

FINAL REPORT

THE ROLE OF THE CORPORATION IN
COMMUNITY ECONOMIC DEVELOPMENT
AS VIEWED BY 21 CORPORATE EXECUTIVES

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PREFACE

Plant closings and significant workforce reductions in some of the major industries in this country--steel, oil and auto--have caused significant economic and social adjustment problems for many people and communities. As a result, it is not unusual for demands to be placed on corporate executives to do something to strengthen the economic base of the localities in which their business decisions have been disruptive.

What is the responsibility of the companies to the communities in which they operate? To what extent should the notions of corporate civic responsibility extend beyond health, education and culture to include regional economic development activities?

These questions are particularly germane to regions like Pittsburgh and Southwestern Pennsylvania that have been overly dependent upon a particular industry or group of industries that have begun to decline and restructure their operations. In order to address these issues, we interviewed executives of the major institutions in the Pittsburgh area--17 chairmen or chief executive officers of the large corporations, two chief executive officers of the most successful, smaller high technology companies, and the two presidents of the region's research universities. We were particularly interested in understanding their philosophy about corporate civic responsibility; how it is carried out within their organization; how it is reflected in activities outside of their corporation; and their assessment of the role of public-private partnerships in addressing the problems of communities undergoing transformations in the structure of their economic base.

We would like to thank the 21 individuals who agreed to be interviewed for this project. They gave willingly of their time and were open and frank with us.

We are also indebted to Linda Wykoff for typing numerous drafts of the manuscript and for her critical eye and good nature throughout and to Judy Zakaria for her clerical assistance. Needless to say, the conclusions are ours.

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EXECUTIVE SUMMARY

The purposes of this project were to gain a better understanding of the philosophies of corporate executives about civic responsibility; the ways in which they addressed civic issues through their own organizations; their perceptions about the effectiveness of the civic development agencies—primarily the Allegheny Conference on Community Development—in focusing upon the problems of the region; their willingness to participate in public-private partnerships; and their assessment of the future of the region, including its strengths and weaknesses.

During the period June-September 1986, we interviewed the chairman and/or CEO of the following companies and universities: Allegheny International, Allegheny Ludlum Steel, Aluminum Company of America, Bayer USA, Carnegie Mellon University, Contraves Goerz Corporation, Duquesne Light Company, Duquesne Systems, H.J. Heinz Company, The Hillman Company, Kaufmann's, Koppers Company, Mellon Bank Corporation, National Intergroup, People's Natural Gas Company, Pittsburgh Post-Gazette, PNC Financial Corporation, PPG Industries, University of Pittsburgh, USX Corporation, and Westinghouse Electric Corporation (see Exhibit One for a listing of those interviewed).

The following is a summary of the major findings.

Corporate Civic Responsibility

- . The executives agreed unanimously that their primary civic responsibility is to their company to ensure that it is profitable, growing and thereby creating more jobs.
- . There was consensus among the executives that they had a responsibility to the communities in which they are located that extends beyond the

operation of their plants and corporate headquarters because it is the right thing to do.

- . The executives agreed that it is in their self-interest to act responsibly on civic matters.
- . The benefits from civic action vary depending upon the nature of the business, the number of employees in the community, and the geographic proximity of the company in relationship to the civic activity undertaken.
- . Many CEOs have significant responsibilities on the international level and are under such tremendous pressure from competitors and the threat of take over that they do not have as much time as in the past to devote to activities outside of their own business.
- . The key to carrying out corporate civic responsibility is the chief executive officer and the role he sets. All agreed that the level of involvement in civic affairs by corporate executives in the Pittsburgh area is high.
- . Normally, the corporation's civic priorities are established internally. Although corporate executives may call on others outside of the corporation for advice, this is done sparingly. Civic agency staffs do not appear to have a significant influence on the priorities established by the CEOs, although these individuals may be called upon for assistance on a specific issue.
- . Pittsburgh's executives maintain an informal network with one another. The ability of each CEO to marshal support is dependent upon the maintenance of trust and goodwill among his peers.
- . In general, the executives expressed a desire to work with others in carrying out their civic activities.

- . The corporate executives differed as to whether or not they had a strategy to guide their civic activities.
- . All of the executives whose companies had multiple locations agreed that the corporation had responsibilities to all of the communities in which it operated, but that Pittsburgh was special.
- . Most of the large companies support projects in the areas of health and welfare, education, culture and the arts, and civic and social. The relative weights given to these areas vary from company-to-company and from community-to-community.
- . Many of those interviewed expressed concern about the need to bring in a larger cross-section of the community to address its growing needs, particularly in light of the shrinking corporate base.
- . Given the competing demands on their time, several CEOs viewed the civic culture in Pittsburgh as having a negative aspect because of the tradition that only a top corporate official can serve on the boards of major civic agencies and institutions.

Civic Development Agencies

- . Civic agencies, especially the Allegheny Conference on Community Development, have provided important leadership to the growth and development of the Pittsburgh region.
- . The Conference provides a forum to get issues on the table for discussion.
- . There was general recognition that the role of the CEO has changed in the past decade or so. Most of the corporations are national or international in scope, and many are experiencing difficult financial times, and hence the CEO has less time to devote to civic activities.
- . The lack of a dominant leader and the business demands on corporate

leadership have affected the internal decision-making of the Conference. The executives see a drive for consensus and collegiality, and conclude that the Conference has developed a decision-making process that avoids internal controversy and provides individual members with veto power over policy directions.

- . In general, the executives supported the Conference's strategy for regional economic development as elucidated in the 1984 report. A few thought there was a need for more aggressive action on the part of the business community. A minority felt the annual commitment of one million dollars to fund the report's recommendations was too small an amount to achieve anything of significance. Another reaction was that something should have been done to focus on the need to replace the 100,000 manufacturing jobs, which appear to be permanently lost.
- . Viewpoints about the effectiveness of the Conference varied. A minority thought the Conference had outlived its usefulness; the majority believed it served a useful purpose in providing a forum for bringing together the CEOs.
- . Views were mixed about the need to expand the membership of the Conference's Executive Committee. Some felt that presidents of a few high-tech companies could make a significant contribution. Others felt that only the large employers should be represented.
- . Concerning the present civic agency structure, most of the executives thought that it was effective. A few speculated that some combination of the Conference, Penn's Southwest and R.L.D.C. could improve performance and reduce costs.

Business-Government Partnerships

- . Business should be involved with government in areas of specialized needs for which government may not have sufficient expertise or resources.
- . Partnerships should be developed around a specific task and should operate within a clearly delineated time period.
- . Some of the executives viewed the business-government relationship as an unstructured and personal one between the business executives and a political leader.
- . Other executives viewed the business-government relationship as longer term and institutionalized, with the private sector represented through civic agencies such as the Allegheny Conference on Community Development.
- . The strongest business ties are with the City of Pittsburgh, but many executives have good relationships with at least one county commissioner.
- . A number of the executives felt that cooperative relationships with the public sector are more difficult to develop outside the City of Pittsburgh. They related these difficulties to the lack of clearly delineated governmental authority and responsibility.
- . Although county government has some liabilities as a partner, some executives felt that it is a critical governmental unit because of its broad responsibilities.
- . Many executives are skeptical about attempts to develop regional mechanisms, such as the Mon-Ohio Commission, to address economic development activities on a broad scale.
- . In general, most felt that the present regional system of governance, with all of its inadequacies, will continue with minor adjustments in the foreseeable future. They thought that the business community should work with the existing system in a series of ad hoc alliances to help solve

regional problems and upgrade the capabilities of local government.

Assessment of the Region

- . There was general agreement that the loss of middle-class jobs is serious and that the problem is not solvable in the short-run.
- . Some executives argued that organized labor in steel and heavy manufacturing industries is a major impediment to economic development, particularly to attracting a large manufacturing facility into the region. They stressed that the image of this region as having adversarial labor-management relationships is widely held.
- . Other executives distinguished between the issue of labor-management relationships and the cost of labor. They believe the former is not a problem, but the latter is. The cost of labor, in their opinion, is significantly higher here than it is in competitive locations.
- . A number of executives made the point that there are two labor forces in the region. One is organized and works in steel and heavy manufacturing industries. The other is employed in the other sectors. Those interviewed praised the latter workforce. One executive stressed that the work ethic here is much stronger than it is in California.
- . The executives were upbeat about the region's long-term future. Although they see a continuation of the decline in heavy manufacturing, they expect growth to continue in the corporate headquarters base, an expanding services sector to support it, and more high technology companies.
- . While the prognosis for the region as a whole is good, that for the milltowns and the unemployed blue-collar workers is not optimistic. The executives do not believe that new jobs of similar quality will replace those already lost. They also stressed that many of the mill communities, particularly those in the Mon Valley, are at a competitive disadvantage for

attracting new industry because of inadequate infrastructure, particularly poor road access to the region's major highways.

- . The executives were unanimous in their belief that the long-term decline in the milltowns would self-correct through market forces, and this would mean that many of these communities would be smaller and may be converted to new uses. In the meantime, efforts should be made to address the people problems through mental health and job retraining programs.
- . The executives could not pinpoint a specific policy or group of policies that could make significant dent in the region's unemployment problem in the short-run.
- . In the long run, they felt that quality infrastructure--roads, bridges, and the airport--is the single most important factor for the (re)development of this region. They stressed that the airport is particularly important--convenient air transportation internationally as well as domestically is essential to support the corporate headquarters base and the emerging high-tech sector.
- . A number of executives stressed that it is no longer an economic necessity for their corporations to remain in Pittsburgh. Although none of the companies is considering a move, the executives underscored the importance of maintaining a competitive business climate in the state and the city to encourage growth here rather than in alternative locations.
- . The most appropriate role for government in the view of these executives is to maintain a competitive business environment, quality infrastructure and adequate public services and then to get out of the way. They do not believe that the public sector can mount a significant economic development program other than to create conditions conducive to such development through the marketplace.

EXHIBIT ONE

Executives Interviewed*

Allegheny International Inc. Oliver Travers, Jr., Chairman & CEO	Koppers Company Inc. Charles R. Pullin, Chairman & CEO
Allegheny Ludlum Steel Company Richard P. Simmons, President & CEO	Mellon Bank Corporation J. David Barnes, Chairman & CEO
Aluminum Company of America Charles W. Parry, Chairman & CEO	National Intergroup, Inc. Howard M. Love, Chairman & CEO
Bayer USA Inc. Konrad M. Weis, President & CEO	People's Natural Gas Company Jack B. Hoey, President
Carnegie Mellon University Richard M. Cyert, President	Pittsburgh Post-Gazette William Block, President & Publisher
Contraves Goerz Corporation James Colker, President & CEO	PNC Financial Corporation Thomas H. O'Brien, President & CEO
Duquesne Light Company John M. Arthur, Chairman	PPG Industries, Inc. Vincent A. Sarni, Chairman & CEO
Duquesne Systems, Inc. Glen F. Chatfield, President, Chair & CEO	University of Pittsburgh Wesley W. Posvar, President
H.J. Heinz Company Anthony J.F. O'Reilly, President & CEO	USX Corporation David M. Roderick, Chairman & CEO
The Hillman Company Henry Hillman, Chairman & CEO	Westinghouse Electric Corporation Douglas D. Danforth, Chairman & CEO
Kaufmann's William Tobin, President & CEO	

*Interviewed during the period June-September 1986.

CORPORATE CIVIC RESPONSIBILITY

Overall Philosophy

The business executives agreed unanimously that their primary responsibility—and their primary civic responsibility—is to the company to ensure that it is profitable, growing and thereby creating more jobs. They felt that the most significant way in which they could contribute to the health of communities in which they are located is through the jobs they provide and the incomes earned by their employees.

Having made this point, there was consensus by the executives that they have responsibilities to the communities in which they are located that extend beyond the operation of their plants and corporate headquarters. The reasons for this varied, however, there was a sense that this was the right thing to do. Inasmuch as society has granted business a license to operate, corporate executives believe they have a responsibility to society that extends beyond their immediate company.

The executives also agreed that it is in their self-interest to act responsibly on civic matters. All of the corporations are embedded in the fabric of the regions in which they operate and, therefore, derive direct benefits from a community that is healthy both socially and economically. The benefits from civic action, however, vary depending upon the nature of the business, the number of employees in the community, and the geographic proximity of the company in relationship to the civic activity being undertaken. For example, service companies—department stores, banks and utilities—that derive significant business from within a region will benefit to a greater extent from regional economic development activities than will manufacturing companies that have most of their plants outside the region; companies that have a strong corporate headquarters base in a city and little involvement outside of the downtown core area will benefit more from civic activities directed to the downtown

area—arts and cultural activities—than they would from actions taken outside of the city, such as programs to save declining milltowns; and finally, companies having many employees in a region will derive greater overall benefits from civic action than those with fewer employees.

The specific types of civic activities undertaken depend upon the needs of the communities in which the companies operate. Regions that are experiencing growth in population and jobs will have different priorities for civic action than those that are in decline. Also, regions in which growth is occurring may have more companies and greater private sector resources to share in civic responsibilities than is the case in non-growth regions. Hence, civic demands on a corporation and its key executives may be greatest in communities in which employment is declining or remaining constant.

Various executives stated their points of view as follows:

We're a member of the community...; we want to support the community. We work here, and we hire here, so I think it's a very important responsibility.

I think we have a role to play from the standpoint of responsibility to the community. Obviously, it is a very real one; we're a major employer in the area, and we have a large number of people in the community. We want to keep the community a good place to live so that we can bring new people in when we want to do so. We live here ourselves; so from a selfish point of view, we want the community to be a good community. I think that it has to be backed on occasion, not only with the time of our people, but also with funds to the extent that our primary responsibility as a profit-making organization has been met. I don't think you can be more generous to your community than you are to your shareholders; you are employed by your shareholders, not by the community.

What it means to me and most corporate CEOs is that we do have a responsibility to the community, particularly where you have your headquarters. The better the climate in the city, the more attractive the area is for your senior executives. I think that corporations—and I may be biased on this—can do a better job than federal, state or local agencies in planning for the future of the community. I feel the city is only going to be as good and desirable and as successful as we are willing to make it, and that pertains not only to personal involvement but also financial resources.

I think that in the free enterprise system, corporations have, as

part of their primary role, a responsibility to the communities in which they reside and to the governments which govern those communities, as well as to all the other constituencies. But it's a primary responsibility; and if you look at our blueprint for the decade, which sets forth our principles, you would see that it's articulated that way. We are involved internationally, so that's our view of our position worldwide. I think that, unfortunately, the degree to which corporations accept that responsibility and how important they are to the communities and the social fabric of our country in particular is not well understood in this country. What we do in Pittsburgh, our facilities do throughout the world; and the kind of thing we do in Pittsburgh is be a good community citizen. In the broadest sense of that, we not only contribute materially to this community by virtue of our financial contributions to social programs, cultural programs, to charitable programs, etc., but the contribution of our people and our time which is infinitely greater in value than the actual dollar contributions which are made.

Clearly, the corporate role in the community is extremely important. I don't think you can look back in a way we used to years and years ago and say the only thing that is important is making a profit and providing more jobs and, therefore, being a viable economic entity. I put myself in the shoes of some of the corporate headquarters executives here for whom the well-being of the region is not necessarily as closely-tied to the well-being of their organization as it is for our company. We are strongly committed to being a major participant through our people, money, human and economic resources. Number one, because it is the right thing to do. But, secondly, it's good business for a company like ours to see the community thrive. When you start getting into those gray areas, how much should you put into redevelopment of this region, how much do you give to the food banks or helping unemployed workers, I think all of the companies could do a better, more creative job. But there's a point where you can't get carried away with that because long-term, the thing that has benefited this community most is that we've grown. We've added several thousand jobs in the last few years; and to us, that is fundamentally the most important thing. But I don't think you can just say "That's all we're going to do." There's obviously a higher degree of social consciousness in business today than there was before. I think we're affected by it; I think we're part of it.

I interpret my obligations to the community in a very narrow way. I know certain things; I know how small, medium-sized, technology-oriented businesses work; and I feel that my own activities have to be concerned with that segment of the community by trying to bring more businesses like that into the area and trying to be sure that the companies that are here are healthy. So that's the area in which I'm interested. My own view of things, and this mostly has to do with the way you're brought up—your cultural background—is that it's very appropriate for a businessman to have responsibilities in the total community. And it's more than appropriate, it's a necessity. If I were to look at what I think is good or bad in our locality, the government, the country and so on, I would say we fail when that doesn't happen; and where other people, who are 'professionals' in certain areas, or politicians, take over and do things and determine action. I think it's

very appropriate for me and people like me to be involved in the community, because I think we know better in our area, and that's why I say I restrict my activities to what I'm knowledgeable about.

The university has to pay attention, primarily, to its objectives. Its objectives as a university are the dissemination of knowledge and the creation of new knowledge. And for a research university, I believe they have to be co-equal objectives. And one cannot slight the teaching or slight the research; we try to resolve being excellent at both of these by making our teaching loads low enough so that people can do an outstanding job of teaching and still do a good job of research. Now, we live in a community, and it is crucial to us to have that community in good health economically. I do not believe that you can have a great university in a city where the economy is crumbling. I don't think you can get the kind of faculty that you want to come to that university; I don't think you can get the students that you want from around the country to come to that city. Therefore, I think it is important to us at this university to worry about the economy. It's not just purely a civic kind of responsibility or purpose, it is a selfish purpose. We have to have a strong Pittsburgh in order for us to be great.

Not all of the CEOs had a clear view on how to carry out their civic responsibilities. The dilemma facing a corporate executive between his responsibilities to the company and those to the community is stated by one CEO as follows:

I have, for a number of years, been ambivalent on the role of the corporation on societal matters, so I don't have any firm idea about that. So let's break it down into some of its parts. To me, and I found this out as every CEO in this city and probably every city has found, that a CEO once he begets the title is expected to head-up organizations--civic, community--and nine times out of ten they don't care whether you're active or not in it, except that they want you available when they need you. This puts upon that CEO, and probably some underneath him, a responsibility to act in the best interests of the community and to utilize the power that he or she has to further the better interests of the community, not necessarily because of his obligations to the corporation, but because of his obligations as a citizen of the community, utilizing the power which comes from his office. But these obligations are not necessarily the same. I do not have a problem with the responsibility that a CEO absorbs or assumes by virtue of his office. The problem arises for me in terms of what responsibility does the corporation have to various and sundry community needs, distinct from supplying employment and wages, to individuals who would then, as members of the community, have a responsibility to support those kinds of things? This approach is always much more efficient. I believe that the proper place for the support of community functions is, in fact, the citizens of that community. So you get to a point where the primary function of the corporation is to provide wages to individuals who then have the opportunity of supporting the kinds of civic organizations that they ought to support as a citizen of that community, versus the corporation utilizing corporate funds which are not the property of the

individuals within that community, but rather to the entity called the corporation which is comprised of employees around the world and the shareholders. My problem is with the use of corporate resources. But what is the relative responsibility of the corporation, as a corporation, as distinct from its employees acting as individual community members? I don't know what the correct answer is.

Several executives indicated that the CEOs today are under such tremendous pressures from competitors and the threat of being taken over that they do not have sufficient time to devote to activities outside of their own business.

Any business is tough enough to make a success of, even if you get the best people, without trying to load other social causes on its back. Many companies in the Pittsburgh area are having a hard enough time surviving in their own businesses--some of them aren't--and for those businesses to make decisions based on "Let's do something for unemployment in Pittsburgh," entails or carries with it the risk of having a less-than-totally-efficient business. And I just question very much how much of that kind of thing companies can do in a meaningful way beyond the token stage. There's an old saying that "survival strategies leave little room for sentiment"; and I think you could broaden that to include little room for social causes. I think, unfortunately, that many of the Pittsburgh companies really do have problems, and the more they are under the gun of competition from other U.S. companies--and many of them foreign companies now--the less time and energy they have to devote to helping solve the problems that exist in Pittsburgh. I think the horsepower behind that kind of effort is much less than it was in the past, and I'm not speaking, of course, just of Pittsburgh. It's true in a number of other cities. Many companies are concentrating on how to keep themselves from being taken over; and when companies are in that position, they haven't got time for non-business-related activities. So I think we're living in a different time, a very much more sobering time than twenty or thirty years ago. You don't have these corporate leaders sitting confidently in their CEO chairs with relatively few problems now.

Establishing the Corporate Civic Culture

The key to carrying out corporate policy supporting civic responsibility is the chief executive officer and the role that he sets. All agreed that the level of involvement in civic affairs by corporate executives in the Pittsburgh area is high.

Typical comments were:

The civic responsibility in our company is high. We encourage all of our people to be active in the community.

I got involved heavily for two reasons: one because of my own interest and desire, and the other because a past CEO gave me that

extra push. So over the years, I've been involved directly in at least 10, possibly 12, different organizations. In fact, I remember that because I was swamped and I had to back-off and pull-out of a few of my involvements and concentrate on the areas where I thought I could make the best contribution.

I'm tremendously impressed by the commitments of time and effort that I see on the part of the key "shakers and movers" in this community. It's amazing to me the amount of time that they spend in really trying to accomplish civic objectives. I'm sure that there are other communities where people are deeply involved, but I would question that these other communities get any more time and effort from their executives in civic affairs, whether it be the arts, charities, development, or the public-private partnerships. I'm just fascinated by what I see in the community.

I don't imagine that there is a major community effort that doesn't have a person from our company involved.

I think that all major employers have a pretty deep obligation to the community, and I think, at least in Pittsburgh, most companies execute against that responsibility reasonably well--some better than others. We encourage all of our people to play a pro bono role in any way they can.

Determining Priorities

Corporations have a variety of mechanisms for establishing priorities for civic affairs. In general, the chief executive officer plays an important role. In smaller corporations, this individual makes most of the decisions regarding community activities; in larger corporations that do not have a foundation or do not staff the foundation, the CEO plays a pivotal role; and in large corporations, even if the foundation is well staffed, the CEO usually reviews the staff's recommendations and may change the priorities. As stated by one executive, "The foundation reports directly to me. When you are giving out those dollars, I think I have to be accountable for them. They are dollars of the shareholders in the final analysis, and I feel that I have a responsibility to be innovative and also selective as to where those funds are allocated." The CEO plays a less active role in establishing the goals and objectives of the corporation's giving program in those instances in which the foundation has its own board and the CEO is not a member.

Normally, the corporation's civic priorities are established internally. Although corporate executives may call on others outside of the corporation for advice, this is done sparingly. Staffs of the key civic agencies do not appear to have a significant influence on the internal priorities established by the corporate CEOs, although these individuals may be called upon for assistance on a specific issue.

Pittsburgh's corporate executives maintain an informal network with one another that is used to generate support for key projects. The ability of each CEO to marshal support is dependent upon the maintenance of trust and goodwill among CEOs. The functioning of this network requires each executive to recognize that a quid pro quo is in everybody's best interest. By supporting each other's priorities, the executives ensure that the network functions to the benefit of all participants. This, of course, breaks down over those issues on which there is intense disagreement.

Companies having a large number of plants vest varying degrees of responsibility and resources at that level for civic activities. One large company requires all decisions that involve expenditures from the corporate foundation to be reviewed centrally, while another has decentralized to the extent that decisions for about half of the corporation's expenditures on civic activities are made at the plant level.

In general, the corporate executives expressed a desire to work with others in carrying out their civic activities. As stated by one CEO,

Generally, we like to act with others; it's never been our style to be way out front. We don't want to start everyone having a star system. Competing with each other doesn't work. What has made things work as well as they have is the ability for me to pick up the phone and say to another CEO that this is very important. We may not all agree, but if somebody we respect thinks it's really important, we will normally go along with it. It is important to know that if I call up another CEO, that he's not going to analyze the request to death. He's going to say, "Well, if it's something that we should do, we'll do it."

Another CEO said,

Well, I think it depends really on the project. If it is something that has to move pretty fast, then you need one major corporate

sponsor, because you're not going to have time to get all of the large Pittsburgh corporations turned on. I think you have to look at needs individually. There are things where we have a greater involvement, a greater reason to do it than the community. Take our unemployed program. We think it's a great program, but we can't expect the rest of the business community to come in and offer aid to our unemployed workers. We take the lead on that rather than trying to get broad community involvement. So we do that unilaterally and don't go to other people.

Those interviewed differed on the extent to which their corporations have a strategy that provides a framework for their civic activities. Some executives stated emphatically no. Others indicated that they were proactive and would alter their contributions to fit the needs of the community. One corporate executive stated, "I think that the company structurally has to insist that its key people participate; and I think you need a board, which we fortunately have, with a committee on public policy to review our community activities--the types of things we are doing, the things we are giving our money to. Therefore, we have a review, at least by some people who we think are pretty sensitive, of the issues and get their input as to what we should or should not be doing."

All of the executives whose companies had multiple locations agreed that the corporation had responsibilities to all of the communities in which they operated, but that Pittsburgh was special. Because this city is their corporate headquarters, the companies' commitment to it is greater than that represented by the number of people employed here. This explained why most of the corporations give a disproportionate amount of their civic resources to Pittsburgh. One executive said,

Founded here almost 100 years ago, we do have a 'special responsibility' to Pittsburgh, probably somewhat out of proportion to the number of employees as a proportion of our total employees. We have a responsibility to Pittsburgh; it's a responsibility that we have whether we like it or not, because this community assumes that we have that posture. But I would say we're very cognizant of our responsibilities outside of Pittsburgh; and even though we give a disproportionate amount of our foundation funds to Pittsburgh, it's probably not way out of line.

I think our responsibility goes beyond this community. Pittsburgh today is probably no more than about 15 percent of our total workforce. So I think our obligation to the community is very meaningful, not only

here, but also we have obligations to other communities that we have to recognize.

Priorities

In general, most of the large corporations support projects in the broad areas of health and welfare, education, culture and the arts, and civic and social. The relative weights given to these areas and the programs supported vary from company-to-company and within a company from community-to-community. The following responses illustrate some of the factors taken into account in establishing priorities.

Why Culture and the Arts? "The cultural climate of this community is quite important to attracting industry, attracting people to the community and it isn't a frill at all. Corporations have increased their emphasis on human services, but there are limits to their resources. They have to make profits before they can allocate the amounts to the foundations to cover these things."

The Effects of Diminished Profits. "It has been very difficult to establish a uniform policy for dealing with community problems when the company is reducing its employment by significant numbers. Our resources have been limited because of the low or negative profit position."

Changing Priorities. "Our charitable dollars have changed with more going to the needy and the deprived because of this region's large structural unemployment problem."

Special Community Needs. "We strongly support the hospitals in the areas in which our plants are located. We're supporting the YMCA for \$120,000 in one location, which is really more money than a company our size could be expected to donate. But we have to; we are the only major employer left in that area. Secondly, we feel a very strong involvement in the Pittsburgh community. That would be our second priority, or maybe co-equal with the first. And so we're involved in a large number of agencies."

A New Corporate Headquarters. "I think it's part of the culture of a company that makes it build a corporate headquarters like this. We had considerable discussion about it and debate as to what we should do as a company. In terms of economics, there was a great case to be made to move elsewhere; we would have saved a lot of money and, in one sense, you would have been able to make the argument that you were enhancing the shareholders' value in the company. But that's a short-sighted view. Our principles state that in order for us to be a successful, leading company, we have to be a good citizen. You can't

be a good citizen by leaving a community because you may have to 'pay the rent' so to speak. We did debate it, and we just felt that it was an obligation that a company like ours should take on. If we were going to have a headquarters building, it should be in the city that helped us grow to the size we are, whose people have supported us, and so forth. Our building has helped to create a new environment in downtown Pittsburgh. Our events are free; the building is open; it sponsors quality cultural events. When I walk through there in the winter, I see older people just sitting there, listening to music or just staring, with heat and cleanliness, and in peace. So that's what being a good citizen is, and that's all part of it. We get a great deal of satisfaction and have great pride in what we as a company are doing. Before we had this complex, our people really felt that this is a good company. But since we've had this complex, and since we've had these programs, we have developed a sense of pride as a people, and a sense of recognition of what we are, in fact, contributing to the community, which wasn't there before. In all of our locations, we are a good citizen. We help build YMCAs, we help build parks, we help finance sporting events, we run charitable events, we do what we do in Pittsburgh in a smaller way. It's a relative activity; i.e., depending upon the size of the facility, you'll see the extent of involvement. Where we have a large facility, you'll see many of our people on the hospital boards, as volunteers in the hospital, and so on. This is our single largest commitment--this is our headquarters."

Capital Facilities. "We support any hospital, educational institution, or agency that comes to us with a building fund request; no operating fund drives except--and then we have a bunch of exceptions--the Ballet, the United Way, and that sort of thing. But generally, if XYZ comes to us, we will turn them down on an operating basis."

Community Development. "The heaviest tilt of our charitable giving is toward community development. We have contributed heavily to Penn's Southwest and academic institutions, because we think they are very important to this changing, evolving new industrial base. We think it's beyond our power, and anyone else's for that matter, to do much with this declining steel problem, which is part structural and part self-inflicted by various truculent labor forces."

Smaller companies generally do not have the level of resources to support community activities that the larger corporations possess. These companies contribute their expertise to the community in one way or another. As one CEO put it:

I have been in the fortunate position to be one of the first companies to generate significant success in the software area, going public and what not; so, whether we liked it or not, we were thrust a little bit into a leadership role in this particular situation. I think one of the things that I try to do is to talk to people in different parts of

the country to convince them that there is a great deal of talent in Pittsburgh and that we have all the basic resources to build a very significant software company or any kind of technology company really. I participate in several different high-tech organizations here in Western Pennsylvania. When I did raise some money as the result of our initial public stock offering, I decided that I would invest some of that cash in some of the venture capital organizations which were indigenous to this area in order to try to help create opportunities for some other young entrepreneurs and start-ups.

Expanding the Corporate Civic Base

Over the past few years, Pittsburgh has seen the erosion of its corporate headquarters base as J&L Steel Corporation and Gulf Oil Corporation have been acquired by companies outside of the region. This has resulted in a loss of executive talent to work on community issues. Concurrently, the complexity of the problems in the Pittsburgh region has increased and the executives of the large corporations increasingly are being pulled in different directions. Many of those interviewed expressed concern about the need to bring in a larger cross-section of the community to address its growing needs.

One executive summed it up,

The biggest thing that's going to have to happen in this city is that we can't continue to ride the backs of 20 companies. We've had a slight shrinkage in the power structure, so to speak, of the corporate community with people getting merged or whatever. We've had a growing array of demands, but we haven't altered the structure of the existing mechanisms, let alone create new ones, that bring in a broader section of the community to address these needs. It's going to break under its own weight.

Another aspect of this problem is the increased internationalization of many Pittsburgh corporations. This has diminished the time available to top executives for civic affairs. One CEO put it this way:

When you look at my predecessors two or three back, they would have been able to devote their time to Pittsburgh on an 80:20 ratio. Today, I can afford to give Pittsburgh 20:80. Although I have an interest in Pittsburgh, I have too many things elsewhere, so that I personally can't give it that kind of attention. There are a lot more people in the organization who work on civic affairs now, and more of our effort is professionally directed than it was when the CEO was much more involved. We have deliberately designed structures that are

community sensitive, but on the other hand, the CEO's apparent presence is missing. What the implication of that is, I really do not know.

Given the multiple demands on their time, several CEOs viewed the civic culture in Pittsburgh as having a negative aspect because of the tradition that only a top corporate official is appropriate to serve on the boards of major civic agencies and institutions. The undesirable side effects occur because if corporate executives put in significant time on civic activities, they necessarily have less time to devote to the affairs of their company; if they serve in name only, the civic agency is not getting a substantive benefit from that person's involvement, and that individual is not learning about the needs of the community; and by limiting participation to top corporate officers in many case, highly qualified other executives are not given the opportunity to become involved in civic activities, thus the community does not take advantage of their expertise and, in turn, these individuals are not as aware of community issues as would otherwise be the case. The net result of this culture is that the pool of acceptable talent for important civic duties is much smaller than it could be.

As articulated by one CEO,

The CEO has not been elected by the board to be a visible public figure, but to run the company. I don't believe we do ourselves a service by always asking for the CEO, that's like asking only for the president of the United States, as if another person wouldn't sometimes be even better for certain aspects. It's cultivated everywhere; the Allegheny Conference wouldn't touch a man who isn't a CEO. And you look at the trustees of major organizations and universities; if it's not the CEO, it's already questionable. The demands on the CEO are very heavy, and nobody seems to care about this. If he endangers his organization and the jobs he has created, it's much more damaging to the community than if he declines to serve as a trustee and proposes that his deputy should do it. We have created a culture that if you don't use the CEO, there is no other talent in the organization to be used, which is straight-forward ridiculous. You have perfect examples of good people. Why shouldn't the retired CEO, the chief financial officer, or other responsible executives serve as trustees of a hospital or university or on other civic boards? I wouldn't exclude the CEO, but I would do away with the culture.

CIVIC DEVELOPMENT AGENCIES

Background

Pittsburgh has been a national prototype of the development of civic organizations and the operation of a business-public partnership. The impetus for development and the formation of a public-private partnership was the recognition that the City of Pittsburgh was at a crisis point after World War II, and survival of the city was at stake.

Top industrial-business leaders of the community joined forces to support a general program of community improvement. The instrument for the comprehensive business backed planning and implementation was the Allegheny Conference on Community Development. The Conference (ACCD) served as the organizational instrument for the private sector to participate in post-World War II development. A small group of business executives, under the leadership of Richard King Mellon, organized the Conference in 1943 as a nonprofit, tax-exempt agency. As a matter of policy, only the top corporate officers could participate in decision-making. They acted with the support of technical and professional skills in organizations like the Pittsburgh Regional Planning Association, the Pennsylvania Economy League and, later, ACTION-Housing, Inc., the Regional Industrial Development Corporation, and Penn's Southwest Association.

The Executive Committee of the ACCD was made up of 30 chief executive officers of Pittsburgh corporations. This Committee set the policies for the Conference and committed the business community to the development process. Selection of Executive Committee members was based upon corporate affiliation rather than individual assets. For 25 years, there was little alteration in corporate representation and changes in individuals reflected changes in corporate leadership. Today, most of the corporations are represented by professional managers.

The Conference coordinated and integrated the planning and development products of corporate-based civic agencies that initiated and evaluated development opportunities. The central core of public planning and development efforts was to use public powers and public-private resources to maintain the economic vitality of the central business district and, more broadly, the economic competitiveness of the region.

The business-government partnership dealt with issues in which the partners had compatible stakes, such as the central business district, cultural activities, and higher education. The business leadership never delegated to the Allegheny Conference on Community Development the power to influence corporate business investment decisions in plants and facilities. In recent years, corporations that historically provided leadership for downtown renewal have reduced their investment in the region. Gulf Oil Corporation and Jones & Laughlin Steel have been merged with two other corporations and have left Pittsburgh.

The climate in which Pittsburgh's public-private partnership operated changed significantly as the dominant issue of the 1980s shifted from the physical renewal of the central business district to responding to the disruption created by fundamental economic change. The region's most pressing economic development needs have moved from downtown Pittsburgh, where corporate pride is exhibited through architecturally-important headquarters buildings and the cultural amenities provided by corporate charitable contributions, to the industrial towns along the rivers with their closed-down factories, eroded commercial facilities, and histories of labor tension. Neither the public sector nor the private sector has been prepared to deal with these problems. The business community has little experience in dealing with problems outside of Pittsburgh's central business district, and many of the large corporations have made business decisions which have exacerbated the problems of the milltowns through plant closings and workforce reductions. Moving outside of the city of

Pittsburgh with its strong mayoral government system and tradition of business-government cooperation to the fragmented governmental system of the county and the region creates a significant leadership vacuum--there is no elected official who can speak for all of the communities with severe social and economic problems. These factors combine to create a situation in which a meaningful public-private partnership would be difficult to forge even if both parties had a strong inclination to do so.

The Allegheny Conference on Community Development formed an Economic Development Committee in 1981 to respond to the widely-perceived need for a better understanding and a sense of direction for the region's economy. Nine task forces were created, involving more than two hundred people who represented business, government, universities, civic agencies and community groups. The task forces made recommendations for the region's future, covering advanced technology, manufacturing, services, corporate headquarters, international trade, infrastructure, human resources, business climate, and quality of life.

The report, released in 1984, recommends a strategy "based on the inevitability of change, broad front rather than a single thrust, long-term, private sector-oriented and market driven, coordinated rather than centrally planned." The impact of the report on the policy, planning and implementation of an economic development strategy for the region was limited. Nine projects were funded, having an annual cost of about one million dollars. Economic planning in the region continued to be fragmented, contradictory, opportunity-based, project-oriented and competitive among various public and private sectors.

The balance of this section describes the results of our interviews with respect to civic development agencies. The interviews focused primarily upon the Allegheny Conference.

Leadership and Decision-making: Past and Present

The business executives agree that civic agencies, especially the Conference, provided important leadership in the growth and development of the Pittsburgh region. The role of the civic agencies has changed to reflect changing needs.

The Conference has always had a changing role. It has changed to fit the needs. During the late sixties, we had the so-called urban crises on our hands, as did many other cities, and the Conference adapted at that time to take care of that crisis. In the earlier days there was smoke and flood control and a lot of emphasis on urban planning; I think it's been one of the great blessings that this city has had a group like the Conference. I doubt much would have been accomplished had there not been in place a method of gathering the CEOs together to discuss things and provide a continuity of leadership through the staff and through the officers. I think it has inspired some of the CEOs to do more than they otherwise would have done; and those who would have anyway, it's provided them with the backing of some of the others, even if the others are more or less just going along. And it's provided a forum to get things on the table and have them handled or discarded.

I think that we have one of the finest spirits of cooperation and orientation toward community benefits in the Allegheny Conference that you'd find anywhere. There is camaraderie among CEOs that, I'm told, is quite lacking in New York, Chicago, Los Angeles, or San Francisco. The CEOs of giant corporations in those other cities have no common discourse, they're too busy, they're not interested. I think the tradition that I gather stems from the coalition set up by David Lawrence and R.K. Mellon is what produced the Allegheny Conference and is what fostered this spirit of cooperation. However, I will also say that in terms of potential, that the Conference is very conservative. It undertakes only a limited number of initiatives, funds them cautiously and conservatively, with high probability of success, and will do it within a rather limited prescribed range of strategic support for public education, or economic planning and development. For a period of time during the social unrest of the 1960s, the Conference did give priority to social causes--to jobs for blacks, etc.--and now it's come back to economic development, which it had done in the early days. But I've seen ideas brought up there get squashed simply because somebody thought they were a little "off-beat."

The executives agreed that the dominant leadership provided by Richard King Mellon in the founding and early development of the Conference could not be replicated. They also agreed that the many Pittsburgh corporations that historically have formed the base of Conference support are less able for a variety of reasons to provide the personal and economic commitment to the Conference that they gave in

the past.

According to the executives who were interviewed, the loss of powerful leaders in the private sector has affected the influence of the ACCD.

The Conference pretty well seems to have stopped being an initiator. When R.K. Mellon was alive, and he and Dave Lawrence were working together, there was a lot of initiative coming out of the Conference. With the passing of that kind of power and the Conference having to just sort of weigh all of the interests of a group, becoming a group operation, it was much more difficult for the Conference to exercise very strong initiatives. It has helped, of course, in a lot of different ways, and once you can convince the members of the executive committee of the Conference that something should be done, much can be accomplished because they have a lot of economic power.

The chief executive officer's role in civic affairs is diminishing due to the increasing pressures of managing the global dimensions of the corporation in a competitive environment.

As stated by an executive earlier in the report,

Any business is tough enough to make a success of, even if you get the best people, without trying to load other social causes on its back. Many companies in the Pittsburgh area are having a hard enough time surviving in their own businesses—some of them aren't—and for those businesses to make decisions based on "Let's do something for unemployment here in Pittsburgh," entails or carries with it the risk of having a less-than-totally-efficient business. And I just question very much how much of that kind of thing companies can do in a meaningful way beyond the token stage. There's an old saying that "survival strategies leave little room for sentiment"; and I think you could broaden that to include little room for social causes. I think, unfortunately, that many of the Pittsburgh companies really do have problems, and the more they are under the gun of competition from other U.S. companies—and many of them foreign companies now—the less time and energy they have to devote to helping solve the problems that exist in Pittsburgh. I think the horsepower behind that kind of effort is much less than it was in the past, and I'm not speaking, of course, just of Pittsburgh. It's true in a number of other cities. Many companies are concentrating on how to keep themselves from being taken over; and when companies are in that position, they haven't got time for non-business-related activities. So I think we're living in a different time, a very much more sobering time than twenty or thirty years ago. You don't have these corporate leaders sitting confidently in their CEO chairs with relatively few problems now.

I mean horsepower in terms of financial resources, ability to make a sizable contribution, the ability to lend people—which a lot of the companies used to do. They've pared down staffing of many companies

to the point that they don't have the people around who in the past they would gladly loan to some effort. But also the time and the tension and involvement of the CEO.

Also, you have to remember that these corporations are more global than ever; and these heads of corporations are not in town very often, and they are not as close to what is happening in Pittsburgh as they are to what's happening in Hong Kong. It is amazing to me over the years when I have sat next to somebody at lunch who's a corporate executive, to find out how little he really knows about what is going on in Pittsburgh.

I think it has accelerated, and I don't think it's terribly visible, but I do think it's terribly real. You don't have these corporate leaders sitting confidently in their CEO chairs with relatively few problems now. Not that there always haven't been problems. But take the case of a company like Gulf which not too long ago had some relatively minor operating problems and compare it with having T. Boone Pickens out to get you. And I could name a number of other companies that have either been taken over or knocked down the well and sometimes the CEO is removed or the company's merged with someone else, or in some cases have new large and not-too-friendly shareholders; it's just gotten away from the "business as usual" sort of thing.

The business pressure on corporate leadership affects their role as participants in the Conference.

It certainly doesn't help. You have people that are just distracted, and I think it's all a matter of degree. You can say someone is not feeling well when they have a cold, but when they have pneumonia, it's a very different thing. And I think some of them have pneumonia.

The lack of a dominant leader such as Richard King Mellon and the distractions on corporate leadership have impact on the internal decision-making of the ACCD. The executives see a drive for consensus and collegiality in the Conference, and conclude that the organization has developed a decision-making system that avoids internal controversy and tends to provide individual members with veto power over policy directions.

The Conference ought to have been flatfootedly pushing like hell for the airport. I don't think the Conference has played the kind of role it should have played in building support in Harrisburg and other things. When the interest of one or more members is being hurt, the Conference has difficulty. It is more democratic now.

Decision-making requires "collegiality" of support for all of the community things—I'm not going to do something that hurts him, I need him, too. When I say that it depends on the issue, obviously, but I'm talking about issues that I don't feel real strongly about.

I think that everyone understands that some difficult issues are going to be dealt with in order for the Conference to succeed long-term. Now, that may be changing totally the charter of what the Conference was meant to be in the first place, but I think it is sort of sad to see the way the airport is languishing. If that's not good or bad for USAir, well, that's just unfortunate. There should be a place that their position is known, and I don't really get much of a sense that there's any catalyst that might help galvanize the whole situation. People have a naive impression of how powerful the ACCD was at one point; and that could very well be the case. But I do think that now there is very diffused responsibility, and it's a democracy in a sense and that makes it much harder to develop needed but controversial decisions.

I still think the Conference is an important vehicle here, don't misunderstand me. But I do think it has a little bit more trouble getting really strong action on things.

Well it's not really so much whether it hurts it, or just whether it's a little off-the-wall. In a sense, it's individual veto, but it's more of a tacit decision. If there isn't a consensus, if the chairman doesn't sense that almost everyone sitting around that table is in favor of something, it isn't going to fly. Now, an example is the World's Fair. For three minutes he talked negatively against it, and therefore the thing was dead; it never really had a chance.

Although the consensus decision-making style develops broad support for programs, a number of CEOs feel that consensus limits aggressive, controversial and innovative activities. A few CEOs are convinced that effective change will occur in the community when decisions are more private than public, more informal than formal, with fewer rather than many participants.

I'm a believer that most of the effective change that occurs in a community does so in the privacy of a small group of people who come together, dedicated to do something good, or to create change. Formal relationships bring out the more base motives of everyone and the political realities, the self-interest of individuals, the public posturing and the positions that have to be taken because it's required. You know, the unions have to take a position, and the County Commissioners have to take a position. This is just a personal feeling, but if you want to get something done, three or four guys should go into a room and do it. Now that doesn't mean that there doesn't have to be a heckuva lot of work done before the meeting; but if you put everything into the public limelight, it's the worst way. All you have to do is watch City Council in action—should I say any more? Once again, I'm trying to

think back to Renaissance I and how it got done. The companies brought their heavy-hitters together and they got it done. And then after it was complete, they decided to bring the public into the process and make them feel a part of it.

And others are concerned that the decision-making structure is too limited.

And the reason they veered away from it was because they wanted to be viewed, if you will, as nonpartisan, and this is one of the problems we have. I say to face the problems head-on. How can you really deal with a problem if you act as if it weren't there? Now, the other side of the coin is, "Look, we're making progress. We have a lot of other things that we need to do." I'm head of the committee. And when I first started working on it, and I sat with the staff over there and some of the industry people, I said, "Okay, this is the way I think we should get at it." We talk to all the parties involved and we need to get them to be part of structuring this work. Well, you'd be amazed. They didn't want to get the politicians in yet, they didn't want to get the union in yet, or the management. How do you ever get anything done that way? "Well, we'll do it and then we'll go see them individually and we'll talk to them about it," they said.

Economic Development

In general, the executives supported ACCD's strategy for regional economic development.

They (members of the Economic Development Committee) certainly have taken a shot at the economic problems of the region, which I think is very useful even if it is to make sure that there wasn't something that should have been done that wasn't being done. If nothing more than to look over the situation and say, "Yes, we are the victim," as everyone now knows and realizes, of many of the same factors that are affecting many of the so-called Rust Belt cities; and determine, at least I haven't heard any other answer, that there is no easy solution and what we really must do is do the best we can in those areas and try to bring in any other businesses that we can. They're attracted by such things as Carnegie-Mellon's effort in the computer and robotics fields, RIDC parks, and such financial assistance that is available. But then we should also try to do those things that are necessary to make it an attractive place for the businesses that are already here and are very healthy--and there are quite a number of those, especially in the financial area, and the universities and health care areas.

I don't recall any great divergent opinions. It was broad enough and general enough that I think it--not on purpose, but actually--did avoid any specific arguments or differences.

Some felt that there are real limits to what can be done to stimulate economic development through the ACCD.

I don't know how much is artificially stimulated by economic development; I think more is accomplished by getting out of the way. If you look at what the Conference has done, I suppose the principal focus has been on the governmental sector. And what it really has been working at is to get a competitive infrastructure. I've never sat down and in a scholarly way thought through what the Conference did versus what it might have done. My thought was in terms of where its impacts have been the greatest; it's probably been in terms of the infrastructure.

At the end of World War II, the road system was lousy, smoke was lousy, you name it. And although we've a lot to do yet to improve the infrastructure, I think the Conference really has been more helpful in the background in all of these sorts of issues than it has in any explicit way.

Other executives felt that there was a need for an aggressive policy with greater financial commitments by the business community.

I feel that one of the problems that we have in this community is that we have a lot of people that we all buy goods and services from, and we don't seem to use that pressure, in my opinion, effectively enough. For example, what would happen if all of the companies in the Conference would get hold of IBM and say, "Look, you're a big and growing employer; we want you to have more of an employment presence in Pittsburgh; we don't want you to have just a sales office; we want you making something here." What do you think IBM would do? Give up the Pittsburgh market? But the Conference won't do that; its members are not aggressive enough.

I think minor resistance can be overcome. I remember in the ACCD Executive Committee, we were talking about these funds for trying to bring people into the community and, of course, everybody wanted to join the Venture Capital Fund because that's like an investment, you get that back. So they said they could see doing that, and so forth; they all had some commitments to this program. And I said, "What we really need is to let each of the major corporations put up, say, two, three, or five million dollars, or have a call (the ACCD board) on those corporations for up to five million dollars over five years. You can always get some of these potential employers in by virtually subsidizing their entry. It isn't a matter of making venture capital available to them, it's a matter of building a little building and giving them a subsidized lease for ten years." Well, that didn't fly. It wasn't just one company that resisted, it was several companies. Other outfits said they thought it was exactly what we do need if we are going to compete with these other communities; we need that type of flexibility, and we never got it. That's what I'm saying by more aggressive.

Well the criticism against the Conference is, and if you get outside of Pittsburgh, its thinking has been too much of a confined, central, almost Golden Triangle mentality. And I think the guys have been jumping up and down and shouting, "Hey, look at your real problems; get out of the area down there and do something about them." But I think that the Conference really hasn't dealt with the problems aggressively. It's a matter of a couple of people with the clout getting together and saying, "We're going to do it."

I don't think it's a function of the actors. I think it's really what their purpose is; they deal with a lot of issues, good issues; they get into a planning mode, they get into a theoretical concept mode. They labor long about what the community needs to do, they labor long about what the problems are in employment and what keeps people from relocating here. They get into all those type things when what you want is more emphasis on how do we go out and grab somebody by the back of the neck and say, "Come on, buster; set up an office here." You really want to get to work on them. Don't hammer and study it to death; get more action-oriented. That's where I would say the Conference is not aggressive enough. An example to make my point: Columbus has gotten a number of major people to move into Columbus in recent years, that have relocated from New York and so forth into Columbus. Now, you have to ask yourself how that happened. One of the ways is that Columbus has real estate people at work on a national basis, in this case, John Galbraith. My feeling is that somehow, with all of the power and all of the space and all of the real estate that Pittsburgh-based companies own, we could organize to bring about a much greater play in identifying and encouraging people to move here, but we really don't have the vehicle to get to the people early enough while they are in that decision mode.

Let's talk about the amount first. The members were shocked when we started talking about one million dollars a year, and it's far too little to accomplish the goals. To me, that was the basic problem; that's just throwing a fair amount of money down the drain because there wasn't enough to do the development job that they had implicit in their objectives. So if you wanted to do it well, you put, I don't know, ten to fifteen million dollars a year into it, or something like that, in order to really build from a cooperative viewpoint and supply venture capital. But the bankers pointed out that there's lots of venture capital available in this city; you don't have to set up a new group providing venture capital—and it was a little venture capital group. The group funded programs too small to achieve what it wanted to achieve. And that really irritates me. When you waste money through inadequacy, that is the worst sin of all. Even throwing a lot of money away isn't as bad as having objectives which you are not willing to fund.

The question of businesses' role and the Conference's role in the possible attraction of manufacturing companies to the region is an area of controversy among the executives interviewed. Most felt that the possibility of attracting large

manufacturing firms to the region was limited, but that there were opportunities to attract smaller firms.

Well, I think that, of course, Penn's Southwest is the primary agent for bringing people in, and it has been very successful. Small firms, admittedly, but we simply aren't going to attract large corporations to this area. It's foolhardy to think we are. Our objectives should be twofold: One to make sure we keep what we have, and secondarily to begin to attract medium and small firms as best we can, maybe having a supportive role or a supplier role to the main institutions that are already located here. We have advantages; geography is, of course, one. We are centrally-located and have good communications. I think the 100-500 employee firm is what we should be targeting our efforts toward, now I'm talking about the manufacturing side. Of course in the service sector, we're already pretty robust there and are getting stronger.

One executive expressed concern that the issue of manufacturing jobs was not addressed in-depth in the economic development strategy for the region.

I do question, though, whether or not that report rushed over too lightly this issue that I'm talking about--manufacturing jobs. I think that to say to the community that we're going to grow for the most part in this service, high-tech area, and everything's going to be hunky-dory, I don't think it represents reality unless you're willing to just wash out the 100,000 jobs we've lost. Because, in effect, that's what the report did and said. Is there something we can do? Remember, I said that this was not a single bullet. For example, do we offer the same incentives for companies to come to Western Pennsylvania as are offered in South Carolina? To at least eliminate that disadvantage, both with regard to tax abatement, loans, and tax exempt bonds, although I realize that the tax area is out of the Conference ballpark. There are things that the state and county have to do to at least give a level playing field to this area, vis-a-vis their competition.

The issue of where the development efforts should be concentrated in the region also elicited different opinions, with most executives feeling that market forces should primarily determine locational choices in the region. A contrary view was that the Conference should direct its economic development efforts toward the Mon Valley.

Well, a great many of the issues and problems are in the Valley where corporations have a different kind of stake or interest. I mean, it is their old plants that are sitting there.

The need to expand civic agency activity, especially Penn's Southwest's focus outside of Allegheny County, not only in the Mon Valley, was also expressed.

One of the criticisms of Penn's Southwest, and I think it's a good organization that's done its job very well, is that it too has the Greater Pittsburgh mentality, and that it doesn't really work that hard to place new businesses or business expansions in areas outside of Allegheny County. I think Johnstown and Altoona are unique enough that they can work alone and attract their own smaller industries, and the fact of the matter is that they have. Most of Altoona's industry today is what they've brought in from outside. They are isolated enough that they have an identity. But you look at an area that's growing to the north and look at the area beyond Cranberry, and there isn't much identity. New Castle certainly is not an attractive area, and I guess there is a little organizing up there, but that's Penn's Southwest area. Who is going to work with Butler County, Lawrence, Mercer and up through there if it isn't Penn's Southwest? There isn't anybody up there, and they have no identity, no community identity. That's one of the things that's wrong with Armstrong County, which has its own area development organization—it doesn't have any community identity. Who are we talking about up there? Kittanning's the largest town. So they struggle. And that's why I think an organization like Penn's Southwest, if it had a somewhat better balanced effort, is the way to do it. So the answer to your question is I think the structure's pretty good, but Penn's Southwest does need to have a program for the Mon Valley; they need to go beyond what would be a normal effort in some of the areas that they are supposed to serve.

Assessment of Allegheny Conference

Some executives viewed the Conference as an important forum for business leaders to interact and relate to the public sector.

Our company made a commitment to local economic development in all of its plant locations, primarily through ACCD-like organizations (The Detroit-Renaissance Group; St. Louis Civic Progress). We prefer to participate in formalized programs that are organized by these umbrella-type groups. These organizations provide a much better focus because of the work of their staffs. We do not have a staff to analyze the ways in which we could respond to local community needs.

I don't know that we can do much striking out on our own.

Interface between the political structure and the business structure perhaps. Yes, it may perform that function, but I just don't perceive that in Pittsburgh right at the moment. It may be performing that interface function. I am intensely distrustful of the political structure being the instrument for implementing this kind of change, guiding it, being its author, if you will. So it may well be that in acting through that and, for instance, acting within the ACCD structure gives him a different role than in his technical role associated with the political

structure. Maybe it has an influence on the planning function that I don't perceive; I am not an expert on the operation of this community in the most fundamental sense of that word. I am not very knowledgeable about how Pittsburgh and Allegheny County work.

It is one of the organizations and agencies that over the years has tried to be a positive force and different people have different pieces of the pie. Its principal function, it seems to me, is to have been a forum to develop some sort of an attitude toward some things that need to be addressed; that's more than it or anyone else can bite off at one time.

Many of the executives foresee a continuing central but limited role of the ACCD in the future development of this community.

I think the Conference is an excellent body to serve as the catalyst, if you will, for making things happen. It serves as a planning arm, and involves the political leaders, both county and city. We interface with the foundations. I think it is an excellent vehicle and many cities have tried to emulate the Conference.

Several others felt the ACCD was at a critical stage in its history and needed to expand its executive board membership.

Let me make one point in terms of Allegheny Conference. The Conference, as I see it, is at a very critical stage. Remember a typical reaction by the public and the media when we issued that economic development report. "Where is the leader who does the same thing Mr. Mellon had done with Renaissance I?" That is a misinterpretation of this modern environment. Nobody wants that kind of a leader any more; you don't solve the problems of the City of Pittsburgh with that kind of a leader. And number two, it is a typical nostalgia for the old hierarchy structure in Pittsburgh. If we are not careful, we will miss the boat with our private organizations here, and with the Allegheny Conference in particular. We cultivate only the CEOs of the old corporations as members of the ACCD and overlook the presidents and CEOs of the high-tech organizations who may have more contributions to make. The CEO running a small organization has ideas that are relevant to the future of Pittsburgh.

Others felt that it would be counterproductive to expand the executive committee of the ACCD.

Well, if you're asking "Should other types of people be there?", I'm not sure they should. The Conference, by and large, has always had a very broad membership of almost everybody who's in any business. I think it would be happy to have somebody who represented more the high-tech area, but it's a question of what is the function of the Conference? One of the purposes of having people on its Executive

Committee is that they represent sizable employment in many cases, or they represent the ability to contribute from a corporation or a foundation, and they represent an access to know-how in particular areas if some work has to be done, whatever it might be. The problems the Conference is looking at are certainly not technical problems; it's more: Do we have the right kind of a city to attract people, or are the universities getting the proper backing from a financial standpoint? I think people there are well able to do that kind of thing. In some ways, it's always good to say that it should have very broad representation but that's really not the way a group like the Conference works. Its members had, through the years, pretty solid unanimity in their feelings and opinions and not always has everyone agreed with everyone else; but usually they do whatever's necessary to get a certain program. It would be a little the same as saying, "Since the old industries are more in need of help, we ought to cut out newer industry and have more steel people there," which I think would be wrong. I think what you really want here is the people who have the clout to have their organization, an organization of size, get behind its efforts.

A few executives foresaw an uncertain future for the Conference:

I guess you have to answer the question, "Is it needed as an organizational entity in the community?" It was needed to coalesce the thoughts of Lawrence and Mellon, the outgrowth from their initiatives, and to organize them and to bring to bear studies related to them etc., and all the rest of the things that it's doing. There's nothing wrong with that. Maybe it's just outgrown its usefulness. Social institutions often outgrow their usefulness, but they develop a life of their own so they, historically I think, go on much longer than would be justified under some sort of a cold, analytical study. I suspect that the ACCD in the final analysis has probably outgrown its usefulness as an entity here. What should replace it as an initiative? I suspect that ACCD did not initiate the things that it accomplished. What it did was implement that enormous move that Mellon and Lawrence put behind the changes in this city; it organized them and implemented them or structured them, if you will. And it just went until it stopped. Now there's a Renaissance II. Yes, Dick's working hard on it and he's trying to get it started. He doesn't have the clout that Mellon and Lawrence had, and society's different today than it was in the immediate post-war period. Pittsburgh's a different community.

But the other thing is maybe what it boils down to is that we don't have the kind of leadership in the key segments of the community that's necessary to get at the issue. You don't need an organization to get these things done. We didn't have any organization to hold the Pirates here, and that was a tough issue internally, externally, publicly, etc.

Structure of the Civic Agency System

The present structure of civic agencies, with a series of independent

organizations including the Conference, Penn's Southwest and RIDC, was viewed as effective by the majority of the executives.

It's very hard to make a judgment because when I have a meeting with them, they're doing their very best. My overall thought is that they perform quite well. The agencies that I'm close to seem to be doing well. We frequently talk about having an umbrella organization of RIDC with Penn's Southwest becoming a part of RIDC. But when we got into it, we found they do separate things, and what they do, they do well. To combine them and have one person over everything didn't seem to make sense. RIDC is really an expert in bringing new companies into Pittsburgh via government grants, etc. Penn's Southwest knows very little about the grants, but it's the PR agency. They all seem to work well together.

No, I don't think it would do it any better or any differently. People have a theory that you get efficiency by combining agencies, which I think is a silly, naive theory because you're not talking manufacturing, mass production here; you're really buying manpower and those talented people. I think it's an efficient system and working pretty well.

They are perfect organizations which, again, have been developed and created because the public sector did not respond. You can argue that this really is the responsibility of the public sector to do it.

Some executives thought that consolidation could improve performance and reduce cost.

Number one, what I'd like to see is a couple of those organizations blended. I think of Penn's Southwest and ACCD as two organizations. Do we get the best result by having two organizations? Would we have more firepower and more attention if Penn's Southwest and the Conference were one, if we could concentrate the staff, concentrate the thrust of corporate staff time, and they would get into making specific assignments. I think as long as I have been around here, I've only been asked two or three times to make a call of behalf of Penn's Southwest. And the times I've been asked, I haven't been very successful. But it was only a phone call. That isn't how you get some of these things done. The answer I think is pretty evident; we clearly can do a lot more. Still, we're making the transition, but I think you noticed the article in the paper yesterday about interviewing high school graduates, the vast majority of whom indicate they would like to leave the region. Are we doing enough? The answer has to be "no" or you wouldn't be getting statements like that.

Now I say that with the knowledge that the ACCD has, in the view of most people, been a very successful endeavor; I'm not going to argue with that one way or another; I don't know. I know it's been a good forum for discussion of the area's problems. I know that the politicians have looked on it favorably. The Pennsylvania Economy

League is the same; they've done some good work. And the only question I have is how many organizations are there and do we participate in them all? So, you can always say that it could be structured differently or better; there are an awful lot of organizations.

Summary

Although a number of CEOs expressed concern about the viability of the civic agency structure in Pittsburgh, the majority of the executives conclude that the Conference is an effective forum for bringing CEOs together to discuss common concerns. The following statement expresses this majority point of view.

In terms of the Allegheny Conference, I find it to be a very effective organization, but wish that it had a single leader who could provide a much stronger vision than has been the case in the past. One of the reasons why it has not mounted a more significant program to deal with the region's problems is that there is not a burning issue which needs to be addressed for which there is a solution. All of the major companies in the region have significant problems of their own, and this requires a great deal of time of the CEO, and therefore turning attention to the problems of the Mon Valley necessarily receives less of the CEO's time and energy.

BUSINESS-GOVERNMENT PARTNERSHIPS

Pittsburgh is generally perceived to be a national prototype of business-local government partnerships. Our interviews attempted to determine whether private sector executives who participate in this economic development partnership share the general perception, and to learn their predictions about the future of business-local government relations in regional development. Because our interviews focused on the executives' assessments of local government's effectiveness in dealing with economic development issues and its capacity to work with the business community on these issues, our analysis of the public sector role omits the often crucial activities of state and federal government.

Pittsburgh, faced with a severe crisis after World War II, established a cooperative relationship between business executives and the governmental leaders of the region. The coalition of corporate leaders and strong Democratic mayors developed a relatively stable decision-making structure in urban development that maintained its viability for almost forty years, withstanding the urban turbulence of the 1960s, the anti-development bias of Mayor Peter Flaherty's tenure in the early 1970s, and remaining relatively intact into the 1980s. The business community, through civic agencies (primarily the Allegheny Conference on Community Development), acted in partnership with the administrations of Mayors David L. Lawrence, Joseph M. Barr and Richard Callguiri to define and implement urban development primarily focused on Pittsburgh's central business district.

Together, they dealt with issues in which the partners had compatible stakes, such as the central business district, cultural activities and higher education. The dominant regional issue of the 1980s shifted from the physical renewal of Pittsburgh's central business district to responding to the disruption created by economic change.

As development issues changed, development activities shifted from the City of Pittsburgh with its strong mayoral government system and tradition of business-government cooperation to the fragmented governmental system of the county and the region.

We were interested in learning how the executives view the business-public relationship since the issues have been redefined and new public players representing governments other than the City of Pittsburgh have joined the team. We were also interested in their description and assessment of the present and past relationships between business and local governments. The following reports on the executives' views of business-local government partnerships; their assessment of local government; and their recommendations for the structuring of the public sector in the region.

Business-Government Partnerships

Most executives believe that local government should perform its traditional roles. Business should be involved with government in areas of specialized needs for which the government may not have sufficient resources.

Business expects local government to fulfill its traditional roles in the areas of police and fire protection, education, transportation, etc. Beyond that, in specific problem areas such as unemployment or housing, local government should respond as best it can. For these specialized needs, the business community realizes local government may not have sufficient resources; and therefore, the business community may be willing to participate. The Job Training Partnership Act concept is an important way in which to structure business involvement (i.e., through planning leading to implementation).

I believe the business community would be willing to tackle almost any issue as long as the public sector is involved. In the past, the public sector required some support from the business community, particularly in areas in which business had the knowledge and expertise not available in the public sector.

The partnership should develop around a specific task and should operate for a limited time period:

I strongly support these working relationships. I think these partnership efforts avoid arbitrariness, or at least charges of arbitrary action, on the part of the corporate community. Partnerships work best on a sunset basis, within a timeframe for accomplishing well-specified objectives. People are the key to making these partnerships work. I am more likely to participate in the partnership activity if I have confidence that it is well-managed and that it will make a meaningful contribution within a limited period of time. In addition, these partnerships work better if they have an agreed-upon mission/problem at the front end. This ensures that the activities of the partnership will be directed toward a common objective.

The mayors of the City of Pittsburgh historically have been the central public figures in business-government partnerships.

Well, the strongest ties have been with the city. But we have very strong ties with the Allegheny County Commissioners. They provide input to us, we provide input to them, so there's an ongoing working relationship. And also Westmoreland County is the same way. Foerster is a primary mover of the new airport and, of course, we're very much involved in that.

There is general consensus that there is a strong private sector commitment to community problem-solving and a "unique coming together of private and public sectors in the perceived best interest of the community."

As stated by an executive earlier in the document,

I'm tremendously impressed by the commitments of time and effort that I see on the part of the key "shakers and movers" in this community. It's amazing to me the amount of time that they spend in really trying to accomplish civic objectives. I'm sure that there are other communities where people are deeply involved, but I would question that these other communities get any more time and effort from their executives in civic affairs, whether it be the arts, charities, development, or the public-private partnerships. I'm just fascinated by what I see in the community.

Some of the executives viewed the business-government relationship as an unstructured and personal one between the business executive and a political leader:

It's rather a loose arrangement, there's nothing very formal about it. I have an arrangement with the mayor that I think is a pretty good one. We don't have a structured arrangement back and forth, but he knows that if he needs something and he thinks that it's not going to get done unless somebody like myself takes a role, then the door's always open. He can come up here and he knows that if it's a good

purpose, that we will get behind it and try to make it happen.

I think right now there's about three of us who have relationships with the mayor and the commissioners. When problems come up, they're going to come knocking at the door, or call, or we're going to see one another. A number of us have taken an aggressive attitude on fulfilling some of these obligations. You can go back in time, ten or twenty years; the people that have done that are the same people that have played that role in this community, willingly and well. The other people are happy to let them do it and cooperate with them.

And as stated by one executive earlier,

I'm a believer that most of the effective change that occurs does so in the privacy of a small group of people who come together, dedicated to do something good, or to create change. Formal relationships bring out the more base motives of everyone, and the political realities, the self-interest of individuals, the public posturing and the positions that have to be taken because it's required. You know, the unions have to take a position, and the County Commissioners have to take a position. This is just a personal feeling, but if you want to get something done, three or four guys should go into a room and do it. Now that doesn't mean that there doesn't have to be a heckuva lot of work done before the meeting; but if you put everything into the public limelight, it's the worst way. All you have to do is watch City Council in action--should I say any more? Once again, I'm trying to think back to Renaissance I and how it got done. The companies brought their heavy-hitters together and they got it done. And then after it was complete, they decided to bring the public into the process and make them feel a part of it.

Other executives viewed business-government relations as longer term and institutionalized, with the private sector represented through civic agencies such as the Allegheny Conference on Community Development.

I do not know what the limits are on the types of activities that these partnerships could effectively engage in; however, if the public and private sectors are both involved, I feel any activity initially decided upon would be appropriate. I feel there is a danger to unilateral involvement of private business in community activities because there is the danger that a business acting alone may not know what is truly in the localities' best interest. However, if there is a broad base of support for businesses' involvement, it provides a rationale for involvement. Conversely, if the public sector isn't supporting specific needs, then why should the private sector? I am very clear that business should not be paternalistic and that its involvement should be predicated upon a broad support structure within the community. I think that business can provide leadership to broaden the base of participation, and this could appropriately occur within the ACCD or through other large organizations such as the United Way. These larger organizations provide continuity because even though the leadership may change, the

professional staff will still be in place.

Assessment of Local Government

Some executives felt that cooperative relationships with the public sector are more difficult to develop outside the City of Pittsburgh. They related these difficulties to lack of clearly delineated government authority and responsibility.

In all fairness, some things are best not institutionalized. Because once you institutionalize something like that, then you open yourself up for a whole lot of potshots by third and fourth parties. In the Valley, the nature of the small size of the governmental unit and the proliferation make public-private partnerships on a broad scale difficult to implement. We have people who have worked with those government people out there in the public affairs area. For instance, we've had to go back and look at all of our property reassessments because of the nature of our operation, and we've worked very closely with them out there to mitigate the impact over a period of time. But it's a much more complicated and confused system than we're working with in the city.

I don't think when you get outside of the city you really have that cooperation at all. I just don't think there's that vehicle to bring the private sector and the public sector together for the good of the community. We have that in the city, but it isn't very formal. It's unstructured. The Zoo and the Pittsburgh Pirates (public-private partnerships), those things come about by either the private sector going to the mayor or the mayor coming to one of us in the private sector saying, "Can you get two or three people together and see what you can do to help us solve this problem?" From the commissioners' point of view, again, since there's the three of them, you always have a tougher time because you don't have that single mind and direction that you have from the mayor. It's much more difficult to get things done with the county.

Although county government has some liabilities as a partner, some executives feel that it is a critical governmental unit because of its broad responsibilities.

I think the city government works very well with the private sector. The mayor is quite broad-minded. He knows what has been accomplished by public-private cooperation; he does a good job. Tom Foerester has the desire, and he does work with the private sector a lot. He has, in that rather strange structure of county government, a little bit more difficulty than the mayor in a strong mayor form of government. This three-headed commission which is both legislative and executive, I think, has just gotten too complicated. County government is by far the most important government. Let's face it, the city, after it meets the police and fire and public works and parks and recreation needs, doesn't have much latitude. It has to work with the private

sector and try to get the private sector to pick up some of the marbles.

Other executives feel that political leaders outside of the city, especially the Mon Valley, have a labor bias that distorts their policy agenda.

The problem, I think, is that the politicians used their chips carrying union messages rather than getting a good infrastructure for the Valley. Very few people are going to think very hard about doing much of anything in the Mon Valley because of a perceived labor problem. So, when you think about what people are basically looking for today, it has none of the pluses and all of the minuses.

I think the Mon Valley could have two paths in the future. One, it can continue to decline. An alternative scenario if it gets better transportation, better infrastructure and better government, is that it will provide job opportunities, not really for this present labor force which has no future except for lower-level jobs here, unless it moves away, but for the next generation of workers. But when you put the probability on the right things being done, you have to be fairly skeptical on whether that will occur. Part of the problem is political fragmentation, part of the problem is absolutely lousy government, and a long tradition of poor government, and part of the problem is poor highway access. You know, there are windows of opportunity, and if you don't go through the window that's open, you have a long wait. And there was a window of opportunity over the last forty years to get a decent road down there, but they didn't go through that window. I am not very sanguine about the Mon Valley.

The City of Pittsburgh is seen as being an effective government. Most executives felt that business-local government partnerships are necessary. They also felt that public resources are important to accomplish regional development. In their opinion, the City of Pittsburgh and Allegheny County governments have performed in a credible manner in relating to the business community.

I think, again, anyone who said they shouldn't work together comes from another world, another era. Things cost too much money. As much as this community has been private capital-driven, when you look around you see a grant for this, a grant for that, a helluva lot wouldn't have gotten done here without the public monies. I think that Caliguiri has done a pretty darn good job; I think he's cooperative; he's his own man. I think the commissioners are terribly political, but the mayor has done a good job. I think basically the public sector is here to stay. It's done a passing job, with a higher grade for the city.

I was amazed at the level of interaction and trust and support, regardless of the incumbent. More with the city than the county, but also I've seen it with the county and this present administration at the state level, which I think is one of our pluses, one of the things we can

sell. We have good responsive government and if you ask Caliguiri and Foerster and the other commissioners, their response would be that business is very supportive. We do community things like the marathon. The mayor's been fantastic; the Pittsburgh Pirates--the mayor put that together, don't kid yourself. We supported him at some risk. I have some shareholders who wonder what I'm doing here, giving \$2 million to a last place baseball team. When the mayor needs something to improve the city, he feels, I'm sure, comfortable to come and ask for help. There are times when we think the city could be more responsive, but I feel there is a very good relationship there.

We have a good relationship, but we haven't always had good relationships, because when Flaherty was mayor, we had a terrible time--no relationship whatsoever with him, no area of development. Caliguiri is just the opposite; he's a cordial man, and we work well with him.

The lack of strategic thinking in the public sector was viewed as a problem in achieving long-term goals.

I think it's just like running a business or anything else. You set a certain strategy and then you put into place a lot of things to fill out that strategy. They say they want to get everyone into the city, and then they don't execute--do all the other things that are required. They don't have any long-term goals that would allow them to put the strategies in place to accomplish it. Even though Dick is easy to work with, and has courage and conviction, he doesn't have a master game plan.

The local government in the Pittsburgh region was compared unfavorably with local political systems in other countries by a few executives.

Compared to other countries, other political systems, they're very ineffective. Compared to Osaka, Dusseldorf, or Luxembourg or Birmingham, our system of government in this country is very inefficient.

Basically, I do believe that American public administration throughout the ranks is much poorer than you find it in Europe, and I have a reason for that. It's either overly bureaucratic or sloppy, Europe had, through the centuries, the chance to develop--under the kings, etc.--perfect administrative systems. You go to Paris, London, Berlin, even Vienna, and you had, for centuries, perfect-functioning administrative systems. For those who came not from the noble families, or even those who came from the noble families and had grown very rich, to move up the ladder in these administrative systems to a directorship, say, was socially the most acceptable thing to do. What it means is that the best people went into the military and public service which, in those days, meant public service at the palace, even living there.

At least one executive judged that the private sector should be involved to meet the community's need due to the fact that at least a portion of the public sector is incompetent.

Just look at the City Council. When you think of a well-thought-out development plan for the area being implemented or thought-through by that group, it's just ludicrous. Maybe that does shift some responsibility onto the organizations in the community, namely the corporations. Think what you will of them (my peers), they have been sifted through a career process, so that generally speaking, they're pretty good at thinking-through corporate problems; whether they are good at thinking-through societal problems is another whole matter. But they are probably pretty smart by and large.

Others feel that the public sector's major function should be to create an atmosphere in which the private sector can operate efficiently and then "get out of the way."

I have a theory of "government." And the theory of government is to create an atmosphere in which the private sector can operate efficiently, and to protect the aggregate rights of the individual citizens. That's the only function of the state as far as I'm concerned. Environmental protection laws and things like that have been badly administered, but the concept of the law is good. I'm not so sure that the best instrument for implementing change in a community is, in fact, the political structure. I suspect not; it's probably the lousiest because it has a lot of hacks in it, and it generally doesn't have very good people.

Recommendations for Structuring the Public Sector in the Region

Many executives are skeptical about attempts to develop public regional mechanisms, such as the Mon-Ohio Commission, to manage economic development activities.

I know there are an awful lot of frustrated bureaucrats and academics and so forth who would like to see more mechanisms created. But I'm very skeptical about whether they really get the job done. It works when the public sector provides sensible infrastructure, sensible tax environments, sensible labor laws, and then gets the hell out of the way. I'm not wildly enthused about more structure here. We have had a long wobble in public policy in Pennsylvania, more conservative and then more liberal. Prior to that, we had eight years (the Shapp administration) of disastrous (policies). That's one of the biggest

problems the Commonwealth has because outside investors and inside people need to be convinced that Pennsylvania has stable, long-term public policies.

If you worked in government and wanted to put something into the deep six, you set up a task force or a commission, and I'm very cynical about that. The state and county should come together and recognize that economic development may be the single most important thing that they can do in today's world. The second thing, I think, is to try and encourage existing companies, companies that are already located here, to expand in this area. I don't know how you do that, but no commission is going to force it any more than the private pressures that can be brought to bear on the heavy-hitters in this town.

A few executives recommend metropolitan government as an efficient governmental mechanism to meet regional problems.

Well, we shouldn't have a City of Pittsburgh government; I've been in favor of a metropolitan plan for a long time.

A few view metropolitan government as a costly activity that will increase bureaucracy and will not produce an efficient government.

If we could ever make any progress on a more economical government form, that would be real progress. In the final analysis, a region, like a company, has to be quality-competitive and cost-effective, and there's room for improvement in both areas. The high cost of governmental systems is just a drag on society. You have 300 governments that work, in large measure, on volunteer, free labor—city councils are free, fire departments are free, etc.; so this much-maligned system of 300 governments may, in fact, be an economical system. If you are replacing it with 30 or 10 professional governments, then costs may go up greatly because you will replace all the volunteers with experts.

In general, the executives felt that the present regional system of governance with all its inadequacies will continue with minor adjustments in the foreseeable future. The business community should work with the existing system in a series of ad hoc alliances to help solve regional problems and upgrade the capabilities of local government.

Summary of Predominate Opinions of Executives on Local Business-Government Partnerships

- . Local government should perform its traditional roles. Business should be involved with government in areas of specialized needs where government may not have sufficient expertise or resources.
- . Business-local government partnerships are necessary and should be developed related to a specific task and should operate within a clearly delineated time period.
- . The strongest business ties are with the City of Pittsburgh. Many executives felt that they had good relationships with at least one county commissioner. County government was considered to have liabilities as a partner, but was considered a critically important unit of government because of its broad responsibilities.
- . Some executives view the business-public partnership as personal, unstructured, ad hoc and, at times, private. A significant group of executives defined the partnership as long-term and institutionalized through civic agencies such as the Allegheny Conference on Community Development.
- . Public resources are important to accomplish regional development.
- . The City of Pittsburgh is viewed as a more effective government than county government. However, the City of Pittsburgh and Allegheny County have performed in a credible manner in relating to the business community.
- . There is skepticism on the effectiveness of new public regional development mechanisms.

ASSESSMENT OF THE REGION

This section describes the Southwestern Pennsylvania region from the perspective of the corporate executives interviewed. The discussion is divided into the following sections: statement of the problem; the labor climate; the future; the milltowns; and policy recommendations.

The Problem

The region has been going through a gradual transition in the structure of its economic base since the Second World War. Manufacturing employment, both as a percentage of total employment and in absolute numbers, has been on the decline for several decades. For most of this period, employment growth in the trade, finance and service sectors has more than offset the decline in manufacturing. These structural changes occurred gradually throughout most of the post-war period through the 1970s. Two recessions in the early 1980s, coupled with increased foreign steel imports, significantly advanced the pace of change. Manufacturing employment fell by about 100,000 from its level of 1980 and steel and related industries accounted for more than half of the loss. Although retail trade, finance and services continued to grow throughout the 1980s, the number of new jobs in these sectors did not offset the decline in manufacturing, and the region showed a net decline in employment through 1985. The steel industry now accounts for about 5 percent of total employment, down from 15 percent several decades ago; and employment in the manufacturing sector is less than 20 percent of the total, down from 33 percent as recently as 1970.

There was general agreement on the part of those interviewed that the loss of middle class jobs is a serious problem, that the impact of this loss is most severely felt by the milltowns, that the problem is not easy to solve in the short-run, and that the perceived militant labor climate is a major obstacle to be overcome.

The corporate executives expressed their views as follows:

The short-term is very difficult; I don't know exactly what we are going to do. It seems to me the steel industry is going to continue to decline here, and the new things that are popping up are just not going to absorb that labor force. So you are going to have an older population here with this constant problem and a good deal of unemployment because, let's face it, a lot of these people went into the mills and didn't even complete school. Their father was in the mill, they followed him into the mill, and they made good money, and they thought that was their lifetime undertaking; and then suddenly the rug was pulled out from under them.

I see some very disturbing things that have occurred that I don't think are going to be turned around in the near future or even the relatively distant future. While it's nice for everyone to talk about the high-tech jobs that are coming into the area, the fact remains that we've lost about 100,000 very high-paying manufacturing jobs in this community over the last seven to nine years. And I'm troubled by the fact that the jobs that have basically replaced them are much lower-paying. While I'll give you a small slice at the top of what I call the professional service-related and high-tech jobs--the computer specialist, the commercial lending officers--the largest percentage of jobs we are creating are really at a much lower economic level. There's no question in my mind that Western Pennsylvania has seen the elimination of a material slice of what I call the middle class, which is what makes a geographic area really work. The people who are making \$25-35,000 a year, they're the people that in large measure support the charities, that support a lot of the community activities; and they are the people that participate, which to me is a very important thing. Now, why has America been so successful? One of the reasons, I think, is that we've had a very strong middle class. The fact remains that we had a very large and, over a period of one hundred years, growing middle class. I don't think that the middle class is growing any more; it certainly isn't growing in the Pittsburgh area. And what we're doing now is separating the classes even more so than ever before. We're narrowing the band in the middle, and I think that's very bad.

If you look at the region, say for the forty-year period since World War II, I think there's a good deal more reason to be optimistic than negative. The hard fact of the matter is that the basic number of jobs in the region has been more or less constant since World War II, but the characteristics of the jobs have changed a lot. At the end of World War II, something like 40 percent of the employment was in steel and heavy industry, basic industry, etc. Today, that's down to about 5 percent, and that difference, more or less, has been absorbed by new and better and different jobs in the region. So that what's happening is that the region has had this metamorphosis away from steel and heavy industry to a different type of employment. I think the economy here is basically quite healthy. What you have at the moment, of course, is a real serious trauma in the remainder of the carbon steel industry, which is the consequence--about 50 percent--of a worldwide problem of excess capacity, and 50 percent a problem of the extraordinary truculence of the unionized labor environment in the Pittsburgh area. Now, since this

is mainly a steel and related industry problem, our regional problem is that while the unemployment rate here is not massively high, it is not evenly distributed across the community; it's a concentrated problem in basically the Mon and Ohio Valleys. If you look at the problem, it's a very difficult one to do anything about because of extremely difficult employee/union attitudes; a long history of very poor education in those areas, so that they're not very attractive employees to anybody; and that's combined with the fact that, at least in the Mon Valley, there's very crummy highway access. So what you end up with is a region that's in a semi-healthy transition with a tough spot, namely, the carbon steel and heavy industry sector for which there is no easy answer. We think it's beyond our power, and anyone else's for that matter, to do much with this declining steel problem.

Labor Climate

Some executives argued that organized labor in steel and heavy manufacturing industries is a major impediment to economic development. They see the militant image of labor-management relations as a significant obstacle to be overcome to attract companies into the region, and stressed that companies would be reluctant to move a large facility into this region if they would be unionized and have to pay wages approaching that of the steel industry.

Other executives did not believe that our region had a disadvantageous labor image at all. They felt that if the region had a negative image, it was related, as one executive said, "to the old impressions of a dirty, dark, steel city. You never forget a picture of Pittsburgh which you have seen from the 1930s, flooded, dark with street lights on during daylight. You just don't forget it. If you talk to people on the street or throughout the United States and ask them what's their first impression of Pittsburgh, it's not labor, it's pollution." These executives distinguished between the issue of labor-management relationships and the cost of labor. They believe the former is not a problem for the region, but the latter is. This is underscored by the same executive, who said, "The labor climate has nothing to do with plant locational decisions here. If you decide to build a new plant which would need 200 people for a certain manufacturing process, why should you go to Pittsburgh and surroundings where the standard of living is so high? It just isn't very attractive;

you just go to South Carolina or similar areas and pay \$6-7 per hour."

All of the executives recognized that labor costs are significantly lower in the South and that productivity is often higher because of less restrictive work rules. As a result, for companies thinking of expanding their facilities or opening up a new plant, older industrialized regions are at a severe disadvantage. This is particularly true for companies having a unionized plant already in the region—if they opened up a facility nearby, there is every likelihood that they would be unionized and forced to pay wages significantly higher than those of competitive locations in the United States or elsewhere in the world.

Although the executives recognized that there were benefits from unionization, they pointed out that competitive factors were such that plant location here had to compete in many cases on a worldwide basis. Like it or not, they could not operate their companies to benefit Western Pennsylvania and disadvantage their stockholders. These circumstances mean that the Western Pennsylvania region is unlikely to have any large manufacturing company move in or open a new plant. The rationale of these executives is elaborated on below.

The problem we have here is one of perception. We still have a heavy union perception publicly that goes outside of this community, and I think that any large employer is not going to come here, they're going to run as far as they can run. Part of that is perception, and part of it is deserved because the union leadership here does not have any history of being helpful. It's a marvelous city to live in; I'm a native and I like it, and our employees like it. We bring people in from all over the country, and they like this city, the community. Many of them are from the South and other places; and when they retire they stay here, they don't want to move back. It is a nice place to live, and it's a nice place to raise children. It's a balanced community, but its image as an employer is bad.

Our region's main weakness is an image that's going to take a long time to get rid of; and our image is that of a strong labor area. The country is going away from unions and that trend will continue. It's happening really in all of the industrial countries. We have an image that if you come to Pittsburgh you're automatically going to be unionized and, of course, there are dozens of states that do not have that image, and we're competing with them to attract companies to Pittsburgh. To compete in the world today, the only way you're going to be successful is if you have a very strong allegiance of the workforce

to the management. We simply can't compete successfully if you have a third party saying, "Don't believe them, you can't trust them. You need us to protect you." That was fine fifty years ago, even thirty years ago, and certainly unions filled a very important role during that era, but that's passed.

In looking at whether we should have made this investment, there were plenty of negatives. The environment here in terms of the corporation is not as attractive as it is in many other cities in this country. The labor-management adversarial relationship that exists here is a very strong negative and the one that concerned us greatly. One of the reasons, I believe, that the city has not achieved the level of success that it can and, hopefully, will achieve is because that problem has not been faced. And the publicity that it gets around the country and around the world is fantastic. I was personally involved with a large company trying to get them to move to Pittsburgh at the time the dissident steelworkers were demonstrating, picketing executives' houses, and disrupting church services, and the people I was trying to encourage to come to Pittsburgh heard of those incidents on television and decided to locate elsewhere.

I don't expect a union family to change overnight from an adversarial relationship that their parents and grandparents had to one of cooperation with management. I don't expect managers who historically have been trained to get rid of the union to change their views immediately, but I do expect in time that these changes will have to occur if this area is going to prosper. Why? Because there are areas in this country where it is, in fact, happening.

We have plants in Japan that have unions. The relationship is so different, and it's a two-way street. But those people really want to see that plant succeed; and they would not do anything to hurt that plant. It would take some very, very bad action on the part of the management to get them to do that. I say that's part of their culture. Here, we have a culture where this is the 'bed of unionism.' I don't think you can expect a person whose father and grandfather and great-grandfather were unionists and had to live through some of the problems to change overnight; but I think you can expect them to change over time.

The reason why Pennsylvania, and Western Pennsylvania particularly, have lost jobs is not a single bullet. What we have is the coming together of a number of forces: the cost of doing business in Pennsylvania; the cost of doing business in Pittsburgh; and the perceived minimum wages you have to pay. Everything is lower in the South. By the way, let's talk about what's happening to a lot of plants that aren't moving south: they're moving to Taiwan, Korea and Hong Kong—now you're really talking about it. I think that you've now got another and perhaps even more serious socio-economic problem in the United States. I sort of agree with Lynn Williams when he said, "Okay, our wages are too high; what do you want us to do, go to \$2 an hour the way they are in Korea?" And he makes a very telling point because it just isn't the standard of living of the steelworker that's at stake, it's the standard of living of university professors, company presidents, doctors, lawyers, and

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other professionals; because you can't just say we're going to lower the standard of living of the whole manufacturing sector and leave everybody else where they are; that's a little unrealistic. So we've got another problem that the corporate chieftains have to consider when they make a decision to move a plant out of the country to take advantage of lower foreign wages.

Companies may have an entrenched labor situation that they don't know how to break. You cannot break it by moving four miles away; you have to move hundreds of miles. Plus they may have a strategy of building smaller plants to improve operational control and to facilitate harmonious labor-management relations. And so where do they go? They go where it's cheaper to build, where the state offers tremendous incentives, like North Carolina and, particularly, South Carolina, and some of the other Southeastern states; and they go where labor costs are much lower, again in the South.

These comments reflect the biases of executives in the large manufacturing industries. The point that is being underscored is that the region's image is not conducive to attracting large manufacturing plants. These operations would be expected to be unionized and because the large unions, particularly the United Steel Workers, have wage rates significantly above the national average and far in excess of alternative locations, this region is not a competitive site for these facilities. However, only about 17 percent of the region's workforce is unionized, and only a small fraction of that number receives wages well in excess of national averages for their industry. More positive statements about the region's labor situation from other executives included:

There are two labor forces in the region. We have a spectacular labor force; it's hard-working, conscientious, it's a great labor force.

We have all kinds of programs, some of them are labelled quality circle. We, some years ago, went on a participatory management scheme and in the past three years, we really have been moving that up in terms of the participation--getting the people involved to a much greater degree.

The high-tech companies do not have any problem with labor. It doesn't mean we're unorganized here; we've had many organizing campaigns, we've always beat them. We've always fought hard and tough; we're very demanding of our people. We don't pay the highest rate in the area, and we don't even come near to paying the highest rate for anything. My own feeling is that a lot of the labor problems that I've seen around here are because the people running the companies

haven't really faced up to the problems; they have not been gutsy enough and have said "yes" when they should have said "no" to unreasonable demands. We've been faced with the same issues; we didn't have an entrenched union with national affiliation, that's the one difference. But we've fought all the national unions. Our workers are serious, hard-working people and dedicated to the company, quite different than what you see on the West Coast. There's a stronger work ethic here than in California.

All other things being equal, our workforce is comparable to that in any other part of the country. If they are given the proper training, if they're giving the proper motivation, and that's management's job, and if they are given the proper equipment, they're as good or better than anybody in the country. Realistically, in some older plants, bad practices creep in. Again, I say it's management's fault. You can't just say "It's our fault, we made a mistake twenty years ago, and there is nothing we can do about it"—you can't take that position. You have to persuade your employees, and in most cases we've been successful, that change is necessary in work practices, job classifications, or what have you. Again, given proper training, leadership, motivation and equipment, our workers are as good as any in the country.

The Future

Those interviewed were upbeat about the region's long-term future. They see a continuation of the decline in heavy manufacturing, but growth occurring in the corporate headquarters base, an expanding services infrastructure to support it, and more high technology companies. They view the region's strengths to be its corporate headquarters and its research universities. Typical comments were:

I think our economy has bottomed out. The steel industry is not coming back, there's no question about that here or elsewhere. I think our challenge is to recognize what we have, and we have many strengths, and then build around those strengths. For example, we're developing into a great medical center and a great educational center. We're still the third largest headquarters city in the country, and we happen to have very strong research potential in both the private and educational sectors. And I think we have, quite frankly, good quality people, both in manufacturing and professional roles. Because it's a desirable place to live, people want to stay here. I think these are definite strengths.

We should not kid ourselves. The region is not going to grow population-wise; if it does, it will be one or two percent, it won't be significant. We've got a very mature economy, but that doesn't mean it can't be dynamic, vibrant, alive and, as I say, growing in quality rather than numbers. I think we're going to follow the nation. Nationally, we've found ways to produce the hard goods with fewer people through mechanization, science, technology, etc. I see us as a nation with the

percent of our employed people working in manufacturing dropping gradually to as low as 15 percent and then probably staying there. And I don't think our region is going to be much different. I think we're going to find that we're a microcosm of the national picture.

I think you'll see the service sector, the financial institutions, the headquarters activities, and the research activities continuing to grow. I think they'll be even more important in the future than they have been historically. I think that you will see heavy industry continuing to decline; I don't think you'll see any major new industrial employers come into this area. And I think you'll see job growth continuing in the small entrepreneurial-oriented types of activities that we have seen in the last five to ten years. I have seen nothing happening in the community to reverse that, nothing happening in our society that's going to reverse that. Does that mean that the outlook for heavy industry in the United States or in Pittsburgh is good? The answer is no, not good at all; and we're not doing anything nationally to make it better.

The industrial activity in the United States, generally, is declining. So that certainly does affect us; maybe the big hits have been taken here, and maybe they haven't; but certainly there's been a lot of restructuring of industry. I think from the type of industry that I know, electronics and high-tech, that business is becoming more and more software-oriented. That's great for us and for the region. We have very good software capability around here and it's really underutilized compared to the West Coast or up around Boston. Basically the work at CMU makes us unique. The fact that CMU is turning out many computer engineers and quality research helps to attract good people. So you're getting the expertise and the know-how in CMU out into the community, and you're bringing in a lot of other people. If you look at key executives in the software industry that have migrated to Pittsburgh in the last few years, you see some very good ones.

I think in this region next to the service types of industries, technology companies are going to be dominant. But it depends upon what you call 'high-tech.' I think the software and the instrument type of industries, particularly in materials production and that sort of thing, are going to be very high-tech industries. You see what's been happening at some of the large companies, how they're changing from making the basic commodity to more specialized things, and to more instruments, more diversification, more of the product that goes to the end user. All of that is going to require a lot of technology. But the making of the basic material is gone from the region, and what little is left, I think, is not going to be around long. The industry that's growing here isn't a production-oriented industry. It's selling production services, it's selling all sorts of software that is used in the manufacturing process; but it's not going to make a lot of things around here. The software demand is so enormous, but you don't have to make more computers to need more software. The instrumentation type of business is one that's around here, but the manufacturing facilities will be of a very different scale. You're going to be making little things rather than big things. And you're going from a process type of industry to an assembly industry.

We are still growing as a corporate headquarters, but a lot of that business could be in any place tomorrow. If the business climate in this state and region deteriorates, we could move about half of our corporate headquarters staff to other locations.

I'm very optimistic about the region's future, but I'll probably be retired before it gets to the fundamentals. I think it's tragic that the public sector--federal, state, county and local--has not dealt with the poor working guy up and down the river. I don't think the private sector can deal with it--it's too much money. But I do think the private sector, through the Allegheny Conference, could crystallize the issue and cause a unified or at least a powerful private voice to go to the public sector and say, 'We've got to deal with this.' Essentially, we took fiscal policy and accelerated this capital goods decline. Those were clear economic choices we made in the national government which hopefully in the long run will be beneficial. But it really hurt about 75-100,000 good people and their families, and no one has done anything other than toss them a little crumb of bread. Excluding that issue--both the economic and moral aspects--I think the transition of this economy is just sensational. I think it's progressing as well if not better than most. We are building a good financial and legal infrastructure that we didn't have before, and good support services for the smaller business, including the availability of venture capital; but we still haven't really tied-in the educational sector. Everyone talks about how great the University of Pittsburgh and CMU are for the community, but I don't see interaction that is as broad-based as it could be. Overall, I'm very pleased, but I think we're talking a generation.

I'd like to think that the Pittsburgh area has made it in terms of being a survivor and that it has, in a number of perfectly healthy companies, a strong financial base with the banks primarily, and a pretty good location relative to its competition, so that it is and will continue to be thought of as a regional distribution point. I would hope more so than Buffalo, Cleveland, Youngstown, Akron, Columbus, Cincinnati, Louisville and so forth. The main drawing cards, in my view and not in order of importance, are the airport, the universities--very important in terms of medical activities and health care in general--and the corporate base, even though eroded, is still substantial. And I think in general it's a darn good place to live. It sounds like an oversimplification, but the things mentioned in Rand McNally's study showed it not to be tremendously outstanding in most areas, but overall it ranked very well. I think the facts of life are that people who live here like it. The demise of some of the heavy industry, steel particularly, happened so slowly over a number of years, and even though still painful and certainly the most recent cutbacks in the last few years have been particularly painful, from a macroeconomic standpoint, they've been tolerated. There's a lot of suffering and bitterness for whatever reason, and it's just academic to get into the causes of the problems.

The Milltowns

While the prognosis for the region as a whole is good, that for the mill

communities is not very optimistic.

The Mon Valley has significant problems. Are there sites available? Well, not really, unless the steel mills are knocked down. How's the highway access? Atrocious. There's no reason for not putting a road through the Mon Valley. The problem, I think, is that the politicians did not see to it that a good infrastructure was provided for the Valley. Transportation is a serious problem. The labor climate is probably a significant issue because few people are going to think hard about doing much of anything in the Mon Valley because of a perceived labor militancy. You could say that it is unfair to a lot of conscientious, hard-working people, but I think that's probably the truth. Also, the labor force, in general, is not well-educated. So when you think about what companies are basically looking for today, it has none of the plusses and all of the minuses. It shouldn't be, but I think you have to look realistically at the facts, and not argue about what ought to be.

And as said by an executive earlier in the report,

I think the Mon Valley could have two paths in the future. One, it can continue to decline. An alternative scenario if it gets better transportation, better infrastructure and better government, is that it will provide job opportunities, not really for this present labor force, which has no future except for lower-level jobs here, unless it moves away, but for the next generation of workers. But when you put the probability on the right things being done, you have to be fairly skeptical on whether that will occur. Part of the problem is political fragmentation, part of the problem is absolutely lousy government, and a long tradition of poor government, and part of the problem is poor highway access. You know, there are windows of opportunity, and if you don't go through the window that's open, you have a long wait. And there was a window of opportunity over the last forty years to get a decent road through there, but they didn't go through that window. I am not very sanguine about the Mon Valley.

The Ohio Valley does not have the extreme transportation problems, and it is not as inaccessible as the Mon Valley. It is closer to the airport. I think the Ohio Valley probably has a better chance of weathering the loss of manufacturing activity than the Mon Valley.

One of the things the Mon Valley has to do is the same thing we're doing right here in the city with the J&L Steel site—tear the buildings down! And then let people see what beautiful industrial sites we have down through the Valley. You can't see it if you have a rusty, old, ugly-looking steel mill sitting there. If we do that and get some decent roads through there, and if the federal government will continue to put a little bit of money into these communities to keep them from deteriorating completely, then these communities will survive. If the old mills sit there and nothing is done about the highway system, the communities will die. The formula for bringing the region back is not very complicated. You have to keep the communities looking half decent; you've got to prepare what are wonderfully attractive industrial sites—you can't have any better sites than some of those areas—and

we've got to worry about the infrastructure. You can't let an area like that totally disintegrate, with all of the investment in roads and other things. But what will happen long-range? Nothing dramatic, but I think that we can do the things which will keep the Mon Valley alive. Again, from my perspective at least, they've just about hit bottom. The question is how are we going to stabilize them and how are we going to bring them back?

Policy Recommendations

The business executives were not able to pinpoint a specific policy or group of policies that could make a significant dent in the region's unemployment problem, particularly for the milltowns, in the short-run. In the long-run, they felt that there were a number of things that could be done by both the public and the private sectors to enhance this region's economic base.

Quality infrastructure, broadly defined, is the single most important factor for the (re)development of this region in the minds of most executives. This includes the roads, bridges and the airport. The airport is particularly important for the region to continue to grow economically. To support the headquarters corporations and the emerging high-tech industries, convenient air transportation internationally as well as domestically is essential.

A high-quality educational sector is also important. This includes the public schools as well as the universities. As stated by one executive, "I think the region's hope is the new types of enterprises, the things that can build upon the strength of the universities. I don't think ever in the history of this community have the universities been more important." The universities and the business community, however, need to explore ways in which to enhance their interaction. There was a sense among many of those interviewed that there was not a great deal of interaction occurring and that it was very difficult for the private sector to sustain a meaningful long-term relationship with the universities. This issue must be explored if the full benefits of the universities to the region are to be realized.

The overall business climate in the state is important to the region's future.

In addition to the provision of good infrastructure, this includes competitive taxes (income, workman's compensation and unemployment compensation), subsidized financing programs for new facilities, responsiveness to working with business, and the provision of quality public services. Although not every executive discussed this issue, there was a feeling that Pennsylvania under previous governors had not been as receptive to the needs of the business community as many other states. This changed under the Thornburgh administration. If the business climate deteriorates in the future, that will definitely become a factor in the thinking of corporations about whether to centralize or decentralize their corporate headquarters operations.

A number of executives stressed the fact that it was no longer an economic necessity for their corporation to remain in Pittsburgh. Although none of the executives indicated that they were considering moving their corporate headquarters outside of the region, several said they were decentralizing some aspects of their corporate headquarters staff and could move these operations to other parts of the country if the business climate in Pennsylvania became less competitive than in other locations or if the move made sense for sound business reasons.

Most of the larger corporations are no longer tied to this region from a manufacturing standpoint. They are national and international in scope, and thus the rationale for their corporate headquarters being placed in Pittsburgh is less compelling than it was in previous decades. This means that the corporate headquarters base in Pittsburgh may not be stable, and that business climate considerations must be given top priority by both the public and private sectors to ensure that erosion does not occur for reasons that are within the control of policymakers at the state and local levels.

Corporations have a direct impact on the economic health of the region through their production and employment decisions. Corporate leaders stressed that their primary responsibility is to the corporation and its shareholders; and in that

capacity, they would not make uneconomic business decisions. For regional economic development, this explains their decisions not to locate new manufacturing operations in the region. Research and product development facilities are a different matter, and several executives indicated that the region is competitive from that standpoint.

The lack of commitment by some of the major corporations to this region as a manufacturing site means that their ability to persuade other manufacturing companies to locate here is suspect. Consequently, these corporate executives will have to use creative ways to make the case for the region as an employment site if they are to be believable. Certainly their help in securing research facilities, both federally- and privately-funded, makes sense. This also argues for greater involvement of the high-tech community and some of the smaller manufacturers in the economic development activities of these civic agencies because these companies account for the employment growth that is occurring within the region's manufacturing sector.

One executive felt there were several things that could be done to facilitate the growth of the high technology sector.

I think that all of the basic services here—infrastructure, legal, accounting, finance—are already in place. There are a couple of issues that I think are strategic to the rapid growth of the technology area. One is the fluidity of people so that there is a willingness to move to the new ventures, and the second is the need for larger companies to be willing to become initial customers for the new products as they are launched. I guess an advantage that Route 128 and the Silicon Valley have that we don't have in the Pittsburgh area for some particular software companies is the availability of large computer manufacturers. In the Pittsburgh area, there isn't a great big manufacturer of computer equipment, so that when you're developing a product, there is not an obvious customer to use the product on a broad scale or to serve as a distribution channel for a smaller start-up company. Well, we don't have a big organization like that in Pittsburgh, so I think it's even more important that the U.S. Steels and the Westinghouses and all of the companies within the High Technology Council be very willing to be early customers for the new products that are being developed in this region.

The appropriate role for government in the view of these executives is to

maintain a competitive business environment, quality infrastructure, and adequate public services and then to get out of the way. Those interviewed were not impressed with the quality of most of the local elected officials, excluding the mayor of the city of Pittsburgh and, perhaps, Allegheny County's commissioners. As a result, when discussing the need for new political structures to address regional problems, there was great skepticism that much good would be accomplished. The argument was made that local political leaders would not be able to make efficient economic development decisions--the political pressures would be to "prop up" declining industries and declining geographic areas--and the resource allocation decisions would be based primarily on political and not economic and market factors.

In conclusion, the executives were unanimous in their belief that there was very little that could be done in a meaningful way to stem the decline in the milltowns, and that efforts should be made to address the "people" problems through retraining programs, mental health programs and the like. Long-term, the decline of the milltowns will self-correct through market forces, and this will mean that many of these communities will be much smaller and may be converted to new uses entirely. There was skepticism that the mill sites, even if prepared for industrial parks, would all house new businesses. There is not sufficient demand for new business location in the region to occupy all of the locations that are being converted into "incubators" or industrial parks. The conversion of these sites into new uses will occur, but that will take time and will happen given their competitiveness relative to other sites in the region.

Actions that were recommended that could improve the economic development prospects for the region include:

- . Better infrastructure, in particular the roads and the airport.
- . Closer integration of job training resources with the needs of companies.

- . Greater exposure of companies that are prospects for relocation into the region to those enterprises that are successfully functioning and doing well here.
- . A stable business climate—one that doesn't change from election to election.
- . Concentration on attracting small and medium-size businesses into the region.
- . Increased efforts to market the region's educational, technological and skilled labor force strengths.
- . Increased attention to working with companies that are already here.
- . Willingness of established companies to become markets for the products being developed by the smaller start-up enterprises.

One executive crystallized the issues as follows:

Do you want to have your corporate headquarters in Pittsburgh? Is the quality of life here attractive? Is it a transportation center? Can you get where you want to go? Is it centrally-located? Is it culturally-attractive? All those things are true. So I can make a very strong case that the Fortune 500 ought to move their corporate headquarters to Pittsburgh. But we know that it is difficult to get major corporations to move to an area like Pittsburgh for reasons of climate, and all the other issues that you can think of. Where do they want to move? They want to move to Phoenix, Albuquerque, Tucson, and places like that. So we aren't going to be successful in recapturing the 100,000 manufacturing jobs lost by getting ten new corporate headquarters to move here in the next five years. So I go back again to what I consider to be the overriding issue, which is we've lost 100,000 middle and upper-middle income jobs, how do we replace the loss of those jobs and its impact on the community? And I'm not sure that there's much that can be done other than wait, as Massachusetts did when the textile industry went into decline, and go through a whole generation of decline and then renewal. And I suspect that someplace out there we have the opportunity to go through the same type of renewal. We have the universities here to be the "center" as they had with MIT and Harvard. I'm just not sure that it's going to happen in the near term.

Although most executives agreed that an important element of any regional economic development strategy is to attract small and medium-size companies into

the region, there was not complete agreement on this point. One CEO pointed out,

Basically, every new corporation that moves into Pittsburgh is a competitor of mine, and therefore is not desired from a very selfish point of view. If it's a technical corporation, the company is competing with us on the campuses of Pitt and Carnegie-Mellon for the best students and in the labor market for the best technical workers. Why should I promote that company to move to Pittsburgh? So don't overdo that from a charitable point of view. These are basically competitors. There's only by definition two categories of companies which really welcome this kind of thing, and these are customers and service providers.

It was pointed out that it is not practical to expect the region's economic development efforts to be location-specific on a municipal or small sub-regional basis. As one executive said, "The minute you start to get somewhat location-specific, number one, you won't succeed; and number two, it's the wrong thing to be doing. I think you just have to let the economic facts fall where they may in terms of trying to do the best you can for the region. And if you succeed very well for the region, a lot of that will help everyone in the county and in the outlying county areas. I'm not sure what else one does that could really be effective."