

The Town That Won the Pennant

A Short History of Austin's Economic Development

History isn't bad. History isn't good. History just is.

—John Henneberger, Civil War historian

Before and during the second World War, Austin was largely a “government town,” with major employers being state government, the University of Texas, and (after the war began) the military at Bergstrom Air Force Base. How this laid-back college town was welded into a paragon of the Information Age over the last 60 years is incredible. Not all of it is particularly enlightened, but that’s not what history is about.

T-Ball: The Incubator at Balcones Research Center

The University of Texas science research facility in Northwest Austin (recently renamed to honor the former Congressman Jake Pickle) had its roots in WWII. The site was originally used for a magnesium mill that refined Texas dolomite for use in the war effort (incendiary bombs and aircraft) between 1942 and 1944.(1) After two years of operation, there was a surplus and the plant was shut down. Immediately, the University had designs on the property. Two professors, C. R. Granberry and J. Neils Thompson, worked with an ambitious Congressman named Lyndon Johnson to secure the site.(2) (Thompson would eventually serve as Vice President of Economic Development and then President of the Austin Chamber of Commerce.)

UT signed a contract in May 1946 with the federal government promising to pay \$1.5 million over a period of 20 years for the 394 acres and 50 buildings (about \$10.3 million in 2001 dollars).(3) *But this cost would be waived if the University conducted research that was in the “public good,” which essentially deeded this land at no real cost.*

Not all of the research done at Balcones was in the emerging field of electronics or even industry. There were labs for paleontology, archeology, and civil engineering. But military contracts for radar, sonar, and other defense-related equipment helped train several hundred scientists and technicians who could apply what they had learned to industry.

One of these researchers was Frank McBee, who managed the Defense Research Lab (now Applied Research Lab) in the early 1950s.(4) Along with several other staff at the University, he founded a small company that became Tracor, which emerged as Austin's first major private-sector manufacturer, first Austin-based company listed on the stock exchange, first Austin-based Fortune 500 company, and at one point, one of its largest employers. Balcones was a kind of incubator where McBee and many others began.

Little League: Privately Funded Recruitment Effort - 1948

In the late 1940s, industrialization was still not a priority with Austin's business community. A publicly-spirited individual stepped in to fill the vacuum. This was C. B. Smith, owner of an auto dealership. He created the Austin Area Economic Development Foundation, whose purpose was to promote Austin as a site for industrial relocation, and to press for changes in local institutions and attitudes that would make the area conducive to such industry.(1)

It was privately funded by over 400 members and had a staff of 4 people, plus a paid attorney in New York. Their activities included rezoning 40 blocks in Southeast Austin for industrial use and working to obtain City-funded infrastructure for the area, obtaining an industrial gas rate, cosponsoring a region-wide business conference in Austin, obtaining favorable stories in industry-oriented magazines, and managing a research effort that gathered information for industries interested in an Austin location. The organization hosted a dinner for VIPs from Chambers of Commerce and newspaper editors around the state offering to cooperate on statewide industrial expansion. It also assisted existing industries in expansion. The first year of funding was \$40,000, the equivalent of \$294,000 in 2001 dollars.

One of its key focuses was promotion of the water resources of Central Texas. To combat the stereotyped movie image of Texas as the rolling desert seen in West-erns, ads and stories boosted the abundant availability of industrial water from the Highland Lakes. In one clever PR stunt, Smith had a truckload full of water delivered to the theater district in New York City, and made sure that press was on hand to see the delivery.(2) (This theme would be repeated constantly in the region's future recruitment efforts.) There was even an earnest effort to locate a 2,000-bed resort on the Lakes, which included an attempt to buy 1/3 of the municipal government's City Park (now Emma Long Park) illegally (without voter approval) for the site.(3)

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The Foundation had its successes. The next year it lured Texaco's Jefferson Chemical Company to Austin (which still exists today under the name of Huntsman Chemical). It also lured the Ward Body Company, which made buses. These were small toeholds, but showed the potential if a concerted effort was launched. The organization folded in 1951, and no new recruitment effort was made until later in the decade.

The Foundation's promotional material went out of its way to state that it was not in competition with the Chamber of Commerce. But it probably was at odds with it, in that the Chamber's longtime Director, Walter Long, was not an enthusiastic supporter of industrial recruitment. When the Foundation ceased operations, what resources that remained went to the Chamber, and recruitment was generally dormant due to the group's lackluster interest for several more years.

The Bush Leagues: The Chamber of Commerce - 1956

The next surge of economic development was pushed by the Chamber of Commerce, and began about 1955. That year, the Chamber boosted its budget to include industrial recruitment.

This direction was a sharp departure for the Chamber. In the mid-50s, agriculture was still considered a major source of revenue in the area. It was considered a recruitment accomplishment if statewide trade organizations could be persuaded to establish their headquarters in Austin, which added meagerly to employment. According to Chamber estimates, only 2% of all jobs in Austin came from manufacturing in this time period.

The Chamber's interest was in part due to Vic Mathias, who became President in 1956. In an interview with this author, Mathias stated the effort was partially motivated by the wish to have jobs for UT graduates that were moving away in droves ("our biggest export"), to create enough jobs so that people's children and grandchildren did not move away, and to create a private sector tax base to offset the massive amount of tax-exempt government property then in Austin.

Mathias said electronics was chosen as a desired industry because it would be more accepted by the present population, since these proposed industries were located in buildings that looked a lot like the campuses Austinites were familiar with. It was, he said, a clean (not a "smoke-stack") industry. He observed that some of the things that attracted these industries to Austin were the quality of life and low taxes in the state.

The Chamber began reshaping itself for a major long-term effort. It began budgeting for recruitment. In all of 1954 it only budgeted \$1,143 for this purpose – in 1955 it received a major increase to \$15,000 (both in nominal dollars). Over the next decade, the Chamber established



Vic Mathias - manager of the Austin Chamber of Commerce from 1956 to 1982. Depending on your point of view, he was one of the social architects, godfathers, or grandfathers of modern Austin. He was among its first captains of industrial recruitment.

itself as *the* recruitment center for Central Texas, with the electronics industry as a prime target.

Chamber activities in 1955 included a tour for Eastern industrialists of Austin's various college and technical research facilities. Among the hosts of the tour were the PR director of the Balcones Research Center and the editor of the Austin's newspaper, the *American Statesman*. In 1956 the Chamber began distributing 7,000 educational pamphlets to industrialists around the U.S.

In 1957, the Chamber commissioned the UT Bureau of Business Research to determine the type of businesses that would fit in Austin. The study recommended several directions: poultry farming, air conditioning equipment, and research and development of electronics. It went on to recommend a planned industrial district. (Ironically, this report that christened Austin's economic future could not be located in the Chamber archives when this author requested to see it.)

The Chamber also endorsed a master plan for the city that designated 3 industrial areas for the City, in East Austin, Southeast Austin, and Northwest Austin near Burnet and the MoPac Railroad (on the future route for MoPac Freeway).

In 1958, a special tabloid, Austin's invitation to industry, was mailed to 1,500 industrialists. Stickers promoting growth were sent to Chamber members to put on their business windows. Road signs beseeched capitalists to "Locate Your Plant in Austin." And presentations were made to all manner of decision makers and civic groups to sell Austinites themselves on this new course. The next year 5,000 brochures and letters were mailed to the electronics industry; the Chamber also started *Austin Magazine*, at that time dedicated to economic development of the Austin area.

In 1960 the Chamber reviewed a plan to create an industrial park for Austin; so ardent was its pursuit that if such a site was not developed through private funding, the organization pledged to develop the site by itself. *Parade Magazine* focused on Austin, and the Chamber distributed the article to 25,000 industrialists nationally.

In 1961 the Chamber established a 3-year special fund totaling \$40,000 per year (\$231,000 per year in 2001 dollars). This budget included brochures, prospect letters, mailing, research materials, travel, and media advertising in business publications. Typical of the era's promotion was an ad reading "Austin—in the shadow of Gemini," which boasted of the city's links to NASA research and the technical talent of the University of Texas.

The Chamber also leveraged its efforts with volunteers. For instance, when UT faculty would travel to other cities on business, they would make personal, off-the-clock visits to officials in companies the Chamber was interested in recruiting to inform them of UT's excellent resources.

In 1962, the Chamber began a unique type of economic development outreach and promotion, a summer recreational extravaganza called Aqua Fest. Most people believed it to be an event of cultural and civic pride; but according to *Austin Magazine*, the original design of the festival was to promote Austin's abundant water resources available for industry to the rest of the country.

This multi-day event, which took place annually in the dog days of August until 1998, featured street and river parades, air exhibitions at the former Bergstrom Air Force Base, and several nights of ethnic food and entertainment at Auditorium Shores park on Town Lake. Ed McMahon, former MC of the Tonight Show, attended for several years and gave glowing reports on national TV. Aqua Fest "royalty" (queens and princesses) would attend other festivals throughout the state and country, often appearing at the Cotton Bowl.

Chamber involvement in political issues was primitive by today's standards, but aggressive and pervasive for its time. It supported bonds for an expanded airport terminal and a 65% increase in electric power capacity, and lobbied for the Right-to-Work labor law. It advocated for Mopac Expressway. In 1962 it began its advocacy for a junior college, which was actually formed 12 years later as Austin Community College. The Chamber served as the official publicity group for the Austin Transportation Study (which today is an exclusively governmental body).

The Chamber offered political training to its members and urged participation by their membership in local elections.

Also key to the recruitment effort was an effort to "brand" Austin. The Chamber wanted the country to see it as a town where "quality of life" was offered to employees of science-related companies. An article in *Austin Magazine* in 1964 stated "Austin is primarily a city of upper middle-class citizens."

Actually, according to the 1960 Census, this statement was somewhat in dispute. Of the 17 metropolitan areas in Texas with populations over 100,000, mean wage in Austin ranked 3rd from the bottom. The only cities that were

lower were in the impoverished Rio Grande Valley. In median family income, Austin ranked 6th lowest.(1)

The strategy of recruiting jobs for the upper middle class discouraged jobs that would help under-educated and under-skilled workers. To be fair, some of the jobs that were eventually recruited did help this demographic. So did some of the construction jobs that came with building a larger city. But this was not the primary intent of the strategy.

The *Austin Magazine* article further extolled the scenic countryside surrounding Austin; the cultural amenities such as plays, libraries, sports, and conferences; the recreational opportunities due to climate and geography (e.g., water sports); and the advantages of raising a family in the area.

Moreover, its comments on the labor pool were particularly attractive to businesses looking for a labor advantage. It reported that "Over the next five years there will be available some 18,000 locally-trained graduates..." and "Student wives and wives of state employees also add to the efficient, skilled, and contented labor force...Labor-management disputes are almost non-existent. Except for a few isolated instances of jurisdictional disputes in the construction trades, the Austin labor scene has been serene and peaceful for years."

This was rather tame compared to some of the Chamber's other assertions. An industrial recruitment briefing book from 1983 described an "adequate, relatively union free, labor force at competitive wages." The recruitment book went on to list 11 labor laws in Texas that constrained organized labor, and included an article from *Texas Business*, "Why Unions don't appeal to Texans."(2)

Another part of the Austin "brand" was the concept of "non-pollutive industries." These words had several meanings. Some, like Vic Mathias, thought that "smokestack industries" such as steel and oil, would not be accepted in Austin, whereas electronics manufacture was believed to be relatively benign. But critics of the business community saw this as code for non-union labor, since heavy industry in the U.S. had strong ties to organized labor at the time.



Political consultant Peck Young's sharp wit and quick tongue exasperated many of Austin's business leaders in the 1970s and 80s.

Either way, however, the fallacy in the argument was becoming apparent by the mid-1970s, as the problems with the electronics industry's chemical pollution to the environment and chemical exposure to workers began to reveal themselves. (See "A Clean Industry?" in the first section.) Yet the early warnings were ignored. Even today, there are people in the Chamber who believe that computer manufacturing is "clean industry."

There were some initial recruitment successes: Industrial Instruments, Johnson Controls, Austron, and Houston Instruments. The Chamber even attempted to compete for recruitment of the National Accelerator Laboratory of the Atomic Energy Commission. But two things happened in 1966 that would exponentially boost Austin's success and visibility. The Chamber hired a full time economic development specialist, John Gray, who had exceptional skill and luck in recruiting over 50 major companies during his 17-year tenure. And his first major accomplishment was assisting the large IBM facility to locate in the city.

The Majors: IBM and the Branch Plants

In May of 1966, representatives of IBM began surreptitiously investigating Austin as a possible site for a manufacturing plant. They were secretive for several reasons. The company did not want to drive up the price of land that it was shopping for; it also did not want to cause ill will if its expansion decision did not favor Austin.

A stranger walked into the old, one-story Chamber offices near Auditorium Shores to meet with newly-hired industrial recruiter John Gray. The stranger did not have an appointment and went by an assumed name; he claimed to represent a large but unidentified company. He began a mysterious relationship that lasted the rest of the year as Gray was repeatedly asked to present information about the city. Austin was being vetted for its infrastructure, natural resources, costs of living and doing business, cultural amenities, site availability, and quality of life.

The mysterious man was given tours of the city, tours of commercial sites, and introductions to important people. He was given access to City department heads to get direct information. But none of the department heads, the commercial Realtor assisting with siting, Gray, or even the Mayor learned who or what the man was. The mystery man would go to great lengths to continue his anonymity. He would go as far as to park his car blocks away from his appointments with his Realtor.

There were a few Austin residents also working on behalf of the company who knew its identity, but they were sworn to secrecy. So it was an overwhelming surprise to the entire community when IBM announced its decision to call Austin home in December of that year.

The IBM plant was Austin's first game in the major leagues. Originally it manufactured Selectric typewriters, and only employed 300 people. But IBM became one of the top 10 employers in Austin and remains so today. Seven

other companies located in Austin just to supply it. Serendipitously, it would become a pivotal anchor for the software industry 2 decades later, something no one could have foreseen. Currently, it employs between 7,000-8,000 people.

But much more was in store for Austin's recruitment efforts after IBM put it on the map: Infotronics and Communications Research in 1967, Texas Instruments in 1968, Westinghouse in 1971. In 1972 the Chamber assisted Seguin in recruiting a Motorola branch plant that made auto parts. The contacts and experience paid off when they lured a Motorola branch plant to Austin 2 years later to make semiconductors.

In 1975 the Chamber lured Eagle Signal, which made computerized traffic-control systems. This was a significant accomplishment because they had been trying to recruit this company for 6 years! In 1978 it landed Data General and Advanced Micro Devices. And all the while, companies that had already arrived were expanding and spinning off new companies. By 1978, 11% of all jobs in the area were manufacturing related, up from an estimated 2% when the effort first began about 20 years earlier.

Money for this recruitment drive continued: \$269,000 per year between 1965-69, \$322,000 per year in the early 1970s (2001 dollars). Ads continued to run in publications like the *Wall Street Journal*, *Dun's Review*, *Texas Parade*, and *Business Management and Area Development*. By 1978 there were 2 dedicated staff in the Chamber's economic development program in addition to its many volunteers.

According to Chamber annual reports, yearly Industry Appreciation Dinners began in the mid-1960s through sometime in the mid-1980s. As the years went by, they became more elaborate, not only as a way to thank the growing list of job-providers, but as a subcultural social event. Awards were given for expansions of industrial space or jobs, environmental landscaping of industrial sites ("The Golden Oak Award"), energy conservation, and even art made from industrial components. The momentum grew each year.

By 1979 the momentum due to the Chamber's recruitment efforts and the trend of Sunbelt migration by U.S. industry was so overwhelming the Chamber quit advertising that year. But it didn't quit talking to firms from past solicitations.

In 1981 there were 8 major companies that moved plants to the region, including Tandem Computer, Fisher Controls, Schlumberger, and Lockheed. There was also Motorola's expansion of a semiconductor plant in Oak Hill. The Chamber estimated that the 25,000 jobs it had helped create since 1965 had employed more than 75,000 other people (with a 3 to 1 multiplier for indirect jobs). In 1982, the Chamber spent \$257,000 (2001 dollars) on industrial recruitment and expansion; it added Minco to its successes in computer-related industries.

The All Stars - 1983

In 1983, Austin was promoted into the highest echelon of computer-related business centers when it was chosen for the site of Microelectronics Computer Corp., also known as MCC. This was a consortium of American computer-related companies allying themselves in a research consortium to better compete with the Japanese.

The choice of Austin was no accident, but rather a highly concentrated, intense, and collective effort of Austinites and Texans in the highest levels of state government, industry, and academia.

Austin was chosen out of 57 primary applicants and 4 finalists. When it was announced that Austin won the bid in May 1983, Andrew Young, then mayor of Atlanta, commented that "I gather Texas bought it." And indeed, Austin and the State of Texas did outspend the other contenders in terms of incentives.

The state of Texas contributed \$49.5 million in the form of increased academic training and office space. (Private donations ultimately contributed \$16 million of this.) In addition, the Austin business community made \$26 million in low-interest loans available, as well as half a million dollars for relocation expenses. Favorable apartment terms for MCC employees, free tickets to cultural events, and even a Lear jet on loan to the company for recruitment efforts were also available. But incentives were only the ante chip.

A larger reason that MCC chose Austin was the University of Texas. Through a combination of state funds and private donations, a commitment was made to treble the size of the microelectronics research program at UT Austin, and make large (though unspecified) increases at Texas A & M for the same purpose. This would provide MCC with state-subsidized training for scientists and technicians who would work there. And in many cases the training would take place in Austin.

Another large reason that Austin won was red-carpet treatment. Two all-star teams of influential leaders in business, government, and academia from both Austin and the state of Texas were assembled to refine and sell Texas to the MCC site selection committee. One of these teams created the state proposal, and the other would perfect the proposals coming from the Austin community itself. These teams worked for weeks, assisted by a second tier of staff, to collect information, refine it into a recruitment proposal, and sell this to MCC staff. It was an intense effort, conducted in a "War Room" setting.

The state team included then-Governor Mark White, his executive assistant Pike Powers; Ross Perot, chair of EDS Corp.; Henry Cisneros, Mayor of San Antonio; John Newton, chair of the UT System Board of Regents; Donald Walker, UT System Chancellor; Ben Head, the Chair of Republic Bank Austin and President of the Austin Cham-

ber; Robert Lane, Chair of InterFirst Bank Austin; Darin Butler, former Austin Assistant City Manager and member of Austin Industrial Interests; and John Watson, a high-powered commercial building developer (once called "the man of glass and steel"). The Austin team included many of the state team members, and also included the Chamber's John Gray and Neal Spelce, former Chamber President and then-advertising executive.

Governor White made the MCC courtship a priority. There was not a meeting with MCC representatives that he was too busy to attend. It was his feeling, as well as most of the other participants, that Texas needed to diversify from overdependence on the oil industry.

Research was done on the personal interests and hobbies of individual members of MCC's selection committee, and the people were "paired" with people from the Texas and Austin recruitment teams with like interests (such as swimmers and musicians).

The MCC officials touring the competing cities were flown to Austin by Ross Perot's Lear jet, flown from the airport to the Hyatt Regency Hotel in helicopters, and given helicopter tours of the region as well. When MCC's chair, Bobby Inman, was in town and wanted a tour, the head of Austin's Chamber of Commerce industrial-recruitment program, John Gray, took him on a tour of the town on a moment's notice. In this case, it wasn't a Lear Jet but a beat-up Buick. But still, the instant, friendly, and personal service was unforgettable. When members of the MCC selection team were touring the UT Performing Arts Center, a concert pianist was on hand to perform.

Austin's Congressman, Jake Pickle, and then-Speaker of the House Jim Wright, also of Texas, offered to shepherd legislation in Congress to help MCC with antitrust barriers that might prevent a collaborative research effort with different corporate members.

But another part of the strategy was rather high-handed: the municipal government of Austin was specifically excluded from any major participation in the effort. At the time, Austin's growth was a controversial political issue, and the City Council was seen by MCC's recruiters as too critical of business. Therefore, the major elected body of the city MCC decided to locate in had no significant role in its invitation. The city's low cost of living (and wage scale) were also posited as a reason for the MCC to call Austin home.

In all, it wasn't just the money. It was the helicopters and handshakes – the red carpet – that cemented the deal.

In February 1984, the Austin area got its second break that extended its status beyond a manufacturing center, the relocation of the Division for Research and Development for 3M Company, headquartered in St. Paul, MN. The relocation of this division placed Austin in another decision-making role for industry. Reasons for the move

included the company's feeling that the state of Minnesota was not business friendly because of its taxes and environmental laws.

At the time, Minnesota had the 4th highest personal income tax in the country; Texas had no personal income tax.(1) Minnesota had the highest corporate income tax in the country; at the time, Texas had no major tax on corporations.(2) Other Texas taxes, such as sales and gasoline, were also lower.(3) These tax savings attracted the company and made it easier to recruit employees. Lost amenities from Texas' much lower spending on roads, education, and parks were not a strong deterrent to the move.

The move was also a reaction to, or a punishment for, a recent Minnesota law that had been passed requiring 3M to pay for clean up of toxic waste.(4) The company claimed it supported the law, but resented the requirement that it pay for the entire cost of the damage if a dumping site had been polluted by several companies and some or all of these other polluters could no longer be located.

These motives to escape tax and environmental laws were all the more ironic when you consider that the Austin municipal government was never notified of relocation plans until the move was announced, so it could not plan for the providing the infrastructure.(5) Some City Council Members were shocked and angered because the site, near Lake Travis, did not have water/wastewater access, had only minimal roads, and was in an environmentally-sensitive area. Then-Councilmember Roger Duncan said " All the City planning structures are of no importance to the people who think they are in charge of the city's growth – the developers, the banks, the Chamber of Commerce, the real estate brokers, and now the Governor's office."(6)

This incident prompted the Council, in April of the next year, to pass a motion asking City planning staff to send a letter to Fortune 500 corporations asking that they contact the City government if an Austin location was being considered.(7) The letter was to say that if contact was not made, City services could not be guaranteed. This action magnetized resentment from the business community, who were positive it would discourage further industrial recruitment. Contrary to the City Council's instructions, the letter's dispatch was delayed by the City's Planning Department that was assigned to send it. It may not have been sent at all if a low-level staff member had not leaked the inaction to Council.(8)

Between 1967 and 1985, the Chamber's direct involvement in politics was ubiquitous. It held annual courses in "practical politics" for its members. It supported (and its members funded) successful electoral campaigns for over \$2 billion in bonds for electric, water and wastewater, roads, and other infrastructure. The Chamber supported the election to establish Austin Community College, and then participated in a committee to set up its curriculum.

It supported increased plane schedules and road expansions, including the controversial Mopac and Outer Loop

Highways over environmentally-sensitive watersheds. It actively supported the South Texas Nuclear Project, a new airport, privatization of government functions, a new convention center, low electric rates for large businesses, Motorola's expansion over the aquifer, and enabling legislation for Capital Metro.

It opposed single member districts, compulsory unionization of postal workers, and zoning laws that favored neighborhood protection. It urged political participation through its two publications, voter-turnout campaigns, and an organized effort to recruit Chamber volunteers to City boards and commissions.

In 1979, the Chamber began Leadership Austin. While this program has turned into a sincere effort to train talented people for civic involvement, at the time of its christening it was in part a political training organization for business interests.

By 1983, agriculture had ceased to be a major focus of the Chamber.

The Chamber continued to conduct tourism on behalf of Austin, funded with a tax on hotels and lodging, until 1987. This was synchronous with the Chamber's other efforts to make Austin prominent nationally. Good reports from tourists meant more businesses interested in moving to Austin. The Chamber bought copies of the film "Balloon-ing Over LBJ Country" and circulated them for private and TV showings. At one point it had about 50 copies in distribution, and pursued this strategy for at least 7 years. It gave VIP treatment to tour agents and travel writers, who were treated to receptions, dinners, and Western dancing. At one point the Chamber was sending out 675 monthly press releases on Austin events to media sources throughout Texas.

Team Infighting: Owners Fire Management - 1983

You would think that with all the success stories the Chamber had, the membership would have been happy with the direction and process by which success was achieved. But this was not always the case. A huge rift developed within the Chamber in the late 1970s and early



Lee Cooke - manager of the Chamber of Commerce from 1983 to 1987. Under his tenure, the Chamber expanded its role as corporate citizen while continuing to cheer the juggernaut of Austin's growth. He went on to become Austin's Mayor in 1988 and inherited the worst local economy since the Great Depression.

1980s over accountability.

To begin with, many people in government were beginning to be resentful of not knowing the Chamber's recruitment agenda. Lee Cooke, a former City Councilmember, recalls somewhat bitterly that he received only a day's notice when Advanced Micro Devices announced their Austin expansion in 1979. Since the City was responsible for providing AMD's infrastructure, it could not plan ahead. Cooke also felt that the Chamber was ignoring the subject of downtown redevelopment. By another account, the Chamber staff was running the organization with little accountability to its volunteer Board of Directors.(1)

Most of this was not publicly documented. But the shake-up was, when Director Vic Mathias announced he was quitting in November of 1982. Little was explained in the newspaper story announcing this, except that Mathias had planned to change jobs anyway and had come to a "mutual agreement" with the Board Chair to resign.(2) Ironically, after a nationwide search, the person that was enlisted as the new Director was Lee Cooke.

Cooke said in an interview with this author that he wanted to see the Chamber become more of a partner with government agencies, and start more programs to enhance the region's quality of life through corporate citizenry. In the next 4 years he oversaw many changes, foremost among them was replacing virtually the entire staff at the Chamber.

He took his time. For most of a year he made no major staff changes. But about 9 months after he was made Director, 13 people abruptly announced their resignations *en masse* because of reorganizations that displaced or subordinated their positions. The most prominent among them was John Gray, the resident wizard of industrial recruitment. In an angry statement to the press, Gray said he had lost his position as a Vice President and thus could no longer do his job.(3)

Cooke told this author he did this because Gray was so secretive he would not even tell *him* about new recruitment prospects, justifying this by saying the client's interests would be compromised. "To him, I was the young whippersnapper and he was not going to give me this information. But I was his *boss*. I couldn't have that." (I could not verify this account with Gray because he passed away in 1999. Incidentally, one of his pall bearers was Vic Mathias.)

During Cooke's tenure, the Chamber started new efforts at civic entrepreneurship and expanded existing ones. These included Adopt-A-School (still existing today as Partners In Education), where members made donations of money and time to area grade schools. The Chamber's effort to keep the city free of litter and debris was greatly expanded as it launched Keep Austin Beautiful, which has since spun off as its own organization. It began a long-term effort to support culture, beginning the Business Committee for the Arts in 1984.

The Chamber helped build two parks, and started Project Greenscape to give away trees to those interested in planting them. Austin in Action was a Chamber program formed to funnel business volunteers to charities. The organization began its annual awards ceremony for businesses and individuals that contributed to Austin's quality of life.

The Chamber also made strides in helping the area's small businesses. During Cooke's tenure, a group insurance plan was developed to help small businesses save money. Regional "area councils" were formed to coordinate chamber small business members in various parts of the Austin area. Networking forums, seminars, training, and counseling were offered in a more coordinated manner.

Cooke feels one of his best accomplishments was the commissioning of a report by the Stanford Research Institute (which became known as the "SRI Report"). This document was a collection of ideas and strategies that Austin could pursue to allow it to grow while maintaining its quality of life. Some of the ideas were an incorporation of strategies that had been discussed by the Chamber previously, while others were relatively new.

The SRI Report established the concept of "gold collar" jobs, where workers were not driven by typical things that motivated blue or white collar employment. Quality of life mattered greatly to this new breed of worker that SRI said Austin should attract, and that Austin needed to maintain and create more cultural infrastructure.(4) It advocated a large central park and more open space, more museums and historic sites, and support for a nascent music industry.

In economic development, the study pointed to software and information technology as a new source of jobs. SRI recommended the Chamber focus on recruiting specific industries rather than a scatter-shot approach, which would confuse national major employers. It also proposed incubators to help train small businesses. It pressed for more tourism-related sites and employment, including a new convention center. It advocated a targeted effort to supply commodities and services to major employers with Austin-based businesses. And SRI predicted that many of Austin's future jobs would come from spin-offs from companies already located here.

In infrastructure, it recommended more of a partnership with governments to provide for future growth rather than the more secretive and sometimes adversarial relationship the Chamber had previously. There was the hope of business/government collaboration on issues like affordable housing and land use disputes. In education, SRI directed the Chamber to link Austin industries and major employers with primary and secondary institutions to enable training of the future workforce. It also advocated better funding for Austin Community College.

Many of the SRI Report's ideas were farsighted; some

would have happened whether or not they had been in the report. But SRI was a new game on a bigger board than the Chamber had played before.

Cooke stayed at the Chamber for about 4 years. And many of the recommendations of the SRI Report did occur, either while he was Director or after he left. Software was recruited – bigtime. The Chamber was a contributor to the Austin Technology Incubator, which became one of the most successful incubator projects in the U.S. “Buy Greater Austin,” a program to encourage purchases from Austin businesses, was begun. Austin Community College was enabled by the voters to assess property taxes. *Some* (not all) companies seeking Austin locations had discussions with the city government to ensure infrastructure availability.

But the era will be remembered as much for its controversy as for its cooperation. Growth was feverish in Austin in the early 1980s. The running joke was that the Austin city government should adopt its own official bird, the (building) crane. The recruitment of 3M, for example, left the city government out of the loop, even though it was expected to provide infrastructure to an environmentally-sensitive, undesirable area. And much of the growth that did occur was unpopular with the current residents. So the historic controversy between environmental and neighborhood activists and the business community reached new heights (or depths).

Emotional issues supported by the Chamber in a 1985 election included the ill-fated proposals to build a cross-town expressway near Town Lake, a new convention center surrounded by mixed-use development near Auditorium Shores, and a proposal to build Austin’s new airport near Manor, Texas. The first 2 failed; the airport passed through the weight of monetary contributions to its campaign, but it later became a victim of a sour economy and the project’s intractable opponents.

Another controversy of the era was the city government’s decision to strip the Chamber of its function of promoting tourism. Tourism promotion was (and still is) funded by a “bed tax” on hotels and motels that is collected by the City. As such, the City Council could award the money to whomever it considered would do the best job. The Chamber had historically been awarded this money. But in late 1986, a majority of the City Council (that had not been elected with Chamber support) voted to give the money to a non-profit organization to do the job. The Council had concerns that tourism money was being commingled with political programs the Council did not support.⁽⁵⁾ And there was interest by the lodging industry in having a separate organization, which was chartered as the Austin Convention and Visitor’s Bureau.⁽⁶⁾

The transition was not graceful. There were allegations that the money was not spent effectively, and that one of the Bureau’s Directors was residing in free or low-cost lodgings provided by the Austin hotels and motels he was supposed to serve.⁽⁷⁾ The incident where one of the Bureau’s

employees publicly bared her posterior to someone in a Dallas restaurant also did not win any fans.⁽⁸⁾ City government took over the program for several years before again giving the money back to a non-profit dedicated to the purpose, where the function resides today. But the whole transfer might not have happened at all if not for the historic animosity between Austin’s pro-growth and controlled-growth factions.

Despite these and other setbacks, Cooke feels that he cashed in after a good hand when he left as Director in the summer of 1987. He believes most of his efforts succeeded. The next year he was elected Mayor, and inherited a City government in the midst of the worst local economy since the Great Depression.

Injury During Game: 1985

In the mid-1980s, several factors conspired to create great economic hardship in Texas. The Texas economy was still extremely dependent on oil, and prices plummeted in 1982. At the same time land speculation, run amuck, had caused many banks and Savings & Loans financial difficulty and even bankruptcy. Many of the financial institutions in Austin were declared insolvent during this period. Construction almost came to a standstill. By 1987, office building vacancies were 38%!⁽¹⁾ In 1989, the population of Austin actually *decreased* slightly.⁽²⁾ This time period is known to longtime Austin residents as “the Bust.” While economists refer to the period as a recession, Austinites who lived through it think of it as a depression.

The Chamber felt that it had to recruit its way out of the morass.

The Chamber had actually begun regular recruitment trips out of state or country several years earlier. Angelous Angelou, the former Vice President for Economic Development at the Chamber, was the organizer. In an interview with the *Directory*, he said that these trips were organized every year from 1984 until 1995, when he left to become a private consultant in economic development. Trips were largely staffed with volunteers who not only paid their own way, but provided an extra contribution to support the Chamber expenses for those staff persons like himself that went along. They specifically recruited businesses in the high-tech areas, mostly computers and telecommunications.

Typically a trip would include 15-20 of these volunteers. The original destination was Silicon Valley, and the first year the Chamber called on 65 Valley companies. Eventually the trips expanded to include Los Angeles. The last year the pilgrimage also found its way to Portland, OR.

The group split into teams of two people, and made rounds of several meetings a day, about an hour each. Sometimes these ambassadors would call on companies that already had locations in Austin, while other times they would meet new prospects.



“Economic development is a relationship business.” A picture of (a younger) Angelous Angelou. He directed recruitment trips for the Chamber of Commerce from 1984 until 1995 to cities around the country, successfully attracting businesses to expand or relocate in Austin.

If the company already had a branch in Austin, they were told how grateful Austin was for their location, and asked to consider expansion. If they were a new prospect, the advantages of an Austin location were explained. Often the Austin delegates were also given a tour of the plant, which allowed the meeting to be more of an inter-change than a sales call.

The importance of continual visits was dominant in Angelou’s mind. “Economic development is a relationship business,” he observed during the interview. Samsung, he said, was called on for 5 years in succession before the company was ready to consider an Austin expansion.

Another part of this relationship was with the press – the *San Jose Mercury* gave substantial coverage to the Austin tour for the first two years. Angelou had previously invited a Mercury reporter to Austin for a week to see the city, actually paying for his expenses. When this reporter heard that Austinites were coming to the Valley, he wrote two whole pages about the recruitment trip that began on the front page of the business section. This ran the day the Austin entourage arrived, and produced two unexpected results.

First, it had a positive effect on the interest from Valley firms, and some of the Austin visits were made in response to invitations from interested businesses who learned about the recruitment trip from the story.

The second thing that happened was it provoked an angry response from labor unions, who picketed the hotel where the Chamber ambassadors were staying. Angelou laughed at this during the interview, saying the protests actually created more press coverage. He did not feel in any way upset by the occurrence. “We never really took jobs away. They [the electronics companies] had decided to leave anyway.”

In 1986, the Chamber sponsored recruitment tours to 10 U.S. cities. In the same year a trip to Japan resulted in Mitsubishi setting up a branch office in Austin. In 1989, the Chamber met with 130 companies in Silicon Valley. At least 7,000 recruitment mail pieces were sent between 1986 - 1988 alone.

Another Chamber official who offered his perspective was Glenn West, President of the organization from 1987 to 1999. He said that when he came, he found a group of very depressed business people, the worst Class A office vacancy in the country, and empty hotel rooms. Yet he was excited, because he felt Austin had great economic resources: branch manufacturing plants, the new 3M facility, and the highly-prized research consortia of MCC and Sematech (discussed elsewhere in this article). The one thing Austin lacked, he knew, was the resources to promote Austin and recruit more business. West convinced the business community to raise the money to do this.

In 1988, the Chamber began “Advantage Austin,” an effort to fund its economic development, education programs, and member services. This fund raised approximately \$800,000 to \$900,000 per year for a combination of programs (nominal dollars). Despite the economic pain the region was feeling, businesses were optimistic or desperate enough to fund these efforts. While West was President, the Chamber annually spent between \$800,000 and \$1 million on economic development efforts.

According to West, Austin companies were tired of the business climate. Interestingly, even financial institutions that were in danger of insolvency contributed. And even if a bank was auctioned off by the Federal government to a new owner, the new owners would honor the prior commitments that had been made to the recruitment effort because it was considered a good business investment.

There were two themes Austin had in mind when it began its new recruitment efforts: 1) to recruit companies identified in the SRI Report, like software and information technology; 2) to build up Austin’s reputation as a technopolis for the computer industry.

West said it was fairly easy to identify recruitment prospects that were in a growth mode. These prospects would have literature mailed from the Chamber, followed by volunteers who would meet with the companies personally.

West said that Austin was selling: 1) an educated workforce; 2) a major research-oriented university; 3) a significant business cost savings compared to California (typically 25%, considering lower land and building costs,



Glenn West, manager of the Chamber from 1987 to 1999. He helped direct the public relations campaign that sold modern Austin to the world.

and a lower cost of living that allowed labor cost savings); and 4) a high cultural quality of life. (West said that Austin offered a cultural diversity where young tech workers would be happy, compared to other Texas cities such as Waco.)

Glenn West said that the recruitment of companies in the late 1980s was enhanced by their curiosity about Austin. In general, they did not know much about the region, but they knew about MCC and Sematech, so they were interested in hearing more.

This curiosity was aided, driven, and embellished by 2 paid public relations firms that were retained for about 5 years. Their job – keep Austin in the limelight. (One of these firms was the local branch of Staats Falkenberg & Partners.) This firm charged about \$100,000 annually, but did its job well. Between 1989 and 2000 the Chamber observed at least 73 positive articles in prominent newspapers, business publications, and magazines. These included major league publications such as the *New York Times*, the *Wall Street Journal*, and the *Washington Post*. They also included positive mentions or surveys that appeared in numerous magazines including *Forbes*, *Entrepreneur, Inc.*, *Money*, and *Plants & Sites*, which would promote Austin as one of the best places to live, best places to do business, etc.

One of the PR techniques was to take Austin business “stars” on a press tour to other parts of the country. In 1989, the Chamber collaborated with Michael Dell, who was building his nascent computer empire. In his interview tour of New York, he would mention Austin frequently. Another time they took successful business executive George Kozmetsky and Bill Cunningham, former Chancellor of the University of Texas System, to talk to technology writers and reporters in California. After about 5 years of these efforts, positive press became self-perpetuating and “sustainable.” The PR expenses were no longer necessary, because the Austin story (or myth) was established in the national consciousness.

Austin participated in several other efforts to lure leading-edge R & D concerns to the state. In 1987, the same year it successfully bid on Sematech, it bid on the Center for Manufacturing Sciences, and helped with the Texas bid on the Supercollider, the latter being partially successful. (Texas won the nationwide bid, but it lost the project a few years later when federal budget cuts occurred.) In 1989, Austin offered tax abatements to U. S. Memories, and was one of 4 finalists considered. But the fledgling R & D concern could not raise the money it required, and it never opened its doors.

By 1990, the Chamber had 7 people employed in its economic development program.

During the recovery period of the late 80s, the Chamber strongly advocated and won major economic incentives that were used as recruitment tools. These included tax abatements from the City and County governments, ex-

emption from the Freeport tax for Travis County’s manufacturing industries, and electric rates favoring major industrial recruitment and expansion. (The cost of these to the region are detailed in the Incentives section.) These companies included Applied Materials, Motorola, Phototronics, and Samsung.

Major political issues the Chamber was a major player in included electric and water rates, the Balcones Habitat Plan allowing development in western Travis County, streamlining the development process, helping Austin Community College gain taxing authority, school bonds, opposing an ordinance banning random drug testing in businesses, and laws which regulate hazardous chemicals. It played a leading (though unsuccessful) role in trying to keep Bergstrom Air Force Base open during a period of military downsizing.

Of particular note was the Chamber’s advocacy of an Economic Impact Ordinance, which required an evaluation of the cost to businesses on future laws promulgated by the City. In 1995, it lobbied the U.S. Congress for the same thing in environmental regulations.

In matters of state politics, it lobbied on many items, including Texas Workers Compensation and the Freeport tax exemption.

In collaboration with the City, the County, the University of Texas and the IC2 Institute, the Chamber helped establish and fund the Austin Technology Incubator to assist entrepreneurs in high-tech with marketing, raising venture capital, production, and general administration. Begun in 1989, it had graduated 60 companies by the year 2000 that employed 2,000 people; 5 of these companies are public. By 1994, it had achieved such marked results that it won a national award for its work. ATI’s director was on the Chamber’s board for several years.

One of the most important things that happened during the Bust was the demise of Austin-owned banks. Like many lending institutions in the southwestern U.S., most Austin financial institutions were heavily invested in real estate during the boom years of the late 1970s and early 1980s. One informal survey of 6 banks in 1983 showed that 39 to 50% of their investments were in real estate.(3)

Some of this was highly speculative development. When the economy went into recession, land and buildings with inflated prices plummeted in value. A 1989 study by this author surveying land development surrounding Lake Travis showed that of the 30 square miles being reviewed, 38% of this had been repossessed by lenders; another 6% was involved in some type of bankruptcy or lawsuit.(4) *More than half of the land that had been foreclosed on had in turn been taken over by the federal government due to bank insolvency.*

The value of many houses and buildings fell below their original purchase price. Vacancies were off the scale. In

commercial buildings, Austin's 38% vacancy rate made it one of the most overbuilt cities in America. (A joke typical of the time went "Who says Austin doesn't plan for the future?") Many of the owners of these buildings lost part or all of their income.

Nationwide, failures of banks and Savings & Loan companies were pronounced during this time period, but Austin was especially affected. Between 1985 and 1989, 31 out of 52 Austin banks failed.⁽⁵⁾ These banks were taken over by the federal government, who auctioned off their assets to solvent institutions. This situation, combined with the merger trend in modern banking, has left few institutions in the Austin area locally owned. In 1985, about \$14 billion (\$23 billion in 2001 dollars) in assets was held by banks headquartered in the Austin area. In 2001, this number had fallen to \$1.9 billion.⁽⁶⁾

Accounting for inflation and an increase in population, there was 20 times more locally-controlled investment capital per person in 1985 than there was in 2001.⁽⁷⁾ Political consultant Peck Young has likened modern-day Austin to an economic colony.

Grand Slam

During the recession period of the late 1980s, Austin experienced the single most important event in its economic development history, at least in terms of government subsidies and status. It recruited the Sematech consortium.

The SEMiconductor MANufacturing TECHNOLOGY group was another collaboration of private companies similar to MCC. In fact, the two consortiums shared some of the same members, and the same competitor — Japan. Just as Japanese industry had threatened America's software and computer design, it was also threatening U.S. leadership in semiconductor manufacturing. Sematech was initiated to regain America's competitive edge, as well as underpin national security, as many defense-related technologies were based on semiconductor technology that was increasingly imported from overseas.

Like MCC, there were direct jobs, indirect jobs from Sematech suppliers, and money recirculating in the local economy, as well as the status of being a High-Tech center that would help create momentum for still more High-Tech development. Unlike MCC, Sematech brought huge amounts of Federal subsidies. Most of MCC's money did not come from federal research contracts. But between 1988 - 1996, the federal government gave Sematech \$1.1 billion (2001 dollars).

Austin competed with 134 other proposals. It won for 5 reasons. First is the incentive of \$68 million; 74% of this was from the State and the University of Texas to purchase and remodel the Data General Building in Southeast Austin. Almost all of the rest was from the private sector. Much of this money was for the construction of a cleanroom for chip fabrication in an existing warehouse. And therein lies the

second reason for Austin's victory — a construction plan executed with breakneck speed so that the company could begin its work quickly.

Another reason for luring Sematech was the national political clout of Texas. Unlike the larger states of New York and California, economic development measures are considered non-partisan issues by Texas politicians. In practical terms, Texas was seen as a good provider, with the unity of Texans in Congress ensuring that the federal subsidy would be delivered from year to year. So even though there were cities that offered greater incentives, a Texas location could ensure the much larger federal subsidy.

Still another reason for Sematech's move was that most of its members (11 out of 14 companies) already had a presence in Austin, either in branch manufacturing plants or in the MCC consortium.

And then there was a personal, attractive presentation. While almost all of the 135 applicants that tried to recruit Sematech mailed their proposals, Austin's was hand-delivered. When Sematech made an onsite visit to the City prior to their decision, a clean room model was assembled for their viewing pleasure. Weaknesses in Austin's bid and presentation were second-guessed and solved before the hard questions were ever asked.

The successful Austin effort involved about 100 leaders from government, the University of Texas, and business. Sematech created 700 jobs and had an annual \$250 million budget that was largely funded by the federal government. But ironically, after federal subsidies ended in 1996, the consortium allowed foreign companies to join. With some of the original member companies leaving, there were demands to replace them to keep Sematech solvent. And the national security issues that justified the massive subsidies went by the wayside.

New Season

When the state and nation were pulling out of a sluggish economy in the early 1990s, Austin was poised for a major comeback. The tax incentives, and companies recruited with their aid, created a new wave of employment and a surge in population. Between 1985 and 1997, the population of Travis County increased by 21%.⁽¹⁾ *One-third* of all the building space in the county (up to that point) was built in this boom time!⁽²⁾ But the Chamber never stopped. Between 1989 and 2000, the Chamber claimed partial responsibility for creating 27,000 primary jobs from recruitment and 55,000 from expansion. (These do not include service providers and "multiplier" jobs.)

No less than 10 recruiting trips to the West (Silicon Valley, Los Angeles) and East (New York, Boston) were conducted to meet with businesses that might expand or relocate, and a job recruitment trip was made to Boston to lure top talent away to Austin to feed these brain-eating businesses. 1995 was a particularly aggressive year, with

37 Austin business executives, community leaders, and staff visiting more than 84 companies. Another trip to New York and Boston resulted in 17 Austinites visiting 33 companies. The Chamber also conducted a trip to Mexico.

PR was also employed extensively; in 1990 the Chamber conducted a 2-day tour of Austin for media from New York; a year later they did the same thing for media from California. And in 1993 they did the same thing for journalists from Mexico.

Between 1989 and 2000 the Chamber boasted of 73 positive articles in major newspapers, business publications, and magazines. There were probably many others; many of these were assisted in some way by the Chamber's communications staff. In 1991 the Chamber created a special section in the *Austin American Statesman* to highlight its programs and accomplishments. In this period there were dozens of press conferences and hundreds of press releases. In 1994, the Chamber hosted a daily interview series on KLBJ radio with its members. In 1995, KVUE produced four 30-second public service announcements about Chamber activities, including one on economic development. Similar PSAs were produced for radio.

But by the mid-1990s, the Chamber did not have a need for outside PR consultants. Former Chamber President Glenn West said that the U. S. public had bought the Austin dream. "Over the last 5 years I talked to hundreds of people who had decided to locate their tech business here. They said they kept reading about Austin in surveys that ranked Austin high on places to work or live, so they came here."

Political participation in this time period, as always, was varied and dynamic. The Chamber opposed major environmental initiatives, including charter amendments guaranteeing funding for environmental programs run by the City (1991) and increased protection for the watersheds (1992). The Chamber's loss on its stand against the watershed protection measure ("the S. O. S. Ordinance") was so dramatic that the following year the Chamber recruited outreach volunteers to try to reconcile some of the differences that it had experienced with environmentalists.

It supported the Balcones Habitat Preserve and bonds to buy land in the area, and helped initiate an air quality campaign to keep Austin in compliance with federal laws. It supported Highway 130, light rail, utility deregulation, and the right of High-Tech companies to conduct drug tests on their employees.

The Chamber supported bonds for the convention center, schools, a baseball stadium, and expansion of roads and other infrastructure, including the new Bergstrom Airport. So ardent was the Chamber's need for growth that in 1999 it successfully took legal action to strike down a local campaign finance law that limited the amount of money contributors could give to the bond election campaign. It endorsed further economic development incen-

tives like infrastructure improvements for the CSC and Vignette buildings.

In 2000, it supported a massive expenditure of City of Austin money to purchase future water rights from the Colorado River, guaranteeing a water supply for a doubling in population.

At the state level, it supported bills to increase and guarantee school funding, discourage new taxes, and pass tort reform. It also endorsed Constitutional Amendments on the statewide ballot for issues such as using home mortgages for loans (which lose homestead liability protection) and prison bonds.

There were two major expansions in the way the Chamber performed economic development. The first was to try to diversify the economy through identified and preferred industry "clusters." The cluster theory of development postulates that once a certain number of like-missioned workers are in the same area, training, networking, supplying, and production will reach a self-sustaining momentum.

In 1997, the Chamber hired ICF Kaiser, a consulting firm, to identify these clusters.⁽³⁾ In addition to computer-related industries, the consultants chose biomedical products, film and music, and logistics and transaction services based on the computer and telecommunications technologies that Austin was a leader in developing. Then working groups were set up under the Chamber's direction to begin building employment and recruiting strategies.

The other thing that expanded was the Chamber's participation in workforce education. One of the criticisms of the Chamber's recruitment efforts over the years was that many of the new jobs were given to people who moved to Austin from other regions. But as the economy overheated in the latter half of the 1990s, whole sectors of Austin business were not getting enough trained workers; businesses in computer-related industries and auto service were habitually stealing employees from their competitors. Added to this dilemma was the feeling of the business community that people who were longtime residents were more likely to stay in the city. Simply put, it costs a lot of money to lure workers from other states, who might not like the weather and leave.

The Chamber has always had a role in education. As far back as the 1940s it helped arrange school tours of Austin business and industry. In the past it even provided curriculum on the free enterprise system. It helped establish Austin Community College.

But the Chamber's role has become pronounced and omnipresent. In 1999, it helped match nearly 2,600 students to internships and summer jobs, and it provides career awareness and "job shadowing" for teens. It created a network of math, science, and technology teachers to help them coordinate curriculum and teaching to train



Mark Hazelwood, manager of the Chamber from 1999 to 2002. He saw the crest of the hottest economy in the city's history, and its decline into recession.

students in these areas through seminars and teacher internships. It helps provide training programs for adults, including computer literacy and construction. As well, it provides job recruiting via the Internet.

But its most effective work comes in the form of coordinating and participating in workforce education. It established the Capital Area Training Foundation, whose goal is to train future employees for the needs of Austin industries. The Foundation's most important program is its Industry Clusters groups, where major industries work with area high schools and Austin Community College to plan training curriculum, provide internships and scholarships, and enlist interested prospects in careers. Such clusters include semiconductors, software, high-tech manufacturing, health care, and automobile repair.

When I asked Glenn West to give me a recap of the game, he said that Austin has become very much what the Chamber intended in 1987 when it started its recovery efforts, but more successful than could have been imagined then. He attributed the success to 3 things: the success of recruitment efforts; the public relations efforts, and the rise of Dell Computers as a major employer.

A Two Team Town

One of the interesting things that has happened to the Chamber of Commerce in the last 10 years is its dwindling membership. At its peak in 1987 it had 4,800 members. Today it has about 2,100, though the regional population is 55% larger.⁽¹⁾ Though there has been no statistically-valid survey, various people inside and outside the Chamber have speculated as to why this has occurred.

Possible reasons include national outlets replacing local merchants, state and national banks replacing local institutions, less emphasis on member recruitment (according to former CEO Mark Hazelwood, the Chamber is seeking fewer but better members), and less emphasis on small businesses. Hazelwood also noted that when times are good (which they were in most of the 1990s) fewer companies see the need to collaborate to boost business. There are also trade organizations for tourism and real estate that some in these professions find more useful.

But in the last 8 years another phenomenon has oc-

curred to stifle Chamber membership, the rise of the software industry.

Of the 4 computer-related employment sectors (sales, chip manufacturing, equipment manufacturing, and software), software has grown the most in percentages and numbers. Between 1988-2000, its employees increased over 800% to almost 24,000, with a collective salary of \$1.8 billion.⁽²⁾ Many in the software industry have less need for local networks than other businesses because so much of their sales is national or international. Some are young or iconoclastic (or both). And many are *not* members of the Chamber.

The software industry formed its own trade association in 1992, the Austin Software Council (now the Austin Technology Council), which until late in 2002 had a staff of 4 people to serve a membership of 400 companies with a combined employment of 50,000 people in Austin and elsewhere.⁽³⁾ (After recent cutbacks the organization has only 2 paid staff.) It advances the interests of its industry, which include business support and promotion as well as civic and political participation. It offers educational courses and mentoring to its membership, reduced-rate business services such as insurance and payroll accounting, and networks that introduce members to possible investors.

The Technology Council also presents a face to the rest of the world. For instance, in cooperation with the Chamber, it has successfully recruited the annual convention for the World Congress on Information Technology for 2006.⁽⁴⁾ The Congress is the premier international trade meeting of the software industry, and the status granted to Austin from catching this bouquet is enormous.

To say that the Chamber and the Technology Council are in competition with each other is not exactly accurate. The Council is more like an independent trade association. Some companies, like IBM, are actually members of both groups. It might be more accurate to say that these are two professional teams in the same town. They are in different leagues, and one of the teams has far less experience than the other. But someday, they may yet end up rivals on certain issues.

Final Thoughts

This chapter was meant to be a primer on the evolution of Austin's computer industry. It would be impossible to deal with all the ramifications of Austin's growth over the last 60 years without a book of several hundred pages. The entrepreneurs, the inventors, the battles over land, and the emergence of venture capital, while fascinating, are all beyond the scope, or purpose, of this report. Instead, I focused on the main ways institutions, most notably the Austin Chamber of Commerce, facilitated the growth of High-Tech companies. Their single-minded efforts stand in stark contrast to the lack of attention given to other types of businesses, including environmentally related ones.

While I was doing the research for this section, I was amazed at how little was written about the history of Austin's High-Tech growth, the real history that is not usually (or at least completely) found in newspapers. Of the people who built modern Austin, many are dead and those surviving are not getting any younger. I encourage those interested in history and public policy, including students, teachers, historians, and industrialists, to delve further into this. Such history will help citizens understand, for good or bad, how modern Austin was created.

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1 1987 membership figure from Pletz, John, and Lori Hawkins, "A New Focus, Austin Chamber of Commerce hopes to redefine itself to fit area's changing economy," *Austin American Statesman*, Austin, TX, January 30, 2000, p. J1.

The 2003 figure is from telephone interview with Tammy Hale, Vice President of Membership at the Greater Austin Chamber of Commerce, on January 24, 2003.

2 Employment data originated on July 6, 2001 by Phil Arnold, Information Specialist for the Texas Workforce Commission.

3 Information from organization Website: www.austintechnologycouncil.com

Austin Software Council, *The Leader* (quarterly newsletter), Austin, TX, Third Quarter 2001.

4 Goldman, Elizabeth, "Austin a finalist for international conference," *Austin American-Statesman*, Austin, TX, November 29, 2001, p. C1.