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Grand Rapids: Socio-Economic Roots

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Everybody I know who does business in Grand Rapids believes that there is something special about local corporate culture--that we do business in somewhat different ways than it is done elsewhere--and that the way we do business carries over into the way we exercise our responsibilities as citizens. Most of us feel pretty positive about the differences. I want to quickly share my understanding of the origins of those differences, of the forces that sustain them, and of the forces that threaten to undo them. I want to also seek your feedback if you can see something important I am missing or getting wrong (castrob@gvsu.edu).

The first important factor that I want to note is that our economic development has been relatively continuous and cumulative. New technologies and new labor force skills evolved relatively slowly. The lumber mills led to door and sash production. Both attracted a disproportionate number of skilled carpenters and a large number of custom shops. These were displaced by a growing furniture industry based on manufacturing technology. The furniture factories made some of the carpenter's skills obsolete but they were built on a tradition of craftsmanship, and many of the early manufacturers began as carpenters. That tradition of craftsmanship remains part of our heritage.

Grand Rapids was a small city when the furniture boom started and there were many opportunities for entrepreneurs to get to know themselves and each other. Growth was not continuous and the business cycles of the last half of the nineteenth century took their toll on early entrepreneurs. The survivors, whether because of their business skills or their good fortune, learned from their experience, and the business community gained an increasing sense of its powers and its responsibilities. Most importantly, it learned how to function as a business community.

Large numbers of small locally owned firms produce far more top level managers--managers who have to assume broad responsibilities for themselves and others--than small numbers of large firms. These small business leaders may well be people with a different sort of stake in the community than corporate managers reporting to a home office elsewhere. Locally based firms may therefore sustain community in a way that branch operations cannot. It is noteworthy that the three largest private employers in Kent County today (Meijer Inc., Steelcase, and Amway) are privately held local firms--three of the fifty largest privately held firms in the country. That is an awfully striking number for the metropolitan Grand Rapids area which has fewer than seven hundred thousand people--sixty-sixth largest in the United States.

Collaboration is another key them. The local owners of Grand Rapids firms historically collaborated in mounting the furniture shows which made the City a center of the industry. They collaborated in bargaining collectively for lower freight rates with the railroads. They undertook to collaborate in handling their financial problems, too. Grand Rapids' home-grown banking industry accounted for more than five percent of all the American bank directors required to resign because they served on interlocking directorates after the passage of the Clayton Anti-Trust Act. In the twenties, the Federal Trade Commission undertook an extensive investigation of price fixing among Grand Rapids firms which ended in a plea of nolo contendere and a fine for violation of the Sherman Act. These events may not be altogether positive but they are an index of our historic willingness to work together.

An unusual local approach to labor relations (high on profit sharing and participative management and low on labor unionism) also evolved. The only major firm to negotiate with the Carpenters and Joiners Union during the great Grand Rapids Furniture Strike of 1911, the most serious strike in the history of the city, was the only firm that was externally owned, American Seating. It settled immediately. None of the other major firms, despite a great deal of pressure, political as well as economic, settled at all.

The Grand Rapids business community also had a collective response to the Great Depression and again, to the opportunities opened up for military contracts during the Second World War. The Small Business Committee of the United States Senate commissioned a study of why Grand Rapids businesses were able to collaborate in making bids for military contracts as effectively as they did, and their comparison of Grand Rapids and Flint raises many of the same questions I do here. Grand Rapids businesses continue to cooperate in civic ventures like a downtown convention center (one of the first in the country) and a sports arena, in support for local institutions like Grand Valley and an ambitious new public museum, and in efforts to jointly provide themselves with services (e.g., training and development or the quality control monitoring of suppliers) that they could not so effectively provide on their own.

These aspects of the business history of Grand Rapids seems to me to be connected to the way the community has responded to the arts, higher education, philanthropy, and public health; connected to inter-generational commitments to not move on; connected to a local sense of what it means to live in our city. Grand Rapids, I believe, has prided itself on being a place in which local loyalties could be honored and extended, local institutions could be continued or reinvented, and a sense of community could be preserved and built upon. To an unusual extent, Grand Rapids has relied on a technology that has evolved locally. It does not seem coincidental that it is one of the relatively few metropolitan areas in the Midwest where the manufacturing sector continues to grow.

There are nonetheless important threats to these historic successes: the ghettoization of a substantial part of the inner city; the atrophy of downtown retail business; the suburbanization, first of homes, then of retail business, and increasingly of industry; the failure of any scheme of metropolitan governance to take hold and a consequent increasing impoverishment of the old city; and substantial crime rates.

On this last point, it is worth noting that Fortune magazine's recent rating of American cities for positive business climate listed Charlotte, North Carolina as number one and Nashville, Tennessee as number two. They have been two of the most rapidly growing metropolitan areas in the country, heavily reliant on external capital. They also had among the highest crime rates in the country--higher than Cleveland or Dayton or Pittsburgh and almost twice as high as Grand Rapids. Charlotte has an infant death rate thirty percent higher than Grand Rapids. Grand Rapids people are more likely to belong to and use our public libraries. We are more likely to read The Press than Charlotte people are The Observer, or Nashville people, The Tenneseean. These are all indices of community involvement. Fortune did not count them in their ratings but they are not things we want to lose.

The trick, I expect, is to encourage growth which sustains community. I think that is the only kind of sustainable growth--that we do not need the sort of growth that Flint had a half century ago--growth which the congressional report I alluded to earlier prophetically suggested was producing a civic vacuum.

Multi-Community Cooperation in Grand Rapids Metro

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"Confusion now hath made his masterpiece."
- Shakespeare

Confusion and complexity are terms descriptive of the maze of units of local government in the United States. In 1992 there were 86,743 units of government in the U.S. When federal, state, and school districts are excluded, the local governments remaining total 72,136. In 1942, the comparable number of government units providing local, non-educational services was 46,488. That amounts to a 55% increase over the past half century .

Within the metropolitan areas of our nation where 79% of the population lives, (compared to 63% in 1960), the number of local governments has nearly doubled in 30 years: 18,442 in 1962 to 33,004 in 1992, again excluding school districts. (Census of Government, 1992) .

Why is this significant? Why should this growth in the number of units of local government matter to the residents and businesses of metro areas such as Grand Rapids? Besides the already noted statistics regarding the growing number of citizens living in metropolitan areas and the increasing number of local government units, there are other important social, economic, and governance reasons why such concern is merited. Among them are:

1.) Inner-city problems relating to poverty, substandard housing, crime, and racial segregation are prevalent in metropolitan areas. Local government is often called upon to deal with these serious issues which impact living conditions throughout each community (Rusk, 1993).

2.) Financial inequities, or the unequal ability to generate revenues, are evident among the units of local government in metropolitan areas (ACIR, 1987).

3.) A large number of special purpose districts have been formed which can add to the complexity of service delivery (Wright, 1988). There are 13,614 existing districts in metropolitan areas of the U.S. (Census of Governments, 1992).

4.) Fragmentation (multiple units of government) and sprawl (suburban growth) are issues of major concern to land use planners (ACIR - Allegheny County, 1992).

5.) Only 16 city-county mergers have occurred in the United States since World War II, and most efforts to consolidate local units of government have been rejected by voters (Peirce, 1991).

6.) There is no generally accepted system of metropolitan government which has been agreed upon either by political theorists or by public administration professionals. The range of theory is from the views of the consolidationists to those who ascribe to the competitive model, called poly-centrists (ACIR, St. Louis, 1988, Zimmerman, 1991).

Of these several concerns, perhaps the most important is