



GREAT LAKES UPDATE

JANUARY 1984

CORPORATE LEADERS TO DETERMINE COURSE OF PRIVATE SECTOR REGIONAL ADVOCACY

During the past two years the Great Lakes states have experienced a growing spirit of regional identity and advocacy. Much of the stimulus for these developments has been due to the initiative of the private sector. Take for example the formation of the Great Lakes Economic Policies Council, one of the few private sector regional advocacy organizations in the country. The Congress on the Economic Future of the Great Lakes, called for and hosted by Walter McCarthy, Chairman & Chief Executive Officer of Detroit Edison, is another example. Even the Great Lakes Governors Economic Summit held in Cleveland in May 1983 took place at the suggestion of the private sector of that city. What should the role of the private sector be in shaping the future course that Great Lakes regional advocacy takes?

This Council will sponsor a one-day meeting in March of leading private sector executives from throughout the eight-state Great Lakes region to discuss the present and future role of private sector involvement in regional advocacy. Held at the invitation of Robert Ginn, Chairman & Chief Executive Officer of Cleveland Electric Illuminating Company, the meeting will discuss such topics as the federal legislative action program of the Council, implementation to the recommendations of the Congress on the Economic Future of the Great Lakes, interrelationships with the Council of Great Lakes Governors, and joint activities with other regional organizations.

REGIONAL LEADERS CHART ECONOMIC FUTURE

Walter McCarthy, Chairman & Chief Executive Officer of Detroit Edison, made one of the strongest commitments in recent history to the ideal of Great Lakes regional unity when he convened the Congress on the Economic Future of the Great Lakes. Co-sponsored by Detroit Edison and regional organizations, including the Great Lakes Economic Policies Council, the Congress met in the Motor City on November 21-22 and drew over 250 from throughout the region - corporate chief executives, labor leaders, educators, and local, state, and congressional officials-who met to discuss the economic problems facing the region. and make recommendations for addressing them.

Congress attendees met in eight workshops dealing with:

- * Stimulating New Investment
- * Energy Resources
- * Human Resources
- * Federal Allocation
- * Natural Resources
- * Infrastructure
- * Agriculture
- * Inter-state Teamwork

GREAT LAKES ECONOMIC POLICIES COUNCIL

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Regional Leaders Chart Economic Future (cont'd)

The recommendations of Congress participants will be published and distributed shortly. But implementation work has already begun. For example, the Great Lakes Economic Policies Council is in the process of incorporating into its ongoing program those recommendations most appropriate to the private sector, with emphasis on stimulating investment, regional promotion, correcting the regional inequity in federal spending, and infrastructure financing.

GREAT LAKES GOVERNORS MEETING

Using the occasion of the Annual Meeting of the International Joint Commission, the Council of Great Lakes Governors met in Indianapolis on November 17, 1983 as guests of Gov. Robert Orr of Indiana. Attending Governors were: James Blanchard (MI), Richard Celeste (OH), Anthony Earl (WI), and James Thompson (IL).

Building on the increasing momentum for interstate cooperation, the Governors passed resolutions in the areas of economic development and water usage. In the economic area, the Governors called on the U.S. Congress and executive branch to recognize the role of the States in the formulation of any industrial policy. In particular, the Governors stressed that in any federal legislation a degree of program flexibility be incorporated that would facilitate the ability of the states to respond to these individual needs.

The Governors took a major step in addressing the revitalization of regional industry by establishing the Great Lakes Machine Tool Commission. Intended to address the needs of one of the region's leading industries (60% of U.S. production, 200,000 jobs). Made up of representatives from business, labor, and government the Commission is addressing the basic problems of the machine tool industry and examining specific ways in which this important basic industry could be more competitive in the international marketplace. Under the chairmanship of Richard F. Celeste and sponsorship of the Great Lakes Governors, the Commission will make its final recommendations to the Governors in August 1984. The Commission's first meeting will be February 13.

In other action, the Governors re-emphasized their strong opposition to proposals to divert water from the Great Lakes. They approved unanimously a resolution urging Congress to pass legislation now pending which requires approval by the Great Lakes states and the International Joint Commission before interstate diversion of Great Lakes water is permitted.

1984 LEGISLATIVE OUTLOOK

The tone for legislation which would affect the economic development of the eight Great Lakes states will be set by the President's Fiscal Year 1985 budget. The climate for congressional action this year also will be shaped by the November elections, the progress of economic recovery, and the growing debate over "industrial policy" or "industrial competitiveness." Top priorities for early 1984 include clearing up the confusion around Industrial Revenue Bonds and legislation addressing present and future budget deficits. How far Congress will proceed with other legislation in this election year with a greatly shortened schedule remains an open question.

Acid Rain - Reagan favors increased research; chances of congressional action to limit sulfur dioxide and nitrogen oxide emissions are slim.

Antitrust - The Administration-backed National Productivity and Innovations Act would provide additional protection for joint R & D ventures. The bill would reform patent laws by barring courts from finding joint R & D ventures or patent or copyright use illegal under antitrust laws without first considering their pro-competitive justifications. Senate Judiciary held hearings in 1983; House has to hold committee hearings.

Banking Deregulation - Congress will again try to take up the issue, but substantial changes seem doubtful. Administration favors permitting banks to expand into many bond brokerage, real estate, and insurance.

Budget - President's FY '85 budget expected to contain little in new taxes or spending cuts, but a large deficit. Congress may pass an initial budget resolution with targets, then return after the November election and approve a second, binding resolution with substantial budget cuts and tax increases.

Clean Air Act - Stalemate over reauthorization and rewrite of Act should continue. Key is acid rain legislation, where Northeastern and Midwestern interests are deadlocked.

Clean Water Act - Committee action in House especially needed soon if any reauthorization is to be possible in 1984.

Defense Spending - Reagan expected to submit \$315 billion in FY '85 budget (10% real increase of '84). Attempts to continue targeting some of this spending to areas of high unemployment, such as Great Lakes region, again will be made in Congress.

Domestic Content - Last year House passed bill to require certain percentage of autos sold in U.S. to be built here; Senate action unlikely this year.

Enterprise Zones - In order to stimulate economic development in distressed areas, Administration proposes tax incentives and regulatory relief in specially demarcated urban and rural zones. Senate passed a bill last year, but House did not and chances seem slim that it will this year.

Fair Trade - Serious congressional attention likely to be given anti-dumping laws (against foreign goods sold here at less than fair value) and countervailing duty laws (which compensate for subsidized imports, such as steel in some countries).

Highways - Quick action expected early this year to disburse \$4 billion for interstate highway construction. In 1983 these funds got tangled up in a stalemate over trucking regulations and "pork barrel" politics.

Industrial Policy - Congressional passage of any legislation in this area is slim this year, but the election year debate will clearly affect economic policy in the long run. Key areas include: changes in antitrust and trade regulations, creation of an industrial development council, establishment of an applied research foundation, and initiation of long-term financing for industry.

Industrial Revenue Bonds - Legislation to restrict these popular financing tools in order to increase federal revenue will be hotly contested early this year.

R & D Joint Ventures Act - This bill would establish a "safe harbor" for joint ventures meeting certain standards and provide more antitrust protection for ventures registered with the Justice Department. Licensing would be needed only if the venture would monopolize R & D work in a field worldwide. In 1983 action was in the House, where the Science & Technology Committee approved the bill. More House action in 1984 as the Judiciary Committee may draft its own bill.

Taxes - In spite of huge past and projected budget deficits, little may be expected this year in cuts or new revenues. But the "down payment" on the deficits may entail restrictions on industrial revenue bonds (the Great Lakes states issue nearly half the nation's total), and taxing some fringe benefits and the insurance industry.

Trade Preferences - Congress must consider the Generalized System of Preferences (GSP) which expires in January, 1985. GSP assigns duty free status to certain exports of developing nations. The Administration favors early renewal, presumably to remove the issue from the campaign. Labor is concerned about GSP imports from certain countries, such as Hong Kong, Taiwan, and South Korea.

Trade Reciprocity - Congress this year may have a tough time agreeing on how much authority to give the President to retaliate against the unfair trade practices of other nations.

Water Projects - Congress has not passed since 1976 a bill to fund construction of dams, locks, canals, and harbors. One House water projects bill for the first time earmarks funds for construction of urban water supply systems, a measure which would enhance regional efforts to rehabilitate municipal water systems.

GOVERNORS OF THE GREAT LAKES STATES*

ILLINOIS

James R. Thompson (R) 1986

INDIANA

Robert D. Orr (R) 1984

MICHIGAN

James J. Blanchard (D) 1986

MINNESOTA

Rudy Perpich (D) 1986

NEW YORK

Mario Cuomo (D) 1986

OHIO

Richard F. Celeste (D) 1986

PENNSYLVANIA

Richard L. Thornburgh (R) 1986

WISCONSIN

Anthony S. Earl (D) 1986

*Including party affiliation and year term expires

**U.S. SENATE MEMBERSHIP FROM THE
GREAT LAKES STATES
98TH CONGRESS***

ILLINOIS

Alan J. Dixon (D) 1986
Charles H. Percy (R) 1984

INDIANA

Richard G. Lugar (R) 1988
Dan Quayle (R) 1986

MICHIGAN

Carl Levin (D) 1984
Donald W. Riegle (D) 1988

MINNESOTA

Rudy Boschwitz (R) 1984
David Durenberger (R) 1988

NEW YORK

Daniel Moynihan (D) 1988
Alfonse D'Amato (R) 1986

OHIO

John Glenn (D) 1986
Howard Metzenbaum (D) 1988

PENNSYLVANIA

John Heinz (R) 1988
Arlen Specter (R) 1986

WISCONSIN

William Proxmire (D) 1988
Robert W. Kasten (R) 1986

*Including for each Senator party affiliation and year when term expires.

PUBLIC OFFICIALS

U.S. HOUSE OF REPRESENTATIVES OF THE GREAT LAKES STATES*

ILLINOIS (12D - 10R)

1. Charles Hays (D)
2. Gus Savage (D)
3. Marty Russo (D)
4. George M. O'Brien (R)
5. William O. Lipinski (D)
6. Henry J. Hyde (R)
7. Cardiss Collins (D)
8. Dan Rostenkowski (D)
9. Sidney R. Yates (D)
10. John Edward Porter (R)
11. Frank Annuzio (D)
12. Philip M. Crane (R)
13. John N. Erlenborn (R)
14. Tom Corcoran (R)
15. Edward R. Madigan (R)
16. Lynn Martin (R)
17. Lane Evans (D)
18. Robert H. Michel (R)
19. Daniel B. Crane (R)
20. Richard J. Durbin (D)
21. Melvin Price (D)
22. Paul Simon (D)

INDIANA (5D - 5R)

1. Katie Hall (D)
2. Philip R. Sharp (D)
3. John Hiler (R)
4. Dan Coats (R)
5. Elwood Hillis (R)
6. Dan Burton (R)
7. John T. Myers (R)
8. Francis X. McCloskey (D)
9. Lee H. Hamilton (D)
10. Andrew Jacobs Jr. (D)

MICHIGAN (12D - 6R)

1. John Conyers Jr. (D)
2. Carl D. Pursell (R)
3. Howard Wolpe (D)
4. Mark Siljander (R)
5. Harold S. Sawyer (R)
6. Bob Carr (D)
7. Dale E. Kildee (D)
8. Bob Traxler (D)
9. Guy Vander Jagt (R)
10. Dan Albosta (D)
11. Robert W. Davis (R)
12. David E. Bonior (D)
13. George W. Crockett (D)
14. Dennis M. Hertel (D)
15. William D. Ford (D)
16. John D. Dingell (D)
17. Sander Levin (D)
18. William S. Broomfield (R)

MINNESOTA (5D - 3R)

1. Timothy J. Penny (D)
2. Vin Weber (R)
3. Bill Frenzel (R)
4. Bruce F. Vento (D)
5. Martin Olav Sabo (D)
6. Gerry Silorski (D)
7. Arlan Strangeland (R)
8. James L. Oberstar (D)

NEW YORK (20D - 14R)

1. William Carney (R)
2. Thomas J. Downey (D)
3. Robert J. Mrazek (D)
4. Norman F. Lent (R)
5. Raymond J. McGrath (R)
6. Joseph P. Addabbo (D)
7. Gary L. Ackerman (D)
8. James H. Scheuer (D)
9. Geraldine A. Ferraro (D)
10. Charles E. Schumer (D)
11. Edolphus Towns (D)
12. Major R. Owens (D)
13. Stephen J. Solarz (D)
14. Guy Molinari (R)
15. Bill Green (R)
16. Charles Rangel (D)
17. Ted Weiss (D)
18. Robert Garcia (D)
19. Mario Biaggi (D)
20. Richard Ottinger (D)
21. Hamilton Fish (R)
22. Benjamin Gilman (R)
23. Samuel Stratton (D)
24. Gerald B. H. Solomon (R)
25. Sherwood Boehlert (R)
26. David O'B. Martin (R)
27. George Wortley (R)
28. Matthew McHugh (D)
29. Frank Horton (R)
30. Barber Conable (R)
31. Jack Kemp (R)
32. John LaFalce (D)
33. Henry Nowak (D)
34. Stanley Lundine (D)

OHIO (10D-11R)

1. Thomas A. Luken (D)
2. Bill Gradison (R)
3. Tony P. Hall (D)
4. Michael G. Oxley (R)
5. Delbert L. Latta (R)
6. Bob McEwen (R)
7. Michael DeWine (R)
8. Thomas N. Kindness (R)
9. Marcy Kaptur (D)
10. Clarence E. Miller (R)
11. Dennis E. Eckart (D)
12. John R. Kasich (R)
13. Don J. Pease (D)
14. John F. Seiberling (D)
15. Chalmers Wylie (R)
16. Ralph Regula (R)
17. Lyle Williams (R)
18. Douglas Applegate (D)
19. Edward Feighan (D)
20. Mary Rose Oakar (D)
21. Louis Stokes (D)

PENNSYLVANIA (13D - 10R)

1. Thomas M. Foglietta (D)
2. William Gray III (D)
3. Robert A. Borski (D)
4. Joseph P. Kolter (D)
5. Richard Schulze (R)
6. Gus Yatron (D)
7. Robert Edgar (D)
8. Peter Kostmayer (D)
9. Bud Shuster (R)
10. Joseph McDade (R)
11. Frank Harrison (D)
12. John Murtha (D)
13. Lawrence Coughlin (R)
14. William J. Coyne (D)
15. Don Ritter (R)
16. Robert S. Walker (R)
17. George W. Gekas (R)
18. Doug Walgren (D)
19. Bill Goodling (R)
20. Joseph Gaydos (D)
21. Thomas Ridge (R)
22. Austin Murphy (D)
23. William Clinger Jr. (R)

WISCONSIN (4D - 4R)

1. Les Aspin (D)
2. Robert Kastemeier (D)
3. Steve Gunderson (R)
4. Vacant
5. Jim Moody (D)
6. Thomas E. Petri (R)
7. David Obey (D)
8. Toby Roth (R)
9. James Sensenbrenner (R)

* Including for each Representative party affiliation and Congressional district number.

REGIONAL DATA

REGION LEADS IN UDAG'S

It appears to be a good example of old-fashioned Yankee hustle. The eight Great Lakes states are far ahead of any other region in the utilization of Urban Development Action Grants (UDAG's). Designed to combat economic deterioration and stimulate rehabilitation in urban areas through public-private partnerships, UDAG's are granted by the U.S. Department of Housing & Urban Development on a competitive basis for job creation projects as diverse as neighborhood revitalization or the rehabilitation and construction of public, commercial, industrial, and residential structures. No UDAG is granted without a firm commitment of private resources.

As the table below shows, in the 1978-82 period, the eight Great Lakes states led the nation in the amount of UDAG's awarded (\$1.1 billion), private sector resources invested (\$6.1 billion), the number of jobs created (137.2 thousand), and particularly important for this region - the number of jobs retained (56.1 thousand). In fact, in each of these categories the eight Great Lakes states outranked the combined totals of all 33 Southern and Western states. In the ranking of the 50 states, all Great Lakes states are in the top 15, placing 1st (NY), 2nd (MI), 5 (PA), 6 (OH), 7 (IL), 8 (MN), 13 (IN), and 15 (WI).

The UDAG program is administered by the U.S. Department of Housing & Urban Development. Congress at the end of 1983 reauthorized this grant program for three additional years at the annual funding level of \$440 million

URBAN DEVELOPMENT ACTION GRANTS FISCAL YEARS , 1978-82

<u>State</u>	<u>Grant Awards</u> \$ Millions	<u>Private Invest-ment</u> \$ Millions	<u>Jobs Created</u> (thousands)	<u>Jobs Retained</u> (thousands)
Illinois	128.6	839.2	21.5	2.4
Indiana	56.3	404.0	5.9	3.6
Michigan	193.0	1,087.4	19.2	5.8
Minnesota	98.7	658.5	10.7	7.8
New York	249.6	1,342.5	37.0	18.2
Ohio	140.3	787.5	18.1	9.1
Pennsylvania	149.0	745.4	19.2	4.6
Wisconsin	50.4	272.8	5.3	4.6
GREAT LAKES STATES	1,065.9	6,137.3	137.2	56.1
U.S. TOTAL	2,338.7	14,006.2	338.1	111.3
GREAT LAKES % OF U.S.	45.6	43.8	40.6	50.4

SOURCE: Northeast-Midwest Institute, The State of the Region, 1983 Table 27.