

Buffalo, New York – An Urban Tragedy

by Phillip W. Weiss

As you may or may not know, the history of Buffalo, NY is directly linked to the history of the Bethlehem Steel industry in Lackawanna, NY. It may interest you to know that in 1976 the state legislature increased taxes on Bethlehem Steel by 29 percent and in 1977 the company took a \$750 million write-off, at the time the largest write-off in American history, effectively terminating its operations in Lackawanna and elsewhere, with devastating consequences for the city of Buffalo. Between 1970 and 1984 the Buffalo area lost over 70,000 steel and steel-related jobs. Given the catastrophic nature of the economic contraction, that the city of Buffalo still exists today, and never declared bankruptcy, is testament to the city's resilience and determination to survive. Whether the city and the region could have done more to prevent, ameliorate or smooth over the devastating consequences of the collapse and disappearance of an entire industry is another question.

A friend asked me what I would have done to forestall Bethlehem Steel from leaving Buffalo. Based upon my current understanding of the situation confronting the city and region at the time, if I was a regional policymaker, I would have coordinated a meeting of all the interested parties – Bethlehem Steel, the unions, financial institutions, local, state and federal officials (including representatives from the IRS and the EPA) – the goal being to have an open and frank discussion on the feasibility of keeping the steel mills open and operating at a level of capacity that would not require massive layoffs. Critical to that discussion would have been finding out from Bethlehem Steel how much it would cost them to modernize their operations and maintain an acceptable level of profitability, while complying with EPA and other state and local regulations, and what help the other parties could provide to keep Bethlehem Steel from closing. I would have also asked the parties at the meeting to issue a joint communique indicating 1. Their commitment to finding ways to prevent Bethlehem Steel from closing 2. Their recognition of the urgency of the situation confronting the city and region and 3. Their recognition of the serious repercussions awaiting the city and region if their efforts to arrive at a satisfactory solution failed. If the parties determined that the Bethlehem Steel operations were so obsolete as to render any efforts at modernization and continued operation financially unfeasible, then my next proposal would have been for the parties to discuss formulating a long range plan to assist the city and region in attracting new investors to replace Bethlehem Steel.

Looking at photographs of the Bethlehem factories, I can understand how an entire region may not have ever seriously considered that those huge, massive factories would ever actually close. The Bethlehem operation was one of the largest steel factories in the world. Its sheer size projected an aura of permanency that made its disappearance seem an impossibility. Yet they closed, which proves that no industry is impervious to those economic forces that can

bring down even the mightiest of industries (along with the communities in which they are located), and no industry was mightier than the steel industry. This of course raises another question: How cognizant was the Buffalo regional political leadership to the changing international economic trends that was making the US steel industry superfluous and what actions were they willing to take to prepare the city and region for the consequences of the changes that were happening? That Buffalo's population plummeted from nearly 600,000 in 1950 to about 260,000 today, a decrease of approximately 340,000 persons (greater than the population of St Louis, Missouri or Honolulu, Hawaii) seems to suggest that if the region did engage in long term planning, its planning was faulty. Try to imagine learning on the news that a city of 340,000 persons has disappeared. That's what happened to Buffalo, NY.: 57 percent of the city disappeared. The question now is: can the downsized version of a once powerful center of commerce and industry still survive as a viable community capable of supporting the remaining population? Or will it suffer the same fate as Bethlehem Steel?

One of the problems with the Bethlehem site was that it was heavily polluted and needed to be cleaned up. I would have asked the EPA to provide a detailed report of how much it would cost to clean up the site and whether the federal government would be willing to help cover the cost. Another area of concern was labor costs. I would have asked the labor unions whether they would be willing to work constructively with Bethlehem management on labor rated matters. Another area of concern would have been financing. I would have asked the banking community how much they would be willing to finance a major overhaul of the Bethlehem operations and at what terms. I would have also asked the local and regional political leadership whether they would be willing to enact legislation to reduce Bethlehem's tax burden, at least during its overhaul. Whether these proposals were actually ever made is of course another matter.

Other questions I would have asked were 1. How committed was Bethlehem Steel to maintaining its operations in Buffalo? 2. Would a major overhaul and upgrading of Bethlehem operation result in a net gain or net loss of jobs? 3. Even with a massive overhaul, would Bethlehem Steel be able to compete on the world market? In short, could the Bethlehem Steel plants be salvaged and would it be worth the cost? One thing I would have done, however, would have been to assure Bethlehem Steel that the city and region had a genuine interest in working cooperatively with Bethlehem to try to work out a plan in which all parties - unions, banks, ancillary businesses, and Bethlehem Steel - would benefit. Whether this message was ever communicated to Bethlehem Steel is another matter.

What has happened to Buffalo, New York raises a number of other questions: 1. Is the city of Buffalo as a political entity now superfluous? 2. Does the city of Buffalo still have a viable role to play in the economy of the region? 3. Are inner cities in the United States doomed to fail? 4. Is the suburb now the center of American economic activity? 5. Is economic diversification economically feasible in a post-industrial society? 6. Can the American inner city

ever again become a center for economic growth? 7. Can public programs effectively replace private investment as driving force for economic growth? 8. Is the American political system, founded on an eighteenth century model of government, capable of effectively dealing with massive economic change or does the political system itself need to be re-structured?

When considering the history of mass migrations, such as the migration of millions of people from Europe to North America in the 18th and 19th centuries, the shift of the United States population southward and westward, and blacks moving from the South to the North, another mass migration to be included must be the dramatic and rapid emptying of the American inner cities, such as what occurred in Buffalo, New York. Buffalo was not the only American city to experience a rapid and sharp depopulation, but its population decline was so precipitous as to make it noteworthy. To draw a comparison: Buffalo losing 340,000 persons would have been like New York City's population dropping from 8 million to 3 million. Of course, one could argue that a smaller city makes for a more efficient, less congested, less hectic, and less expensive city, sort of like a "big small town" and that a factory-based economy is an anachronism that has no place in a modern post-industrial society. But a smaller city also means a smaller economy, a smaller tax base, increased reliance on public services while at the same time reductions in public services, urban blight, abandoned property, and intensification of squabbling over control of limited resources. Detroit, Michigan also experienced a huge depopulation, its population dropping from approximately 1,850,000 in 1950 to approximately 715,000 in 2010, this decline directly attributable to the decline of the automobile industry, but with one difference: the automobile industry never completely abandoned Detroit or the surrounding region while in the Buffalo area, Bethlehem Steel literally wrote off its entire operation, leaving Buffalo and the region with nothing. Whether the city and the region could have better prepared itself to deal with such a dismal eventuality is of course another matter.

Sources:

“Bethlehem Steel Lackawanna Works.” www.bing.com – online

Dillaway, Diana. *Power Failure: Politics, Patronage, and the Economic Future of Buffalo*. Amherst, NY: Prometheus Books, 2006