

Race and the Mobility of Capital and Labor in Gary, Indiana

The history of Gary, Indiana testifies to the awesome power of industrial capitalism to create and destroy spatial and social formations. Founded by U.S. Steel in 1906 to house workers for the newly completed Gary Works, the world's largest steel mill at the time, the creation of a modern city out of uninhabited swamps and shifting dunes was a feat that contemporary observers declared, "must be regarded as something very close to magic."<sup>1</sup> Yet in a rejection of the industrial utopianism/paternalism that characterized capitalist attempts to build virtuous but acquiescent working class communities in company towns like Pullman, U.S. Steel never meant for Gary to be anything but a pool of disposable laborers. The ways in which the company shaped the growth of Gary, by building segregated housing for skilled and unskilled employees and using the Grand Calumet as a barrier between Gary and Gary Works, all served to protect the plant and undermine labor solidarity in the case of conflict between U.S. Steel and their workforce. Gary was built to serve the needs of the steel industry, so when U.S. Steel's need for unskilled labor declined amidst the deindustrialization of the 1970s and 80s Gary's economy fell into crisis. To industrial capital Gary was a temporary and disposable formation, built to serve U.S. Steel's immediate needs and then allowed to decay once it was no longer needed.

This project uses the decline of Gary to show that the inclusion of service sector development within the history of deindustrialization is essential to explaining the racial and economic inequalities present in the post-industrial era. The racial disparities in access to and success within the newly emerging service sector are obscured by a historiography of

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<sup>1</sup> S. Paul O'Hara, *Gary, the Most American of All American Cities* (Bloomington: Indiana University Press, 2011), 1.

deindustrialization that regards the transition from industrial to service sector employment as uniformly catastrophic. I argue that an understanding of the decline of Gary's steel industry as produced by factors that are usually considered positive and normal developments within capitalism (i.e. productivity gains), allows us to move past the fixation of deindustrialization historiography on the question of how industry might have been preserved. Once we are able to fully engage with the service sector the ways in which racism shaped its development and prevented African Americans from adapting to the fundamental economic shift its growth represents becomes apparent. The election of black activist Richard Hatcher as mayor of Gary in 1968, and the subsequent intervention by the state government of Indiana which allowed the lily-white suburb of Merrillville to incorporate as a separate township, makes utterly explicit the association of urban spaces with blackness and suburban spaces with whiteness that occurred nationally in the postwar period. A history of residential segregation in the Gary area demonstrates how racism produced differences in the spatial mobility of Gary's white and black populations, that prevented blacks from moving to areas in which the emerging service sector was concentrated.

I argue that by studying the structures produced by deindustrialization and not just those destroyed by it, as well as the ways in which different populations were able to adapt to those changes, we are confronted with the importance of mobility to survival within the changing structures of capitalism. Racism in Northwest Indiana and throughout the country, produced inequality by restricting African American spatial mobility.

## The Historiography of Deindustrialization

The term deindustrialization as it is used today, and the historiography that surrounds it emerged in response to the plant closings and of the 1970s and the subsequent decline in working class living standards. The process of deindustrialization itself was not without precedent in American history. New England had experienced the decline and relocation of the textile industry in the 1920s.<sup>2</sup> What was novel about the deindustrialization that began in the 1970s was the movement of industry out of, rather than within, the United States, and the middle class standard of living manufacturing employment provided for the working class. Because manufacturing decline threatened the existence of the expanded middle class, the task of scholars writing about deindustrialization was not only to explain why it occurred, but also how it might have been avoided. In some ways, this secondary purpose causes the existing historiography to portray deindustrialization as underdetermined, i.e. caused by a single factor that is relatively easy to change. The historical literature largely treats deindustrialization as the product, capital mobility, and suggests that the decline in manufacturing employment could have been averted if only the ways in which capital moved had been more strictly limited or more strategically manipulated

The focus on capital mobility as the explanation for capital mobility originates in Barry Bluestone and Bennet Harrison's *The Deindustrialization of America*. Written during the reign of Reaganomics in response to authors who Bluestone and Harrison believe are blaming the victim

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<sup>2</sup> David Koistinen, "Dealing with Deindustrialization: Economics, Politics, and Policy During the Decline of the New England Textile Industry, 1920-1960," *The Journal of Economic History* 60.2 (2000) 501-4. <http://www.jstor.org/stable/2566382>.

by attributing deindustrialization to the “selfishness, impecunity, or just plain lack of motivation of American workers (or to the incompetence of their elected governments),” *The deindustrialization of America* foregrounds the role of capital.<sup>3</sup> Bluestone and Harrison Define deindustrialization in terms of the movement of capital as a “widespread systematic disinvestment in the nation’s basic productive capacity.”<sup>4</sup> They argue this divestment represents a fundamental restructuring of the economy that differs dramatically from the “creative destruction” endemic to capitalist economies that their contemporaries insisted was responsible for industrial decline.<sup>5</sup> With an enthusiasm for quantification that has gone out of style Bluestone and Harrison detail the shifting trends in investment and the devastating impact of the resulting plant closings on workers and communities.

Bluestone and Harrison argue that this divestment is primarily a means by which the managerial class disciplines labor. Plant closings and capital flight, provided management with the means to regain control over labor after the success of unionism in the post-war period, by simply relocating plants to countries or states that were “business friendly” (i.e. had anti-union labor laws) or merely threatening to move until labor accommodated managements demands. Deindustrialization enabled by capital mobility is therefore a product of the managerial class’s willingness to sacrifice workers and their communities in order to maintain the historic profits to which investors have become accustomed. This argument in many ways remains the foundation of the deindustrialization historiography, and has primarily been expanded upon rather than challenged.<sup>6</sup>

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<sup>3</sup> Barry Bluestone and Bennett Harrison, *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry*. (New York: Basic Books, 1982), 111.

<sup>4</sup> Bluestone and Harrison, *The Deindustrialization of America*, 6.

<sup>5</sup> Bluestone and Harrison, *The Deindustrialization of America*, 12.

<sup>6</sup> *Ibid*, 15-19.

The growth of academic interest in deindustrialization during the 1980s coincides with the period in which capital flight began to affect the most visible and privileged industrial laborers, white male steel and autoworkers. Once the use of capital mobility to discipline labor became a subject of study historians found that African American and women workers had experienced deindustrialization well before the 1970s. Jefferson Cowie argues in *Capital Moves: RCA's Seventy-Year Quest for Cheap Labor* that the Radio Corporation of America used capital flight to discipline its primarily female electronics assembly workers as far back as the 1930s. While Bluestone and Harrison admit that capital flight has long been considered a desirable tactic by management, they believe that only in recent decades has it become a “necessary strategy, and from a technological perspective, a *feasible* one.”<sup>7</sup> Cowie challenges this by tracing the movement of RCA's plant from Camden, New Jersey in the 1920s to Bloomington, Indiana in the 1930s, then briefly to Memphis in 1965, before relocating across the Mexican border in 1968. Cowie argues that the use of mobility as a means to control labor in the 1970s represents continuity with past management strategies, not a decisive break enabled by new technologies.<sup>8</sup>

Thomas Sugrue also challenges the timing of deindustrialization in his award-winning *Origins of the Urban Crisis*. Sugrue discusses the intersection of capital flight and residential segregation in Detroit in postwar Detroit. The relocation of industry from urban areas to the suburbs and rural communities in Detroit during the 1960s deprived the city's African American community of access to steady high-wage employment. Industrial employment did not have to flee the state for it to become inaccessible to African Americans. Residential segregation spatially excluded African Americans from industrial employment because they lacked affordable or public transport to, and were barred by redlining and racial covenants from

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<sup>7</sup> Bluestone and Harrison, *The Deindustrialization of America*, 16.

<sup>8</sup> Jefferson Cowie, *Capital Moves: RCA's Seventy-Year Quest for Cheap Labor* (New York: New Press, 2001), 186.

purchasing homes in, the suburban and rural communities where capital relocated. African Americans in Detroit therefore effectively experienced capital flight and deindustrialization well before the movement of capital out of the country began to afflict white workers.<sup>9</sup> Sugrue and Cowie expand the timeline of deindustrialization and embrace Bluestone and Harrison's claim that divestment from basic industry was a product of management strategies that used capital flight as a means to discipline labor.

Judith Stein argues we should take seriously the role of government in enabling and incentivizing deindustrialization through trade and monetary policy. Bluestone and Harrison briefly discuss tax policy as a causal factor but it remains peripheral in their work. In, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies*, Stein emphasizes the centrality of Cold-War diplomacy in forming the economic policies that incentivized divestment from domestic manufacturing. In Stein's account, American politicians prioritized the maintenance of Cold War alliances over the domestic economic interests of the United States. The dollar was consistently overvalued to fulfill the diplomatic objective of cementing its position as a global reserve currency, despite the fact that it made American products less competitive on the global market and encouraged American consumers to import.<sup>10</sup> The United States allowed Europe and Japan to rebuild their industry behind protective economic policies without employing similar means to shelter its own domestic economy.<sup>11</sup> American producers suffered as unfair trade allowed foreign manufacturers to sell goods at below cost prices in

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<sup>9</sup>Thomas J. Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, New Jersey: Princeton University Press, 2005), 125-152.

<sup>10</sup> Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (London:Yale University Press, 2010), 46-48

<sup>11</sup> Judith Stein, *Pivotal Decade*, 173-5

American markets, subsidized by the exorbitant prices they were able to charge in their own protected domestic market.<sup>12</sup>

Stein explains the divestment from domestic manufacturing as a rational response to government trade and tax policy. American companies divested from domestic industry and invested in foreign manufacturing, because trade policy did not protect internal markets, tax policy reduced the incentive to invest in manufacturing equipment, and producing within other countries gave them access to otherwise protected markets. Stein does not challenge the centrality of divestment in the decline in manufacturing employment advanced by Bluestone and Harrison, but she explains the direction capital moved as a result of conditions created by federal trade and tax policies rather than managements desire to discipline labor.

The animating purpose of deindustrialization literature, either explicitly stated or implicit in the text, is to explain how deindustrialization could have been avoided. Bluestone and Harrison dedicate the end of their book to arguing for a process of reindustrialization and Stein discusses the need for industrial policy and better enforcement of trade law. Yet in order to imagine a counter-factual history in which deindustrialization did not take place, or a future in which America reindustrializes, the changes to the economy and political system required to avoid deindustrialization must be small. In this way the crisis that creates the deindustrialization literature encourages a history in which industrial decline is underdetermined, caused almost entirely by divestment and capital flight motivated either by pernicious class warfare or rational response to government policy. I would argue that the decline of the Steel industry, and the decline of the integrated mill model of steel production around which the city of Gary was constructed, was overdetermined. A vast array of factors, foremost among them technological

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<sup>12</sup> *Ibid* 186

advances which produced more efficient and environmentally friendly methods of steel production and the declining demand for steel, produced the dramatic decline in steel industry employment. The prevention of capital flight, better investment decisions on the part of management, and a protective trade policy might have reduced some of the decline steel industry employment, but the same forces which make capitalism so dynamic and productive account for the majority of job loss.

### **The Steel Industry in Crisis**

The decline and subsequent restructuring of the American steel industry is essential to understanding Gary's economic upheaval during the 1980s. The American steel industry's inability to compete globally was a product of high wages and low productivity created by mismanagement, inefficient work rules, and the failure to invest in modernization. However, the loss of steel jobs is also attributable to the development of new technologies that improved productivity and changed the location of Steel production, as well as changing patterns of material use that caused an overall decline in Steel demand

In the 1970s the steel industry was thrown into crisis, as global excess capacity for steel production, caused steel prices to drop dramatically. American steel companies were partially, though not solely, responsible for overcapacity, as they had consistently overestimated the demand for steel. Fooled by the boom-bust nature of the steel industry, which concealed larger trends in demand, industry leaders believed that the steel industry was a permanent and constantly growing feature of the American economy.<sup>13</sup> American steel executives frequently worked to expand capacity and lobbied for government assistance to do so. Steel company presidents were not alone in making this mistake; steel economist William T. Hogan and the

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<sup>13</sup> A.S. Firoz, "Steel Industry in Turmoil: Structural Crisis of the 1990's" *Economic and Political Weekly* 38 (2003): 1504.



American Iron and Steel Institute predicted that the domestic demand for steel in the 1980s would be between 170 and 190 million tons. In 1985 the actual demand for steel was 100 million tons, only 85 million of which were produced domestically.<sup>14</sup>

Neither economists nor industry leaders foresaw that steel would face stiff competition from other materials in the domestic market. In response to the energy crisis of the 1970s the auto industry sought to produce lighter and more fuel efficient cars by substituting aluminum and plastic for heavy steel. From 1976 to 1986 the amount of steel used by U.S. auto manufacturers dropped from 23 million tons to 12 million tons.<sup>15</sup> Demand for steel further declined with the increasing use of reinforced concrete in construction and cheap plastics in the manufacture of appliances. In addition, the development of lighter and stronger types of steel decreased demand globally and the declining share of GDP taken up by durable goods manufacturing decreased demand within the United States.<sup>16</sup> American steel manufacturers set themselves up to be uncompetitive by failing to anticipate the decrease in demand and focusing on expansion of capacity rather than increasing efficiency and rationalizing production in the 1970s.

The problem of domestic overcapacity was exacerbated by global overcapacity, as a similar overinvestment in steel had taken place in Japan and Europe. The global steel industry would have to shed capacity by closing plants and laying off workers. The crucial question was which countries would have to suffer the job losses and unemployment resulting from this process. As prices declined, the American steel industry bore the burden of capacity reduction

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<sup>14</sup> John P. Hoerr, *And the Wolf Finally Came: The Decline of the American Steel Industry*, (Pittsburgh: University of Pittsburgh Press, 1988), 99-100.

<sup>15</sup> Hoerr, *And the Wolf Finally Came*, 101.

<sup>16</sup> Robert P. Rogers, *An Economic History of the American Steel Industry* (London and New York: Taylor & Francis Group, 2009), 150.

because it was unable to match the low prices of foreign steel producers due to a combination of high wages and obsolete technology.

American steel producers had been slow to adopt the two major technological breakthroughs in steel production in the post war period, the basic oxygen furnace (BOF) and the continuous caster. Combined, these technologies offered such an enormous advantage that economists have argued the American steel industry should have immediately replaced all open-hearth facilities with basic oxygen furnaces and continuous casting as soon as the technology was available. Though American producers would eventually modernize their facilities, with 12.2% of capacity utilizing the BOF and 3.8% continuously cast in 1968 increasing to 80% and 12% respectively by 1980, they still lagged behind the Japanese steel industry. By 1980 Japanese companies produced all of their steel using the BOF process, and continuously cast 37% of their output.<sup>17</sup>

Though American industry was uncompetitive globally, trade policy also played a significant role in forcing American steel to bear the burden of global over-capacity. Japan and Europe acted to protect their own steel industries by forcing American markets to absorb their excess production. In order to keep unemployment low, and capacity utilization high, they charged high prices for steel in their protected domestic markets while selling it at cost in America. This produced strange pricing schemes in which the cost of Japanese steel in Japan was higher than the price of Japanese steel in the United States. The American government was slow to respond to these unfair trade practices, waiting until 1977 to implement a “trigger price” effectively creating a price floor in steel, though steel companies still vigorously protested its

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<sup>17</sup> Sharon Oster, “The Diffusion of Innovation Among Steel Firms: The Basic Oxygen Furnace” *The Bell Journal of Economics* 13.1 (1982): 46.

underuse and sued foreign steel producers.<sup>18</sup> The American Steel Industry was therefore forced to bear the consequences of both domestic and global overcapacity because of its own failures to invest in more productive technology, but also because it did not benefit from the same protected market that the steel industries of Japan and Europe enjoyed.

At the same time the American steel industry was bearing the brunt of global overcapacity, it was also undergoing a transformation in the technologies and structures used in steel production. Traditional steel manufacturing relied on integrated plants, single factories that performed all the steps necessary to turn coke and iron ore, usually produced in mines owned by the same company, into steel. During the 1970s a new type of steel mill, called the “mini-mill,” took a large share of the market for specific steel products and became considerably more profitable than the integrated mills.

Instead of performing the complete process of producing steel from iron ore, mini-mills used electric arc furnaces to melt down scrap steel in order to produce low-grade steel products. The use of scrap steel and the newly developed method of continuous casting, a technology that was cheaper to install in the newly built “greenfield” mini-mills, than the pre-existing mills, gave mini-mills a substantial advantage over integrated plants in both the cost of raw materials and productivity. Furthermore, traditional integrated plants required the transportation of vast quantities of coal and ore. The mini-mill required only scrap steel, meaning it could be built in regions where the necessary transportation infrastructure for an integrated mill did not exist. While the large open hearth furnaces of integrated plants made it particularly expensive to close and reopen them in response to fluctuations in demand, electric arc furnaces enabled mini-mills to inexpensively stop and start production.<sup>19</sup> This flexibility in location and capacity usage

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<sup>18</sup> Judith Stein, *Pivotal Decade*, 101.

<sup>19</sup> Firoz, “Steel Industry in Turmoil,” 1496.

allowed mini-mills to minimize transportation costs by building very close to the smaller regional markets they served. Furthermore mini-mills in the South and Southwest had lower labor costs than integrated mills because the business friendly political environment of those states, which combined with small plant size and minimal work stoppage costs made it very difficult for mini-mill workers to unionize.<sup>20</sup> While mini-mills never threatened to completely replace integrated plants because they could not produce higher quality steel, they took the market for lower quality steel products away from integrated plants.

Integrated steel mills like Gary Works, and the unionized northern workers they employed, faced layoffs and plant closings during the 1980s as a consequence of the global overcapacity for steel production, but also because the restructuring of the steel industry reduced the range of products they produced efficiently and changes in the patterns of material usage decreased demand for the types of steel products they still produced. Mini-mills are a perfect example of how changing economic structures allowed capital to take advantage of the political climate in order to discipline labor. The location of mini-mills within regional markets is in large part what allows them to be efficient and environmentally friendly steel producers. Yet because of the weakness of the labor movement within the emerging steel markets of the South and West, and the anti-union politics of the 1980s, the rise of mini-mills accelerated the fall of the middle class by replacing high wage union jobs in northern integrated mills with lower wage non-union jobs in the South and West. The decline of Gary's Steel industry represents a similar phenomenon in that the factors which produced the massive decline in steel employment are typical of the normal functioning of capitalism. However, the existing social and political

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<sup>20</sup> Christoph Scherrer, "Mini-Mills: A New Growth Path for the U.S. Steel Industry," *Journal of Economic Issues* 22.4, (1988): 1179-1200.

structures in which that decline took place devastated Gary's black middle class and produced vast racial inequality in unemployment and income.

### **The “Rationalization” of U.S. Steel**

In order to move past the fixation on how industry could have been preserved, and on to an analysis of the ways in which a history racism shaped the development of the service sector, it is critical to establish the decline of Steel employment in Gary as produced by the normal functioning of capitalism, rather than by dysfunction and unproductive investment as is posited by the historiography of deindustrialization. For the Steel industry Gary is actually an enormous triumph, and demonstrates the ways in which U.S. Steel successfully responded to the crisis of the 1970s and 1980s by shedding capacity in older plants and “rationalizing” existing production in successful plants like Gary Works. While previously large steel companies had attempted to produce many types of steel products within each integrated mill, they now sought to retool existing plants to specialize in particular types of steel. They also attempted to consolidate production in order to match regional demand, with Midwestern plants focusing on flat rolled steel for the auto and appliance industries, and southern plants specializing in seamless pipe used in oil drilling.<sup>21</sup> Furthermore, integrated producers largely abandoned the steel wire, bar and rod that were more efficiently produced by mini-mills in favor of higher quality and more sophisticated product lines.

For U.S. Steel Gary Works was a key part of this larger strategy of specialization and consolidation. Though they briefly considered shutting down Gary Works in favor of building a new steel mill in the Great Lakes region, the prohibitive cost of doing so caused U.S. Steel to abandon this project and instead specialize Gary Works around the production of flat-rolled steel

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<sup>21</sup> "Big Steel On the Long Road Back," *The New York Times*, April 26, 1981.

for the auto-industry. In 1977 U.S. Steel installed a computerized electro-galvanizing line in Gary that produced high quality corrosion resistant steel for the auto industry and by 1981 it boasted a computerized 84 inch hot-strip mill for producing sheet steel for autos and appliances. Additionally, in 1979 U.S. Steel replaced the poorly designed number 13 blast furnace with a new 100-million-dollar basic oxygen furnace from Nippon Steel that by 1981 had the highest per day output of any furnace in the western hemisphere. Continuous casting, which was used in only 12% of U.S. capacity in 1980, was at least partially in use in Gary as early as 1967. In February of 1978 the combination of continuous casting and basic oxygen technology allowed Gary to set a world record for non-stop production of steel, casting 37,643 tons in 149 hours.<sup>22</sup> By 1992 Gary had switched completely to continuous casting.<sup>23</sup>

These investments in productivity meant that Gary area USWA locals faced dramatically different issues than their comrades facing plant closure. The most pressing issue Gary area union faced was contracting out, the companies practice of hiring cheaper non-union laborers to perform basic maintenance tasks around the plant that had previously been performed by Union members, therefore reducing union employment. This tactic was used by both U.S. Steel at Gary Works and Inland Steel in East Chicago. Though both USWA Local 1066 and 1014 negotiated protections against contracting out as part of their contracts, U.S. Steel preferred to simply continue the practice and pay the court ordered penalties after protracted legal battles because they believed it was more cost effective than paying the medical benefits Steelworkers gained if recalled from layoff.<sup>24</sup> Local 1010 at Inland Steel obtained protections against contracting out in

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<sup>22</sup> "Gary Caster Establishes Nonstop Production Record" *U.S. Steel News* (February 1978). Calumet Regional Archives U.S. Steel Collection

<sup>23</sup> "An Industrial Comeback Story: U.S. Is Competing Again in Steel," *The New York Times*, March 31, 1992.

<sup>24</sup> Hoerr, *And the Wolf Finally Came*, 434-7.

the 1986 contract, but these were clearly not enough as the 1993 bargaining agenda lists additional protections as a top priority.<sup>25</sup>

The other major issue for Gary area unions was gainsharing. A controversial management tactic which its advocates claimed had “as its objective improved management/union relations, a reduction in operating costs, and a reward system for its participants”<sup>26</sup> but whose opponents regarded as paying “workers and union representatives for their cooperation in eliminating jobs” by giving a portion of laid off worker’s paychecks to the remaining members of the labor pool.<sup>27</sup> At Inland Steel the decision of whether or not to engage in gainsharing was delegated to each department, and Grievors often took advantage of the monthly column each wrote for the *Local 1010 Steelworker* to condemn or applaud gainsharing. Gainsharing was a key issue because productivity increases combined with stagnant demand necessitated gradual layoffs rather than the closure of whole plants or departments.

In addition to investment in technology, U.S. Steel also worked to reform work rules and labor management relations at Gary Works. Gary Works exemplified the adversarial relationship between management and labor that typified the American Steel Industry at the beginning of the 1980s. Management’s pleas for increased productivity fell on the deaf ears of laborers who resented their employers and bosses. One Gary area union newsletter responded to the calls for greater productivity by detailing the ways in which foremen wasted workers time on repairing vacuums or chainsaws personally belonging to the foreman.<sup>28</sup> Union papers referred to their supervisors as "stupidintendents" and regarded attempts to reorganize work rules as part of a

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<sup>25</sup> Statements, Negotiations 1993. USWA Local 1010 Collection, Calumet Regional Archives.

<sup>26</sup> Dewitt Walton, “Committee Hard at Work on Gainsharing Plans – Department Presentations Coming Soon,” *Local 1010 Steelworker*, February, 1987.

<sup>27</sup> “Gain Sharing? Who Gains?,” *Steel Workers Caucus*, 1986.

<sup>28</sup> Michael Halpin, “Hoover Repair,” *Build the Union: Newsletter of Central Mechanical*, January, 1982. Calumet Regional Archives, USWA local 1010 Collection.

larger scheme by the company to break the union.<sup>29</sup> However, work relations improved significantly after the 1987 strike when new managers made a concerted attempt to involve rank and file workers in developing the means to improve product quality and productivity. In response to falling product quality, U.S. Steel paid hourly workers to visit a Ford plant that consumed steel produced in Gary Works and examine the quality of the steel upon its arrival. Union crews were then tasked with devising new methods for preventing damage to the galvanized zinc coating during production and transport, and the company adopted these measures. The amount of steel produced in Gary that was rejected by customers fell from 2.6% in 1987 to 0.6% in 1992 as increased worker involvement in the production process dramatically improved product quality.<sup>30</sup>

Though Gary was the recipient of substantial investment and Gary Works a site of dramatic change in labor management relations, the city still faced an enormous loss of industrial jobs. Specialization in a product line with relatively stagnant demand, combined with labor saving casting techniques and automation meant that employment declined even while the amount of steel produced remained relatively constant.<sup>31</sup> The decline in employment at Gary Works, from 25,000 in the 1970s to 8,000 in the 1990s, represents a 68% decrease in workforce, roughly equivalent to the 62% decrease in man-hours required to produce a ton of steel at Gary Works, which fell from 7.1 to 2.8 over the same period.<sup>32</sup> The 51% decline in primary metals manufacturing employment within Lake County between 1980 and 1988 (see Figure 1) meant

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<sup>29</sup> Michael Halpin, "The One Time Deal," *Build the Union: Newsletter of Central Mechanical*, May, 1982. Calumet Regional Archives, USWA local 1010 Collection.

<sup>30</sup> "U.S. Steel learns from experience." *USA TODAY*, April 10, 1992.

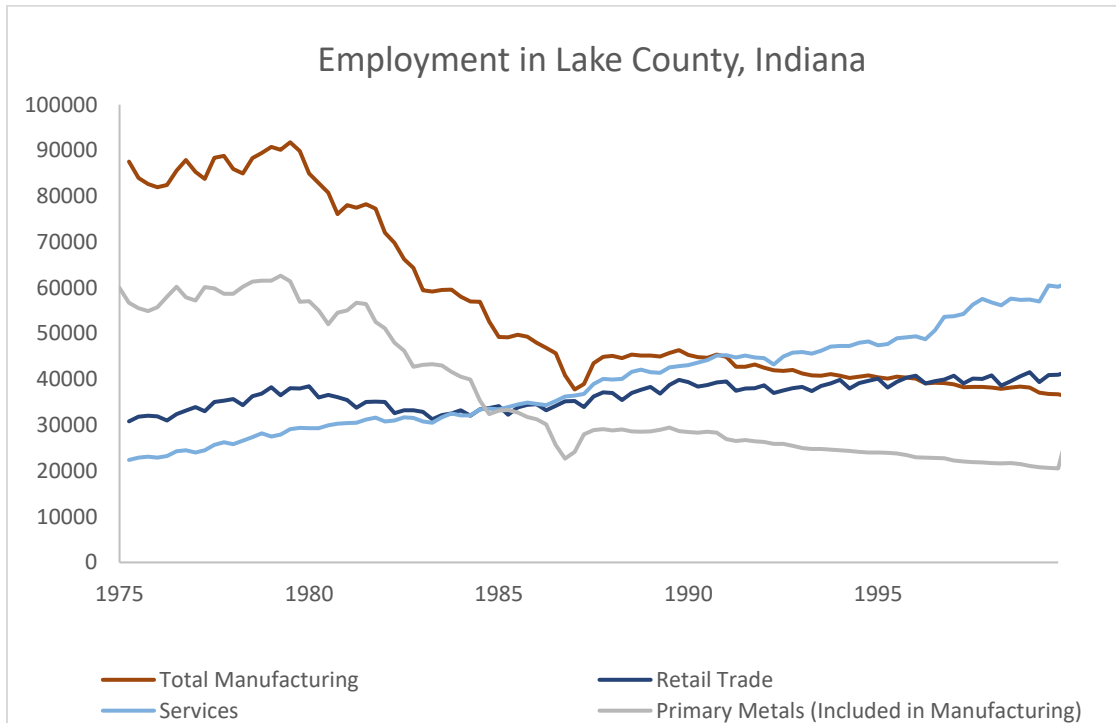
<sup>31</sup> O'Hara, *Gary the Most American of All American Cities*, 157

<sup>32</sup> "An Industrial Comeback Story: U.S. Is Competing Again in Steel," *The New York Times*, March 31, 1992.



that the local economy would have to depend on other sectors in order to avoid massive unemployment.

Figure 1: Employment by SIC Sector in Lake County, Indiana<sup>33</sup>



While the modernization of Gary Works represented an enormous success for U.S. Steel, and was touted as sign of the re-emergence of the American steel industry, it failed to provide the jobs necessary to sustain the community. U.S. Steel did what the deindustrialization historiography claims would avert the loss of manufacturing employment, and invested heavily in improving productivity at Gary Works. However, productivity gains reduce employment if demand for the products being produced remains stagnant and, so investment is largely responsible for the job loss it was believed to prevent.

<sup>33</sup> Data obtained from the Quarterly Census of Employment and Wages available at <http://www.bls.gov/cew/datatoc.htm>

While Gary suffered significant job loss in the steel manufacturing, it actually fared relatively well in comparison to other traditional locations of the Steel Industry. Traditional integrated steel production has all but disappeared from the Monongahela Valley, Youngstown, and Detroit, but 51% of steel produced using the Basic Oxygen process in the United States today comes from Lake County, Indiana.<sup>34</sup> Yet major cities like Pittsburgh were able to recover from the loss of manufacturing jobs in a way Gary has not. While steelworkers in other regions were able to trade high paying manufacturing jobs for low wage, de-unionized service sector employment, former steel workers in Gary struggled to find employment at all. While more efficient production techniques may have accounted for the loss of steel jobs, the disappearance of service sector employment in Gary is attributable to divestment and capital flight, motivated not by the desire to discipline labor, but by racism.

### **Residential Segregation in Northwest Indiana**

In 2005, a quantitative study of residential segregation found that the Gary metropolitan area was the single most segregated, in terms of white black separation, in the country.<sup>35</sup> Though segregation has been an aspect of Gary's landscape since its creation the earliest measures of segregation were concerned as much with class and ethnicity as they were with race. Though Gary always had spaces and neighborhoods identified as white or black, the intensity and effects of residential segregation vary throughout its history. During the Great Migration beginning in the 1910s African Americans were able to move out of the rural south and into cities like Gary

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<sup>34</sup> Calculations made from a chart produced by the American Iron and Steel Institute and accessed at [https://www.steel.org/~media/Files/AISI/Public%20Policy/Member%20Map/NorthAmerica-Map2013/SteelPlant\\_NorthAmerica\\_AISI\\_version\\_June252013.pdf](https://www.steel.org/~media/Files/AISI/Public%20Policy/Member%20Map/NorthAmerica-Map2013/SteelPlant_NorthAmerica_AISI_version_June252013.pdf)

<sup>35</sup> Frey, William H., and Dowell Myers. "Racial Segregation in U.S. Metropolitan Areas and Cities, 1990-2000: Patterns Trend and Explanations." Frey Demography. Accessed March 3, 2016. Michigan [http://www.frey-demographer.org/reports/R-2005-2\\_RacialSegregationTrends.pdf](http://www.frey-demographer.org/reports/R-2005-2_RacialSegregationTrends.pdf).

that were at the center of the country's growing industrial economy. In the 1970s and 80s the descendants of black migrants to the north were prevented by residential segregation from following the emerging service sector into the suburbs. The ability of blacks to adapt to changing economic conditions was predicated on spatial mobility which was restricted to varying degrees by the changing attitudes of the other immigrants to northern cities, Eastern Europeans.

Gary's early history contains a substantial amount of mixing between foreign-born immigrants and the city's African American population. In their initial layout of the city, Gary Land Company (owned by U.S. Steel) was more concerned with segregating managerial staff and skilled workers from unskilled laborers by providing high quality housing on two lots near the plant in order to concentrate the typically Anglo-Americans supervisors and managerial employees in one area.<sup>36</sup> Unskilled employees, initially eastern European immigrants, either crowded into low quality housing or lived in tents and shacks in neighborhoods referred to by city's newspaper as "Hunkyville" or "Hungary Row."<sup>37</sup> When African Americans moved north during the great migration they settled in the mixed neighborhoods in the unplanned southern section of the city called "The Patch."<sup>38</sup> In 1930, the three city wards with the highest African American population were only 71%, 45.5% and 25.4% black.<sup>39</sup> In contrast, by 1980 the five census districts in Lake county with the highest black population were all at least 90% black, and all but one more than 98% black.<sup>40</sup>

The mixing of white immigrant and African Americans extended to education as well. While Gary had all white and majority black schools, the famous Froebel School was 21.8%

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<sup>36</sup> Raymond A. Mohl and Neil Betten, *Steel City: Urban and Ethnic Patterns in Gary, Indiana, 1906-1950* (New York: Holmes & Meier, 1986), 18.

<sup>37</sup> Mohl and Betten, *Steel City* 22.

<sup>38</sup> *Ibid* 51

<sup>39</sup> *Ibid* 53

<sup>40</sup> Calculated using 1980 Census data exported from Social Explorer

black and 76.6% immigrant in 1924.<sup>41</sup> Opposition to the integrated status of Froebel in the 1920s came from the Anglo-American teachers and superintendents, not the parents of the white students who attended the school. However, in 1927, when the city tried to integrate Emerson High School, where the children of the mills' foreman and managers went to school, the students struck and got the black students removed. This period of limited integration gave way as Eastern European immigrants learned American racism from the city's elites. In 1945 students, encouraged by their Anglo-American principal, struck at the previously integrated Froebel school, demanding that the majority of black students be removed. The direct intervention of Frank Sinatra, who condemned the students at a concert in Gary, was sufficient to end the strike, but it could not extinguish the white population's increasing desire to separate itself from African Americans. Though Gary's schools were legally desegregated in 1947, the percent of black students attending all black schools increased over the course of the 1950s as residential segregation intensified.<sup>42</sup>

Gary's ethnic whites who acted to separate themselves from blacks were not just learning the racism of the American society they sought to join, but also reacting rationally to the economic circumstances they faced. Achieving homeownership, the key symbol of middle class status, was only possible in neighborhoods where state agencies were willing to offer low rate mortgages. The 1937 Home Owners Loan Corporation (HOLC) appraisal of Gary assigned "A" ratings to only four all-white neighborhoods, among them the two neighborhoods built by the Gary Land Company to house its managers and foremen in 1908. The HOLC also handed out a "B" rating to only a few neighborhoods in white-dominated Glenn Park, giving the rest of Gary, including a stretch of beachfront property on the east side of the city either C or D ratings

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<sup>41</sup> *Ibid* 53

<sup>42</sup> Mohl and Betten, *Steel City*, 53.

depending on whether they were primarily immigrant or African American. These ratings determined the availability of investment money for developers and mortgage rates for homeowners. The lack of availability of mortgages within the vast majority of Gary gave the city's white immigrant population a strong financial incentive to head for the suburbs and the few neighborhoods deemed acceptable within Gary, a process that would only accelerate as the GI Bill expanded access to home ownership. For the city's growing black population, restrictive covenants and racist realtors kept them within the C & D rated areas of the city, which deteriorated due to lack of available capital for investment and mortgages.<sup>43</sup> The patterns set by the HOLC map persisted well into the 80s as Gary's black middle class Horace Mann neighborhood, with its "handsome brick homes, well-trimmed yards, and average income of \$23,040" was approved to receive only a single mortgage in 1984.<sup>44</sup>

The HOLC map and its implementation by the Federal Housing Administration helped put Gary on the path to de facto racial segregation in the 1940s. However, the Civil Rights Movement achieved key changes in housing law with *Shelley V. Kramer* (1948) and *Jones v. Mayer Co.* (1968) that would enable black pioneers to expand out of Gary's south central ghettos beginning in the 1950s. Black expansion into new neighborhoods was followed by white flight from those neighborhoods, which contributed to an overall shift in the city's racial composition and a declining tax base. Gary lost approximately thirty thousand white inhabitants between 1960 and 1970 and an additional forty thousand over the course of the 1970s, even as its black population continued to grow.<sup>45</sup>

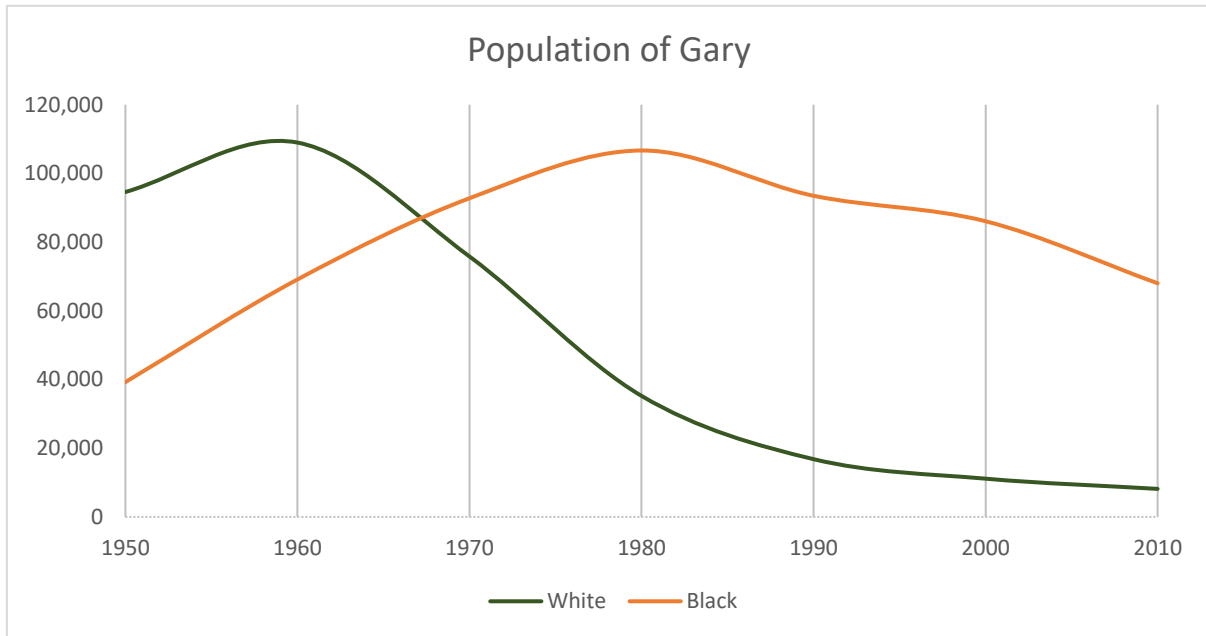
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<sup>43</sup> *Ibid* 65-71

<sup>44</sup> Chris Isidore "Study Indicates Urban Redlining", *The Post-Tribune*, September 7, 1986.

<sup>45</sup> U.S. Census Data exported using Social Explorer (<http://www.socialexplorer.com/>)

As the black population became the majority, they fought for political representation within a system that had traditionally failed to address their needs. The culmination of black frustration with the white political machine came with the election of Mayor Richard G. Hatcher in 1968, which exacerbated the ongoing cycle of white flight and contributed to a punitive divestment of the service sector from Gary.



### **Black Representation and the Election of Richard Hatcher**

Richard G. Hatcher, a prominent black civil rights lawyer in Gary, ran for mayor and won the democratic nomination despite receiving only 4.5% of the white vote. Hatcher subsequently rejected the support of the political machine run by the county Democratic Central Committee, which demanded the right to select the city's police chief and controller in return for backing him in the general election. Rebuffed by Hatcher, the Democratic machine sought to preserve its influence and effectively switched parties, backing the Republican candidate, politically inexperienced former furniture sales clerk Joseph Radigan in the general election. The opposition of the county Democratic machine, and the fact that Hatcher was a black mayoral

candidate in a city where nearly every white precinct had voted for George Wallace in 1964, turned the general election from a formality into a close contest. Hatcher won with 96% of the black vote and only 12% of the white vote, after a federal investigation into Gary's voter registration lists allowed an additional five thousand black voters to register.<sup>46</sup> Though urban spaces nationally were increasingly associated with blackness, it was the election of a mayor who called for "a healthy, vital black nationalism" and the subsequent creation of Merrillville that crystalized the divisions between black metropolis and white suburbs which produced the unequal patterns of service sector development.<sup>47</sup>

Merrillville was initially an overwhelmingly white unincorporated suburb north of Gary; the 1980 census showed that the town had a population of 27,000, but only 36 black residents. When Hatcher was elected mayor of Gary in 1968, rumors began circulating in Merrillville that Hatcher meant to annex the suburb. To avoid annexation Merrillville residents incorporated into their own town in 1971. The formation of Merrillville would normally have been illegal, as Indiana state law prevented the creation of new towns within a three mile buffer zone of existing cities. However, Merrillville Democrat Chester Dobis sponsored a successful bill in the Indiana General Assembly that through a technicality suspended the buffer zone solely in Lake County, allowing the formation of a white controlled township immediately adjacent to Gary. This outraged Hatcher who rightly saw it as the state facilitating white flight and unsuccessfully challenged the legislation enabling its incorporation in the Indiana Supreme Court. Hatcher also

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<sup>46</sup> James B. Lane, "Black Political Power and Its Limits: Gary Mayor Richard G. Hatcher's Administration, 1968-87," in *African-American Mayors: Race, Politics, and the American City*, ed. by Jeffrey S. Adler (Urbana: University of Illinois Press, 2001), 61.

<sup>47</sup> Lane, "Black Political Power and Its Limits," 63.

boycotted Merrillville and refused to appear there before his attempt to reconcile with the business community after 1982.<sup>48</sup>

Whites still enjoyed the economic opportunities provided by Gary works in the 1970s, enough Lake County steelworkers lived in the southern suburbs but worked in the northern lake front mills that a charter bus service specifically for suburban steelworkers was developed, but they did not want to pay taxes to a city government identified with the black power movement.<sup>49</sup> The formation of Merrillville allowed white suburbanites to enjoy the economic opportunities provided by Gary Works while paying much lower property taxes to a separate white controlled city. The desire of white suburban residents to separate themselves from Gary was often portrayed as an issue of property taxes. Local opposition to Hatcher's annexation to the adjacent white suburb of Black Oak in 1976, was explained as a product of the "22.77 per \$100 assessed valuation" tax rate in Gary as opposed to the \$12.54 per \$100 tax rate that would be paid if Black Oak was a separate township.<sup>50</sup> Though the *Post-Tribune* emphasized the higher tax rates in Gary as the motivation for seeking disannexation, the replacement of Hatcher as mayor with the still black but less polarizing Thomas Barnes put an end to the movement for disannexation.<sup>51</sup> While the loss of property taxes to residents who fled to the suburbs was significant, the real impact of white flight was felt when retail and business followed whites out of the city and into the suburbs.

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<sup>48</sup> Thomas Stevens and Tom Davies, "Merrillville a Case of White Flight, or Chasing a Dream," *Northwest Indiana Times*, April 13, 1997, accessed March 22, 2016, [http://www.nwitimes.com/uncategorized/merrillville-a-case-of-white-flight-or-chasing-a-dream/article\\_856314ea-bda0-523c-87ae-0566eb9bd0d1.html](http://www.nwitimes.com/uncategorized/merrillville-a-case-of-white-flight-or-chasing-a-dream/article_856314ea-bda0-523c-87ae-0566eb9bd0d1.html).

<sup>49</sup> "Mill Workers Bus Charters Planned by New Firm," *The Post-Tribune*, March 7, 1980.

<sup>50</sup> Rich James, "Annexation by Gary Fought on Second Front" *The Post-Tribune*, November 26, 1986

<sup>51</sup> "Black Oak Residents Pleased with Barnes No Longer Wants Disannexation, but Sees Areas for Improvement," *Post-Tribune*, April 16, 1990.



Shortly after its formation, Merrillville became the commercial center and retail hub of Northwest Indiana. Billionaire Dean White moved the corporate headquarters of Whiteco Industries, a *Fortune* 500 company at the time, to Merrillville. Major retailers in Gary began to relocate to Merrillville with the construction of Southlake mall in 1972, among them Sears, which defied the threat of boycott by Gary community organization by doing so. These corporations realized that the region's white shoppers were reluctant to travel to downtown Gary. Though the trend of white shoppers and retail chains shunning urban spaces increasingly identified with African Americans was national (Sears left Gary as part of its national policy of relocating to suburban malls) the loss of retail business in Gary occurred on an unusually large scale. Between 1969 and 1980 downtown Gary went from having five hundred retail stores to forty, as an estimated one billion dollars in local businesses and banks fled from Gary to Merrillville.<sup>52</sup> In addition the flight of business from Gary had a punitive quality; the *Gary-Post Tribune* dropped Gary from its name after Hatcher was elected and the business community in general seemed to relish its ability to defy Hatcher and punish the city for his election.

Though Gary's industrial decline was not a product of divestment from industry, the desolation of its downtown is a result of service sector restricting and capital. While industrial capital mobility was a means of disciplining labor, service sector capital flight was a product of racism and the long history of de facto racial segregation in Gary. If not for white fears of urban spaces identified with blacks, and the animosity between Hatcher and the city's business elite, Gary might have become the commercial hub of Northwest Indiana instead of Merrillville. Its location at the intersection of three interstate highways and the eventual construction of the Gary Regional Airport gave Gary superior transportation infrastructure to Merrillville; it only lacked

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<sup>52</sup> Lane, "Black Political Power and Its Limits," 63

the investment capital Merrillville received. While lower paying service sector jobs would have represented a significant decline in standard of living for Gary's former steel workers, the presence of a viable service sector might have at least provided employment as Gary Works modernized and laid off workers. The retention of business also would have helped preserve the city's tax base and fund the municipal services necessary to maintain the city. Instead, Gary lost most of its industry and its service sector employment and saw its population drop by nearly forty thousand over the 1980s; by 2010 Gary's population was half of what it had been in 1970.

Mayor Hatcher responded to divestment from Gary's service sector by trying to replace lost private investment with public funds and trying to attract funds from the federal government and the wider black community. Hatcher engaged in several major building projects in an attempt to stimulate Gary's economy and build a service sector. The city rebuilt the defunct Holiday Inn as the Sheraton Hotel in 1978, which operated at a loss until it closed in 1985. The derelict structure then loomed over city hall until 2013 when the city paid to have it demolished. Hatcher built the Gary Genesis Construction Center in 1981, hoping to attract black capital to Gary. Though the city did host 35,000 delegates to the National Baptist Convention in 1984, it otherwise went underused. Gary could not build a service sector with only public funds from its shrinking tax base and could not sustain one by relying primarily on tourism from the wider black community.<sup>53</sup>

Hatcher's leadership style and black power rhetoric alienated state officials, but he was very successful at attracting support from federal administrators as part of the Model City program. However, these funds were primarily used to create social programs that treated the symptoms of economic decline without changing the structural problems in Gary's economy.

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<sup>53</sup> Lane, "Black Political Power and Its Limits," 68.

When Nixon was elected, he decreased the funds available to Gary as part of the Model Cities program and Carter declined to restore the cuts. Reagan's election further reduced the availability of federal funds for the social programs on which Gary's residents depended. Hatcher tried to raise funds for Gary by having the value of U.S. Steel's Gary Works reassessed, as previously the city had taken the self-reported figures at face value when collecting property taxes. His contentious relationship with the Indiana state officials, to whom U.S. Steel appealed the decision to reassess, again undermined his efforts to help Gary's economy.<sup>54</sup>

Hatcher has often been the focus in narratives of Gary's decline. His status as the first African American mayor of a city of over 100,000 people made him a figure of national prominence and his tenure coincided with Gary's decline. Too often flaws in his leadership and not the enormous structural changes he faced are blamed for Gary's decline. Robert B. Lane argues Hatcher squandered an opportunity to mitigate the loss of business by annexing Merrillville, suggesting the annexation would have taken place "had he [Hatcher] not espoused civil rights goals so forcefully."<sup>55</sup> Regardless of what would have happened if a more moderate black leader had led Gary, the focus should be on the racially motivated transfer of business from Gary to Merrillville and the state of Indiana's assistance in this process.

### **Conclusion**

African American economic gains made within northern industry could not survive the transition to a service sector based economy because residential segregation and capital flight produced by racism, prevented adaptation to changing economic conditions. Mayor Hatcher responded to this crisis by attempting to stimulate service sector growth using public capital and

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<sup>54</sup> Lane, "Black Political Power and Its Limits," 67.

<sup>55</sup> Lane, James B. African-American Mayors 63

by attracting black capital from the rest of the country. Though there were real issues with the administration of these projects, it is unlikely that a viable service sector could have ever been maintained by drawing solely on the capital of the national black community during a period in which it was being devastated by deindustrialization. By uniting the history of deindustrialization and service sector development with the history of black life in Gary, the immensity and precariousness of black achievement in the postwar era becomes visible. As long as racism and capitalism coexist African American economic gains will always be threatened by the ways in which race restricts the mobility that is essential to surviving the ever changing landscape of capitalism.

The response of the traditional deindustrialization historiography to the crisis of industrial job loss is to demand the preservation of industry and argue that its destruction was caused by abnormal and dysfunctional development within capitalism. This approach is wholly inadequate when studying Gary, where deindustrialization was produced by the gains in productivity and sectoral restructuring that represent the normal ways in which capitalism functions. Rather than attempt to eternally preserve the particular set of economic structures which were responsible for middle class growth and African American economic success in the post war era, we must accept that capitalism involves the constant creation and destruction of economic, spatial, and social formations. The realization that capitalism involves constant change does not mean that the abandonment of existing communities is not painful, or that we must accept inequality as the inevitable result of capital mobility. However, it does demands that we develop means of combatting inequality that are not tied to any individual economic structure, and that we must be prepared to constantly create new structures which serve the interests of labor rather than capital.

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