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**Benefiting Business: The Fragmented Federal Response to American
Deindustrialization**

A dissertation submitted in partial satisfaction
of the requirements for the degree of

DOCTOR OF PHILOSOPHY

in

POLITICS

by

Paige Lancourt

June 2022

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ABSTRACT

Benefiting Business: The Fragmented Federal Response to American Deindustrialization

Paige Lancourt

The widespread manufacturing job loss that resulted from late 20th century American deindustrialization has had particularly devastating consequences for former U.S. industrial workers and communities. While other countries responded with a range of policies to assist economically distressed communities and workers, the U.S. response was far less robust. This dissertation asks, why was the U.S. federal policy response so limited in addressing deindustrialization, what characterized the limited form certain policies took, and what were the consequences of these actions?

I argue that the response is best understood as a limited and fragmented policy response that addressed piecemeal consequences of industrial decline. Using comparative historical analysis, I argue that the demise of the more comprehensive National Industrial Recovery Act in 1935 left a “negative policy legacy” that prompted policymakers between 1961 and 1988 to experiment with policies that focused on discrete consequences of deindustrialization. The expiration of the Area Redevelopment Act (1961) in 1964 additionally foreclosed future opportunities for more holistic measures. In the wake of these failed programs, distinct policies such as the Worker Adjustment and Retraining Notification Act (WARN), Trade Adjustment Assistance (TAA), and enterprise zone legislation, emerged and subsequently developed separately from one another.

To conduct an analysis of how these policies developed over time, I use congressional testimony and presidential archives. I theorize that each policy thread developed through processes of gradual institutional change that reflected business's influence to varying degrees. I argue first that notification policies like WARN were significantly delayed and limited as a result of business mobilization through American national institutions. Secondly, I argue that while TAA originally served as a compensatory policy for displaced workers, its institutional tie to trade policy and presidential "fast-track" authority allowed for shifting institutional authority and policy layering that exacerbated jobs losses and the need for compensatory assistance. Finally, I argue that redevelopment policy – recast as enterprise zone legislation – developed through policy conversion, allowing for the proliferation of business tax benefits as opposed to targeted community development. Though originally intended to help workers and communities, these discrete policies institutionally evolved to benefit business more than their intended targets.

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Chapter 1

Introduction:

American Deindustrialization and American Political Development

During the 1940s and 1950s, the United States witnessed the beginning of what would become a long and significant political economic transformation. Deindustrialization, or the widespread disinvestment in industrial capacity,¹ would eventually lead to structural and permanent changes in the nature of American employment,² the complete alteration of industrially-reliant communities,³ and a reckoning with the extent of the federal government's role in mitigating these consequences. The continued loss of manufacturing employment and the United States' fall from unrivaled industrial dominance, which began over half a century ago and peaked in 1979,⁴ still dominates discussions to this day among politicians under

¹ The “widespread disinvestment in industrial capacity” is the most widely accepted definition of deindustrialization among political-economic scholars studying the phenomenon. It can be found in Barry Bluestone and Bennett Harrison's, *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry* (New York: Basic Books Inc., 1982), 6.

² These structural changes in American employment refer to the U.S.'s historical shift from predominately a manufacturing-based economy, to a service-based economy. According to employment data provided by the Bureau of Labor Statistics, between 1970 and 2010, there was a steep drop in manufacturing employment between 1979 and 1983. This trend was supplemented by a rise in service-related jobs in health care, leisure and hospitality, and retail. See U.S. Bureau of Labor Statistics, “Employment by Major Industry Sector,” last modified September 8, 2021, <https://www.bls.gov/emp/tables/employment-by-major-industry-sector.htm>.

³ While deindustrialization was a global phenomenon, it hit certain regions and areas harder than others. In the United States, the Midwest/Northeastern region of the United States was home to communities that were particularly reliant on the manufacturing employment that physical industrial plants provided to their towns. Once these plants closed shop or laid off their workforce, many “rust belt” communities were left without the same level of job security, and faced increasing levels of unemployment and poverty. The social, economic, and political consequences of this community-level deindustrialization can be explored in various books, to name a few: Thomas J. Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton and Oxford: Princeton University Press, 1996); Ruth Milkman, *Farewell to the Factory, Auto Workers in the Late Twentieth Century* (University of California Press, 1997); Jefferson Cowie and Joseph Heathcott, ed., *Beyond the Ruins: The Meanings of Deindustrialization* (Cornell University Press, 2003); and Amy Goldstein, *Janesville: An American Story* (Simon & Schuster, 2017).

⁴ According to the Bureau of Labor Statistics, the summer of 1979 marked the peak of manufacturing employment levels at 19.6 million. After 1979, manufacturing employment losses occurred consistently, and even outside recessionary years, never fully recovered to peak levels. See Katelynn

renewed promises to protect American industry, and bring long-lost manufacturing jobs back to the United States.⁵

The economic, social, and political consequences of this critical transformation pose the questions addressed in this dissertation. Why was the U.S. federal government policy response so limited when addressing American deindustrialization? What characterized the limited form certain policies took, and what were the consequences of these public actions? The United States' meager response to deindustrialization is puzzling for several reasons. Firstly, the responses to early deindustrialization were far more robust in other countries than in the United States. In Germany, for example, local government councils were formed that required official review of a firm's decision to shut down a factory; and in the early 1970s, it became mandatory for German firms to give a full year's notice of intended plant closings to government as well as workers.⁶ The United States, in comparison,

Harris, "Forty years of falling manufacturing employment," *Beyond the Numbers: Employment & Unemployment*, Vol. 9, no. 16 (U.S. Bureau of Labor Statistics, November 2020), <https://www.bls.gov/opub/btn/volume-9/forty-years-of-falling-manufacturing-employment.htm>.

⁵ Over the past 10 years, politicians on both sides of the aisle have increased promises to address the shortage of manufacturing jobs in the United States. President Obama, in implementing his Promise Zone Initiative in 2014, spoke about "...manufacturing towns that still haven't recovered after the local plant shut down and jobs dried up..." and proposed that the federal government act as a partner to help "...communities like these – urban, rural, tribal... make a difference and turn things around." See President Barack Obama, "Remarks by the President on Promise Zones," *Obama White House Archives*, 2014, <https://obamawhitehouse.archives.gov/the-press-office/2014/01/09/remarks-president-promise-zones>. A 2016 campaign speech from Donald Trump given in Monessen, Pennsylvania, criticized past free trade agreements as responsible for industrial job loss, and promised to bring more jobs back to America under his leadership: "Our politicians have aggressively pursued a policy of globalization, moving our jobs, our wealth and our factories to Mexico and overseas. Globalization has made the financial elite, who donate to politicians, very, very wealthy... But it has left millions of our workers with nothing but poverty and heartache... Our politicians took away from the people their means of making a living and supporting their families. Skilled craftsmen and tradespeople and factory workers have seen the jobs they love shipped thousands and thousands of miles away." See "Donald Trump Remarks in Monessen, Pennsylvania," *C-Span*, 2016, <https://www.c-span.org/video/?411870-1/donald-trump-delivers-remarks-us-economy>.

⁶ See Bluestone and Harrison, *The Deindustrialization of America*, 237.

was unable to pass plant-closing legislation until 1988, and when it did pass, the law provided comparatively less protection and shorter notification periods than other industrialized countries required.⁷ Secondly, the United States had demonstrated a willingness to manage industrial affairs through public policy in the past, during the New Deal response to the economic and social consequences of the Great Depression. Not only did the U.S. implement the National Industrial Recovery Act in 1933 with explicit intentions to manage industrial production following the Great Depression, but Franklin D. Roosevelt also facilitated a defense-related program that helped the southern United States transition from a predominately agrarian economy to an industrial one, with the enticement of government contracts for companies building new plants.⁸ Thirdly, what remains puzzling about the limited federal response to deindustrialization is that politicians to this day campaign on the idea that *something should be done* to address the consequences of industrial decline, and public demands for revitalization, jobs, and protectionism continue to dominate popular discourse.⁹

⁷ The plant-closing legislation that eventually passed in the United States, the Worker Adjustment and Retraining Notification Act of 1988, was vehemently opposed by President Reagan and business interests at the time. Plant-closing legislation will be covered more in Chapter 3 of this dissertation.

⁸ For more on how the American state managed its first industrial policy, the National Industrial Recovery Act, see Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," *The Political Science Quarterly*, Vol. 97, No. 2 (Summer, 1982); and Patrick D. Reagan, *Designing a New America: The Origins of New Deal Planning, 1890-1943* (Amherst: University of Massachusetts Press, 1999); for a historical account of the federal government's role in industrializing the south, see Bruce J. Schulman, *From Cotton Belt to Sunbelt: Federal Policy, Economic Development, and the Transformation of the South, 1938-1980* (Oxford University Press, 1991). Other scholarship that explores the earlier role of the American state in shaping the industrialization process includes Stephen Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877-1920* (Cambridge University Press, 1982); and Richard Bense, *The Political Economy of American Industrialization, 1877-1900* (Cambridge University Press, 2000).

⁹ The Obama Administration was vocally committed to revitalizing manufacturing jobs in the United States, as was the Trump Administration, who implemented a number of tariffs to protect American-made products. See Footnote No. 5. Voters, too, have expressed continued desires to "protect"

This chapter addresses this puzzle as follows. First, I set out the core argument below. I then define the terms of American deindustrialization that inform this research question. I propose to measure deindustrialization in terms of manufacturing employment, recognize a longer timeline that is still progressing and began earlier than conventional accounts assume, and conceptualize this project's relevant actors and sites of interests as business, workers, communities and the federal government. Next, this chapter explores the role of the American state, U.S. institutions, and public policy in shaping industrial developments. In this section, I examine what the United States has done historically to manage industrial affairs in terms of policies, then I compare how responses by other industrialized countries differed from the U.S. at the onset of deindustrialization, and finally I analyze the possible factors that explain America's fragmented policy response to industrial decline. Throughout this dissertation, I build on previous work by prominent American Political Development (APD) scholars,¹⁰ and develop a theoretical framework for understanding American policy responses to deindustrialization that begins with the observation that policy

American jobs that presidential candidates over the past 10 years have been apt to respond to. See Sam Goldfarb, CQ Staff, "Making It in the 21st Century," *CQ Weekly – Cover Story*, April 2, 2012.

¹⁰ American Political Development (APD) is a discipline within political science that utilizes U.S. history to explain politics and political development. There is a call among scholars within this discipline to pay more attention to history, institutions, and contingent policy developments to understand modern social events. One of the most famous American Political Development works comes from Theda Skocpol, who rebukes broad claims that the United States has a laggard welfare state. Instead, she points out that the United States actually created a precocious welfare state much earlier than other democracies were able to, and the U.S. did so by offering post-Civil War pensions for soldiers and wives/children of deceased soldiers. This early American welfare state designed for soldiers and mothers shaped how future social policies and welfare politics developed in the United States. See Theda Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States* (Harvard University Press, 1992).

development often follows a path-dependent process,¹¹ and concludes that these policies can be vulnerable to change as a result of “drift”, “layering”, or “conversion” under certain conditions.¹² I end this chapter with a brief discussion of methodology and a chapter overview.

The argument

This dissertation argues that the United States’ response to deindustrialization is best understood as a *limited* and *fragmented* policy response that failed to articulate and construct a coherent role for government intervention during the deindustrialization process. What was adopted instead was a collection of limited policies, each of which addressed a discrete or partial consequence of deindustrialization. These were adopted in two waves of policymaking, one in the 1960s and one in the 1980s and 1990s. The fragmented governmental response to

¹¹ Paul Pierson, “Not Just What, but *When*: Timing and Sequence in Political Processes” (Cambridge University Press, 2000). Path dependency relays the theory that what comes first matters for what comes next, that previous policies may constrain what future choices are possible.

¹² For broad notions of how institutions can be dynamic entities that incorporate ideas, interests, and thus account for change, see Vivian Schmidt, “Taking Ideas and Discourse Seriously: Explaining Change through Discursive Institutionalism as the Fourth ‘New Institutionalism.’” *European Political Science Review* 2, no. 1 (2010): 1–25. doi:10.1017/S175577390999021X. Schmidt’s article is valuable because it creatively brainstorms how approaches can incorporate ideas and discourse into the center of their analyses, without completely abandoning initial epistemologies like historical institutionalism critical to APD-style projects. An outdated theme in older American Political Development works is to consider institutions to be fixed and stationary, however, newer scholarship has emerged to help theorize about the conditions under which American institutions are vulnerable change. See Margaret Weir, *Politics and Jobs: The Boundaries of Employment Policy in the United States* (Princeton and New Jersey: Princeton University Press, 1992); Jacob S. Hacker, “Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States,” *American Political Science Review*, (Vol. 98, No. 2, May 2004); Suzanne Mettler, “Reconstituting the Submerged State: The Challenges of Social Policy Reform in the Obama Era” *Perspectives on Politics* 8(3): 803-824 (2010); Andrea Louise Campbell, *How Policies Make Citizens: Senior Political Activism and the American Welfare State* (Princeton University Press, 2003); and Kimberley Johnson “The Color Line and the State: Race and American Political Development,” in *The Oxford Handbook of American Political Development*, ed. Richard M. Valelly, Suzanne Mettler, and Robert C. Lieberman (Oxford University Press, 2016).

deindustrialization in the 1960s included the Area Redevelopment Act (ARA) (1961), which took aim at distressed communities, the Manpower Development and Training Act (MDTA) (1962), which provided job training and would later evolve outside the scope of addressing deindustrialization's consequences, and the Trade Expansion Act (1962), which included compensation for displaced industrial workers. A second wave of policymaking followed in the 1980s and 1990s. This included plant-closing legislation called the Worker Adjustment and Retraining Notification Act (WARN) (1988) as a form of protection for workers and communities, a series of "enterprise zone" initiatives as a response to the challenge of redevelopment in distressed communities, and the continuation of Trade Adjustment Assistance (TAA). The federal government's response, through these policies, would be channeled into distinct rather than integrated institutional tracks that worked and developed separately from one another, and targeted only certain (and limited) aspects of deindustrialization. Notification policies addressed workers' need for advance knowledge of plant closings. TAA policies were compensatory, providing limited income assistance to workers displaced by trade. And redevelopment policies responded to the needs of community-wide economic hardship resulting from industrial decline and other localized economic impacts. The character of the U.S. policy response to deindustrialization, then, would be largely shaped by the trajectories of these three distinct tracks. Each progressed within its unique institutional roots, but as a result, became vulnerable to a distinct set of politics as time passed. These politics, the drivers of each policy's changes, would include various partisan struggles, inter-branch disagreements, and business mobilization

filtered through national policy-making institutions. The struggle to pass plant-closing legislation in the 1980s, for example, is a compelling case of business mobilization that sought to use federal institutions to limit the extent of mandated protection. When WARN finally passed in 1988, it was fourteen years after the first federal notification policy was proposed, and reflected the heavy influence of business upon the final outcome. The Trade Expansion Act of 1962 marked the beginning of a long thread, this time in trade policy, that included a critical compensatory component: Trade Adjustment Assistance for workers. The institutional link between compensation for displaced industrial workers and free trade agreements contributed to TAA's long-term success, but this meant that future Congresses would bargain, compromise, and concede to increased presidential authority in trade policy in order to keep TAA, even as the presidential power to "fast-track" free trade agreements aggravated increased capital movement. The 1961 ARA was more comprehensive than most legislative responses to deindustrialization, authorizing area designation and government aid to struggling industrial communities. However, it expired in 1964, and more conservative-minded policy-makers would envision a very different kind of place-based redevelopment policy decades later, setting enterprise zones on a separate institutional track that would usher in a business-focused federal response to community-based deindustrialization.

Together, what these trajectories helped establish in the wake of these various institutional struggles was an increasingly privileged role for business interests in policies related to deindustrialization. These policies were originally intended to assist workers and communities, but over the course of their respective institutional

developments, came to benefit business more than workers or communities. While business's influence and benefits vary from policy to policy, by and large the U.S. government has increasingly relied on the private sector to execute the fragmented response to industrial decline, or responded in a way that protects business interests. At times, business was directly influential in the process, in other instances, business was an indirect beneficiary of a policy due to specific institutional developments. For example, plant-closing legislation saw massive, direct political mobilization by business, and private interests utilized slow-moving American institutions to delay and push for more lenient notification bills over time. In contrast, enterprise zone legislation did not see the same business mobilization to shape the original contours of the policy, but as legislation evolved (through a process of "policy conversion") into the far less regulated "opportunity zone," it further expanded the opportunities for private interests to steer the fates of post-industrial towns. In the case of TAA, the program's development has been marked by shifting institutional authority and "policy layering" while indirectly benefiting business. The policy has survived, but extraneous programs have been added during negotiations, and Congress has continuously renewed the president's fast-track authority in tandem. This has allowed the president more power to decide which industries qualify as harmed, which workers are eligible for compensation; and more power to pursue free trade agreements that free up business. These developments across policy realms further limited the federal government's role in responding to deindustrialization, and left workers and communities under-protected as businesses have unmatched influence over variable economic outcomes.

Defining American deindustrialization

While Barry Bluestone and Bennett Harrison succinctly captured the definition of deindustrialization as the widespread disinvestment in industrial capacity in 1982, deindustrialization, in reality, involves a far more complicated process that necessitates more descriptors by today's standards.¹³ To start, this project seeks to understand deindustrialization as occurring in a variety of forms. The most commonly recognized manifestation discussed of "deindustrialization" is the physical closing of a plant, such as General Motors completely halting production and closing factory doors at their Janesville, Wisconsin assembly plant in 2008.¹⁴ Sometimes, physical plant closures come in conjunction with the same company opening up a different shop either elsewhere in the U.S., or more often these days, overseas, instigating a process called "off-shoring" – where domestic jobs are lost, and foreign jobs are gained typically at cheaper rates for labor. But plant closures and off-shoring only capture a fraction of occurrences that embody deindustrialization. What was much more common during the 1970s, 1980s, and 1990s was the down-sizing of plants, where companies would slowly lay off workers over a long period of time, resulting

¹³ This is not to say that Bluestone and Harrison do not provide an excellent definition of deindustrialization. The research and evidence they compile gives robust character and definition to deindustrialization that is invaluable for this project. This is merely to point out that the bulk of these authors' work is published between the years 1982 and 1988, and thus focuses mostly on developments that occur between the years 1970 and 1985. This dissertation project hopes to establish a wider timeline that captures more nuanced elements of deindustrialization, and thus, some additional descriptors are necessary to build on Bluestone and Harrison's original definition. For more on these authors' ground-breaking research, see Bluestone and Harrison, *The Deindustrialization of America*; and Bennett Harrison and Barry Bluestone, *The Great U-Turn: Corporate Restructuring and the Polarizing of America* (Basic Books Inc., 1988).

¹⁴ For a journalistic take on this story, see Amy Goldstein, *Janesville: An American Story* (Simon & Schuster, 2017).

in a prolonged period of manufacturing job loss. Automation, or the use of technology in place of human labor, is another frequent means by which deindustrialization progressed.¹⁵ All in all, there are a variety of ways in which deindustrialization can occur, with the common denominator (and the most measurable impact) being domestic manufacturing job loss.¹⁶ Measuring deindustrialization in employment terms is important for understanding the impetus behind early targeted U.S. policy responses, as well, since policymakers in Congress (particularly Democrats) were attuned to early trends of rising sectoral and regionally-based unemployment.¹⁷

In light of all the possible ways manufacturing jobs can be eliminated, this project also assumes that deindustrialization embodies an extended timeline that does not necessarily have a definitive start or end. Most scholars point to American deindustrialization as occurring between the years 1970 and 1990.¹⁸ It is true that

¹⁵ For more on the variety of ways in which deindustrialization can occur, see Bluestone and Harrison's *The Deindustrialization of America*, 6-8, who state that prolonged plant closures accounted for a large fraction of steady manufacturing job loss. See, also, *Beyond the Ruins: The Meanings of Deindustrialization*, edited by Jefferson Cowie and Joseph Heathcott (Cornell University Press, 2003), in particular, the foreword by Barry Bluestone, and the introduction, by Cowie and Heathcott, which together account for the wide varieties of manufacturing job loss and the widespread, unexpected effects vii-xiii, 1-15; and finally, for more about the role of automation and deindustrialization, see Thomas J. Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton and Oxford: Princeton University Press, 1996), 130-135.

¹⁶ Data provided by the U.S. Bureau of Labor Statistics about goods-producing sectors and employment are critical markers of deindustrialization, and most scholarship uses this data to clarify the extent of manufacturing job loss in the United States that raised continued alarms about industrial decline.

¹⁷ Rising unemployment in industrial urban areas was the impetus for Senator Paul Douglas to propose the Area Redevelopment Act of 1961, and the same can be said for Democrats like Lyndon B. Johnson and John F. Kennedy who backed the Manpower Development and Training Act in response to sectoral unemployment trends.

¹⁸ Bluestone and Harrison, *The Deindustrialization of America* (1982) and *The Great U-Turn* (1988); Kim McQuaid, *Uneasy Partners: Big Business in American Politics, 1945-1990* (Baltimore and London: The Johns Hopkins University Press, 1994), 148; and Samuel Rosenberg, *American Economic Development Since 1945: Growth, Decline and Rejuvenation* (Palgrave MacMillan, 2003).

deindustrialization accelerated in the 1970s and 1980s, as global markets became more competitive, and more private actors augmented cheaper production techniques such as automation or off-shoring. And it is estimated that between 32 and 38 million American manufacturing jobs were lost during the decade of the 1970s as a result of private companies like RCA and Ford Motors disinvesting in the American economy.¹⁹

However, while this may mark the peak of U.S. industrial decline, limiting our understanding of the deindustrialization process to 20 years misses much earlier instances of capital flight, or domestic movement on behalf of business, that are well-documented in the 1940s and 1950s. Examples of these early sites of deindustrialization include Detroit, Yonkers, and Camden,²⁰ to name a few, and there are likely even earlier instances of occurrences like these than this project could possibly cover. Although this dissertation project is not primarily focused on analyzing the sub-national or localized iterations of industrial decline, I do show that failing to pay attention to earlier, localized instances of deindustrialization can miss critical moves made by the American federal government in response to early deindustrialization. These federal responses will be further explored in Chapter 2.

¹⁹ See, again, Bluestone and Harrison, *The Deindustrialization of America*, 7-9. The authors state: “The movement of capital can take many forms that progress from the virtually invisible to the drastic and dramatic...Once all the ways that a plant (or store or office) can be closed down (or made obsolete) are accounted for, it is evident that somewhere between 32 and 38 million jobs were lost during the 1970s as the direct result of private disinvestment in American business.”

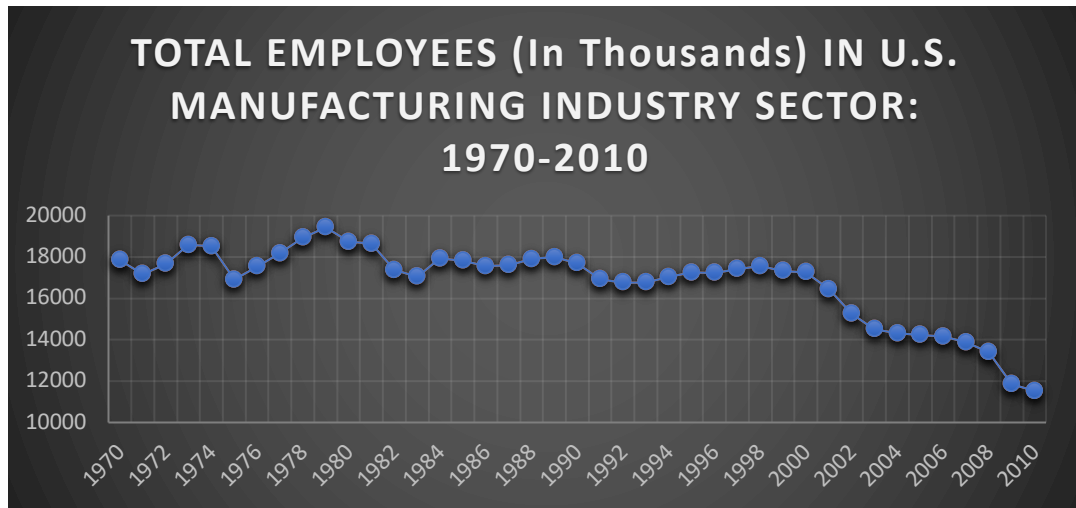
²⁰ See Thomas Sugrue, *The Origins of the Urban Crisis*; Tami J. Friedman, “A Trail of Ghost Towns across Our Land”: The Decline of Manufacturing in Yonkers, New York,” from *Beyond the Ruins: The Meanings of Deindustrialization*, ed. Jefferson Cowie and Joseph Heathcott (Cornell University Press, 2003), pp. 20-21, 27; and Howard Gillette, Jr., “The Wages of Disinvestment: How Money and Politics Aided the Decline of Camden, New Jersey,” from *Beyond the Ruins*, 139-141. See, also, Laurence F. Gross, *The Course of Industrial decline: The Boott Cotton Mills of Lowell, Massachusetts, 1835-1955* (Baltimore & London: The Johns Hopkins University Press, 1993).

It is also misleading to say that deindustrialization has officially “ended”, especially given delayed examples of plant closures in Janesville as late as 2008. Data actually shows that significant losses occurred after the 1990s and into the 2000s, as over 3,000 goods-producing manufacturing sector jobs were lost in the United States at the onset of the new millennium. When the loss of jobs associated with the computer and electronics industry is added, in addition to the production of non-durable goods, the employment loss numbers after 2000 exceed one million.²¹ Table 1.1 provides a visual representation of the decline in U.S. manufacturing sector employment between the years 1970 and 2010. The job loss associated with the “height” of deindustrialization was indeed extreme and startling in the late 1970s and early 1980s, but the table also demonstrates another trend: following the year 2000, the manufacturing labor market saw plummeting employment levels without any significant job recovery. Most prominent scholarship on deindustrialization was published before these later quantitative trends were revealed, and while some newer accounts have emerged to analyze the sociological and political effects of late deindustrialization on communities,²² there is a stunning lack of scholarship that examines 21st century economic trends and federal economic policies related directly to deindustrialization.

²¹ Harris, “Forty years of falling manufacturing employment.”

²² See, for example: Amy Goldstein, *Janesville: An American Story*; J.D. Vance, *Hillbilly Elegy: A Memoir of a Family and Culture in Crisis* (HarperCollins Publishers, 2016); Arlie Hochschild, *Strangers in Their Own Land: Anger and Mourning on the American Right* (New York: The New Press, 2016); and Katherine J. Cramer, *The Politics of Resentment: Rural Consciousness in Wisconsin and the Rise of Scott Walker* (The University of Chicago Press, 2016).

Table 1.1: Total Employees in U.S. Manufacturing Industry Sector: 1970-2010



Source: The U.S. Bureau of Labor Statistics

In addition to conceptualizing deindustrialization on a longer chronological timeline, this project also understands deindustrialization as involving a wider range of dynamic actors and sites of interest than conventional scholarship assumes. Many scholars look to business as the major causal actor in the story of deindustrialization.²³ This project does not contest the economic causes of deindustrialization, nor does it deny that business is a critical actor. There is plenty of evidence to support the idea that increasing foreign competition and globalization encouraged business to make certain decisions that triggered widespread disinvestment in industry.²⁴ Because decisions about investment, production, and

²³ See, for example, Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: Possibilities for Prosperity* (Basic Books, Inc., 1984); and Lester Thurow, *The Zero-Sum Society* (New York: Basic Books Inc., 1980).

²⁴ See Bluestone and Harrison, *The Deindustrialization of America*, 15-21; Harrison and Bluestone, *The Great U-Turn*, 7-13; Robert Rowthorn and Ramana Ramaswamy, "Deindustrialization – Its Causes and Implications," *International Monetary Fund* (September 1997); Martin Albrow and Elizabeth King, *Globalization, Knowledge and Society* (London: Sage, 1990); Martin Wolf, "Shaping Globalization," *Finance & Development, International Monetary Fund* (2014); "Globalization: Threat or Opportunity?" *International Monetary Fund* (April 21, 2000); and O'Rourke et. al., "When did globalization begin?" *European Review of Economic History* 6 (1): 23-50 (2002).

profit-taking are largely made by business owners, there is a tendency to assume that industrial interests are central to the process of deindustrialization, both in terms of causes and consequences. However, there is a propensity among many scholars to analyze business as the *only* actor that mattered in the long process of deindustrialization, and to take their role as static and fixed rather than looking at the nuanced ways in which business interests come to bear.²⁵ Yet a singular focus on business as the lone actor in the deindustrialization process misses critical nuances in business's experience with policies that responded to job losses, and it ignores other agents influencing this political economic process. Labor historians, for example, have demonstrated that business owners have sometimes moved operations to avoid unionization (rather than just in response to the economic forces of globalization).²⁶ Labor, also, bore significant consequences when jobs disappeared, and policy responses emerged with intents to assist workers, making industrial workers an important part of the entire story as well.

Historians and sociologists have also rightfully pointed out that singularly paying attention to business actions on a macro level can miss important local

²⁵ See, for example, Peter Swenson, *Capitalists against Markets: The Making of Labor Markets and Welfare States in the United States and Sweden* (Oxford University Press, 2002); and Peter Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca and London: Cornell University Press, 1986), 93. Swenson and Gourevitch fall into the trap of asserting that business interests are unified, fixed, and rational. David Vogel, on the other hand, is one of the few scholars that embodies business's dynamic role in American economic development. See David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (Washington D.C: Beard Books, 1989). Vogel states that there are nuances to business's influence in American public policy-making, and there is an ebb and flow to business power in the United States that is under-examined.

²⁶ See, for example, Nelson Lichtenstein, *State of the Union: A Century of American Labor* (Princeton University Press, 2002), 114, 124. Lichtenstein pushes back on the claim that businesses were "reluctantly forced" to close plants due to globalization, instead, he argues that firms began moving domestically in the 1950s with the explicit intention of re-locating to non-unionized plants; see also, Jefferson Cowie, *Capital Moves: RCA's Seventy-Year Quest for Cheap Labor* (The New Press, 1999), 2-4.

developments that center the community as a major site of interest. The actions by business were undoubtedly influenced by, and had varying impacts upon, the communities that gave life to millions of factories over the years.²⁷ During the earliest stages of deindustrialization, between 1940 and 1960, two phenomena were occurring domestically at once, preliminary deindustrialization and late industrialization. Historians like Tami Friedman and Jefferson Cowie note this early shifting of businesses domestically, cases in which companies went after defense contracts, sought profit relief from organized labor, or a combination of both.²⁸ When firms moved from one domestic plant location to another, industrially-reliant northern towns essentially *deindustrialized*, seemingly overnight, when business owners would shut down in search of cheaper labor, or were enticed by federal defense contracts and moved from the North to the South.²⁹

This final point about government-sponsored capital movement helps illustrate that the most-often overlooked actor when it comes to scholarship about American deindustrialization is the U.S. federal government. The next section more thoroughly analyzes the role of the national state in industrial affairs, but it is worth

²⁷ See Milkman, *Farewell to the Factory, Auto Workers in the Late Twentieth Century*. Milkman details the story of a single General Motors plant closing in Linden, New Jersey as a response to deindustrialization. Her account focuses on the social consequences for laid-off automobile workers at the unionized New Jersey GM plant.

²⁸ See, for example, Tami J. Friedman, “‘A Trail of Ghost Towns across Our Land’: The Decline of Manufacturing in Yonkers, New York,” 20-21, 27; and Cowie, *Capital Moves*, 37-40, 53-72. Both authors speak about manufacturing plants leaving industrial cities like Yonkers and Camden as early as the late 1940s in pursuit of cheaper labor or federal contracts in the South. For more on the domestic regional shifts of industry, see also Richard Bense, *Sectionalism and American Political Development 1880-1980* (The University of Wisconsin Press, 1984), 256-264.

²⁹ The “sun-belt” of the American South will be discussed in the next section, for more literature on how this was guided by federal action, see Schulman, *From Cotton Belt to Sunbelt: Federal Policy, Economic Development, and the Transformation of the South, 1938-1980*; and James C. Cobb, *The Selling of the South: The Southern Crusade for Industrial Development, 1936-1990* (University of Illinois Press, 1993).

mentioning a few points now: There was no course of action the U.S. federal government, nor other countries, could have taken to completely halt the private actions of companies like Ford or RCA. But the United States did have tools at its disposal to guide the consequences, mainly, through constructing an economic policy response aimed to assist workers and communities. This project argues that institutionally-embedded actors within the federal government may have designed policies to assist workers, but over time these policies ended up benefiting business – more than workers or communities – in important respects. Enterprise zone legislation, for example, changed slowly over time as a result of various actors utilizing existing institutional arrangement to achieve generous tax benefits. In trade policy, Congress invented TAA as a policy means for compensating workers for a government-wide desire for more liberalized trade, and TAA has remained a trade policy bargaining chip at the expense of increased presidential power to negotiate free trade agreements that exacerbate capital flight. The U.S. government, in its various components as will be discussed later, is a major missing puzzle piece throughout existing scholarship on deindustrialization, and this project attempts to illuminate the role of the federal government, analyzing why a fragmented policy response was built, and how that response shaped unique experiences for American business, workers, and communities facing deindustrialization.

Thus, this project's understanding of American deindustrialization in terms of measuring it as manufacturing job losses, occurring across a longer timeline, and involving dynamic policy inputs and outputs from the federal government, business, workers, and communities allows for a robust and focused examination of the

question – why such a limited U.S. response? Because the consequences of deindustrialization are vast, my research overlaps with a range of events that are importantly related to deindustrialization, but cannot be fully explored by this project. De-unionization,³⁰ the racialized and gendered experience of industrial work,³¹ sub-

³⁰ There is a rich literature about the process of de-unionization in the United States, while it cannot be covered in depth during this project, the link between deindustrialization, the decline of unions, and lacking government action is relevant for fully unpacking the consequences of the three. See Nelson Lichtenstein, *State of the Union: A Century of American Labor* and *The Most Dangerous Man in Detroit: Walter Reuther and the Fate of American Labor* (HarperCollins Publishers, 1995); Richard J. Freeman, *America Works: Thoughts on an Exceptional U.S. Labor Market* (Russell Sage Foundation, 2007) and “Contraction and Expansion: The Divergence of Private Sector and Public Sector Unionism in the United States,” *Journal of Economic Perspectives* 2, no. 2 (Spring 1988): 63-88; Milkman, *Farewell to the Factory, Auto Workers in the Late Twentieth Century*; Paul Osterman, *Securing Prosperity, The American Labor Market: How It Has Changed and What to Do about It* (Princeton University Press, 2000); Henry S. Farber and Bruce Western, “Ronald Reagan and the Politics of Declining Union Organization,” *British Journal of Industrial Relations* 40, no. 3 (2002): 385-401; Alexis N. Walker, “Labor’s Enduring Divide: The Distinct Path of Public Sector Unions in the United States,” *Studies in American Political Development*, 28 (October 2014): 175-200; and Kate Bronfenbrenner, “Organizing for Keeps: Building a Twenty-First Century Labor Movement,” 1999, retrieved March 19, 2018 from Cornell University, ILR School site.

³¹ The “unravelling” of American industry pulls back the curtain on a critical analysis about who has traditionally worked in the United States. In the 20th century, industrial jobs primarily employed older, white males, and the decline of industry meant that less and less of these jobs were available. There is an argument to made that there are social benefits to deindustrialization as it brought about the hiring of more women and people of color in new kinds of work. While this project explores different questions, some research that notes how race and gender came to bear in deindustrialization include Thomas Sugrue, *The Origins of the Urban Crisis*; Gregory S. Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” from *Beyond the Ruins: The Meanings of Deindustrialization*, ed. Jefferson Cowie and Joseph Heathcott (Cornell University Press, 2003); August Meier and Elliot Rudwick, *Black Detroit and the Rise of the UAW* (Oxford University Press, 1979); and Ruth Milkman, *On Gender, Labor, and Inequality* (University of Illinois Press, 2016).

national variation,³² and the political unrest³³ occurring amidst renewed discussions are all important aspects and/or consequences of industrial decline. I assert that my targeted approach to analyzing federal policy responses to deindustrialization does not definitively answer, but hopefully can give context to some of these broader questions, and remind scholars that it is time to open the books up again in order to analyze the widespread effects of deindustrialization.

The U.S. policy response in historical and theoretical context: Policy legacies and patterns of gradual institutional change

To better understand the federal government's fragmented policy response, it is useful to examine that response in historical and comparative contexts. What has

³² Although beyond the scope of this dissertation, an additional source of variation in the response to deindustrialization was the differentiated roles played in U.S. federalism by state-level actors, which were implicated in different ways in each of the three policy fields. More research is necessary to study the "why" behind the observation that the effects of deindustrialization have varied among localities. For a start, see Alan Berube and Cecile Murray, *Renewing America's Economic Promise Through Older Industrial Cities*, The Brookings Institute (April 2018), 27-32; Eduardo Porter, "Lessons from Rust-Belt Cities That Kept Their Sheen," *The New York Times* (May 1, 2018), <https://www.nytimes.com/2018/05/01/business/economy/rust-belt-cities.html>; Alexandra Stevenson, "In Weary Wisconsin Town, a Billionaire-fueled Revival," *The New York Times* (August 5, 2017), <https://www.nytimes.com/2017/08/05/business/dealbook/beloit-wisconsin-revival-diane-hendricks.html>; Ted C. Fishman, "Why These Kids Get a Free Ride to College," *The New York Times Magazine* (September 13, 2012), <https://www.nytimes.com/2012/09/16/magazine/kalamazoo-mich-the-city-that-pays-for-college.html>; and Alan Mallach, "Facing the Urban Challenge: The Federal Government and America's Older Distressed Cities," *Metropolitan Policy Program at Brookings* (May 2010).

³³ There is new research emerging about the potential links between economic insecurity in the rust-belt and increasingly red politics in the same region. See Cramer, *The Politics of Resentment: Rural Consciousness in Wisconsin and the Rise of Scott Walker*. Such developments are critical to explore, and future projects should seek to more definitively explore the connections between deindustrialization and rust-belt populism. For other scholarly projects that address related themes, albeit in different regions, see Hochschild, *Strangers in Their Own Land: Anger and Mourning on the American Right*; Nancy Isenberg, *White Trash: The 400-Year Untold History of Class in America* (Viking, 2016); and Richard C. Longworth, *Caught in the Middle: America's Heartland in the Age of Globalism* (Bloomsbury, 2010). One of the earliest explorations of the link between voting behavior and rural attitudes is the popular book by Thomas Frank, *What's the Matter with Kansas? How Conservatives Won the Heart of America* (Henry Holt and Company, 2004).

the United States done in the past to manage industrial affairs that was comparatively more comprehensive and holistic than what occurred in the 1960s and after?

Additionally, how and in what ways was the U.S. response different and more fragmented compared to other industrialized countries facing similar economic challenges at the time? Answering these questions leads to a serious consideration of the options facing U.S. policymakers, and the choices they made in producing the fragmented U.S. policy response, as well as the consequences it created. This section demonstrates that the unique policy response in the United States was shaped in part by the negative legacies of past policies, path dependency, and political processes of gradual institutional change.

This dissertation is located in the debates and theoretical context of the American Political Development tradition in political science. The American Political Development (APD) subfield is historical and institutional in its approach, and frequently draws on comparative analysis to understand and analyze developments in U.S. politics. APD can take much credit for debunking outdated, default explanations about early America being a “state-less” society that exerted little control over the rapidly developing private economy. To the contrary, the role of the early American “state” in driving and guiding industrial development in the United States during the late 19th and early 20th centuries is now a familiar and well-examined story.³⁴ Since

³⁴ Valuable scholarly works that contribute to a robust discussion of the American state and industrial development include: Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877-1920*; Bense, *The Political Economy of American Industrialization, 1877-1900*; and Elizabeth Sanders, *Roots of Reform: Farmers, Workers, and the American State, 1877-1917* (The University of Chicago Press, 1999). Other helpful American Political Development works that focus more broadly on early state development, but not specifically on industrial development, include: Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the*

Theda Skocpol's call for more research to consider the state as a "weighty actor" in 1985,³⁵ some of the most impactful findings about the role of early American institutions in setting the rules of the political game have emerged from research about the state's role in industrial development. Authors like Stephen Skowronek, Elizabeth Sanders, and Richard Benseel discovered that actions by the American state guided the distinct emergence of industry and the character of industrialism in the U.S. The disorderly building of a national railroad system, Skowronek argues, was shaped by the early dominance of "courts and parties".³⁶ Richard Benseel shows that the swift expansion of the national political economy was underwritten by three important policy trends, the preservation of the American gold standard, protective tariffs for domestic industries, and a *laissez-faire* interpretation of the commerce clause, each safeguarded by the presidency, Congress, and the Supreme Court, respectively.³⁷ While American state capacity was limited at this time, research clearly shows that institutions were developing in response to changing social conditions that would only expand the space for economic policy-making.

The Great Depression in addition to the election of Franklin D. Roosevelt prompted the development of more robust federal institutions, and a preeminent national policy network. In the face of widespread unemployment, the public also

United States; Daniel P. Carpenter, "State Building through Reputation Building: Coalitions of Esteem and Program Innovation in the National Postal System, 1883-1913" *Studies in American Political Development* 14(2): 121-155 (2000); and Daniel DiSalvo, *Engines of Change: Party Factions in American Politics, 1868-2010* (Oxford University Press, 2010).

³⁵ Theda Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research," in *Bringing the State Back In*, ed. Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, 3-38 (Cambridge: Cambridge University Press, 1985), 3.

³⁶ See Skowronek, *Building a New American State: The Expansion of National Administrative Capacities, 1877-1920*.

³⁷ See Benseel, *The Political Economy of American Industrialization, 1877-1900*.

demanded a more central role for government in mitigating economic downturns. In response, the New Deal program put the government firmly in the middle of economic affairs by ushering in a host of new policies like the National Industrial Recovery Act and the Agricultural Adjustment Act, and created new bureaucracies like the Tennessee Valley Authority, the National Recovery Administration, and the Agricultural Adjustment Administration, all directly aimed at guiding industry-wide developments.³⁸ Scholars have shown that these policies expanded state capacity through establishing new administrations, and put in place an evolving economic policy tool chest tasked with directly managing industry.

In contrast to the fragmented response to industrial decline during the 1960s, the National Industrial Recovery Act (NIRA) of 1933 historically represents a more holistic policy response to industrial troubles that merits examination. Through the NIRA, the United States stepped in to stimulate production and more boldly regulate industrial businesses in a way previously unseen. This new (if short-lived) American “industrial policy” allowed the federal government to be directly involved in coordinating the production side of the economy, and it established a new executive agency tasked with overseeing the coordination of production and prices in industrial sectors, as well as labor-management relations, the National Recovery

³⁸ For particulars on the National Industrial Recovery Act and the Agricultural Adjustment Act, see Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 255-278; for more on the TVA, see Schulman, *From Cotton Belt to Sunbelt: Federal Policy, Economic Development, and the Transformation of the South, 1938-1980*. For more general work on how the New Deal ushered in an expanded role for the American state, see: Theda Skocpol, *Protecting Soldiers and Mothers and Social Policy in the United States: Future Possibilities in Historical Perspective* (Princeton University Press, 1995); and Theda Skocpol and Kenneth Finegold, *State and Party in America's New Deal* (University of Wisconsin Press, 1995).

Administration. This executive agency helped construct the “codes of fair competition” that would regulate workplace relations, and effectively create industry-wide agreements.³⁹ The Supreme Court would ultimately find in 1935 that allowing the executive to write and manage the codes of fair competition was an unconstitutional delegation of Congress’s legislative powers.⁴⁰ But the short life of the National Recovery Administration would have down-the-line effects in terms of what would be conceivable for American industrial policy. This American industrial policy set a precedent for future policymakers, however; this project finds that the NIRA’s legacy would be a negative one, as lawmakers would deliberately avoid policies that established the same kind of holistic management of industrial affairs.

The Tennessee Valley Authority (TVA) embodies another historical example of the federal government’s direct involvement in industrial development. Following World War II, TVA helped coordinate an effort with the national defense sector to stimulate the ailing southern depression economy by establishing military production facilities located in southern cities. The industrialization, or “sun-belt” of the South, as Bruce J. Schulman refers to it in his historical account, *From Cotton Belt to Sunbelt*, was made possible through an unlikely marriage between the Tennessee Valley Authority, a New Deal regulatory committee, and the Department of Defense. As the World War II defense build-up ensued, TVA developed programs and

³⁹ Chapter 2 of this dissertation will cover the National Industrial Recovery Act in more depth, but for more on the history of the NIRA, see Ellis W. Hawley, *The New Deal of the Problem of Monopoly* (Princeton & New Jersey: Princeton University Press, 1966); and Louis Galambos, *Competition & Cooperation: The Emergency of a National Trade Association* (Baltimore: The Johns Hopkins Press, 1966). For speculative thoughts about the policy “legacy” of the NIRA, see Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal.”

⁴⁰ *A.L.A. Schechter Poultry Corporation v. United States*, 295 U.S. 495 (1935).

processes to bring large manufacturing plants to the Southern region. As Schulman states: “Channeled by federal policy, the war sparked a thoroughgoing transformation of the southern economy. The mobilization program accelerated the growth of southern industry, so that in 1944, manufacturing surpassed agriculture as a source of income payments in the South.”⁴¹ When Georgia Governor Ellis Arnall proclaimed in 1946 that “The industrialization of the South is a certainty in the next two decades... The form it will take depends on the national policies that are adopted in the next few years...”⁴² it reaffirmed the expectation that the federal government would play a major role in managing domestic industrial affairs.

These major policy moves during the New Deal demonstrated a willingness on behalf of the federal government to intervene in both the supply and demand side of economic affairs; and public expectations developed in regards to obligations on behalf of the government to ease economic downturns. It is thus curious why, once unemployment began to rise in local pockets and within certain industrial sectors, the same kind of holistic action the U.S. saw following the Great Depression was not prompted during the 1950s and 1960s, and after. While lawmakers at the time could not have known the extent of damage deindustrialization would create, the early trends did not go unnoticed. Lawmakers such as President Eisenhower, Senator then President John F. Kennedy, Senator Hubert Humphrey, and Senator Paul Douglas all reckoned with what the U.S. federal government’s policy place would be in quelling

⁴¹ Schulman, *From Cotton Belt to Sunbelt*, 102.

⁴² Schulman, *From Cotton Belt to Sunbelt*, 109.

the negative side-effects of this progression through establishing various committees and introducing proposals.⁴³

The puzzle grows when we examine the U.S. in comparative context. Other industrialized nations also faced similar troubles to the United States as manufacturing was trending downward worldwide. Given the fact that the United States led the world in manufacturing exports between 1950 and 1970, it is thus even more curious why other countries responded more swiftly and more holistically in terms of policy to address the potential damage caused by the rise of imports and initial decline in U.S. manufacturing. Met with parallel economic crises, European and Asian countries like Germany, France, Sweden, and Japan built robust policy networks that focused on managing production and moves made by business. As stated previously, Germany established local government councils that required official review of a firm's decision to close a factory when they proposed to move locations.⁴⁴ Japan, too, was directly involved in protecting and encouraging continued domestic business investment during the 1970s. The Japanese "Ministry of International Trade and Industry," or MITI, organized everything from 'depression cartels' that softened the blow of struggling textile industries, to funding for large construction projects, to providing long-term interest-free loans that encouraged employee training and retention.⁴⁵ The Swedish government designed a highly effective system that prioritized workers. As soon as notice was given that a plant was

⁴³ These proposals included the Area Redevelopment Act of 1961, the Manpower Development and Training Act of 1962, and Trade Adjustment Assistance in response to concerning job-loss trends. The origins of these policies will be discussed in more depth during Chapter 2.

⁴⁴ Bluestone and Harrison, *The Deindustrialization of America*, 237.

⁴⁵ Bluestone and Harrison, *The Deindustrialization of America*, 214-217.

closing, workers could immediately expect re-location programs and resources physically at the old plant, and employers were required to list job availabilities through the same service.⁴⁶ Throughout Canada, Asia, and Western Europe, “state capitalism” became a popular method for controlling dramatic industry changes during these years.⁴⁷ Today, it is not unusual in certain European countries for governments to partly or wholly own corporations that comprise the “public enterprise” sector, and assist in the production of certain industrial and consumer goods.⁴⁸

These comparative approaches to industrial policy, as well as the U.S.’s experience with past policies during the New Deal, inform an analysis of why the United States responded in the unique way it did once deindustrialization began. In response to early deindustrialization in the 1950s, a general discussion emerged among American policymakers about what to do during the earliest stages of capital movement. Kennedy and Humphrey were particularly concerned about American job loss and unemployment; Senator Douglas was more connected to the “distressed city” and envisioned policies that would provide aid and guidance to struggling pockets within the United States. Disagreements ensued between the Eisenhower Administration and liberal Democrats about the federal government’s obligations in

⁴⁶ Bluestone and Harrison, *The Deindustrialization of America*, 237.

⁴⁷ See Karl Aiginger and Dani Rodrik, “Rebirth of Industrial Policy and an Agenda for the Twenty-First Century.” *Journal of Industry, Competition and Trade* (2020) 20:189-207. Aiginger and Rodrik talk about the applauded French approach to sectoral planning, as well as South Korea’s successful track record of industrial policy.

⁴⁸ See Bluestone and Harrison, *The Deindustrialization of America*, 246; and Judith Stein, *Running Steel, Running America: Race, Economic Policy, and the Decline of Liberalism* (The University of North Carolina Press, 1998), 240. See, also, “OECD Indicators of Employment Protection,” *OECD website*, last updated November 2021, <https://www.oecd.org/els/emp/oecdindicatorsofemploymentprotection.htm>.

local economic affairs, and conflict even emerged within the Democratic party itself about the viability of old, outdated northern industrial towns, and whether they should receive aid at the expense of other, more rural areas.⁴⁹ In the end, three policies were passed during the 1960s, each of which addressed piece-meal and partial consequences of deindustrialization. The Trade Expansion Act of 1962 included compensation for displaced industrial workers. The Manpower Development and Training Act of 1962 provided for nation-wide job training, a nod to Kennedy's growing concern about unemployment. Finally, the Area Redevelopment Act of 1961 would pass at the behest of a hard fight on behalf of Senator Douglas. While this redevelopment policy offered community-based assistance for a time, it expired just three years later in 1964, leaving industries and workers operating within distressed communities particularly vulnerable. Later debates about planning or protectionism in the United States surfaced as well during the 1970s and 1980s, but no policies that directly coordinated industry came to fruition. And the plant-closing legislation that finally passed in 1988 only re-asserted the U.S. government's ad-hoc role in workplace relations rather than a more robust intervention. So, while coordinated and holistic planning policies were institutionalized abroad at the time, the same kinds of

⁴⁹ The development of the Area Redevelopment Act will be explored in Chapter 2, but for reference, see Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," from *Beyond the Ruins*; Gregory S. Wilson, "Before the Great Society: Liberalism, Deindustrialization and Area Redevelopment in the United States, 1933-1965" (PhD diss., The Ohio State University, 2001); Sar A. Levitan, *Federal Aid to Depressed Areas: An Evaluation of the Area Redevelopment Administration* (Baltimore: John Hopkins Press, 1964); Roger H. Davidson, "Coalition-Building for Depressed Areas Bills: 1955-1965," Inter-University Case Program, Box 229, Syracuse, NY 13210 (1966); and Conley H. Dillon, *The Area Redevelopment Administration: New Patterns in Developmental Administration* (The University of Maryland, 1964).

policies did not emerge to the same extent in the United States, and instead, the U.S. addressed patchwork consequences through separate policies.

In order to better understand these American policy responses during deindustrialization, existing theories among APD scholars can help illuminate which variables possibly explain fragmented public action in the United States; and how institutional change occurred as the character of three separate policy responses took form. Given the fact that the United States responded robustly in the past, and that European countries facing similar crises mounted more comprehensive responses, understanding the fragmented U.S. response to deindustrialization requires examining American political institutions and policy development. One potential explanation for why the American policy response is fragmented understands federalism as a unique feature of American political development, and thus uses federalism as a lens for understanding policy development. Authors such as David Brian Robertson utilize federalism as a critical framework for comprehending unique political and economic developments in the United States. In general, Robertson argues that federalism affected American economic growth by accentuating state power and limiting national efforts to establish more government influence in the economy.⁵⁰ He also points out in his other works that federalism helped fragment political parties, and sparked conflicts between business and trade unions that created inequitable and

⁵⁰ David Brian Robertson, *Federalism and the Making of America* (Routledge, 2012), 77. Robertson also notes here that federalism encouraged the “growth of strong private enterprises” which “encouraged policies that treated business as a hostile adversary.” This might be true in some instances, but what more often occurs in relation to policy responses to deindustrialization is that the federal government has demonstrated a propensity to lean on business for policy support, in the case of opportunity zones and job training, for example.

splintered national policies.⁵¹ Other authors, like Andrew Karch, look to how states learn from each other through policy diffusion; and since those states often serve as “laboratories of democracy” for policy experimentation, the federal government frequently adopts similar policies viewed as successes in state governments.⁵² An account stressing federalism might conclude that policy fragmentation at the national level resulted from the fragmentation of political authority between different levels of government in the United States.

Federalism is a critical backdrop for many American Political Development projects, including this one. Enterprise zone policies and plant-closing legislation, for example, passed in states before they did at the federal level – an example of the laboratories argument. And the federal government’s devolution to the state of authority over job training programs allowed for more business control over policy outcomes in that policy arena. Federalism as an institutional feature is thus significant in this project, but its background role does not necessarily equate to a causal role.⁵³ Federalism is relevant in understanding state-level precursors to federal policies, as well as the political effects (in some cases) of policy decentralization. But there is not

⁵¹ David Brian Robertson, “Federalism and American Political Development,” in *The Oxford Handbook of American Political Development*, ed. Richard M. Valelly, Suzanne Mettler, and Robert C. Lieberman (Oxford University Press, 2016), 345-363.

⁵² See Andrew Karch, *Democratic Laboratories: Policy Diffusion among the American States* (University of Michigan Press, 2007) and “The States and American Political Development,” in *The Oxford Handbook of American Political Development*, ed. Richard M. Valelly, Suzanne Mettler, and Robert C. Lieberman (Oxford University Press, 2016), 364-380; see also, Christopher Z. Mooney, “Modeling Regional Effects on State Policy Diffusion,” *Political Research Quarterly*, Vol. 54, No. 1 (March 2001), 103-124. Virginia Gray, “Innovations in the States: A Diffusion Study,” *American Political Science Review* 67: 1174-85 (1973). David Osborne, *Laboratories of Democracy* (Boston: Harvard Business School Press, 1988).

⁵³ Even David Brian Robertson would, in essence, agree. In his book, *Federalism and the Making of America*, he states: “Federalism alone is not a sufficient explanation of American economic governance, but it is a pervasive factor that is necessary for understanding the path of economic governance in the United States,” 75.

sufficient evidence to conclude that federalism *caused* the federal government's policy fragmentation in the 1960s and beyond. The federalism explanation fails to map on well enough to adequately explain trade policy and TAA developments in the same way it helps give context to redevelopment policy and plant-closing legislative proposals. As shown in subsequent chapters, federalism does shape the general landscape of subsequent policy developments in ways that are specific and relevant to each thread, but not all.

Ultimately, the initial emergence of a piecemeal response has more concrete ties to past national policy failures than to the institution of federalism. Thus, given past industrial policy failures such as the National Industrial Recovery Act, another potential avenue to explore is how a lack of American "state capacity" in industrial policy helped lead to a series of limited, piecemeal responses, rather than a comprehensive one. Theda Skocpol and Kenneth Finegold have argued that a lack of state capacity contributed to the failure of the National Industrial Recovery Act. As concerns and political struggles over state capacity in industrial policy and economic management continued in the years after the NIRA, it is useful to examine if and how the limitations of state capacity shaped discussions about what was feasible in terms of policy responses to deindustrialization.⁵⁴ State capacity can generally be defined as the ability for state institutions, usually bureaucratic and centered in the executive branch, to administer and execute their role effectively. An example would be the National Recovery Administration, which was established in order to oversee the

⁵⁴ Skocpol and Finegold, "State Capacity and Economic Intervention in the Early New Deal."

execution of the National Industrial Recovery Act through approving codes of fair competition, and it comprised various individual experts in business, labor, and industrial management. A lack of expertise as well as intra-department disagreements contributed to peoples' disaffection with the New Deal's experiment with industrial policy. The Act's early failure to establish a permanent ability for "the state" to conduct industrial planning also meant that there was not an established capacity for policymakers to employ in subsequent years.⁵⁵ To explain responses to deindustrialization, then, one line of inquiry could look to a simple lack of capacity as an explanation for why the U.S. answer was limited and fragmented in terms of policy.

Like federalism, a focus on state capacity can help us understand why the U.S. response was limited, and why more robust industrial policy responses failed to materialize during the 1960s, and after. But more is needed to explain the three separate policies (and their successors), which did pass in their fragmented form, targeting only piecemeal consequences. The state capacity argument fails to capture the parts of my research question that explore how the character of the fragmented American response developed over time, and in what ways this shaped the consequences of deindustrialization for workers, communities, and business. One weakness of some state capacity arguments is that they tend to convey a static and fixed understanding of "the state"⁵⁶. As stated above, state capacity often refers to

⁵⁵ Skocpol and Finegold, "State Capacity and Economic Intervention in the Early New Deal," 266-267.

⁵⁶ Stephen Skowronek's early work, *Building a New American State*, is incredibly valuable for projects like this, and subsequent publications of his have better explored institutions' and the American state's capacity to change over time. One criticism of his early work would be this – that his vision of the state in railroad development is not a very dynamic one and state capacity is understood as fixed. For this

specific institutions, like agencies; but is sometimes used to describe the character of the entire federal government as a “weak” or “strong” state. Using state capacity as an explanatory variable does not leave adequate analytical leverage to assess institutional change or development. A singular focus on a “lack of state capacity” does not explain how these policy fragments changed, developed, and evolved to meet different ends than their original purposes over time.

While considering the background conditions of federalism and limited state capacity, this project understands the initial fragmentation of the U.S. policy response to deindustrialization as a “negative legacy” left by the NIRA. While the concept is a bit general, it is the most useful for explaining the amorphous, contradictory, piecemeal policies that did emerge as a kind of policy experiment during the earliest years of deindustrialization. What Skocpol and Finegold find in regards to the NIRA is revealing on more levels than one – while they centrally push the argument that a lack of administrative capacity can thwart a policy, their project does not address the long-term consequences of NIRA’s failure. The fact that policy-makers did not try such an approach again is significant, suggesting holistic industrial policies did not present as feasible solutions for future policy-makers.

As such, the bones of this argument are based on the theory that the NIRA’s negative policy legacy opened the doors for institutional experimentation in the 1960s

project, the term “state” is appropriately used when reflecting on previous authors’ arguments, such as Bense, Skocpol, and Skowronek’s well-documented research on the development of the early American state. In my original research, I will use the term “federal government” to replace an over-assumptive use of the word “state,” and elucidate that the U.S. federal government is comprised of multiple institutions and various actors with contradicting policy ideas and interests.

in which subsequent developments followed a path dependent⁵⁷ process subject to gradual institutional change. This dissertation argues that three separate tracks emerged – notification, compensation, and redevelopment – and each subsequently followed a distinct developmental path. The negative legacy of the NIRA once again reveals itself when policy-makers experiment with passing the ARA, which was arguably the most comprehensive of any of the policies that did pass. But in echoes of what came before, this policy failed to garner enough consistent support, and once it expired, redevelopment policy resurfaced and developed in a completely different form decades later. For notification policy, its fraught origin story illustrates the gap in authority and capacity left by the failure of earlier attempts at industrial policy, as advocates for federal action confronted multiple institutional veto points in attempts to pass robust plant closing protections for workers. For the longest lasting of these policies, the Trade Expansion Act of 1962 and the passage of TAA, liberalized trade policies coupled with compensation for workers continued to present a viable and desirable policy path for lawmakers. The development of both have become intimately intertwined over the years. These three institutional tracks – though developing differently over time – locked in path dependent processes that each have roots in the policy experiments initiated during the early years of deindustrialization.

Once we understand the conditions under which these institutional avenues were established, the next step is to address how these separate policies evolved over time. The following section seeks to explore the conditions under which institutions

⁵⁷ Path dependency simply relays the theory that what comes first matters for what comes next, that previous policies may constrain what future choices are possible. See Pierson, “Not Just What, but *When*: Timing and Sequence in Political Processes.”

can development and change, since more specific factors beyond “negative legacies” and “path dependency” are needed to assess what contributed to each policy’s unique development over time. Various approaches exist within the American Political Development discipline that focus, respectively, on the role of ideas and interests, as well as institutions in explaining policy developments. Such inquiries evaluate the ideational, interest-based, or institutional variables that allowed policies to be adopted or institutional developments to occur. These frameworks are useful in addressing how and why these policies emerged and evolved. I begin with assessing the value of idea-based arguments and interest-based arguments, and end with a more detailed discussion about institutions and theories about gradual institutional change.

Scholars focusing on the “cultural” or “ideational” dimensions of American Political Development literature are devoted to studying how American culture, public opinions, and ideas influence the particular development of the United States over time. The basic argument is that the individualistic attitudes of the American public, and the *laissez-faire* ethos of the public and government have led to stunted aspects of American policy development, compared to other nations, especially in terms of social policy, economic policy, and union growth.⁵⁸ According to this logic, one explanation for the business-focused trajectories of the fragmented American deindustrialization response could reflect the uniquely American culture of

⁵⁸ See, for example, Seymour Martin Lipset, *American Exceptionalism: A Double-edged Sword* (New York: W.W. Norton, 1996); Seymour Martin Lipset and Gary Marks, *It Didn’t Happen Here: Why Socialism Failed in the United States* (New York: W.W. Norton, 2000); Seymour Martin Lipset and Noah M. Meltz, *The Paradox of American Unionism: Why Americans Like Unions More Than Canadians Do, But Join Much Less* (Ithaca, NY: ILR Press, 2004).

government “staying uninvolved” in private economic affairs, and the tradition of promoting individualistic, free market capitalism.

While speaking to broader audiences outside APD, Mark Blyth’s work also fits into this category, and is useful for studying deindustrialization as an economic crisis that necessitated a policy response. Blyth’s piece, *Great Transformations*, expands on Karl Polanyi’s original “double movement” framework, which considers how economic ideas and business interests are utilized politically as embedded, endogenous elements of institutional change.⁵⁹ His argument that agents have the ability to interpret, analyze, and construct what a crisis actually is reveals the possibility that political responses are not always “obvious” or “given.” The stagflation crisis of the 1970s – which unfolded in the larger context of deindustrialization – demonstrates this case well, as Keynesian ideals grew increasingly irrelevant for dealing with the perceived “crisis” of high inflation and climbing unemployment rates.

Other scholars focus on the role of leading economic interests (business and labor) in explaining institutional change. To specifically define what policymakers could do in terms of deindustrialization, one argument could look straight to the influence of *business interests* on American politics and policy-making. Within the larger scholarship referenced earlier on business as a driver of deindustrialization, there are a number of historical works produced by scholars studying the transformation of the American economy and American policy during the Reagan

⁵⁹ Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge: Cambridge University Press, 2002), 7.

years. These include works by Kim Phillips-Fein, Bluestone and Harrison, and David Vogel – all of whom look to the structural and instrumental influence of business in American politics in the relevant period.⁶⁰ In *The Great U-Turn*, Bennett Harrison and Barry Bluestone make the argument that business sought a *laissez-faire* policy agenda from the Reagan Administration, and in return, they received tax benefits, deregulation, and less patience for union demands.⁶¹ As we will see, in terms of notification policy, the business interest explanation holds well on the surface, especially since the concerted lobbying effort on behalf of business was one of the reasons it took so long for the Worker Adjustment and Retraining Notification Act to pass.

Work-centric ideologies and industrial interests are significant to the story of deindustrialization, but neither concept by itself, nor the two together, can fully explain the trajectory of the three separate policies that developed in the United States. Purely ideational accounts, for example, have trouble addressing the conditions under which certain ideas become effectively institutionalized within a policy response.⁶² There is indeed evidence of the consistent influence of certain

⁶⁰ Kim Phillips-Fein, *Invisible Hands: The Making of the Conservative Movement from the New Deal to Reagan* (New York and London: W.W. Norton, 2009), see in particular, 107-108, 114, 237, 264; Harrison and Bluestone, *The Great U-Turn: Corporate Restructuring and the Polarizing of America*; and Vogel, *Fluctuating Fortunes: The Political Power of Business in America*. Other works that centralize business's role in American policy-making include Michael Brown, *Race, Money, and the American Welfare State* (Ithaca and London: Cornell University Press, 1999), and Elizabeth A. Fones-Wolf, *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945-60* (Urbana and Chicago: University of Illinois Press, 1994). While these works differ in terms of arguing whether business is instrumentally or structurally influential, they each build on the famous phrase that business enjoys a "privileged position in politics," from Charles Lindblom, *Politics and Markets: The World's Political-economic Systems* (Basic Books, 1977), 172, 173, and 187.

⁶¹ See in particular, "The Laissez-Faire Affair" from Bennett Harrison and Barry Bluestone's *The Great U-Turn*.

⁶² Mark Blyth's frame, for example, ceases to be useful after a crisis "stops occurring," since his argument suggests that interests are normally straightforward until a crisis occurs, then lost, and then

ideas in shaping policies in particular areas, such as the neoliberal tendencies of enterprise zone legislation,⁶³ as well as the skills-mismatch analysis that was codified in the Manpower Development and Training Act and shaped subsequent job training policies.⁶⁴ But there were specific institutional actors who advocated for these sorts of ideas, and necessary institutional compromises that drove policy-makers to accept the ideological undertones to the policy. And the suggestion that a *laissez-faire* ethos runs through the veins of all American public policy is not specific enough to be convincing, as it misses earlier commitments by the federal government to directly manage industrial affairs, as with the NIRA, and in coordinating industrial movement, as witnessed during the industrialization of the South. It also ignores the unique character of each policy thread, and how each began as less business-centric approaches, and grew over time to align more closely with private sector interests. This project thus finds that an examination of cultural and ideological struggles and instances of mobilization by business can be most helpful in illuminating the trajectory of policy development, when the institutional circumstances under which these kinds of politics are clarified.

suddenly discovered again. It is thus unclear under what conditions institutions can incorporate ideas and interests in his story. Alternatively, there are several works that do more adequately describe the conditions under which ideas become effectively institutionalized by demonstrating how ideas shape policy constraints, see Judith Goldstein, "Ideas, Institutions, and American Trade Policy," *International Organization*, Winter, 1988, Vol. 42, No. 1, The State and American Foreign Economic Policy (winter, 1988) 179-217; and Weir, *Politics and Jobs: The Boundaries of Employment Policy in the United States*.

⁶³ See Timothy Weaver, *Blazing the Neoliberal Trail: Urban Political development in the United States and the United Kingdom* (University of Pennsylvania Press, 2016), and Karen Mossberger, *The Politics of Ideas and the Spread of Enterprise Zones* (Georgetown University Press, 2000).

⁶⁴ The skills mismatch argument embedded in American jobs policy assumes that workers are out of work because their skills do not match what employers are seeking; and therefore, workers should train themselves, and acquire new skills, to better adapt to labor market conditions and gain appropriate employment.

Arguments that advance the larger structural or instrumental influence of business are important for understanding the politics of deindustrialization. And as indicated earlier, they provide insight into key developments examined here, such as the delay and diminution of plant-closing legislation. But as with the role of ideas, the role of interests has to be examined within specific political and institutional contexts. This project pushes beyond the understanding that business can only serve an “input” role in policy-making, and examines the ways in which policies create “output” that may benefit business without private actors being directly involved with the creation of such. More specifically, there is little evidence that business as a class, or specific influential business leaders, consciously and consistently advocated for a more fragmented approach to deindustrialization, and conveyed this preference as an input into the “policy box.” Nor is there much evidence of early and consistent business community mobilization to shape compensation and redevelopment policy to serve their own interests, even during the peak years of deindustrialization. The only policy area where business consistently mobilized from the outset is in plant-closing legislation. But their success in this area can only be understood through an analysis of how they were able to take advantage of certain features of American political institutions, and to leverage the support of public officials who were sympathetic to their arguments. In the other areas studied by this project, business interests were initially quite mixed about what the U.S. government should do about deindustrialization. Some companies, like Chrysler, wanted government bailouts. Other industries, like air travel and banking, wanted fewer regulations. Steel firms expressed desire for protectionist policies or price fixing. and various new and old

businesses favored tax breaks for development.⁶⁵ A vast majority of developments in each fragmented policy thread cannot be traced to specific business inputs, requests, lobbying, or influential business leaders; nor can they be chalked up to more structural business interests, since what the National Association of Manufacturers wanted and what General Electric wanted were fundamentally different policies.⁶⁶

Thus, business may sometimes play a role in shaping policy outcomes, but not always, as this project finds that business interests are more often the beneficiaries of certain policies due to institutional factors. To expand our universe of knowledge about business's role in politics, more work needs to be attuned to how policies themselves can lead to benefits, advantages, or down-the-road influence for private actors. This research shows, for example, that there was more congressional leadership compelling the passage of trade policies than business influence,⁶⁷ and business was reportedly indifferent about enterprise zones when first proposed, as well.⁶⁸ This leadership by policymakers, working under assumptions about what was

⁶⁵ Information on the Chrysler bailout in 1980 can be found in Otis L. Graham, Jr., *Losing Time: The Industrial Policy Debate* (Harvard University Press, 1992), 33-34. For more information on different industries' push for deregulation, price fixing, and tax breaks, see Harrison and Bluestone, *The Great U-Turn*, 85-97.

⁶⁶ See Weaver, *Blazing the Neoliberal Trail: Urban Political development in the United States and the United Kingdom*, 7, 25; and Timothy P.R. Weaver, "'Trying Out Our Ideas': Enterprise Zones in the United States and the United Kingdom," in *How Ideas Shape Urban Political Development*, ed. Richardson Dilworth and Timothy P.R. Weaver (University of Pennsylvania Press, 2020), 160.

⁶⁷ Evidence of this is presented briefly in Chapter 2 of this dissertation. For some literature on congressional interest in jobs policies, see Gordon Lafer, *The Job Training Charade* (Ithaca and London: Cornell University Press, 2002); and Weir, *Politics and Jobs: The Boundaries of Employment Policy in the United States*. For literature on Congress's role in pushing trade policies with TAA attached, see J.F. Hornbeck, "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," *Congressional Research Service*, August 5, 2013; Stephanie J. Rickard, "Compensating the Losers: An Examination of Congressional Votes on Trade Adjustment Assistance," *International Interactions*, 41:1 (2015), 46-60; and Ethan Kapstein, "Trade liberalization and the politics of trade adjustment assistance," *International Labor Review*, Vol. 137 (1998).

⁶⁸ See again, Timothy Weaver, on business's interest in enterprise zones, he states: "While enterprise zones would in principle be a boon to business, close attention to the emergence, transition, and

institutionally feasible, ultimately helped encourage more business interest in the future. This project is grounded in an understanding that business enjoys a privileged position in politics,⁶⁹ but also in understanding that the role of business has to be understood in particular political and institutional contexts, and that there are many cases in which business is not the sole or primary driver of policy change, but rather the beneficiary.

Given the policy dominant themes in this research, I conclude that theories about gradual institutional change best explain how the character of the U.S. policy response evolved, and how these developments shaped consequences for relevant actors. American institutions are embedded, and change is often slow in American politics, but various American Political Development scholars have identified the conditions under which institutions and policies can be vulnerable to gradual change. The modes of gradual institutional change that concern this project are drift, conversion, and layering – theories of which have been originally advanced by historical institutionalists such as Kathleen Thelen, James Mahoney, Eric Schickler, Paul Pierson, and Jacob Hacker. In addition to these theories, I focus on another aspect of institutional change, namely a shift in institutional authority, in Chapter 4. In this case, the policy in name and purpose does not explicitly change, but over time has allowed one branch more control and direction over one policy than the other – in this case, it is more power to the president, and less to Congress.

adoption of the policy in both the United Kingdom and the United States reveals that business did not propose it and was initially ambivalent about the concept.” From Weaver, *How Ideas Shape Urban Political Development*, 160.

⁶⁹ Charles Lindblom, *Politics and Markets*.

While drift⁷⁰ is the most popularly studied of these modes, this research discovers that layering and conversion capture the unique and gradual change that occurs across the two of the three policy threads. Chapter 4 assesses Trade Adjustment Assistance and finds that *policy layering*, which has not been applied to TAA until this project, comes to define changing purposes of the policy. Policy layering is defined as the action of layering, or adding new arrangements or programs on top of existing policies or structures. Layering captures the notion that when actors have the opportunity to create new policies, they often do not eliminate old ones, and instead add new programs on top of existing ones.⁷¹ This process often generates new interests and new politics while changing the initial policy's purpose or goal. This partially explains how business comes to benefit from a compensatory policy that originally did not target them. While other authors have identified the link between

⁷⁰ "Policy drift" is a concept popularly used by APD scholars, and it is used to study how a policy's effects can change when left alone against changing social, political, and economic contexts. See Jacob S. Hacker and Paul Pierson, "Winner-Take-All Politics: Public Policy, Political Organization, and the Precipitous Rise of Top Incomes in the United States," *Politics & Society* ([38]2: 152-204, 2010), for some particularly relevant and convincing examples, including an analysis of sticky tax policies and changing economic conditions that have exacerbated American income inequality. See, also: Daniel Galvin and Jacob Hacker, "The Political Effects of Policy Drift: Policy Stalemate and American Political Development," *Studies in American Political Development*, 34(2), 216-238 (2020); and Jacob S. Hacker, Paul Pierson, and Kathleen Thelen, "Drift and Conversion: Hidden Faces of Institutional Change," in *Advances in Comparative-Historical Analysis*, ed. James Mahoney and Kathleen Thelen (Cambridge: Cambridge University Press, 2015).

⁷¹ See Eric Schickler, *Disjointed Pluralism: Institutional Innovation and the Development of the U.S. Congress* (Princeton University Press, 2001), 12-13, 15-16; Hacker, "Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States," 248; Kathleen Thelen and James Mahoney, "Comparative-historical analysis in contemporary political science," from *Advances in Comparative-Historical Analysis*, ed. James Mahoney and Kathleen Thelen (Cambridge: Cambridge University Press, 2015), 14, 24; Karen Orren and Stephen Skowronek, "Order and Time in Institutional Study: A Brief for the Historical Approach," from *Political Science in History: Research Programs and Political Traditions*, ed. James Farr et. al. (Cambridge University Press, 1995).

trade policy and TAA, this project explicitly exposes the evolution of this link as a case of shifting institutional authority from Congress to the president.

Chapter 5 argues that enterprise zone policies were particularly susceptible to institutional conversion. Jacob Hacker explains *policy conversion* as a method of gradual change by which policies that exist for long periods of time are vulnerable to manipulation by certain actors or interests working within institutional frameworks.⁷² While Hacker demonstrates the application of conversion to explain the development of retirement pensions in the United States,⁷³ the concept also captures how institutional actors were able to keep expanding and garnering support for a very business-focused community development policy. Part of what all these modes of gradual change accomplished, across the three threads, was the progression of policies that were originally supposed to be worker or community focused, to eventually serve private interests.

This dissertation thus shows that policy fragmentation was shaped in part by the failure and negative legacies left by past industrial policies in the United States. What was pursued instead were limited and piecemeal policies addressing three discrete consequences of deindustrialization. Once the three separate policy tracks – notification, compensation, and redevelopment – were established or conceived, they continued to evolve in path dependent ways. Additionally, compensation and redevelopment policies gradually changed as a result of either layering and shifting

⁷² See Hacker, “Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States;” and Hacker, Pierson, and Thelen, “Drift and Conversion: Hidden Faces of Institutional Change.”

⁷³ Hacker, “Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States,” 246-247.

institutional authority, or conversion, which incorporated new struggles and politics among invested actors working in specific institutional settings. These actors included key committee chairs, branches of government, business and labor leaders, all of whom engaged in political processes through partisan conflicts, mobilization efforts, and contradictory ideas, to name a few.

In the end, these developments led to businesses benefiting, in different ways, from the trajectory of each policy thread; even though each in principle was designed to help workers and communities. Such consequences are shaped by the institutions and politics that came before and developed over the course of American deindustrialization. This project owes a great deal to the American Political Development scholars who not only advanced theories of gradual institutional change, but also those who propose that policies create politics.⁷⁴ This project reaffirms the notion that institutional arrangements matter for policy-making, and that such policies regularly have the propensity to shape political struggles.

Methodology

⁷⁴ These works include: Suzanne Mettler, *The Submerged State: How Invisible Government Policies Undermine American Democracy* (Chicago and London: The University of Chicago Press, 2011), who examines the politics formed by the unique existence of the American welfare state. Mettler argues that certain redistributive tax policies fly under the radar, and have awoken certain interests that are invested in the policy's survival, but ordinary citizens are not necessarily paying attention and oftentimes misunderstand how the government is actually involved in policies; Andrea Louise Campbell, *How Policies Make Citizens: Senior Political Activism and the American Welfare State*, who argues that policies create politics, using Social Security and its loyal senior citizen base as a case study; and finally, Margaret Weir, *Politics and Jobs: The Boundaries of Employment Policy in the United States*, who studies the interaction of institutions, ideas, and interests in shaping the politics surrounding the failure of employment policy in the U.S.

To bring clarity to these theories about institutional change, this research method utilizes comparative historical analysis to elucidate why the American policy response was fragmented, how it took the form it did, and the consequences of these developments. I pull primary data from congressional records, committee and sub-committee hearings, and roll call votes on relevant policies. Particular attention is paid to testimony of lawmakers, business organizations, and trade organizations. I also draw on presidential library archives to collect data on presidential memos, speeches, addresses, and interviews to characterize various administrations' involvement in shaping relevant policies, and how these might have been at odds with congressional desires.

For the execution of the comparative historical analysis method, the policies studied are analyzed both across time and space. In Chapter 2, I analyze the separate policies that emerge in the context of the NIRA's failure and discuss how each response was separate and piece-meal in terms of a federal policy response to deindustrialization. In the following three chapters, I analyze each of these three institutional tracks separately across time to assess how notification policy, compensatory policy, and redevelopment policy each developed and changed. This developmental analysis, backed by evidence of congressional hearings, roll call votes, and presidential statements, elucidates the specific factors, such as inter-branch struggles or business mobilization, that contributed to the *character* of the U.S. response over time. Within these substantive chapters, I also analyze these three policy areas comparatively, to reveal common themes across the three policy realms,

and demonstrate how future consequences were guided by the fragmented U.S. policy response to deindustrialization.

Chapter Outline

The dissertation is divided into five substantive chapters, with a short conclusion. After this introductory chapter, Chapter 2 is devoted to a historical understanding of the failure of the National Industrial Recovery Act, and how this both contextualized the lack of a comprehensive and coherent industrial policy in the U.S., and opened up space for institutional experimentation beginning in the 1960s with two separate policies, the Area Redevelopment Act of 1961 and the Trade Expansion Act of 1962. I briefly discuss the passage of the Manpower Development and Training Act of 1962 as well. Chapter 2 also argues that holistic approaches to deindustrialization through coordinated economic planning would be difficult to implement because there was not an established role for the government to play in terms of sectoral policy, and the fragmented experiment that emerged during the 1960s even further fragmented and obscured this role as institutional experimentation abounded. Lawmakers in the 1960s set up separate policies that dealt with discrete aspects of deindustrialization's consequences, and thus a fragmented policy system emerged with contradictory and unclear purposes. The most comprehensive of these, the ARA, would expire within two years, and demonstrated the continued political difficulty of adopting wide-ranging and effective policy responses focused on distressed communities. In future attempts, redevelopment policy, in the form of enterprise zones, would look very different than what ARA originally envisioned. In

contrast, the perceived success of the Trade Expansion Act (which simultaneously promised TAA) would set the government on a separate track that would be difficult to abandon. While the NIRA and ARA marked short moments of more robust policies, their respective failures suggested that comprehensive industrial policies were not feasible in the United States.

The next three chapters analyze the development of each of the three policy tracks. Chapter 3 examines notification policies for workers facing job loss related to industrial disinvestment, through an analysis of “plant-closing” legislation. Plant-closing legislation was significantly delayed and comparatively more limited than state-level proposals and policies passed in other countries. This occurred as a result of coordinated business mobilization, in which business leaders utilized slow-moving American policy-making institutions to their advantage. Business interests, as well as policy-makers like Ronald Reagan sympathetic to these interests, all but guaranteed that the version of plant-closing legislation to become law would have shorter notification requirements and no real compensatory obligations, which benefited business owners.

Chapter 4 analyzes the link between trade policy and Trade Adjustment Assistance, and how this affected TAA’s gradual change over time. TAA originated in 1962 as a compensatory policy for displaced industrial workers, and still exists to date. Its tie to trade policy dating back to 1962 helped stimulate its long survival. But over the years, this institutional link to trade negotiations meant the program was contingent on administrations entering free trade agreements. Part of its long-term survival meant that TAA was used as a vehicle for other purposes, such as grant

funding for community colleges, or liberalized trade. Most importantly, it was frequently renewed in conjunction with agreements that allowed for even more unfettered capital movement. TAA thus represents a case of policy layering and shifting institutional authority. Over time, its purpose became obscured by the addition of unrelated programs. And the free trade agreements entered on behalf of the president have allowed for the acceleration of capital flight that exacerbated compensatory need in the first place.

Finally, Chapter 5 examines the redevelopment policy thread, beginning with the negative legacy of the ARA, and repurposed into various forms of “zone legislation.” This chapter explores the proliferation of the “enterprise zone” policy in the 1990s and 2000s as a response to community-based industrial decline, with espoused intensions to target urban and rural post-industrial towns. I argue that while enterprise zone legislation represented a much more business-friendly approach to area redevelopment than the ARA offered, the policy conversion that occurred over the course of the enterprise zone’s development after 1993 created more political interest on behalf of business once its benefits became more concentrated in the private sector. Through its placement in the tax code, policymakers have slowly been able to bend the policy to more business-friendly ends in pushing for capital gains relief as the singular aim of zone legislation, and by decreasing strictness of standards for eligible communities. The original purpose of the policy, envisioned as a protective method to aid former industrial communities, has been lost in the most recent iteration of redevelopment policy, as 8,764 communities qualify as

“opportunity zones” under the new law as of 2017. This gradual policy evolution has allowed for the advance of significant benefits to the business community.

The conclusion of this dissertation briefly addresses the consequences of these federal actions. The fragmented approach taken to deindustrialization arguably means that opportunities for more cohesive and comprehensive policies have since been foreclosed, and the types of politically viable “solutions” today are similar to the ones that came before: limited compensatory measures (such as TAA), even more limited plant closing protections, and privatized community redevelopment. All in all, while business has benefited in various ways from each federal policy, it is former industrial communities and workers that have borne the brunt of the negative effects. The dependence on private business to provide support in these policy realms has left workers without significant social protection.

Chapter 2

The Failure of U.S. Industrial Policy

As the negative effects of deindustrialization became apparent in the second half of the 20th century, the U.S. federal government was limited in its ability to quickly implement any sectoral policies that would offer broad solutions for struggling industries or the workers and communities that depended on them. Unlike other advanced industrial democracies during the 20th century, such as France, Sweden, or Canada, the United States did not possess a robust institutional apparatus to conduct industrial policy, including through coordinating with private industry to address declines. In response to heightening foreign competition, rising unemployment trends, and increasing economic hardship and distress in certain communities, the U.S. federal government instead passed a series of policies during the early 1960s that addressed a few distinct aspects of deindustrialization's consequences. Between the years 1960 and 1962, the United States passed the following measures in response to the economic trends unleashed by industrial decline: The Area Redevelopment Act of 1961, the Manpower Development and Training Act of 1962, and the Trade Expansion Act of 1962. Later, in 1988, the United States would finally pass plant-closing legislation called the Worker Adjustment and Retraining Notification Act designed to warn workers of imminent factory closures.

The fact that the United States does not have a coherent and comprehensive “industrial policy” realm is known, but the consequences of this in regards to deindustrialization are vastly understudied. Arguably the most ambitious attempt to

set the foundations for such a policy – the short-lived National Industrial Recovery Act of 1933 – will be familiar to students of American political economy and those who study planning, industrial relations, and industrial policy in general. In 1933, the National Industrial Recovery Act (NIRA) represented a uniquely American industrial policy passed as part of the New Deal’s commitment to economic recovery. Its goal was to help *manage* supply-side production, and coordinate efforts between government and private industry. The “codes of fair competition” allowed by the Act meant that hundreds of industry-wide agreements, that had the power of law, would be established before the Act met its end in the Supreme Court. Just two years after its passage, the Supreme Court ruled the National Industrial Recovery Act unconstitutional, but even in its short operation the initiative had been marked by disorganization and conflict among the interests it was meant to coordinate. The state capacity issues that led to the disorganization and ultimate disaffection with the NIRA have been pointed out by scholars, and these scholars mention the potential policy-related consequences of industrial policy’s failure during the New Deal;⁷⁵ however, the actual down-the-line effects of the U.S.’s lack of a comprehensive industrial policy merit closer attention.

This historical chapter adopts the task of analyzing the particular policies that emerged in the wake of the NIRA’s “negative legacy” as deindustrialization gripped the nation. My argument in this chapter is three-fold:

⁷⁵ See Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal.”

First, I argue that the federal government's attenuated and fragmented response to deindustrialization at its peak years between 1975 and 1985 was shaped in specific and important ways by earlier policy developments. More specifically, the failure of the NIRA left a negative policy legacy that constrained future industrial policy development. This negative legacy included firstly, a lack of authority and institutional capacity in the federal government to conduct economic planning, coordination, and other forms of industrial policy, and secondly, cautiousness or hostility among policymakers and private sector actors about the role of the federal government in managing, coordinating, or directing the private market.

Second, I argue that the negative legacy of the NIRA reinforced beliefs that the federal government should not or could not seek to manage economic developments or the consequences of economic decline. This conviction constrained and contributed to the defeat of economic planning and other industrial policy proposals in the 1970s.

Third, I argue that these earlier policy developments help explain the character and trajectory of a wave of policies that were enacted in the early 1960s, in response to the early signs of deindustrialization and to economic downturns. These policies might have developed in ways that reflected a more robust response to those trends. But in part because they were not embedded in a coherent and coordinated federal response, they developed along their own trajectories, and were eventually bent to serve different – and largely business-friendly – ends. More specifically: 1) The ARA was initially conceived as a multi-faceted and integrated community redevelopment approach to the problems faced by distressed communities and workers, and might

have emerged as a promising, if limited, policy approach.⁷⁶ But the initiative was short-lived. And through a process of policy conversion (examined in Chapter 5), future iterations of redevelopment policies would increasingly serve the interests of business. 2) The Trade Adjustment Assistance program promised to provide income assistance and retraining for workers displaced by trade. But it was linked to policies designed to facilitate the negotiation of free trade agreements. Through a process of policy layering (examined in Chapter 4), the program ultimately served the interests of business as much or more than those of displaced workers. 3) The MDTA also promised to provide income assistance and retraining to workers displaced not only by trade, but in response to broader changes in automation and technology during the 1960s. However, through a process of policy drift, the individual and skills-based focus of the program proved increasingly irrelevant to the needs of workers facing the loss of permanent jobs as deindustrialization intensified.

This historical chapter proceeds as follows: The first section analyzes the experience of the National Industrial Recovery Act (1933), and the negative policy legacies for industrial policy debates that ensued. The second section examines the experience of the Area Redevelopment Act, and the impact of its failure on the trajectory of redevelopment policy. The third section then assesses the impact of these failed attempts at comprehensive policymaking (through the NIRA and the ARA) on the economic policy debates of the 1970s. The fourth section examines the character

⁷⁶ While it targeted aid to industries within economically struggling communities as opposed to implementing direct planning protocols, the ARA is studied by scholars such as Sar Levitan and Gregory S. Wilson as a direct response to deindustrialization. The law was implemented in order to assist economically distressed urban and rural areas facing early deindustrialization.

of the attenuated and fragmented policy responses to deindustrialization that were enacted in the early 1960s – related to redevelopment, job training, and Trade Adjustment Assistance. The final section provides an initial examination of plant-closing legislation, which is taken up in more depth in the next chapter.

I. An unsuccessful experiment: The Negative Policy Legacy of the National Industrial Recovery Act

While the United States has periodically seen debates over – or the limited use of – economic planning or industrial policies, these have not been a consistent feature of American political development. When the U.S. historically attempted to adopt more comprehensive industrial policies, like the National Industrial Recovery Act in 1933 (and to a lesser extent, the Area Redevelopment Act in 1961, a redevelopment program that included elements of industrial policy), these policies were short-lived and not institutionalized. The defeat or failure of these more comprehensive approaches would make the future adoption of robust industrial policies far more difficult – both because the clear authority, staffing, and other resources needed to plan and implement such policies were missing, and because the experience of failure generated or reinforced opposition to such policy approaches.

When the National Industrial Recovery Act passed in 1933, it created for the first time a legal framework through which the U.S. federal government would oversee the coordination of industrial sectors and the management of negotiations between labor and employers. Prior to the passage of the NIRA, though, there existed only a special set of circumstances under which a more direct role for government in

the economy was acceptable, and that was during times of war. This role would be executed by the president in his power as Commander in Chief. The executive's action in coordinating the production side of the economy set a precedent of sorts for managing supply, but prior to 1933, it was all in the name of national security. When President Woodrow Wilson announced that the United States would be entering World War I in 1917, the president experimented with implementing various programs to assist with the management of increased material and goods production necessary for war. Eventually, Wilson landed on the establishment of the War Industries Board, or WIB, directed by Bernard Baruch. The Board's job was to oversee and manage private production of essential war materials, and it had authority to seize and run plants if firms declined to cooperate.⁷⁷ By the end of the War, Wilson with the approval of Congress had nationalized the railroad industry, taken over the telephone and telegraph systems, and put the Food Administration in charge of managing production and prices in the agricultural sector.

The War Industries Board ceased to exist after the end of the War, and the 1920s saw a complete about-face in terms of government involvement in planning or other forms of economic intervention, as Congresses and presidents again ceded authority to the private sector during these years. It was not until the stock market crash in 1929, and the severe Depression that followed, that a conversation opened again about possibilities for government's role in stimulating or steering economic

⁷⁷ Harrison and Bluestone, *The Great U-Turn*, 80, 216 footnote no. 3. These authors point out, however, that industry largely cooperated voluntarily with efforts on behalf of the WIB, accordingly, they had a self-interest in obliging, as "the Board's activities guaranteed producers a dependable supply of raw materials and transportation (216)." See, also, Edward Chase Kirkland, *A history of American economic life* (Appleton Century Crofts, 1969).

activity. The historic election of Franklin D. Roosevelt in 1932 suggested that a new role for government management of the free market was about to emerge: one that would experiment with guiding both the demand and supply sides of the domestic economy.

When record high unemployment and low private investment spread in the early 1930s as a consequence of the depression, businesses and trade organizations consolidated around a common economic goal.⁷⁸ Indeed, both business and labor actively requested government assistance in facilitating economic cooperation between the public and private sectors to stimulate both demand and investment, and to lower unemployment levels. Specifically, the Chamber of Commerce and the National Association of Manufacturers sought government's help in promoting sectoral unity within industries, and in relaxing anti-trust laws. The eventual circumstances surrounding the administration of the National Industrial Recovery Act ultimately produced undesirable consequences for capital, particularly in fueling additional discord with newly protected labor unions. But as Theda Skocpol and Kenneth Finegold argue, the initial establishment of the National Recovery Administration appeared to be exactly what business had hoped for in terms of cooperative industrial policy.⁷⁹

The National Industrial Recovery Act passed in 1933 with an overwhelming majority in Congress and with support from businesses. It allowed the U.S. to

⁷⁸ For more on the various positions of prominent trade associations in relation to industrial-wide cooperation, see Louis Galambos, *Competition & Cooperation: The Emergency of a National Trade Association*, 173-202.

⁷⁹ Skocpol and Finegold, "State Capacity and Economic Intervention in the Early New Deal," 259-260.

officially legislate a unique framework for industrial planning and coordination, one that had only previously existed during war time at the behest of the president as Commander in Chief. Skocpol and Finegold comment, “In one way of looking at it, the National Recovery Administration had to start from scratch to implement government-supervised industrial coordination. But in another way of looking at it, the Recovery Administration simply reproduced still another variant of the same governmental strategies used to ‘mobilize business’ under Bernard Baruch’s War Industries Board...”⁸⁰ While there are indeed two ways of looking at it, I would postulate that what remained novel about the National Industrial Recovery Act is that it provided official capacity on behalf of the U.S. government to control, manage, and dictate industrial production – even during times of peace. The initiative represented an exceptional experiment in policy-making, one that would permanently expose and highlight the institutional difficulties of government management of industry in the United States.

Despite its ultimate termination, the NIRA put forth novel ideas about planning, and introduced a new kind of regulatory body unlike anything seen in American policy-making previously, or since. Created by the Act, the National Recovery Administration’s job was to oversee cooperation between industrial and trade associations, representatives of which were tasked with drawing up codes to minimize competition, control prices, and restrict production during economic downturns. If industrial and trade associations were unable to make an agreement, the

⁸⁰ Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 264.

president of the United States himself could draw up his own codes and enforce them as law.⁸¹ These tasks seated the public sector right in the middle of industrial planning, involving the state more directly in economic affairs than any previous congressional legislation had allowed, or future laws would.

The National Recovery Administration, with Hugh Johnson as the Chair, hit the ground running, and within the first five months, the NRA designed over 500 codes of fair competition which covered “96 percent of U.S. industry.”⁸² The first few months were administratively hectic, as the Administration had the responsibility of assembling thousands of NRA staff members while implementing codes from scratch. Its stated purpose was “To encourage national industrial recovery, to foster fair competition, and to provide for the construction of certain useful public works...”⁸³ Some of the earliest established codes, named after the industry which they targeted, were titled as follows: Cotton Textile (Code No. 1), Lumber & Timber Products (9), Iron & Steel, plus Wire Reinforcement (11), Automobile Manufacturing/Funeral Vehicle and Ambulance Manufacturing (17).⁸⁴ Later, in 1934, came the following: Car Advertising Trade (532), Window Glass Manufacturing (533), Brattice Cloth Manufacturing (535), and lest we forget, Horse Hair Dressing (534).⁸⁵ Below is an

⁸¹ Louis Fisher and Katy J. Harriger, *American Constitutional Law: Constitutional Structures, Separated Powers and Federalism*, Volume 1, 10th Edition (Carolina Academic Press, 2013), 208.

⁸² Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 265.

⁸³ Quote from the transcript of the National Industrial Recovery Act (1933). 73rd United States Congress, P.L. No. 67, “The National Industrial Recovery Act.”

⁸⁴ National Recovery Administration. History of Codes. United States.

<https://www.loc.gov/rr/business/pdf/nra-history-codes-index.pdf>.

⁸⁵ National Recovery Administration. Codes of Fair Competition: (arranged by Subject). United States: U.S. Government Printing Office, 1933.

excerpt from The Window Glass Manufacturing Industry Code Number 533, which was authorized on November 22, 1934:

THE INDUSTRY IN GENERAL. The Window Glass Manufacturing Industry as defined by the Code embraces all establishments engaged in the manufacture and primary sale of common window glass and, at this date consisting of seventeen known manufacturers, operating at the present time fourteen plants. Three of these manufacturers produce and sell approximately seventy-three percent of the existing demand and the others, fourteen in number, commonly known as “independent manufacturers” produce and sell approximately twenty-seven per cent of the existing demand...

PROVISIONS OF THE CODE AS TO HOURS, WAGES, AND GENERAL LABOR PROVISIONS. This Code provides that no employee shall be permitted to work more than seventy-two hours in any fourteen day period nor more than six days in any seven day period; and that no employee shall be permitted to work more than eight hours in any twenty-four hour period (except that each employee may be permitted to work six additional hours in any seven day period, provided that at least one and one-half times their normal rate of pay is paid for all time worked in excess of eight hours in any twenty-four hour period)...⁸⁶

This new-found authority, though, had complications. Such centralized responsibility over labor-management relationships in the workplace and coordination of prices and production within industrial sectors was administratively difficult to coordinate for the recently established National Recovery Administration.⁸⁷ While the provisions limiting hours and dictating wages appeared straightforward, the definition and coordination of the targeted industry often proved complicated to manage. The process of gathering this data about the glass manufacturing sector demonstrated a tremendous challenge for the NRA staff. Part of the problem, as Skocpol and Finegold relay, was that industries operated in a federal system that had different

⁸⁶ National Recovery Administration. Codes of Fair Competition: (arranged by Subject). United States: U.S. Government Printing Office, 1933.

⁸⁷ Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal.”

state-wide jurisdictions. While some larger companies managed the commercial flow among states well, other smaller companies operated only at a local scale – and each had their own set of rules. Accordingly, “Business executives found that legalized regulation and planning by industries’ own efforts, rather than by state initiative, result[ed] in an incoherent pattern of cross-cutting jurisdictions and a proliferation of administrative red tape.”⁸⁸ Even the most successfully regarded Code, which targeted the textile industry as the first of over 500, had administrative problems: “The code authority in cotton textiles was still having difficulty in 1934 with the hoary problem of how to fine-tune flows of production in the industry so as to prevent inventory backlogs from building up and undercutting steady profitable yields.”⁸⁹

Despite offering political support for its passage, business executives also grew increasingly impatient with the political leverage that Section 7(a) gave labor representatives. Every code of fair competition established had to adhere to the rules set forth by Section 7(a), allowing the right of employees to collectively bargain. When mutual agreements were not met, the President had the power to investigate and establish a code fixing conditions of employment as deemed fit.⁹⁰ In the beginning, business leaders found loopholes in writing these codes that still allowed management the upper hand, but as more codes were written, and business leaders started encountering the mountain of red tape in managing industrial relations, labor started pushing for more aggressive protections in the codes. The age-old conflict between management and labor – typically relegated to the workplace – emerged

⁸⁸ Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 266.

⁸⁹ Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 266-267.

⁹⁰ Hawley, *The New Deal of the Problem of Monopoly*, 32.

front and center in the political arena.⁹¹ The state served as an ill-prepared umpire for this fight.

Thus, ““the swirling chaos over which Hugh Johnson reigned,””⁹² left a rather bitter and troubled institutional legacy. Skocpol and Finegold argued that as a result, “U.S. capitalists would learn that it was perhaps worse to have tried the NRA experiment and failed than not to have tried at all.”⁹³ When the “codes of fair competition” provision in the National Industrial Recovery Act was ruled unconstitutional in 1935, the administrative body in charge of coordinating such codes had already become fraught with internal conflict and administrative backlogs, and growing disillusion on behalf of some in labor and management in its short two-year existence. For some, the ruling perhaps came as a reprieve – a chance to start over, or more likely, the opportunity to never try again. The case, *Schechter Corp. v. United States*, concerned a “live poultry code” authorized by the law’s grant of power to the National Recovery Administration to invoke codes of fair competition within industries. This particular code set maximum hours during a work day, guaranteed minimum pay, and prohibited the employment of persons under 16 years of age in the poultry production industry.⁹⁴ Citing an unlawful delegation of power to the president, the Supreme Court found that “the code-making authority thus conferred

⁹¹ Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 266. Hawley also speaks to the “conflict of goals” present in the National Recovery Administration, which wrestled with notions of business-led economic direction, cooperative democracy where businesses joined together in agreement, and competitive ideals revered in free market competition. See Hawley, *The New Deal of the Problem of Monopoly*, 35-52.

⁹² Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 264; see, also, Galambos, *Competition and Cooperation*, 227.

⁹³ Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 267-268.

⁹⁴ *A.L.A. Schechter Poultry Corporation v. United States*, 295 U.S. 495 (1935).

[was] an unconstitutional delegation of legislative power.”⁹⁵ The decision left the administrative body, the National Recovery Administration without power, which effectively gutted the entire recovery act.

Unlike the Agricultural Adjustment Act, which was ruled unconstitutional in that same year but saw a replacement bill in 1938, the termination of NIRA did not lead to a revised attempt to pursue industrial coordination. This was due in large part to the perceived failure of the experiment even before a decision was handed down by the Court. Revisiting the conflicts spurred by the creation of the NRA, Skocpol and Finegold comment on the troublesome legacy of the NRA:

...as the NRA became ever more conflict-ridden in 1934-1935, it actually generated dysfunctional side effects for its original business advocates. It helped to arouse and politicize labor-management struggles, and it set increasing numbers of disillusioned capitalists on a collision course with New Deal politicians. The virtually complete absence of autonomous capacity to administer industrial planning in the U.S. polity of the early 1930s condemned the NRA to be, at first, a charismatic mobilization effort, and then an arena of bitterly politicized and inconclusive conflicts.⁹⁶

In the end, NIRA’s fate was sealed by the Supreme Court. Skocpol and Finegold rightfully point out that the execution of the NIRA suffered due to a major lack of state capacity in the industrial policy arena. More important for this project is the legacy of this policy: Actors involved in its implementation, which included business, labor, and the federal government, were all wary to try centralized planning or coordination again in the wake of this failed experiment.

⁹⁵ *A.L.A. Schechter Poultry Corporation v. United States*, 295 U.S. 495 (1935).

⁹⁶ Skocpol and Finegold, “State Capacity and Economic Intervention in the Early New Deal,” 267.

Even as direct threats to industry emerged during the early years of deindustrialization, and debates about government's involvement resurfaced, no legitimately viable policy proposals were advanced that called for direct management or planning on the production side of the economy. The industry-wide efforts so central to the National Industrial Recovery Act were the first and only American attempt at a version of national planning during peacetime, and the NIRA's failure left a two-fold negative legacy. It reflected and reinforced the fact that the U.S. government did not have the clear and continuing authority, staffing, and other resources required to conduct economic planning or coordination on a large scale. And it generated or reinforced opposition from industry leaders and policymakers in attempts to do so.

II. Another negative legacy: The Area Redevelopment Act of 1961

Twenty-five years later, another multi-faceted (if more modest) legislative initiative was adopted, in response to economic decline and hardship. The Area Redevelopment Act of 1961 did not directly seek to manage, plan, or coordinate industrial production, but it did aim to provide government aid for those affected by industrial decline. In retrospect, the ARA may reflect the single-most comprehensive attempt on behalf of the federal government to address community-based consequences of American deindustrialization. The very short life of the Act, though, meant that it was more significant for what it failed to achieve, as the ARA does not mark a permanent feature of economic or community redevelopment policy, but rather, another failed project. Through an approach called "area designation," in

1961, the United States Congress authorized a funding package to financially aid cities and towns in America considered most vulnerable to the negative effects of industrial change. In its entirety, the bill cost the federal government \$389 million dollars and created the Area Redevelopment Administration, which was placed in the Department of Commerce.⁹⁷ The Area Redevelopment Administration was responsible for deeming which areas were eligible for designation, and these areas would be able to participate in the programs and receive funds authorized under the ARA. These programs and associated funds comprised four different components of the ARA: 1. Commercial loans and industrial grants, 2. Grants for public facilities, 3. Training and Compensation for the Unemployed, and 4. Community Development. Early on, nearly 900 counties across the country were deemed eligible for assistance, and a sixth of the country's population lived in these designated areas.⁹⁸

When “depressed areas” legislation – as it was called at the time – was first being debated, the sheer magnitude of deindustrialization could not have been fully grasped by lawmakers. 1960 still marked a period of inconsistent deindustrialization in America. While the textile industry was showing early signs of trouble, the steel and automobile sectors still appeared strong overall, and the Northeast remained a solid hub for manufacturing work. A more consistent pattern that emerged during this

⁹⁷ Gregory S. Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” from *Beyond the Ruins: The Meanings of Deindustrialization*, 181.

⁹⁸ For a condensed summary of the Area Redevelopment Act in practice, see Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965”; for an expansive analysis of the Area Redevelopment Act's various components, see Sar A. Levitan, *Federal Aid to Depressed Areas: An Evaluation of the Area Redevelopment Administration*; for a detailed account of earlier, failed “depressed areas” proposals, see Davidson, “Coalition-Building for Depressed Areas Bills: 1955-1965.”

time presented as various, urban pockets of persistent economic struggle, mainly, persistently high unemployment in cities like Detroit, Yonkers, Lansing, and Pittsburgh.⁹⁹ Indeed, the economic struggles facing these cities was a forecast of what was to come, but in the early 1960s, the problem of the “depressed area” appeared localized and limited. These pockets of economic struggle did indeed alert some lawmakers to a growing problem, though, and certain government officials began envisioning a national policy to assist the struggling community. In the 1950s, Senator Paul Douglas, a Democrat who represented the state of Illinois, began raising the alarm about economic decline and rising unemployment rates in parts of southern Illinois, despite overall low unemployment levels nationally. Douglas believed deeply in the principle of full employment, and he thought that “living communities represented a vast capital and human investment that should be conserved.”¹⁰⁰ When Senator Douglas was appointed Chairman of Congress’s Joint Economic Committee in 1955, he was able to access advisory reports from the president’s Economic Advisory Committee and put forth suggestions to the Eisenhower Administration about the problem of depressed areas.

There were, however, important ideological disagreements about the nature of the problems that Douglas was pointing to, and whether and how the federal government should respond. The prevailing thought at the time was that the problems would be self-correcting. Regarding areas that struggled with persistent growth

⁹⁹ See selected chapters in *Beyond the Ruins: The Meanings of Deindustrialization*, ed. Jefferson Cowie and Joseph Heathcott (Cornell University Press, 2003), particularly Chapter 1 and Chapter 2; see also Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit*.

¹⁰⁰ Davison, “Coalition-Building for Depressed Areas Bills: 1955-1965,” 4.

issues, the Economic Advisory Committee on behalf of Eisenhower suggested that “...sound, over-all, national economic policy... would assure a generally high level of employment and income,” and any additional remedies “should be carried out by the local citizens themselves.”¹⁰¹ According to Senator Barry Goldwater (R) from Arizona, who emerged as an opponent of proposed redevelopment legislation, local economic struggle was consistent and inevitable throughout American history. The nation has always, he argued, “...experienced the boom development of certain areas, only to realize, at some later date when the economic sources were dissipated, the collapse of whole communities, which exist today only as ghost towns.”¹⁰² Such fates were unfortunate, Goldwater agreed, but saving these communities was not an appropriate duty for the federal government.

Senator Douglas disagreed with Eisenhower’s sentiment that a broad national economic policy could properly address this problem, and rejected Goldwater’s presumption that certain areas were doomed to remain depressed. The Economic Advisory Committee did eventually revise its position and recommend that more measures were needed to adequately assist economically distressed communities,¹⁰³ and Senator Douglas moved full steam ahead with various policy proposals for redevelopment legislation. His numerous proposals built on previous local, state, and

¹⁰¹ Levitan, *Federal Aid to Depressed Areas*, 2.

¹⁰² Levitan, *Federal Aid to Depressed Areas*, 23.

¹⁰³ Levitan, *Federal Aid to Depressed Areas*, 4.

federal efforts from the New Deal, and he drew on similar programs in Western Europe designed to address declining industries.¹⁰⁴

Solomon Barkin, research director of the Textile Workers Union, and William L. Batt Jr., former Labor Department official and future chairman of the ARA, were both central figures in organizing the principles of redevelopment legislation. Research published by Solomon Barkin was cited in the future Area Redevelopment Act, attributing success in European countries to solid programs that fought unemployment in areas harmed by deindustrialization.¹⁰⁵ Fellow liberal Democrats jumped on board the redevelopment train as well, since area redevelopment would be perceived as “cushioning the blow” of other federal programs, including a liberalized trade agenda which risked accelerating the job losses already occurring in the coal and textile industries.¹⁰⁶

Original recommendations from the Douglas team envisioned a far more direct role for government in area redevelopment, similar to the way that public works programs functioned during the New Deal.¹⁰⁷ The first official version of the bill would scale back provisions that proposed direct public works programs, but it did put forth a significant budget designed to benefit local workers, firms, and communities. Douglas proposed “the establishment of a \$100 million revolving fund

¹⁰⁴ Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” 184-186. On these pages Wilson talks quite a bit in particular about efforts in Pennsylvania to create policies aimed at industrial development between the years 1945 and 1961.

¹⁰⁵ Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” 186.

¹⁰⁶ Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” 183-184.

¹⁰⁷ Levitan, *Federal Aid to Depressed Areas*, 2

from which new or expanding industries in depressed areas could borrow funds, at low rates of interest...” and the bill would allow for “rapid tax-amortization privileges to firms located in the depressed areas.”¹⁰⁸ The Douglas bill would be called the Depressed Areas Act of 1956, and its broad purpose was to aid depressed industrial areas suffering from chronic unemployment.¹⁰⁹

The Depressed Areas Act in its original form also called for the creation of an autonomous Depressed Areas Administration within the executive branch. Its Administrator would be appointed by the president, and would have the authority to appoint local industrial development committees to plan industrial and commercial construction with a tailored regional focus.¹¹⁰ Had the legislation passed with this provision, creating both institutional authority and resources, the executive branch perhaps would have secured more administrative organization, less cross-department confusion, and been able to sustain a more effective response to industrial decline.

But the House failed to pass the Depressed Areas Act. At the time, the bill had co-sponsors like young Democratic Senator John F. Kennedy from Massachusetts, and support from local businesses. But the National Association of Manufacturers and the Chamber of Commerce argued against area redevelopment proposals. Republicans, too, were unsure about the lengths the Douglas bill went to, and concerns about tax amortization and excessive funds loomed over the discussions that

¹⁰⁸ Levitan, *Federal Aid to Depressed Areas*, 5.

¹⁰⁹ Levitan, *Federal Aid to Depressed Areas*, 5.

¹¹⁰ Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” 186.

defeated this bill.¹¹¹ There was also critical resistance from within the ranks of Democrats themselves. Many southern Senators were skeptical about a bill that did not directly benefit rural areas. The Chairman of the Senate Banking and Currency Committee, Democratic Senator William Fulbright of Arkansas, also expressed reservations about area redevelopment. Fulbright's committee assumed responsibility over subsequent iterations of depressed area legislation, and at multiple points according to Douglas, deliberately attempted to thwart its passage. Chairman Fulbright outlined his position, "I do not favor special legislation for a few spots in Illinois, Pennsylvania, and a few other places. I am interested in national legislation. There is no secret about the fact that I am opposed to the bill."¹¹²

Revised versions of the bill were introduced in the years that followed. In 1958, the proposal was renamed the Area Redevelopment Act, and now, rural areas and Native American reservations, in addition to cities, were included as eligible for designation in the bill at the request of Republican and Democratic lawmakers. The tax amortization element would disappear, and proposed funds would be reallocated to specific components of the program. This version also enjoyed widespread support from labor unions, including UAW, United Steelworkers, as well as urban interest groups such as the American Municipal Association. Once the provision for rural designation was added, interest groups like the National Farmers Union also joined in support.¹¹³ Congress passed the Area Redevelopment Act twice, once in 1958, and

¹¹¹ Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," 186, 188.

¹¹² Davidson, "Coalition-Building for Depressed Areas Bills: 1955-1965," 13.

¹¹³ Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," 189.

again in 1960. However, despite vague promises to reach an agreement, President Eisenhower vetoed the bill both times.¹¹⁴

When President Kennedy took office in January of 1961, Congress was ready to pass the final version of this bill, and Kennedy worked with Democrats to get a bill that appealed reluctant Democrats and met some Republican demands, ready for his signature. Before its passage, President Kennedy and Congressional Democrats would make a notable concession to Republicans, placing the Area Redevelopment Administration under the Commerce Department, rather than establishing the ARA as its own department.¹¹⁵ President Kennedy signed the Area Redevelopment Act of 1961 into law on May 1, 1961, where it would enjoy three complicated years of action.

Armed with over \$300 million dollars, the new Area Redevelopment Administration went to work processing applications and determining which localities would receive federal designation. Within eight months, Administrator Blatt authorized 129 industrial urban areas and 657 smaller urban and rural areas. Industrial areas were covered by Section 5(a) of the Act, rural and smaller urban areas by Section 5(b). To be eligible for designation, the area in question had to retain an unemployment rate average of at least 6% during the application period. It also had to

¹¹⁴ Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," 189-190. In regards to depressed areas legislation, specifically Senate bill 3683 proposed in 1958, President Eisenhower stated, "I am pushing a lot of other programs, so I don't know whether I could just take time off and push here for a week or so in the one you are talking about. But I will do this. I will ask my people to see whether they want to analyze it to see whether there is anything in it that would prevent me from doing so. I am in favor of the principle," from Davidson, "Coalition-Building for Depressed Areas Bills: 1955-1965," 15.

¹¹⁵ Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," 190.

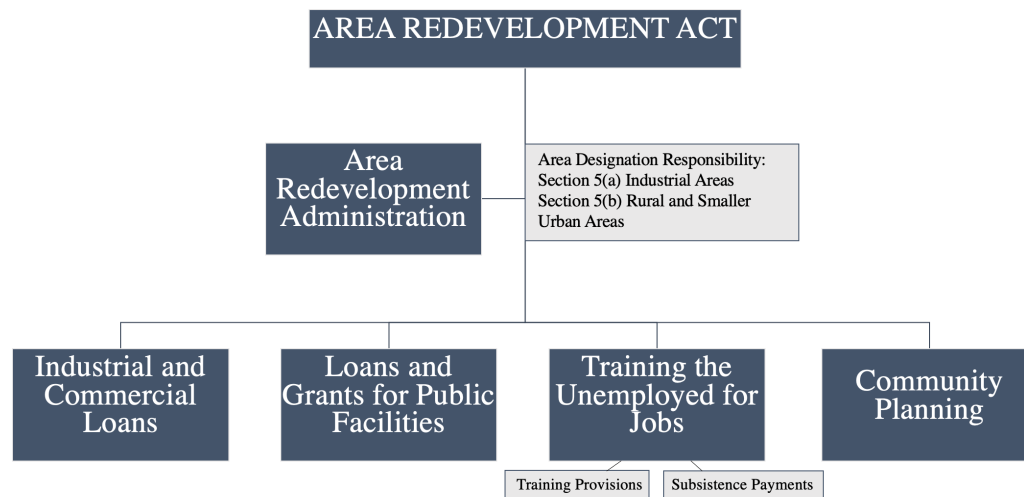
have an unemployment rate average that met one of the following criteria: 50% above the national unemployment rate average for 3-4 years in that local area, 75% above the national average for 2-3 years, or 100% for 1-2 years.¹¹⁶ The Area Development Administration also allowed the Administrator to designate areas beyond the set criteria, for example, "...the case of the one-industry, one-plant town was frequently cited in congressional hearings and debates"¹¹⁷ as grounds for special designation.

The Area Redevelopment Administration would have the ultimate authority over deeming which local Overall Economic Development Programs, or OEDPs, were approved. Once approved, these communities would be eligible to benefit from the following four components: Industrial and commercial loans, loans and grants for public facilities, training the unemployed for jobs, and community planning. Each component had different application and approval processes, and would pass through various departments depending on where the area was located, or which constituency was applying for benefits. Figure 2.1 shows a simple break-down of the Area Redevelopment Act and its four components.

¹¹⁶ Levitan, *Federal Aid to Depressed Areas*, 55.

¹¹⁷ Levitan, *Federal Aid to Depressed Areas*, 56.

Figure 2.1: The Area Redevelopment Act: Description and Policy Components



Source: Sar A. Levitan, *Federal Aid to Depressed Areas: An Evaluation of the Area Redevelopment Administration* (John Hopkins Press: Baltimore, 1964), 30-50.

Important for this project is the “training the unemployed for jobs” component of the ARA, reflected in two related sections: Training Provisions, or Section 16, and Subsistence Payments, or Section 17. The two worked in tandem, as those participating in training programs were also eligible for subsistence payments, or unemployment allowance. According to Senator Douglas, this latter part was necessary, as many states at the time did not provide unemployment insurance to workers undergoing active training.¹¹⁸ The execution of this program required cooperation between levels of government, and among different federal agencies.

Very quickly, the challenge of overlapping jurisdictions negatively affected the execution of training programs and subsistence payments for displaced workers.

¹¹⁸ Levitan, *Federal Aid to Depressed Areas*, on page 166, he states: “When Douglas first introduced his depressed-are bill, every state except Michigan and the District of Columbia denied unemployment benefits to otherwise eligible workers if they were undergoing training.”

Responsibilities were confusingly divided, as initially, the Department of Labor was responsible for determining training program needs and identifying job vacancies, then the Secretary of Health, Education and Welfare determined the content of training courses, and facilitated coordination with state training centers. Depending on where the designated area in question was located, the Bureau of Indian Affairs would then be consulted on all training executed on Native American reservations, the Agricultural Department involved on trainings in rural areas, and the Secretary of Labor in urban areas.¹¹⁹ These cross-cutting jurisdictions and administrative disarray created delays in processing applications, excessive paperwork, and contradictory responsibilities. Another criticism of these two programs was that they duplicated existing federal programs. The Manpower Development and Training Act of 1962, discussed below, offered the same emphasis as the training provisions of the ARA, but importantly, it applied to the country as a whole, rather than just workers in designated depressed areas.

The administrative confusion extended to data-gathering and inter-agency coordination. The initial responsibility for gathering data on which industrial areas and rural areas should be considered fell to three different agencies. The Department of Labor was in charge of gathering necessary statistics on unemployment for urban areas, the Department of Agriculture data for rural areas, and the Bureau of Indian Affairs for Native American reservations.¹²⁰ The ARA also relied on cooperation

¹¹⁹ Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," 191.

¹²⁰ Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," 191.

between federal departments and state agencies. Once local state development agencies submitted an OEDP to the Area Redevelopment Administration for consideration, the ARA used “delegate agency” to evaluate applications. Loan and grant applications went to different federal agencies depending on what they entailed: programs seeking support for community facilities went to the Housing and Home Finance Administration; plans for rural projects to the Department of Agriculture; proposals from Native American reservations went to the Bureau of Indian Affairs; and training applications went to the Department of Labor.¹²¹ Industrial and commercial loans would first be reviewed by the Small Business Administration before the Area Redevelopment Administration received them, and each agency often offered contradictory recommendations.¹²² The staff reviewing applications in each agency did not always give priority to deserving applications, either, as they favored their own programs, rather than the tasks necessitated by the new ARA.¹²³

In 1963, Congress did not vote to appropriate additional funds for loans and grants, and pressure from black voters and urban interest groups pushed the ARA to prioritize inner cities for government aid. Southern Democrats, who originally expressed issue with a program that seemed aimed at northern cities, and were increasingly frustrated over civil rights issues, slowly withdrew support for additional funds.¹²⁴ In the face of this withdrawal of support from various interests and limited

¹²¹ Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” 191.

¹²² Levitan, *Federal Aid to Depressed Areas*, 115-116, 117, 127.

¹²³ Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” 191.

¹²⁴ Wilson, “Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965,” 195.

funds, the ARA shifted focus to the job trainings provision for workers, with particular attention to black-owned businesses and entrepreneurs.¹²⁵ This shift diminished what was distinctive about the ARA, in sum, a more comprehensive approach to area redevelopment – and it heightened the sense that the program was duplicative of the MDTA.

When President Johnson took office in 1963, federal policy efforts to respond to deindustrialization through area redevelopment were subsumed by a broader civil rights and urban poverty agenda, and Johnson's desire to politically emphasize his commitment to the War on Poverty agenda further contributed to the ARA's eventual demise. The President directed the ARA's administrator to prioritize providing loans to businesses in areas that had newly established Community Action Programs, community-level components of his anti-poverty agenda.¹²⁶ The purpose of the ARA from this point forward, whether intentional or not, was redirected to addressing urban poverty rather than providing a broader community redevelopment response to problems associated with deindustrialization.

The ARA was left to expire in 1964, not to anyone's significant surprise. The bill had lost significant support from southern Democrats, and Johnson had clearly determined that urban poverty and civil rights would be his primary domestic policy focus. Even proponents of the ARA approach argued that by 1964 it was severely crippled in terms of funding. As key policy-makers were not able to secure an

¹²⁵ Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," 195.

¹²⁶ Wilson, "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," 196.

enduring support coalition, and its administrative purpose grew increasingly less clear, ARA's fate was sealed. The Area Redevelopment Act, like the National Industrial Recovery Act, suffered from distinct capacity issues related to the administrative and institutional disorganization of industrial "management" in the United States. Because the Area Redevelopment Administration did not have its own department or cabinet position, responsibility over data gathering and program management was divided between various federal agencies. The federal department in charge of processing a grant application varied, depending on where the designated area was located. In addition to being administratively disorganized, certain components of the expensive ARA were duplicative of other federal programs, such as the Manpower Development and Training Act and Trade Adjustment Assistance. Eventually, the ARA's attempt at solidifying a holistic redevelopment policy would meet its end when southern Democrats became disillusioned with the program, and when President Johnson adopted the community-focused aspects of the Area Redevelopment Act into his ambitions to combat urban poverty during the 1960s.¹²⁷ By the time it was left to expire in 1964, it was perhaps a relief to many – as the mixed messages from the Administration in addition to an institutional inability to guide industrial development meant that the ARA was asked to do far too much, with too few resources.

¹²⁷ Gregory S. Wilson presents this argument about why the ARA failed in "Deindustrialization, Poverty, and Federal Area Redevelopment in the United States, 1945-1965," from *Beyond the Ruins: The Meanings of Deindustrialization*, ed. Jefferson Cowie and Joseph Heathcott (Cornell University Press, 2003).

Three consequences stemmed from the failure of the ARA. First, the absence of the program arguably created political space for attempts to try *very* different approaches to community redevelopment in the future. The redevelopment policy thread in the United States examined in this dissertation originated with the ARA in the 1950s and 1960s. But this thread re-emerges in the 1980s with the establishment of a very different type of policy aimed at community revitalization: the enterprise zone (as examined in Chapter 5). While the federal government served a more direct role in coordinating aid to distressed communities under the ARA, when enterprise zones were implemented, the policy took a very hands-off approach to redevelopment. In essence, “zone legislation” materialized, through a process of policy conversion, as the newest experiment in redevelopment policy as the “business-friendly” alternative to community aid. This was accomplished through offering tax incentives to businesses conducting operations within designated areas. Once zone legislation became solidified as the desirable redevelopment policy option for both parties, its benefits to business only expanded as criteria for community eligibility became less and less stringent, and the tax advantages grew in succeeding versions.

A second consequence of the ARA’s failure was the further fragmentation and attenuation of the federal policy response to deindustrialization. Even during its short existence, the ARA’s focus shifted substantially. While originally tasked with aiding urban and rural areas facing deindustrialization, the Administration’s tasks were repurposed to assist with budding anti-poverty programs. When the ARA expired, a smaller program appeared in its place, under Economic Development Act of 1965. It

left a version of one of the four main components of the ARA in place, which functioned essentially as a community-based program that provided public facility grants, loans, and technical assistance for economically depressed areas. The seemingly most important roles for the ARA, such as offering robust aid for workers and industries, were not included. This is likely because one component of the ARA had already been incorporated into other bills – the dual tracks of training and income assistance to workers. While fused together under the ARA, job training and income assistance for industrial workers would be broken apart into two separate policy fragments that would each see their own institutional trajectories: job training under the MDTA, and income assistance under the Trade Expansion Act. These two policy fragments would be incorporated into larger policies that served multiple aims at once, and further disaggregated and diminished the government’s response to deindustrialization.

The third consequence is related to the broader failure of industrial policy. Even though the ARA was distinct from, and more limited than the NIRA, it did represent an integrated federal policy response to the problems of a set of economically distressed communities, and its failure thus marked another setback for those advocating more direct and robust government involvement in industrial affairs. The negative legacy of the ARA would reaffirm that more comprehensive, government-led approaches were not politically desirable in the United States. The next section explores the failure of the American policy debate over “economic planning” as deindustrialization proliferated nationally.

III. The failed American debate over “economic planning” during the height of deindustrialization

In the wake of the ARA’s collapse, deindustrialization – and its consequences for workers and communities – reached new heights. The manufacturing sector in particular suffered significant job loss in the 1970s – tens of millions in total – that would prove to be permanent and enduring.¹²⁸ During this time, a brief wave of national discussions ensued over the possibility of erecting a range of industrial, planning, public investment, or job guarantee policies that might have addressed core causes and consequences of deindustrialization, including the inadequacies of capital investment and the permanent loss of manufacturing jobs. President Nixon during his 1970 State of the Union Address advocated for a national growth policy, one that promoted government involvement in re-building infrastructure through rural America to help balance out-migration trends from rural areas to cities.¹²⁹ Renowned economists such as John Kenneth Galbraith, Robert Heilbroner, and Wassily Leontief became members of the Initiative Committee for National Economic planning in 1975, noting that ““few American[s] are satisfied with the way in which the economy is now operating...”” attributing this to the fact that ““no reliable mechanism in the modern economy relates needs to available manpower, plant and materials.””¹³⁰ In that same year, the Balanced Growth and Planning Act of 1975 was proposed. Had it passed, it would have established an “Economic Planning Board” in the executive

¹²⁸ Bluestone and Harrison, *The Deindustrialization of America*, 7-9.

¹²⁹ Otis L Graham, Jr., *Towards a Planned Society: From Roosevelt to Nixon*, (Oxford University Press, 1976), 202.

¹³⁰ Vogel, *Fluctuating Fortunes: The Political Power of Business in America*, 143-144.

office of the president, and required the president to submit a balanced growth plan to the Congress and the states. Upon taking office, the Carter Administration also considered a range of policy options, from a national growth policy which would include public-private partnerships with economically distressed areas, to industry-wide interagency task forces, to the establishment of a National Productivity Council.¹³¹ The proposed Humphrey-Hawkins bill, which had wide (though not universal) support in the Democratic Party, would have committed the federal government to meet investment levels required for full employment through either private or public investment, and to public sector job creation if needed to meet a federal job guarantee.¹³²

Despite these debates and proposals – some of which drew support even among moderate Republicans in Congress and some in the business community – no radically new terms for economic planning, investment, or job creation became codified in public law. The proposals faced fierce opposition by most of the business community and by conservative lawmakers from both parties, and were not able to reverse the legacy of previous failures in industrial policy. As economic circumstances grew more calamitous, another debate, focused on protectionism, emerged in the early 1980s. Trade unions in particular became steadfast supporters of

¹³¹ See Graham, Jr., *Losing Time: The Industrial Policy Debate*, 26-33; and “Memorandum From the President on the National Productivity Council,” The American Presidency Project, October 23, 1978, <https://www.presidency.ucsb.edu/documents/memorandum-from-the-president-the-national-productivity-council>.

¹³² “Humphrey-Hawkins Full Employment Bill,” in *CQ Almanac 1978*, 34th ed., 272-79, Washington, DC: Congressional Quarterly, 1979, <http://library.cqpress.com/cqalmanac/cqal78-1238423>; see also, Vogel, *Fluctuating Fortunes*, 143, who points out that Humphrey-Hawkins discussions reflected a revived interests in national planning.

American protectionist policies in response to the growing trade deficit and rising unemployment in the manufacturing sector. Democrats in Congress introduced two proposals that sought to tackle some of these challenges. The first proposed a national industry bank to provide federally-backed loans if businesses agreed to keep as many domestic jobs as possible or increase levels of investment. The second proposal sought to establish a national council that would make recommendations for firms to remain competitive in the United States and overseas. Despite endorsement by many Democrats, the ghost of the Smoot-Hawley Act (a 1930 protectionist measure that was blamed for deepening the Depression) was strong, as neither proposal ever made it to the floor of the House of Representatives for a vote.¹³³ The current trade policy made it especially clear that pro-protectionist measures were largely off the table.

Scholars have noted a resurgence of the industrial planning debate in the face of rising deindustrialization.¹³⁴ The storm of economic crises during the 1970s and 1980s presented an exceptional time in history when many ambitious planning ideas were most seriously considered, but not implemented, in the United States.¹³⁵ Otis L. Graham, Jr. wrote two books on the subject, one called *Toward a Planned Society*, and another called *Losing Time: The Industrial Policy Debate*. Graham argues that despite the failure of more comprehensive policies, actions taken by Franklin D. Roosevelt before and during the War, Johnson during the War on Poverty, Nixon in proposing a national growth policy, and Carter implementing certain protections for

¹³³ Vogel, *Fluctuating Fortunes*, 259.

¹³⁴ See Karl Aiginger and Dani Rodrik, "Rebirth of Industrial Policy and an Agenda for the Twenty-First Century," 189-190.

¹³⁵ See *The Politics of Industrial Policy*, ed. Claude E. Barfield and William A. Schambra, publications from a conference sponsored by the American Enterprise Institute for Public Policy Research (1986).

industries¹³⁶ suggest that the United States already had a version of “national planning” or “industrial policy.”¹³⁷

These measures, however, had never cohered into the type of clear and consistent strategy for economic planning, coordination, investment, or job creation that might have positioned the federal government to mount an adequate response to deindustrialization. And there remained a lack of authority and capacity in the national state, at the level that would be necessary for executing policies that directly managed industrial affairs. The negative policy legacies of the failure of the NIRA and ARA remained. And without comprehensive options, the U.S. government turned to address piece-meal consequences of deindustrialization through separate policies dating back to the 1960s and ending in 1988.

IV. Government, unsettled: Building a fragmented policy network in response to American deindustrialization

What then *did* pass long-term in the wake of deindustrialization? This section explores the separate policies that emerged first in the 1960s, and then in the 1980s as piece-meal policy responses to deindustrialization.

¹³⁶ Graham, Jr. comments on federal actions by Nixon and Carter, stating the following: “This was activist industrial policy, ‘targeting,’ ‘loser fixing,’ and ‘bailing out,’ pursued under two very different administrations, leaving behind results and precedents that would be hotly argued. For some of the Carter top staff, it began to seem that there must be better ways to deal with sectoral problems.” From *Losing Time*, 35.

¹³⁷ See Graham, Jr., *Towards a Planned Society: From Roosevelt to Nixon* and *Losing Time: The Industrial Policy Debate*. Another author that would make a similar argument is Judith Stein, *Running Steel, Running America: Race, Economic Policy, and the Decline of Liberalism*, 3, who states that just because the U.S. does not have an industrial policy sector, does not mean they are not involved in planning. I contend that the U.S. may claim to be involved in planning, and does indeed guide certain economic development, but institutionally, the United States lacks the enforcement mechanisms to suggest that there is any true semblance of industrial management backed by concrete policy.

As the steel industry, automobile manufacturing, and other goods-producing industries struggled with rising costs and sinking profits, which eventually gave way to widespread loss of American industrial jobs, a multitude of different interests sought more protection from the federal government. In the wake of the negative legacy of the NIRA, the American federal government elected to experiment with less holistic, piecemeal policy response to the various consequences of deindustrialization, as discussed above. The most generous of these piecemeal responses, the Area Redevelopment Act, expired by 1964. The other two policies, each of which responded to the compartmentalized consequences of deindustrialization for workers, were the Manpower Development and Training Act, and Trade Adjustment Assistance. Both would live on, not as robust responses to deindustrialization, but as limited job training and compensation-for-freer-trade policies. Once incorporated into these separate institutional tracks, the roots of which are explored below, these policies would later develop to benefit business in unique and unexpected ways assessed in subsequent chapters.

Job training and income assistance had been combined in the ARA. After it expired, these aims were pursued as separate policies under the TAA and MDTA. In principle, each offered the promise of compensation for workers affected by deindustrialization. The TAA would provide income assistance and training for workers displaced by trade; the MDTA provided job training (largely for those who were displaced by automation¹³⁸). The TAA persists, but as explained below, has

¹³⁸ See Gladys Roth Kremen, "MDTA: The Origins of the Manpower Development and Training Act of 1962," written for the U.S. Department of Labor, 1974, <https://www.dol.gov/general/aboutdol/history/mono-mdtatext>.

been institutionally coupled with president “fast-track” negotiating authority in trade policy.

The Manpower Development and Training Act of 1962 emerged as the federal government’s 1960s experiment with job training for the unemployed, which during this time, targeted workers losing jobs in industrial sectors.¹³⁹ Policymakers codified the assumption that workers needed training to adapt to a changing labor market.¹⁴⁰ The MDTA might have been developed into a more robust policy response to the difficulties facing unemployed workers as deindustrialization spread. If the policy had been grounded in a diagnosis that understood the problem of deindustrialization as one of lack of investment and loss of manufacturing jobs, the policy might have reflected the need for job creation as well as job training in the wake of deindustrialization. Instead, the policy was grounded in an assessment that job loss was the result of skills deficits among individual workers; the policy response was therefore targeted job training for individual workers. This core diagnosis and policy approach would remain in place – despite the debates of the 1970s and 1980s – and would form the basis of federal job training programs in the 1980s, 1990s and 2000s, from the Job Training Partnership Act (1982) to the Workforce Innovation and Opportunity Act (2014) even as the socioeconomic conditions created by

¹³⁹ John F. Kennedy, “Statement by the President Upon Signing the Manpower Development and Training Act.” Online by Gerhard Peters and John T. Woolley, The American Presidency Project (1962) <https://www.presidency.ucsb.edu/node/237006>.

¹⁴⁰ For more on this idea, see Weir, *Politics and Jobs*, she states that as a result of passing policies like the MDTA, the Johnson Administration “...devoted little attention to the relationship between poverty and underemployment, and directed thinking away from the relationship between poverty and the structure and operation of labor markets, and toward the problem of individuals (69).”; and Michael B. Katz, *The Undeserving Poor: America’s Enduring Confrontation with Poverty* (Oxford University Press, 2013).

deindustrialization changed over the course of subsequent decades. This was a case of “policy drift” – in which a policy is not updated or adjusted to meet the challenges of changing socioeconomic circumstances.¹⁴¹ Specifically, the federal jobs policy track set in motion by the MDTA in the 1960s, proved increasingly inadequate to meet the needs of displaced workers, whose central problems were not the mismatch of their skills with existing employment opportunities, but the steep and permanent loss of manufacturing jobs due to industrial disinvestment.

The Trade Expansion Act, also passed in 1962, offered the income assistance that was separated from job training when the ARA expired. This trade act authorized for the first time “Trade Adjustment Assistance” as a form of compensation for workers who lost their jobs as a result of increased imports. While TAA directly targeted industrial workers, its association with free trade created contradictory policies, which led to more calls for government protectionist measures, and obscured the government’s position on the matter. As the next section shows, the federal government’s dual position on freer trade and compensation for affected workers further unsettled the U.S. role in mitigating the consequences of deindustrialization during these critical years of economic transformation.

V. A policy contradiction: The Trade Expansion Act of 1962 and Trade Adjustment Assistance

¹⁴¹ See Footnote No. 70.

Breaking a long streak of protectionism in the United States, the Trade Expansion Act of 1962 put forth an agenda for more liberalized trade policies. The Act sought to loosen national borders, open America up to foreign commerce, and establish long-term economic ties with allies among growing concerns about communism. The political consensus that converged around freer trade also included lawmakers who were sympathetic to the potential domestic consequences of pursuing this more open policy. If more global competition was facilitated through freer trade, the importation of goods into the United States would likely increase, and exports would decrease. The consequences would be fewer domestic jobs in export-driven American industries such as steel, automobile, and other manufacturing markets.¹⁴² In response, the 1962 Act that officially began a long trend of liberalized trade and free trade agreements in the United States also included a compensatory program for industrial workers titled Trade Adjustment Assistance (TAA).

The policy compensation idea for affected industries originated in the 1953 Commission on Foreign Economic Policy, better known as the Randall Commission, which was a group of experts appointed by Congress tasked with recommending

¹⁴² There is a general consensus among authors studying the evolution of TAA that liberalized trade stood as the ideological rationale behind lawmakers push for TAA in these early years. Since the trade liberalization effort during the mid-20th century was led mostly by Democrats, Democrats became the primary pusher for this compensatory policy to financially assist displaced industrial workers. This literature includes: I.M. Destler, *American Trade Politics*, Fourth Edition (Washington D.C.: Institute for International Economics, 2005); Benjamin Collins, “Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015,” *Congressional Research Service*, last modified February 17, 2021; J.F. Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy”; Judith Goldstein “Ideas, Institutions, and American Trade Policy”; Stephanie J. Rickard, “Compensating the Losers: An Examination of Congressional Votes on Trade Adjustment Assistance”; Ethan Kapstein, “Trade liberalization and the politics of trade adjustment assistance”; and Judith Stein, *Running Steel, Running America: Race, Economic Policy, and the Decline of Liberalism*.

durable strategies for foreign trade and economic policy.¹⁴³ It was first officially proposed in legislation by Democratic Senator John F. Kennedy in the Trade Adjustment Act of 1954, which was incorporated as an amendment into another bill proposed by Senator Hubert Humphrey.¹⁴⁴ The bill ultimately did not pass, but Kennedy remained a strong proponent of liberalized trade during his time as a Senator and in his presidency. He was also one of the lawmakers who expressed worries about the hardships freer trade might impose on the American industrial workforce, and continued to advocate for attaching a compensation program for workers. When policymakers constructed the Trade Expansion Act of 1962, they borrowed Kennedy's original proposal and included a small provision called Trade Adjustment Assistance. When the Trade Expansion Act passed, Trade Adjustment Assistance was offered as increased and extended unemployment benefits for laid-off workers who had lost their jobs as a result of increased competition due to increased imports. At the time, the inclusion of TAA was the most controversial aspect of the bill, since some Republicans and conservative Democrats argued against preferential treatment for industrial workers. But the provision survived, with support from labor and other liberal Democrats.¹⁴⁵ In a nod to the various components of the ARA, it also allowed for retraining and relocation allowances for workers, in addition to technical support for affected firms.¹⁴⁶

¹⁴³ Hornbeck, "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," 4-5.

¹⁴⁴ Hornbeck, "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," 5-6.

¹⁴⁵ Hornbeck, "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," 7.

¹⁴⁶ Hornbeck, "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," 7.

But the Trade Expansion Act of 1962 also promised another kind of authority that enjoyed bipartisan support, and would have lasting consequences for shifting institutional authority away from Congress and towards the President. For the first time, the legislation offered the president of the United States broad “negotiating authority” over trade agreements.¹⁴⁷ The president also had the final say over which workers were eligible to receive TAA, and which industries would be able to benefit from a protective provision called the “escape clause.”¹⁴⁸ Eventually, TAA would be administered by the Department of Labor, but the president’s early role in deciding case eligibility for workers seeking TAA, and industries receiving protective measures through the “escape clause” meant that few cases were successful in the 1960s – as politically it was difficult to grant one without granting the other.

Chapter 4 defines the compensatory elements of “escape provisions” and TAA in more detail, but for now, it is important to note that TAA has survived until modern day as a compensatory policy for workers laid off as a result of imports. Its survival is remarkable, but curious. Chapter 4 explains that TAA would be reauthorized during congressional negotiations over larger trade bills that included TAA as a necessary concession for granting the president “fast-track” authority over

¹⁴⁷ Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy,” 7.

¹⁴⁸ The “escape clause” essentially acts as a safe-guard for industries affected by U.S. trade policy. According to Judith Goldstein, “the escape clause provision allows an industry that has been seriously injured by imports to be exempted from an American trade agreement that would lower its tariff. The initial intent of the escape clause was to keep imports at a level that precluded injury to domestic producers.” It was first instituted in 1947, and then codified in congressional law in 1951. Reportedly, it has been historically difficult for industries to attain escape clause protection. Cases are decided by the International Trade Commission, and the president ultimately has the final say in the outcome of these cases. For more on the escape clause, see Chapter 4 of this dissertation, as well as Judith Goldstein, “Ideas, Institutions, and American Trade Policy,” 188-189. For the declining use of the escape clause during the 1980s, see also, Destler, *American Trade Politics*, 148.

trade negotiations. The Trade Act of 1974 would permanently institutionalize an increasingly popular TAA program, and subsequent trade laws would re-consider and re-authorize TAA as continued compensation for the domestic job loss that was likely to occur as a result of freer trade.

The institutional tie between liberalized trade policies and TAA presents a paradox. After this tie was established, it embodied an inherent policy contradiction. Policy-makers were aware of the potential domestic consequences of free trade, and as a result included a small income-assistance plan for workers, but they continued to pursue this agenda regardless of its effects on deindustrialization. So, while this is considered a successfully implemented policy that still assists workers to this day, it did not assist in establishing a coherent government response to deindustrialization, especially as TAA evolved in tandem with presidential ability to quickly negotiate free trade agreements, any of which exacerbated job losses.

The developmental story of TAA is also a story about increased power to the president that occurred as a result of the Trade Expansion Act of 1962, and then grew in subsequent trade policies. For this project, this connection elucidates the conditions under which TAA developed and operated, guided by shifting institutional authority and “policy layering”. As J.F. Hornbeck has pointed out, the renewal of fast-track authority has often included the reauthorization of TAA over the years.¹⁴⁹ While this connection has contributed to TAA’s survival, Congresses have frequently bowed to pressure from administrations seeking renewed fast-track authority, and in turn, layered on additional

¹⁴⁹ Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy.”

unrelated programs to TAA that obscure the policy's original intent. At the same time, TAA as a ride-along to larger trade policies continually allowed for increased power to the president over trade policy, and few acknowledge the inherent contradiction this creates. Today, the United States' vast landscape of free trade agreements has exponentially multiplied the job-loss consequences that initially concerned 1960s policy-makers.

VI. A delayed policy piece: Plant-closing legislation

The final policy fragment to emerge was one that would not surface until the 1970s, when plant closures became more frequent in the United States. Plant-closing legislation is premised on the idea that the government cannot directly control whether or how businesses operate, and so simply requires private firms to give advance notification to workers of their intent to lay-off jobs or close permanently. Plant-closing legislation represents attempts not to compensate, but simply and narrowly to protect workers from being laid off without advance notice. These protective measures were a modest response to one aspect of deindustrialization, and were originally designed to benefit workers and hold businesses accountable.

While the previous policies explored in this chapter asserted vague or contradictory goals on behalf of the government, plant-closing legislation was seemingly straightforward in its aim: notify workers in advance of plant-closures. However, business interests mobilized heavily against these proposals. Heated debates emerged about the time period for notification, and members of Congress would either vote for or against legislation depending on a thirty-day difference, as shorter notification periods gave an advantage to business. In other countries and in

several U.S. states, businesses were obligated by law to pay severance to workers and continue health insurance in addition to notifying them of lay-offs in advance. At the federal level in the United States even the thought of early consultations between business and workers and other more robust measures were taken off the table when business-friendly lawmakers withheld support for bills they deemed were too demanding.

In the absence of existing industry-wide agreements, plant-closing legislation faced a long, uphill institutional battle due to business's influence. Business mobilization led to the years-long delay of plant-closing legislation, and when the Worker Adjustment and Retraining Notification Act (WARN) passed Congress in 1988, it did so without the president's signature and was far less robust than mandates in European countries and state governments. WARN only required sixty days' advance notice for businesses that employed 100 or more workers in which plant closings or mass lay-offs affected fifty or more full-time employees. A deeper analysis of this delayed policy fragment will take place in the next chapter.

Conclusion

While a small number of robust industrial proposals emerged throughout America's political development, and some passed, none became a staple of American economic policy. The perceived failure of policies like the National Industrial Recovery Act would compel future lawmakers to shy away from coordinating or managing industrial affairs. Instead, a series of discrete policy measures were adopted in the 1960s in response to a growing economic crisis. These

policy experiments created a fragmented system that responded to piece-meal consequences of deindustrialization. The Trade Expansion Act of 1962 that contained the first version of Trade Adjustment Assistance presented a contradiction in terms of the government's duties. TAA's progression became contingent upon the expansion of presidential fast-track authority, which aggravated the circumstances under which TAA was deemed necessary in the first place. The Manpower Development and Training Act narrowly targeted individual workers' skills and sought to provide training for employees whose abilities may be outdated. The MDTA's emphasis on skills training rather than job creation would render jobs policies outdated and ineffective in the face of major deindustrialization. Finally, the breakdown of community-focused policies like the Area Redevelopment Act created another negative legacy, similar to that of the National Industrial Recovery Act, one that would lead future policy-makers towards more business-focused redevelopment policy ideas, and away from direct government aid to deindustrializing cities.

After these policies passed in the 1960s, each would forge its own institutional and developmental path. TAA remained the flagship compensatory policy for the United States, and would have a unique institutional trajectory in relation to its tie to trade policy. The United States would also experiment with passing plant-closing legislation, another means of protection deemed necessary for communities and workers once firms began closing shop in startlingly high numbers during the 1970s. And in the wake of the ARA, future place-based policies emphasized business investment in deindustrialization communities as opposed to direct government aid.

The following chapter picks up the final discussion presented here on plant-closing legislation, or notification for workers facing plant closures. It begins in the 1970s, when the consequences of deindustrialization became far more prevalent, wide-spread, and dramatic. In just a short ten years, the inability to construct a clear and coherent policy response to deindustrialization would prove problematic when industrial decline emerged as a more threatening and structural problem than previous lawmakers had anticipated.

Chapter 3

Delayed Notification:

Plant-closing legislation and the “win” for freer business movement (1974-1988)

While early deindustrialization during the 1950s and 1960s hit American industries like textile particularly hard, to find oneself employed in the U.S. automobile or steel sectors during the height of deindustrialization in the 1970s and 1980s posed far more serious challenges and concerns. Autoworkers and steel workers were, in short, the “losers” of the deindustrialization crisis during its peak, as job loss occurred rapidly, on a nationwide scale, and liberally across companies.¹⁵⁰ When Ford Motors permanently shut down an auto assembly plant in Mahwah, New Jersey, a study found that nearly half of those laid off workers remained unemployed two years after the plant closed.¹⁵¹ In Michigan, auto workers who were let go due to plant closings between 1979 and 1984 saw average periods of unemployment for 66 weeks, while personal incomes fell by approximately 61 percent.¹⁵² Even for the many auto workers who found new jobs during this year, they often found jobs that

¹⁵⁰ According to Bluestone and Harrison, “At its peak in 1965, the domestic automobile industry turned out 11.1 million cars, trucks, and buses in a single year... When all of the employment indirectly created by the automobile is taken into account, from used-car salesmen to typists in the automobile insurance industry, it has been ‘guesstimated’ that perhaps one out of every six Americans owed his or her job to the existence of the private car. No wonder, then, that the postwar boom is identified with the automobile, or that the decline of the domestic automobile industry has played such a central role in our own time in bringing the problem of deindustrialization to the attention of so many people.” From Bluestone and Harrison, *The Deindustrialization of America*, 114-115.

¹⁵¹ Jacob J. Kaufman, Stephen Levine, and Alice Beamsderfer, “The Closing of a Ford Motor Company Plant in Mahwah, New Jersey” (prepared for the New York State Department of Labor by the New York State School of Industrial and Labor Relations, Division of Extension and Public Service, Cornell University: 1983). During the 1970s, the American steel industry was also hurting from increasing imports. According to David Vogel, “Between 1975 and 1977, imports of steel increased from 13.5 percent of domestic consumption to 17.8.” From David Vogel, *Fluctuating Fortunes*, 230.

¹⁵² Avery F. Gordon, Paul G. Schervish, and Barry Bluestone, “The Unemployment and Reemployment Experiences of Michigan Auto Workers” (prepared for the Office of Automotive Industry Affairs, U.S. Department of Commerce: 1984).

did not pay as well, had fewer benefits, and lacked union protection.¹⁵³ As deindustrialization ballooned into a nation-wide economic crisis, then, high unemployment along with other economic concerns such as rising inflation put the U.S. government in a position of retreat and reaction. Amidst the storm of economic crises, the federal government by and large accepted capital flight as an event that was occurring rapidly outside of its direct control, but continued debate on the best mode of response and reaction to decisions made by business.¹⁵⁴ Once the outcome (that major job losses were inevitable) was accepted, there were decisions to be made about how to compensate and protect the “losers” of deindustrialization.

In the United States, several policy avenues emerged as feasible solutions to aid those workers and communities directly experiencing the negative effects of deindustrialization. One viable policy option was “plant-closing” or “mandatory notification” legislation, which reflected the kinds of policies that had been previously adopted abroad, and within several U.S. states. These laws offered notification and protection for workers facing abrupt job loss, and were predicated on accepting plant closings as likely to occur, but requiring owners to notify workers of this occurrence sufficiently in advance. Such protection through notification was a popular policy abroad and at home: plant-closing legislation had been implemented in Germany and Sweden in the 1970s¹⁵⁵ and many U.S. states, such as Maine, South

¹⁵³ Milkman, *Farewell to the Factory*, 94.

¹⁵⁴ See United States, President’s Commission for a National Agenda for the Eighties. “A national agenda for the eighties: report.” Library of Congress Cataloging in Publication Data (1980), 8-10, 21-36.

¹⁵⁵ See Bluestone and Harrison, *The Deindustrialization of America*, 237.

Carolina, and Connecticut¹⁵⁶ had begun requiring businesses to give advance notification by 1985. These policies were designed to protect workers from abrupt job loss, and provide employees time to adjust and potentially seek alternative employment while existing operations slowed. When the Worker Adjustment and Retraining Notification Act finally passed Congress in 1988, it was long after many state legislatures had proposed laws of their own, and the federal Act had become so bogged down by political in-fighting channeled through slow-moving American institutions that not only was it objectively a little late in light of trends that had been occurring, but federal notification periods were comparatively shorter, only applied to full-time workers at large plants, and did not provide any additional recourse in terms of severance, training, or job-finding guidance – as several existing state-level policies did.¹⁵⁷

The American journey to federal plant-closing legislation faced a long uphill battle that merits further examination as a direct policy response to deindustrialization. A deeper analysis reveals that this is a case of business interests taking advantage of the multiple veto points in American institutions and the policy process to both delay, and to limit the extent of, protective measures for industrial workers. The first federal bill that would have required businesses to notify workers

¹⁵⁶ See Michael H. Abbey, “State Plant Closing Legislation: A Modern Justification for the Use of the Dormant Commerce Clause as a Bulwark of National Free Trade,” *Virginia Law Review* 75, no. 4 (1989): 845–94, <https://doi.org/10.2307/1073137>, 851-852.

¹⁵⁷ More will be said on American state-level policies in the next section of this chapter, but it should be noted briefly that it was common in proposed state-level plant-closing laws to include provisions like required severance for laid-off workers and for the company to pay into a community assistance fund, in addition to giving advance notification of closures. See Abbey, “State Plant Closing Legislation,” 854.

of plant closures was proposed in 1974, and subsequent versions would be presented six additional times in the years to follow before federal plant-closing legislation officially became law in 1988. Each iteration tended to get further in the law-making process than the previous, but its components would become less generous, and political divisions over mandated notification would become more ingrained. In order to get legislation moving, proposals had to be watered down to meet business demands on behalf of organized private interests, to appease conservative members of Congress voting on legislation, and to recognize pro-business demands conveyed by President Reagan, who had promised to veto any plant-closing legislation that came across his desk. While the earliest iterations contained provisions such as severance pay, requirements to continue health benefits for laid-off workers, consultations with employees and labor unions, and advance notification to local governments as well as federal units, the final version that passed contained only general requirements for notification, as it was crafted to be business-friendly enough to pass opposition. This chapter demonstrates that the fourteen-year delay in plant-closing legislation, and the modest version that came to pass, occurred as a result of business mobilization channeled through slow-moving American institutions. This long political fight had lingering consequences, because while WARN was envisaged as protection for workers and communities, it was business interests that ultimately benefited from its delayed and modest outcome.

This chapter is divided as follows: I briefly compare robust models in other industrialized countries and within the fifty U.S. states to situate a discussion about the delayed and limited notification proposals by the U.S. Congress. I also discuss the

arguments in favor of, and against, plant closing legislation in the United States. Then I examine the fourteen-year struggle to pass federal plant-closing legislation in the United States. I conclude that American national institutions were vulnerable to the interests of business in plant-closing legislation. The eventual passage of plant-closing legislation in 1988 was extremely modest, delayed, and reflected the influence of business to thwart more robust proposals. WARN, as a result, eschewed previous proposals' requirements for stricter notification standards and financial obligations for business. I conclude this chapter with a look at how delayed notification legislation, along with other policies passed during the 1980s, allowed for freer business movement during the height of deindustrialization.

The federal battle over American plant-closing legislation

Between the years 1970 and 1979, an estimated 450,000 to 650,000 private sector jobs were lost in both manufacturing and non-manufacturing sectors in the United States as a direct result of the physical relocation of plants either domestically or abroad, a phenomenon known as “runaway” shops.¹⁵⁸ However, when this number is added to the job loss that stemmed from permanent shut-downs and gradual layoffs in the U.S., it is estimated that as many as 38 million American manufacturing jobs were lost during the 1970s.¹⁵⁹ During the 1980s, an early recession and growing trade deficit undercut an already struggling manufacturing sector, as the U.S. reportedly lost an additional two million manufacturing jobs in the short period

¹⁵⁸ Bluestone and Harrison, *The Deindustrialization of America*, 25.

¹⁵⁹ Bluestone and Harrison, *The Deindustrialization of America*, 26.

between 1981 and 1984.¹⁶⁰ As job loss accumulated, many long-time industrial workers struggled to find appropriate substitutes when they were abruptly put out of industrial work.¹⁶¹

One modest response to the hardship of sudden unemployment was to require businesses to pre-notify and warn employees of massive plant shut-downs. While other industrialized countries, like Sweden, solidified a government obligation to protect and notify employees by quickly passing mandatory and robust notification policies,¹⁶² the United States had a tremendously difficult time developing and passing federal plant-closing legislation. This was not necessarily because Americans – or their representatives in government – rejected the social obligation to provide assistance. Rather, proposed legislation was stalled in the United States due to the views of certain institutionally powerful actors and private organizations able to exercise disproportionate influence in American institutions. Even as several states began adopting plant-closing legislation in state legislatures, federal legislation kept meeting stubborn resistance. Such institutional limitations would set the stage for a long struggle over passing notification policies, and in the end, what did pass would be comparatively more modest than proposals seen in countries like Sweden, state-level proposals, and even early proposals generated by Congress.

Robust models: Comparative and state-level notification policies

¹⁶⁰ Vogel, *Fluctuating Fortunes*, 256.

¹⁶¹ See, “Opening Statement of Senator Metzenbaum,” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress.

¹⁶² Bluestone and Harrison, *The Deindustrialization of America*, 237.

Arguments in favor of plant-closing legislation requiring advance notice of mass lay-offs or shutdowns purport that there is a moral and social obligation to warn workers of events that will disrupt their livelihoods, especially if employers know in advance that down-sizing will be occurring.¹⁶³ While laws may not be able to fully prevent plant closings from occurring, notification – at a minimum – gives employees and communities affected the opportunity to prepare for and adjust to widespread job loss. In some cases, requirements might even be stringent or costly enough to push businesses to consider alternatives to plant closures. This argument, that the costs of plant closing are particularly high for workers and localities even though closures often present as the most financially viable option for businesses, has provided the impetus to include in plant closing legislation provisions that businesses must deliver severance pay to workers, continue to offer health insurance for a period of time, or that businesses are required to pay into a community assistance fund or remain liable for lost local tax revenue.¹⁶⁴

Various iterations of plant-closing legislation in practice would also require businesses to consult with their workforces about potential alternatives to shut-downs,

¹⁶³ There is, of course, more than just a moral argument to be made here: economic arguments in favor of plant closing legislation say that if communities could anticipate massive lay-offs or plant closings, they also could financially off-set the economic costs as well by shifting the burden on to the company conducting the closure or lay-offs. For more on the economic justification for federal plant closing legislation, see Joseph A. Cipparone, “Advance Notice of Plant Closings: Toward National Legislation,” *University of Michigan Journal of Law Reform*, Vol. 14, 283 (1981), in particular, pages 285-288 on the “costs of plant closings.”

¹⁶⁴ Requiring severance pay was common among proposals at the national level and state level, and across industrial countries. However, the U.S. states championed another provision that would require closing firms to pay into a “community assistance fund” within the local government to make up for lost revenue. One U.S. proposal at the national level contained this provision, the National Employment Priorities Act of 1983, but this “community retribution” element was cut from future versions.

reflecting the idea that private firms should consider all options before permanently putting people out of work.¹⁶⁵ Such provisions have, in broad terms, proved useful for communities and workers as labor contracts between unions and management previously demonstrate. Existing American labor laws require that management and labor negotiate terms of employment, either through pay, benefits, or workplace safety.¹⁶⁶ The UAW specifies, for example, that negotiations regarding lay-offs are mandatory bargaining subjects.¹⁶⁷ In the mid 20th century, existing labor contracts in a union-heavy industry like the automobile sector set a baseline for expected consultations and negotiations, and some collective bargaining agreements previously included severance pay or continued benefits.¹⁶⁸

As the consequences of deindustrialization began to emerge, many advanced industrial nations embraced the idea that government had a responsibility to protect and ease the consequences of deindustrialization for workers and communities facing widespread job displacement. The U.S.'s immediate neighbor, Canada, passed plant-closing legislation in 1971 that required employers to give four months' notice in the event that 300 employees or more would be laid off, three months' notice if 100-300 employees were affected, and two months' if 50-100 employees would be terminated.¹⁶⁹ Sensitive to the needs of firms and workers, the varying notification

¹⁶⁵ Until it was taken out in last minute floor negotiations, and renamed the Labor-Management Notification and Consultation Act of 1985, HR 1616 originally would have required this "consultation" provision.

¹⁶⁶ "Employee Rights," National Labor Relations Board, About NLRB, accessed May 13, 2022. <https://www.nlr.gov/about-nlr/rb/rights-we-protect/your-rights/employee-rights>.

¹⁶⁷ "Collective Bargaining – The Basics," United Auto Workers, Member Educational Resources, accessed May 13, 2022. <https://uaw.org/wp-content/uploads/2015/10/UAW-website-Member-Educational-Resources-CB-Basics1.pdf>

¹⁶⁸ Cipparone, "Advance Notice of Plant Closings: Toward National Legislation," 289.

¹⁶⁹ Cipparone, "Advance Notice of Plant Closings: Toward National Legislation," 305.

times sought to strike a balance between giving employees enough time to plan alternatives, without putting an undue burden on the businesses, which may have been working out possible alternatives to plant closings prior to the mandatory notification period.¹⁷⁰ There were studies, too, that notification in Canada worked well for the firm and employees: research about the aftermath of a plant closing in Ontario showed that 42% of workers found new jobs, and ownership relayed that production remained high during the period following notification.¹⁷¹

Germany and Sweden also acted promptly to advance worker protection, and passed federal plant-closing legislation as early as 1951 and 1952. Germany first required businesses to give notice in “good time” to employees affected by lay-offs, which generally meant approximately three months in advance. Sweden arguably implemented the most robust notification laws in Europe: businesses in Sweden were required to give six months’ advance notice when 100 or more workers jobs would be affected – and not only when a plant closing was definite.¹⁷² By law, Swedish businesses must also consult with a national labor market board about potential closures. During the notification period, the board assists the firm with seeking alternative options to closing, and provides employees with financial assistance and resources to retrain and find new and compatible jobs in marketable areas.¹⁷³

¹⁷⁰ Cipparone, “Advance Notice of Plant Closings: Toward National Legislation,” 307.

¹⁷¹ Bernard Portis and Michel G. Suys, “The Effect of Advance Notice in a Plant Shutdown: A Study of the closing of the Kelvinator Plant in London, Ontario,” School of Business Administration, University of Western Ontario (1970).

¹⁷² Cipparone, “Advance Notice of Plant Closings: Toward National Legislation,” 305.

¹⁷³ See Cipparone, “Advance Notice of Plant Closings: Toward National Legislation,” 308; and Bluestone and Harrison, *The Deindustrialization of America*, who state: “The Swedish have the most highly developed programs for relocating workers; for example, they bring employment service computer terminals inside the old plant as soon as notice of the eventual closing is given, and

There were thus quite robust models that existed elsewhere in the world as the United States confronted its own troublesome levels of manufacturing job loss. Representatives in state legislatures and Congress began promoting these kinds of plant-focused efforts in the 1970s, saying that the government had a responsibility to help the workers and communities negatively affected by industrial decline.¹⁷⁴ The half-dozen policies that were introduced in the U.S. Congress between the years 1974 and 1988 suggested that various interests and lawmakers desired advance notification. Organized labor had begun vocalizing desires for more unified national action on the plant-closing front, and public opinion had shifted rapidly in favor of broad protections for workers and communities facing lay-offs or plant closures during the 1980s. In a public opinion poll conducted by *Business Week* in 1987, 86% of Americans preferred a federal law that would require mandatory notification of plant closures to workers and affected communities.¹⁷⁵ In Congress, state governments, among unions, and within the public, there was growing support for more streamlined federal regulations that shielded the “losers” from the devastating effects of plant closures.

statutorily require all employers to list vacancies in those computerized files... Moreover, the Swedish have a wide variety of programs for replacing the eroded local jobs base...” 237.

¹⁷⁴ Representative William Ford was a passionate advocate for federal plant-closing legislation, and he was also supported by fellow Democratic Senator Donald Riegle, and state level representatives such as Governor Richard Celeste from Ohio. A lot of support stemmed from “rust-belt” states experiencing the consequences of plant closures first hand.

¹⁷⁵ “Public Opinion Poll,” *Business Week*, July 20, 1987. Representative William Ford, a major advocate of plant-closing legislation, quoted this poll during his statement before the House in consideration of the trade bill that also included a 60-day notification requirement for businesses conducting plant closures or mass lay-offs. He challenged the President’s veto threat, saying: “Respectable publications across this country have polled the American people, business week says that 85 or 86% of the people say that 60 days is modest, it’s not enough, but it’s only fair... Even the Wall Street Journal has editorialized and asked the president not use that lame excuse for vetoing the bill.” See “William D. Ford, D-MI: House Session” from *C-Span* (May 24, 1988) <https://www.c-span.org/video/?2702-1/house-session>.

But the alternative argument *against* plant-closing legislation had strong backing from business entities and advisors to the president in the United States. Even as public opinion polls reflected desirable moral obligations on the part of government to protect employees, private firms made the economic argument that pre-notification of plant closings eroded free-market competition. Ultimately, allowing capital to move as needed fosters better allocation of limited resources, and proper apportionment of resources contributes to broad economic growth. The private reallocation of resources might take the form of closing outdated manufacturing plants, these firms argued, in order to open a sleek, new technologically-advanced plant that required fewer employees, for example. This might harm displaced manufacturing workers in the short-run, but innovation benefits society in the long run.¹⁷⁶

These kinds of arguments against plant-closing legislation were advanced by business organizations such as the Chamber of Commerce, and various state-level groups who additionally argued that implementing such policies would accelerate closures and discourage the opening of new plants by business owners.¹⁷⁷ President

¹⁷⁶ The most vocal advocate of these arguments was Professor Richard B. McKenzie. See, for example: *Plant Closings: Public or Private Choices?* Ed. Richard B. McKenzie (Cato Institute: 1982), and Richard B. McKenzie, “Restrictions on Business Mobility: A Study in Political Rhetoric and Economic Reality,” *American Enterprise Institute* (Washington, D.C.: 1979). Private American firms also made similar arguments in hearings before Congress, see testimony from the Association of American Railroads, General Electric, the Chamber of Commerce, Whirlpool Corporation, and American Iron and Steel Institute, before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress.

¹⁷⁷ See, for example, “United States Chamber of Commerce Official Statement and Testimony” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress. The Chamber argued that to give advanced notice would be a “self-fulfilling prophecy” that almost guaranteed the closure and create negative economic fallout.

Ronald Reagan sided against such notification policies, claiming similarly that discussions over plant closures should be left to private parties and did not necessitate government involvement.¹⁷⁸ As plant closures continued, unemployment climbed, and political pressure mounted out of concern for workers' livelihoods. Most of plant closing legislation's opponents, including President Reagan, remained firmly against mandatory notification, but began advocating for "voluntary" notification by business.¹⁷⁹ They suggested, in short, that notifying employees of a plant closure if employers know in advance is desirable, but should not be required in the event that it excessively disrupts free enterprise.

Given this clear and effective resistance by American business, there is an argument to be made that the absence of a strong labor movement and/or party made it more difficult to pass federal legislation in the United States, in contrast to many European countries. Countries like Germany, Sweden, and Canada all benefited from the influence of strong labor parties during these years, and the U.S. was far behind in terms of labor and workplace protection policies compared to more socially democratic, homogenous countries like Sweden, which were able to entertain and execute forceful demands for labor protection.¹⁸⁰ Evidence of America's tilt towards

See, also, testimony on behalf of the Ohio Association of Manufacturers before the Commerce and Labor Committee of the Ohio General Assembly.

¹⁷⁸ Ronald Reagan, "Statement on the Worker Adjustment and Retraining Notification Act," August 2, 1988. Ronald Reagan Presidential Library and & Museum: Simi Valley, California.

¹⁷⁹ Whirlpool Corporation was the "poster child" of this voluntary effort. State laws in Maryland, Massachusetts, and Michigan also allowed for voluntary guidelines for businesses closing shop.

¹⁸⁰ Sven Steinmo does an excellent job of generally pushing back on the argument that the United States developed differently from certain European countries like Sweden due to the absence of a strong labor party. Rather, he argues that unique American institutions have led to exceptional policy development. See Sven Steinmo, *The Evolution of Modern States: Sweden, Japan, and the United States* (Cambridge University Press, 2010). See, also William E. Forbath, *Law and the Shaping of the American Labor Movement* (Harvard University Press, 1991).

laissez-faire or anti-labor legislation is reflected generally in policies tracked by the OECD. When it comes to policies that protect workers against dismissal, the U.S. is consistently in last place against various measurements procured by the OECD.¹⁸¹ Sweden and Norway, in contrast, are countries with strong labor parties that typically rank near the top of the pack when it comes to ranking policies that provide protection through giving advance notice and severance pay.¹⁸²

The fact that U.S. notification policies met resistance cannot be fully explained by the relative weakness of labor in the U.S., however. As stated earlier, a vast majority of the public favored additional protections and notification, and most of the industries affected, like the automobile sector, were heavily unionized. Even though various union contracts were arguably in place when plants were threatening to close, their stipulations varied, and trade organizations together agreed that more coherent, uniform, federal protection was needed.¹⁸³ Labor organizations heavily backed, for example, a federal proposal in 1985, which barely failed to pass the house by a few votes. Furthermore, the argument that *laissez-faire* policies tended to prevail in the United States fails to account for the 32 individual states that had seriously considered plant-closing legislation through the year 1987.¹⁸⁴ Early plant-closing legislation was not only successful in the U.S. states, but various state-level plans

¹⁸¹ “Chapter 2: Protecting Jobs, enhancing flexibility: A new look at employment protection legislation,” from *OECD Employment Outlook 2013*, OECD 2013, https://read.oecd.org/10.1787/empl_outlook-2013-6-en?format=read#page17.

¹⁸² “Chapter 2: Protecting Jobs, enhancing flexibility: A new look at employment protection legislation,” see for example, 78-83, Figures 2.1 and 2.2.

¹⁸³ See, for example, “Statement of Morton Bahr, President of Communications Workers of America, AFL-CIO,” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, 129.

¹⁸⁴ Abbey, “State Plant Closing Legislation,” 851.

were equally, if not more, robust than European or Canadian policies. This suggests that the different trajectories of federal policy proposals in the United States and those in other industrialized countries cannot be adequately explained by the absence of a strong labor party or more powerful labor movement.

South Carolina was, in fact, the first U.S. state to adopt a policy that mandated that businesses provide pre-notification of plant closures in 1962. The notification period was short, and conditional: For firms that required *employees* to give advance notification of quitting, the legislation required that those *employers* likewise give their workers two weeks' advance notice of plant closures.¹⁸⁵ Five other states successfully implemented mandatory notification policies prior to 1988, namely Connecticut, Hawaii, Maine, Tennessee, and Wisconsin. Maine's policy required that businesses provide two-months' notice of plant shut-downs, and along with Hawaii, required firms to fund severance pay for affected workers.¹⁸⁶ Connecticut required that employers continue terminated employees' health coverage for 120 days after closing.¹⁸⁷ Tennessee and Wisconsin required varying periods of mandatory notification between two weeks and 60 days, while Maryland, Massachusetts, and Michigan put in place policies that encouraged and incentivized voluntary notification by business.¹⁸⁸

¹⁸⁵ See "Section 41-1-40: Employers shall post certain labor laws," South Carolina Code of Laws (1962 Code Section 40-451); and Abbey, "State Plant Closing Legislation," footnote 39.

¹⁸⁶ "Plant-Closing Impact," In *CQ Almanac 1985*, 41st ed., 469-71. Washington, DC: Congressional Quarterly, 1986. <http://library.cqpress.com/cqalmanac/cqal85-1146886>.

¹⁸⁷ Abbey, "State Plant Closing Legislation," footnote 36.

¹⁸⁸ See Abbey, "State Plant Closing Legislation," 851-852. Massachusetts, for example, set "voluntary standards of corporate behavior" for proposed plants closing with 50 or more employees; that they provide practical advance notification as early as possible, and offer severance payment and continued benefits for a reasonable period of time.

In the year 1988, approximately 20 stand-alone notification bills were proposed in state legislatures throughout the country. On average, the more “heavy-handed bills...historically dominated the legislative arena”¹⁸⁹ in terms of policies proposed in states. Common features in state-level proposals included mandatory employee severance and community assistance programs. Had it passed, Missouri’s House Bill No. 1161 proposed in 1988 would have required one-year advanced notification not only in anticipation of closures, but amidst reductions in operations; as well as lump-sum severance payments and contributions to a community assistance fund “equal to ten percent of the total annual wages of all employees affected.”¹⁹⁰ While other bills, like one proposed in California, were more modest in terms of simply requiring notification, the general trend signified a legislative desire throughout the country to provide mandated warning systems and significant compensation for workers and communities affected by deindustrialization, where businesses would be required to foot the bill.

In light of the more robust policies that existed abroad and at the local level, one might expect the federal government to adopt similar provisions in addition to notification, such as requiring severance payments or mandating that companies continue health benefits. While some early federal policies did call for more substantial provisions like these, federal legislation largely fell victim to the political influence of business and lawmakers who were sympathetic to business demands. Over the years, federal plant-closing proposals were influenced by the pro-business

¹⁸⁹ Abbey, “State Plant Closing Legislation,” 853.

¹⁹⁰ Abbey, “State Plant Closing Legislation,” 853.

argument that providing protection or benefits to workers was not worth sacrificing the freedom of capital to re-invest and reallocate resources as firms deem appropriate. These political dynamics – and the factors that led to delays and to weaker legislation – emerge in a deeper examination of proposed federal plant-closing legislation in the United States.

Weak results: Business mobilization against American federal plant-closing legislation

In a statement during a Congressional Joint Subcommittee Hearing debating the merits of plant-closing legislation, Ohio Governor Richard Celeste identified the federal response to widespread plant-closing trends in 1987 as “scattered” and “insufficiently funded.”¹⁹¹ While the same can arguably be said today, this was especially true in 1987 as Congress endlessly revised, debated, and compromised over what they thought would be an appropriate federal version of plant-closing legislation. All in all, it took fourteen years from the time the first piece of federal plant-closing notification legislation was proposed in its most robust form, to the time a bill would finally become law in its most modest form. What eventually emerged was a bill called the Worker Adjustment and Retraining Notification Act of 1988, or WARN – far less comprehensive and robust than other countries, and severely delayed – in a 100th Congress willing and able to override a presidential veto.

¹⁹¹ “Testimony from Richard Celeste, Governor of the State of Ohio,” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, 11.

Plant-closing legislative proposals encountered a number of familiar institutional obstacles that hindered their passage, and these obstacles were amplified by political mobilization by business. As each bill went through the classic law-making process, business testimony opposing it would lead some lawmakers to conclude that the bill could not make it out of committee or survive a floor vote. When floor debates did occur, changes were frequently made on the fly to make the bill more business-friendly and to garner more votes in favor. The few bills that did pass the House or Senate, then met open resistance by the Reagan Administration, which argued that such regulations would hurt “labor and management relations” during the 1980s and promised to veto any bill that contained mandatory notification provisions for plant-closing. This highly politicized process of law-making contributed to the long delay, and shaped the development of increasingly thin notification bills over time. It took dangerously high levels of unemployment and veto-resistant Democratic majorities in Congress to finally pass modest plant-closing legislation in 1988. Table 3.1 provides a summary of major proposed plant-closing legislation in the U.S. Congress from 1974 to 1988. This next section will outline these proposals in turn, to demonstrate how the components of each bill faced institutional resistance and business opposition, with each successive version reflecting more limited provisions over time.

Table 3.1: History of major proposed plant-closing and notification legislation in the United States Congress (1974-1988)

Proposed Notification Policy	Origination	Components	Outcome
National Employment Priorities Act of 1974	93 rd Congress, H.R. 15294 in Democratic Majority House of Representatives	<ul style="list-style-type: none"> - Required prenotification to affected employees and communities - Within D.O.L, established National Employment Relocation Administration and National Employment Relocation Advisory Council - Authorized Secretary to provide financial adjustment assistance, and conduct investigations and research into plant closings 	Bill referred to House Committee on Education and Labor; never left committee
National Employment Priorities Act of 1979	96 th Congress, H.R. 5040, in Democratic Majority House of Representatives; Senate companion bill, S. 1608	-Required businesses to give notice and economic impact statement to Secretary of Labor, affected employees, labor organizations, and local governments when a change of operations will result in employment loss of 15% or more of workforce in 18-month period	Bills referred to House Committee on Banking, Finance and Urban Affairs, and Senate Committee on Labor and Human Resources; neither left committee

		<ul style="list-style-type: none"> -Required businesses to offer income maintenance for workers and specified benefit plans for 52 weeks -Pre-notification period would vary depending on size of business, but must be given before wage reductions 	
National Employment Priorities Act of 1983	98 th Congress, H.R. 2847 in Democratic Majority House of Representatives	<ul style="list-style-type: none"> -Required businesses to give written notice of plant closing or permanent lay-offs that would affect 15% of workforce in 18-month period -Employer responsibility to notify workers of wage reductions to less than 85% of previous weekly earnings -Required businesses to provide weekly income maintenance for one year to laid-off employees and extend health insurance -Businesses liable for certain revenue losses within local governments as a result of change of operations -Authorized federal assistance for job 	Bill referred to two House Committees, Banking, Finance, and Urban Affairs, and Education and Labor; hearings held in subcommittees; did not leave committee

		training and relocation	
Labor-Management Notification and Consultation Act of 1985	99 th Congress, H.R. 1616 in Democratic Majority House of Representatives	-Required businesses to provide three months' notice prior to permanent lay-offs that originally affected 50 or more employees; later amended to 100. -Originally required employers to consult with employees about alternatives to plant-closing; but provision was pulled for the House floor vote	Failed to pass House floor vote (203 Yea-208 Nay)
Economic Dislocation and Worker Adjustment Assistance Act of 1987	100 th Congress, H.R. 1122 in Democratic House Majority	-Required companies to give advance notice of plant closings and layoffs to workers and local governments -Required businesses to consult and meet with affected employees; prohibits employer from initiating closing until consultation	Approved by House Education and Labor Committee; ultimately bill was re-written and taken up by the Senate in another trade bill during the same year
Omnibus Trade and Competitiveness Act of 1987; Subtitle E: Worker Adjustment and Retraining Notification Act	100 th Congress, H.R. 3 in Democratic Majority House and S. 538 in Democratic Majority Senate; Senate adopted S. 538 into the Omnibus Trade and	-Required businesses with 100 or more employees to notify workers 60 days in advance of plant-closing or mass lay-offs that would affect at	President Reagan vetoed the bill on May 24, 1988, House overrode veto, but Senate sustained it

	Competitiveness Act during floor amendments	least one third of the workforce	
Worker Adjustment and Retraining Notification Act (WARN) of 1988	100th Congress, S. 2527 in Democratic Majority Senate	-Required business with 100 or more employees to notify workers 60 days in advance of plant-closing or mass lay-offs that would affect 50 or more full-time employees	Became law on August 4, 1988 without the signature of the president

Sources: “H.R. 15294 – 93rd Congress (1973-1974): National Employment Priorities Act,” June 10, 1974; “H.R. 5040 – 96th Congress (1979-1980): National Employment Priorities Act of 1979,” July 31, 1979; “S. 1608 – 96th Congress (1979-1980): National Employment Priorities Act of 1979,” July 31, 1979; “H.R. 2847 – 98th Congress (1983-1984): National Employment Priorities Act,” May 2, 1983; “H.R. 1616 – 99th Congress (1985-1986): Labor-Management Notification and Consultation Act of 1985,” March 20, 1985; “H.R. 3 – 100th Congress (1987-1988): Omnibus Trade and Competitiveness Act of 1987,” January 6, 1987; “S. 2527 – 100th Congress (1987-1988): Worker Adjustment and Retraining Notification Act of 1988,” June 16, 1988.

The first major notification bill was proposed in 1974 by a congressman who would go on to introduce many more during his tenure. Democratic Representative William D. Ford hailed from Michigan’s 13th Congressional District, which represents part of the city of Detroit and its suburbs. He was an outspoken advocate for labor, and worked to protect the American auto-industry and other “working class” professions.¹⁹² It was no surprise, then, that Representative Ford was the primary sponsor of the National Employment Priorities Act, first introduced on June 10, 1974. The Act proposed to amend the New Deal-era Fair Labor Standards Act of 1938 to require prenotification of dislocating businesses to affected employees,

¹⁹² Matt Schudel, “Rep. William D. Ford Of Michigan Dies at 77,” *The Washington Post*, August 15, 2004, <https://www.washingtonpost.com/archive/local/2004/08/15/rep-william-d-ford-of-michigan-dies-at-77/aba3657f-7333-4932-ac0d-45f3947d4b77/>.

provide financial assistance to those affected employees, and to prevent government support for “unjustified dislocation.”¹⁹³ This initial proposal was the only one that would call for a separate department to be established within the Department of Labor, with an Administrator appointed by the President. The National Employment Relocation Administration and National Employment Relocation Advisory Council would be charged with coordinating required notifications and reporting them to the Secretary. The Secretary of Labor, with help from the Administration and Council, would be authorized to investigate and research local plant closures and determine what kinds of financial recourse and training programs should apply in certain scenarios. The bill was referred to the committee Representative Ford chaired, the House Committee on Education and Labor, but it never emerged out of committee, nor was it assigned a sub-committee.¹⁹⁴

Five years later, Representative Ford once again introduced plant-closing legislation, this time with a companion bill presented in the Senate by Democratic Senator Donald Riegle of Michigan. The National Employment Priorities Act of 1979, or the Ford-Riegle bill, was assigned to multiple House Committees, including Education and Labor as well as Banking, Finance, and Urban Affairs. The companion bill was referred to the Senate Committee on Labor and Human Resources. However,

¹⁹³ If, after an investigation of a specific plant closure, the Secretary of Labor determined that “the closing or transfer of operations of an establishment or a business was not justified...” or if the transfer could have been avoided, businesses acted in bad faith, or did not pursue viable alternatives, then “... such business concern shall be ineligible for specified benefits under the Internal Revenue Code, for a period not to exceed 10 years.” See “H.R. 15294 - 93rd Congress (1973-1974): National Employment Priorities Act,” June 10, 1974. <https://www.congress.gov/bill/93rd-congress/house-bill/15294>.

¹⁹⁴ See “H.R. 15294 - 93rd Congress (1973-1974): National Employment Priorities Act,” Summary and Actions.

in both chambers, neither of the two bills left their respective committees. Had this bill succeeded in 1979, it would have required businesses to give notice and economic impact statements to the Secretary of Labor when a change of operations would result in employment loss of 15% or more during an 18th month period.¹⁹⁵ This meant that notification was required even if a business did not fully close shop, but scaled down operations that would result in wage reductions. The 1979 bill would have also necessitated businesses to provide income maintenance, as well as the continuation of benefit plans, for up to 52 weeks after employees were dismissed.

By the end of the 1970s, business organizations were acutely attuned to what plant-closing legislation would mean for private firms. They recognized that the act of pre-notifying workers could undercut potential profits gleaned from keeping “business as usual” and workers in the dark while companies sought cheaper alternatives. Private organizations used the argument that mandated plant-closing guidelines would force corporations’ hand and infringe on their ability to allocate resources properly, and profitably. In general, they favored or promoted voluntary efforts to notify workers of shut-downs that, in their view, did not necessarily need to be mandated by law.¹⁹⁶ But Representative Ford continued to insist that firms would not give adequate notice without mandated requirements.

The final version of this particular bill, again titled the National Employment Priorities Act, was introduced again in May of 1983, once more by Representative Ford. In addition to notification requirements for change in operations affecting 15%

¹⁹⁵ “S. 1608 - 96th Congress (1979-1980): National Employment Priorities Act of 1979,” July 31, 1979. <https://www.congress.gov/bill/96th-congress/senate-bill/1608>.

¹⁹⁶ “Plant-Closing Impact,” in *CQ Almanac* 1985.

of the workforce, this version also required notification of wage reduction, and would have mandated businesses provide weekly income maintenance for up to a year with extended health coverage. Businesses, under this bill, would also be liable for revenues lost to their local governments as a result of the firm's closure. It additionally authorized federal assistance for job training and relocation.¹⁹⁷

This time, the 1983 bill saw action in several sub-committees over the next year, and the Labor-Management Subcommittee eventually approved plant-closing legislation. However, this labor-backed bill never saw action on the House floor. Faced with continued business opposition and a growing national deficit, Representative Ford accepted temporary defeat on this measure and relayed the conclusion that his legislation would not survive “unless we developed a solution that was no burden to the taxpayer and no burden to responsible business organizations.”¹⁹⁸ What Ford arguably learned during this most recent attempt was that legislation would need to be flexible if it was going to make it further in the law-making process, as this was the last of the more robust forms of national plant-closing legislation that Ford proposed. Future versions would be vulnerable to floor amendments in order to appease members of Congress, and upcoming chamber-wide votes would be taken on bills that eliminated income maintenance and eased up on business requirements.

¹⁹⁷ “H.R. 2847 - 98th Congress (1983-1984): National Employment Priorities Act,” March 6, 1984, <https://www.congress.gov/bill/98th-congress/house-bill/2847>.

¹⁹⁸ “Plant-Closing Impact,” in *CQ Almanac 1985*; and “H.R.2847 - 98th Congress (1983-1984): National Employment Priorities Act.” March 6, 1984.

In 1985, Congress introduced the Labor-Management and Consultation Act. This bill went through the most serious consideration of any of the previous proposals, and importantly, it did not contain some of the more stringent measures on business that prior versions had. H.R. 1616 would prohibit any employer from “ordering a plant closing or mass layoff until 90 days after the employer serves written notice...” and it also required employers to consult with employees about potential alternatives to plant-closings.¹⁹⁹ It was referred to the House Committee on Education and Labor, and then to multiple subcommittees on labor-management relations and employment opportunities. After subcommittee hearings, and whole committee amendments and mark-ups, the bill was eventually presented to the House of Representatives for a floor vote in late November of 1985.

Business groups were highly organized around blocking this bill from the outset. Both large and small business argued that mandatory notification would create more unemployment, as opposed to less, and obstruct business’s ability to make profitable long-term decisions.²⁰⁰ They claimed it would all but guarantee closures would happen, and put restrictions on corporations’ ability to invest effectively.²⁰¹ Even though the bill did make it out of committee, Representative Ford was aware

¹⁹⁹ “H.R. 1616 – 99th Congress (1985-1986): Labor-Management Notification and Consultation Act of 1985,” March 20, 1985, <https://www.congress.gov/bill/99th-congress/house-bill/1616>.

²⁰⁰ “Plant-Closing Impact,” in *CQ Almanac* 1985.

²⁰¹ As Congressional testimony submitted on behalf of the U.S. Chamber of Commerce in 1987 relayed, “Plant closing legislation... would be harmful to the economy in general and, ultimately, would not help even those workers and communities that it is intended to help. Because such bills significantly impede employers’ ability to phase out antiquated products and production processes in favor of more competitive ones, the ultimate result is loss of competitiveness and, correspondingly, loss of jobs...” Before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, 171.

that the proposal was vulnerable when it reached the House floor. His staff was ready with a substitute bill that eliminated certain remedies, but maintained the consultation requirement. However, sensing more trouble with securing enough votes, even the consultation provision was pulled from the bill before a final vote.²⁰² Fifty-four Democrats, 49 of which were from the South, voted against the bill, and twenty Republicans joined the remainder of Democrats voting in favor.²⁰³ The Labor-Management and Consultation Act failed to pass the House by only five votes.²⁰⁴ As the Congressional Quarterly stated in 1985, “H.R. 1616 failed to garner majority support even though the revised version was significantly weaker than the original measure. Among other things, the legislation was stripped of a requirement that employers consult with workers before a shutdown and a provision giving employees the right to get a court order halting a shutdown.”²⁰⁵

Not only was the bill significantly weaker than the original, it was fundamentally different than previous measures. The only consistent element seemed to be advance notification, but even that was vulnerable, as disagreement ensued over length of notification periods. Business-sensitive policy-makers in ranking committee positions, such as Republican Senator James M. Jeffords of Vermont, wanted shorter periods. The conditions under which notification would be triggered were unsettled as well. In particular, questions remained over whether notification requirements would only apply to large firms, or whether a certain percentage of the workforce had to be

²⁰² “Plant-Closing Impact,” in *CQ Almanac 1985*.

²⁰³ “Plant-Closing Impact,” in *CQ Almanac 1985*.

²⁰⁴ “H.R. 1616 – 99th Congress (1985-1986): Labor-Management Notification and Consultation Act of 1985,” March 20, 1985.

²⁰⁵ “Plant-Closing Impact,” in *CQ Almanac 1985*.

affected in order to prompt notification.²⁰⁶ And there remained staunch holdouts, like President Reagan, who threatened to veto anything that resembled a mandate, no matter what form it took.

As proposed legislation met a series of institutional obstacles in the policymaking process, industrial plants continued to close doors across America, and the problem of industrial job loss spread beyond the Northeast and Midwest. The Bureau of Labor Statistics reported that approximately 11.5 million workers experienced job loss as a result of plant closings between 1979 and 1984.²⁰⁷ While overall unemployment levels peaked in 1982 at 10.8%, they remained above 7% until after 1985,²⁰⁸ and job loss in the manufacturing sector continued. Signs of structural and permanent change in industrial America were beginning to emerge.²⁰⁹ Increasingly dire economic circumstances in addition to a new institutional opportunity prompted Democrats to continue pushing for plant-closing legislation. For the first time since 1979, Democrats won majorities in the Senate during the 1986 mid-term elections. This presented them with an opening to move notification legislation through both chambers and possibly override a presidential veto. Representative Ford would introduce a plant-closing measure one more time in the

²⁰⁶ Committee mark-ups constantly played with the number of employees a firm must have, or be dismissing, in order to trigger mandatory notification. Senator Jeffords' amendment applied to companies with 50 or more employees, but covered lay-offs of 100 or more. Democratic Senator Buddy Roemer proposed a measure that applied to firms with 200 workers or more. See "Plant-Closing Impact," in *CQ Almanac 1985*.

²⁰⁷ "Plant-Closing Impact," in *CQ Almanac 1985*.

²⁰⁸ Kimberly Amadeo, "Unemployment Rates by Year Since 1929 Compared to Inflation and GDP," *The Balance*, last modified May 5, 2022, <https://www.thebalance.com/unemployment-rate-by-year-3305506>.

²⁰⁹ U.S. Bureau of Labor Statistics, "Employment by Major Industry Sector," last modified September 8, 2021, <https://www.bls.gov/emp/tables/employment-by-major-industry-sector.htm>.

House, but ultimately, the attachment of plant-closing legislation to a larger trade bill presented a more promising opportunity in the Senate.

In the months leading up to passage, Senate bill 538 originally contained mandatory notification and consultation provisions, the latter of which would later be stripped, and underwent prolonged debate within the Senate Committee on Labor and Human Resources in 1987. Testimony and statements from labor organizations offered support, but business groups heavily mobilized and collectively re-asserted their firm position against mandated plant-closing legislation. General Electric, for example, argued that the real threat to workers was economic change that happened too slowly, rather than too quickly, and federal legislation should not be passed that helps workers hold on to outdated forms of work.²¹⁰ The American Trucking Company testified that “inflexible notice and consultation provisions... would impose enormous burdens on business.”²¹¹ Meanwhile, a spokesperson for the U.S. Chamber of Commerce Council of Small Business relayed to the committee that the “so-called ‘plant-closing’ proposals are a major concern to the business community because of the potential for extensive economic harm,” adding that “small businesses do not

²¹⁰ See “Statement from Frank P. Doyle, senior vice president, General Electric Co.,” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, the testimony goes on to say: “The issue of worker displacement is best understood in the context of adjustment – of helping people move from old work that is being eliminated to new work that is being created (149).”

²¹¹ See “American Trucking Associations Prepared Statement,” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, 197.

need and do not want a law to tell them what they can and cannot do to save their livelihoods.”²¹²

Companies like GE and Whirlpool expressed support for voluntary notification efforts, saying that alerting employees of potential shut-downs is good practice, but should not include specific rules or mandates. Whirlpool submitted testimony relaying that they as a company have “lived within the spirit” of the proposed bill and when possible, alerted employees to potential plant shut-downs.²¹³ But Whirlpool, along with the Chamber of Commerce, the American Association of Railroads, American Iron and Steel Institute, and many more businesses remained firmly against bills that *mandated* notification by employers of mass lay-offs or plant closings.²¹⁴ Whirlpool further stated that the proposed rule “burdens employers with such onerous penalties and administrative mandates that compliance could make it virtually impossible for any U.S. employer to ever respond to U.S. or global economic realities.”²¹⁵ The American Bakers Association added that the mandatory

²¹² See “Statement from Allan R. Thieme... on behalf of U.S. Chamber of Commerce,” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, 161, 164.

²¹³ “Prepared statement from E.R. Dunn, Vice President, Whirlpool Corporation,” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, 216.

²¹⁴ See prepared statements from Chamber of Commerce, the American Association of Railroads, and American Iron and Steel Institute, before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, 144, 242, and 244.

²¹⁵ “Prepared statement from E.R. Dunn, Vice President, Whirlpool Corporation,” from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 217.

notification and consultation provisions were “punitive in nature” and would minimize “the ability of employers to compete.”²¹⁶

Senate bill 538, however, would be incorporated as a smaller component of a massive trade bill at the request of Democratic leaders who saw an opportunity to pass plant-closing legislation within a law that also appeased the pro-business president. The Omnibus Trade and Competitiveness Act of 1987 originally contained a number of provisions before it was sent to the Senate, including reauthorization for Trade Adjustment Assistance, fast-track authority for the president, and foreign tax requirements. During negotiations on the Senate floor over amendments to the trade bill, the Senate adopted a floor amendment by voice vote that added the separate notification bill, originally S.538, now a part of the trade bill in Subtitle E titled the Worker Adjustment and Retraining Notification Act.²¹⁷ The provision required companies with 100 or more employees to give 60 days’ notice of plant closings or mass lay-offs that would affect at least one-third of the firm’s employees. Exemptions were given for firms struggling to stay in business, and employers would not be required to consult with employees beforehand.²¹⁸ As such, this version eschewed the consultation requirements built into the original version.

²¹⁶ “American Bakers Association Prepared Statement,” before the United States Senate Subcommittee on Labor and the Subcommittee on Employment and Productivity (March 10, 1987), from Joint Hearings on the Economic Dislocation and Workers Adjustment Assistance Act, 100th Congress, 222.

²¹⁷ “House and Senate Pass Omnibus Trade Bill,” in *CQ Almanac 1987*, 43rd ed., 640-61. Washington, DC: Congressional Quarterly, 1988. <http://library.cqpress.com/cqalmanac/cqal87-1144241>.

²¹⁸ “House and Senate Pass Omnibus Trade Bill,” in *CQ Almanac*. See, also, “S.538 - 100th Congress (1987-1988): Economic Dislocation and Worker Adjustment Assistance Act,” September 20, 1988, <http://www.congress.gov/bill/100th-congress/senate-bill/538>.

But in an otherwise bipartisan and presidentially approved trade agreement, this plant-closing addition would be the impetus for the larger bill's defeat. When the bill landed on the desk of Ronald Reagan on May 24, 1988, the President vetoed it as promised. In a radio address to the nation, Ronald Reagan relayed the following to the public:

Congress decided to send me a trade bill that threatens to destroy jobs and that would begin to reverse the policies of the last 7 years... While there are many positive aspects of this legislation, some of its provisions would move us a step further toward protectionism... my main objection to the trade bill involves the mandatory requirements it sets down for business to give advance notice of layoffs or plant closings... I urge Congress to schedule prompt action on a second trade bill immediately after it sustains my veto on this one.²¹⁹

The House of Representatives had enough votes to override the veto, but the Senate ultimately sustained it.

In response to the president's veto, Democratic Senator Howard Metzenbaum from Ohio re-introduced the Worker Adjustment and Retraining Notification Act, known as WARN for short, on its own. The Senate approved the bill after several days of debate, and the House passed WARN a week later. The bill became law on August 4, 1988, after President Reagan declined to either sign the measure or veto it. While members in Congress lauded it as a success in federally assuring much-needed protection for workers, the Reagan Administration likened it to ineffective, protectionist policies in Europe, where "...notification mandated by law [did not]

²¹⁹ Ronald Reagan, "Radio Address to the Nation on Free and Fair Trade," May 14, 1988; delivered at 12:06pm from Camp David, MD. Ronald Reagan Presidential Library and & Museum: Simi Valley, California.

create or save one job... it [did] just the opposite”²²⁰ Fourteen years after the first bill was introduced, employers were now required by law to notify full-time workers 60 days in advance of plant-closings or mass lay-offs that would impact 50 or more employees.²²¹ The plant-closing legislation that eventually became law would not be signed by President Reagan, and it would be a far cry from original proposals in the 1970s.

This fourteen-year delay reflects a basic struggle prevalent in American politics: The American law-making process is slow-moving, with multiple potential veto-points. These institutional obstacles were exploited by business interests seeking to stop or slow down the legislation. After years of trial and error by eager lawmakers, the advocates of notification legislation became more attuned to business’s influence in the process. This meant that, over time, bills were frequently stripped of more stringent provisions on employers or longer notification periods during committee mark-ups or chamber floor votes, in last-ditch efforts to get enough pro-business members on board. The veto threat was legitimate as well, as the Worker Adjustment and Retraining Notification Act of 1988 ultimately passed without the president’s signature, and Democrats needed significant majorities in both the House and Senate in order to secure WARN’s passage. The coordinated and consistent business mobilization against each version of the bill, funneled through federal law-making institutions, contributed to the modest notification policy that exists in the United States. While its core elements embody direct protection for

²²⁰ Ronald Reagan, “Statement on the Worker Adjustment and Retraining Notification Act.”

²²¹ “S. 2527 – 100th Congress (1987-1988): Worker Adjustment and Retraining Notification Act of 1988,” June 16, 1988, <https://www.congress.gov/bill/100th-congress/senate-bill/2527>.

workers and communities, the final policy version itself reflects business's heavy hand in shaping the outcome.

Freer business movement in the wake of delayed notification

Simply put, these institutional struggles produced immediate and traceable consequences: millions of workers were laid off without warning, while businesses were allowed to move quickly and freely, during the height of deindustrialization. For communities reliant on the revenue and employment provided by local factories, these sudden closings had ripple effects throughout local economies. Youngstown, Ohio lost over fifty thousand jobs in steel and other manufacturing in the period between 1977 and 1987, and the consequences of this have lingered to this day. According to John Russo and Sherry Linkon, who wrote in 2003 about the lasting “collateral damage” of deindustrialization, the Youngstown-Warren area in northeast Ohio “has been and remains among the national leaders in unemployment, poverty rates, population decline, devaluation of housing stock, foreclosures, bankruptcies, and arsons.”²²² The economic devastation has led leading urban theorist David Rusk, to argue that “Youngstown may be beyond the point of no return.”²²³ In many rust-belt towns such as these, there existed no base line of federal support for communities that lost their primary employer during critical years of decline. Contrary to the

²²² John Russo and Sherry Lee Linkon, “Collateral Damage: Deindustrialization and the Uses of Youngstown,” from *Beyond the Ruins: The Meanings of Deindustrialization*, ed. Jefferson Cowie and Joseph Heathcott (Cornell University Press, 2003), 202.

²²³ Russo and Linkon, “Collateral Damage: Deindustrialization and the Uses of Youngstown,” 202.

claims advanced by various business organizations, workers were not able to automatically adapt to profound economic changes as expected.

As other authors have mentioned, a number of separate occurrences during the 1980s further exacerbated the more negative consequences of capital flight for workers and communities – and/or the gains for business. In 1981, while plant-closing legislation continued to see delays in Congress, the Reagan Administration pushed forward a massive tax bill that focused on income tax reductions and business tax revisions. The Economic Recovery Tax Act of 1981 imposed a much more generous treatment of depreciation, through which businesses could write off more in terms of the cost of new plant and equipment against income.²²⁴ The same bill also expanded the “investment tax credit” for certain types of equipment, a program known as “safe-harbor leasing.” This safe-harbor leasing effectively allowed struggling companies who were losing profits, like Ford, to sell their investments to profitable firms, like IBM, and both would receive millions of dollars in federal tax refunds. General Electric infamously raked in millions as a result of this provision, and was able to completely eliminate their tax liability in 1981.²²⁵ The safe-harbor leasing program was eliminated a year later, but in the interim, the Center on Budget and Policy Priorities discovered that “the value of allowable deductions and actual credits actually exceed[ed] the tax liability on the income that investment in a typical piece of equipment would generate” and according to Bluestone and Harrison, private

²²⁴ See Rosenberg, *American Economic Development Since 1945*, 241.

²²⁵ See Vogel, *Fluctuating Fortunes*, 252, for more on safe-harbor leasing and the developments that led people to refer to G.E. during the early 1980s as “Greed Electric.”

investments in equipment had essentially “become fully subsidized by the government” during the short time safe-harbor leasing was in effect.²²⁶

Another crucial turn in favor of freer business movement was the appointment of more conservative members to the National Labor Relation Board during the 1980s. The NLRB decided a number of critical workplace cases with a new conservative, management-friendly approach espoused by Reagan appointees. As a result of the *Milwaukee Springs II* case that came before the Board in 1984, for example, employers gained leverage when the Board officially allowed American firms to move union jobs to nonunion locations with minimal stipulations. The Board ruled that if the move was intended to lower labor costs, the moving firm was required to bargain with the union over the decision. If the firm could prove that the move hinged on factors other than cutting labor costs, they would not be required to bargain with affected unions at all.²²⁷ These seemingly small decisions made inside the American bureaucracy had extensive consequences for the attenuation of union strength during the early years of deindustrialization.²²⁸ As a result, entire communities, and the unionized workers who worked and lived there, were left without federal protection.

In the wake of delayed and limited plant-closing legislation and other government action, business thus had the ability to move quite freely in the United States in a way that exacerbated the inequities in the shifting domestic economy. While plant-closing legislation in theory was designed to protect workers and

²²⁶ See Harrison and Bluestone, *The Great U-Turn*, 93.

²²⁷ Rosenberg, *American Economic Development Since 1945*, 249.

²²⁸ See Harrison and Bluestone, *The Great U-Turn*, in particular, Chapter 2 “Zapping Labor,” 21-50.

communities from the job loss resulting from capital movement, the final version that passed the U.S. Congress in 1988 reflected the shorter notification periods and absence of financial accountability that business ultimately desired.

Conclusion

This chapter has argued that while plant-closing legislation did eventually pass in the United States, it faced major institutional obstacles moving through Congress as a result of business mobilization that utilized various veto points. To get plant-closing legislation passed, Congress had to scale back requirements for business by shortening notification periods and leaving out mandatory consultation and severance payments. Although the legislation was supposed to be a policy that benefited workers and communities, it ultimately passed in a form that satisfied business interests and offered little meaningful protections to workers or communities.

Chapter 4

Trading for Compensation:

The Evolution of Trade Adjustment Assistance and Expansion of Fast-Track Authority in American Trade Policy (1962-2015)

The previous chapter demonstrated the ways plant-closing legislation was *directly* shaped – and limited – by business interests, in ways that advanced those interests and reduced the protections offered to workers and communities. This chapter examines another policy response to American deindustrialization specifically designed for industrial workers, Trade Adjustment Assistance, and analyzes the ways in which business benefited *indirectly* from its development over time. Although modest in scope and level of assistance, Trade Adjustment Assistance (TAA) is a compensatory government program for industrial workers laid off as a result of foreign imports. It was first adopted in 1962, envisioned by pro-trade lawmakers as a necessary income assistance program to accompany an increasingly liberalized trade agenda.²²⁹ Once TAA was permanently institutionalized in trade law through the Trade Act of 1974, the program provided income payments to eligible laid-off workers, whose jobs had been substantially affected by increasing foreign imports, in longer durations than typical unemployment insurance. Although TAA has offered minimal assistance from the outset, the early implementation, and continued existence of a compensatory policy for laid-off industrial workers is, in principle, a success in the context of the limited U.S. response to deindustrialization. The fact that it has

²²⁹ Various authors have shown this to be the case, see, for example, Judith Goldstein, “Ideas, Institutions, and American Trade Policy”; I.M. Destler, *American Trade Politics*; and J.F. Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy.”

survived for so long, despite concerted efforts over the years to eliminate it,²³⁰ is also a testament to its achievement.

But it is necessary to further scrutinize why TAA was able to survive all these years. As covered in Chapter 2, liberals desired foreign policy provisions that would free up trade, and in return, they wanted policies that would also compensate workers for the job loss that could occur as a result of businesses chasing opportunities abroad. TAA's attachment to trade policy – rather than job training, for instance – sent TAA along a path that simultaneously expanded fast-track presidential authority in trade agreements after 1962.

TAA's institutional trajectory, and the benefits bestowed on business as a result, are examined in this chapter. I show that once linked to trade policy and locked into a path dependent process, TAA's institutional development occurred more specifically due to two phenomena: shifts in institutional authority and policy layering. First, Congress's willingness to "shift institutional authority" by allowing the president fast-track negotiating authority has increased the president's power in the realm of trade policy, which in turn, has led to the passage of more free trade agreements. Such shifts in institutional power away from Congress and towards the president have been noted by scholars in a range of policy realms such as foreign and military policy, but when it comes to trade policy and the seldom explored TAA program, existing work has underestimated the extent to which increasing presidential

²³⁰ President Ronald Reagan tried, but failed, to completely eliminate TAA – Congress was able to save it in reduced budgetary form. This was still a win for Reagan, though, as funding cuts to TAA during the 1980s resulted in far fewer successful claims. In 1988, he also oversaw the inclusion of mandatory training requirements as well, further narrowing the conditions under which workers could qualify for income assistance.

authority to enter free trade agreements has exacerbated the need to compensate workers for the ensuing losses.

“Policy layering” is defined as the action of layering, or adding new arrangements or programs on top of existing policies or structures.²³¹ Layering captures the notion that when actors have the opportunity to create new policies, they often do not eliminate old ones, and instead add new programs on top of existing ones. This process often generates new interests and new politics while changing the initial policy’s purpose or goal. According to Eric Schickler, layering can embody competing factions and allow policies to serve competing or contradictory purposes at one time, all while making institutions appear more haphazard and disorganized than they actually are.²³²

The concept of layering captures the multiple and contradictory components that comprise the development of TAA quite well. As a compensatory program linked to trade policy, TAA has been subject to the addition of programs when fast-track authority is up for renewal. While President Reagan attempted to minimize the program for a short period of time, its overarching development has been marked by the addition of new programs that add new layers on top of existing ones. These additions included NAFTA-TAA, a separate program attached to the original TAA program that only served workers whose jobs were affected by the North American

²³¹ See Schickler, *Disjointed Pluralism: Institutional Innovation and the Development of the U.S. Congress*; Hacker, “Privatizing Risk without Privatizing the Welfare State: The Hidden Politics of Social Policy Retrenchment in the United States; Thelen and Mahoney, “Comparative-historical analysis in contemporary political science,” from *Advances in Comparative-Historical Analysis*, 14, 24; and Karen Orren and Stephen Skowronek, “Order and Time in Institutional Study: A Brief for the Historical Approach.

²³² Schickler, *Disjointed Pluralism*, 12-13, 15-16.

Free Trade Agreement with Canada and Mexico; as well as TAA for farmers, a health care credit for TAA recipients, training requirements to receive assistance, and government grants for community colleges under the recently established TAACCCT program.

In the end, this shifting authority and policy layering provides another “win” for business. While TAA is supposed to offer relief to workers as a consequence for liberalized trade, its attachment to a policy that further accelerates capital movement ironically exacerbates the conditions under which TAA was originally deemed necessary. TAA’s modest and layered form is no match for the open trade conditions that have been unleashed by fast-track negotiating authority and the multitude of free trade agreements entered into on behalf of the United States since the 1960s. Policy layering, too, has only obscured the policy’s original purpose and spurred ideological fights that might otherwise have been avoided.²³³ Indeed, the sheer existence of TAA appears facially as a victory for workers, but its operation in practice presents a perpetual contradiction. While compensation for workers (in its layered and limited form) has remained, opportunities for business have expanded rapidly as a result of power shifting to the president over trade policy.

The remainder of this chapter advances evidence for this argument about policy layering and shifting institutional authority. I begin with a brief examination of American trade policy, relaying how the Trade Expansion Act of 1962 broke from a longstanding protectionist tradition, and included TAA as compensation for an

²³³ This chapter later talks about how the inclusion of “health care tax credit” for workers included in the 2002 Trade Act pushed certain Republicans to withdraw support from renewing fast-track authority.

increasingly liberalized trade agenda. I also examine the origins of “fast-track” authority for presidents to negotiate trade deals, and show how this and TAA were codified permanently in the 1974 Trade Act. Then, I trace TAA’s development from 1974 through 2015, unpacking the politics that surrounded the discussion over renewing fast-track authority, and reauthorizing TAA. Finally, I revisit how TAA’s institutional development was shaped by policy layering and changes in institutional authority, illuminating how business indirectly benefited from program additions and renewed fast-track authority.

American Trade Policy and Trade Adjustment Assistance

The trajectory of U.S. deindustrialization, and TAA’s role in responding to it, is part of a larger story of shifts in American trade policy. This is not to overstate the effects of liberalized trade, as free trade agreements do not automatically lead to more capital flight and domestic job loss. However, for purposes of this project, it is important to note how keenly attuned policy-makers in the 1960s were to the *potential* consequences of freer trade, that is, the possibility that private companies would seek cheaper labor overseas in the face of less stringent trade criteria. This concern led lawmakers in 1962 to permanently link a compensatory policy for American industrial workers who lost their jobs to a trade bill that solidified a significantly liberalized trade agenda. Lawmakers desired to “cushion the blow” in their pursuit of more liberal trade policy.

While a free trade agenda is now common among both Republican and Democratic administrations, and modern Congresses routinely allow for the passage

of free trade agreements, this was not always the case. Before early deindustrialization, the United States was considered fairly “protectionist.” Its national borders were more rigid, and the federal government was willing to routinely implement protective tariffs to protect American-made industrial goods and businesses. During the 1880s, Republicans in Congress went to great lengths to support the expansion of national industries through various modes of protectionism for export-driven manufacturing industries, all but assuring that domestic prices for American steel, for instance, stayed low, and that government revenue would be gleaned from high taxes on foreign imports.²³⁴

The Trade Expansion Act of 1962, fueled by the General Agreement on Tariffs and Trade (GATT) from 1948, broke a long protectionist tradition in America. Prior to this, the United States implemented the infamous Smoot-Hawley tariff of 1929-1930, which brought about massive tariff protection for depression-vulnerable American industries. The tariff backfired, however, as several countries raised their own tariffs in retaliation, the global trade market slowed to a crawl, and many argue it aggravated events that led to World War II.²³⁵ The disaster that was the Smoot-Hawley tariff of 1929-1930 had since guided policy-makers away from overly protectionist measures like high tariffs. Following World War II, a liberalized open trade agenda slowly came to dominate trade discussions.²³⁶ There was a growing consensus around the idea of open commerce that relaxed national borders. As national economies throughout the world continued to develop, grow, and compete during the

²³⁴ See Richard Bense, *The Political Economy of American Industrialization, 1877-1900*.

²³⁵ Destler, *American Trade Politics*, 11-12.

²³⁶ Goldstein, “Ideas, Institutions, and American Trade Policy,” 187.

early to mid-20th century, and the mass transportation of goods and materials became easier and more efficient, many industrial countries desired looser barriers and rules between nations in order to facilitate freer and faster exchange of goods. Free trade also served a desirable foreign policy agenda in the years after World War II. Political leaders in Washington at the tail-end of World War II hoped that, “A world open for commerce would be a world open for peace.”²³⁷ Thus, a consensus in favor of liberalized trade in the U.S. converged around the 1962 Trade Expansion Act. It would also include a small program providing compensatory assistance to protect workers from the pursuit of this agenda.

The origins of TAA and the roots of “fast-track” authority (1962-1974)

The Trade Expansion Act of 1962 gave the president an unprecedented amount of power to set tariffs, dictate domestic relief for export-driven American industries, and negotiate free trade agreements with other countries. According to *CQ Almanac*, the Act “...gave the President more tariff-cutting authority than had ever been granted by Congress to a President. It embodied new trade policy concepts and was designed to match the architecture of new world trade patterns...”²³⁸ It gave congressional approval to the president to essentially eliminate and cut tariffs as needed. While it was not called “fast-track authority” until the 1974 Trade Act, the initial power granted to the president to negotiate agreements opened the door for increasing authority over trade policy.

²³⁷ Destler, *American Trade Politics*, 6.

²³⁸ “The Trade Expansion Act,” in *CQ Almanac 1962*, 18th ed., 06-249-06-250, Washington, DC: Congressional Quarterly (1963) <http://library.cqpress.com/cqalmanac/cqal62-1326212>.

Scholars of American trade policy generally agree that a number of critical developments occurred as a result of the 1962 act. First, they argue that it marked a decisive shift away from protectionist policies and solidified support for liberalized trade.²³⁹ Secondly, they assert that presidential power to conduct free trade greatly and permanently expanded under this law.²⁴⁰ Thirdly, while there is debate about why the liberalized trade agenda was desirable in the United States, most agree that lawmakers saw it as “good foreign policy” at the time. Not only did it create economic ties with allies, it also challenged ideas about communism.²⁴¹ Policy-makers on multiple occasions expressed the desire to more boldly enter the foreign trade arena to take full advantage of the economic benefits, and liberalized trade seemed to be the way to do it.²⁴²

The 1962 Trade Expansion Act included “compensatory provisions” that would be managed by the executive. One of these provisions was called the “escape clause,” the other, “Trade Adjustment Assistance.” The escape clause had been incorporated into past policies: It was first instituted in 1947, and then codified in congressional law in 1951.²⁴³ The provision acted as a safeguard for industries affected by U.S. trade

²³⁹ Judith Goldstein points that among all the trade bills proposed in Congress in 1962, the 1962 Trade Expansion Act was “the most antiprotectionist to come out of committee,” in “Ideas, Institutions, and American Trade Policy,” 191.

²⁴⁰ See “The Trade Expansion Act,” in *CQ Almanac 1962*, on granting of unprecedented tariff cutting authority to the president. Goldstein also argues that shifting authority to the president was the mechanism by which “liberal trade ideas” became embedded in American trade policy. She relays the following: “Congress relinquishing constitutional control over managing foreign commerce and giving that power to the president was one of the means by which trade policies began shifting to more open ideas (187).” She goes on to say that “The power of the executive office to maintain trade policy is the institutional design that has fostered liberalism in the postwar period (192).”

²⁴¹ Destler, *American Trade Politics*, 7.

²⁴² In a special message to Congress, President Kennedy stated the following: “A more liberal trade policy will in general benefit our most efficient and expanding industries.” See President Kennedy, “Special Message to the Congress on Foreign Trade Policy,” Online by Gerhard Peters and John T. Woolley, The American Presidency Project (1962), <https://www.presidency.ucsb.edu/documents/special-message-the-congress-foreign-trade-policy>.

²⁴³ Goldstein, “Ideas, Institutions, and American Trade Policy,” 189.

policy. According to Judith Goldstein, “the escape clause provision allows an industry that has been seriously injured by imports to be exempted from an American trade agreement that would lower its tariff. The initial intent of the escape clause was to keep imports at a level that precluded injury to domestic producers.”²⁴⁴ Cases were decided by the International Trade Commission, and the president ultimately has the final say in the outcome of these cases. But during the 1960s, it was difficult for industries to attain escape clause protection due to presidential pressure to limit the use of the clause.²⁴⁵

The other compensatory provision, Trade Adjustment Assistance, was provided as financial protection for workers. Here, too, cases were decided by the president, and during the 1960s, TAA was also used rarely for the same reason escape clause protection was seldom used. That is, those in power sought to solidify more liberalized trade with minimal exceptions, and it seemed inconsistent to employ the escape clause without also approving cases for TAA.

The idea behind TAA had origins in the Randall Commission of the 1950s, a body created by Congress that recommended long-term strategies for foreign trade and economic policies. The Commission considered and backed a proposal for government aid to workers.²⁴⁶ This assistance program was not implemented then, but the idea was picked up later by Democrats and proposed as part of the Trade Adjustment Act of 1954. TAA was eventually included in the 1962 Act. It allowed the president to authorize, in certain cases, the Department of Labor to provide

²⁴⁴ Goldstein, “Ideas, Institutions, and American Trade Policy,” 188-189.

²⁴⁵ Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy,” 6.

²⁴⁶ Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy,” 5.

unemployment payments for longer durations. The president could also authorize the Commerce Department to give loans and technical assistance to firms.²⁴⁷

Scholars offer varying explanations for why TAA was originally included. Judith Goldstein argues that TAA was needed in order to institutionalize new ideas in trade policy, because the inclusion of compensation for workers “bought-off” potential opposition, and helped solidify the liberalized trade agenda.²⁴⁸ Other authors, like J.F. Hornbeck, emphasize the importance of the “link” between trade policy and TAA, pointing out that after 1962, considerations about renewing fast-track authority could not come without consideration of TAA.²⁴⁹ Stephanie J. Rickard has argued that there is a continued congressionally-charged motivation to include TAA in trade policy, especially among members who identify as part of a pro-trade coalition, but simultaneously represent communities with export-driven industries.²⁵⁰

Whether TAA was originally used to buy off opposition, to stand up to communists, or to solidify the free trade coalition matters less for these purposes than what subsequently developed as a result of the institutional link between the two programs. This project argues that several down-the-line institutional developments occurred as a result. From the beginning, the institutional link between trade policy and TAA proved significant, because while liberalized trade was praised among policy-makers, between 1962 and 1974, TAA as a program was widely criticized – particularly by organized labor – for program inefficiencies and the strictness of standards mentioned

²⁴⁷ “The Trade Expansion Act,” in *CQ Almanac 1962*.

²⁴⁸ Goldstein, “Ideas, Institutions, and American Trade Policy,” 211.

²⁴⁹ Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy.”

²⁵⁰ Rickard, “Compensating the Losers: An Examination of Congressional Votes on Trade Adjustment Assistance,” 49-50, 58.

above.²⁵¹ In fact, not one petition for TAA was approved in the program's first seven years, partly due to the fact that only 15 escape clause claims were granted relief by the president during this time.²⁵² Multiple versions of a stand-alone TAA bill had been introduced in Congress, but the program would ultimately be revitalized and expanded under the 1974 Trade Act.

When TAA was taken up in the 1974 negotiations, lawmakers made sure the program was expanded and liberalized. It included the following: less stringent criteria for eligibility, quick and efficient action on behalf of application and benefit distributions, increased compensatory benefits, and language stating it was a program designed to deal with increases in imports and the job losses "substantially affected by" these increases.²⁵³ The worker assistance program would now be entirely overseen by the Department of Labor, and the president was no longer needed to approve cases on an individual basis. The TAA provision also called for increased benefits for private firms, and offered loans and grants for affected communities.

The 1974 bill also, separately and importantly, renewed trade agreement authority for the president, popularly retitled "fast-track authority".²⁵⁴ As long as this

²⁵¹ Hornbeck, "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," 7-8. According to Destler in *American Trade Politics*, in regards to the perceived ineffectiveness of the escape clause and TAA in comparison to broadly enjoyed negotiating authority, the executive branch recognized that "to restore the credibility of these [compensatory] statutes, their procedures needed to be made less forbidding (140)."

²⁵² Destler, *American Trade Politics*, 139-140.

²⁵³ The language of the 1974 Act changed from the 1962 Act in a way that allowed more industries and workers to benefit from compensatory provisions. As I.M. Destler states, "The Trade Expansion Act of 1962 had required that an industry prove that it had suffered serious injury, the 'major cause' of which was imports due to the US tariff concessions ('major cause' meant greater than all other factors combined). Section 201 of the Trade Act of 1974 lowered that threshold, requiring that imports be only a 'substantial cause of serious injury, or the threat thereof' (this was defined as 'no less than any other cause')." See I.M. Destler, *American Trade Politics*, 140-141.

²⁵⁴ See "The history of Fast Track," and "How does Fast Track work?" from the *Clinton White House Archives*, accessed May 30, 2022.

authority was reauthorized in subsequent trade legislation, trade agreements would be subject to a simple up-down vote in Congress, with the president exercising authority over negotiations. The passage of the massive Trade Act of 1974 ultimately solidified Trade Adjustment Assistance's primary place as part of "trade policy," as opposed to a stand-alone compensatory program. TAA was, for all intents and purposes, still a federal response to deindustrialization, but its attachment to trade policy – as the institutional mechanism that kept it alive – would allow for additional layers to be added that were unrelated to the consequences of deindustrialization. When future trade bills would re-consider this presidential authority, they would again have to take up the Trade Adjustment Assistance program. In the meantime, more industrial strife was on the horizon.

Training to get compensation: Funding cuts, narrowed eligibility, and mandatory training requirements during the 1980s

The economic problems that came to a head during the 1970s led to a plethora of TAA applications and larger sums of money doled out as government compensation. The American automobile industry, for example, faced steeper foreign competition, and workers were being laid-off at extraordinarily high rates. This, in

<https://clintonwhitehouse3.archives.gov/initiatives/FastTrack/what.html>. "Fast-track authority" was envisioned by the Ford Administration and Congress in order to streamline the implementation of a free trade agenda. Because Congress has the exclusive ability to set tariffs and pass legislation affecting international trade, they have to delegate negotiating authority to the president through policies like the Trade Act of 1974, thus, "fast track gives the President credibility to negotiate tough trade deals." It is "an expedited procedure for Congressional consideration of trade agreements. It requires Congress to vote on an agreement without reopening any of its provisions, while retaining the ultimate power of voting it up or down."

combination with the relaxed standards under the 1974 law, led the sheer amount of TAA benefits offered to grow exponentially during the decade of the 1970s. By 1980, the program was costing the U.S. government \$1.6 billion a year, more than six times its previous high.²⁵⁵

When Ronald Reagan took office in the 1980s, his position against TAA was predictable. The large and generous compensation program that TAA had become over the past decade was put on the budgetary chopping block when Reagan announced his plan to reduce government-funded programs. Congress was able to spare TAA through various budget agreements, since its basic form was safeguarded by larger trade bills. But if Reagan was unable to eliminate it, he was still adamant about minimizing and manipulating the program toward more conservative ends.²⁵⁶

The early 1980s did not see any substantial new trade bills, but budgetary legislation allowed the Reagan Administration to re-shape and minimize TAA benefits. The Omnibus Budget Reconciliation Act of 1981 was a congressional budgetary measure that retained TAA, but Congress bowed to pressure from the Administration by tightening standards for eligibility and reducing financial benefits for workers. By 1982, the TAA program for communities was eliminated, which

²⁵⁵ See I.M. Destler, *American Trade Politics*, 150; and C. Michael Ago and Thomas O. Bayard, "Costs and Benefits of Trade Adjustment Assistance," in *The Structure and Evolution of Recent US Trade Policy*, ed. Robert E. Baldwin and Anne O. Krueger (Chicago: University of Chicago Press, 1984). See, also, Samuel L. Rosenberg, who also relays that most of the TAA payments during the 1970s "... went to unionized industrial workers, mainly steel, automobile, and clothing and textile workers, in the mid-Atlantic and North central regions. During the Carter years, many workers were certified to receive TAA..." from his book, *American Economic Development Since 1945*, 245.

²⁵⁶ See again, Hornbeck "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," 9; and Rosenberg, *American Economic Development Since 1945*, 245-246.

removed available federal grants and technical assistance.²⁵⁷ The benefits for workers also changed: they were no longer offered as additional weekly income allowances immediately following lay-offs, but rather as an extension to unemployment insurance for the long-term unemployed, after UI benefits had been exhausted.²⁵⁸ Then, after the passage of the Deficit Reduction Amendments Act of 1985, the TAA program for private firms was curtailed to the point that the government offered only technical assistance without grant availability, and along with this, monetary benefits for workers were reduced once again.²⁵⁹ Combined, these moves led to increased need, but virtually zero new successful claims. From 1976 to 1980 an average of 199,000 workers received TAA annually; in contrast, from 1986-1990, only 37,000 received TAA.²⁶⁰

After the presidential veto of the original Omnibus Trade and Competitiveness Act in May of 1988, Congress passed long-sought plant-closing legislation separately without the president's signature, and then reintroduced the trade bill without plant-closing provisions. The Omnibus Trade and Competitiveness Act of 1988 was introduced once again in June of 1988, and became law in August. It contained reauthorization for TAA, as well as the reauthorization of fast-track authority granting the president power to enter free trade agreements. The trade bill renewed TAA until

²⁵⁷ For more information on Trade Adjustment Assistance for communities, see Eugene Boyd and Cassandra Dortch, "Trade Adjustment Assistance for Communities: The Law and Its Implementation," *Congressional Research Service*, last modified May 2, 2011. On September 30, 1982, the original Trade Act of 1975 was amended to terminate the original communities program. See Sec. 284 of P.L. 93-618, 88 Stat. 2041.

²⁵⁸ Judith Goldstein, "Ideas, Institutions, and American Trade Policy," 211.

²⁵⁹ Hornbeck "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," 9-10.

²⁶⁰ Samuel Rosenberg, *American Economic Development Since 1945*, 245-246.

1993 with temporarily expanded benefits, but it also newly required that workers undergo mandatory job training as a necessary prerequisite to receive income assistance. Until this point, undergoing training had been optional for workers seeking financial support, but after 1988, training was a mandatory program requirement.²⁶¹

Through a series of budgetary and trade bills that added the “training requirements” provision, the 1980s began the incremental process of policy layering that would come to partially define the evolution of this compensatory program. Although the program was diminished, particularly its benefit levels, Congress was able to retain TAA in reduced form while adding new training requirements. TAA, now in limited form and weighed down by training requirements, would not again see the same kind of generous benefits as in the previous decade, despite thousands of manufacturing jobs lost annually between the late 1980s and early 1990s.²⁶² Congress’s concessions to the president also reaffirmed an expansion of presidential power in trade negotiations that future administrations would routinely seek. TAA survived, but only at the behest of congressional members insistent on retaining it in return for allowing the president freer rein in the trade policy arena. Once President Clinton took office in 1992, with free trade front and center on his foreign policy agenda, the relationship between TAA and presidential negotiating authority would be reinforced.

²⁶¹ Collins, “Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015,” see “Appendix,” in particular, page 14 under sub-section “Early History.”

²⁶² See Chapter 1, Table 1.1, between the years 1989 and 1992.

Bargaining over compensation: Free Trade Agreements, Trade Promotion Authority, and new programs (1992-2021)

The years between 1992 and the present would mark a harder turn towards expanding free trade through various international agreements. These new agreements included the well-known North American Free Trade Agreement (NAFTA) that went into effect in 1994, the Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) in 2004, the Colombia and Panama Trade Promotion Agreements passed in 2012, and the United States-Korea Free Trade Agreement (KORUS) also in 2012.²⁶³ Many of these agreements, as well as laws passed by Congress between these agreements, would renew the “fast-track” authority for presidents to negotiate trade deals that would then be subject to a simple up or down vote by Congress. In 2002, this power would be renamed Trade Promotion Authority, or TPA, and allow for a burst of new agreements between the U.S. and countries like Singapore, Chile, Colombia, Panama, and South Korea, which would in turn facilitate new avenues for the global market to expand.

The price for Trade Promotion Authority was reauthorization of Trade Adjustment Assistance. TAA would regularly be renewed in conjunction with TPA, or fast-track authority, in quid-pro-quo exchanges between Democratic Congresses and the president. But the bills that renewed TAA, like the 2002 Trade Act and the 2009 stimulus bill, would also add new provisions to the existing program. These programs, such as a health insurance tax credit, TAA for farmers, NAFTA-TAA for

²⁶³ “Free Trade Agreements,” from the official website of the International Trade Administration, accessed May 20, 2022, <https://www.trade.gov/free-trade-agreements>.

workers affected by increased trade from Mexico and Canada, and grants for community colleges, were all layered on top of the basic TAA program for workers. This layering shaped the haphazard appearance of the program, and as a policy with multiple unrelated layers, it lent itself to increasing political struggles. One result was increased institutional bargaining over how to keep all the parties – with varying vested interests in the program – content. The most important provision, for the president especially, was always fast-track authority. The other layered components of the TAA were typically offered as concessions to win congressional support for this authority.

Like pro-trade Democrats before him, President Clinton sought both liberalized trade and compensation for affected American workers after taking office in 1993. Talks of coordinating the North American Free Trade Agreement were soon underway. As J.F. Hornbeck, author of “Trade Adjustment Assistance and Its Role in Trade Policy” relays, “Newly elected President Clinton oversaw the implementation of NAFTA, but did so only after a number of conditions were attached, including TAA. NAFTA reinvigorated TAA by including a separate program (NAFTA-TAA) that applied only to dislocation related to increased trade with Mexico and Canada.”²⁶⁴ This was the first time, but not the last, that a separate program would be added to the TAA through the process of institutional layering that would slowly obscure the TAA’s primary focus as a program to compensate displaced industrial workers. These discussions also reinvigorated “the link” between trade negotiations

²⁶⁴ Hornbeck “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy,” 10.

and the need for a TAA program. In TAA's now reduced form, though, the rapid and major increase in activity by businesses seeking cheaper labor outside the U.S. unleashed by NAFTA was no match for this small income-assistance program. And while NAFTA is criticized by policy-makers to this day,²⁶⁵ it was only the beginning of a series of free trade agreements pursued by future administrations.

When George W. Bush assumed the presidency, his administration considered free trade agreements with Chile and Singapore, and helped implement CAFTA-DR, which brought several central American countries into America's free trade circle. In a separate trade bill, President Bush would also seek to rename "fast-track" authority, Trade Promotion Authority, or TPA. TPA's role was essentially the same, allowing the president broad powers to negotiate agreements that would move quickly through Congress. After Bush expressed his desire for TPA, the onus was left on Congress to write a bill that would renew this authority, striking the necessary compromises (including through additional provisions) to win sufficient votes.²⁶⁶

What unfolded next was a series of intra-party and inter-party conflicts. While the Bush Administration was clear that it wanted TPA, Congress had trouble locking in their desired provisions. Intra-party fighting within the Ways and Means Committee prompted senior Democrats to write a stern letter to junior representatives who were negotiating with the new Chair of the Ways and Means Committee,

²⁶⁵ The campaign quote from Donald Trump mentioned in Footnote No. 5 in Chapter 1 was, according to context clues, alluding to NAFTA – "Our politicians have aggressively pursued a policy of globalization, moving our jobs, our wealth and our factories to Mexico and overseas..."

²⁶⁶ Destler, *American Trade Politics*, 290, 295. During this time, the Senate was divided by party almost evenly, and would need to overcome a potential filibuster in order pass a trade bill, making bipartisan support a necessity.

Representative Bill Thomas (R-CA). In the letter, senior members took pains to explain how the law-making process worked to their colleagues, and emphasized that senior members should be the ones to consult with the Chair in the future. Various additions were added to the House bill to get Democrats on board, including tariff protection for the steel industry, a program for farmers, and increases in textile protection.²⁶⁷

Once the bill moved to the Senate, the process initially proceeded as usual, signaling Senators' willingness to promote liberalized trade.²⁶⁸ Senate Democrats worked to put their stamp on the TPA bill, and asked for the renewal and expansion of Trade Adjustment Assistance. The proposal doubled the funds authorized for worker retraining, extended the maximum eligibility period for income assistance, and provided more federal support for job relocation. What many Republicans took issue with, however, was not necessarily these provisions, but one that authorized health care benefits for displaced workers. Reflecting the intensely ideological fight over nationalized health care during the 1990s, one Republican Senator expressed that he preferred no TPA to the inclusion of a health benefit tax credit.²⁶⁹ But the new bill passed the Senate with bipartisan support, and was sent back to the House for conference.²⁷⁰

²⁶⁷ Destler, *American Trade Politics*, 292.

²⁶⁸ Destler, *American Trade Politics*, 297. Destler notes that when the 2002 bill passed the Senate that "bipartisanship prevailed, as did the Senate's general tendency to be more supportive of trade-liberalizing legislation."

²⁶⁹ Destler, *American Trade Politics*, 296.

²⁷⁰ Destler, *American Trade Politics*, 297.

New conflicts emerged in the conference process, spurred once again by the Chairman of the Ways and Means Committee, Representative Thomas. It took two months from the Senate vote until the House convened conferences, partly because Thomas began an “...extraordinary process of which few of his colleagues understood: the drafting and enactment of a new House bill... a comprehensive 300-page bill that few if any of his colleagues had read or understood.”²⁷¹ While this move brought more opposition by Democrats, it was the Trade Adjustment Assistance provision that ultimately brought just enough votes on board to finally get the Trade Act of 2002 passed.²⁷²

As a result of the long bargaining process, the 2002 Trade Act came with a whole host of new programs associated with TAA. In addition to expanding eligibility for workers to include secondary jobs affected by imports, a health coverage tax credit for dislocated workers was included, as well as a new program for farmers.²⁷³ The health coverage tax credit would be overseen independently by the IRS, and the new program for farmers was to operate and be administered separately from workers’ TAA by the Department of Agriculture. These newly established and attached programs, with now cross-cutting jurisdictions, became standard components of TAA, and thus would have to be reconsidered every time presidential trade negotiating authority was up for re-authorization.²⁷⁴

²⁷¹ Destler, *American Trade Politics*, 297.

²⁷² Hornbeck “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy,” 10-11.

²⁷³ See Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy,” 11. Appropriately, NAFTA-TAA was merged into one TAA program under this 2002 bill.

²⁷⁴ In 2007, when TAA was set to expire, more Congressional in-fighting ensued over what TAA would look like, and both parties favored the program, but neither one could agree on a version that

In 2009, a new economic crisis confronted the United States and complicated trade policy. The reauthorization of TAA had to be negotiated in the context of the Great Recession. As part of President Obama’s stimulus bill, the American Recovery and Reinvestment Act (ARRA) of 2009, TAA was included in a section of the larger bill titled the “Trade Globalization Adjustment Assistance Act.” It contained temporary increases in funding for all programs, including for workers and farmers; it boosted the health coverage tax credit; and it re-introduced a program for communities that championed a new grant initiative with an extraordinarily long abbreviation, called Trade Adjustment Assistance Community College and Career Training, or TAACCCT.²⁷⁵ In this policy process, the newly re-authorized TAA became a catch-all for a host of programs aimed at stimulating consumer demand, in part through encouraging the purchase of private health insurance, and boosting funding for community colleges. The Great Recession thus created a new opportunity for Democrats not only to push for renewed TAA, but to layer on additional programs as well.

In 2011, discussions over the Trade Adjustment Assistance Act of 2011 began, and once more, TAA’s trajectory was contingent on the president’s trade agreement authority. This time, the reauthorization of TAA hinged on the passage of three proposed free trade agreements with Colombia, Panama, and South Korea, and

would pass. It was temporarily reauthorized until 2009. See again, Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy,” 11.

²⁷⁵ See U.S. Department of Labor: Employment and Training Administration, “Trade Adjustment Assistance Community College and Career Training,” accessed January 1, 2022, <https://www.dol.gov/agencies/eta/skills-training-grants/community-colleges>.

each was passed separately. In the end, it was agreed that votes would be kept separate on the Free Trade Agreements (FTAs) and the Trade Adjustment Assistance Act, even though they passed through the two chambers together. The temporarily increased funding levels for the TAA programs from 2009 remained as a result of this bill, but Congress discontinued the new communities program, as it was purportedly duplicative of other federal programs, except for one provision: the TAACCCT, which is still in operation today.²⁷⁶

The most recent authorization of TAA occurred under the Trade Preferences Extension Act of 2015. The Trade Preferences Extension Act was passed as part of another bill that re-authorized the president's TPA. This Act helped reauthorize all funds and provisions for workers, firms, and farmers. It temporarily changed eligibility criteria to allow previously denied claimants to reapply, but also specified sunset provisions for this, as it scheduled a reversion back to more stringent eligibility requirements in 2021.²⁷⁷ This arrived in 2021, when the temporary 2009 increases that had been reauthorized up until this time finally expired.

To summarize, Table 4.1 details the development of Trade Adjustment Assistance from 1962 to 2021. It specifies the comprehensive policy vehicle that helped pass TAA (for example, the Trade Act of 1974), and notes the policy type as either trade, budgetary, or stimulus. The table also details the specific components of TAA that were added or eliminated during its reauthorization, the concessions made

²⁷⁶ See Hornbeck "Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy," 14; see, also, Benjamin Collins, "Trade Adjustment Assistance Community College and Career Training," *Congressional Research Service*, last modified July 10, 2014.

²⁷⁷ Collins, "Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015."

by the presidential administration or within Congress to attain TAA reauthorization, and finally, notes the changes from previous policy. The final section of this chapter further clarifies and builds the theory that TAA developed as a result of gradual institutional change through policy layering and shifting institutional authority.

Table 4.1: Development of Trade Adjustment Assistance (1962-2021): Policies passed, components included, concessions, and changes from previous policies

Comprehensive Policy	Policy Kind	Trade Adjustment Assistance (TAA) components	Concessions made in Administration or Congress	Change from previous policy
Trade Expansion Act of 1962	Trade	<i>For Workers</i> – Retraining, relocation allowance, extended unemployment benefits <i>For Firms</i> – Loans, technical assistance, tax benefits		Original policy
Trade Act of 1974	Trade	<i>For Workers</i> – Loosened restrictions for benefit eligibility, increased compensatory benefits <i>For Firms</i> – Increased benefits <i>For Communities</i> – Loans and grants		1. Increased benefits and made them more widely available, especially targeted older displaced workers 2. Increased benefits for firms 3. Introduced community program

				component, where communities could apply for grants and loans
Omnibus Budget Reconciliation Act 1981	Budgetary	<i>For Workers</i> – Reduced benefits <i>For Communities</i> – Program terminated in 1982 (PL 93-618)	Congress extended TAA, but bowed to pressure from Administration to tighten standards for eligibility and reduce financial benefits	1. Reduced unemployment benefits for workers, created stricter eligibility requirements 2. Within a year, TAA for communities program was terminated
Deficit Reduction Amendments Act of 1985	Budgetary	<i>For Workers</i> – Reduced benefits <i>For Firms</i> – elimination of all loans, guarantees and other financial assistance	Reagan Administration openly sought to terminate program, but Congress kept it alive in reduced, temporary form from 1981-1985, and in 1986 extended it for six years in budget-friendly form.	1. Reduced benefits for workers 2. After eliminations, firms program only provided technical assistance
Omnibus Trade and Competitiveness Act of 1988	Trade	<i>For Workers</i> – expanded eligibility for income allowance, added mandatory job training	Reauthorization of program until 1993	1. Up until this point, <i>undergoing training</i> was optional to receive income assistance, after 1988, training became a mandatory

				program requirement for receiving income assistance
North American Free Trade Agreement (NAFTA) / FTA implementing bill 1993	Trade	<p><i>For Workers and Firms</i> – benefits remained the same from 1985.</p> <p>TAA extended through omnibus budget reconciliation bill; new TAA program authorized through FTA implementing bill</p>	Clinton pushed for the passage of NAFTA, insisting that certain conditions, like TAA, were met	1. Created NAFTA-TAA: Separate program that applied to dislocation due to increased trade with Mexico and Canada
Trade Act of 2002	Trade	<p><i>For Workers</i> – Expanded eligibility criteria to include secondary workers affected by imports</p>	Extension of trade agreement authority to President – called Trade Promotion Authority, or TPA. Congress refused to grant TPA to President Bush unless TAA was reauthorized.	<p>1. Merged NAFTA-TAA with standard TAA program</p> <p>2. Created Health Coverage Tax Credit for dislocated workers</p> <p>3. Created a new program for farmers</p>
American Recovery and Reinvestment Act of 2009	Stimulus	<p><i>For Workers</i> – Increased funding, increased health coverage tax credit</p>	Trade and Globalization Adjustment Assistance Act as part of larger stimulus bill	<p>1. Stimulus-focused package allowed for expanded funding in all areas</p> <p>2. Re-introduced a</p>

		<i>For Firms</i> – Additional funding <i>For Communities</i> – New funds available for various grants		program for communities
Trade Adjustment Assistance Act of 2011	Trade	<i>For workers, firms, and farmers</i> – reauthorized funds and provisions <i>For community colleges</i> – trade adjustment assistance community college and career trading grants	Passage of TAA hinged on passage of three proposed free trade agreements with Colombia, Panama, and South Korea; each were passed separately in procedural formats	1. Most programs and funding levels were retained from 2009 2. Communities program discontinued, but the grants remained
Trade Preferences Extension Act of 2015	Trade	<i>For workers, firms, and farmers</i> – reauthorized funds and provisions, but changed eligibility criteria; schedule to revert to more stringent eligibility requirements in 2021	TAARA was passed as part of a separate bill that reauthorized Trade Promotion Authority	1. Changed eligibility criteria for workers 2. Allowed previously denied applications from 2014 reapply
2021 Sunset Provisions		<i>For workers, firms, and farmers</i> – reduction of eligible sectors,		1. The structure of the program remains the same, but these sunset

		narrowing layoff circumstances that are eligible, reduction in training funding cap		provisions significantly reduced the circumstances and sums available for future workers who apply
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Sources: Benjamin Collins, “Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015,” *Congressional Research Service*, last modified February 17, 2021; J.F. Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy,” *Congressional Research Service*. August 5, 2013; Samuel Rosenberg, *American Economic Development Since 1945: Growth, Decline and Rejuvenation*, 245-246; U.S. Department of Labor: Employment and Training Administration, “Trade Adjustment Assistance for Workers,” <https://www.dol.gov/agencies/eta/tradeact>; and “After Three Years, Trade Bill Finally Clears,” in *CQ Almanac 1988*, 44th ed., 209-22, Washington, DC: Congressional Quarterly, 1989, <http://library.cqpress.com/cqalmanac/cqa188-1141572>.

The development of Trade Adjustment Assistance through policy layering and shifting institutional authority

The development of the Trade Adjustment Assistance program over the years is layered and complex. Because of its association with different policy types at various times, and the additional layering of somewhat unrelated programs, it can be a challenge to define a straight line of policy development. In 2021, for example, the policy reverted back to old eligibility requirements and scaled down benefits. It did so without much of a fuss in Congress, and today, contains the following provisions: training and reemployment services, trade readjustment allowance (which serves as the income assistance component), wage insurance for older workers who regain new employment at a lower wage, and the health coverage tax credit. Table 4.2 outlines the current program components, and specifies how it is administered. Tables that

outline separate programs, TAACCCT, TAA for farmers, and TAA for firms are each included in the appendix.

Table 4.2: Trade Adjustment Assistance for Workers (TAA): Program Components in 2021

Training and reemployment services	Trade Readjustment Allowance	Reemployment Trade Adjustment Assistance	Health Coverage Tax Credit	Administration
-Training subsidies to support workers skill development in new occupation	-Weekly income support payment for workers who lost their job as a result of imports	-Wage insurance program available to certified workers over the age of 50 who gain reemployment at a lower wage	-Credit for TAA-certified workers equal to 72.5% of qualified health insurance premiums	-The Dept. of Labor (Economic Development Administration) determines eligibility for TAA, allots funds to state agencies
-In certain cases, services include relocation allowances for workers pursuing employment outside their local area	-Eligible workers must have exhausted unemployment insurance and be enrolled in an eligible training program	-Cash payments equal to half the difference between worker's new wage and previous one, will not exceed \$10,000 in two years.		-American Job Centers are local agencies where workers may physically receive benefits and services
-Case management services and job search assistance	-Weekly payments equal to worker's final week of UC benefits			-Health Coverage Tax Credit administered by the IRS
	-Eligible workers may collect UC and TRA for a combined maximum of 130 weeks, final 13 weeks			

	income support only available if necessary to complete training program			
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Sources: Benjamin Collins, “Trade Adjustment Assistance for Workers and the TAA Reauthorization Act of 2015, *Congressional Research Service*, last modified February 17, 2021; and U.S. Department of Labor: Employment and Training Administration, “Trade Adjustment Assistance for Workers.” <https://www.dol.gov/agencies/eta/tradeact>.

But its current form aside, what exactly does TAA’s survival mean in the context of the United States’ fragmented policy response to deindustrialization and institutional development? In the case of TAA, its separation from other “job-focused” programs, and association with a liberalized trade agenda, made TAA a good candidate for an institutional link to trade policy. While not intentional, the tie between negotiating authority and TAA grew stronger once it had been established, to the point that one could not exist without the other in the American institutional context, even though in principle each could. Over time, this association with what came to be considered by all presidents after President Kennedy an institutional imperative – ability to negotiate trade deals – meant that TAA itself could be bent to the wills of various members of Congress and administrations. Ironically, renewing TAA continuously afforded the president more power to unilaterally engage in processes that exacerbated American industrial job loss. All the president had to do is agree to keep TAA, its training requirements, its limited funds, and its unrelated programs. Thus, TAA’s place in trade policy led to shifting institutional authority over time, as well as policy layering that gradually re-shaped the program’s original purpose.

To give evidence to these claims, Table 4.3 tracks TAA's evolution by tracing the most common renewal provisions. When the policy is up for renewal and other provisions are passed with it, or the character of the policy changes, the table calculates it as an occurrence. The provisions that are relevant to this project are as follows: presidential ability to negotiate Free Trade Agreements conditional on renewing TAA, extraneous programs added when renewing TAA, extraneous programs removed when renewing TAA, benefits or eligibility expanded when renewing TAA, and benefits or eligibility reduced when renewing TAA. The table also notes which president and party was responsible for renewing TAA during the occurrence.

Table 4.3: Renewing Trade Adjustment Assistance: Presidential ability to negotiate Free Trade Agreements and other program changes, calculated by number of occurrences and by party (1962-2015)

RENEWAL PROVISION	NUMBER OF OCCURRENCES*	NUMBERS BY PARTY
Presidential ability to negotiate Free Trade Agreements conditional on renewing TAA	6	Democratic Presidents: 4 (Kennedy, Clinton, Obama x2) Republican Presidents: 2 (Ford, George W. Bush)
Extraneous programs added when renewing TAA**	5	Democratic Presidents: 2 (Clinton, Obama) Republican Presidents: 2 (Ford, George W. Bush)
Extraneous programs removed when renewing TAA	3	Democratic Presidents: 1 (Obama) Republican Presidents: 2 (Reagan x2)
Benefits or eligibility expanded when renewing TAA	5	Democratic Presidents: 2 (Obama x2) Republican Presidents: 3 (Ford, Reagan, George W. Bush)

Benefits or eligibility reduced when renewing TAA	3	Democratic Presidents: 1 (Obama) Republican Presidents: 3 (Reagan x3)
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*Number of occurrences calculates the number of times legislation actually passed that contained the provision listed in the first column. It does not count the *total* number of extraneous programs, as some pieces of legislation added, or subtracted, multiple programs at once. For example, an occurrence is counted as one when at least one extraneous program was passed as part of the entire legislative renewal effort.

**Included in this category is the addition of mandatory training requirements to be eligible for TAA. It was not necessarily a completely separate program in the same way that a health insurance credit was, but it is extraneous to the central mission of the TAA, and required more action on behalf of the government and workers.

Sources: Trade Expansion Act of 1962; Trade Act of 1974; Omnibus Budget Reconciliation Act 1981; Deficit Reduction Amendments Act of 1985; Omnibus Trade and Competitiveness Act of 1988; North American Free Trade Agreement (NAFTA) / FTA implementing bill 1993; Trade Act of 2002; American Recovery and Reinvestment Act of 2009, specifically “Trade Globalization Adjustment Assistance Act; Trade Adjustment Assistance Act of 2011; Trade Preferences Extension Act of 2015; and J.F. Hornbeck, “Trade Adjustment Assistance (TAA) and Its Role in U.S. Trade Policy.” *Congressional Research Service*. August 5, 2013.

The provision “presidential ability to negotiate Free Trade Agreements conditional on renewing TAA,” is the most common occurrence in the developmental trajectory of TAA from 1962 to 2021. Interestingly, this responsibility is shared by both parties, suggesting that presidents, regardless of party, regularly seek this authority. Obama was part of these kinds of negotiations twice, George W. Bush once, Clinton once, Ford when the Trade Act of 1974 passed, and Kennedy when the first version of TAA and the Trade Expansion Act of 1962 came into existence. The bipartisan nature of this pattern demonstrates the way in which TAA’s future is locked to the president’s ability to enter free trade agreements.

The next most common occurrences are “extraneous programs added when renewing TAA” and “benefits or eligibility expanded when renewing TAA.”

However, because there were occurrences in which benefits expanded only

temporarily, arguably the more frequent and notable action was “extraneous programs added when renewing TAA.” This “layering” occurred when Ford first oversaw the passage of the Trade Act of 1974 with new programs for firms and communities, when Clinton implemented the NAFTA-TAA program, when Bush signed off on including a new health care tax credit, and a new program for farmers, and finally, when Obama added new programs for communities with TAACCCT. This table only calculated an occurrence when legislation passed, even if multiple programs were added. This suggests that such a category carries even more weight, as Ford, Bush, and Obama all oversaw the addition of multiple programs in single pieces of legislation.

Overall, an analysis of these categories reveals that TAA’s institutional home in trade policy directly affected how it evolved over time. Because trade policy was the primary vehicle for TAA’s renewal, this also helped reaffirm expedited and increased presidential power to unleash freer, quicker capital movement as a result of shifting authority away from Congress. This institutional reality, in turn, shaped the conditions under which programs were layered on to appease members of Congress. Without its incorporation into trade policy, TAA likely would not have seen the same sort of durability, nor the same kind of program manipulation over the years to include training requirements, as well as additional program layering.

While the policy’s original purpose has remained intact, since TAA still offers income assistance to workers albeit less generously and only after training, the politics that fostered the addition of more extraneous programs have changed noticeably, and the additional programs have obscured its original purpose. This

change is subtle, but important, because had TAA existed separately from trade policy, it likely would not have seen inclusion of more programs as concessionary measures. Furthermore, while the core of the TAA income assistance program became increasingly masked by additions, presidential fast-track authority only sharpened. Renamed “Trade Promotion Authority” to more clearly demonstrate the president’s very real influence over the negotiating process, TAA and its extraneous programs are no match for the speed at which free trade agreements can accelerate American job loss. The shifting authority to the president, even with TAA as a complement, has benefited freer business movement at the price of substantial job loss.

Conclusion

This chapter has analyzed the institutional development of Trade Adjustment Assistance as a compensatory governmental response for workers facing the consequences of industrial decline. I have shown that even though Trade Adjustment Assistance has survived all these years, it has been repurposed as an addition to the president’s “fast-track” authority to negotiate free trade deals, which has exacerbated the need for worker compensation. TAA’s institutional tie to trade policy has not only allowed for shifting authority from Congress to the president, but has also subjected the program to policy layering in a way that subtly changed the politics and purpose of the policy over time. Institutional disagreements about fast-track authority and TAA passing as one unit led to the addition of various, extraneous programs that have left the original purpose of the TAA more obscured and ambiguous as a

compensatory policy. Today, TAA more clearly plays a concessionary role in helping the president with trade authority. The president's renewed ability to quickly enter and negotiate FTAs openly benefits business, while workers are left with fading compensation under an increasingly limited income assistance program.

The development of this policy demonstrates a recurring theme within this project: In the United States, programs that are designed for workers' benefit often advantage private actors over time. In the case of TAA, these business benefits become more apparent when the trajectory of the program's development is scrutinized through modern day.

Chapter 5

Expanding Private Opportunity:

The Repurposing of Area-Based Redevelopment Policy and the Shift from the “Enterprise Zone” to the “Opportunity Zone” (1961-2017)

“In this time of change, opportunity in some communities is more distant than in others. To stand with workers in poor communities – and those that have lost manufacturing, textile, and other jobs – we will create American opportunity zones. In these areas, we will provide tax relief and other incentive to attract new business, and improve housing and job training to bring hope and work throughout all of America.” -President George W. Bush, 2004, Republican National Convention Nomination Acceptance Speech

“Jobs and investment are pouring into 9,000 previously neglected neighborhoods thanks to Opportunity Zones... In other words, wealthy people and companies are pouring money into poor neighborhoods or areas that have not seen investment in many decades, creating jobs, energy and excitement. This is the first time that these deserving communities have seen anything like this.” - President Donald Trump, 2020, State of the Union Address

The previous two chapters examined policies aimed at protecting (through notification of plant closings) and compensating (through income assistance after layoffs) workers affected by deindustrialization; in both cases, business benefited. This chapter turns to a policy aimed at assisting communities through community redevelopment, including those hit hard by deindustrialization. As I demonstrate, it too benefits business, in some case more than the communities who are the targets and intended beneficiaries of the policy.

When it expired in 1964, the negative legacy of the Area Redevelopment Act opened up institutional space in redevelopment policy for future policy makers to embrace redevelopment policies for distressed communities that offered little to the communities themselves. One of the first such approaches to area redevelopment was called the “enterprise zone”. It emerged as a policy option in the United States in the late 1970s and early 1980s. Originally proposed by British urban planning professor Peter Hall, the enterprise zone idea was adopted by Margaret Thatcher in Great

Britain as a “supply-side approach” to urban revitalization.²⁷⁸ The principle behind the enterprise zone was politically attractive to the pro-business Reagan Administration, as it proposed that investors would receive government tax incentives if they conducted business in a specific, designated area. Some of the first American domestic adoptions of “zone” policies that embodied these indirect incentives could be found in rapidly deindustrializing localities like Philadelphia.²⁷⁹ Though the Reagan Administration failed to adopt any substantial federal enterprise zone legislation, the idea that specific, localized tax incentives for business could potentially spur job growth in the wake of industrial decline eventually became a popular bipartisan approach, first adopted at the national level by President Bill Clinton in 1993 as the Empowerment Zone and Enterprise Community (EZ/EC) Program.²⁸⁰ Zone policies were adopted by subsequent administrations as well, and today investors can reap tax benefits from setting up investment funds in a designated “Opportunity Zone” under the Tax Cuts and Jobs Act of 2017.

Since its first successful federal passage in the United States in the 1990s, several different versions of enterprise zone legislation and initiatives – reinvigorated with new terms like “renewal,” “promise,” and “opportunity” – have been proposed

²⁷⁸ See Weaver, *Blazing the Neoliberal Trail*, 30; see also, Richard Cowdon, “Lessons from the Past for Urban Policy in the Era of Trump,” *Journal of Applied Research and Economic Development*, accessed March 31, 2022, <http://journal.c2er.org/2016/12/lessons-from-the-past-for-urban-policy-in-the-era-of-trump/>; finally, see Mossberger, *The Politics of Ideas and the Spread of Enterprise Zones*, who talks about the how the Reagan Administration adopted this approach for similar supply-side economic reasons.

²⁷⁹ See, again, Weaver, *Blazing the Neoliberal Trail*, in particular, Chapter 4, “Neoliberalism in the Trenches: Philadelphia 1951-1991.”

²⁸⁰ The Empowerment Zone/Enterprise Community (EZ/EC) program passed as part of the Omnibus Budget Reconciliation Act of 1993. The proposal was originally drafted and pushed by the Clinton Administration.

or adopted by all subsequent presidential administrations, often as a response to the community-level consequences of deindustrialization and other forces of economic decline. In his 2004 nomination acceptance speech, President Bush proposed creating “opportunity zones” as a potential solution for towns suffering from permanent manufacturing job loss. He argued that fewer government regulations could spur localized job creation.²⁸¹ In 2014, President Obama announced his executive “Promise Zone” initiative. While no funding or tax incentives were offered, the initiative proposed more public-private sector relationships for communities struggling with import-driven employment loss.²⁸² Most recently, the term “opportunity zones” became codified in U.S. tax law in 2017, where 8,764 census tracts are deemed eligible for benefits across the United States. These benefits, though, are investor-focused: If investors set up a qualified opportunity fund in one of these areas, as long as they keep the fund for ten years or more, the investor can permanently avoid paying capital gains taxes on said investment. When the Tax Cuts and Jobs Act of 2017 authorized the Opportunity Zone as relief for capital gains taxes for businesses operating in designated communities, President Trump’s statement that this was “... the first time that these deserving communities have seen anything like this,” was in many ways inaccurate, as zones have a long history in the United States. Yet Trump was correct in one respect: these zones are far more business friendly than

²⁸¹ George W. Bush, “President’s Remarks at the 2004 Republican National Convention.” September 2, 2004. <https://georgewbush-whitehouse.archives.gov/news/releases/2004/09/20040902-2.html>.

²⁸² Barack Obama, “Remarks by the President on Promise Zones,” January 9, 2014, <https://obamawhitehouse.archives.gov/the-press-office/2014/01/09/remarks-president-promise-zones>.

initial redevelopment approaches and previous enterprise zone models implemented in the U.S.

This chapter analyzes the evolution of “zone legislation” as part of the United States’ redevelopment federal policy agenda. I understand zone legislation as a sharp departure in most regards from 1960s redevelopment policy ideas. I argue that the shift from place-based redevelopment, to the enterprise zone, to the opportunity zone, happened slowly over time, and resulted in fewer direct benefits to communities, and increasing advantages for business. The gradual institutional development of zone policies is captured by the concept of “*policy conversion*.” Policy conversion occurs when “political actors are able to redirect institutions or policies toward purposes beyond their original intent... actors who are not part of the coalition that created formal rules deploy these rules to achieve their goals.” Conversion also thrives off “rule ambiguity and the multiplicity of political arenas in which ambiguous rules can be reinterpreted.”²⁸³ The concept of conversion represents the hidden method by which institutional change in redevelopment policy occurred. More specifically, because redevelopment policy is administered through tax policy, this avenue provides a very malleable institutional space in which actors may redirect “zone policy” to serve a variety of new functions. Over time, policy-makers legislated less stringent criteria for “zone qualification” and increasingly relegated benefits exclusively to business through the tax code. Making redevelopment policy less

²⁸³ See Hacker, Pierson, and Thelen, “Drift and conversion: hidden faces of institutional change,” 180-185. They assert that conversion can occur “when 1) institutions or rules are sufficiently malleable that they can serve multiple ends; 2) those ends are politically contested; and 3) political actors are able to redirect an institution or policy to serve new functions while 4) leaving its formal rules in place (185).”

place-specific and offering increasingly exclusive business-based tax benefits mark the ways in which redevelopment policy increasingly served business interests over community interests.

In this examination of the evolution of redevelopment policy in the United States, I find that for a community redevelopment policy, “zone legislation” as a concept has done little to consistently re-develop or assist old industrial towns. Instead, American redevelopment policy has left communities at the behest of private investment and private-sector choices; and data on whether or not “designation” by federal policy actually entices private investment and spurs job growth is not conclusive. Statements, speeches, proposals, and reports from the Clinton, George W. Bush, Obama, and Trump administrations provide evidence that such policies were reportedly intended to help economically distressed areas – including those most affected by deindustrialization – create and sustain jobs and businesses. However, the way these zone policies were designed, how they evolved over time, and how they operated in practice created differing results for communities over the course of American deindustrialization. A policy that was originally designed to help communities instead created variable and inconsistent consequences for communities, many of which were left without direct federal assistance, due to zone policies that allowed broader financial benefits to – while imposing fewer obligations on – business.

This final substantive chapter proceeds as follows. First, I define and recall the history of redevelopment policy with a brief nod to the “negative legacy” of the Area Redevelopment Act, showing how a much more business-focused policy

rematerialized in its place. In this section, I also examine scholarship reviewing enterprise zone legislation in comparative contexts, sub-national settings, and as part of a broader American urban policy agenda. For purposes of this project, I argue that enterprise zone legislation is best conceptualized as a nationalized public “redevelopment policy” response to late American deindustrialization, one that increasingly reflected business-friendly ideals through less stringent area-based criteria and more exclusive tax benefits. Next, I examine how federal “zone legislation” progressed over time, and trace the instances of “policy conversion” that become apparent through its evolution.

I begin by studying early but unsuccessful proposals for federal enterprise zone legislation by the Reagan Administration, as well as successful U.S. state-level policies. Next, I analyze how President Clinton initiated enterprise zone legislation with several employment and worker focused benefits, but slowly incorporated more market friendly initiatives within his successful passage of enterprise zone legislation. Then, I study Obama’s executive-backed iteration of zone policies, called Promise Zones. Here I show that while the Obama Administration in principle tried to provide stringent criteria and worker-focused benefits, his lack of funding failed to reorient the increasingly *laissez-faire* trajectory of zone policies. Lastly, I examine the Opportunity Zone provision under the 2017 Tax Cuts and Jobs Act, and argue that through its broad criteria for area eligibility, in addition to the exclusively business-based tax benefits offered through capital gains relief, it represents the most extensive version of “business-first” area redevelopment policies.

Repurposing area redevelopment policy: The loss of place-specific criteria and the proliferation of business tax benefits

The essential element of redevelopment policy is that it is place-specific. In other words, it must offer something exclusive to specifically bounded areas.

Redevelopment policies are economic policies that designate specific places in need of growth stimulation, either directly through public funds, or through government-provided incentives for private companies to develop in certain areas. Both the Area Redevelopment Act and emerging ideas about enterprise zone legislation would fall under this category, but it is important to note that their principles are fundamentally different, as one authorized direct government aid, while the other offered incentives to business. The rest of this chapter will demonstrate that the eventual operation of “Opportunity Zones” as a redevelopment policy in practice serves a much different purpose than the community planning component of the Area Redevelopment Act. While both meet the criteria for place specificity, the ARA, and even the enterprise zone legislation proposed by Reagan, was far more exclusive in selection criteria than Opportunity Zones would be as a result of policy conversion.

Even though the Area Redevelopment Act expired, the idea that place-based investment could stimulate job growth remained a lingering possibility, although the types of benefits offered to communities would change. In the coming decades, vastly different versions of this kind of localized approach to redevelopment emerged throughout the United States, as well as in the United Kingdom. One version imagined such economically-distressed designated areas, or zones, as free-market paradises that would not be subject to government regulation. In these zones, the

natural equilibrium reached through unfettered capitalism would supposedly spur desirable business and job growth. This idea of “freeports,” later to be renamed “enterprise zones,” was proposed by urban planning professor Peter Hall from Great Britain.²⁸⁴ He envisioned these zones to function separately from British law and government, and assumed that absent government regulation or taxes, market-motivated development in these declining inner cities would occur organically and unencumbered. The concept first emerged politically in the early 1980s, when the Conservative Party, upon winning power in Britain, moved to implement this free-market centered policy proposal. The original plan was modified slightly, as there were no outright exemptions from government regulations, but the final adopted proposal did include large business tax benefits that would become standard in “enterprise zone” style policies.²⁸⁵

The idea of the “enterprise zone” was first adopted by state legislatures in the United States, in states like Virginia, Pennsylvania, and Indiana.²⁸⁶ Stuart Butler, Director of the conservative Heritage Foundation in Washington, D.C., became the leading advocate for adopting the enterprise zone idea at the federal level in the United States. In his numerous publications, Butler argued that deindustrialization as well as population and job loss had led to inner city distress. He proposed that what

²⁸⁴ Karen Mossberger, *The Politics of Ideas and the Spread of Enterprise Zones*, 55; and Weaver, *Blazing a Neoliberal Trail*, 84. Weaver relays that Peter Hall, who was a socialist, argued that such an approach would be a “last ditch solution” to the urban economic problems facing Great Britain.

²⁸⁵ Mossberger, *The Politics of Ideas and the Spread of Enterprise Zones*, 56; and Weaver, *Blazing a Neoliberal Trail*, 85.

²⁸⁶ See Weaver, *Blazing a Neoliberal Trail*, for a study of Pennsylvania’s enterprise zones; and Mossberger, *The Politics of Ideas and the Spread of Enterprise Zones*, for a study of Virginia, Indiana, Michigan, New York, and Massachusetts.

government must do is “...remove the obstacles that have transformed the inner cities from centers of opportunity into blighted sinks of hopelessness.”²⁸⁷

According to Butler, the high costs of doing business, including unnecessary regulations and high taxation, exacerbated urban poverty and unemployment. In order to reverse this trend, he argued that lawmakers should ease up on regulatory obstacles, like removing capital gains taxes, in areas or zones that have seen persistent poverty.²⁸⁸ Removing barriers to free up capital expenditures would in turn facilitate the community-based entrepreneurial spirit among local business organizations necessary to shift the fates of these distressed towns. Some of the earliest conservative advocates of this proposal in the U.S. suggested that all taxes on capital gains should be deferred if the profits were reinvested in other zone areas.²⁸⁹ This idea did not gain legislative footing in the 1980s, but the basic concept returned to influence policies in 2017.

There is scholarship that studies how enterprise zones ideas proliferated during the 1980s and 1990s in the United States and in Great Britain, and most authors point out the similarities between early enterprise zone proposals and opportunity zones today. While the U.S. federal government was initially unsuccessful in adopting enterprise zone legislation, state governments broke ground

²⁸⁷ This quote is from Stuart Butler’s *Enterprise Zones: Greenlining the Inner Cities* (1981). Other publications by Stuart Butler include *Out of the Poverty Trap* (1987), and *The Folly of Industrial Policy* (1994). See also a thorough analysis of Butler’s work in Weaver’s *Blazing the Neoliberal Trail*, 34-36.

²⁸⁸ Weaver, *Blazing a Neoliberal Trail*, 39.

²⁸⁹ Conservative development consultant Paul Pryde is credited with proposing this idea in the United States. In *Blazing a Neoliberal Trail*, Timothy P.R. Weaver quotes Paul Pryde, who reportedly said “that the surest way to make enterprise zones attractive to potential investors would be to allow ‘a loss reserve of 20 percent of the invested capital’ and defer all taxes on capital gains made on investments in zone firms so long as the proceeds are reinvested in other eligible zone companies (40).”

in these types of policies. Forty states in total developed their own enterprise zone programs.²⁹⁰ Timothy Weaver argues that the adoption of enterprise zone legislation in Philadelphia is an example of what he calls “neoliberalism by default,” as Philadelphia passed policies in anticipation of federal aid that did not materialize during the 1980s.²⁹¹ Weaver states that when enterprise zone policies finally did pass under the Clinton Administration, it represented a moment in which business-friendly, neoliberal ideas prevailed in the United States. Indeed, “the ideological claim that lies at the heart of the enterprise zone idea is that high business costs, largely arising from taxation, bear significant responsibility for high... poverty, unemployment, and dereliction.”²⁹² These ideas were funneled through American institutions at the national and sub-national level, which explains how similar policy ideas were implemented differently between the United States and Great Britain.

Weaver is not alone in emphasizing the ideological roots of the zones. Karen Mossberger also studies the diffusion of the enterprise zone “policy ideas” across five U.S. states in Virginia, Indiana, Michigan, New York, and Massachusetts.²⁹³ Like Weaver, Mossberger understands the interaction between state and national governments to be paramount, as she argues policy diffusion occurred as a result of multi-directional interactions between federal and state-level practices.²⁹⁴ Both these authors understand the development of enterprise zones to be an important urban

²⁹⁰ See Mossberger, *The Politics of Ideas and the Spread of Enterprise Zones*, 81, 84. The first state proposal pre-dated federal proposals in the U.S. when Illinois presented a bill in 1979.

²⁹¹ Weaver, *Blazing a Neoliberal Trail*, 183.

²⁹² Weaver, *Blazing a Neoliberal Trail*, 39.

²⁹³ Mossberger, *The Politics of Ideas and the Spread of Enterprise Zones*, 2

²⁹⁴ Mossberger, *The Politics of Ideas and the Spread of Enterprise Zones*, 5

policy initiative during the 1980s, and subsequent journalistic examinations of the Promise Zone²⁹⁵ also comprehend the concept as part of various administrations' urban policy agenda, including as a response to the decline of industrial cities.

Previous scholarship assists in illuminating the importance of institutions and ideas, and Weaver critically demonstrates that business interests at the national and state level in the U.S. were initially mixed about the idea, and only came to support it later.²⁹⁶ This project likewise concludes that enterprise zone ideas were significant and concrete, that institutions mattered for how they ended up passing, and that the interaction between states and national governments was important for policy learning. But at the conceptual level, this project seeks to deepen understandings of the institutional development of these policies, by analyzing enterprise zone initiatives as part of a broader "redevelopment" policy agenda in the U.S. that spans the 1960s to the present. Studying zone legislation exclusively as part of an urban policy agenda misses critical historical developments, including the ways policymakers drove the policy as a response to broader deindustrialization trends in urban, suburban, and rural areas. Philadelphia, in particular, was looking for various solutions to economic distress brought about by localized industrial decline,²⁹⁷ and later statements by Presidents Bush, Obama, and Trump highlighted the purported goals of zone legislation as assisting old manufacturing towns with job creation.

²⁹⁵ See Robert P. Stoker and Michael J. Rich, "Old Policies and New Presidents: Promise Zones and the Trump Administration." *Urban Affairs Forum*, February 21, 2020. <https://urbanaffairsreview.com/2020/02/21/old-policies-and-new-presidents-promise-zones-and-the-trump-administration/>.

²⁹⁶ Weaver, *Blazing a Neoliberal Trail*, 41.

²⁹⁷ Weaver, *Blazing a Neoliberal Trail*, 182.

When conceptualized as part of this broader agenda and across a longer timeline, redevelopment policy emerges repeatedly as a tool to revitalize both urban and rural former industrial towns. Yet the policies evolved to offer communities fewer direct benefits over time.

The impression that sufficient private investment can, in essence, save economically struggling towns has manufactured a “Cinderella story” of localized revitalization that policy-makers at the federal level have repeatedly tried to realize. The vision insists that the consequences of deindustrialization can be eased when private investment is funneled into communities to create jobs.²⁹⁸ But the record on whether or not targeted investments in these designated areas actually creates jobs is, at best, inconsistent; and at worst, the town’s special designation status has proved not impactful at all.²⁹⁹ Among other problems, the lack of federal oversight has demonstrated a consistent problem in data gathering, program management, and accountability. Time and time again, the entities in charge of overseeing projects in

²⁹⁸ In announcing his Promise Zone initiative in 2014, Obama stated the following justification: “There are communities where for too many young people it feels like their future only extends to the next street corner or the outskirts of town, too many communities where no matter how hard you work, your destiny feels like it’s already been determined for you before you took that first step. I’m not just talking about pockets of poverty in our inner cities. That’s the stereotype. I’m talking about suburban neighborhoods that have been hammered by the housing crisis. I’m talking about manufacturing towns that still haven’t recovered after the local plant shut down and jobs dried up. In my State of the Union address last year, I announced our commitment to identify more communities like these -- urban, rural, tribal -- where dedicated citizens are determined to make a difference and turn things around. We call these communities Promise Zones. They’re neighborhoods where we will help local efforts to meet one national goal... In a section of L.A. that stretches from Pico-Union to Hollywood... developers are working to build more affordable housing; technical schools and community colleges are helping more people get the training they need to get jobs. It’s a project worth investing in.” See “Remarks by the President on Promise Zones.”

²⁹⁹ This chapter will later discuss more details regarding the documented successes and failures of the Empowerment Zone/Enterprise Community Program under President Clinton. For a brief summary of its shortcomings, see United States Government Accountability Office, “Empowerment Zone and Enterprise Community Program: Improvements Occurred in Communities, but the Effect of the Program is Unclear,” report to Congressional Committees, September 2006, 3-6.

designated areas are unable to definitively conclude what job gains can be attributed to the existence of the policy.

The fairytale of the ghost town that bounced back persists, though, despite evidence of the zone policy's questionable success. In fact, the fever pitch in favor of zone policies has only increased since the days of Ronald Reagan, as lawmakers continue to seek a way to entice businesses to develop and invest in specific areas that are economically distressed. I argue that the gradual institutional change witnessed in zone legislation throughout the course of deindustrialization occurred through a policy conversion process. Each iteration changed slightly from the previous version as a result of actors manipulating and bending the policy to new ends. Lawmakers insist this is a community-first policy; and while the criteria and benefits offered may have been more community focused in earlier versions, zone legislation as it exists today benefits business first.

This project offers a novel analysis of redevelopment policies in the U.S. by evaluating and categorizing the policy's actual community-based effects. I analyze both the stringency of criteria for eligible locales, and the kinds of benefits offered. My research finds that when stringency decreases, the policy arguably grows more business-friendly. Because redevelopment policies are place-based, there must be some strictness of standards in designating which communities need aid and which do not. If virtually all communities are eligible, the policy loses its place-specific purpose. Additionally, when the kinds of benefits offered are business tax-based as opposed to direct loans, grants, or even tax incentives that incentivize employment over investment, these tax benefits subject the policy to malleability and conversion

in ways that further serve business interests. Together, less stringent criteria and more business-focused tax incentives do less over time to help the industrial community directly, and more to help investors broadly. Each zone proposal by the Reagan Administration, the Clinton Administration, the Obama Administration, and the Trump Administration, as well as a state-level policy executed in Philadelphia, is analyzed under these criteria in turn below. This historical analysis begins with a discussion of the origins of the enterprise zone policy idea in U.S. states and within the Reagan presidency.

Reagan's enterprise zone proposals and American state-level policies

When Ronald Reagan announced his candidacy for president, he very quickly endorsed the enterprise zone idea, advanced previously by Stuart Butler. The experimental notion appealed to his sense that a large federal government contributed to America's current economic problems; and he envisaged de-regulation as the broad solution to economic stagnation, as well as a potential answer to the urban poverty problem. In his 1982 State of the Union Address, Reagan put forth the idea of the enterprise zone as offering a prospective remedy for inner-city distress, touting it in part as a proposal for general, place-based relief for communities and workers experiencing the consequences of industrial decline beyond urban areas. It is worth quoting at length here:

Seldom have the stakes been higher for America. What we do and say here will make all the difference to autoworkers in Detroit, lumberjacks in the Northwest, steelworkers in Steubenville who are in the unemployment lines; to black teenagers in Newark and Chicago; to hard-pressed farmers and small businessmen; and to millions of everyday Americans who harbor the simple

wish of a safe and financially secure future for their children. To understand the state of the Union, we must look not only at where we are and where we're going but where we've been. The situation at this time last year was truly ominous... Hand in hand with this program to strengthen the discretion and flexibility of State and local governments, we're proposing legislation for an experimental effort to improve and develop our depressed urban areas in the 1980's and '90's. This legislation will permit States and localities to apply to the Federal Government for designation as urban enterprise zones. A broad range of special economic incentives in the zones will help attract new business, new jobs, new opportunity to America's inner cities and rural towns. Some will say our mission is to save free enterprise. Well, I say we must free enterprise so that together we can save America.³⁰⁰

Reagan's enterprise zone proposals would later be correctly identified as part of his "urban policy agenda,"³⁰¹ but as the various proposals evolved, and as the language in his State of the Union Address suggests, there was a sense that such policies should apply more broadly as a way to assist communities facing industrial loss and capital flight.

Early proposals discussed within the Administration grappled with the specifics of the policy. Administration officials debated which standards to apply to determine which areas should be deemed eligible as "zones", and what kinds of incentives or benefits would be allotted to businesses. Reagan's original proposal suggested that an area should be "eligible for zone designation if either 1) they had double the national average of unemployed persons and had 30 percent of families below poverty level, or 2) the unemployment rate was 3x the national average where at least 50% of families lived below the poverty line. Furthermore, a minimum

³⁰⁰ Ronald Reagan, "Address Before a Joint Session of the Congress Reporting on the State of the Union," January 26, 1982. Ronald Reagan Presidential Library and & Museum: Simi Valley, California.

³⁰¹ Weaver and Mossberger both classify and study this initiative as part of Reagan's urban policy agenda.

population of 4,000 would be required.”³⁰² The original proposal also suggested certain standards of deregulation, and it proposed that private investors in zone areas be eligible for various tax incentives, credits, and cuts. Although the Reagan proposal did include selective criteria limiting eligibility to hard-hit communities, the proposed benefits were business-focused. Reagan’s initial proposal, had it passed as he envisioned, would have established more stringent selection criteria but offered business-focused tax incentives – as they were not directly linked to job creation, but more to investment.

Given the entrepreneurial focus of this policy, it would be reasonable to expect that business organizations supported and lobbied for the passage of the enterprise zone program. Yet key business interest groups were rather indifferent, and in some cases outright opposed, to enterprise zone legislation. At the local level, Philadelphia saw varying categories of support for enterprise zone proposals; some labor groups and business groups supported the initiative, others did not.³⁰³ At the national level, Stuart Butler attempted to gain support from big business associations, with little success. According to Butler, “We were desperately trying to find large interest groups that would support this... but to get some of the really large business organizations was just an uphill battle. The Chamber and the NAM and so on, they were in with the old philosophy. If you wanted a large manufacturing approach, the last thing you wanted was to have an approach that said ‘sorry we don’t want to send

³⁰² Weaver, *Blazing a Neoliberal Trail*, 38.

³⁰³ Weaver, *Blazing a Neoliberal Trail*, 186.

the bulldozers in; you are not the answer.' They didn't want to hear this."³⁰⁴

Businesses would come to support the idea later on, but only after the policy was adopted, demonstrating a method by which zone legislation created new politics and offered benefits to private interests that grew more desirable over time.

While Democrats in Congress would eventually embrace the idea of enterprise zones, they blocked Reagan's various proposals in the 1980s. Perceiving it as an effort to respond to unemployment resulting from industrial decline, Democratic Congressman from Minnesota, Donald Fraser, compared it to other federal responses to deindustrialization at the time. Congressman Fraser stated: "If I were asked to make a choice between a continuation of manpower training programs and this I would pick manpower training programs."³⁰⁵ Labor groups in general remained unsupportive of such measures. Representative Dan Rostenkowski, Democratic Chair of the Ways and Means committee, blocked enterprise legislation five times from passing his committee until Reagan was out of office.³⁰⁶ Even moderate Republicans were skeptical of the proposal. Senator Robert Dole (R-KS) offered criticism of the policy's potential operation, stating that the designated zones might simply act as tax shelters for the rich, and create "just another boon to big business."³⁰⁷

A number of initiatives containing provisions for enterprise zones would fail to pass Congress under Reagan's tenure. These included the Urban Jobs and

³⁰⁴ Quoted from Stuart Butler, in an interview conducted by Timothy P.R. Weaver, see *Blazing a Neoliberal Trail*, 41.

³⁰⁵ From Weaver's, *Blazing a Neoliberal Trail*, 47.

³⁰⁶ Weaver, "'Trying Out Our Ideas': Enterprise Zones in the United States and the United Kingdom," 164.

³⁰⁷ Weaver, *Blazing a Neoliberal Trail*, 48.

Enterprise Zone Act of 1981, the Enterprise Zone Tax Act of 1982 (this one interestingly had co-sponsorship from Representative Robert Garcia who represented the South Bronx and brought ten other Democrats on board in support), the Enterprise Zone Employment and Development Act of 1983, the Enterprise Zone Job Creation Act of 1985, and the Enterprise Zone Development and Employment Act of 1988. Not until the Enterprise Zone Jobs Creation Act of 1991, proposed by Democrats, did Chairman Rostenkowski flip his position in favor of enterprise zone legislation, only to have the bill vetoed by President George H.W. Bush.³⁰⁸

Various state-level policies were adopted in the United States during this time. Research by Timothy Weaver demonstrates, for example, in February of 1982, Pennsylvania's Governor ordered the establishment of "Enterprise Development Areas" that would compete for special designation status, through which businesses could receive certain tax credits, loans, and kick-backs for investing in certain areas. In 1983, three enterprise zones were established within Philadelphia city limits that specifically targeted different social groups.³⁰⁹ The city of Philadelphia at the time was struggling with prolonged manufacturing employment loss, and was desperate for more federal financial aid. According to Weaver, "as with all large cities, especially those dealing with the wrenching upheavals wrought by deindustrialization, federal grants-in-aid were highly important sources of revenue."³¹⁰ In embracing the enterprise zone idea, Philadelphia hoped that federal

³⁰⁸ See Weaver, *Blazing a Neoliberal Trail*, Chapter 1; as well as www.congress.gov; select bills and proposed legislation.

³⁰⁹ Weaver, *Blazing a Neoliberal Trail*, 183-184.

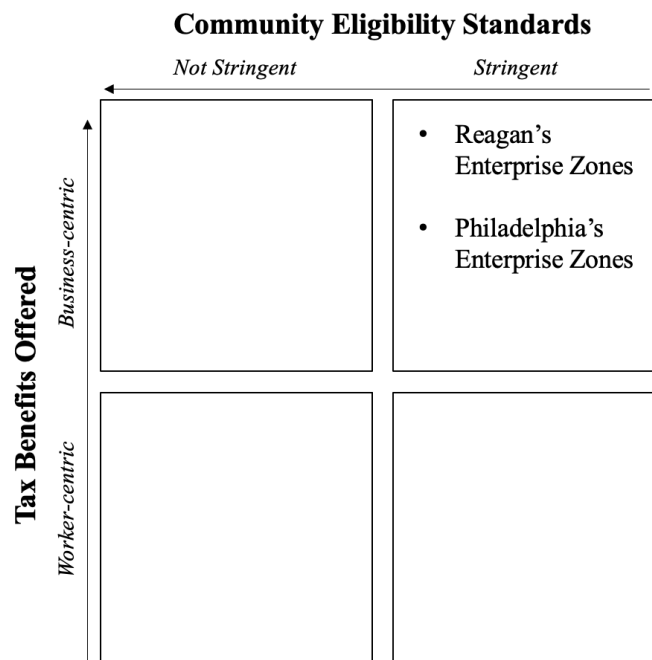
³¹⁰ Weaver, *Blazing a Neoliberal Trail*, 182.

action would follow, although local officials were keenly aware that a local enterprise zone program in and of itself would not be enough to revitalize economically struggling neighborhoods.³¹¹

Below is a categorization of Reagan's enterprise zone proposal, and Philadelphia's program, depicted on a diagram that categorizes proposals covered throughout this chapter, from more stringent to least stringent in terms of community selection criteria, and in terms of whether the tax benefits offered are either business-focused, or worker focused. Both policies reflected similar ideals and focused on encouraging private sector investment through various tax benefits. While the Philadelphia zones did offer industrial loans for designated zones, because these were not contingent on creating employment, the Philadelphia program is categorized as reflecting stringent criteria with business-centric benefits. Reagan's proposal, had it passed, would fall into the top right corner of the diagram as well, with more stringent selection criteria, but more business-focused tax incentives.

³¹¹ This viewpoint was stated in a policy paper by Mayor Bill Green and the City Planning Commission. The paper relayed: "Philadelphia believes that by itself the EZ program will fall short of its goals for job creation and neighborhood revitalization... Only used in conjunction with other targeted incentives will Enterprise zones help to revitalize the nation's distressed communities," from Weaver, *Blazing a Neoliberal Trail*, 184.

Figure 5.1: Enterprise Zone Diagram: Categorization of “Zone” Proposals by Presidential Administration, Ronald Reagan, and Local Governments, Philadelphia



While states like Pennsylvania, Virginia, and Indiana succeeded in implementing early enterprise zone legislation, critics have called the string of unsuccessful attempts at passing federal enterprise zone legislation part of Reagan's failed urban policy agenda.³¹² But Reagan's struggle to pass redevelopment policy also represents something more. The challenges he faced demonstrate the institutional difficulty of replacing redevelopment policy after the failure of the Area Redevelopment Act. And the propagation of this idea at the state and federal levels also expressed the growing popularity of a new *laissez-faire* approach to community revitalization. Once the Democratic Party collectively turned in favor of the enterprise

³¹² Classifying this initiative as part of Reagan's urban policy agenda, Weaver, Mossberger, and Cowdon would all call it a failed agenda for the time being.

zone approach to area redevelopment, and particularly after President Clinton embraced this business-friendly approach to revitalization, a new institutional opportunity arose to redefine redevelopment, in ways quite different than the ARA. The Clinton Administration would eventually pass enterprise zone legislation, and incorporate elements like grants and an oversight board, which overall created more employment-centered targets for investors operating within Clinton's enterprise zones. But the policy's successful passage would ultimately give way to a more business-focused tax approach with his New Market Initiative, and subsequent additions would shift the focus of redevelopment policy away from local communities and towards the interests of business.

Clinton passes the Empowerment Zone and Enterprise Community Program

Trying to establish himself as a New Democrat concerned with a balanced budget, economic growth, and free trade, President Bill Clinton helped forge a fresh entrepreneurial focus for his party over the course of eight years. President Clinton implemented a number of programs that were initially championed by Republicans, but he also brought back free-market conceptualizations of deindustrialization from the Carter Administration. Weaver states that President Carter's position toward postindustrial cities was characterized by a pro-market bias: "By the end of his term, Carter's Presidential Commission on the National Agenda for the 1980s considered the decline of older rustbelt cities to be 'inevitable' and argued that a policy of revitalization for such cities was 'ill-advised.' Rather, federal policy should focus on people rather than places. Hence, just as planners on the British left, such as Peter

Hall, were looking for market-led solutions to urban problems, so too were Democrats in the United States.”³¹³ Adopting such market-led solutions, Clinton co-opted the idea of the “enterprise zone” as part of his redevelopment policy agenda. Attempting to separate himself ever-so-slightly from Ronald Reagan, Clinton’s original enterprise zone proposal renamed eligible areas “empowerment zones” and “enterprise communities.” While free-market oriented, the summary of the Administration’s original proposal still tried to distinguish the policy’s rationale ideologically from his Republican predecessors:

The empowerment zone proposal represents a new approach to the problems of distressed communities. It moves beyond the old debate that the answer to every problem is top-down bureaucracy on the one hand or trickle-down economics on the other. The traditional enterprise zone approach assumed that tax breaks alone can revitalize communities without changing the way government does business. The Clinton proposal gives local communities the incentives, deregulation and flexibility they need to work with the private sector to develop comprehensive economic strategies to attract business, create jobs, make their streets safe, and empower people to get ahead.³¹⁴

In practice, Clinton’s proposal included elements that were indeed different than what was proposed during Reagan’s tenure. In fact, certain features echoed the community planning component of the Area Redevelopment, including area eligibility for substantial government grants, requirements to submit comprehensive plans, and tax incentives that were linked to job creation. But as we will see, the concept of the enterprise zone in and of itself served a different purpose than the ARA, as it prioritized focus upon private investment rather than direct government aid within designated areas. Eventually, Clinton himself would apply more pro-

³¹³ Weaver, *Blazing a Neoliberal Trail*, 182.

³¹⁴ “Empowerment Zones: Summary of Administration’s Original Proposal,” from the William J. Clinton Presidential Library & Museum, 10.

business measures to communities in need, under his “New Market Initiative.” The Empowerment Zone/Enterprise Community (EZ/EC) program would also receive mixed reviews from independent evaluations, as the operation of this policy in practice led to varied results for communities, and no definitive proof emerged that the policy itself directly lifted distressed communities out of poverty.

With Democrats in control of Congress in 1993, Clinton’s Empowerment Zone/Enterprise Community program was an easier sell once Chairman Rostenkowski signaled willingness to push such legislation rather than block it. It passed as part of the Omnibus Budget Reconciliation Act of 1993, in Subchapter C, titled “Empowerment Zones, Enterprise Communities, and Rural Development Investment Areas.”³¹⁵ It was implemented in nearly identical form to the administration’s original proposal, which required communities to submit a comprehensive strategic plan, set minimum poverty standards for a city’s eligibility, allowed for millions of dollars per year in grant funding for designated zones, divided authority over designation between the Secretary of Housing and Urban Development for urban areas and Secretary of Agriculture for rural areas, and allowed for various tax incentives for employers.³¹⁶ The first round of designations would ultimately include 11 Empowerment Zones, in which areas were eligible for additional grant funds and tax incentives, and 95 Enterprise Communities, still eligible for funds and incentives, but in lesser amounts.³¹⁷

³¹⁵ “H.R.2264 - 103rd Congress (1993-1994): Omnibus Budget Reconciliation Act of 1993,” August 10, 1993, <https://www.congress.gov/bill/103rd-congress/house-bill/2264>.

³¹⁶ “Empowerment Zones: Summary of Administration’s Original Proposal.”

³¹⁷ “H.R.2264 - 103rd Congress (1993-1994): Omnibus Budget Reconciliation Act of 1993.”

The President also created the Community Enterprise (later called Empowerment) Board to oversee the implementation of the program. It was chaired by Vice President Al Gore and membership included various secretaries from cabinet level agencies and departments. In a Memorandum from the White House, Clinton reiterated his commitment to the enterprise approach to assist distressed communities: “...I strongly believe that the best way to serve distressed communities in urban and rural America is through a comprehensive, coordinated, and integrated approach that combines bottom-up initiatives and private sector innovations with responsive federal-state support.”³¹⁸ During the first round, the Board considered applications for empowerment zone status from cities like Baltimore, Maryland, which proposed cohesive neighborhood revitalization, health care partnerships, and the construction of an eco-industrial park in a formerly industrial area.³¹⁹ Baltimore would become one of the first of eight urban empowerment zones. Not all were former industrial communities, but the administration allowed for special exceptions for the consideration of cities that did not meet poverty or population criteria, yet contained a vast majority of their population in spaces zoned for commercial or industrial use.³²⁰

Two more rounds of designation would ensue after the initial round in 1994. Additional cities qualified as either enterprise communities or empowerment zones again in 1998, authorized by the 1997 Taxpayer Relief Act, and once more in 2001

³¹⁸ President William J. Clinton, “Community Empowerment Board Creation,” from the William J. Clinton Presidential Library & Museum. September 9, 1993, 1.

³¹⁹ Community Enterprise Board, “Building Communities: Together, Empowerment Zone & Enterprise Communities,” from the William J. Clinton Presidential Library & Museum; see, specifically, “Urban EZ Finalists.”

³²⁰ “Empowerment Zones: Summary of Administration’s Original Proposal.”

under the Community Renewal Tax Relief Act. In total, 122 communities would be deemed eligible for designation throughout these three rounds.³²¹ Over the course of the first two rounds, more tax incentives were introduced that prioritized “work”: Various employment credits became available to employees who lived in designated zones, including the welfare-to-work tax credit and the work opportunity tax credit.³²²

But in 1999, Clinton also announced a new initiative that created forty additional “renewal communities”. This move by the Administration reflects a policy conversion, through a process that was relatively easy to accomplish since the law’s provisions had been previously set up in the tax code. In theory, renewal communities would function similarly to empowerment zones, but in practice, renewal communities allowed businesses to benefit from the elimination of capital gains taxes in certain circumstances, called the “New Markets Initiative.”³²³ Originally rejected by Clinton, the New Markets Initiative’s allowance of generous capital gains benefits was an ideal first envisaged by the supply-side Republicans. Because benefits were offered through the tax code, it offered a method for Clinton to change the nature of the benefit from primarily benefiting workers, to exclusively benefiting business. This subtle alteration tilted the dial one notch further towards business-centric tax benefits,

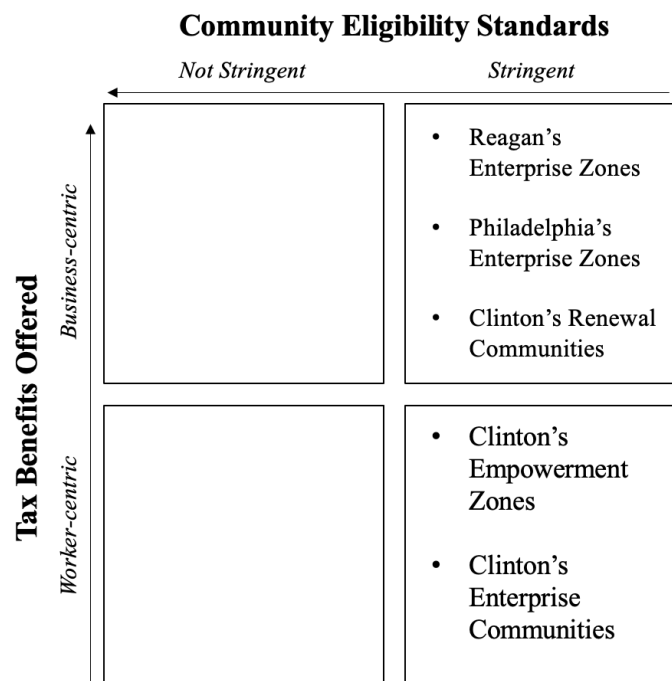
³²¹ Weaver, *Blazing a Neoliberal Trail*, 142.

³²² Weaver, *Blazing a Neoliberal Trail*, 142.

³²³ According to the “Creating New Markets and Empowering America Act of 2000,” the “New Markets Tax Credit,” as it would eventually be named, amended the tax code “... to provide a limited new markets tax credit for taxpayers holding a qualified equitable investment for amounts paid to a qualified community development entity for authorized investments.” The Act also established “American Community Renewal” which expanded empowerment zone status to forty more areas, and required at least 20 percent to be in rural areas. See “S.2936 – 106th Congress (1999-2000): Creating New Markets and Empowering America Act of 2000,” July 26, 2000, https://www.congress.gov/search?q=%7B%22source%22%3A%22legislation%22%2C%22search%22%3A%22creating+new+markets+and+empowering+america+act+2000%22%2C%22congress%22%3A106%7D&_id=1655159102623&s=6; See also, Weaver, *Blazing a Neoliberal Trail*, 142.

and it did so largely without broad public knowledge of the consequences of this shift. Clinton’s three iterations of zone policies are categorized in the diagram below. While empowerment zone and enterprise community programs fall under the bottom right quadrant, as they targeted worker-centric tax policies and maintained stringent community eligibility criteria, the renewal community with the introduction of exclusive capital gains tax benefits is categorized under the top right quadrant alongside Reagan’s.

Figure 5.2: Enterprise Zone Diagram: Categorization of “Zone” Proposals by Presidential Administration, Bill Clinton



President Clinton and Vice President Al Gore held various conferences and meetings to publicly share the policy’s alleged success, and continued to push the value of the program in designating additional communities and introducing new tax

credits to utilize. But local political struggles, independent project evaluations, and Clinton's willingness to adopt more neo-*laissez-faire* measures like the New Markets Tax Credit, suggested that the policy was struggling to deliver desirable results that justified its continuation. As early as 1996, federal-state clashes within the program began to arise. One week before a scheduled conference on the EZ/EC initiative, White House correspondence between the White House Communications Director and a local community developer suggested that there were political conflicts present in various empowerment zones that should not be highlighted in the speeches given by the President or Vice President.³²⁴ At the time, Kansas City, Missouri was witnessing heated battles over which bidding company would build the industrial park proposed as part of their comprehensive strategic plan. While local organizations wanted to be cognizant about the local environmental impact of development, the Kansas City Mayor blocked requests to re-open the bidding process, reportedly under pressure from Assistant HUD Secretary, Andrew Cuomo, who asked in regards to Kansas City's designation status, whether or not "they will have something to show during the summer."³²⁵ Commenting on the situation, a local newspaper challenged the Clinton enterprise zone policy in practice, stating: "In the hands of the Clinton

³²⁴ See "Memorandum Re: Empowerment Zones and Enterprise Communities," from the William J. Clinton Presidential Library & Museum, February 20, 1996. In a memorandum regarding "Empowerment Zones and Enterprise Zones" to George Stephanopoulos, former White House Communications Director for the Clinton White House, from Aram H. Kailian, whose title at the time was special assistant to the public buildings service in Pennsylvania, Kailian relayed the following: "George: This week, there will be a WH EZ conference w/ both the President and VP participating. As we move forward some considerations regarding elevating the visibility of the EZ/EC initiatives should be taken into account... Where the political dynamics have been less than positive the initiative has suffered from State and Local infighting leaving the communities frustrated. (i.e. Kansas city, MO)." The memo attached the local article from Kansas City, cited below.

³²⁵ "Something to Show," *The Kansas City Star* (February 7, 1996), from the William J. Clinton Presidential Library & Museum.

administration, the essential [enterprise zone] idea has been warped beyond recognition... This money... was taken from the pockets of ordinary Americans and sent to Washington where – following a tradition that has included Republican presidents as well – it is repackaged and shunted out to political allies so that an incumbent president will have ‘something to show’ when the campaign heats up.”³²⁶ During the 1996 conference, neither Clinton nor Gore mentioned Kansas City. Although Clinton briefly praised certain projects in Baltimore and Mississippi, a good twenty minutes of his “empowerment zone” speech spoke about welfare reform, staying tough on crime, and passing nationalized health care.³²⁷ It was, after all, an election year.

Beyond these localized struggles, broader program assessments and reports eventually raised further questions about the policy’s effectiveness. One report in 2001, put together by HUD’s Office of Policy Development and Research, aggregated localized economic data in Empowerment Zones and compared it to the area’s previous growth and to other contiguous areas. The “Interim Assessment of the Empowerment Zones and Communities (EZ/EC) Program” report discovered that after the first round of designation, “job growth occurred in five of the six EZs and in the six EZs in the aggregate.”³²⁸ They also found that the number of Empowerment

³²⁶ “‘Something to Show,’” *The Kansas City Star*.

³²⁷ “President Clinton’s Remarks to the White House Conference on Empowerment Zones,” produced by the White House Television, provided by the Clinton Presidential Library (1996), https://www.youtube.com/watch?v=4-rJnSRh_Rg.

³²⁸ “Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program: A Progress Report,” U.S. Department of Housing and Urban Development, Office of Policy Development and Research (November 2000), ii. Note: Employment reportedly grew in New York, Philadelphia, Baltimore, Atlanta, and Detroit, and declined in Chicago.

Zones residents employed by Empowerment Zone businesses had increased, and job growth in four of the six zones “...outpaced job growth in comparison [to] contiguous areas,”³²⁹ except for Chicago and Philadelphia, which did worse than comparison areas. However, contradictory data suggested that these positive findings could not be conclusively attributed to the Clinton program. Importantly, during the period studied between 1995 and 2000, the country saw overall economic growth and within large cities specifically, “making it difficult to attribute employment growth to the EZ initiative.” Moreover, “in only three of the six EZs were increases in employment correlated with specific EZ programmatic activities... in some of the EZs, such as Atlanta, employment increases may have been attributable to non-EZ activities.”³³⁰ Finally, in a nod to the criticism brought up by the local Kansas City article back in 1996, the report found that “citizen participation in local EZ/EC initiative decisionmaking [*sic*] generally decreased from the strategic planning process to the program implementation stage.”³³¹

In 2006, another independent report to Congress was put together by the United States Government Accountability Office to compare the Clinton program’s success, which was still in operation at the time, to the overall economic success of the country at the time. The subtitle of the report is revealing: it states: “Improvement Occurred in Communities, but the Effect of the Program is Unclear.” One major issue

³²⁹ “Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program,”
ii.

³³⁰ “Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program,”
iii.

³³¹ “Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program,”
iii.

that would continually re-surface was the lack of reliable data on how exactly funds were used within Empowerment Zones and Enterprise Communities. The report highlighted that the three agencies responsible for overseeing the program, Housing and Urban Development, Department of Agriculture, and Health and Human services, did not even collect data on how the program funds were specifically spent.³³² The flexible, bottom-up design of the program that Clinton envisioned had perversely generated severe oversight and assessment problems. Results were also mixed on whether or not the tax benefits worked as designed, as data gathered by the IRS could not be definitively linked to EZ/EC initiatives.³³³ The report concluded the following: “Given the magnitude of federal grant funds and tax benefits provided for the program, more should be done to better understand the extent to which these federal expenditures are having the desired effect.”³³⁴

Indeed, such findings signaled the beginning of the end of this version of redevelopment policy, remembered by a range of names such as empowerment zones, enterprise communities, and renewal communities. These provisions would all sunset and expire between 2009 and 2011. Yet the idea of place-based revitalization would continue to enjoy support from George W. Bush, Obama, and Trump. Despite the inconclusive results about the program’s effectiveness, George W. Bush re-envisioned a similar approach in his 2004 Republican nomination acceptance speech.

³³² United States Government Accountability Office, “Empowerment Zones and Enterprise Community Program,” 4.

³³³ United States Government Accountability Office, “Empowerment Zones and Enterprise Community Program,” 4.

³³⁴ United States Government Accountability Office, “Empowerment Zones and Enterprise Community Program,” 6.

He called his redevelopment proposal “Opportunity Zones.” Tax incentives would entice business to set up shop, invest, and create jobs in designated areas, including those confronting the impact of deindustrialization.³³⁵ Bush’s proposal would not gain any significant legislative traction, but his ideas signaled a further shift toward a more business-focused and tax-led iteration of redevelopment policy with less stringent eligibility criteria. Each subsequent adoption of zone legislation would become less stringent, and more business-focused, which led in turn to the service of more business interests over community or worker interests, and continued evidence of policy conversion.

Obama and the Promise Zone

President Obama’s experience with a zone initiative as part of his redevelopment policy agenda was short-lived, but still merits examination. The announcement of the “Promise Zone” (PZ) initiative provides evidence of how redevelopment policy shifted further away from any clear commitment to providing direct government aid to distressed communities. Obama’s vision was similar to Clinton’s, in that both embraced local-federal cooperation, but an important distinction was that Obama’s PZ designation did not guarantee accompanying federal funds, since it was an executive initiative rather than Congressional law. It merely promised federal planning and coordination support, in leveraging already available resources to help communities plan and build public-private partnerships. The

³³⁵ As the quote at the beginning of this chapter suggests, Bush’s primary target for this policy proposal would have been the former industrial community.

initiative did not require applications, but rather, the executive branch alone deemed which communities received PZ recognition.

When President Obama first announced the Promise Zone initiative during his 2013 State of the Union Address, he described it as part of his plan to re-build the middle class through facilitating public-private partnerships in local communities. The larger aim was to create more jobs and long-lasting economic security.³³⁶ In March of 2014, he announced the first five Promise Zones: San Antonio, Philadelphia, Los Angeles, Southeastern Kentucky, and the Choctaw nation of Oklahoma.³³⁷ Although several struggling industrial communities were included, the communities he envisioned helping were not primarily deindustrialized communities. Since it was a presidential initiative, and not a law passed by Congress, the President's commitments to the Promise Zones were a bit amorphous. There also existed no uniform or set criteria for designation, as administered by the White House. What Obama was able to do was facilitate "intensive federal partnerships" that helped communities design plans for their own economic success, assist those communities in accessing federal resources, and offer a semblance of accountability for executing local goals.³³⁸ What he could not offer were any federal funds.

³³⁶ President Barack Obama, "Remarks by the President in the State of the Union Address," from the Obama White House Archives, February 12, 2013. <https://obamawhitehouse.archives.gov/the-press-office/2013/02/12/remarks-president-state-union-address>.

³³⁷ "Remarks by the President on Promise Zones," from the Obama White House Archives.

³³⁸ According to the Promise Zones "Fact Sheet," the White House could offer designated communities some accountability for goals, intensive federal partnerships, help accessing resources, national service, and investing in what works – which broadly stated that the designated communities have "already demonstrated that they are pursuing strategies that have data proving their effectiveness." See "Fact Sheet: President Obama's Promise Zones Initiative," from the Obama White House Archives, January 8, 2014, <https://obamawhitehouse.archives.gov/the-press-office/2014/01/08/fact-sheet-president-obama-s-promise-zones-initiative>.

Obama repeatedly requested that Congress act to make these partnerships meaningful through offering tax incentives, but his requests were not met. He called on Congress to enact a tax cut for businesses that hired and invested in areas designated as Promise Zones, claiming that such tax incentives would attract business and create jobs based upon the “proven model” of Empowerment Zones.³³⁹ He also envisioned – but could not secure – an expansion of the child tax credit and earned-income credit in these zones as well.

Still, the Obama Administration administered two more rounds of PZ designations. He lauded his previous successes, stating that graduation rates had climbed in the San Antonio Promise Zone, and that thousands of kids in the Los Angeles area had found summer jobs as part of a youth employment program.³⁴⁰ Round II designations were announced in April of 2015, and included St. Louis and St. Louis County, Camden, Hartford, Indianapolis, Minneapolis, Sacramento, Pine Ridge Indian Reservation of the Oglala Sioux Tribe, and low country South Carolina.³⁴¹ Then in 2016, he revealed the third and final round of promise zone designations, which included Nashville, South Los Angeles, Atlanta, Evansville, San Diego, Spokane Tribe of Indians in Washington state, Turtle Mountain Band of Chippewa Indians in North Dakota, Southwest Florida Regional Planning Council,

³³⁹ “Fact Sheet: President Obama’s Promise Zones Initiative.”

³⁴⁰ “Obama Administration Launches Second Promise Zone Competition to Create Economic Opportunity in High-Poverty Communities,” from the Obama White House Archives. September 19, 2014.

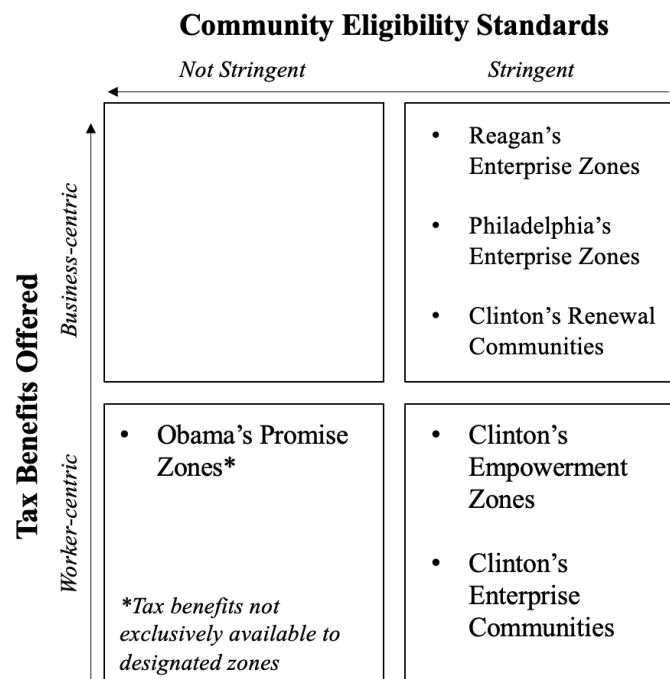
³⁴¹ “Obama Administration Launches Second Promise Zone Competition.”

and Puerto Rico's Ceiba, Fajardo, and Naguabo Municipalities.³⁴² The diagram below categorizes Obama's Promise Zone initiative. Because communities did not need to apply and eligibility criteria was not uniform, it is categorized as less stringent in terms of community selection, even though the number of selected communities remained small.³⁴³ The fact that Obama modeled the program after Clinton's empowerment zone initiative categorizes it similarly, as Obama's proposal desired worker-focused tax benefits. The Promise Zone initiative, therefore, is categorized under the bottom left quadrant, since what it sought was worker-centric, yet its criteria for designation was ambiguous.

³⁴² "Obama Administration Announces Final Round of Promise Zone Designations to Expand Access to Opportunity in Urban, Rural and Tribal Communities," from the Obama White House Archives. June 6, 2016.

³⁴³ It is wholly unclear how communities were selected as Promise Zones. White House records suggest that research was done to identify communities already working on the type of public-private partnerships desired by the Promise Zones program. According to the Obama Administration after the first round of designation, his office stated that "in order to be designated as a Promise Zone, these five communities have already demonstrated that they are pursuing strategies that have data proving their effectiveness. This same data will also help direct future federal investments to these Zones." To clarify an example of this, they highlight a city program in Los Angeles that aimed to increase housing affordability and partnerships with housing developers to increase the supply of homes. See again, "Fact Sheet: President Obama's Promise Zones Initiative."

Figure 5.3: Enterprise Zone Diagram: Categorization of “Zone” Proposals by Presidential Administration, Barack Obama



While certain local projects scattered throughout these PZs appeared promising, and in fact several urban planning academics praised Obama for his approach,³⁴⁴ the Promise Zone initiative did not have the teeth to suggest real progress in reestablishing suitable federal redevelopment policy that prioritized the community first. In fact, the opposite could be said, in that the inability of the administration to offer federal funds further drove future redevelopment policy in more pro-business directions. The Promise Zone initiative reaffirms the notion that policy conversion in this case coincided with changes to the tax code, a reform that

³⁴⁴ See Stoker and Rich, “Old Policies and New Presidents: Promise Zones and the Trump Administration.”

Obama did not achieve. In a short year, President Donald Trump would win the White House and Republicans would take the Senate and the House of Representatives, which presented a unique institutional opportunity to reform the tax code. Their version of redevelopment policy borrowed the business-focused ideas of previous Republican and Democratic Administrations and ran with them. Under the 2017 Tax Cuts and Jobs Act, the newly-named “Opportunity Zone” would not include any grants providing direct assistance to communities and would dilute the criteria for qualification beyond any previous version of the policy.

Expanding private opportunity: the 2017 Tax Cuts and Jobs Act and the Opportunity Zone

The most recent iteration of the enterprise zone concept emerged as a small provision in the 2017 Tax Cuts and Jobs Act (TCJA). The final part of this chapter advances the argument that this version of redevelopment policy, still in place, reflects the full-scale retreat from early U.S. ideas of place-based revitalization. The Opportunity Zone (OZ) as a concept arguably represents 1980s enterprise zone legislation *par excellence*; Stuart Butler and Ronald Reagan would be delighted at the business-centric and capital gains focused elements of this program. However, I argue that opportunity zones represent a far cry from what the federal government originally sought to do as a policy response to deindustrialization, and the OZ is far more extensive than anything Reagan might have achieved as a result of a long process of policy conversion from 1993 to present day. When enterprise zones emerged as a new kind of redevelopment policy idea in the wake of the ARA’s negative legacy, the

initiatives in basic practice handed the reins to businesses, to see what private investment could do for certain economically distressed towns, but allowed the federal government a certain level of control over which towns qualified for assistance. After enterprise zones were established at the federal level, corporate interests became interested in pushing the bounds of this policy further, as lobbying efforts in 2013 demonstrate. Ignoring localized job loss and lack of opportunity for workers that continued as consequences of deindustrialization, the OZ embraced private requests to eliminate direct government aid and instead solely offer business tax benefits in both former industrial areas, and in non-industrial areas. Today, no less than 8,764 census tracts qualify for opportunity zone status as a result of nomination by state governors. The wide designation parameters of these completely violate the basic notion of redevelopment policy: that it should be exclusive and targeted. The lack of stringent criteria, and the business-exclusive tax benefits present in the 2017 law once again embody how policy conversion occurred through gradual changes by administrations, in part due to corporate mobilization to exclusively benefit wealthy interests.

The image of businesses rescuing post-industrial ghost-towns is ever present in the language lawmakers use to sell the merits of zone legislation. Yet policy conversion has allowed zone legislation to continue operation without achieving its core goals of lifting communities out of poverty and creating long-term jobs. In early 2018, *The New York Times* published an article lauding this small provision. Hopeful about what creating “Opportunity Zones” might mean for distressed cities, the author applauded the section of the tax bill as “... the first new substantial federal attempt to

aid those communities in more than a decade... If the zones succeed, they could help revitalize neighborhoods and towns that are starved for investment.”³⁴⁵ While *The New York Times* in this and subsequent articles acknowledged emerging criticism of the policy, citing worries that the provision merely provides additional tax incentives for big businesses who do not necessarily need them,³⁴⁶ various publications, politicians, and community representatives continued to highlight the hope of revitalizing struggling cities through zone legislation, suggesting that maybe the newest iteration of this policy would be enough to lift former industrial communities out of persistent economic decline. Instead, the federal government merely incentivized business to loosely deal with the consequences of deindustrialization, through a model that has failed to show results. The politics of zone legislation was particularly striking in the case of the 2017 initiative.

Introducing the Opportunity Zone

Lobbying efforts to secure the passage of “opportunity zone” legislation began in 2013 with billionaire Sean Parker, an early investor in Facebook, who directed money through his Economic Innovation Group to push the prospect of capital-gains relief for investors in specific economically distressed areas. The idea had business backing from the founder of Quicken Loans and other prominent investors in

³⁴⁵ Jim Tankersley, “Tucked Into the Tax Bill, a Plan to Help Distressed America,” *The New York Times*, January 29th, 2018, <https://www.nytimes.com/2018/01/29/business/tax-bill-economic-recovery-opportunity-zones.html>.

³⁴⁶ See Joe Gose, “Despite Challenges, Opportunity Zones Provide Much-Needed Capital,” *The New York Times*, November 24, 2020, <https://www.nytimes.com/2020/11/24/business/opportunity-zones-funding-development.html>.

Facebook.³⁴⁷ Politically, it secured support from Senators like Tim Scott (R-SC), who originally proposed the legislation in 2016 that was later incorporated into the Tax Cuts and Jobs Act, and Senator Cory Booker (D-NJ).³⁴⁸ Senator Booker supported the OZ idea at the time, and has since launched an effort on his website to promote another, slightly more regulated, version of OZ legislation in a separate bill.³⁴⁹ A consensus among supportive corporations, entrepreneurs, and politicians saw the opportunity zone as a potentially “great model to demonstrate the holistic, community-informed investments that can transform these distressed communities, while earning returns.”³⁵⁰ While this coordinated effort on behalf of business did not exist in the 1980s, private firms were now clearly organized and financially invested in the continuation of “zone policies” that offered even more generous benefits to business with less stringent criteria and less federal oversight.

The momentum behind the 2017 Tax Cuts and Jobs Act rode on unified Republican congressional determination to reform the tax code. In total, the bill embodied the most comprehensive tax overhaul since the Reagan years. It reduced tax rates for businesses and individuals, hence the inclusion of “tax cuts” in its title,

³⁴⁷ Jesse Drucker and Eric Lipton, “How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich,” *The New York Times*, published August 31, 2019, last updated September 27, 2020, <https://www.nytimes.com/2019/08/31/business/tax-opportunity-zones.html>.

³⁴⁸ Drucker and Lipton, “How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich.”

³⁴⁹ Among these changes, the proposed bill would expand reporting requirements, emphasize designating opportunity zones area for impoverished areas exclusively, and provide federal technical assistance to underserved communities. See “Booker, Scott, Kind, and Kelly Introduce Bipartisan, Bicameral Bill Reforming Opportunity Zones,” from the official website of Cory Booker (April 7, 2022), <https://www.booker.senate.gov/news/press/booker-scott-kind-kelly-introduce-bipartisan-bicameral-bill-reforming-opportunity-zones>.

³⁵⁰ Matthew Goldstein and Jim Tankersley, “Wall Street, Seeking Big Tax Breaks, Sets Sights on Distressed Main Streets,” *The New York Times*, February 20, 2019, <https://www.nytimes.com/2019/02/20/business/taxes-hedge-funds-investors-opportunity-funds.html>.

and it reformulated standard deductions and credits that shifted the way taxpayers ultimately elected to itemize their tax returns. As *The New York Times* pointed out, it also included a new provision for businesses that the average income-earner would not immediately be attuned to: the establishment of Opportunity Zones.

The “Opportunity Zone” provision was initially added to the 2017 tax reform bill at the request of Republican Representative Kevin Brady, Chairman of the Joint Committee on Taxation.³⁵¹ It echoed the arguments of earlier lobbying efforts and Senator Scott’s original proposal: that generous tax provisions for private investors could be used to help communities “make the future bright.”³⁵² The section that described the creation of qualified opportunity zones cited previous federal legislation on empowerment zones as precedent for this new qualification, but reconceptualized the tax incentives offered. Chairman Brady described the qualified opportunity zone addition as one that would provide for “the temporary deferral of inclusion in gross income for capital gains reinvested in a qualified opportunity fund and the permanent exclusion of capital gains from the sale or exchange of an investment in the qualified opportunity fund.”³⁵³

The Chairman’s addition was adopted nearly verbatim into the TCJA, which was signed into law by President Donald Trump on December 22, 2017. Subchapter

³⁵¹ “Description of the Chairman’s Modification to the Chairman’s Mark of the ‘Tax Cuts and Jobs Act,’” prepared by the Staff of the Joint Committee on Taxation, 115th Congress, November 15, 2017.

³⁵² Drucker and Lipton, “How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich.” In this article, the original legislative sponsor of the OZ, Senator Scott (R-SC) was quoted saying that the program was “for American people stuck, sometimes trapped, in a place where it seems like the lights grow dimmer, and the future does, too... Let’s turn those lights on a make the future bright.”

³⁵³ “Description of the Chairman’s Modification to the Chairman’s Mark of the ‘Tax Cuts and Jobs Act,’” 53.

Z on Opportunity Zones specified designation and rules for capital gains invested in opportunity zones. The census tracts would be nominated by the Governor of each state, and communities deemed “low-income” according to Section 45D(e) would be eligible for designation. According to Section 45D(e) of the internal revenue code, a community is considered “low income” if the poverty rate in the associated census tract is at least 20 percent, or if outside a metropolitan area, the median family income for the tract does not exceed 80 percent of the statewide median family income. Within a metropolitan area, the median family income cannot exceed 80 percent of the greater statewide or metropolitan area median family income for a tract to be deemed low-income.³⁵⁴

The benefits provided by the policy exclusively targeted business activity within these designated areas. Under this law, investors can receive preferential tax treatment when they invest eligible capital gains into Opportunity Zones, through Qualified Opportunity Funds.³⁵⁵ A qualified opportunity fund is defined as “any investment vehicle which is organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property that holds at least 90 percent of its assets”³⁵⁶ in said property. The investor can defer the treatment of capital gains made through the sale or exchange of the property in increasingly

³⁵⁴ See page 231 of the Internal Revenue Code, “Title 26: Sec. 45(D),” <https://www.govinfo.gov/content/pkg/USCODE-2010-title26/pdf/USCODE-2010-title26-subtitleA-chap1-subchapA-partIV-subpartD-sec45D.pdf>.

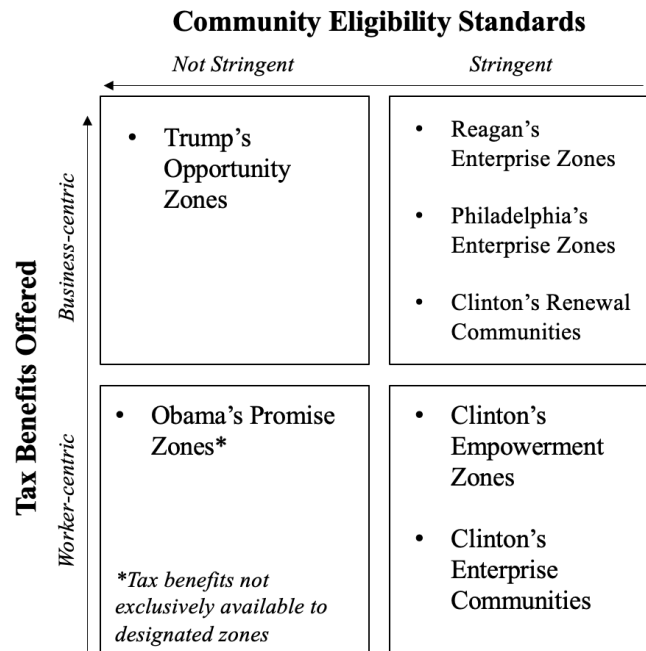
³⁵⁵ The White House Opportunity and Revitalization Council, “Opportunity Zones Best Practices Report to the President from the White House Opportunity and Revitalization Council.” May 2020, https://opportunityzones.hud.gov/sites/opportunityzones.hud.gov/files/documents/OZ_Best_Practices_Report.pdf, 6.

³⁵⁶ 115th Congress, “Public Law No. 115-97: The Tax Cuts and Jobs Act of 2017,” December 22, 2017.

generous intervals, depending how long the investment is held. The most generous of these occurs when the investor keeps the qualified opportunity fund for at least ten years. An investor who elects to sell after that point is eligible to completely eliminate the capital gain taxes from any increase in value while the investor held the fund.³⁵⁷ Unlike Clinton’s authorization of worker tax credits and government grants offered to empowerment zones, there are no worker-focused tax incentives or direct government aid included in Subchapter Z on Opportunity Zones. Below is the final diagram that categorizes President Trump and Congressional Republicans’ “Opportunity Zone” initiative. It is categorized as non-stringent in terms of selection, as nearly 9,000 communities qualify without the same rigorous criteria as previous policies, and it is exclusively business-focused in the tax benefits offered. It therefore falls in the top left quadrant.

³⁵⁷ See 115th Congress, “Public Law No. 115-97: The Tax Cuts and Jobs Act of 2017;” for a concise summary, see the White House Opportunity and Revitalization Council’s government website, “Investors,” <https://opportunityzones.hud.gov/investors>. The investor can defer the treatment of capital gains made through the sale or exchange of the property in increasingly generous intervals, depending how long the investment is held. If the investment is held for at least five years, 10% of the capital gain originally deferred is eliminated. If the investment is held for at least seven years, an additional 5% of the original deferment is eliminated.

Figure 5.4: Enterprise Zone Diagram: Categorization of “Zone” Proposals by Presidential Administration, Donald Trump



To loosely oversee the program, President Trump signed an executive order in 2018 establishing the White House Opportunity and Revitalization Council, with obligations similar to those of Clinton's Community Enterprise Board. It was chaired by the Secretary of Housing and Urban Development, with representation from the Secretary of Agriculture, Secretary of Labor, the Secretary of Commerce, and more. The job of the committee was to oversee the implementation of the opportunity zones program, encourage entrepreneurship, and facilitate state cooperation.³⁵⁸ Eventually, the council produced two reports that would comment on the overall execution and

³⁵⁸ See: "Executive Order on Establishing the White House Opportunity and Revitalization Council," from the Trump White House Archives, December 12, 2018, <https://trumpwhitehouse.archives.gov/presidential-actions/executive-order-establishing-white-house-opportunity-revitalization-council/>.

operation of the opportunity zone program. These reports, however, overemphasized the potential for success, while under-emphasizing the extent to which this policy had in practice created havens for rich investors.

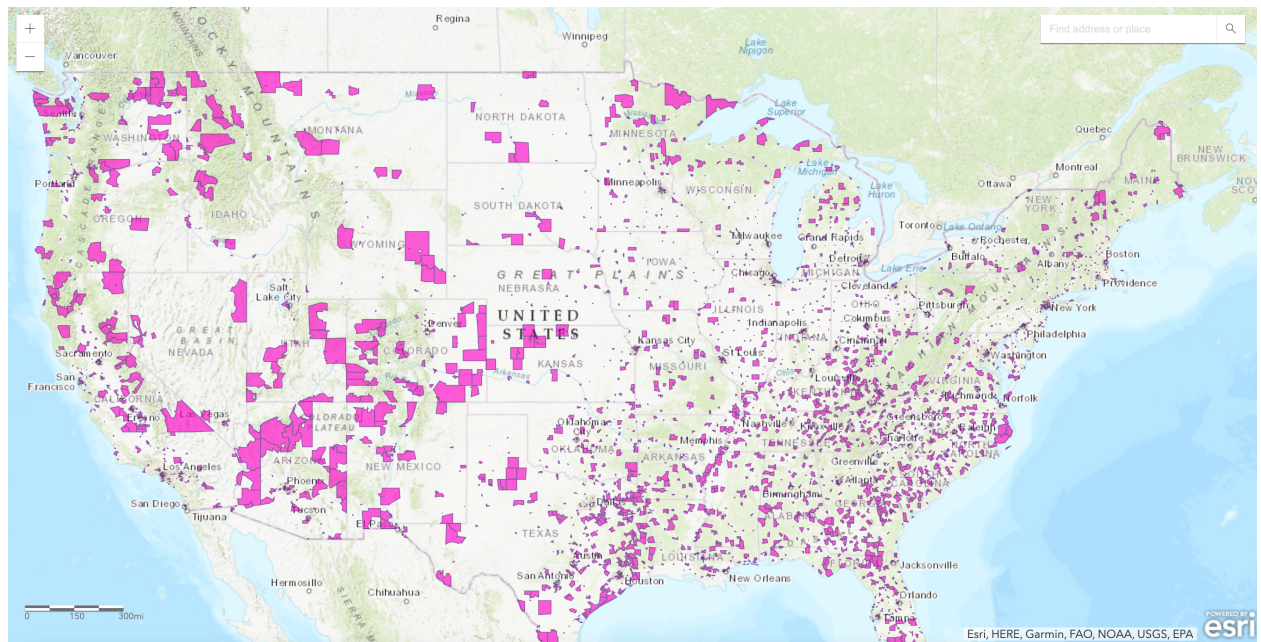
Opportunity Zones in operation

With the intent of spurring local investment and job growth, 8,764 communities received “Opportunity Zone” designation beginning in 2018. All 50 states had census tracts that were designed as Zones, and approximately 52 million Americans lived within these low-income communities where qualified opportunity zones could be established. Below is a map produced by the White House Opportunity and Revitalization Council marking the country’s nearly 9,000 OZs. To give an example of what this looks like on the ground, a company called Catalyst Opportunity Funds announced three major community-based investment projects in 2020 that would target “under-served” communities, all of which would be facilitated through a Qualified Opportunity Fund. One project in Salt Lake City, Utah proposed to transform an old industrial property into a new-age office space, a second in Bozeman, Montana sought to develop and build downtown housing units, and a third in Nashville, Tennessee, recommended plans to build an office and upscale retail space.³⁵⁹ Jeremy Keele, managing partner at Catalyst, told a local magazine that the investment was focusing on “...taking dilapidated, rundown, industrial

³⁵⁹ Catalyst Opportunity Funds, “Our Portfolio,” accessed March 31, 2022, <https://www.catalystoz.com/portfolio>.

neighborhoods and working with sponsors that know the neighborhoods well to create product that is geared towards bringing the neighborhood back to life...”³⁶⁰

Figure 5.5: United States Map of Opportunity Zones



Source: The White House Opportunity and Revitalization Council, “Explore Your Community’s Opportunity Zones,” accessed March 21, 2022, <https://opportunityzones.hud.gov/>.

Most people, however, would not consider Bozeman, Montana (or numerous other designated areas) a town struggling with the impact of major industrial decline. But the wide range of cities that qualify as meeting the standard of Opportunity Zones is a measure of the conversion of zone policies over time: Opportunity Zones seek to allow for the inclusion of as many areas as possible in order to entice as much

³⁶⁰ Kelsi Maree Borland, “Catalyst Announces First Opportunity Zone Projects,” *GlobeSt.com*, February 10, 2020, <https://www.globest.com/2020/02/10/catalyst-announces-first-opportunity-zone-projects/>.

investment as possible. The sheer range and number of proposed projects, and the lack of reporting requirements, thus makes tracking these programs – whether in post-industrial towns or thriving western mountain towns – difficult. The first official reports detailing the practices of 8,764 OZs suffered from lack of federal data and oversight, and had trouble offering any conclusive results about the program’s success so far. The first 2018 report offered extremely minimal data on the effectiveness of the program, with broad economic measurements that could not identify the relative success (or failure) of the zoned areas in question. As the One Year Report to the President relayed, the purpose of the Opportunity Zone provision is “to spur investment in economically distressed communities...” To assess these outcome goals, the evaluation of the “... Opportunity Zones incentive, therefore, should involve measuring investment and outcomes related to economic growth and poverty, including the unemployment rate... and job creation.”³⁶¹ The report specified that this information, in due time, would provide informative data about program outcomes. The way the program was set up, however, through exclusively offering tax provisions to designated areas, necessitated cooperation on behalf of the Internal Revenue Service in order to keep track of Qualified Opportunity Fund investments. These institutional arrangements were not set up within the first year, as the IRS Form 8996 collected information on the total, national value of Qualified Opportunity Funds, but it did not collect information on the specific “...location or nature of the

³⁶¹ The White House Opportunity and Revitalization Council, “Report to the President from the White House Opportunity and Revitalization Council,” December 2019, https://opportunityzones.hud.gov/sites/opportunityzones.hud.gov/files/documents/OZ_One_Year_Report.pdf, 7.

investments.”³⁶² The Council’s report promised in 2019 to do better, with a revised form.

In May of 2020, the Council issued another report titled “Opportunity Zone Best Practices” that compiled local case studies of qualified opportunity funds. There were a range of local programs examined – a comparative improvement over the 2018 report. The case studies were organized by best practices that highlighted where the programs demonstrated commitments to state and local cooperation and philanthropic practices, and praised notable qualified opportunity fund projects. Such highlights included projects by Catalyst in Salt Lake City and Bozeman, as well as renewable energy projects in Indianapolis and local health care developments in Cleveland, Ohio.³⁶³ Taken together, a majority of the case studies in the report examined real estate endeavors. While the data does not exist to definitively say these kinds of projects account for most qualified opportunities funds, various newspaper reports and newly established companies suggest that real estate development is precisely the kind of long-term investment that might benefit from such tax relief.³⁶⁴

³⁶² The White House Opportunity and Revitalization Council, “Report to the President from the White House Opportunity and Revitalization Council.” The 2019 Report stated the following in relation to measuring results: “Existing Federal data collection efforts at the census tract level (the level at which Opportunity Zones are defined) will, in time, provide rich information on a broad range of outcomes of interest. Yet this information has its greatest value if matched with data on Qualified Opportunity Fund (QOF) investments. The IRS Form 8996 (Form) in effect for the tax year 2018 collected information that permits quantifying the total, national value of QOF investments, but did not collect information on location or nature of the investments. In October of 2019, Treasury and IRS released a proposed revised version of Form 8996 that expands the 2018 Form. The information collected by the revised Form can answer questions about the location and amount of investment over time. Treasury plans to make aggregated data from Form 8996 available to the public in a manner similar to the Statistics of Income Data, which the public can download from the IRS website (132).”

³⁶³ The White House Opportunity and Revitalization Council, “Opportunity Zones Best Practices Report to the President from the White House Opportunity and Revitalization Council.”

³⁶⁴ Some of these real-estate driven projects are covered in the *New York Times* article by Drucker and Lipton, “How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich;” see also, Goldstein and Tankersley, “Wall Street, Seeking Big Tax Breaks, Sets Sights on Distressed Main

As a result of the lack of federal mechanisms for evaluation, the report relied almost exclusively on local news stories to detail local projects.

While there is an inherent difficulty in collecting measurements regarding private investments in nearly 9,000 communities across the U.S.,³⁶⁵ it is nonetheless highly unlikely that conclusive data on the program's overall effectiveness will be gathered, available, and usable in the coming years. As stated, the malleability of such a policy allowed government actors to choose not to implement an institutional mechanism to oversee and measure outcomes for each project. The White House Council was assigned broad responsibility to oversee cooperation and execution of the program, but it was not required to quantitatively assess each opportunity zone's effectiveness; this was another element of gradual institutional change brought about by conversion. As the first sentence in the Foreword of the "Opportunity Zones Best Practices" Report states, somewhat incorrectly, "The Opportunity Zones initiative is not a government program..."³⁶⁶ This is because its success is not bound to

Streets," who state: "Those who championed the provision, which provides for a hefty tax break on long-term investments, believe the money can help distressed towns and neighborhoods that are still feeling the effects of the financial crisis and have barely benefited from the nine-year economic expansion. Skeptics worry that the funds will mostly target real estate and other projects that probably would have attracted investment even without the tax break, and may not deliver the returns being dangled." Still, it is difficult to draw wide-ranging conclusions from more "official" reports from the White House. The most recent government report was lacking in overall sound economic data, as it relied exclusively on local news stories and some in-person visits for data, and then largely speculated on behalf of potential results in terms of their case studies.

³⁶⁵ In addition to massive amounts of data, the nature of such a program as the opportunity zones initiative also centers around long-term investments. Proponents of the program would argue that the kind of data necessary to make definitive conclusions about the successes of the program will not be available for 5, 7 or 10 years, as those are the notable check-points for investors benefitting from the program.

³⁶⁶ The White House Opportunity and Revitalization Council, "Opportunity Zones Best Practices Report to the President from the White House Opportunity and Revitalization Council," 6.

effectiveness or proper institutional oversight, but rather, hope and faith in the private sector.

What's more, even if solid data was gathered, it would likely show that significant benefits are concentrated in wealthy business owners' pockets, which was (perhaps) an additional reason to keep federal data limited. The program was designed in such a way to allow hidden aspects of policy conversion to occur, which has in turn encouraged business investment to flourish without direct oversight amidst the promise of capital gains relief. Just as Clinton was able to create the "renewable community" to shift the purpose of his EZ/EC program to more directly serve business, policymakers in 2017 were able to utilize a policy previously understood as part of the tax code to turn the focus away from Clinton-era welfare-to-work credits, and instead toward capital gains. This occurred with little public knowledge, and even though the expanded number of qualified areas appears to benefit more people, the types of benefits offered largely benefit high income earners.

In the absence of federal government reports on financial outcomes, journalists are tracking and reporting who is directly benefiting from the establishment of nearly 9,000 opportunity zones across the U.S. In actual practice, the tax break that this policy provides almost exclusively benefits the richest individuals in America. According to IRS data obtained by *The New York Times*, "Only 7 percent of Americans report taxable capital gains, and nearly two-thirds of that income was reported by people with a total annual income of \$1 million or more."³⁶⁷ Certain

³⁶⁷ Drucker and Lipton, "How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich."

government officials have directly benefitted from the establishment of Opportunity Zones as well. The founder of SkyBridge Capital and former White House aide, Anthony Scaramucci, is utilizing the Opportunity Zone program to develop a luxury hotel in New Orleans. Hundreds of Opportunity Zone projects have been initiated by Goldman Sachs and other real estate companies, such as the CIM Group of Los Angeles, which previously partnered with the Trump family on numerous projects. Chris Christie, former Republican Governor of New Jersey, has established a qualified opportunity fund to garner financing for an apartment building and self-storage center in various northeastern cities that broadly qualify as OZ-eligible.³⁶⁸

As these journalistic reports make clear, private actors benefit from the lack of clear federal data and oversight. More importantly, for the purposes of this argument, are the ways that the design of the OZ departs from previous visions of community redevelopment, reflected in some earlier versions of enterprise zone policies and in the more distant ARA. Early enterprise zone proposals indeed reflected neoliberal and *laissez-faire* principles. Yet the institutional development and trajectory of the policy has made zones as a form of redevelopment policy virtually meaningless in terms of community aid. In this most current version, opportunity zones do not bear the same burden for qualification as under previous rules. Governors only needed to nominate census tracts rather than put together a comprehensive plan, arguably allowing for the establishment of too many zones to merit any claim to exclusivity or focus in redevelopment. The government-sponsored grant elements passed by Clinton that

³⁶⁸ Drucker and Lipton, “How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich.”

might have directly benefited the community are no longer part of the program. Due to the popularity of these new incentives among business, OZs are unlikely to see the same sort of community-first benefits emerge again. Capital gains tax relief has become the newly reformulated channel by which the federal government uses zones to aid distressed communities. In practice, however, this tax provision, in combination with the range of communities that qualify for designation, puts business interests first and community interests second.

Conclusion

This chapter has argued that the negative legacy left by the Area Redevelopment Act allowed a much more business-friendly approach to redevelopment policy to flourish beginning in the 1980s, first in state level policies, and then at the national level after 1993. I argued that by understanding zone legislation as part of a redevelopment policy agenda, it is possible to trace the ways in which gradual institutional change occurred that allowed the policy's purpose to change. Over time, actors participated in a policy conversion process made possible by the policy's placement in the tax code. "Hidden" changes to zone legislation included increasingly less strict requirements for area designation, and more business-focused tax benefits. While Reagan's initial proposal prioritized business tax benefits, its stringency for area qualification would have made federal oversight more manageable. Clinton's passage of enterprise zone legislation originally included business tax benefits, but it also offered government loans for qualified communities as well as tax credits contingent on job creation. Clinton would later shift the purpose

of the policy by including business tax credits. Obama's Promise Zone initiative ideologically embodied the principles set forth by Clinton's EZ/EC program, but its lack of congressional funding in combination with vague selection criteria pushed the policy towards the "less stringent" norms that became the calling card for Opportunity Zones. Once Opportunity Zones passed as part of TCJA, urged by corporate mobilization and institutional opportunity, actors deliberately made criteria for eligibility less stringent, and offered generous capital gains relief for investors as the primary benefit of the policy. As a result of this policy conversion, zone legislation today more accurately serves the purpose of a business tax benefit, rather than an initiative to assist distressed communities.

As of 2022, Senators Cory Booker (D-NJ) and Tim Scott (R-SC) are still working together to expand and reform the opportunity zone initiative. On his website, Booker states the following: "The Opportunity Zone incentive has the potential to unleash much-needed economic growth in high poverty communities across the country..."³⁶⁹ He also quotes his colleague, Senator Scott, who relayed: "The Opportunity Zone program represents the good that leaders can do for communities across the country when we work together toward common sense solutions." This chapter argues that even though lawmakers remain hopeful, the policy principles necessary to properly execute redevelopment policy do not exist institutionally. As a response to deindustrialization, "zone legislation" represents another policy fragment that does not work as intended, due to its institutional

³⁶⁹ "Booker, Scott, Kind, and Kelly Introduce Bipartisan, Bicameral Bill Reforming Opportunity Zones." See Footnote No. 349 for more information on the proposal.

development to serve unrelated ends. Today, the Opportunity Zone initiative is still lauded as a program that puts former industrial communities first, despite evidence to suggest that it has largely served to expand private opportunity.

Conclusion

The Consequences of the Business-friendly Federal Policy Response to American Deindustrialization

This dissertation has argued that the United States, when faced with the consequences of American deindustrialization, responded in a series of piece-meal policies that led to an inadequate, limited, and fragmented federal response. In the wake of the failure of the National Industrial Recovery Act and the Area Redevelopment Act, discrete policies emerged in distinct institutional tracks between 1960 and 1988. The Worker Adjustment and Retraining Notification policy passed in 1988 as a delayed warning system of potential plant closures for industrial workers. WARN's trajectory reflected swift business mobilization that utilized national American policy-making institutions to limit notification periods and modify regulations that benefited business interests. Trade Adjustment Assistance emerged in 1962 as financial compensation for workers laid off as a result of increasing trade. TAA's tie to larger trade policies, however, led to policy layering and shifting institutional authority reflected in repeated moves to renew presidential fast-track authority in tandem with TAA. This expanded presidential authority to institute freer trade has been a benefit to business, while exacerbating compensatory need for workers. Finally, in the 1980s, the idea of the enterprise zone arose as a business-focused approach to redevelopment policy. Once this policy was adopted at the national level in 1993, its institutional home in the tax code allowed for policy conversion to occur, which enabled actors to make the policy's benefits more business-exclusive, and the standards for area designation less stringent. In the end,

each of these policies – originally designed for workers and communities – developed to serve businesses equally, if not more, than their intended targets.

The business-friendly response to American deindustrialization has instigated a series of broader consequences. First and foremost, limited compensation, delayed notification, and freer trade has left workers vastly under-protected and vulnerable in the post-industrial world. Significant losses in manufacturing employment have not been met with robust responses in the United States. Instead, the federal government has allowed increased private control over how workers fare in the new economy. Many older industrial workers, for example, have not automatically adjusted to new economic trends, and the modest federal response to deindustrialization has left these workers without adequate employment substitutes or financial help.

These consequences have also been borne directly by former industrial communities that had to completely reorient ways of life in the wake of industrial decline. As stated earlier, certain industrially reliant towns, like Youngstown, Ohio, and Detroit, Michigan, have not fully recovered from the prolonged process of localized deindustrialization. The loss of industry in these towns has resulted in consistent poverty, high out-migration trends, and increased rates of crime. Towns like Janesville, Wisconsin, which for a time appeared to survive the worst of deindustrialization, recently witnessed the final closure of their automobile plant, and primary employer, in 2009. The prospects for Janesville are questionable, as residents reportedly remain hopeful,³⁷⁰ but poverty trends are rising, and the median household

³⁷⁰ Following the closure of the Janesville GM Assembly plant, local business and civic leaders held an annual dinner for “Forward Janesville” – a business alliance hoping to revitalize the town’s economy. The party favors included water bottles with print stating: “We See the Glass More than Half Full.”

income is on average \$10,000 lower than national averages per year.³⁷¹ Given the limited federal redevelopment policy response, Janesville's future is likely more linked to enticing business investments than any direct form of government aid.

There are also policy-related consequences to these moves made by the American federal government over the course of 50 plus years. Even in instances when policy responses were not necessarily intended to benefit business, they developed in ways that eschewed public responsibility and increased private sector influence. These institutional developments are difficult to un-do. There now exists an ingrained policy system that leaves most of the work of community development and job creation to business, even in communities devastated by deindustrialization. This trajectory suggests that substantial interventions over the course of many years would be necessary to reverse these developments in American economic policy.

This bleak outlook begs the question, can anything be done to help communities and workers who bore the negative consequences of deindustrialization? Overall, this project demonstrates a failure on behalf of the federal government to adequately respond to a long-term economic crisis, but this does not mean it is impossible to learn from past actions. This project is also situated in a larger understanding of America's severe lack of adequate social protections. Rising income inequality, persistent poverty in urban and rural areas, and stagnant minimum wages are problems that have existed alongside deindustrialization for some time now.

Speakers at the event relayed optimism about the city's future as well, one said: "We've gone from feeling sorry for ourselves as a community to having hope and inspiration and motivation." From Amy Goldstein's, *Janesville: An American Story*, 277-279.

³⁷¹ "Data USA: Janesville, WI," Census Place, accessed June 14, 2022, <https://datausa.io/profile/geo/janesville-wi/>.

Addressing some of these through policy may, in turn, ease some of the consequences facing workers and communities. While change is often incremental in American politics, it can begin with proposals that are bold enough to challenge the status-quo.

LIST OF ABBREVIATIONS

ARA	Area Redevelopment Act/Area Redevelopment Administration
APD	American Political Development
EZ/EC	Empowerment Zone/Enterprise Community
FTA	Free Trade Agreement
MDTA	Manpower Development and Training Act
NAFTA	North American Free Trade Agreement
NAM	National Association of Manufacturers
NIRA	National Industrial Recovery Act
NRA	National Recovery Administration
OEDP	Overall Economic Development Program
OZ	Opportunity Zone
PZ	Promise Zone
RCA	Radio Corporation of America
TAA	Trade Adjustment Assistance
TAACCCT	Trade Adjustment Assistance Community College and Career Training
TCJA	Tax Cuts and Jobs Act
TPA	Trade Promotion Authority
TVA	Tennessee Valley Authority
UAW	United Auto Workers
UI	Unemployment Insurance
WARN	Worker Adjustment and Retraining Notification Act
WIB	War Industries Board

APPENDIX

Table A.1: Trade Adjustment Assistance for Farmers

Administration	Benefits	Criteria for eligibility
U.S. Department of Agriculture	Technical assistance and cash benefits	<ul style="list-style-type: none"> -Producers of farm commodities or fishermen -Group must show imports were a significant cause of 15% (min.) decline in a) the price of a commodity, b) the quantity of the commodity produced, or c) the production value of the commodity

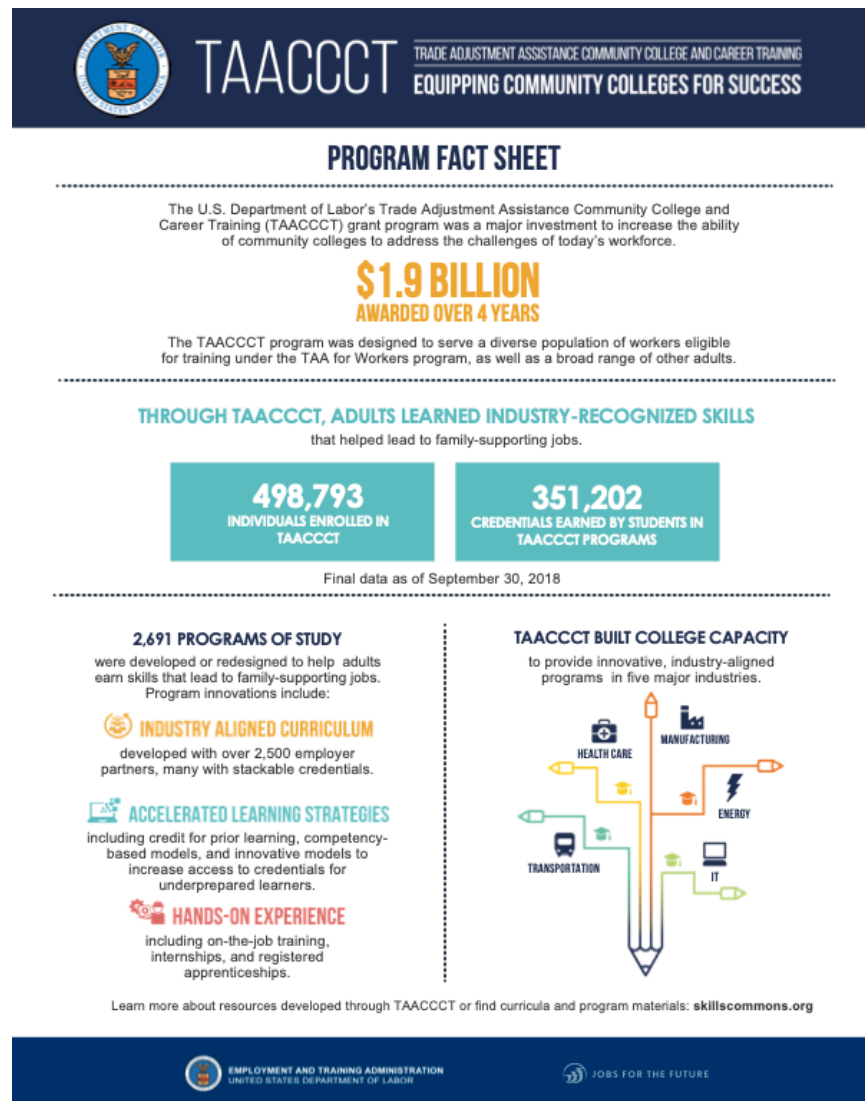
Source: Mark A. McMinimy, “Trade Adjustment Assistance for Farmers,” *Congressional Research Service*, August 1, 2016. McMinimy notes the following: “From 2009-2011, USDA certified 10 of 30 petitions filed by producers of 5 commodity groups – shrimp, catfish, asparagus, lobster, and wild blueberries. USDA approved [Trade Adjustment Assistance for Farmers] benefits for about 4,500 individual producers in FY2010, and for about 5,700 producers in FY2011 (Summary).”

Table A.2: Trade Adjustment Assistance for Firms (TAAF)

Administration	Benefits	Criteria for eligibility
U.S. Department of Commerce: Economic Development Administration (EDA) Trade Adjustment Assistance for Firms Division (TAAFD)	<ul style="list-style-type: none"> -Cost-sharing technical assistance -Funds administered through independent Trade Adjustment Assistance Centers that work with affected firms to develop long-range plans 	<ul style="list-style-type: none"> -Import-impacted U.S. firms that have experienced decline in sales, decline in employment or worker hours, or impending decline in employment or worker hours

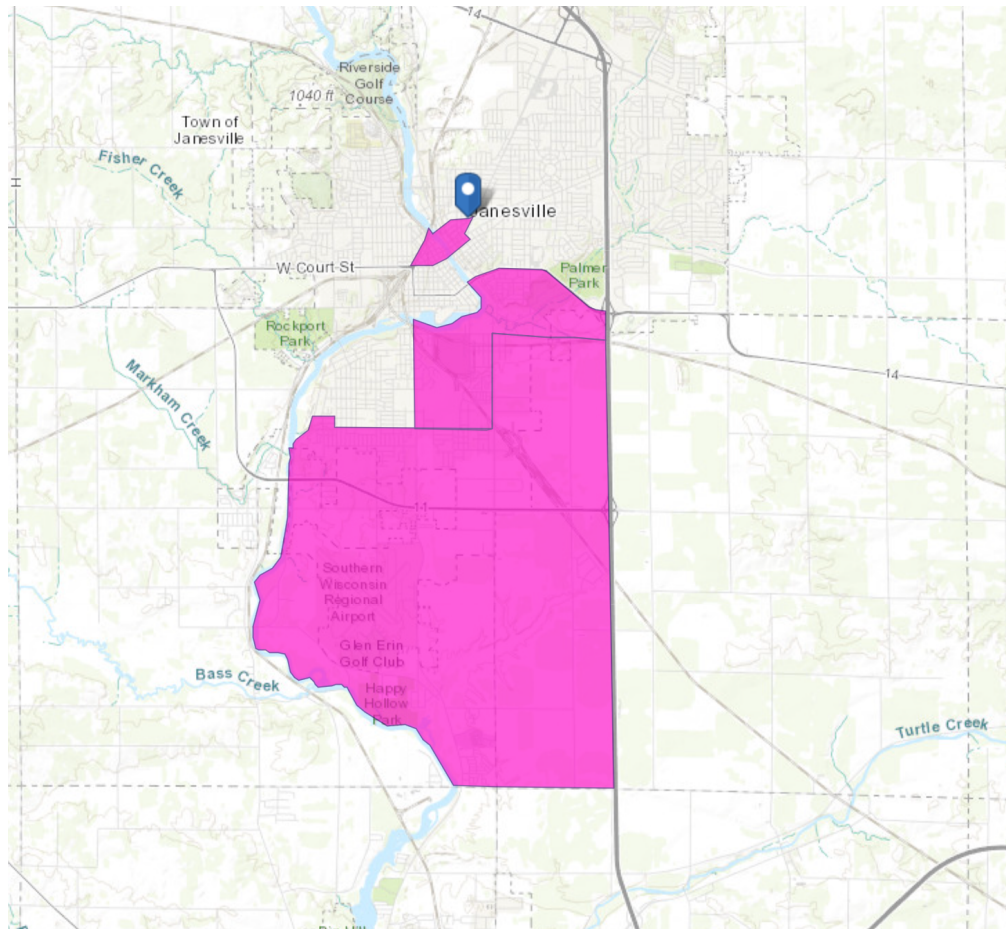
Source: “Trade Adjustment Assistance for Firms,” U.S. Department of Commerce, Economic Development Administration, accessed June 1, 2022. <https://eda.gov/pdf/about/TAAF-Program-1-Page.pdf>.

Figure A.1: Trade Adjustment Assistance Community College and Career Training Fact Sheet



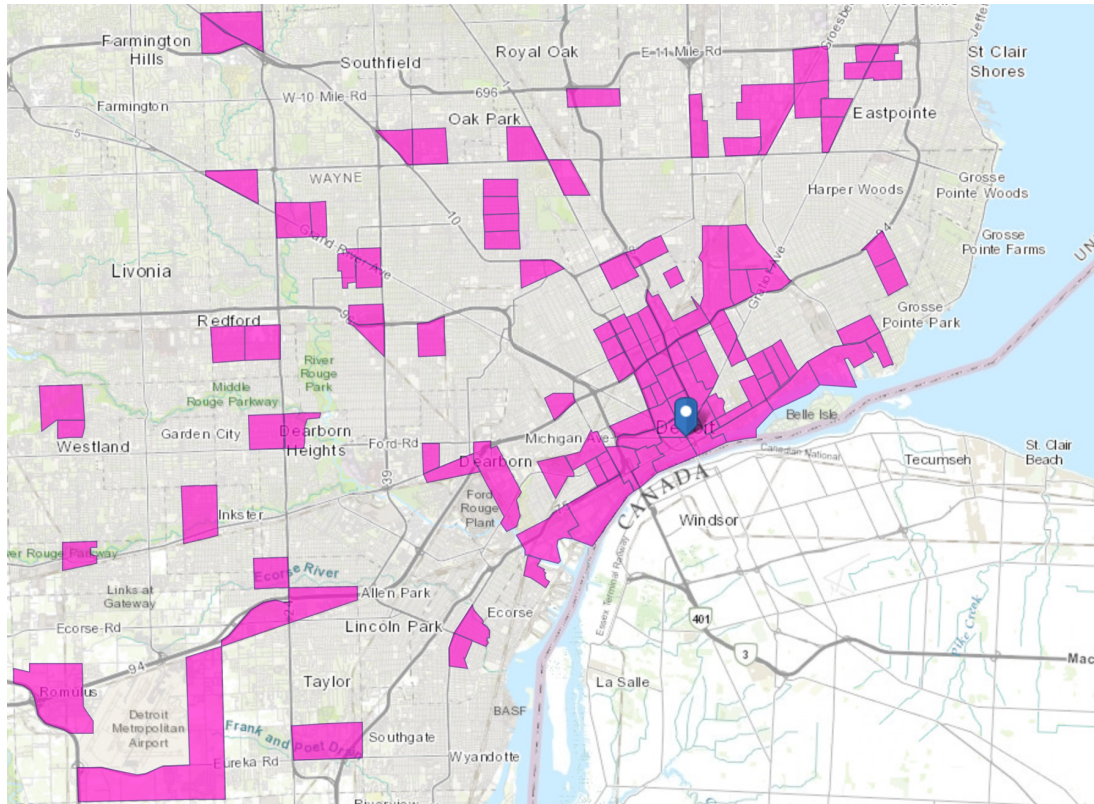
Source: "Trade Adjustment Assistance Community College and Career Training: Program Fact Sheet," Employment and Training Administration, United States Department of Labor, accessed June 1, 2022. <https://www.dol.gov/sites/dolgov/files/ETA/TAACCCT/pdfs/TAACCCT-Fact-Sheet-Program-Information.pdf>.

Figure A.2: Janesville, WI Opportunity Zone Map



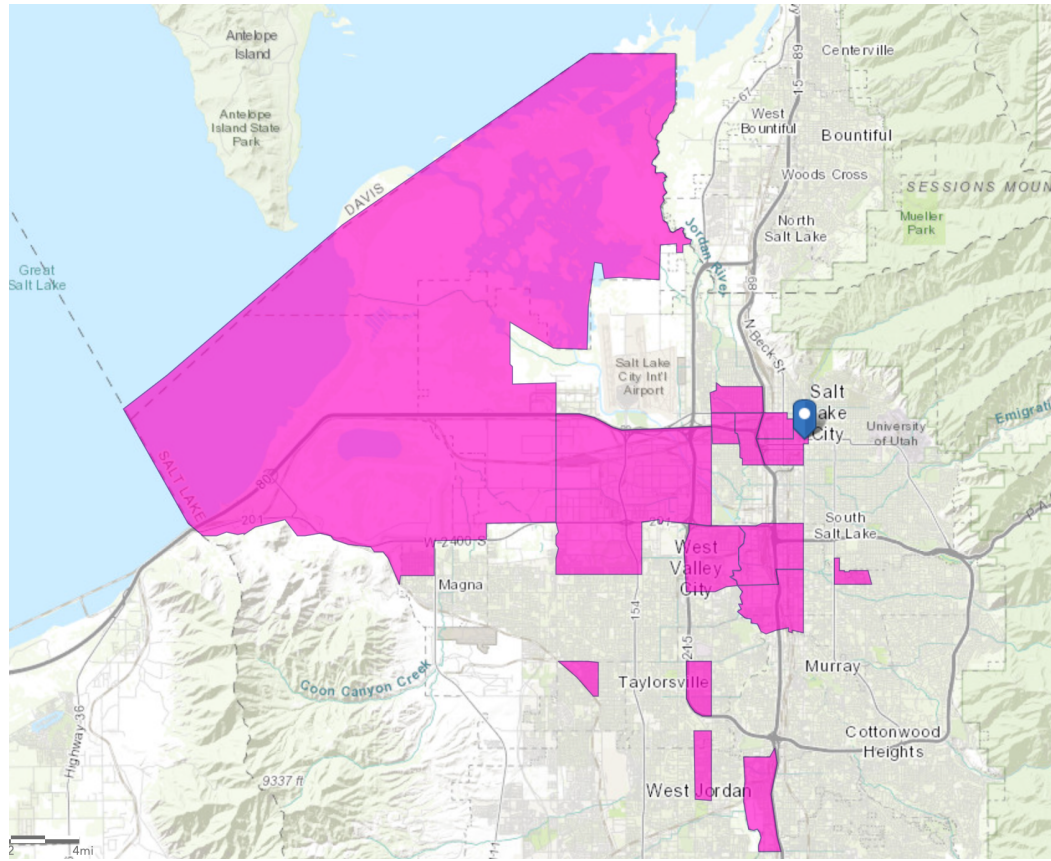
Source: The White House Opportunity and Revitalization Council, “Explore Your Community’s Opportunity Zones,” accessed March 21, 2022, <https://opportunityzones.hud.gov/>.

Figure A.3: Detroit, MI Opportunity Zone Map



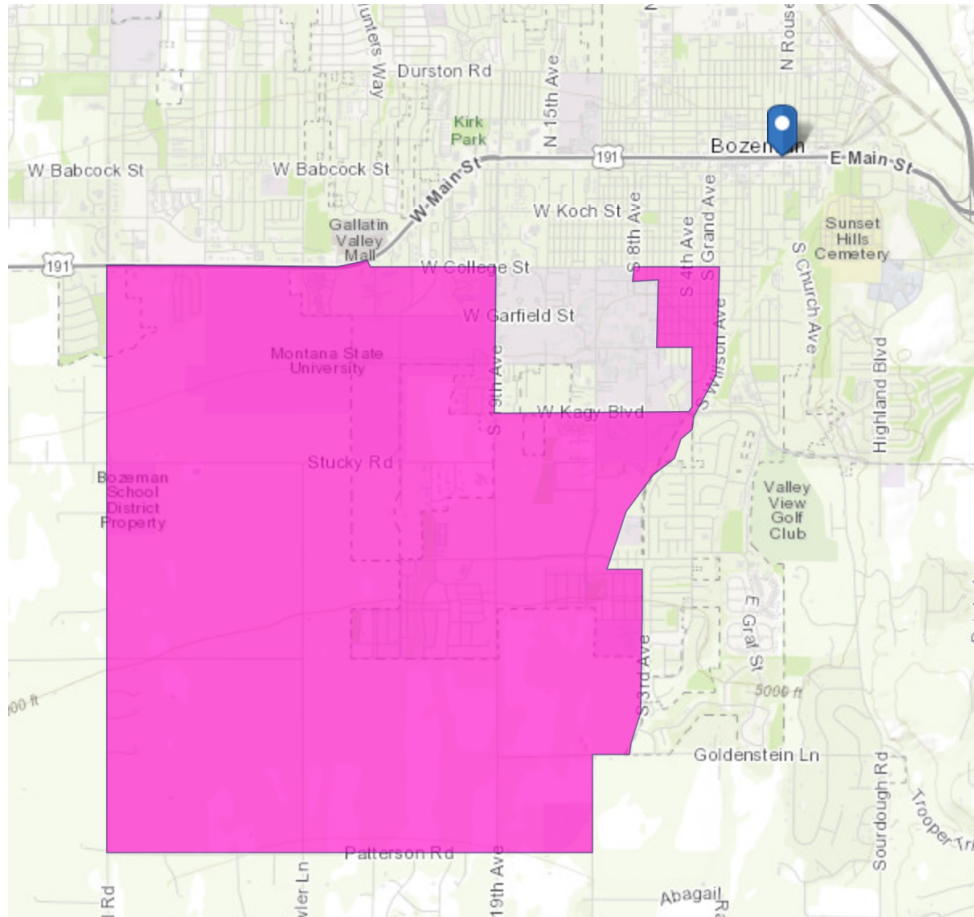
Source: The White House Opportunity and Revitalization Council, “Explore Your Community’s Opportunity Zones,” accessed March 21, 2022, <https://opportunityzones.hud.gov/>.

Figure A.4: Salt Lake City, UT Opportunity Zone Map



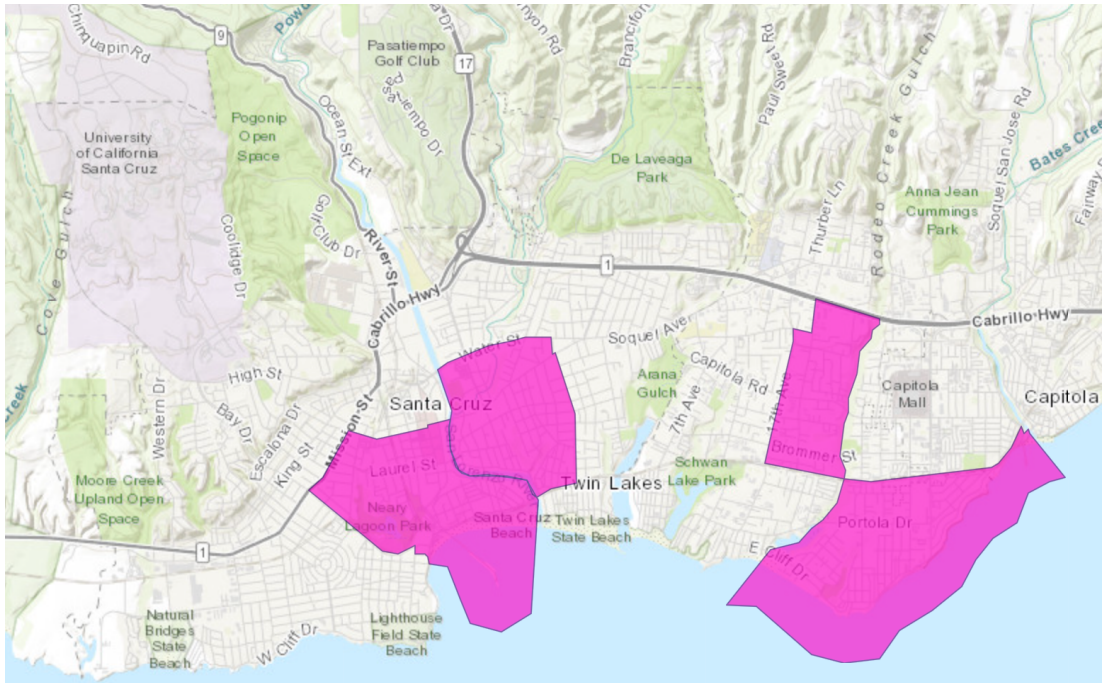
Source: The White House Opportunity and Revitalization Council, “Explore Your Community’s Opportunity Zones,” accessed March 21, 2022, <https://opportunityzones.hud.gov/>.

Figure A.5: Bozeman, MT Opportunity Zone Map



Source: The White House Opportunity and Revitalization Council, “Explore Your Community’s Opportunity Zones,” accessed March 21, 2022, <https://opportunityzones.hud.gov/>.

Figure A.6: Santa Cruz, CA Opportunity Zone Map



Source: The White House Opportunity and Revitalization Council, “Explore Your Community’s Opportunity Zones,” accessed March 21, 2022, <https://opportunityzones.hud.gov/>.

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