

by Scott P. Richert

A Third Way

The American love of free enterprise has been one of this country's greatest blessings. The same, however, cannot be said unequivocally of the economic individualism that we too often assume is an indispensable part of the free-enterprise system. The fundamental fallacy of that assumption should be obvious: Every economic transaction, by definition, requires more than one actor. Ideally (as libertarians never cease to remind us), every party to an economic transaction should benefit from it. Realistically (as both experience and the tradition of Catholic social teaching makes clear), it's often the case that some benefit more than others or even at the expense of others, and economic individualism (which an older tradition might have called avarice) is the primary culprit. After all, if we all agree that the main concern of an economic actor should be to maximize his own profit, and he sees a way to do so by, say, exploiting the ignorance of his trading partner, what possible objection can we raise?

Too much of the debate over free trade and the survival of American manufacturing has taken place in these terms. In reality, American manufacturers are not a monolith. Large manufacturers—particularly multinational, publicly held corporations—often have economic interests that are very different from those of small, local, family-owned companies. With the massive resources at their disposal, they have pursued those interests well—at least in terms of economic individualism—by lobbying for free-trade agreements, changes in the tax code, and other legislation that has made it easier to relocate factories south of the border and overseas and to outsource higher-paying jobs.

Most small manufacturers, however, could not take advantage of those “opportunities” even if they wanted to (and many, because of their political and cultural views, would not want to), nor do they individually have the resources to lobby against the measures proposed by multinational corporations. Collectively, they might be able to mount some resistance—but here, again, our stubborn national embrace of economic individualism leads many to view their fellow small

manufacturers always through the lens of competition, without realizing that, in doing so, they may be cutting their own throats.

It may not always be true that what's good for my neighbor is good for me, but it's a possibility that we should constantly consider. And the current crisis in manufacturing—or, more accurately, the current crisis in small manufacturing—is a case in point.

Last November, in “Revitalizing Rockford,” I wrote that

Even today, as manufacturing in Rockford begins to rise back up out of the recent economic downturn, 23 percent of Rockfordians are employed in manufacturing. Another 23 percent hold jobs that are dependent upon local manufacturers. In other words, the economic fate of almost half of the population of Rockford is tied to manufacturing.

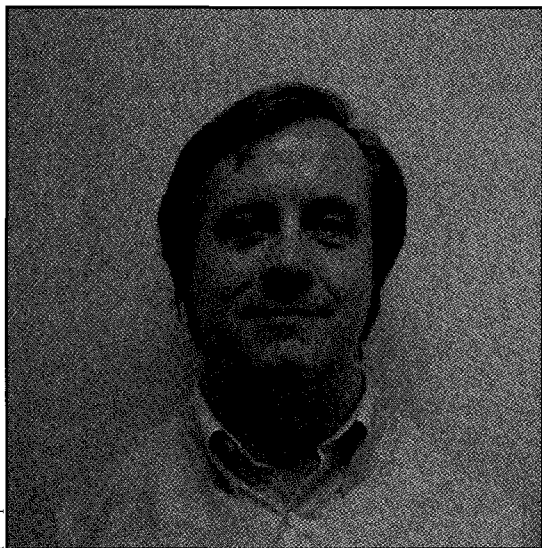
For those of us outside of manufacturing, those statistics should be evidence enough that, in general, what's good for our neighbors who are small manufacturers is good for the rest of us. But what about two local small manufacturers who are competing for the same types of contracts? If Company A cannot, for whatever reason, accept a certain contract, should he let the customer go to a different company outside of the region, or is he better off recommending that the customer consider giving the contract to local Company B?

If you accept the idea of economic individualism, the answer is not necessarily obvious, but John Oller, the executive director and CEO of the Manufacturers' Alliance of the Rock River Valley (MARRV), is trying to convince local small manufacturers that cooperation can work to the benefit of both Company B and Company A—and he's increasingly succeeding. By keeping contracts—and jobs—in the area, Rockford as a whole becomes a more attractive manufacturing destination for outside customers, and the economic opportunities increase for everyone here. As I've noted before, this sounds



like an idea straight out of a Frank Capra movie; more importantly, though, it's an implicit acknowledgment that there are things in life that are more important than your own economic bottom line. And it's a revival of an older ethic that used to characterize the actions of small manufacturers: the recognition that doing good for its own sake is likely to benefit you—even economically—in the long run.

MARRV got its start two years ago, inspired, in part, by a speech that Tino Oldani, the new CEO of the revived Ingersoll Milling Machine Company, gave at the Rockford Area Chamber of Commerce's Manufacturers Appreciation Dinner. Oldani is a native of northern Italy, but he sounded like a true Rockford patriot. Under his leadership, he pledged, Ingersoll will concentrate on those things that it can do well; when it has to go outside of the company for parts or to fulfill a contract, it will turn first to other manufacturers in Rockford before looking outside of the city. (Significantly, he didn't mention price as a factor in this decision, leaving the impression that giving business to fellow Rockfordians was more important than finding the lowest price.) He decried the current corporate obsession with short-term profits and urged Rockford's small manufacturers to take advantage of large corporations' interest in outsourcing to bring jobs to Rockford, rather than letting them go to Mexico or China. He spoke bluntly about the challenges facing manufacturing in Rockford—a poor educational system, with career advisors who tell students that manufacturing is a “risky” field; local banks that will happily lend money for mortgages and car loans but refuse even to consider capital loans to manufacturers—but he also discussed Rockford's strengths, which include one of the highest concentrations of small manufacturers in the country. (In 2004,



John Oller, executive director of MARRV.

there were 951 manufacturers inside the city limits of Rockford. That's about one manufacturer for every 40 acres.)

This concentration represents the best hope for Rockford's economic future, and Oldani encouraged local manufacturers to emulate a common Italian business practice by creating a Rockford-area manufacturers consortium, which, to the outside world, would function as a single company for the purpose of bidding on contracts. While, in his vision, Oldani saw no need for a separate organization, U.S. law governing business is, as John Oller points out, more restrictive than European law. While national politicians and multinational corporations focus on free trade beyond our borders, the freedom for small manufacturers to adopt creative business measures inside the United States is heavily curtailed.

Thus the need for MARRV, a separate nonprofit organization that can fulfill many of the functions of a manufacturing consortium by coordinating the efforts of local manufacturers, both members and nonmembers, and providing a single point of contact for customers interested in sending contracts to the Rockford area. Funded initially through \$350,000 in grants from federal and local governments, MARRV hit the ground running last August with the hiring of Oller, an engineer by training who has experience in management as well.

The most immediate problem that Oller faced was a change for the better in the regional economy. As Theresa Beach-Shelow, chairman of the board of MARRV and one of the chief forces behind its creation, points out, "MARRV

was conceived in a recession, but born in a recovery." Local manufacturers who had been struggling to make ends meet suddenly found themselves with enough work to keep them busy, which made it harder for them to see an immediate need for the organization. When Oller was hired, MARRV had 40 members (each of whom pays a nominal fee of \$500 per year); today, it has 63—a slower rate of growth than Oller had desired. In two years, he hopes to have 300 members.

On the other hand, the recovery has helped Oller drive home another point: MARRV isn't simply about bringing contracts to the Rockford area; it's about helping local manufacturers find local sources for their own needs, to the benefit of the local economy. "Everyone is so busy that they don't know who their neighbors are," Oller says. MARRV is "helping the region refind itself."

While customers from outside the region are often unaware of the capabilities of local manufacturers, local manufacturers themselves sometimes do not know that they have neighbors (literally, in some cases) who can fill contracts that they have previously sent out of state. "There's a lot more capability here than anyone realizes," Oller says. "You just have to find it." To that end, the organization is in the process of compiling a database of all manufacturers in the four counties surrounding Rockford—some-where over 1,300 companies. Eventually, the database will include detailed information on each company's capabilities, so that customers can approach MARRV with projects that no single manufacturer in the area may be able to complete, and MARRV can put together a bid on the project by bringing together the appropriate mix of local companies.

So far, MARRV has quoted 122 projects, of which 26 are still open. Of the rest, MARRV has won 49 and lost 47. The value of the projects is lopsided in the other direction: The total value of projects won is \$69,030; of projects lost, \$3.5 million. The figures, however, mask an important trend: MARRV has been winning an increasing number of projects (indeed, in July, MARRV quoted ten projects and won them all) and, in so doing, is proving the viability of the concept to outside customers, who then give MARRV the opportunity to quote larger projects. Just as importantly, these successes pique the interest of local manufacturers. (It took six months for MARRV to get a contract from Oldani's Ingersoll, but Ingersoll now

plans to send more MARRV's way.)

MARRV does not require a company to be a member in order to get a piece of the action. If a project comes in and a nonmember manufacturer is suited for the job, MARRV approaches the company, and, "if they win, we ask them to join." In that sense, MARRV may have advantages that a for-profit manufacturing consortium would not. And it may represent a greater opportunity to transform the local economy. There's no practical reason why every one of those 1,300-plus local manufacturers could not be a member of MARRV. And the model being established by MARRV could be replicated in similar regions around the country.

Oller is realistic about the long-term prospects for American manufacturing. Companies that aren't willing to transform to meet current needs are at risk, and those who haven't invested gradually in new equipment are going to find it very hard to be able to afford to update all at once. Because of that, a current start-up may have an easier row to hoe than a century-old company that has put off capital improvement just to survive. But MARRV can help there, too, through training programs and by directing appropriate work to manufacturers with older equipment in order to give them a chance to modernize. In that sense, MARRV can function like a large-scale version of a family business, dividing responsibilities among members according to their abilities while helping them all to get ahead.

Time and again, Oller draws back from the kinds of economic "truisms" that Wall Street and Washington take for granted. "Big company rules and tools just don't work for small companies," he argues. "Lower cost isn't always the answer; a lot of times, it's the value. A lot of our shops have adjusted from higher volume to custom shops" that provide expertise which simply cannot be found in low-wage foreign markets. That requires workers who have a solid education, and MARRV has been working with the Rockford School District and local colleges and universities to get students interested once again in the opportunities that skilled manufacturing provides.

Ultimately, the survival of American manufacturing will depend on more than economics. "We're changing the culture in a region," Oller says. "That's no easy task."

Indeed. If the progress that has been made in its first year is any indication, however, MARRV is up to the challenge. ◀

Letter From Texas

by Wayne Allensworth

A Broad Path to Destruction

Public and private interests are joining forces to build a massive transportation "corridor" through the middle of Texas—threatening property rights, wildlife, and the historic landscape of the Lone Star State. The Trans-Texas Corridor (TTC) would be the initial U.S. portion of a complex of highways and rail lines from the interior of Mexico to the Great White North that would eventually cut a huge path through the Plains states and Upper Midwest before following on to cities in Canada.

While Texas officials were beginning to plan and choose routes for the TTC project, Evan Moore of the *Bosque County News* wrote that "two powerful if little known groups" are watching "from afar": the Security and Prosperity Partnership of North America (headed by President George W. Bush, Mexico's outgoing president Vicente Fox, and Canadian Prime Minister Stephen Harper) and something called the North American Super-Corridor Coalition (NASCO). Alongside these groups stand the North Central Texas Council of Governments and Ross Perot, Jr.'s Alliance Airport, a North Texas inland port. As Mr. Moore noted, these powerful interest groups are not playing a public role in the development of the TTC, but their influence will be significant nonetheless.

As planned by the Texas Department of Transportation (TDOT), the TTC will be routed roughly parallel to I-35, with a branch line through East Texas. The TTC-35 route would be some 1,200 feet wide, including a toll road to be built and leased by a Spanish firm, Cintra-Zachry (which currently operates the Indiana Toll Road and Chicago's Skyway). The corridor would be a network of highways, railways, and utility right of ways, with separate lanes for passenger vehicles and trucks. The TTC would have six rail lines, including lines for passenger and freight transportation. It would include a 200-foot-wide utility zone.

In April, TDOT released a map of a "narrowed" area ten-miles wide, revealing the parameters of a TTC development zone, which may be targeted for condemnation by the state. The state would then lease the land to Cintra, as well as to other private developers, who have piled on contributions to key political figures, including Texas Gov. Rick Perry. According to anti-TTC groups, possible corridor paths include over 1.5 million acres of farm and ranch land; one million residents; three aquifers; 8,000 acres of park land; and more than 100 acres of historic sites.

The plans for the TTC and the connections among the interest groups behind it and the politicians backing it have been obscured from public view. The private interests who would profit from this massive boondoggle have produced "studies" allegedly showing the need for the "supercorridor." As information about the plans has seeped out, however, public resistance is mounting.

In July, TDOT began holding hearings across Central Texas on the TTC plans, and TDOT officials were greeted by an angry public. As of July, 30 counties, 12 cities, 8 utilities organizations, and 4 school districts have passed resolutions condemning the TTC, according to the Blackland Coalition, a group dedicated to combating the supercorridor. One of the proposed TTC routes would destroy about 5,800 acres in Bosque County alone. County Judge Cole Word told the *Clifton Record*, "Our court represents probably close to five hundred years of family values in this county . . . You have the Smiths and the Words and the Schmidts and the Koonsmans," whose families have been in Bosque County since the 1800's. "This is who we are," explained the judge, "[and] where we're from. We've stayed here to raise our families just like our predecessors, and we want to continue that."

According to Judge Word, an "alternative" TTC route would enter Bosque County on the path of the old Chisholm Trail, obliterating a piece of Texan—and American—folklore as vital as the Alamo. The Texas Farm Bureau opposes the TTC, and TFB Secretary-Treasurer Albert Thompson has noted that the TTC would devastate rural communities, endanger wildlife, and consume 146 acres

of Texas land for every road mile.

What is at stake, however, is even larger than that. Jerome Corsi, writing in *Human Events*, has connected the dots. Corsi has dubbed the supercorridor a "NAFTA Super Highway" that will be an important part of a larger plan to integrate the United States with Mexico and Canada into a North American Union. He argues that the transportation system will help to move goods produced in the Far East to the American heartland and on to Canada. To make this a reality, U.S. border posts must be "reduced to an electronic speed bump" for the Mexican trucks delivering the goods. The Bush administration cannot secure the borders if it is trying to "create express lanes for Mexican trucks to bring containers with cheap Far East goods into the heart of the U.S."

Which brings us back to the Security and Prosperity Partnership of North America (SPP). Following the SPP's creation in March 2005, the Council on Foreign Relations released a set of recommendations made by an "independent" task force on further development of the SPP, including

the creation by 2010 of a North American community to enhance security, prosperity, and opportunity. We propose a community based on the principle affirmed in the March 2005 Joint Statement of the three leaders that "our security and prosperity are mutually dependent and complementary." Its boundaries will be defined by a common external tariff and an outer security perimeter within which the movement of people, products, and capital will be legal, orderly and safe. Its goal will be to guarantee a free, secure, just, and prosperous North America.

The statement elaborated on the open-borders aspect of the plan:

The three governments should commit themselves to the long-term goal of dramatically diminishing the need for the current intensity of the governments' physical control of cross-border traffic, travel, and trade within North