Partly, the explanation for such development lies in a second basic force - the drive to reduce the labor costs of production. This often takes the form of searching for cheaper labor in the less developed areas so as to supply more profitably the markets of more developed ones: in 1974, the average production wage in the South was \$3.60 per hour compared with \$4.40 for workers outside the South. To employ this labor, new plants are built in less developed areas (although another way, which is more the pattern in less mobile service sectors, is to encourage migration to the more developed centers). Thus, as Chapter 2, showed, at one time Massachusetts was at the center of America's textile and shoe industries. Now it

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IN THE SOUTH, CONDITIONS WERE STRUCTURED TO SUIT THE NEEDS OF CAPITAL.

has to import those products, either from the cheaper labor areas of the South or from abroad. Indeed, the South is itself finding that it cannot compete with the low-wage factories of the Third World (many of which are owned, or capitalized by American companies).

Another part of the explanation lies in a third force - the need to maintain "the authority of relations of production." It has been argued that:

"the shift of industrial development from the northeastern United States to the 'sunbelt' (and to overseas) is in part a response to interregional variations in labor militancy. Trade unions in the United States are not in general a force for a radical change but their greater strength in the old established industrial areas and the comparatively tough anti-union laws in the Southern states provides a good reason for a locational reorientation of capital."(13)

Again, the previous chapter showed the effect of labor militancy, not only in fighting to maintain wages and reduce hours, but also in resisting new, more exploitive production technologies and methods. In the textile industry, it was possible to out-maneuver Massachusetts workers by using a cheaper, less-organized labor force elsewhere which was amenable to new production methods. And, when major sections of electronics production left Massachusetts in the early 1960s, an important reason was to find new workers who would accept higher productivity.(14)

Finally, a further explanation lies in a fourth underlying drive towards the multinationalization of production, as the next section describes.

Uneven corporate development

As the American economy has developed, business firms have increased in scale and complexity. Stephen Hymer comments:

"Since the beginning of the Industrial Revolution, there has been a tendency for the representative firm to increase in size from the workshop to the factory to the multidivisional corporation and now to the multinational corporation. This growth has been qualitative as well as quantitative."(15)

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In the account in Chapter 2 of the development of the Massachusetts economy, we saw very clearly the tendency for firms to increase in size. At the point of transition from a commercial to an industrial base, the Commonwealth's firms were almost entirely small, owned and worked by a master (aided, perhaps, by a few journeymen and apprentices) or by a family. The application by the merchants of their finance capital to industry transformed labor relationships, such that control was now vested in an owner or small partnership while production was carried out by workers who no longer owned the means for that production. As production expanded and more sophisticated technology was introduced, factories were established and it became necessary to have specialist departments - finance, personnel, purchasing and sales, etc. During the intense competition and first merger movement in the late nineteenth century, groups of factories were combined together and national corporations developed. These were multi-divisional, with many product lines being developed under separate divisions so as to guarantee survival and growth. Finally, from the 1920s onwards, a group of leading multinational corporations emerged, able to transcend national boundaries and access foreign markets. These multinational firms developed centralized planning, financial, research, and administration functions, but through their many subsidiaries and branches, decentralized day-to-day management and production decisions. The ability of large companies to divide up these functions has facilitated the kind of spatial contrasts identified earlier.

For Massachusetts, as for practically all other states, an important implication of the growth of national and multinational corporations has been the concentration of control of the leading sectors of the Commonwealth's economy within a relatively small number of firms. In 1977, there were 10,332 manufacturing firms in Massachusetts, employing 609,000 workers. But fewer than 200 of those firms controlled 40% of all jobs.(16)

The trends towards concentration were intensified during the tremendous merger wave of the 1960s and early 1970s. Indeed, the enormous scale of the leading corporations owes more to acquisition and merger than to internal expansion. But many of the firms purchased by corporations have been industrially unrelated. It has been argued that:

"Often such (purchased) firms have been exploited for their tax shelter and cash flow potential without any concern for the maintenance of fixed capital resources and overall continued market competitiveness. Profits may be siphoned off from one division to build up another, while the long-term futures of both may be sacrificed in the interest of immediate profits. This is consistent with the theory that conglomerates tend to lack a commitment to any particular part of their holdings. . ."(17)

According to the Associated Industries of Massachusetts, 862 mergers of manufacturing firms occurred in the Commonwealth between 1967 and 1974. Four hundred and seventy-nine (55%) of these transferred ownership out of state.(18)

But the increasing size and power of the leading corporations is a phenomenon not only restricted to the manufacturing sector: a similar picture is evident in retailing and finance, two other key areas in the Commonwealth's economy. Of the twenty-five biggest employers in Massachusetts (in 1976, excluding government), seven were companies in the retail sector.(19) Amongst these were corporations like Federated Department Stores (a holding company, with 323 stores across America, including Filene's and Bloomingdales, and sales of \$4.92 billion in 1978, or about as much as the Massachusetts state budget).(20) Nationally, the trend in retailing has been towards greater concentration with a dozen major chains taken over or declared bankrupt in recent years. One retailing analyst, observing these trends, has commented: "There is no reason why there should be more than ten chains doing sales of more than \$100 million instead of the fifty-four we have today."(21)

Also amongst the biggest 25 employers in the state are the John Hancock Insurance Company and the First National Bank of Boston. John Hancock was in control of over \$16.2 billion in assets in 1978, while the First National Bank back in 1973 had assets of \$8 billion.(22) In the banking sector, the trend has been towards greater

consolidation: Massachusetts had 728 commercial banks in 1920, but this had dropped to 142 by 1976.(23) The pace of consolidation in the Commonwealth has increased in the 1970s particularly through mergers, acquisitions, and the development of bank holding companies designed to skirt around state laws on branching. This had led to increased deposit concentration: in 1976, just ten banks controlled 78.5% of all deposits in Massachusetts. In that same year, the proportion of deposits concentrated in the top three banks in each of the state's banking markets was: Boston, 57.0%; Worcester, 90.4%; Springfield, 81.6%; Cape Cod, 63.0%; Pittsfield, 93.6%; Fitchburg-Leominster, 84.0; New Bedford, 91.9%; and Fall River, 89.2%.(24)

The assumption of corporate control

In many ways, the tendency towards the concentration of capital under control of large corporations lies at the root of the explanation of industrial change in Massachusetts:

- . The large corporations and conglomerates have closed down many long-established firms in the Commonwealth. To name just a few:

Converse Rubber, a division of the Electra Corporation closed its Malden plant in 1977. Six hundred and fifty jobs were lost as a result of the redistribution of operations to other manufacturing sites.

Berkshire Apparel Company, Malden's second largest employer and a subsidiary of the Genesco Corporation of Nashville, Tennessee, shut down and relocated to Roanoke, Virginia, in 1977.

General Electric, one of the world's major corporations has closed four plants in Massachusetts since 1961.

The New England Provision Company in Boston, a subsidiary of Ling Temco Vaught, was closed in 1977, nine years after the conglomerate had bought the plant.

Colonial Press of Clinton, owned by the Sheller Globe conglomerate, closed in 1977 with a loss of 1750 jobs.(25)

Worcester plant closing a division

WORCESTER — Crompton and Knowles Corp., established in 1837, announced yesterday it plans to close its textile machinery division here and transfer it to North Carolina. The action could be the first step toward shutting down the company's entire Worcester operations.

Robert James, a company vice president, said the textile machinery group is being closed and moved South "for economic and consolidation reasons." The firm has two other plants in North Carolina.

He said the move is due to begin soon and to be completed by July 1980 when

the lease on the textile machinery plant expires.

Some of the plant's 100 employees will be transferred, others will be transferred to other divisions, or "placed in new jobs elsewhere," James said.

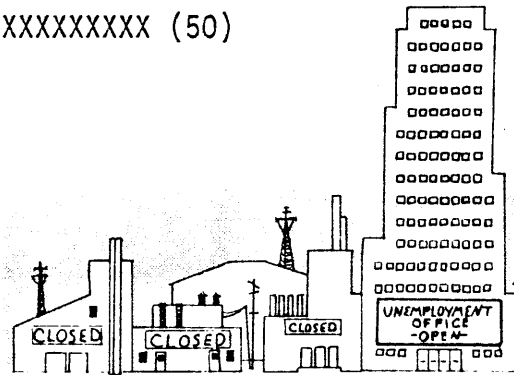
He also disclosed the company is holding discussions with unspecified principals about the sale of two other divisions here — a foundry, which employs 80 workers, and an automotive plant with 40 employees, which manufactures automotive parts.

Crompton and Knowles, primarily a specialty chemicals company, is headquartered in New York. Its sales last year totaled \$200 million.

FROM A MAY 1979 ISSUE OF THE 'BOSTON GLOBE'

- . In total at least 788 manufacturing firms (over 50 employees), employing at least 159,318 workers, closed between 1960 and 1978 in Massachusetts; many of these were owned or shut down by parent corporations, although the precise figure is not known.(26)
- . For many of the closed plants, be they subsidiaries or branches of parent corporations or independent firms, high costs, over-capacity and lack of profitability in the face of competition from plants elsewhere were listed as key reasons.(27) Often the competition has come from foreign plants employing low-wage non-unionized, labor, especially in textiles, shoes, apparel, and electronics. Many of these foreign plants are owned or capitalized by American corporations, a situation which is encouraged by federal tax provisions. The foreign profits of American-based corporations are exempt from U. S. taxation until they are remitted back to America and, even then, taxes already paid abroad receive a credit. Overall, it is estimated that the overseas investments of U. S. corporations between 1966-1973 led to a net loss of 1.06 million American jobs.(28)
- . Other plants have been closed because of the need to increase output, cheapen the production of that output or keep up with the pace of technological change. This is particularly true in the high technology sector. But even where new investment to achieve these advantages is placed in Massachusetts, there may well be less jobs because production is more capital-intensive and they may be in a different location.(29)
- . A particular type of corporate plant closing is the shutdown or rundown of profitable firms because of mismanagement, misallocation of overheads, or the lack of a sufficiently high rate of return. Some plants in Massachusetts which were making 10-12% on investment have been closed because conglomerates demanded yet higher returns (sometimes up to 25%).(30)

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 1978 XXXX (4) (Incomplete data)



1960 - 1978: TOTAL = 788 KNOWN MANUFACTURING PLANTS EMPLOYING 50+ CLOSED...
 ...WITH LOSS OF AT LEAST 159,318 JOBS.

(Source: Carol Katz, Plant Closings in Massachusetts, unpublished data, 1979).

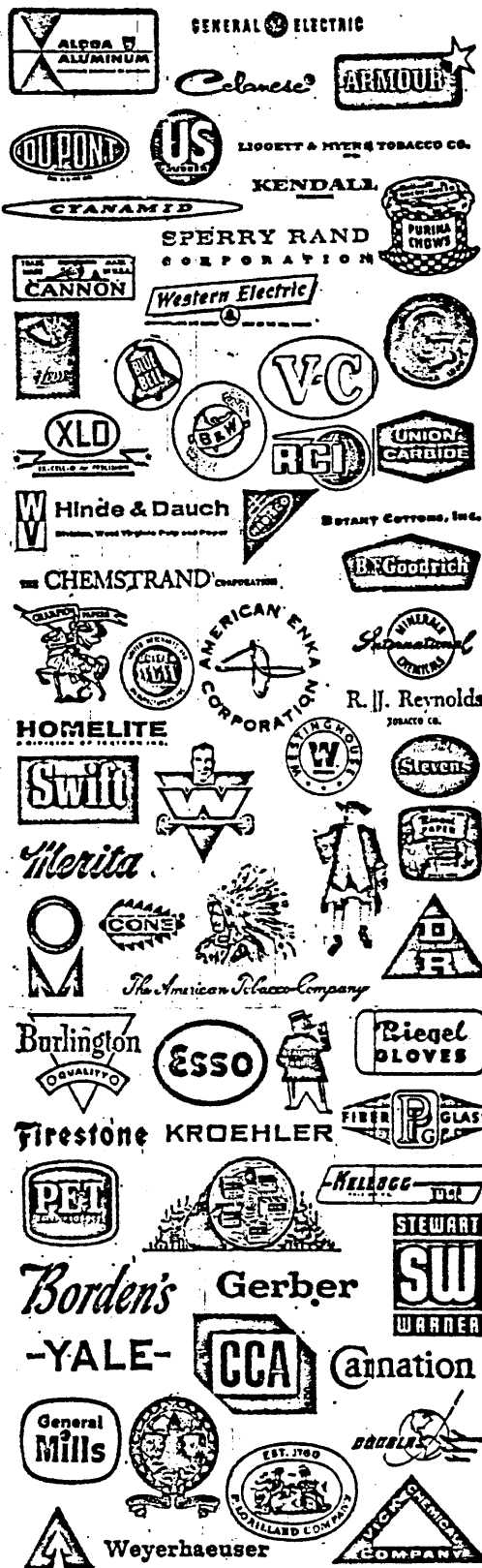
- Corporations involved in finance, service and retail sectors have also been involved in shut-downs and removals. Recently, the Liberty Mutual Insurance Company, located in Boston and Burlington, announced plans to move 500 jobs to New Hampshire. And, in January 1979, First National Supermarkets abruptly closed five food stores in inner-city Boston with a loss of 150 jobs (although one of the stores, in Codman Square, is now to be reopened by a community development corporation).

Implications of uneven development

We have seen that a deep process of uneven spatial and temporal development is evident within the economy; this unevenness is both capitalized upon and promoted by large corporations. A few hundred of these large corporations now control most of the leading sectors of the economy, not just in Massachusetts, but in America and most of the First and Third Worlds. As these corporations have become more advanced, they have increasingly developed the capacity to manage and restructure labor relations in their favor by virtue of influence on government, through corporate control of capital, plant, and financial institutions, and because of the ability to operate, separate and relocate the stages of production on a world scale. As the long list of closed plants testifies, we have seen that such corporate power has certainly been exercised in Massachusetts.

The process of uneven development has other implications as well. Small business which depended on the inputs to, or outputs from, a plant or firm closed by a corporation, are placed in an invidious position and may well collapse themselves. Service jobs in stores and restaurants adjacent to a closed plant are often lost too. The local municipality and the state find that they face both higher unemployment and decreased tax revenues. And, small businesses which are not dependent on, but in competition with large corporations can have their markets undercut by low-wage production from U. S. companies abroad. This is in addition to the problems small firms face in raising capital, riding out business cycles, and matching the research and marketing resources of large corporations.

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Uneven corporate development also implies the removal of control and/or ownership of local industries from the local community. In the early days of industrialization, factories were much more under the control of the community, not only through local and state legislation, but also through the subtle controls of community traditions and attitudes. However, the vertical and horizontal extensions of the corporate hierarchy have widened considerably the social distance between top executives and the workforce and local community. Furthermore, unlike small businesses where the owners are local residents and thereby subject to some community influence, a plant which is part of a large national corporation may have its headquarters located in another city or, indeed, out of state. Decisions affecting that plant will then be made in the context of the corporation's overall national (and, perhaps, global) priorities and on criteria other than impacts on the local workforce and economy.(31)

Workers who lose their jobs, either because of uneven spatial development (firms moving) or through uneven temporal development (lay-offs because of recession), are particularly affected. Unemployment is humiliating, and often causes stress and family tension. Studies have shown that displaced workers are more likely to suffer from heart attacks, ulcers, hypertension, alcoholism and depression - at the same time as they may be without the health insurance benefits their employment formerly gave them.(32) The problem of finding new work is compounded for women, minorities and older workers. Uneven development has also affected the structure of work in Massachusetts: as we have seen, traditional "blue-collar" jobs have been lost, replaced either by high-skill jobs or low-skill, less stable secondary labor market employment. The implication of this polarization has frequently been to force workers to take jobs which pay less, which do not utilize their former skills, and which are tedious and alienating.

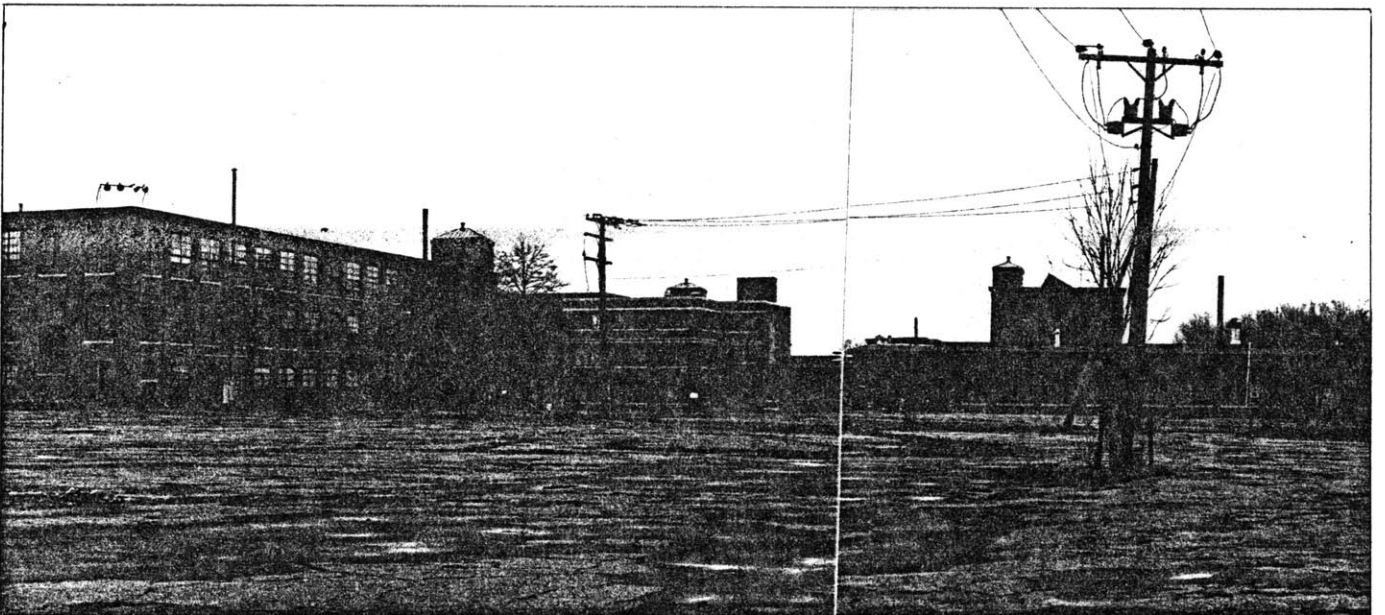
The contradictory nature of development

This chapter has tried to show that the changes in Massachusetts economic structure, including the decline of its traditional industries and the polarization of its employment structure between professional/high-skill/high-paid and low-paid/low-skill jobs, are related to wider processes of uneven development in the economy. These processes manifest themselves in the form of uneven temporal, sectoral, spatial and corporate development.

In a sense, these processes of uneven development have brought enormous benefits: the drive to maintain and increase profits, which underlies unevenness, has led to rapid increases in production output and technological development over the last two centuries, and has resulted in a large growth of material prosperity in America. But, there have also been tremendous costs. Just as capitalist economic development produces wealth, it also produces poverty; as it generates growth, decline also results. These contradictory tendencies do not usually balance out, as the preceding chapters have shown. Rather, they co-exist in an uneven manner and in some tension. This tension is internal to the system, as the drive to maintain profits and accumulate capital results in labor struggle at the point of production, and also conflict at the community level. In the midst of all this, there are the federal and state governments. Since we are concerned with Massachusetts, the next chapter looks at the role played by state government, particularly in terms of economic policy, in trying to deal with the problems and conflicts which spring from the processes of economic change so far described.



Merrimack Mill Buildings, Lowell, 1960



Decaying Factory in Waltham, 1979

AS CAPITALIST ECONOMIC DEVELOPMENT GENERATES GROWTH, DECLINE ALSO RESULTS.

CHAPTER 4
RESPONSE TO CHANGE: STATE ECONOMIC POLICY

As the economy in Massachusetts has developed and changed, so has the role of state government in that economy. The Commonwealth's transformation from an agrarian society, through commerce and industry, to a corporate-dominated economy has been reflected in parallel developments in the size and nature of state spending and state programs. Conversely, the intervention and development of the state itself has been a key factor in the transformation of the Massachusetts economy. We have seen that the forces behind, and the outcomes of, this transformation have been sharply asymmetric: the process has been one of uneven economic development and the state has been structurally involved in facilitating, legitimizing and dealing with the consequences of it. Even though federal government has assumed an increasingly significant role at all levels of the economy, the state has been, and continues to be, important.⁽¹⁾

The growth of state intervention

In Chapter 2, many illustrations were given from the history of the intertwined relationship between the state and capital accumulation in the development of the Commonwealth's economy. We saw that in the eighteenth and early nineteenth centuries, the state played a central role in stimulating and directly aiding commercial capital and the transition to manufacturing. After the Civil War, while still promoting the tremendous growth in capital accumulation, the state was increasingly forced to step in to curb the excesses of that dramatic industrialization and urbanization process. The actions of the state began to take on an important social character, both to ensure the maintenance of a healthy, labor force and to mediate, through social reform, the intense antagonisms between labor and capital which, at times, seemed to threaten the very system itself.

With the advent of corporate capital in the twentieth century, the size and range of functions of state government in the Commonwealth has been further expanded (figure 4.1). The machinery of state now has over 76,000 employees and comprises, in addition to the legislature and judiciary, an executive administration of ten secretariats, a large and complex structure of departments and agencies, and numerous affiliated quasi-state organizations, authorities and public corporation. In fiscal 1979, the state budget is likely to exceed 5.5 billion dollars - a sum which governments of many countries throughout the world do not surpass.

There are several factors connecting the expansion of state government with the development of corporate capital. In an advancing economy, more infrastructure is needed (such as highways, sewers, mass transit and airports) and this tends to be increasingly more costly and operationally complex. The need for skilled labor has also grown, requiring expenditures on state universities and colleges. But, at the level of state government, the largest increases in spending and personnel have been in the welfare and human services sector, which now accounts for nearly half the Commonwealth's budget (figure 4.2). Here, the state has been compelled to socialize the costs of uneven development. As employment opportunities have left

Figure 4.1 Growth of Government, Including State Government, in Massachusetts

	<u>1946</u>	<u>1956</u>	<u>1970</u>	<u>1977</u>
<u>GROSS STATE PRODUCT</u>				
		(millions)		
Current Dollars	-	11,946	29,116	47,803
Constant (1977) Dollars	-	26,640	45,450	47,803
<u>GOVERNMENT GROSS PRODUCT</u>				
Government Employee Compensation, (Federal and State and Local in Massachusetts)				
Current Dollars	-	932	2,807	4,773
Constant (1977) Dollars	-	2,078	4,381	4,773
Government Gross Product as % of State Product	-	7.8	9.6	10.0
<u>STATE GOVERNMENT SPENDING</u>				
Current Dollars	174.7	575.4	2,254.5	5,177.9
Constant (1977) Dollars	541.9	1,283.1	3,518.4	5,177.9
State Spending as % of Gross State Product	-	4.8	7.7	10.8
<u>EMPLOYMENT</u>				
		(thousands)		
Massachusetts (all sectors)	1,701.1	1,863.9	2,261.7	2,395.9
Government	181.0	225.8	319.9	387.7
-Federal	-	(61.7)*	65.0	57.7
-State and Local	-	(175.5)*	254.9	329.7
Government as % Total Employment	10.6	12.1	14.1	16.2
People per Government Worker (approx.)	25	21	18	15

* 1958 figures

SOURCES: Gross State Product: New England (Federal Reserve Bank of Boston, 1978); Annual Report of Treasurer (Commonwealth of Massachusetts, various years); Employment and Earnings, States and Areas (Bureau of Labor Statistics, 1977).

INFLATION CONVERSION: \$1(1977) = \$1.561(1970) = \$2.230(1956) = \$3.102(1947): from U.S. Consumer Price Index.

Figure 4.2 State Expenditure in Massachusetts*

	<u>1977 Expenditures(a)</u> (millions of dollars)	<u>% of Total</u>
Human Services	1,827.3(b)	44.3
Education	1,023.4(c)	24.8
<u>Debt Service</u>	<u>398.3</u>	<u>9.7</u>
<u>Sub-Total</u>	<u>3,249.0</u>	<u>78.8</u>
Transport and Construction	154.7	3.8
Pensions	100.0	2.4
Administration and Finance	286.6	7.0
Legislature, Judiciary, Executive, Secretary, Treasurer, Auditor, Attorney General	120.4	2.9
Environment, Communities and Development, Public Safety, Manpower, Elder and Consumer Affairs	211.5	5.1
<u>Total</u>	<u>4,122.3(d)</u>	<u>100.0</u>

* Figures in this table are calculated on different basis than Figure 4.1.

- (a) Not shown in this budget are state expenditures for unemployment insurance (administered by the Division of Employment Security) and state-controlled federal expenditures (e.g., Manpower Affairs administers over \$220 million in federal CETA grants).
- (b) Of the Human Services budget, \$611.5 million was for medicaid and \$463 million for AFDC.
- (c) In the education account, \$829.9 million went directly to local governments as local aid.
- (d) About twenty-six percent (\$1,069.4 million) of this total went directly to local governments as local aid. Included in this was \$829.9 million for education (mentioned above).

SOURCE: State Budget Trends 1970-1979 (Massachusetts Taxpayers Foundation, 1978).

the central cities of Massachusetts, the unemployed, underemployed and working poor (those working but only earning low wages in the secondary industries that have remained or moved in) have progressively concentrated in these areas and become fully or partially dependent on the state. Indeed the continued profitability of a number of secondary labor market employers is facilitated by a "work and welfare" system which the state funds and organizes. In secondary jobs, the low-paid, unstable routine, and undesirable nature of the work leads to high labor turnover rates: for workers in this sector, the welfare system provides some relief when they are between jobs and ensures, largely through low welfare payments and lack of alternative options, that they are soon ready to take on another secondary job.

Of the remaining parts of state expenditure, a large part goes straight to the municipalities of the older cities to help ease the fiscal and human crises created by the uneven development of corporate capital. However, very substantial sums of money have also gone to develop the suburban areas of the Commonwealth - to build the sewers, roads, hospitals and schools necessary to provide the framework for the modern spatial restructuring of capital-labor relationships which Chapter 2 described.

State economic strategy

The argument that the state has consistently aided capital accumulation does, of course, contrast sharply with the view more popularly presented. Usually it is said that state government in the Commonwealth has severely hampered the private sector and is largely responsible for Massachusetts' declining economic position. This view - "blaming the state" - is frequently put forward in the media, by the business community, and by many politicians. But this does not make it any the more accurate. As Chapter 3 was at pains to point out, the reasons for the Commonwealth's changing and declining industrial base are more correctly rooted in the wider processes of national and international uneven economic development, not the particular actions of state government. The growth of financial, clerical, administrative, business service, scientific and advanced technological occupations in Massachusetts is also basically a function of the wider development of the corporate mode of accumulation and is not due to state or any other level of government.(2)

However, while the state has not directly caused the changes and developments seen within the Commonwealth's economy, it has played an integral part in helping them occur. In terms of economic strategy, this help has come in two ways. First, the state has promoted new areas of economic activity to replace the traditional mill-based industries. Second, the state has tried to stimulate capital investment and accumulation by improving the Commonwealth's "competitiveness" and business climate.⁽³⁾ Both of these strategies have encouraged, although not caused, uneven economic development: the first has helped in the shift of capital from old areas to new locations and uses; the second has helped by generally minimizing constraints as to what capital should do and pay for, thereby allowing capitalist development to run its uneven course.

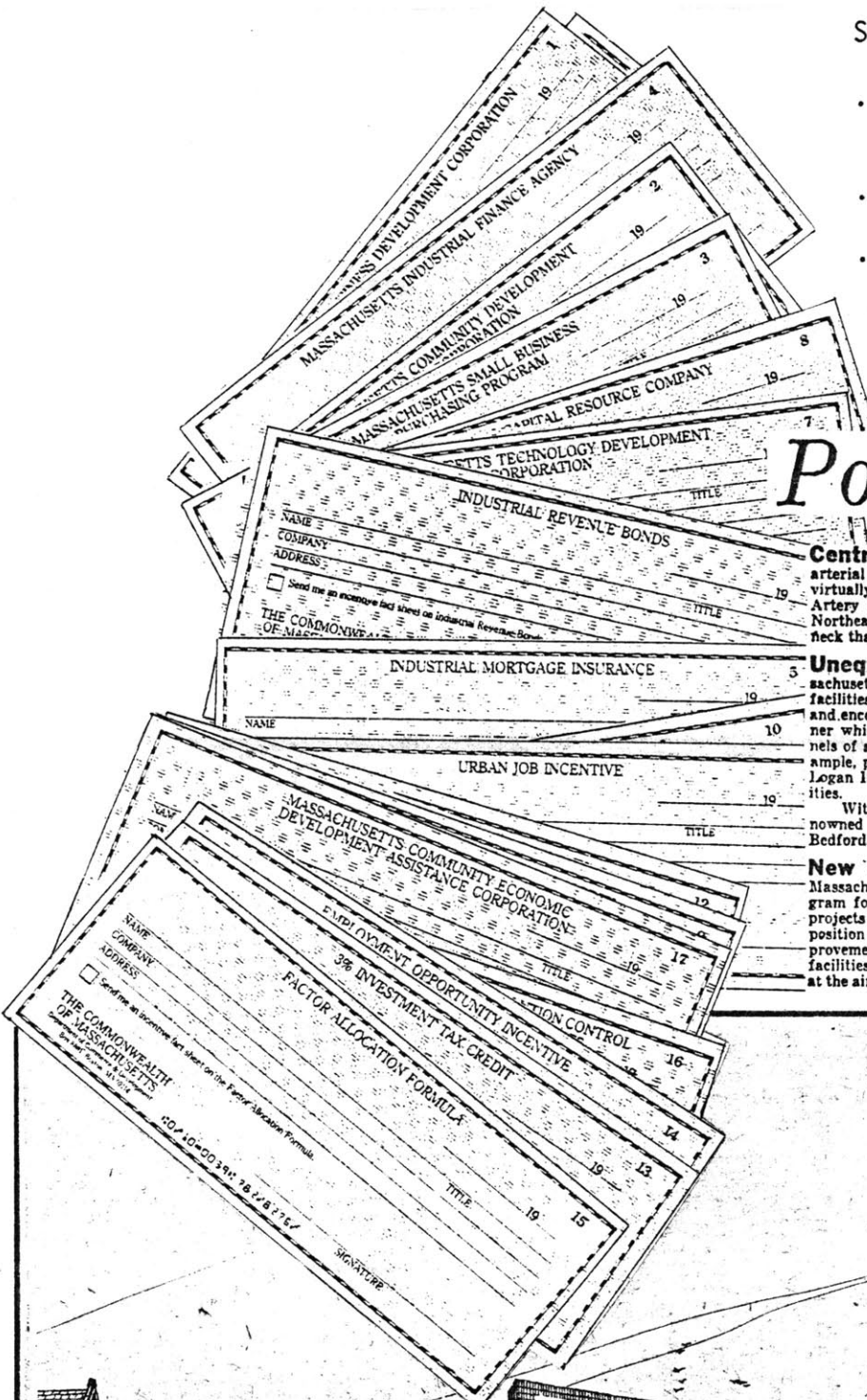
The strategy of promoting new areas of economic activity, as we earlier discovered, goes all the way back to seventeenth century Joseph Jenkes and the eighteenth century state-chartered public corporations. It is a strategy the state has particularly promoted in the post-World War II period with the decline of the Commonwealth's traditional economic base and has involved:

- . Building, not only of Route 128, but also of other major highways, to facilitate the development of new, high-technology industries and research centers.
- . Encouragement - particularly in the larger central city areas - of urban renewal. This has tended to replace declining areas of old industry, retailing and housing (usually low-income) with new office buildings, more profitable middle-income and luxury housing, car parks, and - at times - hotels, medical and university buildings, and convention centers. The means used to assist these shifts to service activities have often involved tax abatements (Chapter 121A), bonding and infrastructure provision.
- . Exemption from state sales and use taxes of all machinery and replacement parts used by manufacturers in corporations primarily engaged in research and development.

STATE ECONOMIC STRATEGY

- Provides incentives and capital subsidies (left)
- Builds infrastructure (below)
- Promotes new areas of economic activity (bottom)

NEW Port of Boston



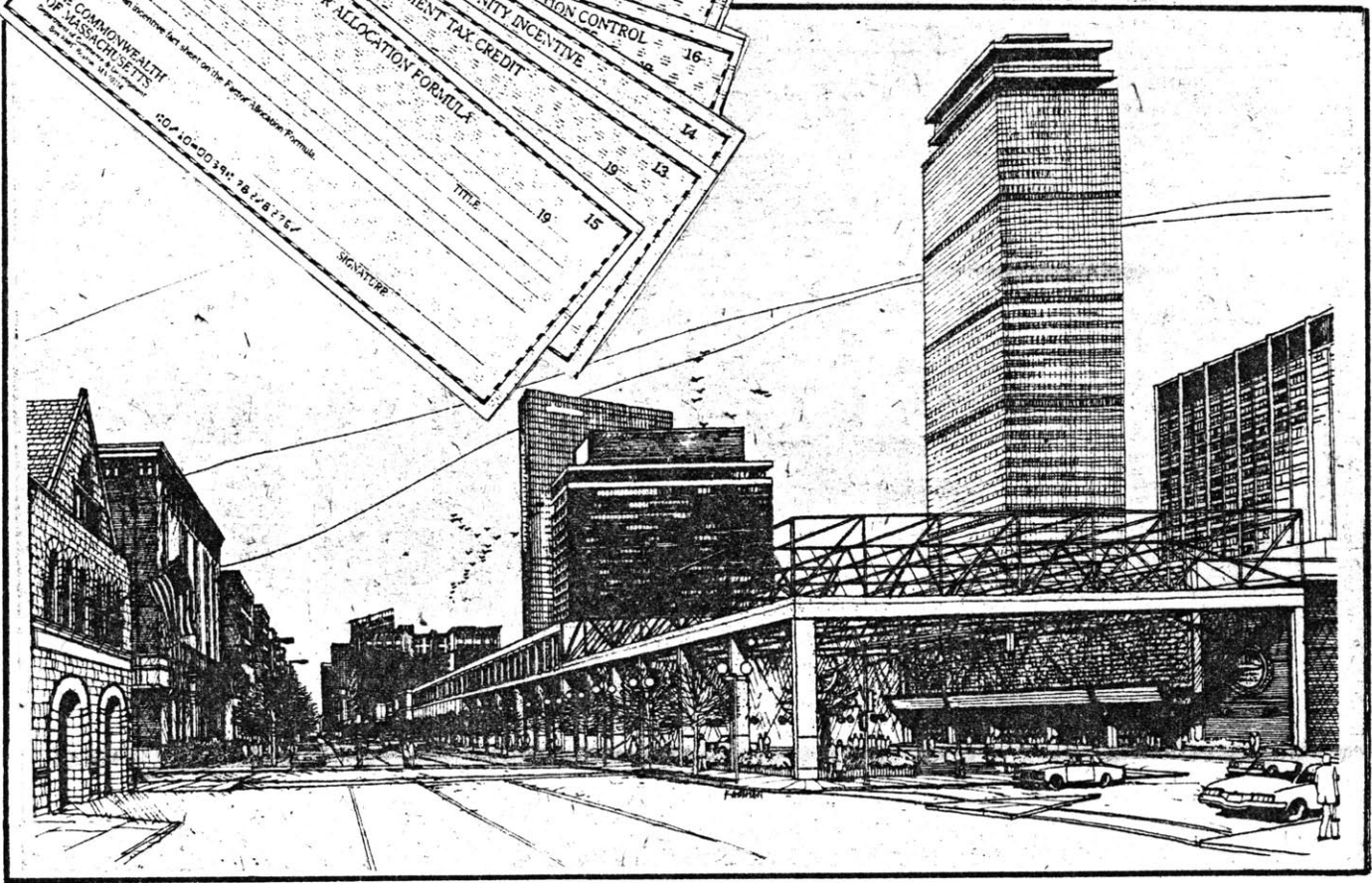
Central Artery Unsnarls Traffic. A new system of arterial highways through Boston has brought suburban markets virtually to the doorsteps of the air and sea ports. The Central Artery over downtown Boston connects with the Southeast and Northeast expressways, and eliminates the type of traffic bottleneck that strangles some other large cities.

Unequaled Concentration. Under a new law, the Massachusetts Port Authority operates a complex of transportation facilities. The Authority is reducing costs, improving efficiency and encouraging utilization. The facilities are integrated in a manner which permits easy transshipment of goods among the channels of sea, air, rail or highway. The Mystic River Bridge, for example, provides a smooth link between the long, wide runways of Logan International Airport and the deepwater Boston port facilities.

Within a mere 14 miles — situated on Massachusetts' renowned Route 128 "Electronics Highway"—is Hanscom Field at Bedford.

New Facilities. In its initial phases of development, the Massachusetts Port Authority plans a two year modernization program for its waterfront properties, and a series of construction projects at Logan International Airport to maintain its leading position as a jet-age gateway. This will result in major pier improvements along the entire port; the erection of hangars, terminal facilities and the rehabilitation of runways, taxiways and apron at the airport.

THE NEW YORK TIMES, MONDAY, JANUARY 11, 1960.



- . Reorientation of part of the state's employment and training system to meet the labor requirements of high technology industry.
- . A new Massachusetts Technology Development Corporation, set up (replacing the older Mass. Science and Technology Foundation) to provide technical assistance and start-up capital to small, innovative technology-based businesses in the state.
- . Establishment of a Government Land Bank to purchase surplus military property, leading to new industrial parks at Westover and South Boston and advanced development proposals for Charlestown Naval Yard and Chelsea Naval Hospital.
- . Recently, the state has played key roles in packaging two major development schemes in the City of Boston: Copley Square (providing office, hotel and retail space) and Park Plaza.

The second strategy, making the Commonwealth more competitive, has led to the state to take a range of actions believed to reduce business costs and improve the state's competitive position relative to other states. These have recently included:

- . Developing a package of tax incentives which include ". . .the largest investment tax credit offered by any state in the nation, sales tax exemptions for production equipment, tax credits tied to additional employment, tax exempt financing for plant expansions, tax credits to reduce high urban real estate taxes, and protection against local taxation of machinery and equipment."⁽⁴⁾
- . Provision of cheaper capital for businesses, developers and banks through state financing agencies like the Massachusetts Industrial Finance Agency, the Massachusetts Housing Finance Agency, and the Massachusetts Home Mortgage Finance Agency. Because the state allows these institutions to issue tax exempt bonds, they can charge below market rates for capital to their borrowers.

- . Reducing the cost of the unemployment insurance system to employers by excluding unemployment compensation from workers who "voluntarily" quit their jobs.
- . Subsidizing the costs of hiring and training workers through programs like the "Job Match" system, META (Massachusetts Employer Training Assistance) and STIP (Skills Training Improvement Program).

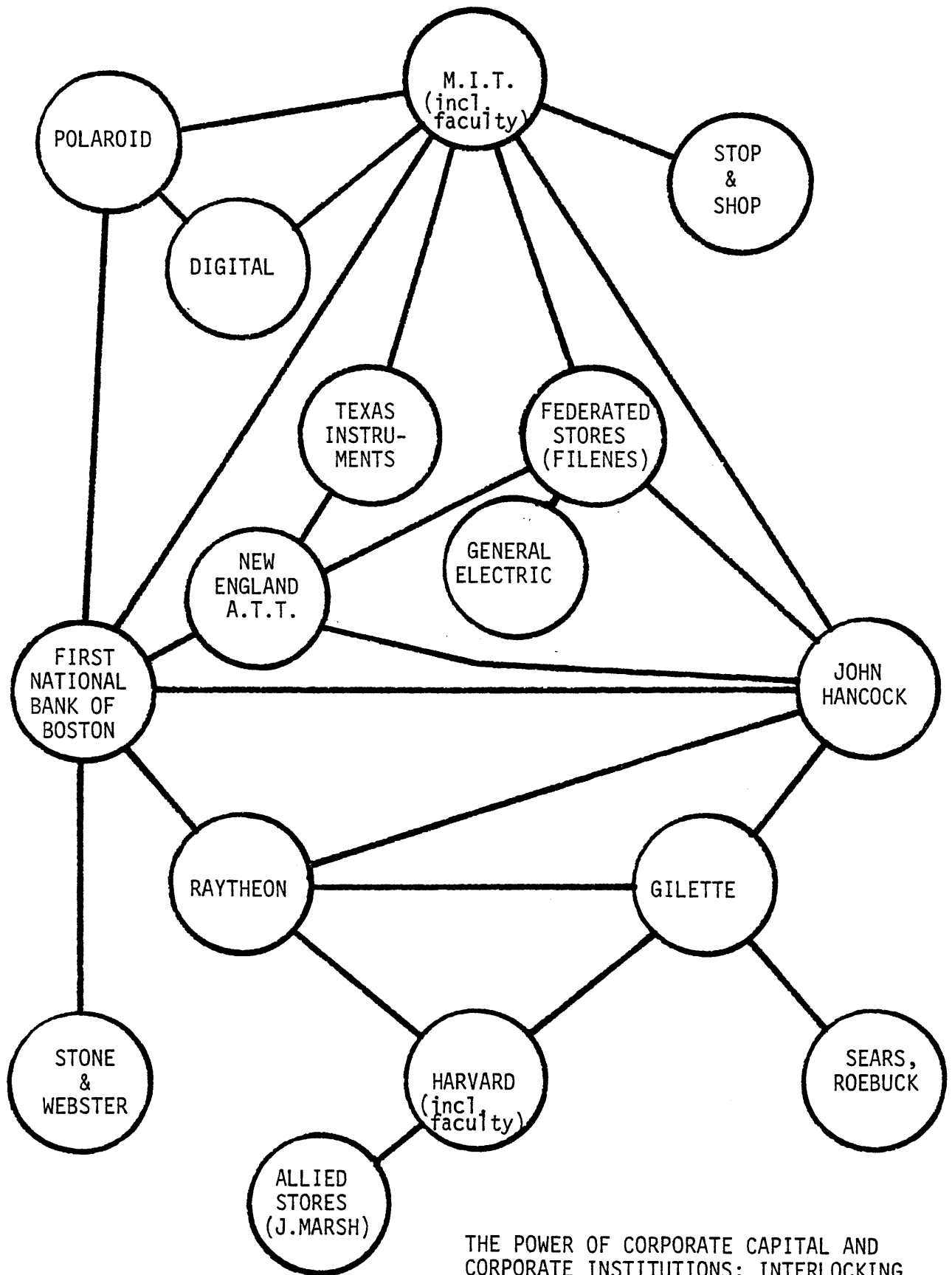
Besides directly reducing business costs, making the state more competitive also includes improving the "business climate." This is, however, an ephemeral factor: according to a study of the history of social legislation in Massachusetts by Low Income Planning Aid, the cry of "poor business climate" has been raised repeatedly by the state's business community since the beginning of the present century to defeat progressive legislation which could cut into their power or profits.⁽⁵⁾ But, more often than not, state officials have believed and acted upon these business climate claims. For instance, when Howard Smith was Secretary for Economic Affairs in the Dukakis administration, his publicly stated decision rule was "Where a judgment is a close call, the underlying bias should be for business." Smith believed it was vital for government to give the business community "signs" that the state was holding the line on the social overheads of doing business.⁽¹⁶⁾

The power of capital over state economic policy

Despite the popular presentation of the state as anti-business, it is really not much of a revelation to say that a key objective of state government is to help the owners of capital make profits. State officials make this quite public. In 1960, for example, Governor Foster Furcolo took out an advertisement in the New York Times, where he stated: "I give my personal assurance that under my

administration a healthy climate for business will be maintained and strengthened in the Commonwealth of Massachusetts."⁽⁷⁾ More recently, the administration of Governor Dukakis ran an advertising campaign which exclaimed: "We're starting to run this state like a business. Because we want to make this state a better place for business."⁽⁸⁾ Governor King's statements are very similar. Using the slogan "Massachusetts Means Business," his advertisements offer employers a "Massachusetts Check Book" of tax incentives and state financing aid.⁽⁹⁾ However, the state's role in facilitating capital accumulation depends on more than just the particular personalities and beliefs of the people who occupy state office: rather, powerful structural mechanisms exist which necessarily place the state in this role. Although the state bears a heavy burden of "unprofitable" social services which are important in allowing capital accumulation to operate, the state depends upon private accumulation and the institutions of private capital in order to finance its activities. The state relies on tax revenues, which are generated by the private sector; it also relies on debt financing mechanisms and the private capital market. To protect its tax base and maintain its access to capital markets, the state, like it or not, cannot ignore the interests of business and finance.⁽¹⁰⁾

Because of the state's dependence on the private sector, the owners and controllers of capital are provided with considerable leverage. Developers and corporations, particularly large ones, can adjust and readjust production and location decisions, play off states against one another, and obtain highly favorable tax packages and publicly financed infrastructure, business and manpower training services. As Gerald Blakely, Jr., head of Cabot, Cabot and Forbes, has said: "Capital is mobile and goes where places are receptive and constructive."⁽¹¹⁾ Unsurprisingly, business organizes, through groups like the Massachusetts Taxpayers Foundation and Associated Industries of Massachusetts, to ensure that state remains receptive and constructive. Beside the influence these organizations have on the state, their (well-financed) argument that capital and jobs will leave the state if taxes or business costs are raised influences voters - as illustrated by successes in defeating proposals for a graduated income tax and flate rate utility charges in the 1976 referendum.⁽¹²⁾



THE POWER OF CORPORATE CAPITAL AND CORPORATE INSTITUTIONS: INTERLOCKING DIRECTORSHIPS AMONGST SIXTEEN OF THE COMMONWEALTH'S LARGEST EMPLOYERS.

The banks have also used their position as controllers of the state's access to capital markets to make certain the state heeds the corporate viewpoint. The leading bank has been the First National Bank of Boston, which according to Tee Taggart, the Director of Research for the State Banking Commissioner, has historically assumed the role of spokesman for the business community in matters of state tax policy. Taggart describes how, in 1975, the Bank refused to underwrite a crucial state bond issue unless the state cut an extra \$650 million from its social services and medicaid budget and raised the sales tax (which is a regressive tax) from 3% to 5%. The state complied, for if it had not, the effect of being unable to sell bonds would have been fiscal collapse.(13)

However, it is important to stress that state government has not been simply an instrument of the owners and controllers of capital. Indeed, if this was the case, capital would hardly need to organize campaigns or threaten to withdraw from the state. Rather, as the Commonwealth's history indicates clearly, the state has been an arena of much debate, struggle and conflict. People have resisted, sometimes forcibly, actions which the state has tried to take. At the same time, groups of people have continuously attempted to use the state machinery as their means of opposing sections of business, or advancing social reform. On a surface level, much of this political activity has had an ethnic character, but beneath that the deeper issues have been distributional (e. g., who gets the available jobs, or gets to live in particular neighborhoods). In recent years, there have also been mounting pressures from those who have borne the heaviest costs of uneven development - minorities, welfare recipients (through advocacy groups) and inner-city residents/communities - to make the state increase its programs of social expenditure. Often, however, such activity has set one group against another, with the state the focus of attention - not capital and the uneven process of economic development. But there have been many occasions when the interests of particular companies or groups of businesses have been threatened, as with campaigns by labor unions to legislatively raise minimum wage laws - which usually affect marginal and competitive firms, rather than larger companies. In 1978, there was a campaign over the property tax classification admendment, which the opponents (largely big business) did not win. In sum, by no means has capital always dominated the arena of state government;

important reforms and laws have been won, although usually after long and hard periods of political action, which have gone against the short-term interests of particular groups of business in the Commonwealth. But, the resilient power of capital and its structural hold on the state has continued and it has often been able, over the course of time, to turn once threatening social reforms to its own ends - (for example: the way unemployment insurance now bolsters secondary labor market employers).

How effective?

Although this chapter has focused upon describing some of the more recently introduced state inducements to encourage business to remain, start up, or expand in Massachusetts, this kind of state intervention is certainly not new. The history of the development of the Massachusetts economy, which Chapter 1 outlined, showed that the state has been involved in the economy from the beginning. We saw quite clearly that in the early years of the Commonwealth, the state was instrumental in promoting business and manufacturing, through such means as monopoly rights, public corporations, land rights, infrastructure development, capital subsidies, and tax allowances. But the nature of capitalist economic development has changed markedly since then. As explained in Chapter 2, not only has capitalism advanced beyond and away from the old centers of development (in England and New England); there have also been significant qualitative changes, particularly the development of large corporations which are able to operate and direct capital on a national and international basis. Given this context, the question is: How effective are the Commonwealth's contemporary economic strategies?

The answer which Governor Dukakis gave to that when he was in office was very clear. Writing in 1978, Dukakis emphasized that "through state government we have been working hard to make Massachusetts an even more attractive place for business." After describing the measures the state had taken, he concluded that they had "resulted in a more vigorous, accelerated growth of Massachusetts industries."⁽¹⁴⁾ Bob Conway, currently Assistant Commissioner at the Massachusetts Department of Commerce and Development, also thinks the

Commonwealth's economic development programs have been successful. His view is that without these programs, business expansion would be much slower in Massachusetts and more firms would have chosen to relocate in other states.(15) And, perhaps most vocally of recent occupiers of the executive office, the present Governor believes strongly that the state economic policies of the kind described in this chapter can be effective in promoting the business sector. With the intent of making economic development the "cornerstone" of his administration, Governor King has put forward a five-pronged economic program: lowering taxes, simplifying government regulations, managing energy resources, training manpower, and attracting industry.(16) The Governor's underlying objectives are quite plainly to reduce business costs and improve the business climate; in other words, King is emphasizing the second of the two major strategies state government has typically adopted in the Commonwealth - that of making the state more competitive.

However, although state officials may claim that their strategies have been, or will be, successful, the evidence points to a rather different interpretation. Many studies have shown that state programs which seek to lower business costs have, at best, only a marginal effect on improving production and employment. Economists Ben Harrison and Sandra Kanter point out that the leading sectors of the economy are dominated by large firms who have some market power in setting prices and output levels. For these firms, reductions in the kinds of costs which state government can effect are likely to have little impact, other than to increase profits. They argue that large companies do not really need tax incentives and capital subsidies because such firms are able to use internal financing or borrow money from banks. On the other hand, smaller businesses, operating in the competitive sector, face uncertain markets and are in a much less stable position to take advantage of state incentive mechanisms; when they do, they often provide secondary, rather than primary employment.

Harrison and Kanter go on to argue that for all firms, the state attempts to cut business costs cannot significantly stimulate demand and that, in any case, one of the costs that the state most often tries to cut or give credit for is state and local

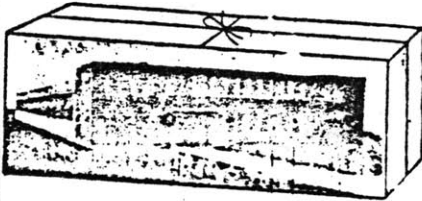
business taxes, yet these are very small part of the business costs - varying from a half to 3 percent of value added. The effect of reducing state and local corporate taxes is further minimized by the fact the 48 percent of any savings are subject to federal corporate income tax. Moreover, seeking to reduce some business costs in Massachusetts is unlikely to attract out of state firms to physically move into the Commonwealth, first, because the number of these "footloose" firms is actually small (in the U. S. between 1969 and 1972, states on average gained only .3 percent of their 1969 employment base by firms physically moving in and lost only .2 percent from firms physically moving out); second, moving or building a plant is a major corporate decision and is rarely made on the basis of marginal adjustments in tax or debt financing costs; finally, since almost all states now have similiar incentive packages, the savings differentials between states are not very meaningful.(17)

Furthermore, besides the failure of state business incentive strategies to produce new outputs or jobs, they also have real costs because tax revenue is foregone which could have been put to alternative uses. Harrison and Kanter estimate that the revenue cost to the state of ten business tax incentives in Massachusetts in fiscal 1974 exceeded \$100 million.(18)

The conclusions reached by Harrison and Kanter on the ineffectiveness of state business incentive programs in cutting business costs and in increasing employment and production have been backed up by other researchers and by studies of business investment and location decisions.(19) Indeed, George Kariotis, the chairman of the electronics firm Alpha Industries and currently Secretary for Economic Affairs, has himself said that, tax incentives are only secondary considerations in business. Speaking of employment tax credits, he says that employers hire first according to their needs, and then look afterwards (sometimes at the end of the financial year) to see if they can pick up tax credits.(20)

The other key strategy which the state has used to intervene in the economy -that of promoting new areas for investment and capital accumulation - has been more effective than incentive programs, but these effects have been adverse as well as positive. Projects which have depended upon state intervention have included the state highway system, particularly Route 128, the extension of the Red Line to

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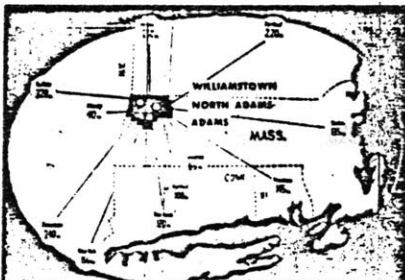
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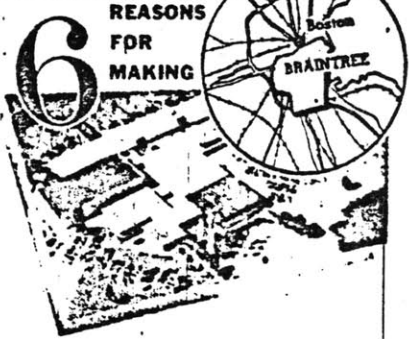
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Quincy, the Boston Waterfront development, Government Center in Boston, many urban revitalization efforts, and the general development of hospitals, schools, and wastewater treatment facilities. Considering the tens and hundreds of millions of dollars often involved in these projects, it is hard to sustain that they have not had an impact; rather, they have added construction jobs, some public sector jobs, and, most significantly, opened the way for private and profitable investments.

However, much of this investment (often using federal funds too) has had the effect of facilitating suburbanization and the movement out of industrial and other types of employment from the older urban areas. This has encouraged the process of uneven development described in earlier chapters, with its heavy cost in terms of displaced workers and housing and neighborhood decline. State funds have also gone into downtown central business districts, to develop office centers and increase retail trade volumes. Besides the physical destruction of urban neighborhoods (including destruction through building expressways) which these developments have frequently caused, the growth of low wage clerical, administrative and service jobs has been boosted, while the better jobs have tended to go to suburban residents. And, just as state promotion of the suburbs has depleted the tax base of the central city, it has also been true that downtown revitalization has helped less towards improving city tax bases than might be thought. To encourage commercial development, local governments (with state permission) have commonly granted tax exemptions and made agreements with developers under Chapter 121A of the General Law of the Commonwealth. In Boston, tax exempt property increased from 28% of total valuation in 1950 to 55% in 1977. One estimate placed the total valuation of tax-exempt property at over \$930,000,000 in 1968. Through Chapter 121A agreements alone (which allow developers to make small payments in lieu of property taxes), the City lost over \$21 million in tax revenues in 1971.(21) Even discounting the fact that downtown revitalization projects may increase the demand for government services, these tax-exempt developments clearly shift the tax burden from business to workers.

At the bottom line - the number of good jobs added and retained - the Commonwealth's economic intervention strategy has fared poorly. As we have mentioned before, over the last ten years, the number of jobs which pay more than the official lower living income level has decreased sharply. Measured by several other key indicators, not only has Massachusetts been outperformed by the South and West, it has usually done less well than the average for Northeastern and Midwestern states. For example, between 1970 and 1977, per capita income grew by 69.7 % in Massachusetts, but by 75.7% in the Northeast and Midwest and 86.4% in the South and West. Overall non-agricultural employment grew 4.5% in Massachusetts over these years, but by 7.4% in the Northeast and Midwest and 25.8% in the South and West. Manufacturing employment fell by 6.2% in Massachusetts, dropped 6.4% in the Northeast and Midwest and grew 12.2% in the South and West, while service employment grew 17.7% in Massachusetts, 24.0% in the Northeast and Midwest, and 41.5% in the South and West. Finally, between 1970 and 1976, annual investment in new capital equipment changed by - 13.7% in real terms in Massachusetts, +4.5% in the Northeast and Midwest and +49.5% in the South and West.(22)

Thus, the evidence suggests that the state is captured strongly within a wider framework of uneven development and that the Commonwealth's strategy of offering all kinds of inducements to tempt industrialists, developers and corporations has been quite unable to turn this situation around. Indeed, it seems as if the state's strategy has intensified uneven development and the growth of secondary jobs. Moreover, the recent recovery of sections of the Commonwealth's economy (noticeably durable manufacturing) almost certainly owes more to the national post-recession revival than state policy, and, in fact, is now slackening in Massachusetts as the national economy slows down. And, the poor performance of the state's economic strategy cannot be put down to a lack of application: Massachusetts compares 'favorably' with other states in the business incentives and inducements it offers. In a survey of nineteen major tax incentive categories published by the U. S. Department of Commerce, Massachusetts offers incentives in twelve. Of New England states, only Connecticut equalled this, while New Hampshire offered incentives in five fewer categories. Amongst industrial states, only New York offered incentives in more categories - yet, this state has one of the slowest rates of all. The Southern and Western "sunbelt" states offered fewer incentives than Massachusetts, despite their higher growth.(23)

Underlying purposes

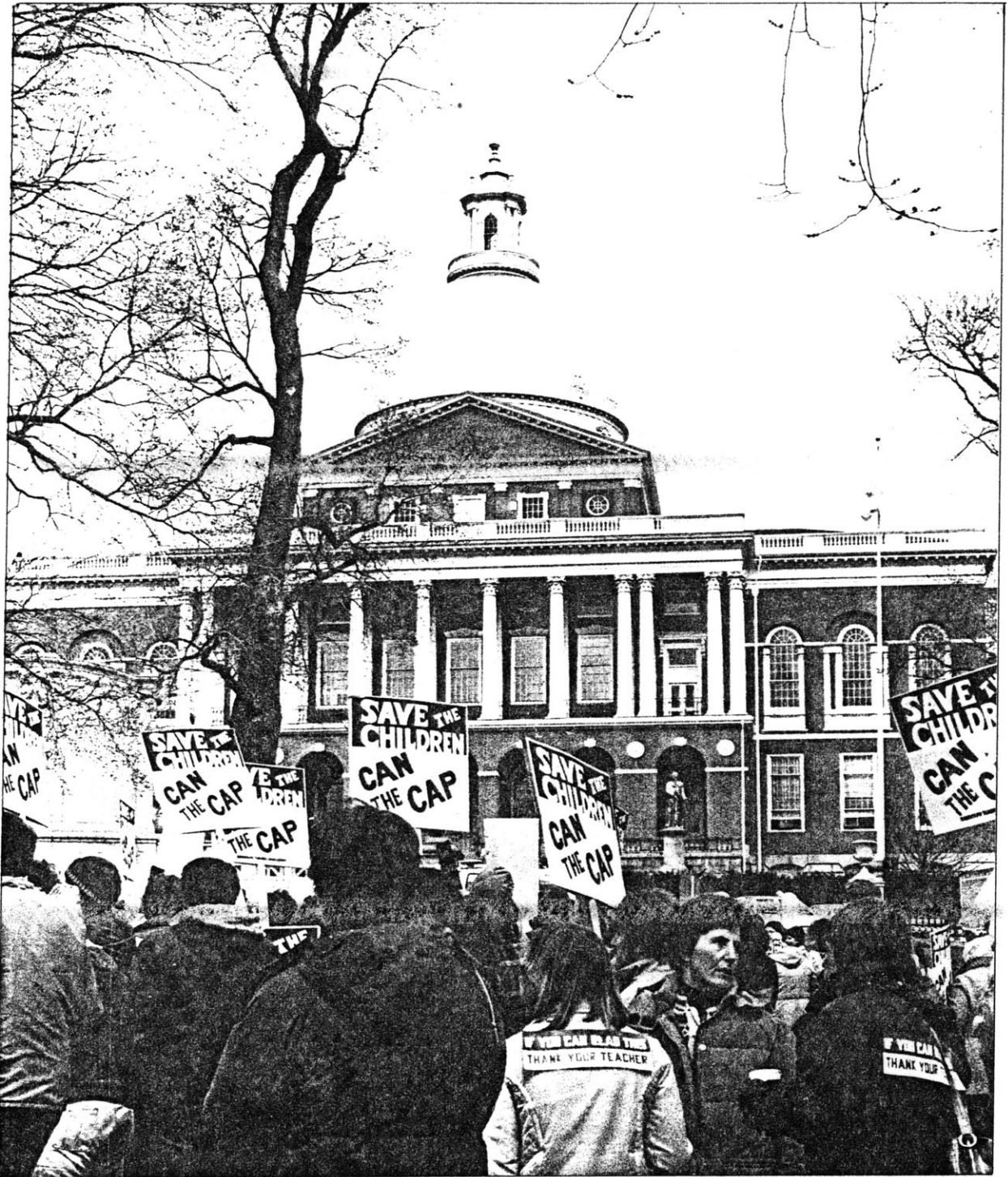
If, in fact, the first of the state's major economic intervention strategies has been unsuccessful, while the second has had some severely negative effects, it can fairly be asked: Why has the state followed these strategies? Could it be that state officials, pressed by the need to do something to attract capital and development in an economy which is performing badly, are forced to resort to admittedly weak policy instruments because the state has so little influence over the local economy? Or, are state officials just pro-business, giving public handouts to corporations and developers?

There may be some truth in both of these interpretations, but, as Harrison and Kanter point out, there are more substantial reasons. The state's economic strategies have to be seen in the context of, what they call, "the continuing struggle between capitalists and workers over access to and control of capital."⁽²⁴⁾ We have seen, in Chapter 2, that this struggle has been a basic and pervasive factor in the development and change of the Massachusetts economy and that, as well as occurring at the point of production, state government and policy has also been a central arena of labor-capital conflict. In a sense, this conflict is an inherent tendency within the governmental system because, while the state (along with federal and local government) absorbs the social and private costs of capital accumulation, the profits accrue to, and are controlled by, the private sector. The process of uneven development has intensified the evident conflict within this arrangement, since it has led to an increased need for state and local services yet decreased the available tax base to support them. Uneven development has caused workers to be displaced, generated unemployment, and substituted traditional blue-collar jobs with low-wage, less stable employment. Industries have been shut down or removed in many older communities, housing and neighborhoods have declined, and the restructuring of the suburbs and central cities for new forms of employment has been a costly public expense. Moreover, working people have increasingly come to see public services as an important part of their own real income and have organized to extend this "social wage." But, in an era of inflation, declining purchasing power, and insufficient well-paid jobs, people have also resisted carrying the increasing tax cost of these services. This resistance has largely occurred at the local level because of the heavy reliance on property taxes, but the state has been affected because of the real political and fiscal need to redistribute state revenue as local aid.

On the other hand, although they benefit directly and indirectly, the owners and controllers of capital have, historically and currently, fought the imposition of business taxation to finance the public sector. There have been two underlying reasons for this. First, by reversing the distribution of real income away from workers and to business, they increase profits. Harrison and Kanter argue that tax and capital subsidies which do not effectively compel companies to behave differently than they would have done otherwise are politically viable ways of redistributing profits back to capital.

Second, and perhaps of more significance than these monetary benefits, the state's economic strategies have had an important political and ideological value for the business community. In a situation where there is continual (and, at times, violent) conflict between labor and capital, there is always the threat to business that workers and community organizations will use the machinery of the state to extend beyond regulation of things like hours and conditions - to use the state to more directly control capital and further improve their real income through progressive social legislation. The political history of Massachusetts shows that workers and community organizations will seek to do this, although with more or less vigor depending upon conditions at the time. Capital responds, using its structural power over the state (which we examined earlier), by resisting generally the extension of the state sector. It most resists "unprofitable" social improvements (like increasing welfare) and efforts to decrease its hold over labor (in the past, child labor laws; nowadays, extensions of the minimum wage and unionization). And, it attempts to focus more state expenditure on activities more supportive of profitable private accumulation (such as infrastructure improvements and technical education). In this struggle, the area of state economic policy is effectively a place where capital can seek advantage to help it resist the wider incursion of sectors of the state which are "unprofitable" or which restrict capital's freedom. Using the "business climate" argument, the business community presses for tax incentives and capital subsidies because the political and ideological benefits as much as for their monetary value. As George Kariotis, Secretary of Economic Affairs, says of tax cuts: "The actual number of dollars is not that important. . . We just need to show some reduction. It's the image we're after."(25)

Summing everything up, it seems that the Commonwealth's economic policy has largely acceded to the interests of capital and has, indeed, facilitated the weakening of the economy through uneven development. The state has also failed to significantly improve the economic and social conditions of many of its residents. Certainly, the changes in the wider economy, and even the actions of federal government, have been ultimately more important than state intervention, but the state has gone along with and facilitated these forces. The issue now, of course, is whether there are any alternatives which the state could follow so as to really improve employment and investment. That is the subject of the next chapter.



FIGHTING STATE ECONOMIC POLICY - TEACHERS AT THE STATE HOUSE PROTEST THREATENED SCHOOL CUTBACKS, APRIL 1979.

CHAPTER 5
IMPLICATIONS AND ALTERNATIVES

There is a corollary to "blaming the state" for the poor performance of the Massachusetts economy in recent decades, namely: to blame other states, regions or countries. Thus, not only are we told that Massachusetts is an economic casualty because of a "war between the states," but also that the Commonwealth has lost out because of an inter-regional "sunbelt versus frostbelt" fight and the global contest of America against Japan, Western Europe, and the industrial Third World.(1) Often, organized labor has been as quick, if not quicker, than politicians and the business community in indicting places like New Hampshire, North Carolina, or Taiwan as guilty partners in causing Massachusetts' economic and employment problems. And, while their language may be less direct and more academic, many conventional economists have often backed up these accusations, for they have long suggested that economic development can largely be explained by place-related factors such as access to transportation facilities, physical proximity to complementary economic activities and services (which economists call "agglomeration economies"), or naturally available cheap labor.(2)

However, although blaming the state and blaming other places (and, by implication, other workers) are common explanations for economic problems, the evidence argues that both of these are too superficial and simplistic. Certainly the Massachusetts economy has changed fundamentally over the years, faring less well than many other areas. But the basic driving forces beneath these changes lie neither within the Commonwealth of Massachusetts, nor within any other particular state, region or nation. Rather, the changes in locations and patterns of employment experienced in Massachusetts have to be viewed in the context of wider developments in the process of capital accumulation. While these developments have proceeded unevenly and impacted different areas in different ways, in themselves they have been a-spatial and ubiquitous, not intrinsic to any one place.

Amongst these wider developments, we have seen that fundamental changes in the very nature of capitalism have been foremost in accounting for the specific changes experienced in Massachusetts. Chapter 2 illustrated how, first, the introduction and, subsequently, the growth and concentration of capitalist economic development transformed the colonial economy of Massachusetts, through mercantile capitalism, into an economy based on industrial accumulation. Driving this process was a continual need to search for profits, leading to continued attempts to raise the productivity of labor. In the twentieth century, developments at the wider level again transformed the structure of capital accumulation in Massachusetts, as large national and multinational corporations and financial institutions came to dominate the leading sectors of the economy.

This argument - that the employment and economic changes seen over the years in Massachusetts have basically been caused by wider developments within capitalism, and not through actions of state government - has been one of the major points which the previous chapters have tried to document.

A second major point has been to show that this process of change has followed a clear pattern which has had a definite logic and purpose. At first, increased investment in plant and machinery led to the development of a working class who were employed in, and lived in the communities which arose around, new centers of production. But, as investment in capital continued to increase, as the size of the leading corporations grew, as new production methods were introduced and

traditional skills declared obsolete, and as conflict between labor and capital intensified, production and other functions related to it began to be reallocated over space. Disinvestment occurred in the Commonwealth's older industrial areas, and new centers of less expensive and less experienced labor (in terms of labor struggle, old work customs and methods, and community conflict) were developed, both in other locations in Massachusetts (e. g., suburban areas) and in other regions. The communities around the old production centers declined, while new residential areas and retail activities were established in relation to the new production centers. This process of adjustment and re-adjustment of production and other economic functions over space to suit the needs of capital accumulation has gone through several stages in Massachusetts. Amongst the most recent has been the reconstruction of downtown areas in the Commonwealth to serve as loci for the various administrative, financial, and business services which are now essential to capital accumulation in this era of corporate pre-eminence. Importantly, the pattern in Massachusetts is not unique - the experience has been similar in other older industrial areas in America and Western Europe.

The third major point has been to demonstrate that these changes and transitions have been neither smooth nor harmonious, but basically reflect a process of economic development which is sharply uneven. Over time, as Chapter 3 highlighted, the economy has fluctuated between boom and bust and crises of accumulation have developed. During these crises, capital has tried to restore (or find new) conditions which will allow a further period of capital accumulation. We saw that the Massachusetts economy was very sensitive to these economic ups and downs and that during crisis periods the way was opened for capital to restructure its relations with labor. The chapter also linked changes in Massachusetts with regional and national changes, and argued that the apparent decline of Massachusetts and the Northeast and the development of the South and West were not independent events, but could only be understood as interrelated outcomes of the uneven process of capitalist accumulation on a national and international scale.

Finally, the fourth major point has been to show that the state has played an integral part in facilitating capital accumulation in the Commonwealth. This is a key point for two reasons: first, because the state has been, and continues to be,

popularly presented as "anti-business;" second, because reference is often made - usually as part of business attacks on the state - to an earlier age of "laissez-faire" and minimal state intervention. We now know that both of these arguments are quite erroneous. As Chapter 2 demonstrated, state intervention to aid capital accumulation has been an economic fact of life for three centuries in Massachusetts. Chapter 4 re-emphasized this, showing how, particularly in the post-World War II period, the state has increasingly acted to deal with the poor performance (i. e., insufficient profitability) of the Massachusetts economy. We saw that the state has tried to increase the "competitiveness" of Massachusetts, by seeking to attract new industrial and commercial employers, and by restructuring downtown and peripheral areas so as to open them up for new waves of capital accumulation. But, because the state's role has been essentially to facilitate and not to direct capital accumulation, we also saw that the policy instruments which the state (and its municipalities) have been forced to use have tended to redistribute real income to capital without adding good jobs and to encourage uneven development, rather than reverse it. And, of equal (if not more) importance, we saw that the state has increasingly accepted the social costs of uneven economic development, thereby facilitating the continued operation of private capital accumulation.

What future for Massachusetts?

If this is the history, then what of the future for Massachusetts? As mentioned in earlier chapters, some politicians have recently made warmly optimistic predictions of the "turn-around" of the Massachusetts economy. But the employment gains which the Commonwealth has experienced in the last two years mainly reflect the national post-recession recovery and the evidence now indicates that this growth is "winding down."⁽³⁾ Moreover, the optimism these officials express needs to be viewed with circumspection: in the late 1960s, when unemployment in Massachusetts was officially placed at about four percent, today's measured unemployment rate of over six percent would have been cause for concern rather than pleasure. If Massachusetts did not have the 30,000 temporary jobs now funded under the Comprehensive Employment and Training Act, today's measured unemployment would exceed seven percent, and while this figure would include disproportionate numbers of youth and minority workers, it would exclude discouraged workers, the under-employed, and the working poor.

On the other hand, there are those who are quite plainly pessimistic. Jeremy Rifkin and Randy Barber, for instance, argue that "the northeast/midwest corridor of America is fast becoming a strip of giant industrial ghost towns." In their view, the banks and corporations have redlined the entire region from Chicago to Boston and capital is moving en bloc to the Southeast and Southwest, leaving the cities of the Northeast and Midwest in economic and financial ruin.(4) If we accept the Rifkin-Barber prognosis, and given a continuation of current public policy, the future for areas like Massachusetts is one of grim and deep economic regression.

But, at least as far as Massachusetts is concerned, Rifkin and Barber may not as much be over-pessimistic as too simplistic. The prospect for the state needs a far more careful analysis, for several reasons:

- . While certain kinds of manufacturing capital have left, and are continuing to leave Massachusetts, other types of capital have not. As Chapters 2 and 3 explained, capital has tended to leave Massachusetts to search for less-skilled, less-costly, non-unionized labor (textiles, apparel and electronics assembly, etc.). But, as John Heckman observes: "Some production processes cannot be automated, so that the firm is tied to the technological complex where it originated. This is especially true of high value metalworking and precision electronics such as are found in the medical instruments field. Gas turbine aircraft engines are another example."(5)Massachusetts has developed these advanced industries and the highly-skilled labor pool which they require. While the fortunes of these industries may fluctuate with the business cycle and with defense orders and may, to an extent, be affected by technological change (e. g. introduction of micro-processor machine tools), it does not seem likely that they will exit from the Commonwealth in the same way that textiles or leather goods have.

- . Rifkin and Barber overestimate the "autonomy" of the Sunbelt region. The Northeast has retained its corporate control functions, and leading positions in finance, research and development, and advanced education and health care.(6) Again, Massachusetts (and the Boston SMSA in particular) has these activities, and is likely to retain them. On the other hand, the current era of slow overall growth in the American economy indicates that educational and health-care institutions and research firms are unlikely to experience in the 1980s the kind of expansion they saw in the 1960s and early 1970s. Moreover, although clerical and administrative occupations may continue to grow absolutely, the introduction of new office technologies (word processors and mini-computers) is likely to cause a restructuring of many jobs.

- . As capital has left older industrial areas in the Commonwealth, the way has been opened for new types of capital accumulation. When disinvestment has occurred, the workers who have been displaced and, more important numerically, the workers entering the labor market who otherwise would have taken traditional manufacturing jobs, then became available for new employment. In the words of Harry Braverman, ". . .as capital moves into new fields in search of profitable investment, the laws of capital accumulation in the older fields operate to bring into existence the 'labor force' required by capital in its new incarnations."(7) The evidence presented in earlier chapters suggests that this new capital has tended to provide employment in clerical, service, and sales fields, and that this work has usually been low paid. In the future, this process is likely to continue in Massachusetts and may well be most prominent as the movement to revitalize and recapitalize the central cities gets underway. This revitalization will provide new employment, but much of this will tend to be in relatively low pay jobs in hotels, restaurants, retail stores, offices, services and security/janitorial functions.

- Even though many traditional blue-collar occupations have declined in the state and while part of what is left will almost certainly go the same way, a significant number of traditional industrial jobs can be expected to stay (over and above those which will be retained to serve the advanced industries already mentioned). These will include jobs which are locally-serving (e. g. in printing or food-processing) and jobs in small firms and even some larger ones which are retained basically because of inertia. But, as the figures for manufacturing wages indicate (Chapter 1), many of these jobs will be in firms which pay less than the national average.

Thus, rather than the picture of absolute decline painted by Rifkin and Barber, the future for Massachusetts (at least, in the 1980s) will probably be one of continued uneven development: some sectors of the economy will do well, others will continue to decline. Overall, it seems likely that the Massachusetts economy will continue to perform more poorly than the United States average (i. e. to provide fewer opportunities for capital accumulation than regions to the South and West), for it is quite unrealistic to expect otherwise. As Harrison and Kanter observe:

"As public cost of reproduction rises over time, taxes and other costs of doing business will rise in the South and West. But there is no reason to think that firms will then turn around and repopulate New England. Capitalist economic development is simply not that easily reversible. A more likely forecast would be for increased exporting of capital and jobs out of the country altogether."⁽⁸⁾

Because of this, and because of the other factors the last few pages have listed, the likelihood is that the labor market in Massachusetts will continue to polarize and that structural employment problems will probably worsen. There will be insufficient well-paid jobs and too many jobs which are dull, dehumanizing and low-paid; high levels of youth and minority unemployment will persist; and wide urban-suburban dichotomies will continue. These look to be the underlying trends in the next decade for the Commonwealth, and while they may be more or less visible as the business cycle fluctuates, they will affect real people and impose upon many very real human costs.

What are the alternatives?

Unfortunately, given these trends, it seem doubtful that the state's current employment and economic policies, as promoted by Governor King, will have any substantial impact. Indeed, to the extent that they succeed, the Governor's policies will in all probability intensify the trends towards uneven development in Massachusetts. As mentioned before, the Governor is advancing a five-pronged approach: lowering taxes, simplifying government regulation, managing energy resources, training manpower and attracting industry. The underlying strategy is to use public resources and powers to cut business costs and improve the 'business climate' in the Commonwealth.

The first issue here, of course, is whether the Governor can actually do all these things. One of the major planks of his program - the cutting of property taxes by \$500 million through caps on local spending and increased state aid - is already severely shattered. Opposition in the legislature has minimized the effect of the tax cap, while the very fiscal crisis of the state, as explained in Chapter 4, together with opposition from outside groups, has reduced the amount of state money King can reimburse, despite his severe attacks on welfare. Overall, less than \$200 million dollars will probably be reduced from property taxes. In other areas, too, there can be reasonable doubts as to what the Governor will be able to implement. Many politicians have tried in the past to simplify government regulation and got nowhere, although King will probably be able to override due process in certain situations and ignore established rules; the manpower training system in the state has been shown time and time again to be rarely effective at doing anything other than containing or redistributing unemployment; the ineffectiveness of policies to attract industry has already been discussed and we have seen that the amount of "footloose" industry is very small, that industrial location decisions are rarely made on the basis of the kinds of incentives the state can offer, and that many other states besides Massachusetts are trying to do the same thing; finally, King's program of managing energy resources heavily depends on the promotion of nuclear power, but that is now - to say the least - a route fraught with difficulty in the light of the recent events at the Three Mile Island nuclear power station in Pennsylvania.

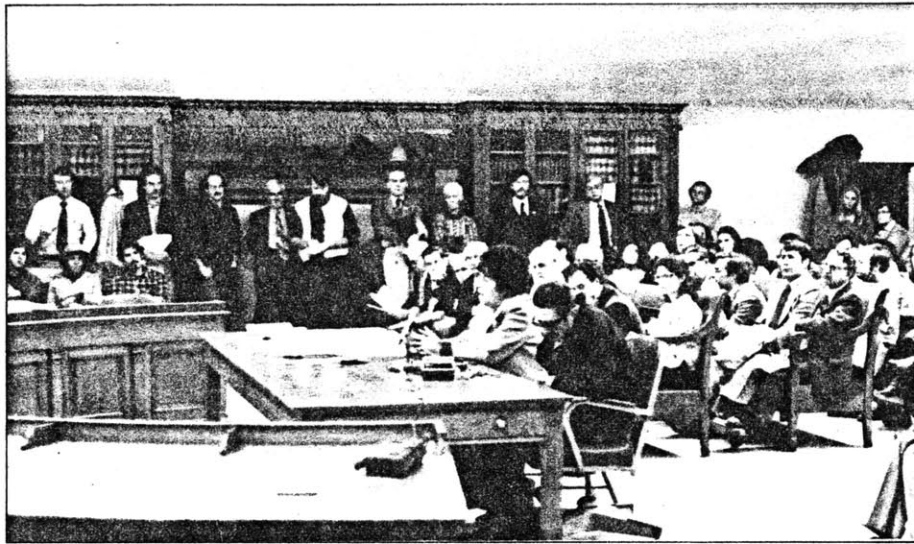
However, presuming that the Governor can implement at least part of his strategy, what will the effect be then? First, while King's program to lower property taxes and marginally decrease the state personal income tax may well have the corollary of increasing real estate values, these higher post-tax incomes are unlikely to lead to much in the way of increased capital investment in Massachusetts or the creation of additional good jobs. Investment decisions are made by capitalists, not workers, and on the basis of expected profitability. While, in theory, cutting income and property taxes could marginally reduce business costs, we have already seen that at best this will encourage secondary employers and low-paid jobs, rather than primary well-paid employment. The King administration does, of course, point out that in return for cutting taxes, the high technology industry will "create" 60,000 new jobs in the Commonwealth (the Governor's "social contract"). But while there is evidence that these extra jobs were forecast well before King was in office, there is no guarantee that these jobs will actually appear, particularly in view of the coming recession.(9)

Second, two of the Governor's other policies may well have negative job implications if implemented. There is now plenty of research which argues that nuclear power, where it does not actually destroy jobs, has much less of an employment impact than equivalent investments in less capital-intensive alternative energy sources.(10) And, the Governor's plan to simplify government regulation is really a euphemism for reducing environmental protection. This has led the Governor to oppose the Bottle Bill, even though studies show this would increase net employment.

Finally, in a general sense, because the Governor is committed to minimizing the constraints on capital, this leaves the way open (by how much depends on the actions of labor) for the process of uneven economic development to continue, with all the adverse consequences that entails. Even if the Governor was able (bearing in mind the historically determined context within which he has to operate) to take measures to gain more control over capital, his administration has shown itself quite unwilling to take even the first steps in doing so - as their opposition to selective targeting of industrial revenue bonds and to the Plant Closings Bill illustrates.

But all this is not surprising: the history of state economic policy in Massachusetts tells us that while Governor King may well be amongst the most explicitly pro-business of executive officials, most of his predecessors have followed similar strategies - albeit willingly or not. More significantly, this history also tells us that in a capitalist society, the basic role of state government, in conjunction with other levels and branches of government, is to secure conditions favorable to capital accumulation and capitalist economic development. We have seen that the state is placed in this position more by dint of structural and class forces than by the actions of particular officials. So, can the state implement a new and alternative economic strategy able to reverse some of the forces of uneven capitalist economic development? And, how can the ways in which capital is placed and replaced be altered so as to be more favorable to the Commonwealth's depressed communities and to its workers, especially those who are unemployed, under-employed, trapped in the low-wage, unstable secondary labor market, or forced to work in dull, unsafe or dehumanizing jobs?

The principles of such an alternative economic strategy are not hard to determine, for they follow directly from the analysis of uneven economic development. These principles include: the need to increase the commitment of capital to workers and communities; the need to assert the public right to direct the flows of capital; the need to increase economic democracy and worker and community control over capital; the need to coordinate action in Massachusetts with that in other states; and, the need for action at the federal level to control capital and equalize working conditions upwards, not downwards, through such means as encouraging unionization in the South. Moreover, there have been many detailed proposals, and some experimentation, as to the policy measures and instruments needed to fulfill these principles of an alternative state economic strategy. For example, Edward Kelly suggests; plant closing legislation and compensation; more strongly enforced takeover legislation; increased use of public financing institutions, state development banks, and pension funds to protect and develop local ventures; and, the development of worker and community ownership. At the federal level, Kelly argues for more regulation of corporate relocations; ending of tax laws and tariff codes which favor overseas investment; elimination of anti-union "right-to-work" legislation; and increased aid to small locally-owned businesses. Many others have



TRYING TO USE THE STATE - WORKERS AND LABOR ORGANIZATIONS TESTIFY FOR LEGISLATION TO COUNTERACT PLANT CLOSINGS, APRIL 1979. THE LEGISLATION WAS NOT APPROVED - THIS TIME.

developed proposals along the lines Kelly has followed.⁽¹¹⁾ A few of these proposals have now become realities in Massachusetts, with the establishment of the Massachusetts Community Development Finance Corporation, (which provides finance for community-controlled ventures) through work of the Cambridge-based Industrial Cooperative Association (which has been key in setting up workers cooperatives), and with the growth of Community Development Corporations.

However, the problem still remains of how a fundamentally different alternative State economic policy can be implemented, a problem which is at once economic and political. Certainly it is not difficult to develop on paper the elements of an alternative strategy, and it is not impossible to get one or two parts established. But the problem here, as the Massachusetts Community Development Finance Corporation illustrates all too well, is that one or two parts by themselves are insufficient to be effective, that they become little more than state social expenses rather than instruments of significant change, and that changes in personnel and administration over time will dilute their purpose. Yet to attempt anything more substantial very quickly invokes the power of capital - a fact that one state by itself cannot overcome. This is not to say that no attempts at all should be made to use the state as an instrument to counteract uneven economic development, for the adverse effects on people's lives, their communities, and their physical and social surroundings would be too great. In any case, this is an impossibility, for people will continue to struggle against capital and they will try to use the machinery of state: it is intrinsic to the system. Nor is all this to imply that small changes are of no value. Rather, it is to re-emphasize what our historical analysis has already made obvious - that the causes of the structural economic problems now evident in Massachusetts lie not within the state nor within other areas, but are rooted in demands of private profitability and private capital accumulation which operate on a national and transnational scale. Once this relationship is appreciated, it is clear that the effectiveness of alternative economic policies at the state and local level is limited - these policies can only go so far in tackling the process of uneven economic development. At the same time, it is surely evident that unless a widespread understanding of this very relationship is built, there will not be the political base needed to implement even these limited state policies, let alone to support the more fundamental alternative policies necessary at a wider level.

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Notes to Chapter 4

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4. The Massachusetts Economic Development Program: A Progress Report (Boston,: Office of State Planning, Commonwealth of Massachusetts, December 1978).
5. Robert L. Kann, Social Legislation and Massachusetts' Business Climate (Boston,: Low Income Planning Aid, unpublished paper, 1976).
6. Richard Gaines, "Selling the State: Should the Bias be for Business," Boston Phoenix, April 27, 1976.
7. Governor Foster Furcolo, "Massachusetts Means Progress," advertisement in New York Times, January 11th, 1960, p. 104.
8. Gaines, op. cit.
9. "New England Commercial and Industrial Review," supplement to Boston Globe March 13, 1979,. p. 16.
10. This structural relationship is described in more detail in Roger Friedland, Robert R. Alford and Frances Fox Piven, The Political Management of the Urban Fiscal Crisis, mimeo.
11. Gerald Blakely Jr., head of Cabot, Cabot and Forbes, quoted in: Boston Globe, October 26, 1976.
12. Details of the pro-business campaign in the 1976 referendum are given in: The Economy, the Elections, and You, pamphlet produced by Low Income Planning Aid, Boston, 1976.
13. Harriett Tee Taggert, Look Out Massachusetts: Another Look at the State Debt Crisis, 1975-1976, unpublished paper .

14. Michael S. Dukakis, introduction to "Massachusetts Means Business," special advertising section Business Week, May 15, 1978.
15. Interview with Bob Conway, Assistant Commissioner, Department of Commerce and Development, March 29, 1979.
16. Robert Lenzner, "King Eyes Clear Road for Growth," Boston Globe, April 6, 1979.
17. Bennett Harrison and Sandra Kanter "The Great State Robber," Working Papers, Spring 1976; also, by same authors, "The Political Economy of States' Job Creation Business Incentives," Journal of American Intitute of Planners October, 1978.
18. Ibid.
19. See: Ross, Shakow and and Sussman, op, cit; Stuart Hollard, The Regional Problem (London: MacMillian, 1976), Chapter 3; Joanne Corbett, Neal Michaels, Dale Mitchell and Diane Muellner, Property Tax Classification in Massachusetts: An Alternative to 100% Revaluation, report prepared for Massachusetts Fair Share, 1977 (reviews in detail literature on incentives and location decisions).
20. George Kariotis, Secretary for Economic Affaris, speaking at Department of Manpower Development luncheon, February 15, 1979.
21. Corbett et.al, op. cit.
22. The State of the Region (Washington D. C.: Northeast-Midwest Congressional Coalition, January 1979).
23. U. S. Department of Commerce, Economic Development Administration, State Assistance Incentives and Services to Industry (1976), quoted in Corbett et al, op. cit.
24. Harrison and Kanter, op. cit.
25. Quoted in: Robert L. Turner, "Taxachusetts Gets a Test," Boston Globe Mach 27, 1979.

Notes to Chapter 5

1. See: "The Second War Between the States," Business Week, May 17, 1976.
2. For example: W. Alonso, Location and Land Use (Cambridge, Mass.: Harvard University Press, 1964); Brian Goodall, The Economics of Urban Areas (New York: Pergamon, 1972).
3. Marguerite I. Coughlin, "New England Economic Summary," New England Economics Indicators, Federal Reserve Bank of Boston, April 1979.
4. Jeremy Rifkin and Randay Barber, The North Will Rise Again (Boston: Beacon Press, 1978).
5. John S. Hekman, "What Attracts Industry to New England," New England Economic Indicators, Federal Reserve Bank of Boston, December 1978.
6. This point was explained in Chapter 3. It is an argument which has been more fully developed in Robert B. Cohen, "Multinational Corporations, International Finance, and the Sunbelt," in Perry and Watkins (ed), The Rise of the Sunbelt Cities (Beverly Hills: Sage, 1977).
7. Harry Braverman, Labor and Monopoly Capital (New York: Monthly Review Press, 1974), p. 382.
8. Bennett Harrison and Sandra Kanter, "The Political Economy of States' Job-Creation Business Incentives," Journal of the American Institute of Planners, October 1978, p. 433.
9. Another way to view the high technology "social contract" is as an industry threat to the state that "unless you cut taxes, we'll move to the sunbelt." In fact, the Massachusetts electronics industry has been moving South and West for a long time now.
10. A Senate Commerce Subcommittee estimate is that \$1.7 billion invested in a nuclear power station diverts so much capital from other uses that it destroys about 4,000 long-term jobs. An equivalent investment in conservation and solar energy would create 100,000 jobs (source: letter by Geoffrey Young, "Energy Alternatives," Real Paper, April 29, 1979).
11. Edward Kelly, Industrial Exodus: Public Strategies for Control of Runaway Plants (Washington D. C.: Conference on Alternative State and Local Policies, October, 1977). Also: Lee Webb (ed), Public Policies for the Eighties (Washington D. C.: Conference on Alternative State and Local Policies, 1978); Pat McGuigan and Bob Schaeffer, Developing the Public Economy (Cambridge, Mass.: Policy Training Center, 1979); Rifkin and Barber, op.cit. (on control of pension funds).

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