

THE POLITICS OF DISINVESTMENT AND DEVELOPMENT IN GARY, INDIANA

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Abstract

For the last half century the city of Gary, Indiana, has been devastated by continued disinvestment. In 2005, the state of Indiana formed a Regional Development Authority (RDA) to attract investment to Northwest Indiana. This paper analyzes the state's approach of fighting disinvestment with this development plan in light of Gary's particular history. It shows why such development is unlikely to translate into jobs for Gary's impoverished residents, and will potentially widen the economic inequality gap in the region.

For more than 50 years, the city of Gary, Indiana, has suffered the effects of extreme deindustrialization and disinvestment. These economic and political changes have left the city with few resources to meet the needs of its residents. In 2005, the state of Indiana attempted to address this problem of disinvestment and uneven development in the area by establishing the Regional Development Authority (RDA) to fund and direct infrastructure projects and catalyze economic development throughout Northwest Indiana.

The RDA, self-defined as “quasi-governmental,” is partially funded by the state as well as by the cities and counties in the region. It uses these funds to attract further federal, state, local, and private financial support. This approach has been successful at funding regional and local projects. But it is not free from “many dilemmas, conflicts, and contradictions regarding the links between space, capital, and power” (Gotham 2001, 3). In particular, while the RDA brings significant capital to the area, the state of Indiana has predetermined the priorities for spending and investment. Gary cannot propose alternative priorities. The RDA is then held accountable by the larger region and the state. The residents of Gary, and their needs, are left as marginalized players in the process of targeting investment. This essay explains why this model for economic development

has perpetuated the region's unequal distribution of resources and left Gary underserved.

A HISTORY OF DISINVESTMENT

Gary has always been subject to socio-spatial redefinitions. Founded as an industry town in 1906 by the world's first billion-dollar corporation, United States Steel, the city, named after its chairman Elbert Gary, drew many African-American workers from the southern states in the wake of World War I (Wacquant 2001, 101-102). As the number of blacks living in Gary steadily increased, they were confined to the downtown neighborhood of Midtown and prohibited from living elsewhere (Hurley 1995, 33). Racist housing laws and racial prejudice worked to keep down property values in Midtown since it was nearly impossible to get reasonable loans for housing. This practice was federally sanctioned by the Home Owners Loan Corporation program that, through a rating process of residential areas now referred to as redlining, systematically made diverse and older neighborhoods ineligible for housing loans, while incentivizing whites to move to new homogenous suburban developments (Jackson 1985). By the 1960s, declining domestic production and manufacturing led US Steel to downsize and it laid off much of its labor force. In just a few years, the city became predominantly African American. It elected one of the country's first black mayors, Richard Hatcher, who fought for integration through an open housing bill. But the effects of white flight, redlining by banks, and the further downsizing and outsourcing of industry, continued to isolate Gary's population.

Just south of Gary, the town of Merrillville was created by using state legislation to remove what had once been a protective, three-mile buffer zone mandated by Indiana law for all cities the size of Gary. With the buffer zone eliminated, Merrillville expanded right to Gary's border. White flight from Gary and continued growth and economic development allowed Merrillville to "cater to commercial interests, entertainment, tourists, and consumers," leaving adjacent areas "to languish in chronic disinvestment and decay"—Gary became "reserved for the homeless, the poor, minorities, and the urban underclass" (Gotham 2001, 3).

Politically, Gary's predominantly African-American population experienced what Wacquant (2001) calls a "double edged sociospatial formation" (103). This formation "operates as an instrument of *exclusion* from the standpoint of the dominant group; yet it also offers the subordinate group partial *protection* and a platform for succor and solidarity in the very movement whereby it sequesters it" (Wacquant 2001, 103). Indeed, as black isolation was forced onto Gary, separate,

autonomous ideas of community development came to the fore. The concentration of African Americans in the city allowed for black leaders to be elected democratically and for it to become central in the Black Nationalist movement, which held a national convention in Gary in 1972. However, national inflation and the severe recession of 1973 meant that Gary's new black leadership would not have access to adequate resources for managing the consequences of such extreme and sustained deindustrialization.

In 1979, the chairman of the US Federal Reserve Bank, Paul Volcker, brought forward "a policy designed to quell inflation no matter what the consequences might be for employment" (Harvey 2005, 23). Within the national trends away from manufacturing labor (which had previously generated wealth and more stable employment) and towards financialization (the redistribution or trading of wealth and unstable employment), US Steel changed its name to USX—with its chairman announcing, "The duty of management is to make money, not steel," (Harvey 1989, 158)—and Gary found itself with an ever-increasing need for new jobs.

With few jobs and a lack of federal and state investment to respond to the decline, Gary has been unable to meet the needs of its residents. Its socio-spatial definition became what Wacquant calls a *hyperghetto*: a space that emerges once a labor force is no longer needed and there remains only "the negative economic function of a storage of a surplus population devoid of market utility" (Wacquant 2001, 105). In such a space, vulnerability and insecurity can be easily commodified by offering predatory lending and unstable low-wage work (Harvey 2005).

Since development in Northwest Indiana has been so uneven, a regional approach does seem like an attractive strategy to reverse the history of local disinvestment from Gary to neighboring areas, ultimately allowing Gary to rebuild its economy from the demand side by providing for its residents' needs. However, in this process it would be imperative for Gary to maintain its autonomy in order to represent the best interests of its residents.

THE REGIONAL DEVELOPMENT AUTHORITY

The Regional Development Authority (RDA) was created to address the issue of disinvestment. It was established in 2005 by the state of Indiana (IC 36-7.5-2) as a:

quasi-governmental development entity entrusted to make public investment decisions within a regional framework for supporting catalytic infrastructure projects and inducing private sector investment. Its mission is to be a catalyst for transforming the economy and quality of life for Northwest Indiana. (RDA, 2012)

It was charged with addressing four regional infrastructure priorities: 1) The expansion of the Gary-Chicago International airport; 2) Redevelopment of the Lake Michigan shoreline; 3) Creation of a Regional Bus Authority; and 4) Extension of the South Shore Commuter Train Service (RDA 2012). The RDA raises funds and then awards grants to local projects aligned with these priorities.

The decision-making board of directors consists of a chairman appointed by the governor of Indiana, a vice-chairman nominated by a city in Porter County and appointed by the governor, and one member each appointed by the mayor of Gary, the mayor of East Chicago, and the mayor of Hammond (all of which are cities in Lake County). Lake and Porter counties each appoint a member to the board as well, through a joint decision of their executive and fiscal bodies, so that there are seven members serving on the board at a time. Each board member must have significant professional experience in air and rail transportation, regional economic development, or business and finance (IC 36-7.5-2-3c). The state legislation that established the RDA also set goals that 15% of the business enterprises involved in its projects be minority-owned and that 5% be women-owned (IC 36-7.5-2-8b).

The RDA is funded through annual dues (\$3.5 million) from Gary, Hammond, East Chicago, Lake County, and Porter County. The state also contributes \$10 million from the Major Moves Fund per year until 2015. The funds from Gary, Hammond, East Chicago, and Lake County come from their casinos, while Porter County's contribution comes from a portion of the County Economic Development Income Tax (CEDIT).

The RDA's spending in Gary from 2006 and projected spending through 2013 included \$50,264,727 for the airport, where initiatives included runway extension and railroad relocation, as well as developing comprehensive business, strategic, and land-use plans. Over the entire region, the authority has committed \$104,537,364 to shoreline development, including over \$28 million to a project beautifying Gary's lakefront and renovating a pavilion.

The primary strength of the RDA is that it reverses the history of disinvestment in Northwest Indiana by leveraging its local and state funds to draw federal and private investment to the area. For example, the RDA's economic development fund, created in 2011, spent \$4 million to encourage the Canadian National Railway Company to expand a maintenance facility in Gary, potentially leading to the creation of 250 new jobs in the city by 2015 (RDA 2012). The authority also creates jobs by driving its infrastructure projects through local employment, and encourages its grantees to hire employees from minority- and women-owned businesses by providing a database of such businesses and setting goals.

The RDA's transparency gives the public and community-based organizations grounds from which to criticize its decisions and hold the RDA accountable. In its 2011 annual report, the RDA also measures its projects' potential impacts on quality of life indicators through a report card. By reporting on their lack of impact in quality of life indicators like education (graded C-) and health (D+) their report documents a serious need for efforts in crucial areas external to the priorities mandated in the creation of the RDA.

The RDA's emphasis on the shoreline's parks and regional environmental protection provides Gary with the funds to preserve some of its assets and create a healthier environment for its residents. While encouraging the raising of property values along the lake may help Gary bring in (property) tax revenue to help fund public services, these benefits will most likely be unevenly distributed to the city's residents (e.g., the public school system is being rapidly broken up into charter schools with unequal access to resources).

Unfortunately, the RDA development model relies on the assumption that local investment leads to local job creation. It denies Gary's officials the autonomy to set the governing priorities they have been elected to implement. The city's lakefront and a Gary-Chicago airport could be attractive investments if the city could afford to prepare them as such. But these projects seem destined to merely provide opportunities for those with economic power to profit off of Gary's poverty and associated low property values, leaving those without economic power excluded and pushed aside. The overall approach, despite the rhetoric of job creation, makes it more likely that these development projects will provide an opportunity for the region's more affluent to draw profits out of Gary's public assets than they will provide stable employment for the city's poor.

While the RDA commits its contractors to hiring a certain, albeit small, percentage of minority- and women-owned businesses in their projects, the Northwest Indiana Federation of Interfaith Organizations has used the RDA's own statistics to show that "81 percent of man hours presently paid have gone to workers who don't live in Lake and Porter counties" (Rast 2012). They further raised the point that minority- and women-owned businesses do not necessarily hire minority and women laborers. The Federation, similar to Chicago community-based organizations that pushed Mayor Daley to incorporate more progressive policies (Rast 2001), has recently challenged the RDA to adopt a Regional Community Agreement, stipulating that 30% of man hours on their projects "be paid to people from the most economically distressed zip codes in Lake and Porter County" (Rast 2012). The RDA's response to this request will be telling in demonstrating its priorities.

Regardless of such changes, the structure of the authority is built on unequal dues and representation. Although Gary and East Chicago each make significant contributions to the RDA's budget, the smaller, whiter, and wealthier Porter County is overrepresented on the Board of Directors, which makes the RDA's investment decisions. The chairman of the board, appointed by the governor, is from neighboring LaPorte County and the vice-chairman of the board, also appointed by the governor, is from Porter County. When the RDA created a regional bus system and the extension of the commuter train service to improve transportation from the region to jobs in Chicago, Gary did not benefit—the bus system bypasses the city and the train has served Gary prior to the RDA's existence (RDA 2012, 11). At the same time, Gary is now in debt to the RDA, it already owed \$6.9 million as of December 2011 (RDA 2012, 16). This might lead to some of the city's remaining assets ultimately susceptible to acquisition by the RDA.

CONCLUSION

While regional approaches to development have the potential to help poor cities meet their residents' needs and improve their quality of life, the RDA denies Gary autonomy, leading to a neglect of the city's public education system, as well as other essential and social services in favor of projects preferred by the region's more affluent residents. The national shift from stable manufacturing jobs to the era of financialization and what David Harvey (2005) calls "flexible accumulation"—where company profits come less and less from production—means that attracting capital to the area is unlikely to translate into secure jobs for Gary's impoverished residents, whose surplus labor and vulnerability continue to be stored in the hyperghetto. Due to this transformation in the city's political economy, the RDA's current approach towards investment will not be a sufficient means to bring back the jobs that were lost through five decades of disinvestment and has the potential to further widen the economic inequality gap in the region as opposed to strengthening the middle class.

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