Interview with William Zucker

5/15/79

(in Walter Phillips' home)

(WMP: Bill, what's your title these days? What are you, a professor?)

Well, I'm a professor of management at the Wharton School and also associate director of the Entrepreneurial Center of the school, which the school organized in 1973. And we have been developing a series of academic programs to induce and motivate students to go into business, either for themselves or for corporations, to organize themselves in an entrepreneurial fashion.

(WMP: You're hopeful that the take-up will be here in this region?)

No, not in this region at all. The university, after all, is an international institution, and is concerned with businesses here. And we have programs for giving aid to business. But we are concerned with students operating in the business community all through the country, if not in the world.

(WMP: It grew from when? When was it started? What's the history about it?)

Well, the center itself grew out of the idea of Dr. Edward Shils, who was then chairman of the Department of Management, and a professor of management. He was a consultant to the Southeastern Pennsylvania Economic Development Corporation, of which I was the head at the time. We did a number of studies on economic development. And we both got very much concerned about the fact that there just wasn't enough being taught, and research being given to economic development, and particularly the concern that students had to start their own businesses.

And with the support of the dean...now Dean Carroll, we went out, began organizing for it, got student concern, and also business financing to conduct this center.

(WMP: How would they work it out, financially? Give it to the University of Pennsylvania for the purpose?)

Exactly. The university, of course, supports it through the teaching programs. The students, of course, pay for the various courses they take. The business contributions are to pay for the actual administration of the center, and then a great deal of the research which is now going on in this area.
It's part of the Wharton School, yes, exactly.

You gave me some nine questions and, with your permission, I'll just read the questions and then respond.

The first that you ask was, what induced you to come to Philadelphia to be executive of the Southeast Pennsylvania Economic Development Corporation. And what has been your professional experience prior to coming there.

Let me take the latter part first, although I don't want to sound as though I'm giving you an obituary! But, I guess for the twenty years before, I'd been concerned and involved in economic development and business development in New York City. For fifteen years I was an executive for the Commerce and Industry Association, which is a major Chamber of Commerce in New York City...was the...I actually became the secretary which is the administrative officer of the organization, operating in a number of areas...foreign trade, taxation, social insurance, legislation...taking up those questions with which business was concerned.

Then for five years I was an aide to David Rockefeller in the organization and the operation of the Downtown Lower Manhattan Association which was concerned with the renewal of the financial district, from Canal Street down to the Battery. And we did a number of planning studies, economic studies, as well as implementing those plans which would re-invigorate...can you re-invigorate...invigorate...as someone said, "you can't re-invent anything; you can invent", so that I guess you invigorate the area in order to make certain that that area, which had such an enormous infrastructure, and a capital investment, was not going to be allowed to die.

And that group, the Downtown Lower Manhattan Association, engaged in a number of very important studies. The principal one was the areas with respect to transportation, the development of residential communities in the downtown area, and finally, the construction of the World Trade Center. And as a result, the area has indeed been most improved. And there's been a great deal of private as well as public investment in that area.

In 1964 I was approached by a group of business people here in Philadelphia to head up a newly organized group called the Southeastern Pennsylvania Economic Development Corporation, which was organized at the behest of then Governor Scranton, who was concerned with the need for economic development throughout the whole of the state of Pennsylvania. And the group here in Philadelphia was primarily composed of the banks and the utility companies, a few of the department stores, who were indeed, much involved with the need for developing a better economic growth for the area.
Fred Potts was a principal one, the chairman of the Philadelphia Electric Company, Wilfred Gillan of the Telephone Company, and What'sisname of .... I'll never forget What'sisname! You know, the one who's on all the boards...the then chairman of the John Wanamaker...

Dick Bond. And they were the principal movers. And they asked whether I would be interested in coming down here and I was, because it presented a new challenge, a very interesting one, since Philadelphia was then in the throes of further implementing a lot of the ideas and the programs of the Clark-Dilworth administrations, although at that point, Mayor Tate was then the mayor. And there was a certain momentum that was left over from the two previous administrations.

This was not a Philadelphia-based operation; it was a regional one, based on the five counties in and around Philadelphia.

Well, the Center City, indeed, played a leading part, because after all, there was a concern for the future of Philadelphia. My feeling, quite frankly, is that there was too much of the dribbling away into the suburban areas and that there was this enormous infrastructure that had been established in Philadelphia that would be destroyed or eradicated in some fashion if nothing was done in order to maintain that kind of strength in the center of the city.

We were concerned, primarily, with the economic as well as the ...and the industrial, rather than the real estate investments. We were looking for jobs...what jobs could be brought back into the city, and also, what jobs could be attracted into the region.

Well, one of the principal things that we were concerned with; when I came I realized that what Philadelphia had was an enormous manpower which wasn't being utilized. In fact, I think I made a speech one time and said that our greatest export was the export of people...out of this area. People were leaving Philadelphia and the region in droves. And as a result, the opportunities became less, but also what happened was that with more people moving out, there were less opportunities available, and it was almost a Catch 22. It fed on itself and became a
worse and worse economic situation. There was a great mi-
gration of both people and of industries out, and the quest-
ion was, how would you be able to induce some industries 
coming in.

(WMP: They went out to where...did they mostly go to the 
suburbs?)

Well, they went to the suburbs, but also they went South. 
A large number of them went South. Philadelphia was a prime 
hunting ground for industries, particularly those which were 
labor-intensive. The textile industry moved out, the garment 
industry was moving out, the lace industry had moved out, the 
hsiery industry had moved out. A number of other large in-
dustries which were of importance to the area which gave 
jobs...and also made plain the fact that Philadelphia, which 
in the past had been a center for craftsmen, industrial crafts-
men, also were losing that sense of craftsmanship, primarily 
because industries were moving out, and therefore were not 
giving jobs. And one of the things that we felt was important 
was to develop those industries which might give more jobs in 
the labor-intensive areas.

And so we did a number of studies and we got a large study 
done on the apparel industry and tried to find out what would 
induce the apparel industries, first, to stay, and then to 
have some come in. And in that study, which was done about 
1965 or '6...I can't remember which...we found that there 
were a number of things that we needed. First was that there 
was training that was needed for people, and that the city or 
the state should provide that kind of training. And that was 
incorporated through state regulation...that there was need 
for funding...loans to these companies...to rehabilitate their 
plant and equipment.

And lastly, there was modern equipment as well as modern 
plant that was needed. And then we set up a real estate com-
pany in order to get that kind of new plant in the area.

We also did studies in the area of heavy steel plate, which 
had in the past been an important industry here. And we 
tried to see how it might be possible to get more funding, 
meaning loans, for these types of industries, in order to in-
duce them to stay here. As it is, one major one, the one out 
here in Conshohockon, Alan Wood, has since folded, or in large 
measure folded, primarily because of two reasons. One, their 
market moved away and the cost of transportation became quite 
high, and secondly, they really had no adequate capital in or-
der to carry them through their rather disastrous times.

(WMP: Did they go into bankruptcy?)

They went into bankruptcy. And I think only a small portion 
of their firm is still operating.
(WMP: That's too bad. It was an old family around here.)

These are wonderful old companies and this has indeed been one of the problems of Philadelphia, where the old companies, whether because of tired blood, or lack of initiative, or the fact that their technology has not moved forward, really became a prey to outside groups for acquisition or purchase in some fashion or other, and then either sold off, or closed down, or the assets distributed in some fashion...and in so doing, Philadelphia became not a major center for corporate headquarters, but became a branch office city.

(WMP: That's too bad. What did you do to try to stem that tide?)

Well, one of course, is to try to develop areas which would indicate the value of the city, emphasize the importance of the city from its technological point of view. And we put out a large brochure...it was actually a directory and a handsome digest...of all of the research and development which is going on in the area, showed that the city was really a center for R&D and scientific effort, that the city had the capabilities of conducting this type of technology, in addition to the labor intensive industries.

We emphasized also, and put out reports on the educational facilities, the colleges and universities that we have here, and also emphasized the fact that we have the actual bricks and mortar that were available. We work with PIDC and we also work with the individual economic development groups in the counties, trying to emphasize this area, as an area. So that I want to point out that, although Philadelphia was a prime concern, we were concerned also with the whole five-county area, feeling that there would be a multiplier effect, if a firm located in the five-county area...within the five-county area, all would benefit, because there would be sales and services which would be a result of the location.

(WMP: Well, I'm not quite clear whether your focus was mostly on the city or mostly on the whole region at the time.)

Let me put it this way: if it were put in priorities, the city was our number one priority. But in addition, we also emphasized the four other counties. One of the things that SPEDCO did was to have the counties meet together, under our auspices, in order to try to develop joint programs so that we wouldn't be competing. One of the principal problems that I found was that Bucks County, for example, which had a very aggressive and alert director of economic development, used Philadelphia for a hunting ground to get firms out of Philadelphia into Bucks County.

(WMP: What did you do about that?)

Well, we emphasized the fact that, after all, this is plain silly. Why doesn't he try to get them out of New Jersey, or
out of New York? Because, after all, it's playing musical
cars with our economic stability, by moving them out of
Philadelphia into the adjoining counties.

Now, I don't want to say, and I don't think I could say,
that we halted that. I do think that what SPEDCO was, was
a mode of communication between and among those various coun­
ty people, including the planning directors, in an effort to
have an understanding of the commonality of the problem. Be­
cause, quite frankly, all of the counties were facing up to
the same issue; they were all trying to get jobs and tax
ratables. And each was competing for a very limited economic
pie. And if we all were going to fight and squabble over these
crums, and really, it was a matter of crumbs, that we were
going to divide them up into such minute parcels that no one
was going to be the better for it.

One thing that we were able to do was to get through the Penn­
sylvania Industrial Authority a regulation that no group which
moved from one county to another within Pennsylvania could
get any PIDA funding. And in that way, it put somewhat of a
quiescence upon this movement. Although, quite frankly, if a
firm decided that it was to its financial benefit to move out,
even this lack of funding was not a deterrent.

But I think the important thing was that there was this sense
of understanding that was being brought to bear. And hope­
fully, the counties understood it. I think that the count­
ies realize that their problems that they are facing in their
own efforts, whether it is traffic or security, taxes, schools,
which the business firms and the local residents thought that
they were going to avoid or escape when they moved out of Phila­
delphia, are now part of their warp and woof now that they are
in these counties that have expanded, and they're facing the
same kinds of problems.

(WMP: Who were the leadership people on this subject out in
the counties?)

Franklin Wood, up in Bucks County, a fellow name of William
Abbott in Bucks County, there was a very aggresive planning
person in the name of...and I can't remember his name...in
Montgomery County, and there was a very active young economic
developer in Chester County. Delaware County really didn't
have too much, primarily because it had the albatross of Ches­
ter around its neck. And people just didn't want to get in­
volved with the Chester situation. Although in the rural...

(WMP: The political side of it?)

The political side of it, as well as the rather disastrous
looking city that Chester was, but when you got into the rural
parts of Delaware...and they also used Wilmington as a happy
hunting ground for their operation, and left Philadelphia, to
a degree, alone.
Wilmington was not very aggressive, and Wilmington is a different kind of situation because it has...I don't want to say it's a one-company town, although it seems to revolve around duPont. There are a number of large companies; ICI and Hercules Powder in that area, but the Wilmington firms are really the more capital intensive, rather than neighbor intensive, in their nature. And if they're going to move out, they have to have enormous areas in open land, to develop their operations in that regard.

The other parts of Wilmington are the service areas which are ancillary to serving these major corporations. And they found also that it wasn't necessary to be in Wilmington and so they moved outside, both in the...what little suburbs that they have in Delaware, but also to go into Pennsylvania if they found that it was to their benefit.

Well, reports were always prepared. What we like to do is not to make a written report, but really the report was supposed to be an affirmation of the action which was taken in the concern that we had for research and development, we then set up a laboratory...an incubator...for technological industries. We rented a large garage out in University City and made it available for small inventors to come out of their garages and basements and see if it wasn't possible for them, with the kinds of facilities that we had, plus the consulting services, the machine shop, and the inter-disciplinary consultation at the University of Pennsylvania and Drexel, to become viable businesses. And that operated for five years. A number of them have gone out and done quite well. One company which is still a very viable company is ScanData which is located in Norristown. And we've had a number of others that were involved in rather high technology. One person was quite active in the whole field of solar energy and solar cells, and is still involved in that.

Another did a great deal of work in the desalinization of water. Most of those companies, except for ScanData, moved out of the area and moved elsewhere for a variety of reasons.

The concern that we had for the apparel industry, as I mentioned previously, evidenced itself in our setting up a real estate company which then, eventually, acquired three major industrial facilities, which we renovated and made the space available to employers at rates which were almost under the competitive market, in an effort to have them maintain their operations here in Philadelphia.

(WMP: What's the name of the fellow who runs the Science Center?)
Whaley.

(WMP: Whaley, yes. Was he helpful to you?)

Well, he wasn't there at the time that ... there was the previous one who first came in when the Science Center was first organized. The Science Center was organized just about the same time that SPEDCO was in 1964, and that... his name now escapes me... and at that time, his principal concern was getting the operation underway and being a real estate operation. But were SPEDCO in operation, they certainly would be working very closely with the Science Center because the Science Center, I think, is one of the great values for this area.

(WMP: It has been very successful, then.)

It has been more successful as a real estate venture than as a venture which has brought business here. I think that hopefully, if they get that World Forum organized, it will indeed be of even greater importance to the area because that would mean that what we would have here were a series of national and international conferences on problems and issues which are of concern, not only in business, but the whole intellectual community. And we would have Philadelphia as indeed a center for this kind of involvement. And I think that this has been important.

The Science Center has not been an incubator, necessarily, of new businesses, as I think that people had anticipated. I think that what the Science Center has become... and this is not to denigrate it, because I think that regardless of what it became, I think it's been of great value because it also added another large element to the kind of concern which the universities have and had in the science area and the technology area. I think that what has happened is that with government grants in science and technology sloughing off, or the faucet being turned off, that many of those areas are being inadequately funded. And I think that such things as the Science Center, as well as all of the concerns that the universities have had in science, will suffer. But I think that the Science Center, by its being here, both integrated.....

***Interruption due to changing of tape***

Harry Batten, as you mentioned, was indeed one of the prime movers of the Science Center, as was Gaylord Harnwell. And the University of Pennsylvania was very much concerned with that.

(WMP: Have other institutions joined in the effort? They're all going to reach out to the suburbs and other parts, I think, and make a whole web of institutions working together.)
In what; in science and technology or in economic development?

(WMP: Well, all of that.)

In the science and technology, there, on the whole, would not have been very much because in the suburbs there hasn't been that much. What has happened in the suburbs is that those technological companies have located...Burroughs has located out in Montgomery County...or Chester County...Univac is here in Montgomery County, and there are a large number of scientific firms which do their manufacturing out in the counties. But I don't think there are many institutions such as the Science Center which have been organized in the counties.

And I think that one of the principal reasons for this is the fact that an institution such as the Science Center needs the support of colleges and universities. And that is one of the things that Philadelphia is blessed with. It has five medical schools; it has any number of excellent colleges and universities, both in Philadelphia and immediately surrounding it, so that it is indeed a hub of education.

(WMP: Would you feel that the working relations spread all the way up to Princeton University, for example?)

I think that Princeton is not involved in the Philadelphia milieu. I would suspect that Princeton feels that it is a center in and of itself. And I think that what's interesting is to see the numbers of scientific companies that have located in and around the Princeton area, primarily to be part of the Princeton community, rather than the Philadelphia community. And I think that Route 128 in Boston is another example of the way in which firms cluster around a university area. And the same can be said of the electronics industry in California which cluster around Berkeley and Stanford and UCLA for their own benefit.

I think this is one of the things which Philadelphia should indeed have developed. And I think that one of the concerns to me has always been that we've never recognized the value of education and the educational institutions that we have here, and built on them.

(WMP: Which are the strongest ones, would you say? There's Penn, of course.)

Well, there's the University of Pennsylvania, of course. I think that Drexel is also a very important one. And then, from the point of view of both liberal arts as well as other areas, Haverford and Swarthmore and Bryn Mawr, of course, are the other three which are of extreme value. Villanova is important from the liberal arts and the law point of view. Saint Joseph's is a center for food education. And whereas we think in terms of Cornell as the hotel center, we don't even know that Saint
Joseph's is a center for the whole field of food purveying. And I think that this is an important area.

(WMP: I didn't know about that at all. We went down and interviewed Father Comey, what he does along the waterfront, but I didn't know about food.)

(BF: Maybe you could look at the questions and see if there are some that we haven't covered.)

You ask in here about the Job Loan Corporation...evaluate what it accomplished. The Job Loan Corporation was organized, actually, it had its first view of life right after the unfortunate death of Martin Luther King, although it wasn't organized as an answer to the riots at the time. We had been working in SPEDCO for about six months before that, in an effort to find out what viable steps could be taken in order to provide an opportunity for the minority community to become part of the warp and woof of Philadelphia. I came to the conclusion that, really, what was needed was some form of equity, loans, because there was no equity available for the minority community to go into business.

We met with the eight commercial banks in the area and came up with a rather innovative approach; namely that all the banks would be available to make loans to minority firms, but their losses when the losses occurred, would be in proportion to the size of the bank, vis-à-vis their relationship to the other eight. So that if the smallest bank, for example, which, let's say, was Central Penn, made a loan of $50,000 and it went bad, it wasn't going to swallow a $50,000 loss, but only 5% of that $50,000. Whereas First Pennsylvania Bank, which had nothing to do with the making of that loan or the administration of that loan, would share 24% in that $50,000 loss.

So that what we were doing was trying to induce the banks to make loans regardless of their size. But the loss was going to be borne proportionately with size.

However, we would have a group of loan officers who would judge these loans, not on traditional bank bases, but on a more social point of view, but the loans would be repaid directly to the bank, not to the Job Loan Corporation.

Why this? First of all, we felt, and the banks did also, that their loan officers were not in a position to judge these situations as normal bank risks, and they wanted some help in that regard. WE felt that it was necessary for the minority community to make their payments directly to the bank, to be responsible to the bank and not to another group so that they understood their responsibility... when they borrowed money, what was expected of them.
We made some 500 loans which amounted to about $5,000,000. I'm sorry to say that nearly all of the loans went bad, primarily because they were king-sized personal loans. The great majority of them were under $10,000; a goodly number of them were for $5,000 or under, and the only thing you can do with money of that size is really to stifle yourself, or slowly to bleed to death.

I think that's pretty much what has happened, quite frankly... or happened. First of all, people were interested in going into business... they knew nothing about the business. And unfortunately the banks and the government agencies that were concerned with this kind of thing provided us with no funding to teach the business persons what their responsibilities as business people was to be. We tried to have a number of courses, but it was on a haphazard kind of thing. And I think that from a bank loss point of view, it was a disaster. I think from the point of view of giving the banks an indication of how and in what way they had to deal with the minority community, I think it was a worthwhile educational resource for them.

(WMP: Did they change their ways?)

They changed their ways considerably, and they have been now making loans on a much more selective basis. And also, on the basis of making loans which are of value, both to the individual and to the community. They are making large loans, but also they are also watching those loans much more carefully, and they've got people assigned to these loans.

(WMP: Well, did you work with them closely or were they just observing what happened?)

Well, the Job Loan Corporation actually was part of this SPEDCO group. And we observed them very carefully. In fact, we had people who were constantly going out and working with the loan recipients, in an effort, hopefully, to keep them ship-shape and floating. Many times they used the money for just crazy things, and many of them unfortunately just didn't understand the fact that when money came in from the business, that it didn't belong to them, it belonged to the business.

(WMP: Did any of the money float to these entrepreneurs by loans from government?)

There were a number of them; the SBA started working very closely with them as a result of this also... and making larger loans as well. And that was, again... in the early days, before people understood what to do about the whole minority problem... I think, we look upon 500 loans which went bad as a kind of disaster. And yet, I don't think it's a disaster. I looked at it as a learning process. And I think of the millions or the billions of dollars that's poured down the drain in all kinds of screwy social programs, which
had a definite point of view involved. And then I look upon the minority loan program and the need for the minorities to get involved in our economic concerns, and I say that, by all means, this is perhaps...if we are concerned with our free enterprise system, that this kind of program has a high priority...that it's necessary to have them understand and be part and parcel of our economic community.

Well, I think that we've discussed, in part, the citizens' interest. I think the important thing that occurred then, which I don't believe is extant today, is the amount of citizen involvement...or business involvement...not citizen involvement....business involvement in the concerns of the economic growth of the area.

I think this is due to a number of things. One; I think the political situation of this city has changed so that the business community doesn't want to really be involved in dealing with the politicos. I think this is particularly so in Philadelphia.

(WMP: Do you think that can change?)

I would hope it's going to change. You know, if it doesn't, then I think we're in really big trouble.

(WMP: Are the candidates aware...since we're running into a municipal election...do you think that the fellows around that aspire to be mayor or something, are knowledgable about this sort of thing?)

Can I become political here?

(WMP: Sure.)

Well, one of the reasons I'm in favor of Bill Green, quite frankly, is that I feel that he would have a greater awareness of this than his opponent. In his activities in Congress, on the Ways and Means Committee, he was always asking for the ideas, the views of the business community. Of course, Ways and Means involved taxation, and so he, indeed, hopefully, as a well-concerned congressman, would do this. But I would hope, also, that the business community would recognize that here's an individual who in the past has asked for advice, and I would hope, also, that Green would, indeed, call upon the business community for that kind of advice and support.

I think the great value of the Clark-Dilworth administrations was the fact that there was an interlacing between the political and business communities. And although both individuals were somewhat arrogant in their points of view, yet they were willing to call upon people. They might not listen all the time, or follow the advice all the time, but at least they
listened and the business community, I think, felt that they had an intellectual peer.

(WMP: Yes. That the people in City Hall understood.)

Exactly. Exactly. And, you know, they could talk to one another at the same level. And they weren't going to be harangued, and they weren't going to be hassled, and they weren't going to be maced! And I think that this was very important.

Now, what I think that has happened in the past eight years, is that the business community has, first of all, pulled into its shell; secondly, I think the business community has been less than involved...truly involved in our area of concern here. We don't have the same kind of fearless leadership in the business community that we had.....say, 15 or 20 years ago, when we had guys like Harry Batten who would stare down most anybody.

(WMP: Or Edward Hopkinson.)

Or Edward Hopkinson. And I think thirdly, is the fact that the kind of business leadership that we have developed here in Philadelphia is exemplified by the kind of branch management town that we have, so that we have stewards, rather than entrepreneurs. People who are the owners and the founders and the developers and the definite achievers, but really, right now we have the people who are the professional functionaries...or what in France they call the«fonctionnaires», who have come there, slowly rising to the top through murky waters of the corporate hierarchy...not as the people who really are those who are in "take charge" positions, but really got there because they kept their nose clean and their mouth shut.

And this is not what you need. You know, somebody once told me that the banks don't do anything about Rizzo because the presidents of the banks want a parking space outside their buildings. And that's more important than the fiscal soundness of the city. Now if that's true, I think that's an abomination! I really can't believe it. But this was the statement that was made. Of course, when you walk through Center City, you always see that the bank's car of the executive sits out there in front. Maybe there is truth.

And I think that what also Philadelphia needs...and other areas need...is the development of concerned public citizens and I think also of its neighborhoods. One of the things that SPEDCO tried to do was to organize a series of research projects based on the economic needs of a group of neighborhoods. We approached the Rizzo administration toward that end. And we felt that so doing we would develop an ongoing program for intensification of the neighborhood feeling...that it would add stability to the neighborhood. And also it
would develop an economic character to the neighborhood, based on what the neighbors and the citizens of that particular area wanted. And unfortunately, the administration was not about to provide us with any support at all. I think that what they were concerned with was that the neighbors, if they got truly organized, would detract from the control that City Hall would have over the city as a whole. And I think this is a very unfortunate kind of thing.

I think that we're going to see that in the future, that more and more of the neighborhoods are going to be in a greater position of dominance than City Hall itself. I think the people are becoming more aware of their own power. The consumer influence, the individual citizen feels a greater strength than ever before. It is impossible for the central administration to draw a line and say "We're going to have a road here", as Czarina Catherine in building roads through Russia... or to say "We're going to rehabilitate a particular area", as Ed Bacon did, without any complaints. People now complain and they want to have a say. And I think that we're going to find this more and more. And I think the political authorities are going to have to respond to this.

That means you're going to have, part by the very nature of it, more citizen participation, but as importantly, there's going to be business participation in this.

(WMP: How about labor unions. Do you work with them?)

We work with the labor unions in the apparel industry... in the apparel study, and they were much concerned with this. And they were of great value in this regard. The only thing that they were concerned with was the provision of government subsidies to provide for training...because the labor unions saw... we wanted to get the federal government to provide subsidies for training. They opposed this because they felt that if this were to happen, that the subsidies would go to the Southern states, and it would be a draining away of the clothing industries' strengths in the North.

(WMP: Do you think they're right on that?)

They might be right, but on the other hand, what happened was that South Carolina, North Carolina, Georgia... by state law, have provided state subsidies for this training, and as a result have attracted apparel companies from New York and the North down to those three states. So that, really, they've recognized the need for this, and Pennsylvania provided this kind of subsidy for training... on a state basis... but it was rather minimal, and the unions supported it because they recognized that they had to do something in order to provide this kind of support.

The problem with the unions is that they are between a rock and a hard place. On the one hand, they have to provide for
their membership, increases in wages and working conditions, just to keep abreast of the inflationary times; on the other hand, by each time that they demand more, the cost of doing business becomes greater here in the Philadelphia area, as against some place which isn't unionized. And therefore, the cost of doing business becomes so inordinate, that the businesses say, "Well, let's get out of here!" And so that the labor unions are considered unreasonable and yet, the business firm has to realize that, you know, as they are in business, a union's in business, as well. And they are in business to protect their members, just as they are in business to make a profit.

Now, there has to be some sort of accommodation someplace. Maybe the only way to accomplish this is that there be nationwide bargaining, and to have a unified wage across the country. To a degree, I think the higher minimum wage is achieving what the unions want to achieve; namely not to give an incentive to the businesses to move to the low-cost areas, because those low-cost areas are no longer low-cost because of the minimum wage. But then, businesses find such places as Taiwan and Hong Kong in Southeast Asia where there is no minimum wage and so they go there...if they are in these labor intensive areas.

On the whole, I would say that labor unions were not particularly concerned with economic development. The only time a labor union becomes concerned with economic development or the future of business, is when the business is about to close, and that's too late.

The unions feel that they would be doing their employees or their members a disservice by working in a co-operative situation with the businesses, and that they must be in an adversary position. I personally feel that's bad! They can't be in an adversary position. We are in this together. We are facing competition from foreign sources at a higher productivity, lower labor costs, and waiting until the company is about to go bankrupt, as it was in the Alan Wood Steel case, or in the Bond Bread, and you know, it could be any number of other situations...it's already too late. There's no capital, there's no equity there, and the firm can't continue just by cutting the wages by 50¢ an hour...it's not going to be enough. There has to be a change in the working rules as well. And this takes time.

So that I think that labor unions, on the whole, have not been concerned or aware of the need for economic development. In SPEDCO...and I think that this was perhaps a mistake in its organization...we had no labor people involved. And I think that this might have, indeed, been a problem.

On the other hand, I don't know whether we would have gotten any co-operation from labor people either...because I think that it could well have been that the labor people might have
thought...and remember, we're now talking about 15, 14 years ago...that they were being co-opted, and therefore they wanted to stay away from the nasty capitalists.

(WMP: Well some leaders are more enlightened than others, I'm sure.)

That's right. That's right. And I think one of the reasons we worked with the garment trades is that the ILGWU and the Amalgamated Clothing Workers are indeed, the much more far-viewing unions. The steel workers, to a degree, the automobile workers to a degree...and I'm sure there are others. But when you get, for example, to the construction industry, which keeps saying, "What we've got to have is more and more, and work less and less", I think that when you look at it in that atmosphere...

***Interruption due to changing of tape***

You ask whether construction in an old city like Philadelphia, the great value that has occurred in...the increase in value that has occurred in Philadelphia has been the re-vitalization of neighborhoods...whether it's in the Society Hill area, which is both new construction and re-vitalization of old buildings, or Queen Village, or south of Queen Village, or what's called Old Towne, which is north of Society Hill, or the whole area around the art museum, the Center City area, from almost river to river, where old buildings are being taken over and renovated. And I think the newest thing is the acquisition of industrial buildings and converting them into residences, such as the old Botany building on Walnut Street, Walnut and 23rd, which is now called Riverloft, which now has 190 apartments, very interesting apartments, and a very interesting kind of thing. And this so-called Old Towne where I've been visiting lately, and I had a class in re-vitalization of Philadelphia...this is a new trend...it's been going on in a number of cities. New York is one, in the Soho district, Baltimore is doing this, Chicago to a degree, but in Boston, this has taken a great push forward, and in Seattle and a number of the older cities, where the old loft buildings are now being converted into residences.

(WMP: Is the business of education a major industry, you might say, in Philadelphia?)

Higher education, yes, but I think that public education is a disaster here in Philadelphia. Higher education, of course, is an enormous business. Someone once said, and I don't know whether this is still true, but some years ago the largest employer, non-government employer in Philadelphia, was the University of Pennsylvania with its 13,000 or 14,000 employees. And when you add up all of the other employees and per-
sonnel of the various universities, both in Philadelphia and around Philadelphia, higher education becomes an enormous source of both employment as well as an economic multiplier.

(WMP: Has anybody studied that and documented it?)

Yes, I think there was a study by the Federal Reserve Bank on this some years ago. In fact, I think Betty Duterman, Elizabeth Duterman, when she was the economist for the Federal Reserve Bank did a number of studies in this area, both in terms of research and development and also education. But when she left, I think a great deal of the economic programs that were studied for research by the Federal Reserve, sort of went by the board. They're not doing as much.

(WMP: Who's the chairman now?)

Eastburn. David Eastburn...who has done an enormous amount in an effort to coalesce this area also. He's a good person.

(WMP: He comes from Doylestown, doesn't he?)

That's right. And, at one point, if I remember correctly, was also the vice-president in charge of research for the Federal Reserve Bank.

(WMP: Well, you've got a lot to say.)

I would merely add here that the concern that I would have about the Philadelphia area, not only the Philadelphia area from a political point of view, but I think the Philadelphia area from an economic point of view...that the cost of doing business in this area is still so high that I think that it is economically advantageous for some firms to do business elsewhere. I think that Philadelphia continues to suffer from the inferiority complex that it has had for a number of years, vis-à-vis New York being athwart the New York-Washington axis. Philadelphia always has seemed to hide its light under a bushel, and as a result of this, has never, never really shone forth. I think that Philadelphia's business community really needs some stiffening of its moral fibre. I think that its political climate leaves something to be desired. Hopefully, that will change.

I think that Philadelphia finances are in a far more perilous condition than anyone is willing to admit.

(WMP: The city's finances.)

The city's finances. And we're going to have to face up to that very shortly. And if we don't face up to it, it means that we're merely hiding the facts.
And so far as public education is concerned, I think we have a real disaster. We are spending more and more and getting less and less. I don't know what the answer is, quite frankly, but I can feel from talking with others that anyone with any amount of sense would not send their children to public schools because they're not going to be taught anything. And I think this is a tragedy. And I think that part of it is the fact that the teachers are less concerned with teaching, more concerned with getting more money, the clientele is primarily black, Hispanic, and so they say, you know, "why do we have to worry about them?". The politicos don't feel the kinds of pressures to provide a good education for our children. And after all, our greatest resource in this community are our children because they are going to be the citizens and the residents of this area for the next 50 years. And if we don't teach them properly, if we don't train them properly, then we're going to have a chaotic situation as a result.

(WMP: Is the business community of Philadelphia aware of this problem you're touching on right now?)

I'm sure they're aware of it, but they don't care to do anything about it. I think that in many instances they recognize also that, you see, if they really had to do something then a number of them would have to be involved. I think the only thing that they've been involved in has been trying to maintain the shibboleth of a balanced budget...and in that way, avoiding the inevitable day of somebody's going to have to be concerned with the true meaning of what education is. I think that what we've got in Philadelphia is...and it may, by the way, be the same in every major community around the country. I don't know whether New York is any better or any worse than Philadelphia. But in any event, I think that since I'm here in Philadelphia, I'm concerned with Philadelphia; I'm not concerned with New York. And I think that if we were to do something about Philadelphia's education, that perhaps we might also be able to attract industry and jobs, or maintain those jobs here. But if we're not giving business the sense of security that we are going to have a new group of people who are going to come in and be available for making jobs, that all we're doing is turning out illiterates, and giving them diplomas, but if they can't do a functional job, then, you know, why stay in this area? Let's go some place where we can get people who can at least read and write and speak intelligently.

And I think that this is one of the concerns. I think that the cost of education has gone up and it may even go up more. But I wonder what we're getting for it. I think that one of the most important things that we can spend our money for is...
quite frankly, our young. And our young means the proper education of our young. That's our resource! That's our future! And if we're not banking on the future, we're just digging our own grave.

(WMP: What do you think about the civic bodies, like the Partnership now and the Economy League and so on. Philadelphia has at times been very strong in that regard.) I think the value of those organizations is exemplified by the type of leadership that you have in both the business community and the civic communities, and we've lost a lot of that and I think their value has been lost also. Plus the fact that the....

(WMP: Have they given up or what?)

Well, I don't think you have the leadership that's willing to supply the kind of support and drive for all of those groups, plus the fact that I don't think that I don't think that the politicos even listen to them or care to be involved with them, and therefore they're voices in the wilderness.

There was a time when the Greater Philadelphia Movement stood up and stamped its foot and the whole city shook! Now the Partnership stands up and shakes and they look around and they wonder whether anything happened. Or any other group; it's not the Partnership, or it's not the Economy League and it's not the educational....what's the name of the group that used to be in charge of...concerned with public education...they're all more or less moribund. And I think that also one of the big problems is that the business community isn't even supporting these groups financially. And that also is a concern.

I think that what has happened is that the business community has sort of pulled in its horns, and said "if we be very quiet, maybe no one will notice us".

(WMP: To what extent might the problem be that a lot of industry has gone out to the suburbs?)

That's part of it. But after all, we still have a large segment of industry that's left here. I think that perhaps the... ...I think that the most effective organization....when I say effective, I mean, that has accomplished something, has been the Philadelphia Industrial Development Corporation. The PIDC I think is indeed the most effective economic development group in the city.

(WMP: I'm glad to hear that.)
And I think they're doing an incredibly good job with little or no political shenanigans going on. They have a dedicated person in the form of Walter D'Alessio and if we didn't...

(WMP: And Andy Young, who's his chairman.)

That's right. But there they've always maintained a good sense of leadership. And you see, they've always had a good board of directors, a dedicated board of directors, and if we didn't have PIDC, I think this city would have been a true disaster.

(WMP: That's music to my ears because I organized the darn thing!)

I'm sorry I didn't mention this earlier, because I think that this is the only thing that really has done anything in this area from that point of view. You know, the Chamber of Commerce has worked mightily in this area, but it's in a different posture. SPEDCO has done some things, the Economy League has done some things...all of them...but I think that PIDC has been the implementer. And to me, the bottom line is what has actually been accomplished. And I think the fact that they have both maintained a large number of businesses, based on the innovative approach that was taken initially back...what, 1960, I guess it was...

(WMP: Yes, well, the idea grew, expanded. It was at the end of the Clark administration that we proposed this PIDC.)

Right. And I think that it's not only that which they've held, but also the numbers that they've been able to attract here...because I think that this has been important.

(WMP: Well, Bill, you've told us a lot here and we'll have it transcribed and send it to you and you can read it over, make little changes if you need to. And what you've said will end up in the Archives of Temple University.)

Fine. Thank you.