Capital Mobility Versus Unity of Purpose: Urban Redevelopment in Buffalo, N.Y. and Pittsburgh, Pa.

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The depression of 1980-82 punctuated decades of decline in Buffalo, as in many other manufacturing areas. The loss of more than 43,000 manufacturing jobs between 1979 and 1983 lent new urgency to the search for models of successful urban revitalization. Seemingly with one voice, the disparate communities that are the Buffalo metropolitan area found in Pittsburgh an example deemed worthy of emulation.1 Like Buffalo, Pittsburgh is an old center of the metal-bending industries; like Buffalo, Pittsburgh has been losing its manufacturing base at least since the early 1950’s; and like Buffalo, Pittsburgh’s manufacturing employment dropped on the order of 30% during the early 1980’s.2 But unlike Buffalo, Pittsburgh seemed to have weathered the storm and even, in the case of its downtown, thrived. So Buffalo’s business elite look to Pittsburgh’s glitzy downtown and see in it the very paradigm of a “public-private partnership” for economic rebirth.

The lavish praise for Pittsburgh’s “Renaissance” in Buffalo’s business press may come as a surprise to the more than 70,000 workers who lost their jobs in and around Pittsburgh during the early 1980’s. This fact has not been lost on community activists in Buffalo. They look not to Pittsburgh’s redeveloped downtown, but to its relatively well-organized, grassroots effort to save manufacturing jobs and rebuild devastated

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1. See, e.g., Renaissance of Pittsburgh Can Serve as Lesson for Buffalo on Cooperation, Buffalo News, March 13, 1988 at 1, col. 3. The Coalition for Economic Justice (CEJ), formerly the Coalition for Industrial Retention and Renewal (FIRR). As such there is frequent reference in CEJ meetings to FIRR’s Pittsburgh affiliate which is a mainstay of the organization.

Unfortunately, these efforts have failed to save many jobs, or rebuild neighborhoods. While its downtown is crowded with architectural symbols of corporate power, Pittsburgh's manufacturing sector has fared no better than Buffalo's.

The seeds of this failure were sown immediately after World War Two (WWII), when local corporate and financial elites combined to effect major revisions in Pittsburgh's economic and physical landscape. Pittsburgh's corporate elite forged coalitions, immobilized opposition, and obtained cooperation of local government for its restructuring program. Their control of the redevelopment agenda has survived nearly five decades intact. The economic elite of Buffalo have never attained the degree of control over the public agenda that existed in Pittsburgh. They have, however, prevented others from effecting their own development strategies. The inability of Buffalo elites to cooperate effectively may finally provide space, albeit limited space, for labor and community based development strategies. But this may be changing.

Buffalo may be at a point analogous to post-WWII Pittsburgh. A critical mass of the remaining corporate structure have significant assets that cannot be easily relocated. This immobility may force a commitment to redeveloping the area. The formation of elite groups in Buffalo, such as "group of 18," indicates that the economic elite may be approaching the type of collaborative effort that redeveloped Pittsburgh. Should they succeed, the window of opportunity that currently exists for community-based redevelopment strategies may well close.

Under what conditions can or will local capital act as a group engaging in active restructuring? First, in the language of game-theory, a restructuring effort is likely when and where the redevelopment "game" can be turned from a competitive into a cooperative game. Second, even if the conditions for cooperation exist among the elite, there is no guarantee that cooperation will out-perform the most likely competitive outcomes. The direct and indirect benefits generated by the cooperative effort must be quantitatively large enough, and distributed such that each player receives enough benefit to justify continued participation. Third, attention should be given to the institutional and political environment in which business elites organize their consensus matters. There are many

3. E.g., The Steel Valley Authority, The Tri-State Conference on Steel, and The United Steel Workers of America.

4. The group of 18 was formed in 1985. See 'Group of 18' Strives to Boost Economy, Buffalo News, Oct 12, 1986, at A-1, col. 2, for an account and membership list.
and treacherous political reefs capable of sinking a coalition, especially in its formative years.

This article explores some of the factors determining whether or not a local economic elite can and will cooperate to effect urban economic restructuring, and some of the implications for community-led restructuring. Competition among elites, and among communities, hinders agreement on a common redevelopment strategy. Capital mobility has a similar effect. The relative concentration of capital in Pittsburgh, as opposed to its fragmented nature in Buffalo, improved the prospects for elite cooperation there. The elite in Pittsburgh took advantage of a conducive political and institutional environment in organizing their redevelopment effort via a private agency. Global and local change in economic structure have played crucial limiting and enabling roles in both areas.5

**STRUCTURE VERSUS Initiative**

Global, or "aspatial", and local economic structure channels the initiative of those who would redevelop a metropolitan area.6 No matter what any individual or group in Buffalo does, the global trends that have resulted in the loss of much of Buffalo's industry cannot be reversed. Neither Pittsburgh nor Buffalo can replace Santa Clara County, California, the famous "Silicon Valley", as the center of the nation's electronics industry. At the same time, local decisions can alter local economic structure. The structural parameters limiting redevelopment, whether led by the elite or non-elite, are broader than many realize. Every now and then the channel bifurcates. This is the case in Buffalo today where, in contrast to Pittsburgh, the economic elite has no entrenched redevelopment strategy. The economic elite of Pittsburgh intervened at a juncture when Pittsburgh could well have followed Buffalo in losing its corporate headquarters as well as its metal-bending manufacturing. Decisions taken in Pittsburgh during the decade following WWII weakened

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5. For a discussion of geographic scale see N. SMITH, UNEVEN DEVELOPMENT at 135-147 (1984). Most discussions of economic or social structure ignore the implications of geographic scale. As we move from large scale or "macro" views to smaller scales, the influence of individual particulars increases. The debate over structuralism, methodological individualism, post-structuralism, has yet to be joined by many mainstream economists. But see, generally, 1 METHODUS: THE BULLETIN OF THE INTERNATIONAL NETWORK FOR ECONOMIC METHOD (1989).

6. Economic structure has different meanings depending on theoretical framework. Generally it includes, to one degree or another, input-output relationships; external economies and diseconomies; legal and political environment; and social class as variously defined. The argument here does not depend on any one particular definition, although it excludes some of the most naïve of the "free market" and neoclassical interpretations. Notice that all frameworks include something like social class.
its traditional complex of heavy manufacturing industries, enabling its corporate control and finance complex to survive. To this day the most obvious difference between the two cities, subjected to the same global pressures, is that Pittsburgh has a major corporate headquarter sector and Buffalo does not.

The global changes which shaped the post-war economies of Pittsburgh and Buffalo precluded some formerly successful forms of local economic development, but opened the way for others. The single-location entrepreneurial firm could no longer serve as the bed rock of economic growth. Through the latter half of the 19th century, the profits from commerce and industrial production were reinvested, continually updating production techniques and increasing the scale of operations. The economy came to be dominated by organizations commanding massive resources, often exercising control over technological change. The anarchy of the marketplace cannot coordinate such large scale organizations by itself. In what Keynes called “mature” capitalism, a much higher degree of extra-market planning, either in the public or private sphere, is required for metropolitan restructuring. The coordination functions of government and private organizations are especially important in local redevelopment. A large public sector is a permanent feature of the economic environment on a national scale, and on a metropolitan scale.

The national political climate during the decade following WWII greatly circumscribed the ability of organized labor and community groups to influence redevelopment strategy. A long series of political setbacks for organized labor, starting with the Taft-Hartly Act, checked


8. Keynes argued that in “mature” capitalism a shortfall in demand, or excess capacity, is systemic. Keynes emphasized the coordination role of macroeconomic policy. To the degree that local government is financed by the federal government, it can be viewed as an extension of the federal government. See J.M. Keynes, General Theory of Employment, Interest, and Money (1965).

9. There have been numerous attempts at periodization of capitalist history. The great conservative economist Joseph Schumpeter divided history into long cycles or “Kondratief cycles.” See, J. Schumpeter, Business Cycles (1939). For a useful review of the Social Structures of Accumulation and the Regulation School approaches see Kotz, A Comparative analysis of the theory of regulation and the social structure of accumulation theory, 54 Sci. & Soc’y 1, 5-28 (Spring, 1990). The argument here does not necessarily rest on any single one of these approaches.

unions’ ability to intervene in investment and location decisions. McCarthyism dampened both labor and community activism. This left local economic elites with broad discretion in determining local development strategy— if they could exercise it as a group. Thus economic changes on the national and global scale both forced abandonment of old local structure, and provided avenues along which local elites could effect local change.

The economic structure of a metropolitan area also imposes limits on, and creates opportunities for local decision-makers. The bifurcated economic structure that emerged in Pittsburgh prior to World War Two provided the basis for post-war restructuring. The Pittsburgh area economy was, and to some extent still is, made up not of a single, unified structure, but rather multiple structures with common ancestry. In the 19th century corporate headquarters were located in Pittsburgh for the same reason that Buffalo had its complement of major corporate headquarters— because production was also there. Increases in the scale of production, improving communications and transportation, and cataclysmic labor-management conflict during the late nineteenth and early twentieth century enabled or forced the spatial separation of functions within the corporation. Management and control functions had little

11. For an account of Buffalo’s particularly virulent McCarthyism see M. Goldman, supra note 7, at 242-66.
12. The existence of corporate headquarters in Pittsburgh stems largely from its former status as the premier steel-producing region in the nation, an important center of the electrical machinery and industrial equipment industries (Westinghouse, Pittsburgh Plate Glass), and from the Mellon family. See Koritz, supra note 2.

Notice that the technological determinist argument is the preferred view of elite planners. It removes the need to consult community. It makes community-based redevelopment initiative appear as a side-show. The real event has to do with either old or newly emerging business elites, and perhaps educational elites. See the Neo-Schumpeterian literature on long waves and urban development: Friedmann, A General Theory of Polarized Development, in Growth Centers in Re-
need for proximity to production, and existed in clusters of interrelationships that did not include inputs from, or services to productive facilities that could not normally be taken over phone lines. So when the Mellons founded Alcoa, its headquarters were in Pittsburgh, but production was in Niagara Falls, N.Y. The corporate control and finance cluster coexisted with production clusters, but increasingly routinized interaction between the two reduced or eliminated the need for proximity. This created the basis for a restructuring effort led by finance capital.

Buffalo, too, emerged from WWII with a dual economic structure. In fact the situation at the end of the war might have led the observer to forecast a similar trajectory for the two cities. Unfortunately, Buffalo's corporate management sector began disintegrating within the year, and continued to do so over the next two decades. The headquarters of corporations with more than local operations, like Curtis Wright and Houdialle, were lost to relocation or merger. Throughout the post-war period, the finance and management of corporations in Buffalo was increasingly controlled by outside headquarters. This post-war trend was foreshadowed by the 1922 Bethlehem steel purchase of Lackawanna steel, just south of the Buffalo city line. This represented the consolidation of some 46 firms into a single firm with a single front office not

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14. The top of the hierarchy of the financial sector was concentrated in New York City for access to European capital, but the glamour and glitz of Manhattan overshadows the fact that New York was a manufacturing powerhouse as well. Indeed, New York had long-established dual structure. See Chinitz, Contrasts in Agglomeration: New York and Pittsburgh, reprinted in URBAN ECONOMICS: READINGS AND ANALYSIS (R.E. Grieson ed. 1973).

15. For more than a century the Mellon family has dominated the financial community in Pittsburgh. Richard King Mellon was the Mellon patriarch during most of the post-war period. See B. HERSH, THE MELLON FAMILY: A FORTUNE IN HISTORY (1978).

16. According to product life cycle theory routinized interaction is a characteristic of "older" industries. There is little reason for face-to-face interaction in these cases, and thus little reason for agglomeration in centers of innovative activity. See S. HIRSCH, THE LOCATION OF INDUSTRY AND INTERNATIONAL COMPETITIVENESS (1967); and the Neo-Schumpeterian sources cited supra note 13.

17. The difference between Buffalo and Pittsburgh is not only one of size. Other small cities, in fact some that are smaller than Buffalo, retained their corporate headquarters. Dayton, Ohio, for example, still has three Fortune 500 corporate headquarters. Buffalo has none. For a litany of relocation and bankruptcy in the first two decades following WWII, see M. GOLDMAN, supra note 7, at 267-77.
The transportation system that had made Buffalo prime industrial and commercial real estate, increasingly bypassed the area. The 1959 opening of the St. Lawrence Seaway hastened the decline. Thus, while Buffalo's ample if aged manufacturing sector atrophied, the other economic clusters disintegrated.

The survival of a corporate control and the finance cluster in Pittsburgh did not, by itself, ensure continued prosperity. Corporate headquarters could still have disappeared from the local scene via relocation, merger and bankruptcy. Nor did the disintegration, soon after WWII, of the corporate headquarter cluster rule out the successful redevelopment of Buffalo. It was the concerted effort of the corporate elite in Post-War Pittsburgh and the lack thereof in Buffalo that led to differing trajectories of the two cities.

In Pittsburgh restructuring was the result of a purposeful redevelopment effort on the part of the economic elite. As the economy geared up for WWII the Mellons increasingly found themselves rulers of a crumbling kingdom. By then the two sides of the Pittsburgh economy — heavy manufacturing on one hand, corporate finance and control on the other — had become mutually exclusive. Air pollution generated by Pittsburgh's heavy industry resulted in frequent darkness at noon. This made the recruiting and retention of management personnel difficult for corporate headquarters. The problem was so acute that three major corporations (Westinghouse, Alcoa, and U.S. Steel) were threatening to move their headquarters out of Pittsburgh. World War II brought with it a reprieve from decline for Pittsburgh both as a manufacturing center and as a corporate headquarters city. The corporate headquarters that were poised to relocate, were prevented from doing so by wartime resource controls. The Mellons took advantage of this reprieve by planning to protect their assets in Pittsburgh. In a 1943, Richard King Mellon set in motion a cooperative restructuring effort. The institutional vehicle for this effort was the Allegheny Conference on Community Development (ACCD), formed just after the war. The ACCD was from its inception an organization of, for, and by the economic elite.

Toward its goal of making the "Smokey City" safe for corporate

19. The same technological and social change that enabled spatial separation of corporate control and production, also enabled large scale integration via merger. Often as not, the top management disappeared from the vicinity of production when one corporation was absorbed by another headquartered in a distant city.
20. See R. Lubove, Twentieth Century Pittsburgh: Government, Business and En-
headquarters and high finance, the ACCD devised general plans that became the basis of Pittsburgh's "Renaissance I," and hired professionals to make specific proposals. The first, and most famous, was the initiation, along with a coalition of other groups, of sweeping air pollution controls. Flood control, drinking water and sewage, and parking and highway projects also received high ACCD priority. The ACCD initiated and/or participated in numerous "urban renewal" projects. The construction of a new Civic Arena eliminated low income black housing close to downtown, and created a buffer between downtown and The Hill, a black community. The Point Park and Gateway Center projects cleared rail yards and other undesirable land uses from downtown, and created some open green space. The list goes on, and does not include projects aimed at strengthening heavy industry.21

COOPERATION VERSUS COMPETITION

At the same time as the ACCD was cutting its teeth in Pittsburgh, what unity had been forged among Buffalo elites was in the process of coming undone. Immediately after WWII nearly every obstacle to elite collaboration beset Buffalo. The end of the war unleashed an orgy of relocation in manufacturing industries, both of production and administration. A fractious political environment made cooperation with the government, and among the elite, difficult. Competitive tensions proved too strong for a collaborative redevelopment effort.

Absent a large and steady influx of resources, urban redevelopment requires some form of collective action. This is true because of global and local economic structure, the pivotal role of government, and the very nature of economic development itself. According to some theorists, local and even national economic development occurs when a cluster of mutually reinforcing industries develops within a single metropolitan area.22 As firms agglomerate their direct, private costs, such as transportation costs, fall. More importantly, they generate both technological (static) and pecuniary (dynamic) external economies.23
While private activity creates these external economies, they are collectively consumed. The benefits of external economies are distributed according to the ability to exploit them rather than on the basis of a quid pro quo. No economic actor can easily be excluded from enjoying these benefits.

Because much, if not most of the benefits from local restructuring efforts are external in nature, a single capital or firm acting alone to effect local restructuring is unlikely to realize non-negative returns on the effort. Most of the benefit will dissipate to other firms or to the general public. The elite individual with an interest in local redevelopment faces something of a prisoner's dilemma. His/her action is contingent upon the action of a critical mass of others, which is subject to uncertainty.

The likelihood of an individual capital realizing benefits from redevelopment is substantially reduced when some of a region's major players are not cooperating. In this respect local economic restructuring efforts are not unlike cartels. To the extent that a cooperative effort might force resource commitment (e.g., via taxes), players outside of the "cartel" are likely to oppose it. Thus major players outside the redevelopment "cartel" are a threat to its success. To a firm planning to relocate, committing economic and political resources to a local redevelopment effort represents a cost for which there is no possible return. In the Buffalo of the late 1940's and early 1950's, with so many firms relocating there were more outside than in any single group with serious redevelopment interests. Even when a collaborative agreement has been attained, strong in-
centives may exist for some or all parties to cheat. The fear of this eventuality may be enough to sour some players on participation.

There is an inherent conflict between cooperative redevelopment efforts such as Pittsburgh's Renaissance, and the private control of resources. Cooperative redevelopment requires the use of state power — eminent domain, zoning, executive and legislative authority — to carry out strategy. Businesses, however, are reluctant to allow the state or quasi-public agencies sufficient latitude. Even under the most favorable conditions, businesses are loathe to cede any control over their actions to any "outside" organization, government or other interest. While this appears to have been a particularly persistent obstacle to redevelopment in Buffalo, it is hardly unique to the area. In Pittsburgh, various configurations of business, community and professional groups had attacked the problem of air pollution before WWII, but had always failed to make headway. The moment smoke control threatened, or appeared to constrain, any economic interest, regulation was either defeated or not enforced. It was only when Richard King Mellon and others in the "commanding heights" of the corporate world got involved that these, along with ideological and legal impediments were swept away. It was not until air pollution threatened their interests, that is, when even "Mellon companies" (e.g., Alcoa) were ready to abandon the area to escape it, that the Mellons took an interest in smoke abatement.

Cooperation requires an organizing force that can impose, generate, or obviate the need for unity of purpose among the local elites. In principle the federal government can fit the bill. By supporting innovative, "high-tech" industries in Silicon Valley, it helped nurture the industrial clusters necessary for local development. In practice, the only source of government funds that is both adequate and reliable over a period long enough to effect structural change is military procurement. Silicon Valley's profitability has been dependent on military contracts from the

24. For a brief account of these efforts and their ultimate failure see R. Lubove, Twentieth Century Pittsburgh, supra note 20.

25. Notice what is needed here is for the federal government to establish an industrial complex or a growth pole. It is not enough to provide large amounts of public assistance, since this does not create a basis for the recipient region to generate growth and development on its own. Perroux, and others have called such a cluster a "growth pole." See Growth Centers in Regional Economic Development (N. Hansen ed. 1972); Perroux, Note on the Concept of Growth Poles, in Regional Economics: Theory and Practice 93 (D. McKee, R. Dean & W. Leahy eds. 1970).

This would suggest that part of the reason for Buffalo's economic decline may have been its inability to attract sufficient federal funding, and military procurement in particular. Buffalo has been the recipient of significant federal and New York State aid. During the last 25 years, these subsidies have been significant in nearly every major undertaking by the private sector in downtown Buffalo. Perry has suggested that the Buffalo area may be developing a comparative advantage in attracting state business subsidies. Unfortunately it falls well short of a critical mass which, it seems, comes only from military procurement.

The implicit development strategy in Buffalo is not cooperative. Rather it is an example of fragmented or competitive development. Each firm competes for a share of government funds. Together they minimize the risk involved in cooperation. They implicitly view the benefits of redevelopment as almost exclusively direct and internal, rather than predominantly indirect and external. This form of development can succeed provided that there are sufficient federal funds, as in Silicon Valley, or some particular advantage, such as Houston's connection to the oil industry. Given that Buffalo has neither sufficient federal funding nor some particular natural advantage over other areas, the city has done as well as can be expected given the competitive and fragmented restructuring effort.

Finance capital is another logical choice as a "development cartel" organizer, since typically it draws profits directly and indirectly from many individual capitals and many industries. This may give managers of finance capital both broader vision and broader influence than those

30. Any redevelopment effort may appear to be cooperative. Some degree of "cooperation" is always needed since, for example, quasi-public agencies are usually required to access federal and state urban development funds. A redevelopment effort is truly cooperative when its underlying strategy is aimed at generating external benefits. Pittsburgh's "Renaissance" projects provided park land, cleaner air and other benefits available to all who would or could take advantage of them. A competitive redevelopment strategy relies primarily upon direct private benefits to individual firms for its success. Buffalo's approach to waterfront development might be characterized as a competitive strategy because it cedes external benefits of waterfront location to private developers.
caught up in a single industry.\textsuperscript{32} The Mellon interests, an example of finance capital, were capable of offering attractive "carrots" and daunting "sticks" to recalcitrant corporations. Air pollution control, for example, was achieved over the objections of some of the then important economic and political actors in Pittsburgh and Pennsylvania. The Pennsylvania Railroad opposed any smoke abatement enabling legislation before the state legislature that did not include an exemption for railroads. At the time, a substantial portion of its engines were coal-fired; smoke abatement legislation would have precluded their use in an area which still remains as an important node in the railroad system. After "Mellon informed the president of the Pennsylvania that other railroads would be delighted to handle his business," and Fairless of U.S. Steel "demanded cooperation," legislation passed that brought the railroads under the smoke control law.\textsuperscript{33}

Buffalo lacks the driving force which led Pittsburgh's Renaissance—powerful finance capital. Buffalo's commercial past should have made it fertile ground for strong financial institutions. Instead, the area has often been dominated by outside financial institutions, including, coincidentally, the Mellons. Marine Midland Bank is the single exception. Marine Midland is a holding company formed in 1929 with affiliates located throughout New York State, and its headquarter operations are split between Buffalo and New York City. Thus even it cannot be considered a Buffalo financial institution in the same way that the Mellon Bank is a Pittsburgh bank. Buffalo's corporate control and finance cluster came undone decisively in the years immediately following WWII. Thus, in contrast with Pittsburgh, the financial sector that was uniquely Buffalo's was not, and perhaps is still not strong enough to lead an effective restructuring effort. Industrial and commercial capital was too fragmented and mobile to fill the void. The economic elite proved incapable of avoiding public squabbles that proved fatal to agreement on an overall redevelopment strategy.

**Mobility versus Commitment**

The mobility of capital in Buffalo insured that no alliance could be forged among capitals, leaving local restructuring to the anarchy of the

\textsuperscript{32} The distinction between finance capital and industrial capital dates back to 1910. \textit{See R. HILFERDING, \textsc{Das FinanzKapital} (1910)}.

\textsuperscript{33} \textit{LUBOVE, Twentieth Century Pittsburgh, supra} note 20. R.K. Mellon was referring to the shipping business of Mellon companies, not Mellon Bank, which of course did not ship much of anything. \textit{U.S. Steel} was heavily influenced by the Mellons.
marketplace and the vicissitudes of local political alignments. Decline in Buffalo was therefore cumulative and self-reinforcing. The relocation of the more foot-loose capital made remaining in Buffalo more difficult for those firms which might have preferred to do so. As a result, it became more costly for those that did stay to make a commitment to area's redevelopment. The likelihood of a positive return on the economic and political investment such a commitment would entail, was diminished significantly. Once an individual firm had made the decision to move their headquarters and/or production, Buffalo became a "cash cow" region for it. Their interests thus came in conflict with those firms planning to stay. This, in turn, made class unity all the more difficult to attain and increasingly improbable.

The Mellon interests, on the other hand, were both immobile and capable of enticing or, failing that, coercing cooperation. The immobility of Mellon capital forced the Melons to "stay and fight." They may well have increased their wealth far more had they been able to move a sizable portion of their assets out of Pittsburgh. The Mellons did attempt spatial diversification during the 1920's but were cut off by the crash of 1929 and then by the economic controls in effect during WWII. They were able to strengthen their existing positions during the Great Depression, but were unable to establish new geographic centers for operation. If anything, their holdings became more geographically concentrated in the Pittsburgh area during the 1930's. They were unprepared to make the kind of dramatic relocation in the offing at the end of the war. The fact that a financial group with such overwhelming power had made a dramatic, public decision to remain in the area, and had accordingly committed economic and political resources, made it easier for other capitals to stay in the Pittsburgh area.

How could it be that Mellon capital, which was financial in nature, and generally thought to be the most mobile sort of capital, was apparently not mobile at the crucial time for the Pittsburgh economy? Sev-


35. That capital is perfectly mobile is an article of faith in neo-classical regional economics. It is one of the pillars of the famous convergence hypothesis, found throughout the regional economics literature. For early examples see G.H. Borts & J.L. Stein, Economic Growth in a Free Market (1964); J.T. Romans, Capital Exports and Growth Among U.S. Regions (1965). In the presence of nationally integrated financial markets, capital, or at least money-capital, should flow freely among regions so that the cost of capital varies very little across regions. Imperfectly
eral factors conspired toward this lack of mobility. The Mellons' dominance of the financial and corporate environment in the Pittsburgh area was one. Had others perceived a move by the Mellons to abandon Pittsburgh, their assets would have been unsalable except at tremendous losses. No Buffalo-based financial group faced a problem of this magnitude since none were as large or dominant as the Mellon interests. The depression of the 1930's certainly made geographic diversification more difficult. Legal constraints on the banking industry, which interfered with the free capital market, also contributed to Mellon immobility. To the extent that this also forced the Mellons to engage in active, local redevelopment, it also contributed to Pittsburgh's "Renaissance."

Legal impediments to capital mobility presented by federal law had different effects in Pittsburgh and Buffalo because of differences in state law.\(^{36}\) Pennsylvania law permitted banks to obtain or establish branches and subsidiaries only within three contiguous counties.\(^{37}\) During the depression of the 1930's the Mellon Bank expanded in Western Pennsylvania. At the same time more liberal New York State banking laws allowed the Marine Midland Bank of Buffalo to obtain some additional subsidiaries across the entire state.\(^{38}\) Mellon capital was further hemmed in by the Glass-Steagall prohibition of investment banking by commercial banks, and the Douglas Amendment to the Bank Holding Act of 1956, which until 1980 effectively prohibited interstate banking.\(^{39}\) Neither of these impeded the flow of capital out of Buffalo, since it could integrated national financial markets might have further reduced the geographic mobility of Mellon capital. Losch observed that as late as the 1930's, interest rates varied as distance from the dominant financial center, New York City, increased. Because the Mellons were nationally so well connected, this would have had only a minor impact on their relocation plans. THE ECONOMICS OF LOCATION (W. Woglon trans. 2d rev. ed. 1954).


37. This law was pushed through the state legislature by a coalition of Pittsburgh and small town bankers who feared competition from the large Philadelphia banks.

38. MARINE MIDLAND BANK, INC., HERITAGE AND HORIZONS: THE MARINE MIDLAND STORY 7.

39. The Douglas Amendment, § 3(d) of the Bank Holding Company Act (codified as amended at 12 U.S.C. §§ 1841, 1842(d)), forbade a bank holding company to acquire a commercial bank subsidiary located across state lines unless the laws of the state in which the subsidiary is located specifically allow out-of-state bank holding companies to enter. Since no states had done so until 1980, this effectively prevented interstate commercial banking. These laws made it all the more difficult for the Mellons to effect an exit from Pittsburgh by transferring capital among their corporate entities.
freely migrate within New York State to the nation's financial capital, New York City.

Why would R. K. Mellon spearhead an urban renewal effort aimed particularly at preventing corporate headquarters from moving out of Pittsburgh? The immobility of their assets was, after all, not permanent. Over the long run, establishing a new operative center would appear to have been feasible. By WWII they had acquired a large interest in First Boston Corp., an investment bank in New York City. But the Mellons were primarily commercial bankers. Both their continued control over "Mellon companies," and the financial strength of Mellon Bank to a large degree depended on proximity to corporate customers — a proximity that would have been lost, had there been an exodus of corporate headquarters from Pittsburgh. Preventing this became the only way for them to defend their banking assets in Pittsburgh against significant loss. When asked why he devoted so much time and energy to improving Pittsburgh, R.K. Mellon responded, "Let's say selfish interests are involved. We have a lot of property here. We can't very well move out banks."41

FRAGMENTATION VERSUS CONCENTRATION

The concentration of capital in Pittsburgh, as opposed to the fragmented business "community" of Buffalo, played an important factor in establishing Pittsburgh's "Renaissance", and ensuring its continued success. Just the fact that there would be fewer actors whose cooperation would constitute a critical mass, itself makes cooperation in Pittsburgh easier. The same is true of the degree to which local enterprises are already tied together by common business relationships. Several large corporations headquartered in Pittsburgh have long-standing ownership and financial ties with the Mellon interests. Buffalo corporations, on the other hand, often had stronger relations with outside financial institutions, than with local.

Many community, labor and church activists have viewed outside ownership as one cause of massive plant closing. This reflects a reason-

40. See D. Kotz, BANK CONTROL OF LARGE CORPORATIONS IN THE UNITED STATES 38 (1978). The Mellon modus operandi followed two strategies. First, they would advance commercial loans in exchange for ownership interest and/or control, as in the case of Alcoa and Carborundum. Second, they would force New York finance capital to buy out Mellon companies at high prices in order to preserve monopoly positions. They built an oil pipeline across Pennsylvania which they sold to Rockerfeller's Standard Oil, and built steel plants which they exchanged for 25% of U.S. Steel.

41. B. Hersh, supra note 15, at 369.
able belief that locally owned firms are more likely to reinvest in their local facilities, and less likely to relocate production. But the presence of corporate headquarters in-and-of itself is not a sufficient guarantee that local production will not pack up and leave. The most recent example of this in Buffalo is the Trico relocation to Mexico. This should not be viewed as the result of unique circumstances. The steel industry had no compunction about closing down production in their headquarter region, the Pittsburgh area.

The real determinant of commitment to the local community by a business may be its size. Small manufacturers are denied economies of scale in moving. The difficulty and cost of attaining crucial information about a prospective location alone can be formidable. Since small firms are also more likely to be locally owned, this might appear as an attribute of local ownership rather than firm size. When firm relocation also involves owner or CEO relocation, the decision is also a migration decision. If top management is not ready to relocate home and family, the decision to move corporate headquarters will not be made. Thus, heightened commitment to a community may indeed be more likely for small firms.

For larger firms a different principle applies, namely a cooperative strategy with mutual payoffs for all participants must be established to prevent relocation. Once a cooperative redevelopment effort is established among the elite, the problem of making it outperform the likely non-cooperative outcome remains. If the cooperative game benefitted the Mellon interests alone, Pittsburgh would not have fared as well as it did. A broad range of important players, both economic and political, must benefit or the cooperative group will be too narrow to be effective, or simply will fall apart. The ability to attract outside private capital is important to the success of a cooperative strategy. In this, the sheer size and connectedness in corporate and political networks of Pittsburgh corporations gave its redevelopment efforts access to capital sources which were not available to the Buffalo elite. The Mellons obtained resource commitments from Equitable Life and many of the largest Pittsburgh

43. This is the known as the “agency problem” in economics.
44. The form of ownership may also play a role here. An employee-owned and controlled firm is not likely to move.
corporations in support of the early, and crucial Gateway Center project.46

THE FORM OF ORGANIZATION: THE POLITICS OF RESTRUCTURING

The way in which the elite organizes its consensus, and the political environment are also factors affecting the success or failure of a collaborative redevelopment effort. Having decided to stay and fight, R. K. Mellon used his considerable political sophistication, as well as economic brute force, to achieve his ends. The fact that the unity of the bourgeoisie was engineered through the ACCD rather than through a government agency effectively removed the intra-class conflict accompanying this effort from public debate. This accounts, in part, for the relative orderliness of restructuring (until the mid-1970's). The ACCD enabled close coordination of public and private plans and strategy over several decades without public scrutiny. The ACCD also improved Mellon control of the Republican party, which controlled the state legislature. Many of the important financial backers of the local Republican Party were connected to the ACCD. Partisan squabbles were avoided, making possible the close alliance between Mellon and the locally all-powerful Democratic Party. The Democratic Party was relatively unified and willing to cooperate with the Republican corporate executives who were behind the ACCD. In return, the Republican Party never made a serious run at Pittsburgh government. When out of town, R.K. Mellon was always sure to leave the mayor a number where he could be reached. At every stage, planning downtown redevelopment proceeded with the close cooperation of all politicians, bureaucrats, and corporate executives.

Buffalo's particularly fractious city politics presented further obstacles to collaborative redevelopment. In Post-War Buffalo the possibility of planning a resurgent downtown was repeatedly sacrificed to political and bureaucratic in-fighting, and partisan politics. Under duress the Buffalo City Planning Commission presented a comprehensive plan in 1950. The Housing Act of 1949 conditioned funding on some form of comprehensive planning.47 While the plan assumed a massively redeveloped downtown, it did little toward that end. Instead it attempted to settle a score of political difficulties facing the city administration and Common Council.48

46. Lubove, Twentieth Century Pittsburgh, supra note 20.
48. See id. at 176-80
Significant and continuous employment decline in manufacturing, even when not offset by growth in other sectors, does not necessarily imply a politically weakened elite. An elite unified around a redevelopment strategy can easily control the redevelopment agenda, and reemployment of industrial workers may be a relatively low priority. It was impossible for organized labor or community groups to oppose air pollution control or the redevelopment of industrial and commercial land into a downtown park, even if a feasible alternative had been presented. In fact, few noticed that steel and other “dirty” industries had no place in the reborn Pittsburgh until it was much too late. Recent attempts to include those left out of the new Pittsburgh of finance and corporate headquarters have failed to appreciate the degree of sophistication of, and grass roots support for the ACCD redevelopment strategy and tactics. The ACCD was able to garner sufficient political support for the “Renaissance” program and its successor, “Renaissance II,” even in the face of dramatically declining manufacturing employment.

The elite of Buffalo are not nearly as well-organized as those of Pittsburgh... YET. The remaining economic elites in Buffalo are immobile because so much of their assets are tied up in local concerns, real estate, sports teams, small local banks and regional banks. They are fragmented but increasingly immobile. Most of those who could leave without significant loss have done so. It is this immobility more than anything else that forced the formation of loose pro-growth coalitions like the “group of 18” and “Buffalo 2000.” The “group of 18” apparently believes the future of Buffalo is in small and medium-sized (read immobile) manufacturing, some back-offices for finance and other routine headquarter functions, trade with Canada, and satellite-city functions for Toronto. There is no reason that the loose growth coalition can’t continue to garner support in spite of declining manufacturing and, boosterism notwithstanding, a stagnant or declining economy.

There is also nothing in principle that blocks community and other non-elite groups from forming their own cooperative grouping. The economic elite have yet to seize control of the redevelopment agenda. They are still competing with each other for direct benefits such as public funding for new offices. After more than a decade in office, Mayor Griffin has

49. Trico is a medium sized firm that was formerly a wholly local operation. It has probably overreached itself by moving most of its production to Mexico. As a result, it is a much weakened firm. The example of Trico was not lost on the business community. Relocation is not a viable option for most of the firms that remain in the Buffalo area. See Business First (which has carried extensive reportage on Trico over the years).

yet to adopt their agenda, if "they" have one, as his own. An alternative development coalition might attract support from area businesses, even some of the elite. At the very least it could block an organized restructuring effort that is inimicable to neighborhoods and working people.

A non-elite cooperative effort is not easily organized. Difficulties arise from a lack of resources which lead to strong competitive pressures among neighborhoods. Too often cooperation among non-elite groups effectively faces a zero sum game. The ability to generate recognizable benefits that clearly result from cooperation is limited. Fragmentation and large numbers are also major problems confronting labor and community groups attempting the same type of cooperative venture. There remains a window of opportunity for a community and labor-based economic revitalization strategy in Buffalo.