

## **Do Regions Matter? Evidence on Capabilities and Coalitions from Defense-Dependent Regions**

Catherine Hill and Ann Markusen

*This paper asks whether regional capabilities and coalitions can shape economic development outcomes in a period of intense structural adjustment. Rapid cuts in defense procurement spending with their associated closure of facilities and elimination of millions of defense-related jobs since the end of the Cold War offer an opportunity to probe differences in capability and responses on the part of defense dependent regions in the US and Europe. This paper uses a novel approach—pooling across a set of in-depth case studies by the authors and other scholars to compare outcomes. Three kinds of defense regions are examined: 1) military aerospace, 2) military shipyards, and 3) naval bases—using eleven cases drawn from three countries (US, Germany, and France). We conclude that regional capability and mobilization can make a dramatic difference. Regions more likely to succeed in moving people, facilities and technologies into new civilian uses are those with a history of coping with industrial decline, a strong public sector held in relatively high regard by its citizens, an ability to transcend partisan politics and jurisdictional competition, and active advocacy for conversion on the part of trade unions, peace activists, community economic development advocates, and/or local businesses. Comparing across nations, national government posture towards conversion can significantly enhance or constrain regional efforts as well. The paper concludes with recommendations to strengthen national and regional level planning approaches for structural adjustment more generally.*

### **Introduction**

As planners head into an era where subnational governments are assuming greater responsibility for economic development, many are concerned that differential capabilities at the state and local level will result in diverging outcomes, with richer regions able to respond competently while poorer, less well endowed regions lose ground.<sup>1</sup> The institutional economic development capacity of regions, regional political cultures and interjurisdictional challenges are becoming increasingly important subjects for research. Much of the recent economic development literature focuses on competition among regions for new growth, with a focus on industrial clusters and business cultures. Theories on differential public sector and political responses to structural adversity are underdeveloped.<sup>2</sup> In this paper, we present evidence on

the significance of regional economic development capacity, local political coalition-building, and interjurisdictional challenges drawn from eleven case studies on regions' attempts to cope with rapid defense downsizing, the largest source of structural decline in the United States and Europe in recent decades.

Three causal tenets can be posited about political and public sector capability in shaping successful response to structural decline, defined as the ability to mitigate employment loss and outmigration through re-use of physical and human capital. First, the presence of institutionalized economic development capacity, in the form of state or local agencies with funding and professional expertise, will position a region or locality positively to face the challenge of industrial decline.<sup>3</sup> Second, the consonance of the structural problem with jurisdictional boundaries or, where ill-fitting, the ability of localities to bridge interjurisdictional barriers will enhance the potential for successful response. Often national government regional programs are central to successful bridging.<sup>4</sup> Third, successful resource conversion is a function of the ability of the local political culture to accommodate coalition-building across diverse constituencies, regardless of which group makes the initial overtures. Other factors, such as remoteness of regions, degree of defense dependency, and specialization within defense industrial sectors also conditions success; for insights on these, the reader should refer to the individual case studies (see bibliography).

In the scholarship on regional defense conversion, few authors attempt to analyze across regions and those that do limit themselves to analyses of job loss and creation (Office of Economic Adjustment 1996; Isserman and Stenberg 1994). However, a number of in-depth studies of individual defense dependent regions facing major dislocations have been done by academics in the 1990s. These offer rich documentation of the context, closure events, and response over time by regional actors, and some include data on local public sector capability, political coalitions and interjurisdictional cooperation (or lack thereof)—data for which there is no adequate secondary or published cross-sectional source. In this paper, we take advantage of a subset of case studies while overcoming their limitations—their uniqueness and predominantly inductive character—by comparing and summarizing across them.

From our own work and others, we have constructed a set of eleven cases, chosen on the basis of the intensity and thoroughness of the research conducted. The set consists of four US aerospace regional studies (St. Louis, Long Island, Los Angeles, and Seattle) done by our team at Rutgers using a common methodology; four studies of shipbuilding regions in three countries (Bremen, Germany; Brest/Brittany, France; Portland, Maine; and Hampton Roads, Virginia), each done by academics working within the region without a common research design; and three studies of naval base closings in the US

(the Charlestown Navy Yard and the South Boston Naval Annex in Boston, and Hunter's Point in San Francisco), analyzed by Hill in her doctoral dissertation (Hill 1997).

The subject regions share a high degree of defense dependency. In all cases, there was a sustained effort at conversion of defense industries and/or diversification of a defense dependent economy. In other respects, the regions discussed diverge widely. Eight of the cases are contemporary; three are based on projects that began in the 1970s. The regions discussed range from major metropolitan areas or components of major metropolitan areas (Los Angeles, Long Island, Boston, Seattle, San Francisco) to mid-size cities (St. Louis, Portland, Hampton Roads) to small towns (Brest, Bremen). In what follows, we first make comparisons among cases within the same sectoral set and then conclude with an overview of all eleven cases.

#### **Four Aerospace Regions**

In the 1990s, American aerospace communities confronted dramatic reductions in capacity as defense procurement spending declined nearly 70% in real terms from the Reagan-era peak. In this section, we compare four regions, each of which hosted one or more major aerospace contractors—Long Island (Grumman), St. Louis (McDonnell Douglas, General Dynamics), Seattle (Boeing), and Los Angeles (Lockheed, Northrop, Rockwell, TRW, Hughes).<sup>5</sup> In the early 1990s, each region faced massive job loss in its aerospace industry on the order of 20,000 or more jobs.

In two of the regions, Long Island and St. Louis, economic development institutions created during previous periods of structural decline worked successfully with local coalitions and across jurisdictions to retain jobs in smaller firms and supplier sectors and to parlay defense-bred technologies into new economic activities. In Seattle and Los Angeles, such institutions were absent and, although various groups tried to place a region-wide economic conversion strategy on the agenda, they were unable to overcome jurisdictional barriers and interest group antagonisms. In the latter two regions, recovery was more heavily dependent on the dynamism of the larger regional economy. Los Angeles, in particular, suffered a sustained downturn.

##### *A. Economic Development Capacity*

As a result of diverse industrial histories and politics, the four regions came to the challenge of military downsizing with very different levels of economic development capacity (Table 1). Long Island enjoyed a vigorous economic development apparatus, originally built in response to textile, apparel, and machinery industry plant closings of the preceding decades. Missouri also had economic development capacity created in response to lost industrial jobs many of them in automobiles. While not

as advanced as New York, basic economic development institutions were already established as military downsizing got underway. Seattle possessed relatively underdeveloped economic development capability, in part because past Boeing downturns had been toughed out without it and because the overall regional downturns had been less severe (Gray, Golob, and Markusen 1996). Los Angeles, of all the regions, was the least prepared for a downturn of this sort. Six decades of growth had allowed local leaders to become complacent and familiarity with the practice of economic development waned. Although Los Angeles had been aggressive in developing close ties between its aerospace industry and the Pentagon, the steady flow of military dollars had made the need for proactive economic development seem remote (Oden *et al.* 1996). While one set of actors counseled a high tech strategy based on transferring military industrial skills and technologies into new sectors, others stressed the poor Los Angeles business climate and championed autarchic small business growth as the route to the future.

*B. Jurisdictional Barriers and Local Political Response*

While intergovernmental cooperation was an issue each of these efforts faced, the degree of difficulty in overcoming jurisdictional barriers varied. Long Island entered the period with a number of organizations that spanned the two counties and multiple municipalities involved—the Long Island Forum for Technology, The Long Island Association and Long Island Alliance, as well as the regional utility company (LILCO). Institutions such as Long Island Research Institute and the University at Stony Brook operated gracefully across jurisdictions. Regional leaders found it fairly easy to form new working groups and hold face-to-face forums, aided by the relative compactness of the Long Island aircraft complex.

In St. Louis, a task force of civic leaders, originally formed to tackle issues associated with job loss in the region's automobile industry, became the leaders of economic diversification efforts. In 1990, the group renamed itself the Economic Adjustment and Diversification Committee. Encompassing government, business, labor, and peace activists, the Committee received early support from the federal Department of Defense's Office of Economic Adjustment as well as from the city and county governments. This Committee was able to bridge old county/city antagonisms and presented an alternative approach to economic development focusing on high wage manufacturing. While not entirely displacing St. Louis' more conventional focus on convention centers and stadiums, the committee did establish a number of new initiatives aimed at small and medium sized manufacturing businesses such as revolving loan funds and grants for technical assistance.

Neither Seattle nor Los Angeles was able to mount a large scale, coordinated conversion effort. In part, this reflected the problem of

Table 1. Defense Industrial Regions: Economic Development Capacity, Jurisdictional Challenges, and Political Culture

Region	Past Experience with Decline	Local ED Capacity	Inter-Jurisdictional Cooperation	Leadership	Coalition Success	Overall Success
Los Angeles, CA	No	Low	No	Government officials, civil groups, unions	Failed	Low
Long Island, NY	Yes	High	Yes	State government, local businesses, civic groups	Yes	High
Seattle, WA	Yes	Low	No	State government, peace activists	Partial	Medium
St. Louis, MO	Yes	Medium	Yes	Regional governments, peace activists, small business	Yes	Medium
Bath/Brunswick, MA	Yes	Medium	Yes	Peace activists, small business, shipyard CEO, unions	Partial	Medium
Hampton Roads, VA	No	Low	No	Business, state govt	Failed	Low
Brest/Brittany (France)	Yes	Low	No	Central government, unions, peace activists	None	Low
Bremen (Germany)	Yes	High	Yes	Unions, peace activists, managers, officials	Yes	Medium
South Boston Naval Annex Boston, MA	Yes	High	Yes	Local government, unions	Yes	High
Charlestown Navy Yard, Boston, MA	Yes	High	Mixed	Local government, citizen activists	Yes	High
Hunter's Point Shipyard, San Francisco, CA	Yes	Low	Yes	Local government, business leaders	None	Low

governmental capacity dispersed across competing jurisdictions. Los Angeles County contains 80 autonomous incorporated cities, all with considerable powers of local control, and aircraft capacity is spread out among a wide band of inner ring suburbs on all sides. In its sustained growth era, Los Angeles' reliance on local control worked well for crafting appropriate land use and infrastructure increments but left the region poorly positioned for dealing with decline. Seattle continued to grow so rapidly in the 1990s that efforts to control suburban sprawl predominated in regional forums.

Leadership in each of these cases came from diverse sources, and the more successful efforts emerged where strong coalitions were built. Peace movement conversion activists were prominent participants on Long Island, in St. Louis, and in Seattle. Trade unionists were active in Seattle and Los Angeles, generally in specific company-based efforts to diversify (e.g. Los Angeles' HR Textron and Calstart initiatives) or to provide worker services (e.g. McDonnell Douglas' Long Beach facility Worker's Center). Local business community leadership was important on Long Island and in St. Louis, but absent in Seattle and Los Angeles. Local and county economic development experts were often willing partners in these efforts, especially where federal funds were available for planning and implementation.<sup>6</sup>

Contrasting the four aerospace regions, differences in experience with structural decline stand out as important contributors to effective response. Firms in Long Island were more likely to have received attention and assistance in a timely fashion than were their west coast counterparts, chiefly because state economic development institutions had already developed visions and programs around industrial revitalization. St. Louis, building on its recent experience with decline, was also more willing and able to venture onto industrial revitalization terrain. Well-designed programs, with financing from local, state and federal governments, were more quickly mounted in these two locales than in their West Coast counterparts. An active peace movement helped to prompt a response in St. Louis, Long Island, and Seattle—in each case, new initiatives can be traced to their leadership. Their ability to work cooperatively with small and medium-sized businesses as well as economic development practitioners is rather remarkable, all the more so because none of these groups had economic development expertise at the outset. Coalition-building was significant to the outcome in these cases and conspicuous for its absence at the regional scale in Los Angeles.

#### **Four Military Shipyard Regions**

The cases of naval shipyard conversion vary from concerted and broad-based efforts in Bremen, Germany, a mixed outcome in Bath, Maine, disarray and paralysis in the case of Brest/Brittany, France,

and a successful effort to impede closure in Hampton Road, Virginia. Naval shipyards were at even greater risk in the 1990s than aerospace complexes. Worldwide capacity for commercial shipbuilding and repair has been glutted for at least two decades, and the Cold War demand for naval vessels had received an ill-advised boost in the 1980s, led by the Reagan defense buildup. All four regions sustained deep employment cuts in the 1990s, but some regions were better able to redeploy labor and generate new industrial activities than were others. Comparing across countries enables us to showcase the significance of unitary versus federal systems and the significance of regional aid programs in this process.

#### A. *Economic Development Capability*

Two of these regions, Bremen and Bath, had evolving regional economic development capabilities that enabled them to respond more effectively. Bremen's historic naval shipbuilding activities had been in decline since the 1970s, and its workforce had already declined from 21,000 to about 6,500 by 1991 (Elsner 1993, 1995). However, economic development responses to earlier declines in shipbuilding, steel, and fisheries mainly generated new businesses linked to naval and aircraft activities, much of it military in orientation.

A city-state, Bremen had in place a Ministry of Economic Affairs, within which the Bremen State Economic Research Institute (BAW) conducts ongoing analysis of military dependence and performs the planning and programming functions for the region. Once the "wall" fell between East and West Germany and Germany's defense budget began its 50% plunge, this organization went into motion to draft conversion guidelines, acquire funds from State, Federal, and European Community levels, and supervise the allocation of funds to conversion projects (Brier 1993; Elsner 1993). Its *Report* (Elsner and Voss 1991) was officially adopted by Bremen's state government and its parliament. Thus, more than any other case studied here, Bremen had the advantage of an experienced agency with a clear mandate for leadership. The Bremen program also benefited greatly from an existing comprehensive State of Bremen structural policy, funded at about \$188 million a year, as well as Federal assistance. About 50% of the jobs lost have been reclaimed by the production of nonmilitary products in the same firms, but large public sector initiatives have not been able to compensate for the rest (Elsner 1995).

Compared with its New England neighbors, Maine had less well-developed economic development institutions but was relatively quick to improve them and deploy resources when its major shipyard, Bath Ironworks (BWI), was threatened.<sup>7</sup> In 1990, a broad-based coalition convinced the Governor to set up a Task Force on Conversion, and by 1994, the State had set up an Office of Economic Conversion,

unprecedented in the US. Although the BWI effort was later sidelined when the company was sold to General Dynamics (which then successfully lobbied for more destroyer contracts), the conversion effort in Maine succeeded in putting in place an enhanced infrastructure at both state and local levels for aiding smaller defense firms and nearby military base communities in adjusting to the post Cold War downturn. Many of these have helped to move people into new jobs, to upgrade the productivity of suppliers and help them find new markets, to engender new business start-ups and to speed the re-use of shuttered military facilities.

The other two regions had poorly developed economic development capability, for quite different reasons. Hampton Roads, the home of an enormous private shipyard, Newport News Shipbuilding, employed 30,000 at the end of the Reagan buildup and also hosts a complex of military bases which employed another 86,000 as recently as 1994 (Accordino 1996, 1997). The region had never had to face severe structural decline before, and its local economic development institutions were underdeveloped and confined to business recruitment and small business assistance. Defense-dependent facilities were scattered on both sides of the huge James River harbor and across a number of rivalrous city governments. The Chamber of Commerce, organized at the metropolitan level, had established its own, private sector-led economic development agency in the mid-1980s in response to what it saw as the inability of local governments to cooperate (Accordino 1997, 4, footnote 2). But the Chamber turned out to be a poor leader for reasons recounted below.

A final contrast is the case of the premier French shipbuilding center, Brest. At the end of the Cold War, Brest accounted for 40% of defense employment in Brittany, the region most dependent on French military spending. The relatively small city of Brest stood to lose 3,000 jobs in French naval shipbuilding and repair by the end of the decade, almost 13% of its industrial workforce (de Penanros 1997). The Brest/Brittany case is fascinating for the light it casts on the difficulties of defense conversion where State power is highly centralized, with little regional capability.<sup>8</sup> In the French unitary system, local government economic development capacity is almost totally absent, and regional planning is conducted by the central state. This led to the poor results described below.

### *B. Jurisdictional Barriers and Local Political Response*

Across the set of four cases in three nations, differences in federal structure, jurisdictional challenges, leadership, and coalition building account for much of the variation in outcomes. In the Bremen case, as we have seen, the City-State of Bremen played the leadership role in responding to the new challenge of defense downsizing. The BAW

agency solicited participation by area firms, trade unions, the peace movement, academic, and other experts and the public, coordinating their involvement. A strong Social Democratic political tradition provided both the ideology and continuity for the sustained conversion effort.

The Bremen effort was facilitated by the German federal system, well-developed national institutions for funding regional responses to structural decline, and European Union regional programs. These structures and programs permitted Bremen to play a further leadership role in creating new European initiatives for defense conversion. In the early 1990s, Bremen spearheaded the EU Maritime Industrial Forum, created to coordinate an industrial policy for European shipbuilding. Bremen was a leader in the creation of more general EU programs—the DEMILITARIZED network formed in 1991 and the subsequent KONVER program, begun in 1993. Energetic bids by the German State for these EC funds resulted in significant funding awards to Bremen's efforts—20 projects were initiated in 1993 with about \$11 million in EC funds (Elsner 1995).

In striking contrast, Brest failed to fashion an appropriate local conversion initiative and was unable to tap the same pool of EU funds. The French central government gave the Delegation Generale pour L'Armement (DGA), the nation's defense procurement agency, responsibility for defense conversion, including its regional aspects. In a remarkably top-down process, the central government in 1996 adopted ten "State-Region" conventions to govern defense restructuring in the most defense dependent regions. The leader of the restructuring effort and representatives to each locality are employees of the DGA in Paris. Not surprisingly, the State-Region convention for Brittany had neither conversion nor diversification as its main objective, but the consolidation of the presence of defense industries and forces in the regional territory.

Given this tight control by an inexperienced agency, DGA, which has a prima facie conflict of interest in the outcome, it is not surprising that local governments were easily organized into resistance to defense downsizing. Municipal leaders in Brest appointed a former director of the DGA as their advisor for diversification. The result was a dearth of ambitious projects that might capture the imaginations of local firms or offer an outlet for underutilized resources. De Penanros concludes that "the determining presence of the military authority at all levels of implementation of the regional action programs condemns any large scale project which in any way irreversibly threatens the military potential of the sites" (De Penanros 1997, 5). The French Navy refuses to transfer its rights over an extensive shipyard, despite the absence of foreseeable demand for it. New projects are thus small and unrelated to each other. One exception is a project led by the military shipyard operator, DCN, a private repair firm and two other local industrialists to overhaul offshore oil platforms, adapting them to new deep sea

exploitation conditions. However, the consortium lacks a strong private sector entrepreneur to carry forward the project, especially should naval activity increase.

The two US cases also show quite different local organizing and jurisdiction-bridging characteristics. Leadership in the Maine case emerged from the peace movement. As a result of successful organizing of two merged peace groups, calling themselves the Economic Conversion Project, resolutions calling for military cutbacks, economic conversion and new national priorities were passed in over 150 cities and towns in the state of Maine by 1992 (MacDougall 1993, 12). The Project sought to be inclusive and non-confrontational, bringing representatives of the shipyard, its union, other businesses, churches, environmentalists, academics, and state and local politicians together to work on a common approach. The CEO of Bath Ironworks, Buzz Fitzgerald, participated enthusiastically. The inclusive approach helped the conversion initiatives weather shifts in political party control of state and local government and overcome fragmentation at the local level. Maine's Economic Conversion Project went on to play a leadership role in pressuring the Clinton administration and Congress not to penalize communities for engaging in alternative use planning during the base closing process, and in organizing other localities across the nation in defense of federal conversion programs.

In Hampton Roads, the impetus for a concerted response to the threat of defense downsizing came from an unusual quarter—the region's Chamber of Commerce. The Chamber stepped into a leadership vacuum because no advocacy groups—labor, peace, nor community activists—were addressing the conversion challenge. The Chamber initiated "Plan 2007" in 1992, a visioning process which was to span conversion, new business prospects and the strengthening existing specializations. Vision statements for six industry cluster groups encompassed military base re-use and shipping-related trade and tourism. However, the effort excluded both local public sector officials and defense contractors. The result was not embraced by the former and was not well tailored to the problems of the latter, especially the smaller firms in the shipbuilding and repair industry.

By 1996, Plan 2007 was supplanted by a vigorous effort to win Congressional funding for an additional aircraft carrier to be built at Newport News and another to stave off closure of any elements of the base complex in the 1995 BRAC process. Both were successful. The base complex gained more than 5,300 additional jobs as bases elsewhere were closed and work was consolidated in Hampton Roads. The carrier program helped keep the shipyard in business, although its workforce declined from 30,000 in the mid-1980s to 18,000 by 1997. Local political fragmentation appears to have hampered the diversification envisioned by Plan 2007 but was not an impediment to

the extraordinary unity in support of the bid to keep bases and the shipyard open. State and local energies and funds were lavished on the effort to save the region's "defense megabase", which was funded by localities and the State of Virginia to the tune of \$ 500,000 (Accordino 1997, 6).

### **Three Naval Base Conversion Projects in Two Regions**

Our three cases of naval base conversion efforts—the Charlestown Navy Yard and South Boston Naval Annex in Boston and the Hunters Point Shipyard in San Francisco—differ from the other cases considered in that they began in the 1970s, offering us an opportunity to view completed efforts at re-use in contrast to the mid-stream cases reviewed above. Together these closures resulted in the loss of approximately 14,000 jobs and the abandonment of approximately seven hundred acres of urban land replete with hundreds of buildings as well as dry docks and piers. As a result of conversion efforts over the past two decades, these former bases now house offices, research laboratories, market rate and affordable housing, parks, historic attractions, and waterfront promenades.

However, the degree of conversion success varies among the cases. In Boston, reuse has been largely successful with over 5,000 jobs now housed at the two former bases. The Charlestown Navy Yard has become a center for biomedical research, while the former Naval Annex has become an industrial park including a major furniture design center, seafood processors, and a wide array of other industrial and office tenants. While the industrial park remains dedicated to creating blue collar job opportunities, the Charlestown Navy Yard is a mixed use development that includes over a thousand new units of housing with over a third designated for moderate income families or elderly households.

Like the Boston Naval Complex, the Hunters Point Shipyard closed in 1974. However, despite a promising start, this project has been much less successful than the Boston projects. Today, over two decades after the base closed, it houses only a few dozen businesses scattered among shuttered buildings and vacant lots. City agencies estimate that the environmental restoration will not be complete until 2007 and civilian redevelopment will not be complete until 2025—over fifty years after the base closed.

#### *A. Economic Development Capacity*

In 1974, civic leaders in Boston bemoaned the fact that the base closures came at the heels of two decades of manufacturing job losses in the 1950s and 1960s. However, in retrospect, it appears that the traumatic job losses in the 1950s and 1960s spurred the creation of institutions that would go on to lead base conversion in the 1970s and 1980s. The lead agency for both re-use projects originally was Boston's

Economic Development and Industrial Corporation (EDIC). Created in 1971 at the behest of the Economic Development Commission, a citizen task force established by Boston Mayor White in 1969 to study the problem of manufacturing job loss in the region, this agency's mandate was to encourage new and existing industries, particularly those that provided jobs suitable to unemployed and underemployed residents, and to return vacant and underutilized land and buildings to productive uses. The Massachusetts Land Bank, another agency created to tackle re-use of industrial property, was another important resource for base re-use options.

The City also called upon the expertise of its Redevelopment Authority (BRA) to lead the re-use effort of the Charlestown Navy Yard. Established in 1957 by the Massachusetts Legislature to implement urban renewal, the BRA merged with the City's planning department in 1960 to become Boston's sole planning and development agency. Well versed in land use planning, BRA proved to be an able project administrator. The agency's knowledge of federal fund raising was also centrally important. Boston began its conversion efforts with large and well funded economic development agencies in place.

On the surface, one might expect that San Francisco would have a similar level of economic development capacity as Boston. Both are large cities known for a liberal political climate and an educated electorate. Moreover, San Francisco, like Boston, had a history of manufacturing job losses in the 1950s and 1960s, although the losses were less dramatic than in Boston during this period. However, San Francisco's economic development institutions were ill-equipped to deal with the closure of the Hunters Point Shipyard in 1974. In the 1960s and early 1970s, when Boston were building strong economic development institutions, San Francisco officials paid little attention to economic development assuming that "spontaneous market dynamics would sustain desired growth" (Office of Economic Adjustment 1976, 29).

Shortly before the base closure was announced in 1973, San Francisco created an Office of Economic Development within the Mayor's Office, but this small coordinating group lacked internal resources and experience. While the agency did establish good working relationships with the other local economic development agencies, these relationships failed to bear fruit due to problems within these agencies. Foreexample, San Francisco's Redevelopment Authority was in disarray in the 1970s due to intense community dissatisfaction with urban renewal. Other public economic development agencies, such as the Port Authority, suffered from rapid staff turnover and a lack of support from local politicians.

This lack of economic development capacity led to poor choices in early re-use efforts. For example, relying on outside consultants, the

City requested that the Navy decommission the base and lease it for civilian re-use rather than close it and allow the City to purchase the property. The property remained in Navy hands and hence not subject to local laws, thus restricting City influence over its development.<sup>9</sup> A decade later, the Navy decided to reclaim the base and for the next ten years held it in limbo, discouraging the few remaining civilian tenants who tenaciously remained. In 1999, only a few dozen businesses are scattered among the vacant buildings and desolate landscape of the shuttered base. This case demonstrates that past experience with structural decline does not in and of itself lead to positive outcomes in subsequent periods of structural challenge.

### *B. Jurisdictional Barriers and Local Political Response*

In contrast to conventional wisdom, and the experiences in other conversion projects, intergovernmental cooperation does not appear to be a critical factor in these cases. The Boston projects, which ultimately proved successful, endured several serious conflicts among state and local agencies. While turf battles are clearly in no one's interest, these cases suggest that intergovernmental conflicts that address real policy debates can be valuable. The Economic Development and Industrial Corporation in Boston fought with the Massachusetts Port Authority over their proposal to use the base for port development. The San Francisco Mayor's Office of Economic Development, on the other hand, went along with its Port Authority on what ultimately proved to be an unsuccessful port development plan. Perhaps a less cooperative relationship between the Mayor's Office of Economic Development and the Port Authority might have better served the City. In other words, in some instances, conflict and debate can be part of forging good public policy. Of course, in many respects, the agencies in Boston did work together. Politically, the Boston Redevelopment Authority could pursue a mixed use development at the Charlestown Navy Yard, because the Economic Development and Industrial Corporation was pursuing industrial job creation at the South Boston facility. Overall, re-use efforts at the two bases complimented one another.

While early conversion efforts involved citizen activists and trade unionists—particularly in the job retraining and placement efforts—over time the responsibility for the re-use projects were left in the hands of local government agencies. Neighborhood activists were involved at different junctures, but, overall, public participation was more copious than productive. Nonetheless, local politicians and other civic leaders did help keep the redevelopment agencies focused on their mandates. For example, recently, neighborhood activists and trade unionists have fought to retain the industrial character of the industrial park at the former South Boston Naval Annex, and the high wage blue collar jobs associated with industry, despite pressures from service

and office industries who now see the location as desirable. The Boston Redevelopment Authority also benefited from political and neighborhood oversight, particularly as the new tenants at the Charlestown Navy Yard have grown into a new urban neighborhood. In San Francisco, African American activists from the adjoining Hunters Point neighborhood have fought long and hard to be included in the redevelopment process. Hopefully, now that the City is finally wresting control of the property from the Navy, there should be new opportunities for African Americans and other concerned citizens to participate in re-use. Over the past three decades, however, the Navy's control of the project resulted in a track record on public participation that is spotty at best.

### **Conclusions**

Overall, the eleven case studies reviewed in this article demonstrate that regional economic development capacity can be a strong, contributing factor to the speed and sophistication of regional economic conversion and diversification efforts. The poorest results occurred in regions with low capacity—Los Angeles, Hampton Roads, Brest/Brittany, San Francisco. All but two of the regions had experienced structural decline in previous decades, but such exposure did not necessarily translate into preparedness for the defense cuts of the 1990s. Those regions which had responded by building permanent, professional economic development institutions—Long Island, St. Louis, Bath/Brunswick, Bremen, Boston—did relatively better.

Even with such institutions, defense conversion efforts have had mixed success as the Maine and Bremen cases demonstrate. At the same time, places such as Seattle did relatively well despite the absence of sophisticated economic development institutions. This case suggests that the significance of economic forces beyond the reach of regional government, particularly the presence or absence of other dynamic sectors in the local economy, can “trump” the influence, or lack thereof, of local economic development institutions.

In most cases, cooperation across jurisdictional lines is closely associated with relative overall success. Strong interjurisdictional cooperation in the cases of Long Island, St. Louis, Bath/Brunswick, Bremen, and Boston enhanced the speed and extent of resource re-use. Of course, the effectiveness of cooperation is closely tied to strength of local institutions. For example, in San Francisco, local agencies were cooperative but not effective. Moreover, limited conflicts among agencies over policy can be constructive, as noted in the Boston cases. Thus, the definition of cooperation should be broadened to include constructive debate.

The evidence on leadership and coalition-building is also mixed. Interestingly, unlikely local groups, such as peace activists, led relatively

successful conversion efforts in a number of regions—Maine, Long Island, Seattle and St. Louis. Peace activists, along with labor and other community activists, were also important players in the Bremen, Germany diversification effort. In the Boston and San Francisco cases, community activists, particularly trade unionists, were more important than peace activists in establishing a climate conducive to aggressive public response to defense downsizing. Perhaps the most compelling evidence on community activism and coalition-building comes from the cases in which it was most strikingly absent. The diversification effort in Hampton Roads, Virginia, led by the private sector with almost no community, peace or labor participation, degenerated into a campaign for continued military spending. So did the top-down effort in Brest/Brittany. Overall, the cases suggest that successful activism and coalition-building creates a climate in which more aggressive and creative public actions may emerge.

These conclusions hold across the three types of regions, suggesting that the Wilbur Thompson quip, “Tell me your industries, I’ll tell you your fortunes,” is not fully defensible. The variation within aerospace, shipbuilding, and naval base regions is more marked than between the cases. Of the three sectors, shipbuilding undoubtedly faced the most difficult commercialization prospects, yet two of the four regions did relatively well with a concerted effort. The naval base conversion efforts had perhaps the best prospects, not only because all were on relatively attractive real estate parcels but because the federal government invested more in the process of base closings. Yet even here, redevelopment of the Hunters Point Shipyard failed dramatically. Aerospace companies possessed the best human capital and technology, yet some regions did a much better job of channeling engineers, workers and technologies into new activities.

These eleven cases suggest that some regions learned from past experiences with economic adversity by creating and funding institutions to facilitate economic adjustment. St. Louis, Long Island, Boston, and Bremen, Germany are examples of regions where institutions developed in response to manufacturing decline became leaders in later efforts to respond to defense downsizing. In contrast, the prosperous West Coast regions of San Francisco, Los Angeles, and Seattle found themselves less well-prepared to tackle defense downsizing. Of the two European cases examined, Bremen, Germany was better able to grapple with defense downsizing than was Brest, France. Where such capacity had not previously been constructed, as in Maine, good leadership and successful coalition-building made the difference between relative success and failure.

Our analysis of these eleven cases demonstrates that scholars do not have to choose between statistical tests on large sets of secondary data and expensive, singular case studies. The number and quality of

regional case studies of economic development have proliferated in the past decade. Even when not conducted with a common template, such cases offer an opportunity to compare causal connections between economic, political and cultural features and economic development outcomes. We have demonstrated how insights from single case studies can be “tested” against a larger set of cases, enabling us to be more confident in generalizing about good regional economic development practice.

**Acknowledgements**

Our thanks to the U. S. Department of Housing and Urban Development, the MacArthur Foundation, the Rockefeller Family Fund, the DeutschesGemeinschaftForschung and the Bonn International Center for Conversion for support for this research, to the authors of the studies reviewed here and particularly to our colleagues Michael Oden, Michael Brzoska, Klaus Kunzman and Andy Isserman for discussions on this subject.

### Endnotes

<sup>1</sup>See, for instance, the debate between Markusen (1996) and Porter (1996), originally aired before the World Bank's Annual Economic Development Conference and published subsequently in the *International Regional Science Review*.

<sup>2</sup>A number of interesting studies have been done of responses to plant closings in particular sectors across different localities. See for instance DiGiovanna (1996) and Nissan and Craypo (1996).

<sup>3</sup>This is a narrower definition of local and community capacity than that offered by Glickman and Servon (1997).

<sup>4</sup>For a different cut on international comparisons—some twenty cases in eight countries—see the forthcoming special issue of the *International Regional Science Review* and especially the introductory article (Brzoska and Markusen 2000).

<sup>5</sup>Each of these regions is the subject of a larger, in-depth study by the Project on Regional and Industrial Economics, all conducted with a similar research design (Oden *et al.* 1993; Oden *et al.* 1994; Oden *et al.* 1996; Gray, Golob, and Markusen 1997). A more extensive comparison can be found in Michael Oden's (2000) summary of the regional aspects of the four studies.

<sup>6</sup>None of these American regions was willing or able to take on its large defense contractors as partners in a regional diversification effort, beyond merely token efforts. In part, this was because industry leaders became increasingly pre-occupied with downsizing, focusing on defense markets and engineering mergers and acquisitions. Several lost their identities via takeovers (Grumman, Rockwell, Hughes, and prospectively, Northrop and McDonnell Douglas) and/or moved headquarters out of the region (General Dynamics and Lockheed to the Washington, D.C. area). In every case, our research shows that merging resulted in the undercutting and cancellation of most internal conversion and technology transfer efforts (Oden 1999). This is partly because no local coalition was willing to become confrontational with its major employer(s), even when the latter's actions were severely prejudicial to local incomes and economic structure. In other words, none asked companies to give back to the community what they had been given in community support over the years.

<sup>7</sup>The Maine effort, which has been among the most precocious of US cases in the post Cold War decade, has been extensively studied by sociologist John MacDougall (1993, 1997a, 1997b), planner Fred Rose (1993, 1997), and long time Center for Defense Information specialist Sanford Gottlieb (1996). The following account relies heavily on their research as well as field research of our own.

<sup>8</sup>In France, the defense sector has been the explicit focus of industrial policy and the core of the nation's technology policy, and much of the nation's defense industrial capacity is owned and operated directly by the central State (Markusen and Serfati 1999).

<sup>9</sup>In 1991, the Navy finally agreed to close the base altogether. Since that time, the City has been engaged in an extensive planning effort. However, progress has been slowed by extensive pollution at the site as well as by the Navy's reluctance to continue maintenance during the transition. As of the summer of 1997, the base remained in Navy hands.

**References**

- Accordino, John. 1996. *The Response to Defense Spending Cutbacks in Virginia: 1990-1995*. Report, Department of Urban Studies and Planning, Virginia Commonwealth University.
- . 1997. "In the Shadow of the Military Metropolis: Defense Conversion Efforts in Hampton Roads, Virginia" Paper presented at the International Conference on Conversion of Defense Regions, Bonn, Germany, March.
- Bischak, Greg and Jim Raffel. 1991. "Successful Conversion Experiences" Washington, DC: National Commission for Economic Conversion and Disarmament.
- Bradshaw, Ted. 1993. "Which Impact? The Local Impact of Base Closure Needs Closer Examination" Working Paper 602, University of California at Berkeley.
- Brier, Alan. 1993. "The Bremen Programme for Defence Conversion" *Bremer Ausschuss für Wirtschaftsforschung*. Bremen, Germany: Institute des Landes Bremen.
- Brzoska, Michael and Ann Markusen. 2000. "The Regional Role in Post Cold War Military Industrial Conversion" in Ann Markusen and Michael Brzoska, eds. *International Regional Science Review*. 23(1).
- Craypo, Charles and Bruce Nissen, eds. *Grand Designs: The Impact of Corporate Strategies on Workers, Unions and Communities*.
- de Penanros, Roland. 1997. "Restructuring and Conversion of the French Arms Industry: The Example of Brest and Brittany" Paper presented at the International Conference on Regional Aspects of Defense Conversion. Bonn, Germany: Bonn International Center for Conversion.
- Dorrier, Richard and Laura Wiberg. 1993. "Military Base Closings Offer Reuse Opportunities" *Commercial Investment Real Estate Journal*. Winter, 24-30.
- Fisher, Bonnie. 1993. "Seizing the Opportunity in Military Base Closures" *Urban Land*, August, 11-15.
- Elsner, Wolfram. 1993. "Industrial Defense Conversion: Guiding the Market at the Regional Level—The Case of the State of Bremen, Germany" *Journal of Economic Issues*. 27(4): 1254-62.
- . 1995. "Instruments and Institutions of Industrial Policy at the Regional Level in Germany: The Example of Industrial Defense Conversion" *Journal of Economic Issues*. 29(2): 503-516.
- Gottlieb, Sanford. 1997. *Defense Addition: Can America Kick the Habit?* Boulder, CO: Westview Press.
- Gray, Patricia, Elyse Golob, and Ann Markusen. 1996. "Big Firms, Long Arms: A Portrait of a 'Hub and Spoke' Industrial District in the Seattle Region" *Regional Studies*. 30(7): 651-66.

- A Portrait of a 'Hub and Spoke' Industrial District in the Seattle Region" *Regional Studies*. 30(7): 651-66.
- Guhathakurta, Subhajit and Edward Blakely. 1995. "Military Base Closures and Regional Economics: Assessing the San Francisco Bay Area" *Lusk Review for Real Estate and Urban Transformation*. Fall, 8-12.
- Hill, Catherine with Jim Raffel. 1993. *Military Base Closures in the 1990s: Lessons for Redevelopment*. Washington, DC: National Commission for Economic Conversion and Disarmament.
- . 1997. *Re-use of Former Military Bases: An Evaluation of Four Converted Naval Bases*. Doctoral Dissertation, Department of Urban Planning and Policy Development, Rutgers University.
- Isserman, Andy and Peter Stenberg. 1994. "The Recovery of Rural Economies from Military Base Closures: Control Group Analysis of Two Decades of Experience" Paper presented at the Southern Regional Science Association Meeting, Orlando, Florida, April.
- Kirschenbaum, Joshua and Dwayne March. 1993. "War Games: Evaluating the California Military Base Conversion Process" Institute of Urban and Regional Development Working Paper 603, Berkeley, California.
- Klein, Lawrence. 1992. "Turning swords Into Toasters, Again" *New York Times*. January 8.
- MacDougall, John. 1993. "Mobilizing for Economic Conversion in Maine: Bath Iron Works, State Government, Activists and Others" Working Paper, University of Massachusetts, Lowell, December.
- . 1997a. "Conversion without Doctrinal Debate: Maine, USA" in Bjorn Moeller and Lev Voronkov, eds. *Defense Doctrines and Conversion*. Aldershot, UK: Dartmouth Publishers, 1997.
- . 1997b. "Peace Movement Adaptation at the State Level: the Case of Maine" in Thomas Rochon and David S. Meyer, eds. *Coalitions and Political Movements: The Lessons of the Nuclear Freeze*. Boulder: Lynne Rienner.
- Markusen, Ann and Claude Serfati. 1999. "Remaking the Military Industrial Relationship: A French-American Comparison" *Defence and Peace Economics*. forthcoming.
- Markusen, Ann, James Raffel, Michael Oden and Marlen Llanes. 1995. *Coming in from the Cold: The Future of Los Alamos and Sandia National Laboratories*. New Brunswick, NJ: Rutgers University, Project on Regional and Industrial Economics.
- Markusen, Ann. 1996. "The Interaction of Regional and Industrial Policies: Evidence from Four Countries (Korea, Brazil, Japan, and the United States)" *International Regional Science Review*. 19(1, 2): 49-77.
- . 1999b. "The Post Cold War Persistence of Defense Specialized Firms"

## Do Regions Matter? Hill and Markusen

- In Gerald Susman and Sean O'Keefe, eds. *The Defense Industry in the Post-Cold War Era: Corporate Strategies and Public Policy Perspectives*. Oxford: Elsevier, 121-146.
- . 1998. "America's Military Industrial Makeover" In Clarence Lo and Michael Schwartz, *Social Policy and the Conservative Agenda*. Oxford: Basil Blackwell, 142-50.
- . 1999a. "Fuzzy Concepts, Scanty Evidence, Policy Distance: The Case for Rigor and Policy Relevance in Critical Regional Studies" *Regional Studies*. forthcoming.
- Minton, Eric. 1994. "When Johnny Goes Marching Home" *Planning*. November, 18-22
- Oden, Michael, AnnMarkusen, Dan Flaming, Jonathan Feldman, James Raffel, and Catherine Hill. 1996. *From Managing Growth to Reversing Decline: Aerospace and the Southern California Economy in the Post Cold War Era*. New Brunswick, NJ: Rutgers University, Project on Regional and Industrial Economics, February.
- Oden, Michael, Catherine Hill, Elizabeth Mueller, Jonathan Feldman, and Ann Markusen. 1993. *Changing the Future: Converting the St. Louis Economy*. New Brunswick, NJ: Rutgers University, Project on Regional and Industrial Economics.
- Oden, Michael, Elizabeth J. Mueller, and Judy Goldberg. 1994. *Life after Defense: Conversion and Economic Adjustment on Long Island*. New Brunswick, NJ: Rutgers University, Project on Regional and Industrial Economics.
- Oden, Michael. 1999. "Cashing-in, Cashing-out and Converting: Restructuring of the Defense Industrial Base in the 1990s" In Ann Markusen and Sean Costigan, eds. *Arming the Future: A Defense Industry for the 21st Century*. New York: Council on Foreign Relations Press.
- . 2000. "Regional Adjustment to Post-Cold War Defense Reductions: The United States' Experience" in Ann Markusen and Michael Brzoska, eds, Special Issue, *International Regional Science Review*. 23(1), forthcoming.
- Office of Economic Adjustment, Department of Defense. 1993. *1961-1993 Civilian Re-use of Former Military Bases: Summary of Completed Military Base Economic Adjustment Projects*. Washington, DC: Government Printing Office.
- Office of Economic Adjustment, Office of Assistant Secretary of Defense. 1996. *1988-1996 Civilian Reuse of Former Military Bases: Summary of Economic Adjustment Projects*. Washington, DC: Government Printing Office.
- Office of Economic Adjustment, Office of Assistant Secretary of Defense. 1976. *Economic Adjustment Program: San Francisco, California—Hunters Point Naval Shipyard*, September. Washington, DC: Government Printing Office.

- Paslawsky, Mark. 1991. "Recycle Military Bases" *New York Times*. September 7th.
- Porter, Michael. 1996. "Competitive Advantage, Agglomeration Economies and Regional Policy: A Response to Ann Markusen" *International Regional Science Review*. 19(1, 2).
- Powers, Laura and Ann Markusen. 1998. *A Just Transition? Lessons from Defense Workers' Experience in the 1990s*. Washington, DC: Economic Policy Institute.
- Rose, Fred and John MacDougall. 1997. "Converting the Military-Industrial-Toxic Economy: Lessons from the U.S." Working Paper, Department of Regional Economics and Social Development, University of Massachusetts, Lowell.
- Rose, Fred. 1993. *Peace, Labor and Environmental Coalitions: Class Culture and Democratic Change*. Ithaca: Cornell University, Doctoral Dissertation.