

Excerpts from *Power Failure – Politics, Patronage, and the Economic Future of Buffalo, New York* by Diana Dillaway

Compiled by Phillip W. Weiss

Leadership takes courage and a willingness to risk change. The city of Buffalo did not have such a leader among those who were in positions of great power when it faced its greatest challenges in the 1960s and 1970s. (13)

Until the economic crisis forced them to do otherwise, Buffalo's leaders did what they could to protect the status quo. (15)

The city's racial divide left black professionals, entrepreneurs, and workers to fend for themselves. (16)

Both the economic decline of the 1960s and the loss of the steel industry through the 1970s represent a crisis that brought unimaginable change to Buffalo. (16)

Unfortunately, I have seen Buffalo transformed from a steel city and bustling port ... to a city that lost just about everything, including its one hundred-year-old steel industry, and had to start over. (17)

By 1910 Buffalo had become the greatest grain port in the world and a mill port second only to Minneapolis. (25)

The increase in iron ore shipped to Buffalo by the end of the 1880s put Buffalo into the steelmaking big league, rivaling Pittsburgh. (26)

Between 1860 and 1910, Buffalo's population grew more rapidly than that of almost any city in the United States. (27)

Nevertheless, area leaders worried that the local economy remained vulnerable, concentrated in commerce and in need of diversification to protect against economic downturns. (27)

By the 1930s, giant corporations owned the region's largest steel companies and multinationals owned twelve automobile factories in the area. (29)

When the country was not in war production, Buffalo's local economy took significant dives, as in 1946, when eighty thousand people became unemployed almost overnight. (29)

The city's leadership apparently rationalized the economic downturns and the departures, denying any cause for concern. (29)

By the 1940s, Buffalo's concentration in steel and steel-related industries made the regional economy susceptible to changes in the steel industry itself. (31)

The oil crisis of 1973 became "a watershed for steel producers worldwide." (32)

In order for domestic production to compete, US steelmakers had to promptly upgrade facilities and employ new technologies. This was the situation faced by Buffalo's steel producers and Buffalo's leaders. (32-33)

The demise of steel in the Buffalo area occurred over a decade while leaders watched in disbelief. (33)

In all, the Buffalo area lost nearly seventy thousand jobs in steel and linkage industries between 1970 and 1984. By 1975 Buffalo was experiencing a full-blown economic crisis. (33)

By 1986, outside forces controlled nearly three-quarters of Buffalo's local and regional economy. (34)

Similarly, strategic planning in the eight-county western New York region proved difficult where roughly seventy-five to eighty public and quasi-public organizations worked on economic development from 1970 to 1985. (37)

As early as 1951, leaders were aware of a decaying downtown, and, according to business documents, they were worried about the spread of juvenile delinquency and tuberculosis. (59)

Eight federally subsidized low-income housing developments had been built by the city in the 1950s to house people displaced by urban renewal clearance. (64)

Events unfolded in such a way that, had the opportunities been seized, Buffalo's leaders could have slowed or reversed the city's economic decline. (97)

In other words, the area's industrial losses were severe, but a crisis in leadership also played a central role in Buffalo's spiraling decline. (107)

"In the early 1970s, Bethlehem Steel's management began meeting quietly with political and business leaders about the cascading industrial decline around them. It was at this time that the company's chairman told Governor Rockefeller that he had just about given up on Buffalo." – Interview no. 1 (111)

The 1970s brought another rash of departures. Houdaille and National Gypsum moved south; Carborundum and Western Electric, all big players in Buffalo's economy, moved to the Midwest. (111)

In 1971 Bethlehem Steel expressed optimism about the industry's future. At the same time, the company laid off nine thousand of its eighteen thousand Lackawanna workers. Bethlehem's chairman cited "oppressive taxes," "unrealistic environmental control laws," and "an uncooperative labor force" as reasons for the cutbacks in the early 1970s. (112)

Tax relief became the steel company's preoccupation. (112)

Despite the steel industry's remonstrations about taxes, it turned out that regional leaders did not lobby the state's capital for lower taxes. In 1976 the state legislature signed a tax increase into law, and Bethlehem's taxes increased 29 percent. (113)

Caught between the needs of government and industry, Erie County's chief executive supported the tax increase. (113)

Upon passage of the tax bill, one top executive of Bethlehem Steel told close friends that this "is the greatest betrayal of trust we have ever experienced." That event, according to one source, sealed the fate of Bethlehem Steel – and of National Steel, Chenango Steel, and Republic Steel. (114)

In 1977 Bethlehem Steel made a decision that would forever alter steelmaking in Buffalo. The company took a \$750 million write-off – the biggest write-off ever taken by an American firm until that time – and closed most of two US operations, Buffalo's Lackawanna plants and those in Johnstown, Pennsylvania. (114)

The loss of steel jobs, and city income culminated in a crisis that brought about political and economic change. As the economy plunged, it pitted downtown interests against neighborhood interests, which played out at city hall, the Common Council, public agencies, and nonprofit organizations. It also energized existing tensions between the city and the suburbs. (115)

Six of the northeast railroads went bankrupt, constituting 20 percent of the land use. None paid city taxes any longer, and neither did all the factories that closed along the rail lines or had closed earlier. (115)

Eventually, though, losses began to hit hard. Although it was not commonly known at the time, the city came within two weeks of bankruptcy, according to a budget official. (115)

Six months later, the *Buffalo Evening News's* lead story reported, "At least 38 large manufacturing plants in the Buffalo metropolitan area have closed during the past five years, causing a loss of nearly 10,000 jobs and \$125,976,830 in payroll earnings. ... Furthermore, the exodus ... [with] total property tax assessments in the tens of millions of dollars, has cost Erie County and its cities, towns, villages and school districts millions in lost or unpaid property taxes." (116)

Revenues from property taxes fell nearly \$19 million between 1999 and 2004. Dividing the budget pie became a nightmare, with 70 percent of the city's treasury going to pay for police, fire, and fringe benefits like health insurance. (208)

In May, 2003 the state comptroller announced that in all likelihood he would take control of Buffalo's finances. (208)

Thus, the Buffalo Fiscal Stability Authority was born. (209)

Today, Buffalo's elite leaders, the Erie County executive, and state legislators are all considering new regional approaches to governance and the consolidation of services. (214)

Taken together, the actions of these leaders outline the beginnings of a nascent movement. At its heart is a diminished role for local government. (214)

Images of the Bethlehem Steel Works can be found at this link:

<http://www.bing.com/images/search?q=bethlehem%20steel%20buffalo%20new%20york&gs=n&form=QBIR&pq=bethlehem%20steel%20buffalo%20new%20york&sc=1-32&sp=-1&sk=>