

HOME

By Daniel Sturm

What an impressive picture: Two shaking hands illustrate the partnership of the City and its major industrial player, General Motors, together with the slogan "Keeping GM!" Having recently moved to Lansing from Germany, I am reminded of an older version of this same handshake: It was created in 1946 after East Germany's communists had pushed leftover social Democrats to conform to a single party regime. The party's flag had symbolized a system based on communist consensus – two hands shaking.

Yes, indeed, the very same symbol was on the city's poster campaign "Lansing Works! Keep GM!" In 1998, 41 government officials and organizations approved a regional resolution pledging intergovernmental collaboration to keep General Motors in the area. "We'll do everything that needs to be done," said Lansing. "How could we be anything less than the Car Capital of the World?"

But the historical handshake could also be seen as a foul propaganda trick, at least for the 4,000 households living near the two automobile plants, who've suffered from solvent odors, a diminished quality of life and poorer physical health for decades. In April 2002, environmentalists and residents considered appealing GM's increased air pollution permit (allowing up to 270 tons of toxins each year) if the automaker didn't improve its anti-pollution control systems. On Friday, May 3, the Lansing State Journal's headline claimed that this: "Move is 'death blow' to Lansing."

This quote came from an economist, David Cole, president of the Center of Automotive Research. Responding to my inquiry, he told City Pulse: "The environmentalists would like us to go back to riding horses, camels and donkeys. It's a serious mistake to be anti- Free Market. Look at Russia: They're a wonderful example of what socialism does to environment." In Cole's opinion, the environmentalists weren't keeping in line with the program.

"I am surprised he would say something like that. Russia screwed up

its environment in the same way that we did,” says Warren J. Samuels, an emeritus professor of economics at MSU. “GM is playing the usual business game of blackmail: Do what we want, or we’ll go elsewhere.”

Reading that headline again — “Move is ‘death blow’ to Lansing” — I think of the East German newspapers that implored people not to move to the West in 1989. The economy would collapse otherwise, the papers panicked.

As a matter of fact, the regime broke down a few months later, but living conditions in eastern Germany have improved a lot since then. Today people regard the handshake of 1946 with an incredulous shake of the head.

With the phrase “death blow” in mind, I started to think about the true nature of Lansing’s economic relationship to GM. Did we have a baby here, dependent on its mother’s umbilical cord? What about other employers?

Earlier this month, the environmentalists and General Motors reached a compromise to tighten restrictions on emissions at the Craft Centre plant in west Lansing so that General Motors can build the SSR, a new model Chevrolet, there. GM can now move forward with the plant’s \$70 million upgrade. But the story isn’t over yet. The environmental groups still plan to fight the automaker on an appeal of its air permit for a new plant in Delta Township. Would GM really consider moving its plant to a place where it could produce toxic emissions with less trouble? Would it really be “a big role of the dice,” as David Cole predicted? And if so, hasn’t Lansing Mayor David Hollister managed to diversify industry enough since he was first elected in 1993?

Looking for answers, I went first to City Hall. Unfortunately, Hollister had just declared a moratorium on comment to City Pulse. He was probably still angry with City Pulse’s critical reporting on city government issues. Wasn’t Hollister angry that, after the handshake, GM wasn’t keeping its part of the bargain?

So I went to talk with economic experts instead.

Warren Samuels

Charles Ballard

John Rivitte

David Cole

“It’s not an accurate statement to say the local economy would depend solely on GM for good-paying jobs. We have a fairly diversified economy,” asserts John Melcher, associate director of MSU’s Urban Affairs Center. “If you compare the dollars being spent, education is probably our biggest industry.” According to the Michigan Department of Career Development, 38,300 Lansing residents work in the educational services, with Michigan State University (13,600 staff and 17,600 student employees), the Lansing School District (3,500) and Lansing Community Center (2,000) at the top. The state government comes in second, with 19,700 employees.

Whereas the top two employers have remained fairly stable over the years, the manufacturing sector has been shrinking. In 1973 there were 22,800 GM jobs in Lansing. This number decreased to 20,000 in 1988 and sank to 10,500 jobs, where it remains today. At the end of 1996, the average employee was 46 years old and thinking of retirement. Back then, there were rumors that GM might downsize in Lansing at the end of 2000 if plants couldn’t streamline production and attract more skilled workers. An anthropology field study conducted that year quotes a GM union member: “Yes, it takes a crisis. You’ve got to say, ‘In Lansing, in three years, we’re shutting down.’ You’d be amazed at what we could accomplish, to turn things around in those three years.”

Things have really turned around since then. In February 1997, David Hollister called upon MSU President Peter McPherson to help transform Lansing’s school district. GM had told the city, “By the way, Mayor Hollister, half of our workforce is going to retire in the next 10 years. How are the Lansing schools?” Hollister recalls. “GM said, ‘The reason we came here is because you have the best workforce, but that competitive advantage can be lost if you don’t take care of this. So I went to Peter and we started a series of meetings to discuss this. I asked him to take this on, and he said, ‘This sounds like fun.’” (Source: MSU Media Communications). The Blue Ribbon Panel on the Lansing School District was founded. GM needed a new highly skilled work force to replace the old one. So it was merely logical that the auto giant invested about \$500,000 in a program called Galaxy, which uses computers to teach Lansing elementary children about science and the arts.

In April 1997, former Lansing City Councilman Rick Lilly complained about GM’s continuous threats to leave Lansing and its regular requests for tax abatement. When he commented that Lansing could

prosper without GM, from its growing technology sector, the negative response was overwhelming. Rick Lilly was voted out of office. The Blue Ribbon Committee to Keep GM was founded in October 1998.

Since then, Lansing continues to fight against plant closings — “with one single voice,” as the Lansing Regional Chamber of Commerce’s vice president, John Pearson, points out. American cities have had to deal with globalization and downsizing since the early 1980s. About 400,000 jobs disappeared in the U.S. automobile industry between 1978 and 1985. Japanese and Korean companies competed with the management-heavy, Fordist model, using a model of production called “kaizen,” or “lean production.” What was happening in Michigan was just part of an overall economic trend.

“Peripheral workers and privileged new skilled workers make up a workforce that is constantly declining. In the long term, industry is tending to employ fewer and fewer people,” explains the French economist-philosopher André Gorz in “Capitalism, Socialism, Ecology.”

In other words, state subsidies of large industry can actually contribute to outsourcing and the growth of a low-wage sector. Melcher explains: “What’s happened is a significant shift in our wage structure, which has been declining since the 1960s. Look at the new GM investment. These are actually fewer jobs than there were before, and this contributes to the declining wage structure.” Another GM investment, the proposed Delta Township plant a few miles west of Lansing, which is supposed to open in 2005 and bring some \$1 billion into the region, won’t become a major job engine either. Pearson, who is in charge of economic development at the Chamber of Commerce, said: “It may not be 2,500 brand-new jobs to the region. I think people employed by GM will move around within the system.”

In fact the largest sector for job growth in Lansing is within the service sector, where wages are usually lower. In March 2002, 59,000 Lansing residents worked in the service sector. That’s a remarkable increase of 30,000 people since 1983, representing a climb of 103 percent. Within the same time period, the manufacturing sector employed 11,000 fewer people (minus 31 percent). And today’s transportation equipment sector employs 11,800 people — 14,000 less than in 1983 (which is a minus of 54 percent).

André Gorz considers this trend of fewer high paying jobs and a growing low-wage service sector to be a typical of all high-tech economies. “Most of these jobs have the following function: the two hours you used to spend mowing your lawn, walking your dog, going to fetch your paper, doing your housework, or looking after your children are transferred to a service provider who does those tasks

in your stead, for payment. Moreover, this type of employment develops only in conditions of extreme inequality.”

Interestingly, the U.S. census data didn't show evidence of growing economic inequality in Lansing/East Lansing, although the manufacturing sector has shrunk considerably in the last decade. The share of households with incomes higher than \$100,000 rose to 11 percent in 2000 (1989: 3 percent). At the same time the share of households with incomes below \$10,000 fell from 13 to 11 percent.

Obviously, Lansing's economy has been able to adapt to the decline of manufacturing jobs, in contrast to Flint, which suddenly was hit hard by GM's plant closings. Confirming this, John Revitte of MSU's labor and industry relations department strongly denies any parallels. "GM's moving would certainly not be a death blow. I'm sure the suppliers could work for other plants, and MSU and the state government would compensate for the loss of jobs. Flint was much more of a one-industry town."

So Lansing residents shouldn't worry so much about the Car Capital's economic future. Moreover, at the other end of town, there are signs of more diversification. On the MSU campus, the National Superconducting Cyclotron Laboratory, itself already a great win to the area, has applied for a project that could bring \$1 billion in new investments to town: The U.S. Department of Energy's Rare Isotope Accelerator.

Melcher has observed the continuous changes in the local economy from their roots. He works on a project with low-income individuals who repair computers and are then able to take them home. "A hundred years ago the Board of Water and Light was built. Since then it's been municipally owned. A similar opportunity exists with the IT sector. That could be explored with the Blue Ribbon Committee. I hope they've been looking on some of these issues."

But the city government doesn't really have much time to focus on information technology. Hollister's "Goals for 2002" can roughly be summarized in two words: Keep GM! Reading through the mayor's Web site you find several variations of one single sentence: "Continue to work with General Motors and the Blue Ribbon Committee on the development of the Lansing/Delta GM plant."

"From the speeches of David Hollister I've heard in the last couple of years, I remember that he was trying very hard to keep GM," says MSU economist Charles Ballard. Diversifying the economy wasn't a major issue of the Hollister administration, Ballard believes. When asked whether he thought the city could keep GM while at the same

time attracting other technology-based businesses like computer businesses, he replied: "Absolutely. This is the kind of thing that takes time, but it's possible."

The Chamber of Commerce has created a special marketing program, the Capital Choice Partnership, to "bring more dollars into the pot," as John Pearson says. He tells me about the funding cycles of this 12-year-old campaign. The most recent one is "what we kind of called the 'Keep GM' cycle." Although he considers a diversified economy to be something good, he said that we need to increase "our (industrial) base employers." Pearson argues that the strong focus on the automotive industry would make the local economy immune against crises such as the dot.com reshuffling. After all, IT jobs "don't hire many people, and their capital investment is fairly limited."

Pearson makes it seem as if the Car Capital doesn't need another growth sector. "The reason we were not a technology state before is because a lot of our auto industry jobs were not counted as technology-driven positions, when in actuality they were! [The statisticians] have done a lot to help redefine the types of jobs rather than the overall category of the employer. And what that's done is risen Michigan into one of the top five in the nation in technology workers." One simply needs to play a little bit with the numbers!

If Lansing is a technological leader, I thought to myself, why isn't it familiar with environmental protection systems being used in Germany and Japan for years? The environmental technology sector has even spurred economic growth in other industrial countries. According to the Organization of Economics Cooperation and Development, which assists countries to cope with the challenge of globalization, Germany's "eco-industry" – producers of clean production equipment, consultants and environment-related researchers and developers — employs 320,000 people, sales exceeding \$18 billion and exports 40 percent of its production volume.

"We have to understand that Europe and Asia are way behind us in the use of ecosystem-friendly machinery equipment. That explains why it's a growth industry over there," claims Pearson. Ballard, who specializes in public economics at MSU, drew an even more explicit image, describing the economy and ecology as oppositional forces: There was "green in terms of environment and green in terms of dollars." The Lansing State Journal seems to also see the issue as an insoluble conflict. On May 12 the Journal wondered whether the environmental watchdogs were "Friend or Foe?"

This war of words reminds me of a debate in Germany, 15 years ago,

when the secretary for environmental affairs swam across the Rhine in order to prove that the toxins had disappeared. Today it's hard to imagine a politician in Germany saying something similar to Hollister's recent statement calling environmentalists "mean-spirited extremists." The environmentalists had caused some trouble in the "Keep GM!" Committee. Their proposed solution to pollution prevention — a regenerative thermal oxidizer — would cost GM an estimated \$2.7 million.

That amounts to about \$38 per car for the \$38,000 SSR, the new vehicle for which GM needs the permit to produce it in Lansing. Much ado about nothing?

"In Germany there are no two colors of green anymore, at least not in the large industries," comments Peter Kessler, who graduated with a master's degree in environmental engineering. Less pollution is more profit. Among German automakers this simple rule has become common sense. There's even competition to get the best marks in the class. In December 2001, 2,650 companies were awarded the 'EMAS' (Eco-Management and Audit Scheme), an official license for clean industrial production.

"Companies don't conform to regulations because they love Mother Nature but because of the economic side effects," comments Kessler, whose supply company produces synthetic moulds. "It's easier, if you have zero emissions. Then, you don't need to buy an expensive regenerative thermal incinerator." Naturally this only works because of Germany's extremely strict environmental protection laws. "In most cases it costs a lot of money to pollute the environment, so you'd rather implement anti-pollution technologies." Mercedes Benz uses a new powdered paint technology to reduce air pollution. Fifteen years ago the auto industry set an example to the other economic sectors. "Back then it became trendy to prove best practice in regard to environmental protection. The German automotive industry turned their forced investment into good PR," says Kessler.

The Organization for Economic Cooperation and Development criticizes the fact that in the United States, ecology and economy remain enemies. "Although significant expenditure has been devoted to environmental protection (over \$120 billion in 1992), there is no evidence that the economy has been adversely affected as a whole by strong environmental protection policies." Still, urban, industrial and agricultural activities continue to exert pressure on the environment: "A sizable fraction of the U.S. population is still exposed to air of unsatisfactory quality." The organization recommends reviewing "government financial assistance for the provision of environmental services in the light of the polluter-pays principle and the user-pays principle."

Unfortunately, it's hard to imagine an end to this cycle of throwing ecology and economy in opposition. Since the organization published its report in November 2000, quite a lot of things have happened. Recently the League of Conservation Voters released its 2001 Presidential Report Card on the first year of President Bush's administration. Calling that year "the most damaging period for environmental policy in a generation," the report goes on to say: "Not since the opening months of the Reagan administration has there been such a deliberate attempt to dismantle federal protections for our environment. With a continued record of hostility to environmental protection, we have little choice but to offer President Bush and his administration a near-failing grade." To prevent the worst, an organization called unionvoice.org has put a petition on the Web to vote against Bush's politics.

Warren Samuels, a distinguished professor emeritus of economics at MSU who has lived in the area since 1968, thinks it's pretty tough to fight environmental protection issues on a local level ("It kind of reminds me of the movie 'Erin Brockovich'"), since the Federal Clean Air Act can be circumvented through different state regulations. "GM has always tried to minimize its tax bills and environmental protection costs. Accordingly, it is true that a trade-off between environmental protection and the regional economy is involved," but this is because the national government has not acted to avoid it.

How can the city's economy prosper without having to face pollution and environmental damage? My pursuit led me to a Web site titled, "Save GM" (www.moveon.org/saveGM). Here, some online interest groups have come up with a new way to fight the shortsightedness of American car companies. They believe General Motors will become trapped in a market niche by focusing on products like the notorious gas-guzzler SSR, which will be built in Lansing's Craft Centre. They want to "save the American car industry from itself." The site encourages visitors to send GM a petition, pledging: "I will seriously consider buying a General Motors vehicle only if GM offers a fuel-efficient line of vehicles, if GM supports meaningful increases in fuel efficiency standards and if GM supports efforts to reduce carbon pollution and global warming." Participants are enrolled in a drawing for the new fuel-efficient Japanese car, the Honda Civic Hybrid.

"The aim must be to democratize economic decisions," writes André Gorz. This sounds like a much better handshake. One that people won't remember as either a fatal action or a naive attempt. The mayor would be well advised to consider a slogan which links Lansing's automobile traditions to its future, "Keep GM and Go

Green!"

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