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### Beware of Fantus

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## Beware of Fantus

### Abstract

[Excerpt] The Fantus Company is the nation's premier economic development consulting firm. It acts as a catalyst in the regional rotation of jobs between communities, providing essential services to America's migrating firms as they seek to find the lowest common denominator of wages, social wage legislation and business regulation. Careful examination of Fantus' activities and methods indicates that they may be a cause of, rather than a solution to, the decline of America's industrial heartland.

### Keywords

Fantus, consulting, economic development, relocation, personnel, conflict of interest

# BEWARE of

The Fantus Company is the nation's premier economic development consulting firm. It acts as a catalyst in the regional rotation of jobs between communities, providing essential services to America's migrating firms as they seek to find the lowest common denominator of wages, social wage legislation and business regulation. Careful examination of Fantus' activities and methods indicates that they may be a cause of, rather than a solution to, the decline of America's industrial heartland.

Since 1934, Fantus has become the largest firm in the field of "plant site location analysis," claiming almost 70% of the market for consulting services when employers seek outside advice on an optimum location for expanding or relocating their operations. Although Fantus executives consistently deny that they actively encourage firms to pack up and leave their existing communities, Fantus advertisements in *The Wall Street Journal* indicate that in addition to offering services to firms already determined to construct, expand, consolidate, or shut down facilities, they offered relocation as a means of resolving personnel problems: "PERSONNEL PROBLEMS are often location problems: productivity—turnover—recruitment—cost."

Fantus claims to have completed over 300 area development studies for communities seeking to attract industry, including a dozen in Indiana. Fantus executives claim they are chosen by job-starved communities due to the company's special expertise acquired through analyzing hundreds of communities for manufacturing, distribution and office clients seeking operating locations. Candid business executives have admitted, however, that Fantus is often chosen to provide development studies for communities out of fear that hiring a competitor could yield an unfavorable review of the community to migrating industry.

Investigation of Fantus' nationwide activities has revealed a clear pattern of conflict of interest. A *New York Times* article in 1977 blamed Fantus for helping relocate 300 firms out of New York City. The same article reported that Fantus had been paid \$280,000 to undertake studies to determine how the city could "stem the outward flow of companies and attract new industry."

Fantus has provided development studies in Indiana for Anderson, Elkhart, Evansville, Fort Wayne, Frankfort, Indianapolis, Lafayette, Michigan City, Richmond, Tell City, Vincennes and Wabash. Whether or not plants that were relocated out of these communities did so on the advice of Fantus could only be confirmed by the company itself. If we examine Fantus' activities on behalf of other communities outside Indiana, however, we find circumstantial evidence that Indiana firms and plants were potential subjects of relocation overtures by Fantus clients.

For example, in 1967 Fantus sold Pulaski County (Little Rock), Arkansas, the names of companies that employed over 110,000 Indiana workers as potential targets for relocation to Pulaski County. Industries

# FANTUS

suggested by Fantus to Kansas City, Kansas, from 1976-1978 as potential relocation targets included ones that employed over 48,000 Hoosiers. Target industries recommended for Oklahoma included auto parts, mobile home components, foundries, rubber, and electrical and electronic equipment—all major Indiana industries. Industries in each Indiana community that purchased Fantus economic development "battle plans" had previously been recommended by Fantus as likely relocation prospects for Arkansas, Kansas, or Oklahoma.

Analysis of the plant locations of four Indiana-based firms that hired Fantus for plant location studies have revealed a different pattern. Ball Corporation (Muncie), Hillenbrand Industries (Batesville), Franklin Electric (Bluffton), and Peter Eckrich and Sons (Fort Wayne) all purchased Fantus studies and have plants located in communities, mostly in the "Sunbelt," that also purchased Fantus economic development studies.

A review of over 30 development studies has yielded a host of Fantus recommendations to provide a better "business climate" by eliminating the gains of organized labor. In Eugene, Oregon, Fantus recommended a moratorium on union organizing, cuts in workers' and unemployment compensation, tax breaks for business, streamlining of environmental and zoning laws, and the suppression of discussion and dissent by diverse elements of the community about development activities. Fantus recommended opposition to plant closing legislation in Oregon and relaxation of anti-pollution rules in New Jersey. Fantus was used as a "hired gun" in corporate lobbying efforts to undermine the gains of lower-income residents and organized labor in Illinois. Fantus recommended a Right-to-Work law for Kentucky and praised the statute in Kansas for creating a favorable environment. Fantus "business climate" studies were used extensively in Right-to-Work drives in Missouri in 1978, Louisiana in 1976 and Idaho in 1985.

In 1983, Fantus was acquired by the P.H.H. Group, Inc. P.H.H. visualized Fantus fitting nicely into its operations, which include: relocation services for transferred employees; buying, managing and reselling homes of transferred employees; area counseling, home-finding and related services for corporations and their employees; and job search for spouses of transferred employees.

Fantus executives are fond of describing the competition among communities for jobs as a "sweepstakes." It bears a more striking resemblance to a casino gambling operation with local politicians assuming the role of drunken tourist gamblers in Las Vegas and Fantus playing the house.

Someone once defined a consultant as an individual who borrows your watch and then gets paid to tell you the time. On the surface this sounds like a useless, but relatively harmless, form of business transaction. In this case, it appears the consultant walks off with your watch in his pocket.

—Mark Crouch