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Social Capital, Economic Diversity, and Civic Well-Being in Flint and Grand Rapids



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Not quite 70 years ago, even as it was clear Flint paid higher wages with better benefits and attracted more workers to its thriving General Motors plants, noted American sociologist C. Wright Mills and economist Melville Ulmer argued in a 29-page

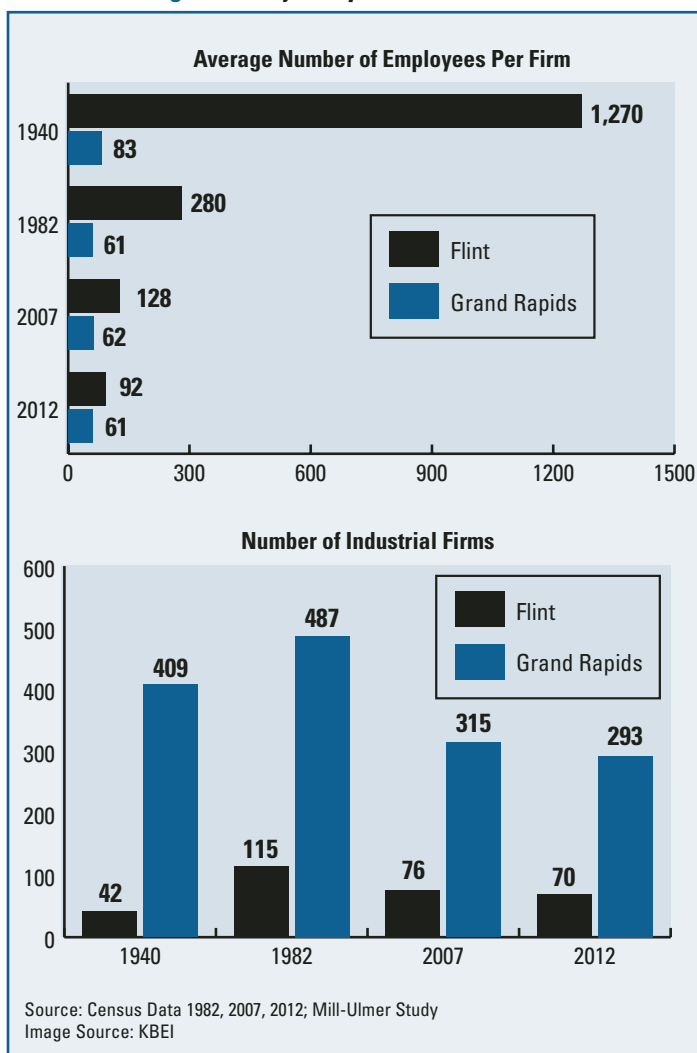
study commissioned by a 1946 congressional sub-committee that “small-business cities provided for their residents a considerably more balanced economic life than did big-business cities.” Looking at a broad range of measures, they concluded that “the general level of civic welfare was appreciably higher in small business cities,” and that the difference between the better life to be had in the small-business cities versus the large-business cities was due largely to their “industrial organization,” to the effects of a “dominant big-business on one hand and the prevalence of small businesses on the other.” The economic landscape of the “small business” cities was simply better balanced.

Neither Flint nor Grand Rapids was named in the study as such, but in the 1990s they were revealed to be two of the six paired cities Mills and Ulmer looked at for their work. It may be an article of faith now that “economic diversity” is a key to a thriving regional economy, but their conclusions would not have been obvious to many at the time. In 1950, Flint was named the “happiest city in Michigan,” for example, and paid its workers 37% above the national average. For job security and for upward mobility, Flint was hailed by many to be the “epicenter of the American Dream,” and seemed to have a number of advantages over a place like Grand Rapids. Everyone knows—or thinks they know—the story of how Flint came to fall on hard times, but what the Mills piece does is ask us to look again (and again) at what it is that gives cities and regions long-term advantages when viewed through the lenses of business activity, civic well-being, immigration patterns and integration, educational opportunities, civic institutions, tax structures, philanthropy, and the like. Why did Mills come to be convinced that a place like Grand Rapids, with its mix of small- to medium-sized businesses, was faring better than the birthplace of General Motors, which, while successful by any measure in 1946, was still a decade away from its heyday? And what lessons from the past and present can help decide how to best plan for the future?

Mills and Ulmer, in brief, conclude that “big-business cities”—cities or regions that are dominated by one or two

major industries or companies—suffer from (1) instability of employment and wages; (2) a deficit of retail facilities; (3) a larger income gap between the few very rich and the poor; (4) poorer scores when measuring health, housing, education and recreation, among other items; and finally, (5) the corrosive economic and civic effects of the “absentee-owner phenomenon,” as major stockholders and senior leaders often live elsewhere (Figure 1).

Figure 1: Trajectory of Industrial Firms



In setting out to revisit some of these factors, it was not our intent to “disparage” Flint while “elevating” Grand Rapids. It is true that currently Grand Rapids is experiencing growth and a level of prosperity not matched by Flint, but that hardly means GR is without its challenges or Flint without its bright spots (Flint’s water issue, while related, deserves and is getting

its own attention). Our intent is rather to better understand what the factors are that allow for long-term economic and civic prosperity, which of those factors may be unique to a given region, and which may be transferrable.

There is first, though, a fundamental chicken-and-egg situation behind some of the inquiries already raised, and it is the question of where *social capital* comes from and the role it plays in economic development and diversity. Mills and Ulmer did not take up this question explicitly in their study (though it seems implied) since the term “social capital” doesn’t really appear in widespread usage until the 1960s. Social capital refers to social connectedness, to what the social psychologist Jonathan Haidt describes as “the social ties among individuals and the norms of reciprocity and trustworthiness that arise from those ties.” Harvard sociologist Robert Putnam, who as much as anyone thrust social capital into the foreground in his book, *Bowling Alone*, goes on to say that social capital is “the informal ties to family, friends, neighbors and acquaintances and involvement in civic associations, religious institutions, volunteer activities and so on.” It is critically important, he writes, because “social capital has repeatedly been shown to be a strong predictor of well-being both for individuals and for communities...social networks have powerful effects on health, happiness, and educational and economic success...”

Because the Mills study does not refer to social capital directly but rather the effects of it, it may appear that on the surface, the study sides with those economists who would generally say that social virtues like honesty, prudence, and industriousness *spring from* repeated interactions in a commercial society. Or, in Marx’s terms, that the economic substructure produces the cultural superstructure—economic relations come first. There is some good social science research on, for example, what happens to and within families and the institution of marriage when decent jobs disappear, suggesting there is merit to this claim that, in fact, economic organization comes first and determines social relations. On the other side, though, is the argument made by Max Weber and those influenced by him that is just the opposite of Marx, i.e., it is actually the culture that produces the economic structures. In Weber’s case, he was looking at the moral values generated and embraced by Puritanism as part of the legacy of the Protestant Reformation. As historian and *The End of History* author Francis Fukuyama states it, what Weber sees is that virtues like honesty and reciprocity were mandated by religious teaching to be practiced well beyond the family *as a matter of moral norms*, not economic self-interest, and it is those practices that ultimately led to what we know as modern capitalism—a hugely consequential “side effect.”

One of the reasons the above discussion matters is that the evidence, to echo Putnam, is now overwhelming that the presence or absence of social capital in—or even within particular parts of—a region makes a huge difference in how

people in the region, especially young people, fare in life. For most of those young people, the presence of shared, informal norms that produce trust, cooperation, and mutual benefit lead to mentoring relationships (very often outside the family); these relationships have a direct bearing on their ultimate economic well-being as well as on the richness and density of their social networks, and, therefore, on their own ability to generate social capital for others. So, very often these days when people—businesspersons, government officials, academics, agency directors, etc.—ask what is to be done to address our pressing social concerns, they are asking the question of building or extending social capital.

If the Weberians are right and social capital comes first, where does it come from specifically? We can report that 90% of the business leaders we interviewed in West Michigan spoke, unprompted (though occasionally apologetically), about religion as the source for much of what was “uniquely good” about living in and doing business in the region. There was an understanding that, as one person put it, “maybe West Michigan isn’t for everybody and maybe that isn’t a bad thing.” What he meant was that it was alright with him that people self-selected to be here on the basis of shared values with roots in particular religious traditions. The cultural norms that expressed themselves in West Michigan because of those traditions were responsible, to some large degree, for our economic and civic success. This was a widely shared view, even if put more inclusively in other interviews. And there is a shared concern that as religion qua religion becomes less important to younger generations, much of what is uniquely good about the Grand Rapids area will ultimately be lost—work ethic, fair dealings without the added cost of legal oversight, stewardship, philanthropic spirit, and so on. Eighty percent of those same business leaders expressed this concern. As one CEO lamented, “The values that made West Michigan successful are in decline.” Interestingly, in his new book, *Our Kids*, Robert Putnam echoes this observation, citing declining church attendance and the diminished community role of churches as a factor in our collective decreasing social capital (affecting us all, but disproportionately hitting poor communities). The evidence suggests conservatives and fair-minded liberals are right to point out that there is a connection between religion and social capital (i.e., religious traditions are *one* source of social capital, an important though sometimes ambiguous one given temptations to exclusivity), but as formal religious institutions become less important to Americans, the question for many becomes: what might take those institutions’ places as it relates to the formation and extension of social capital? What sorts of civic-minded and value-laden communities have arisen or will arise as substitutes? While many others might applaud the end of the parochialism associated with a church-centered region, what will be the source of resistance to pure “market morality?” There was no clear consensus on this yet.

Based on our conversations, research, and observations, we offer the following as topics for conversation and further

research as the two regions consider social capital, economic diversity, and civic well-being. We cannot cover here all of the evidence as to why we find these among the most compelling topics (the evidence will be presented in a longer article in the coming year), but each section does highlight some reasons for why these float to the top of the list.

Entrepreneurship and Immigration

The importance of entrepreneurship cannot be overstated for regional advantage, and yet in our cities, even though both have strong entrepreneurial roots, aspects of this have been overlooked. Flint's entrepreneurs became largely subsumed into GM's vertical structure as that city became a "one-industry" town, diminishing the prospects that entrepreneurship would continue to flourish. Grand Rapids' small business culture allowed for more horizontal organization, where businesses both cooperated and competed, driving innovation and continued entrepreneurship (and wealth creation as they traded with one another). For the future, however, even though both cities have laudable programs seeking to encourage local entrepreneurship, historical and present research shows that immigration plays a key role in any region that seeks to start and sustain new businesses.

Foreign immigrants (Poles, Germans, the Dutch especially, and now Hispanics, in the case of Grand Rapids) played a major role in shaping both the culture and economy. Flint had an "immigration" pattern over the past 80 years that was often as not internal as workers came from the South or other parts of the Midwest to take factory jobs. For the future, both regions will be looking to develop and attract that self-same entrepreneurial spirit. There continues to be conversation in Flint about (1) whether to try and develop that entrepreneurial spirit internally with those who are there while recognizing that Flint's population growth as a region is basically done, or (2) to attempt to attract domestic and foreign investment to the region. It is clear that Grand Rapids is looking to attract talent as part of its growth strategy and to fulfill professional needs it will not be able to fill otherwise ([Start Garden](#) and [Talent 2025](#) serve as just two agents of all kinds of capital in this regard, as do other efforts). Policies and attitudes towards immigration and immigrants, and their role in the business community, will be a challenge going forward that neither community can afford to ignore. Immigrants, to take just one example, represent only 13% of the U.S. population, yet they start 28% of all new businesses, employing close to 5 million people nation-wide.

Two Middle Classes?

Both large multi-national corporations and small- to medium-sized, privately-held firms have helped, and continue to help, employees reach the vaunted "middle class." However, Mills correctly intuited that in the former case, employees (workers and managers) could be considered the "dependent" middle class (dependent

because they are subject to forces beyond their control and have very little recourse), while the latter businesses tended to produce an "independent" middle class, one that was not only mobile because of their wider range of talents and work experiences in smaller firms, but also much more likely to be civically engaged, and, therefore, possessed of a social capital network that helped them and their families survive tough times. Prof. Gerald Davis' work on "[Re-imagining American Corporations](#)" speaks to what will happen if workers continue to rely on large businesses rather than developing the skills that allow for a more "independent" and "entrepreneurial" way of life.

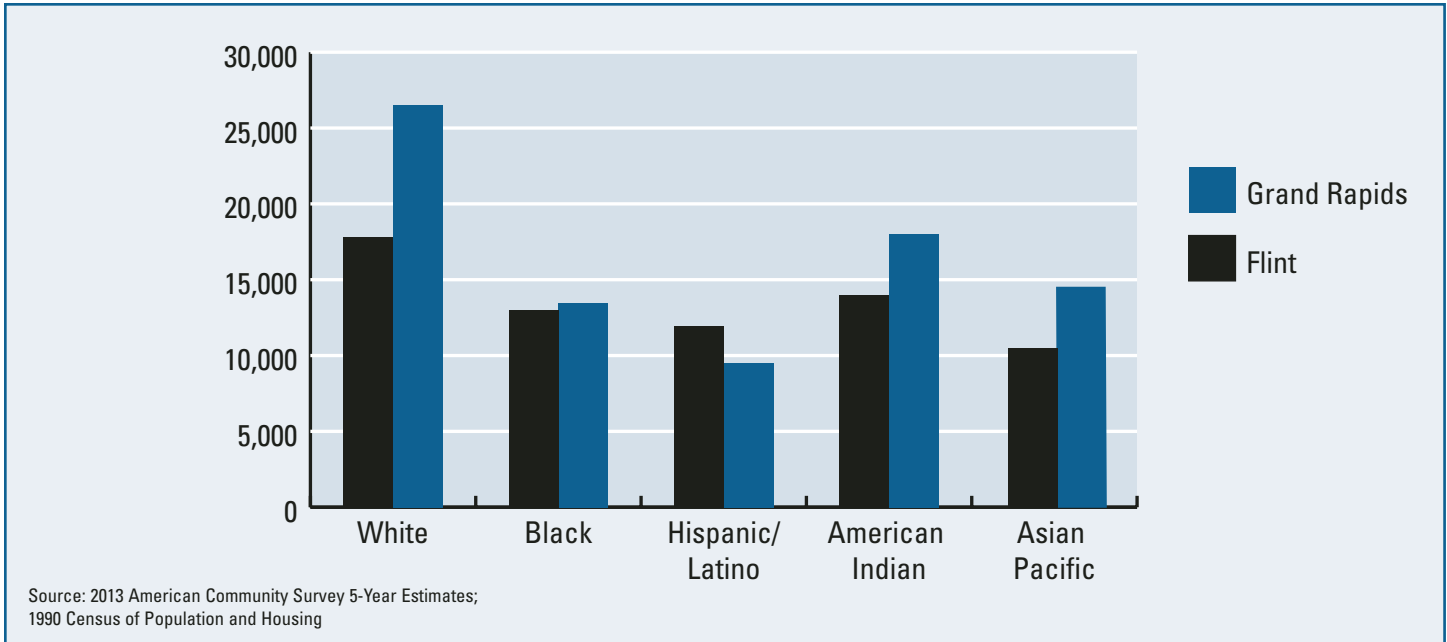
Shared Values

A "shared sense of values" needs to find formal and informal ways to be communicated to future leaders and workers. In the case of Grand Rapids, both the protestant churches (especially those in the Dutch Reformed tradition) and the Catholic Church played no small part in how leaders and workers came to see their obligations to others. Per capita giving in West Michigan ranks near the top when compared with other regions in the U.S., and the adage that "to whom much is given, much is expected" is no mere cliché here. The long history and preponderance of privately-held and family-held businesses leaves Grand Rapids open to charges of paternalism (which some persuasively argue is, in fact, a good thing), but it has also meant that employees have some good reason to think of themselves as "part of the family," and to expect that their employment is more than simply a contractual agreement. Various GM officials are on record over the years suggesting they "owe" Flint nothing, even in the face of a rich history and shared loyalty there. Whether one ultimately lays the blame for Flint's challenges at the feet of global capitalism, the unions, bad management decisions, or some combination of those and more, it is clear that the kind of adversarial relationships that characterized Flint even in its good days are less evident in Grand Rapids. But if Flint was once, by way of GM, the exemplar of the shared values that make up the American Dream (industriousness, opportunity, ambition, etc.), which institutions or businesses are most likely to help it replicate that period of success? In our conversations with the Crim Foundation, the C.S. Mott Foundation, and the Genesys System, among others, they articulated possibilities for the region that are backed up by another trait of the American Dream: undying optimism.

Racial Inequalities

Race relations and standing have come to play a much larger role in both places since Mills' time. He does not consider it, and when you look at the racial makeup of the cities in 1946, you can see why—the percentages are small. That is not so now, and in the growth of the African-American community and their economic fate, one sees mirrored the problem of race relations. The black community in both places falls behind the white in almost all measures, but at least in Flint there is a conversation about this. African-

Figure 2: 2013 Per Capita Income by Race



Americans hold prominent positions and are at the forefront of helping guide the policies and plans to put Flint back on track ([Flint's Master Plan](#)). In GR, though they make up 21% of the population, the black community is largely still segregated, and there are relatively few prominent black leaders *recognized as such* city-wide (see Fig. 2).

Integration, for all its attendant emotional issues, actually was proving itself to be a real vehicle for black upward mobility in the 1980s and '90s before it was effectively abandoned (black students who were part of integration closed the “test gap” between themselves and white students by as much as 40% in those years, for example, with no decrease in scores for white students). It deserves another look (see the work of renowned economist [Raj Chetty](#) in making this point).

Education

The role schools and universities play in both regions has to be more closely examined. Most of the long-term successful regions in the country have access to a major university (or several). These are typically research universities that provide intellectual capital, innovative research, an educated workforce, and programming to the larger community, particularly in the arts. In thinking about the future, both places have a challenge in this regard. While Flint is rightfully proud of its 30,000 students, and boasts both one of the best technical universities in the state (Kettering) and ties to the University of Michigan through UM-Flint, parties with whom I spoke did think that the educational institutions were “*in* Flint, but not always necessarily *of* it.”

As community partners looking to work together to rebuild Flint, the universities were not yet as fully engaged as they

might be. Contrast that sentiment with the [Crim Fitness Foundation's](#) work with local schools. Grand Rapids has Grand Valley State University as its major educational institution (25,000 students), with the well-regarded additions of Calvin College, Aquinas College, the Grand Rapids Community College, and various Centers from Michigan State University located there as well, including its College of Human Medicine. GVSU should be considered the major player by way of providing the capital spoken of above, but as a young institution, it has yet to install itself in the community in ways that fulfill all the requirements of a university that drive innovation in the region. In both cases, community, business, and education leaders probably need to develop and share more ideas about how the universities can contribute the capital needed to stimulate growth, in Flint's case, and sustain growth, in the case of Grand Rapids. Service-learning programs, in which qualified university students provide a wide array of services to local communities, have proven to be one very effective way to enhance social capital for all parties involved.

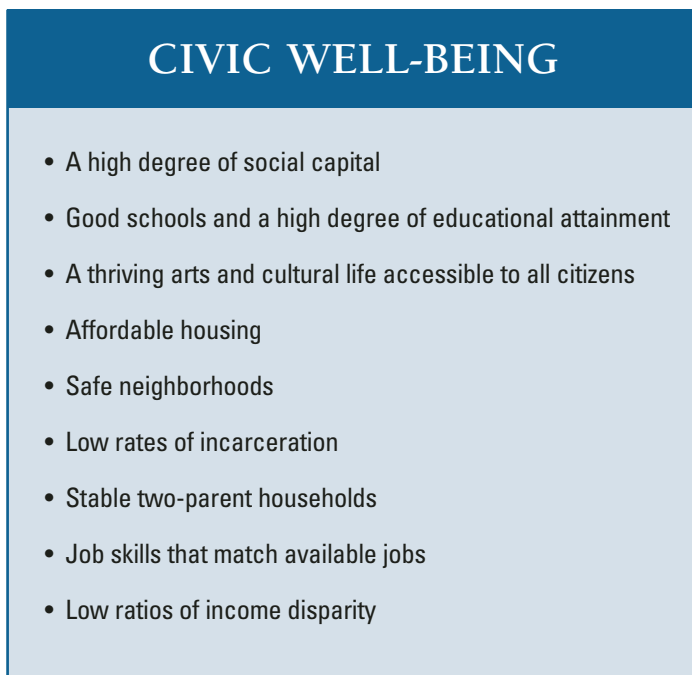
Criminal Justice Reform

The pendulum seems to be swinging back from the purely punitive approach taken by the criminal justice system over the past few decades. Both cities, like the State itself, suffer from too many resources going toward jails, prisons, parole, and lost economic opportunities. A concerted effort to reform sentencing and to educate returning inmates has also shown itself to contribute to civic well-being. The Koeze Business Ethics Initiative, with the help of Fred Keller and Cascade Engineering, runs courses in area prisons in one attempt to push these reforms through.

Tax Policies

Finally, tax policies play a role in either stimulating economic diversity, longevity, and growth, or hindering it. These are highly contested debates, and the authors do not pretend expertise on the intricacies of estate tax law, but we do want to report that the estate tax was mentioned as inhibiting wealth creation or sustainability by almost all of the businesspersons we spoke to in Grand Rapids. In Flint, state appropriations and the Earned Income Tax Credit were more of a major concern. It is part of phase two of this study to incorporate more findings and thoughts on ways in which tax policy might influence the future of both regions. With Figure 3, we conclude by highlighting important criteria by which to measure civic well-being, and encourage business and civic leaders to include average citizens in discussions of all of these. ■

Figure 3: Criteria for Civic Well-Being



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