Public Private Partnerships for Local Economic Development and their Impact on Poverty and Inequality

Research for the UK Department for International Development (DFID)
Economic and Social Research Management Unit (ESRMU)

Draft of Supporting Material

Note: This draft is close to book length. However, an evaluation of this research does not require the reviewer to consider all the material presented here. The historical and theoretical background accounts (marked with an asterisk) and appendices might be omitted from such a reading.

DRAFT: NOT FOR CIRCULATION OR QUOTATION

Ben Cashdan

International Organisation Development (IOD), Birmingham, UK
Department of Geography, Johns Hopkins University, Baltimore

Wednesday, 09 December 1998

This draft has been produced solely for the purposes indicated on page 9 of the guidelines. Namely, it is 'appended evidence that DFID can use to verify the methodological quality of the research'. It is designed to be read with the separate "main final report of the research funded by ESRMU" which summarises its findings. The appropriate form in which it might be revised and/or abridged for subsequent publication or dissemination has not been determined. It's contents are the responsibility of the author and should not be interpreted as any indication of the views of DFID.

Table of Contents

(1) INTRODUCTION

In the attempt to reduce poverty in the developing world, an increasing emphasis is being placed on local government and on the establishment of public-private partnerships to generate economic development. In many cases these partnerships are being imported from the cities of the West, in particular from the United States and more recently Great Britain (Mitchell-Weaver and Manning, 1991). My aim in this paper is to assess the record of public-private partnerships in these two countries in addressing poverty and inequality. This focus raises a conceptual and a related theoretical question:

(i) What is our definition of poverty?

(ii) Is inequality a significant cause of poverty, or can the latter be addressed through aggregate growth?

Definition of poverty: The most common measure historically has been money income. But recent work has emphasised that this is a poor proxy for quality of life, which is a function of many things, including material income and wealth, but also control over natural resources, access to public services and influence over decision making, not to mention other less tangible factors such as social status and community solidarity (Sen, Moser???). To the extent that any one of these factors is in short supply or is monopolised by one group in society, then poverty reduction cannot proceed without simultaneously addressing inequality.

Relation between inequality and poverty: Much of the theory which underpins contemporary Western local economic development practice focuses on income but is unconcerned with inequality. This has two potential explanations: (i) poverty will necessarily be addressed by aggregate growth irrespective of trends in inequality (trickle-down); (ii) poverty reduction is not the aim of economic development.[1] Frequently it is not clear which of these positions is being adopted. To complicate matters further there is a hybrid position: (iii) aggregate growth may address poverty, but only if it reduces inequality (pro-poor growth).

In this paper I will set out the theoretical basis and historical context of six LED partnership approaches under three broad headings. First, *traditional* approaches, which emerged in the 'privatism' of North American cities in the post-war period, based on neo-classical economic theories of industrial location and urban land markets. Traditional approaches are more concerned with efficient growth than equity, and to the extent that they target poverty do so primarily through trickle-down. Second, *entrepreneurial* approaches, based largely on the same neo-classical theory, but which attempt to ride the tide of economic restructuring associated with the recession and deindustrialisation of the 1970s, in order to ensure 'smarter' growth, or in some cases 'pro-poor' growth. Both the traditional and entrepreneurial approaches in the U.S. inspired attempts by Conservative governments in Britain to introduce something similar in the 1980s. Third, *equity-based* approaches, which are sceptical about the possibility of improving the quality of life of the poor without increasing their power (directly or through the state) to regulate the urban system. At least two roots can be discerned for equity-based approaches: the redistributive traditions of the British municipal system for much of this century, and the radical critique of urban politics in the U.S. in the 1980s. Something of a convergence between these two has led to a recent focus on structures of urban governance.

My emphasis on history and geography is very deliberate, for I do not believe that it is possible to understand the emergence of a policy, or the theory which underpins it, without setting both in their

[1] This opinion was expressed by half the respondents in a recent survey of senior municipal officials in the U.S. by the National League of Cities (Furdell, 1994).

proper context. And this understanding is crucial to any evaluation. Consequently, in order give full consideration to each partnership approach as it appeared on both continents, it would be necessary to follow its journey back and forth across the Atlantic through the decades, noting its maturation or mutation on the way. In order to avoid getting lost somewhere in time or space, I have decided to locate the larger part of my analysis in the United States, tracing the historical and theoretical transition from traditional to entrepreneurial to equity-based approaches over the decades. Although this chronology has some historical basis, it is not meant to suggest a simple succession, and as we will see, traditional approaches are alive and well in America today. I will then look at the rather different circumstances in Britain in which it is possible to discern a reverse trend, from a more redistributive municipal tradition to an emphasis on privatism and growth in the 1980s and 1990s.

I will then assess the empirical evidence which exists to support or refute the effectiveness of the various approaches in practice. This will be based on my own fieldwork in Baltimore, Birmingham, Boston and Newark as well as cases studied in the literature. I will also consider comparative research across a number of cities. Real life partnerships will be considered as various hybrid combinations of my ideal-typical theoretical approaches.

In my discussion of the partnership approaches I will pay particular attention to a theme which I believe may help us to understand their outcomes. This concerns the definition of the ‘public’ and ‘private’ sectors which subsequently enter into partnership. In practical terms this translates into the ‘institutional arrangements’ between public bodies, private corporations, non-profit groups in civil society and so on. Of particular interest are the relations between institutions at different scales, such as the intergovernmental relations between central and local government. These themes will be picked up again in my conclusions, which will focus on the relevant lessons of local economic partnerships in Britain and the United States for policy-makers concerned with poverty.

Methodological note

The research dwelled quite extensively on the historical and theoretical literature. This was necessary to explain an unanticipated phenomenon – the wide gap which I found between the empirical evidence and ongoing practice. The latter did not seem to take due account of the former. This, and the existence of a large body of promotional material, many of whose claims are not substantially borne out by the evidence, necessitated a more careful consideration of underlying theoretical and contextual issues.

The concentration on the U.S. was dictated by the literature, and the fact that the U.S. has been the source of inspiration for many developing country experiments. U.K. experience provides a valuable contrast with the U.S., emanating from very different municipal traditions during the twentieth century. Both have urban experiences quite different to those in most developing countries, and the straightforward applicability of the findings should not be assumed prior to due consideration of country-specific factors.[2] This research does not include consideration of rural partnerships or partnerships aimed only at infrastructure provision, each of which could be the subject of a separate study in their own right.

[2] However it is my belief that the findings are relevant to South Africa, which provided the particular inspiration for this study. See page 51.

(2) TRADITIONAL PARTNERSHIPS IN THE UNITED STATES

The history of 'privatism' in North American cities *

Traditional partnerships have their origins in nineteenth century 'privatism' (Barnekov, Boyle and Rich 1989), in which the general prosperity of the industrial city in Britain and the United States was held to be synonymous with the fortunes and profits of its private industrialists.. This view prevailed in Britain until municipal ownership of services became common, and parliament passed housing, rent control and planning legislation in the early twentieth century (see page 32). By contrast, North American urban privatism has in general remained relatively unconstrained. 'Frontiersmen' such as Ogden of Chicago were landowners, developers, company bosses and mayors rolled into one. As mayors they ensured that their town was not bypassed by the railroads; as businessmen they took possession of the land alongside the tracks. Since businesses provided employment and, on occasion, basic services for their workers, bosses were able to talk of 'the good of the city' when devising schemes to augment their own private wealth. Public and private were not so much in partnership as indistinguishable.

The poverty attendant on rapid industrialisation and urbanisation in the early twentieth century, combined with weak public institutions, created a vacuum in many city neighbourhoods. Political bosses and party organisations stepped in to provide services to the urban poor in a system of patronage known as 'machine politics'. According to one contemporary observer: 'Into the party organisation of every ward or township run the ramifications of the railways, the [private utility] franchise interests and other privileges, woven into a systematic unity through the party and the spoils of office. By means of this organisation legislation is made responsive to the will of the business interests which control the state rather than to the will of the people themselves' (Howe, 1907:viii). Although this system benefited those companies close to the party machines, business leaders more broadly began to call for rational public institutions with expanded scope and geographical coverage to cope with the demands of the new industrial era. New city governments were called into being, then, by a municipal reform movement led by corporate America. Private corporations were often invoked as the ideal model for a type of 'custodial' city government and the notion of 'city managers' was popular.[3] The new municipalities were creatures of local private interests; their structure varied from city to city and state to state, and they were afforded no formal constitutional status.

Even with the public welfare provisions of the 1930s' post-depression *New Deal*, urban privatism remained intact in the United States. Federal welfare provision was seen as a temporary and marginal phenomenon, to be rendered superfluous once levels of employment recovered (Skocpol, 1987). Little direct federal support for cities was forthcoming as part of the *New Deal*, despite the fiscal crisis and housing shortages in many cities. When in 1932 the newly formed U.S. Conference of Mayors went cap in hand to Washington, they were met with a stony stare and a lecture about the importance of balanced budgets (Gelfand, 1980:32). Minimal federal housing assistance was eventually granted, but only to those cities which could demonstrate their needs, with the permission of the state, and conditional on the establishment of a housing authority distinct from the municipality.[4]

Corporate expansion and the perceived mobility of capital in the post-war period, plus changing demographics – suburbanisation of the middle class and inward migration of the rural poor – increased the scope for a bifurcation of municipal and corporate interests. City bosses began to focus

---

[3] This tension between the recognition that city governments do have a role to play and a simultaneous desire to keep them in their proper place as passive custodians is evident in contemporary U.S. politics. The re-emergence of a managerial style in city governments was recently celebrated in the media.

[4] Gelfand (1980:35) attributes this to federal mistrust of city politicians.

on the declining economic fortunes of the inner city and surrounding neighbourhoods. At the same time, 'businessmen's development committees' sprang up in virtually every major city, comprising local landowners, industrialists and bankers. In order to understand the partnerships which emerged between city governments and their business elites, it is necessary to examine the neo-classical economic theories in which they were rooted.

Neo-classical theories of industrial location and urban land markets *

The earliest classical work to focus on the spatial distribution of economic activity was that of Johann Heinrich von Thünen in 1824. His theory of the organisation of agricultural production was based on a single, large city in the centre of a fertile plain. Von Thünen showed that products like milk and fruits, for which transport costs are greatest, would be produced nearest the city and that other goods would be produced in concentric rings of decreasing transport costs. The price of a product in the city must be high enough to cover the costs of the most distant producer, including transport, and less distant land used to produce this commodity would earn a rent attributable to its locational cost advantage. Most of the subsequent work on industrial location, regional development and urban land markets was inspired by von Thünen's simple model.

In his *Theory of The Location of Industries* Alfred Weber (1929) considers the spatial distribution of industrial production across a country. Weber attributes location decisions in an industry to the relative costs of transporting raw materials to the site of production and products to the market. The selection of a location will therefore depend on the physical weight of raw materials in relation to products. The search for lower unit labour costs may also influence location decisions, unless outweighed by transport costs. Weber also introduces the idea of 'agglomerating factors' which result from the existence of minimal feasible 'quantums of production' and the subsequent reinforcement of existing settlement patterns due to the effect of transport costs. Christaller (1933) takes this a step further in an attempt to show how the benefits of centralised production or consumption of certain goods generates a rational hierarchy of towns, whose distribution in space is based on the transport and labour costs of different goods. A town is a 'central place' with its own 'complimentary region,' which it services with those goods whose production and transport costs are balanced by the benefits of centralisation to the extent offered by the size of the region. The location theory of Lösch generalises this principle, introducing the notion of spatial equilibria in different markets – points in space where transport-adjusted production functions (supply), consumption functions (demand) and elasticities (of prices, incomes, etc.) are balanced out.

The basic economic unit in these location theories is the profit-maximising agricultural or industrial producer, deciding where in the country or the world to locate an enterprise. In order to extend the theory of spatial equilibria to land and property markets within cities it was necessary to attribute a comparable rational logic to consumers. Post-war urban economists, wishing to reconcile the rational allocation of urban land by the market with the concentration of poverty in the centre of American cities, made use of Jevons' (1871) notion of a utility-maximising consumer, for whom utility is equal to cost at the margin. According to Alonso's (1960) *Theory of the Urban Land Market*, urban firms and households participate in urban land markets by bidding for parcels of land. Firms seek to maximise profits, and, following von Thünen, they bid for parcels of land according to their ability to pay, which is determined by their proposed land use, less any disadvantages associated with the location of the land. Hence the most costly (i.e. central) land is allocated to those high-value uses which are most sensitive to locational factors (i.e. they have the steepest 'bid rent curve'), such as banks, shops or town halls which need to be accessible to all .

Households, on the other hand, seek to maximise utility by trading off the quantity of housing (living space), accessibility (transport costs) and the need for all other goods and services, within an overall budget constraint. Consumers are indifferent with respect to certain combinations of space and accessibility, depending on their preferences. Households bid for housing at a location up until the point where the extra amount of satisfaction gained from a move is exactly equal to the marginal disutility of laying out an extra quantity of money. As with firms, the most central and costly land goes to those with the greatest purchasing power or those who are most concerned with locational factors. According to Alonso this explains why poor people are often concentrated in the centre of the city, where property is most expensive. Their lower income is more than compensated for by (and further contributes to) their sensitivity to locational factors. Since poor people consume less land than the rich, they are less perturbed by increases in its price relative to increases in commuting costs. Wealthier residents buy more land and so they are more likely to put up with higher travel costs in return for cheaper land. Accessibility behaves as an inferior good; wealthier people can afford to forgo it.

The rational allocation of urban land according to preferences and incomes is complemented by a 'filtering model'. New housing is generally occupied by better-off families who move out to the urban periphery, vacating their previous, less-spacious housing, which is taken by poorer occupants. Hence decent housing filters down to the poor; the worst housing drops out of the market to abandonment or demolition (Lowry 1960).

In combination, the two neo-classical models outlined above – applying in turn to *inter-urban* industrial location and *intra-urban* land and property markets – have been praised as constituting the virtuous hidden hand which achieves *Pareto efficiency* within and between our cities. This is defined as a situation where nobody can enjoy better housing without someone else losing out, and no net increase in production can result from industrial relocation. Inequality is inevitable, but benign. Like in nature, a 'human ecology' will ensure that every individual, every community, every race, every enterprise is allocated the urban space best suited to its needs and to its potential contribution to social life (Park, 1952, Hawley, 1950). In its extreme 'social Darwinist' form, neo-classical theory has provided the basis for an anti-statist position, which was taken up ideologically, if not practically, by the Reagan and Thatcher administrations in the 1980s: since market forces ensure the survival of the fittest, they should be allowed to prevail.

'Voice' and 'exit' in the pluralist tradition *

Neo-classical reasoning is more often invoked to determine the best type of state intervention, or the level of government which is best placed to finance and deliver public goods. By focusing on the mobility of residents between cities, Charles Tiebout shows how local governments are held accountable by their citizens. Federal government must rely on its interpretation of the infrequent and contradictory signals given by the electorate through the ballot box to assess their preferences and determine the optimal pattern of service delivery. Local governments, by contrast, are provided with much more direct and immediate feedback by the migration decisions of residents. The latter can choose between the bundles of local government taxes and services offered by different jurisdictions. 'Moving or failing to move replaces the usual market test of willingness to buy a good and reveals the consumer-voter's demand for public goods' (Tiebout, 1956:420). Tiebout presumes an optimal size exist for each city according to various fixed costs, such that smaller cities will try to attract both residents and businesses.[5] Cities' efforts to balance the dual imperatives to attract tax payers by minimising taxation and corporate regulation, whilst maximising the quality of services according to residents' revealed preferences, will lead to the most efficient outcome. Tiebout's enthusiasm for this 'disciplining' effect of the market on local expenditure (i.e. the threat of 'exit') leads him to advocate fiscal decentralisation.

The view that localised delivery of public goods is most responsive to the preferences of voter-consumers is supported by the pluralist political tradition. According to Dahl (1961) the increasing

---

[5] The unlikely corollary that cities which become too large may try to discourage investment or inward migration is sometimes cited as the Achilles' heel of Tiebout's theory.

election in the United States of ordinary ‘plebeians’ as mayors in place of wealthy patriarchs shows that there is no overwhelming concentration of power in liberal democratic societies; power is widely dispersed and no social group dominates all the time. Regular elections facilitate participation and accountability and the existence of a multiplicity of competing pressure groups ensures ‘voice’ for all. Dahl sees the state as a ‘neutral umpire’ reacting to the ‘intensity of preference’ of different groups. The wealthy, although they might have some extra resources through which to express themselves can never dominate unless they in any case adopt policies acceptable to the majority. The contemporary influence of Tiebout and Dahl should not be underestimated. According to the latest World Bank guide for Third World urban policy makers, ‘[m]uch of the traditional public finance literature related to fiscal decentralisation relies on “voice” and “exit” to ensure local accountability and achieve the allocative efficiency gains expected from decentralisation. According to this view, if people are dissatisfied with decisions made by local leaders, they can vote them out of power. If they do not like the package of local taxes and public services offered, they can exit (or “vote with their feet”)’ (Litvack et al, 1998:2).

Traditional public-private partnerships in practice

Taken together, industrial location theory, the rational-allocative model of urban land markets, and the pluralist political tradition provide an internally coherent apparatus – which I shall refer to as the neo-classical model of urban economic development – through which to interpret urban economic phenomena and fashion urban policies. The neo-classical model provides the rationale for the following three predilections in urban economic policy – each of which gives rise to public-private partnerships in the privatist tradition.

(i) Inter-urban competition for industry and other investment. Since businesses are concerned to minimise factor costs and cities to attract tax payers, municipalities should attempt to improve the attractiveness of their city as a potential site for investment. This can be achieved by lowering the cost of inputs such as land and water or relaxing costly regulations relating to the environment or labour.

(ii) Property-led downtown renewal. Well-functioning markets are the key to an efficient and prosperous urban system. When urban ‘decay’ and ‘degradation’ is concentrated in cities this is a symptom (and a subsequent cause) of the breakdown in property markets. This is caused by a loss in business confidence due to the unattractive image and increased risk of areas of the city with a concentration of slum housing and disused buildings. City governments can support the efforts of developers to ‘regenerate’ downtown markets by using their powers of planning and eminent domain to assemble land, by taking confidence-boosting steps to improve the physical appearance of the city centre or by directly subsidising private investments.

(iii) Fiscal and financial decentralisation. Since local government is more receptive to market signals than higher tiers, it is preferable to decentralise government taxation, borrowing and expenditure wherever possible. In addition to strengthening the mechanisms of ‘voice’ and ‘exit’, this will provide an extra check on the prudency of government expenditure: the municipal credit ratings system. If investors are prepared to buy municipal bonds, that is a good indication that municipal finances are in good shape.

In traditional partnerships, then, the main objective of the government is to court the market, boosting industrial growth by reducing factor costs and enticing investors to regenerate urban property markets. The urban redevelopment partnerships which emerged in the post-war period between organised business interests and municipalities across the country were strikingly similar:

an emphasis on downtown physical renewal, agendas determined by business, local government leaders paving the way with their powers over planning and eminent domain.[6]

Cracks in the neo-classical edifice

Muth (1969) and later Peterson (1981) have used the neo-classical model to reach a conclusion directly opposed to Tiebout, by focusing on the intensification of inner-city poverty which seems to accompany the operation of urban land markets. Peterson argues that it is precisely the disciplining effect of potential outward mobility of tax-payers which prevents urban governments from intervening to address poverty. '[I]n most cases redistributive programs have negative economic effects. While they supply benefits to those least needed by the local economy, they require taxation on those who are most needed' (1981:43). 'The emphasis local governments place on efficiency at the expense of equality is due not to any antiegalitarian commitments of local policymakers but to the constraints under which local governments operate. In order to protect the economic well-being of the community, the government must maximize the benefit/tax ratio for the above average tax payer' (71). This logic leads both Peterson (219) and Muth (330) to argue for a federal revenue-sharing program aimed at equalising the fiscal resources available to local authorities according to the size of their populations. Although this proposal has been dismissed in the United States as an intolerable attack on local autonomy, a similar system is in operation in Britain (see page 31). Peterson also argues for a system whereby federal government is required to approve (and hence to guarantee in the last instance) all municipal borrowing. This is necessary, he argues, to prevent financial institutions from using the threat of bankruptcy to hold local officials to ransom. 'Were the issue of a city's credit removed from city politics, the most important constraint on local redistribution would be removed' (218).

Whilst federal policy makers were heavily influenced by the achievements of the traditional partnerships, they also seemed to be aware of Peterson's logic. In the early years of President Lyndon Johnson's 'War on Poverty' the federal government attempted to intervene directly in urban areas to promote the empowerment of the urban poor. The Community Action Program (CAP) of 1964 created a direct link between federal government and poor communities, promoting the education and mobilisation of the latter. Many (mainly black) community groups,[7] invigorated by federal aid, hardened their opposition private-led urban renewal which had displaced them by pushing up property prices and by ignoring their housing needs (Castells, 1983:49-67). Mayors complained that federal agencies were stirring up trouble in the ghetto, and the subsequent programs of the newly-formed Department of Housing and Urban Development (HUD) tempered some of the more radical features of CAP. The Model Cities Program of 1966 focused on the administrative effectiveness of municipal governments in addressing urban problems.

The growing dissatisfaction with federal activism amongst city officials coincided with increasing racial tension in the cities. Between 1964 and 1968 there were 329 urban riots in 257 American cities, leading to 52 000 arrests, 8 000 injured and at least 220 killed (Castells, 1983:50). In the summer of 1967 nearly 150 cities reported disorders and a national 'urban crisis' was declared. Opposition politicians seized the opportunity to denounce the 'unrealistic' public focus of HUD's urban programmes and called for increased private sector participation. Business leaders, frightened by the threat to their downtown investments by the urban strife promised to join with government in addressing the crisis. A new local privatism was born based on the principle of 'corporate social responsibility' in the city (Barnekov, Boyle & Rich 1989:53).

---

[6] Known in the UK as 'compulsory purchase'. The specific partnership mechanisms – quasi-public development agencies, tax abatements, and so on – became more sophisticated over time and with the advent of the entrepreneurial state four instruments had become standard. These are set out on page 13.

[7] A wide range of community groups participated in the Community Action Program, including rate-payers and self-help groups. Some had been formed through the work of Saul Alinsky's Industrial Areas Foundation (see Kriesberg, 1987).

For a moment in the 1960s, then, the in place of the unity of purpose between mayors and industrialists, a new alliance emerged between federal government and civil society, over the heads of the previous partners. The civil rights movement, it seems, forced politicians to take note of the intensification of urban poverty and inequality, and, fearful of a crisis, it was from the national scale that a sympathetic response was forthcoming.[8] When the crisis came, the backlash from town halls and chambers of commerce caused a retreat. However, the legacy of this period remains. With increased confidence, citizens groups in a number of cities continued to resist traditional urban renewal and some set up their own management structures (such as Community Development Corporations) as an alternative route to address their problems. Federal government, for its part, maintained a substantial programme of urban assistance[9] (although much of this was later diverted by municipalities into more traditional property development and investment subsidies), and over the following decade passed path-breaking legislation such as the Community Reinvestment Act, which has checked some of the worst excesses of privatism. I will discuss this inheritance in the section on equity-based partnerships in the U.S. on pages 24-27.

(3) U.S. URBAN ENTREPRENEURIALISM IN THE 1970S AND 1980S

Globalisation as an opportunity: flexible specialisation and the knowledge economy *

An assumption of the neo-classical model and traditional partnerships is that attracting or retaining industrial or commercial investment and promoting expansion of local firms is essential to ensure a supply of jobs for local people. Later this view was bolstered by the argument that the world economy has become increasing ‘globalised’, meaning (i) that capital is more mobile, and (ii) that the pressure to become ‘internationally competitive’ has increased. Due to capital mobility and free trade treaties, national governments can no longer protect inefficient industries with tariff barriers and other subsidies. For our purposes, it is important to try and discern what is really new about globalisation, and what is not. This will have both empirical and theoretical components.

Let us deal first with the continuities. Growth in international trade by industrialised countries has exceeded growth in output during previous periods, including the middle of the nineteenth century (Hirst & Thompson, 1996:22). Trade fell off during the inter-war period, and only regained its previous prominence in the 1970s. By the 1980s, trade still accounted for less than 25% of GDP in the U.S. and Japan, and less than 40% in the industrialised world as a whole. Most of this is intra-regional trade, especially within Europe. National governments, especially those at the centre of regional economies, continue to play a key role in stimulating and managing economic growth, and in intervening to avert crises. Evidence of this is provided by the huge U.S. budget deficits which underpinned global economic growth in the 1980s, the persistence of agricultural and other subsidies in the United States and Europe, and the active intervention of national governments during the 1997-8 financial crises (e.g. the Japanese ‘economic stimulus package’). In addition, national government are the authors of the free trade agreements. Thus we still operate in a world where it is possible to talk of national economies and where national economic policies are one important part of the picture.

---

[8] This was not the only response of the Federal Government to the urban unrest. In the late 1960s, the National Guard was summoned to put down the protests in a number of cities.

[9] The first unconditional block grants from federal to local government were introduced under Nixon’s revenue sharing legislation of 1972 (Gelfand, 1980:44). Federal aid to cities rose steadily between 1972 and 1978, after which it began to decline.

There have been some fundamental changes, however. The stagflation[10] of the early 1970s precipitated a major crisis in the Fordist ‘mode of regulation’ (Aglietta, 1979, Lipietz, 1987), those political, cultural and organisational practices which had supported steady economic growth in the U.S., Japan and most countries of Western Europe in the post-war period. Fordism was characterised by mass-production and consumption, agreements with organised labour (often linking wage increases to productivity), secure employment, career prospects and rising incomes for a core of (mostly white male) unionised workers, an active welfare state (which to a greater or lesser extent assisted those sections of the population outside this core), and continuous expansion of firms into international markets. This was backed up by Keynesian demand-side strategies to maintain mass consumption, comprising state commitment to fiscal and monetary policies that evened out the business cycle. Low growth in the early 1970s made it increasingly difficult to sustain profits, wages, or the co-operation of labour. Heightened competition and inflation focused attention on the rigidities of the Fordist-Keynesian era. Firms in particular began to question the rationality of holding on to large stocks of fixed capital, including plants and permanent workforces. This, coupled with the increasing ranks of unemployed looking to the state for assistance led to a reconsideration of ‘societal rigidities’ such as welfare provisions, welfare expectations and consumption patterns which seemed increasing unsustainable.

The deregulation of finance in the mid 1980s unleashed a wave of ‘paper entrepreneurialism’ in which a great deal of effort and energy was deflected from productive activity to speculation in stocks, bonds, currencies, urban property and ever more complex financial instruments. New information technologies simultaneously made it possible to conduct a myriad of instantaneous transactions across the globe, opened up new industries and branches of commerce, and facilitated the management of complex enterprises and processes on an international scale. International capital flows grew exponentially in the late 1980s and 1990s, the vast majority of these being short-term and speculative in nature (Henwood, 1998). Plummeting transport costs have loosened the hold of those location factors which concerned Weber and Lösch (the cost of transporting raw materials and product), raising instead the relative competitive advantage to be had from reducing the cost of capital, land and labour. Interest and exchange rates and levels of union organisation may more often motivate contemporary relocations, which themselves have become more feasible due to the reduced transport costs.

A sanguine view became popular, namely that the moribund rigidity of Fordist mass-production might give way to a new, dynamic, decentralised system of ‘flexible specialisation’ (Piore & Sabel, 1984), in which ‘economies of scope have replaced economies of scale’. The rise of small-scale production, for more discerning consumers, through product differentiation and constant innovation would open up opportunities for entrepreneurs. Small businesses, as the well-spring of creativity, would be the job creators of this rosy future (Birch 1987). Reduced transport costs would provide access to distant markets for those who seize the opportunity. Networks of craft-based small firms – able to balance a healthy amount of competition with co-operation, and reasonable efficiency with wage stability and democracy – are rising in new ‘industrial districts’ (Putnam, 1993) offering a rosy and fairer future for many depressed regions. In this way the social would reassert itself over the economic through the emergence of ‘communities of producers’, without the need for a strongly-redistributive Keynesian state. Moreover, the transition from manufacturing to the more skills-intensive post-industrial ‘knowledge economy’ (Bell, 1973) in cities of the north represents the new competitive advantage of these cities in the global division of labour which, if embraced, can be turned to the advantage of the city and its workforce.

[10] Inflation plus unemployment associated with low growth. It is beyond the scope of this paper to trace the roots of the recession of the early 1970s. Accounts generally focus on either secular or cyclical tendencies within capitalism, and the interaction of internal fragilities (the inflationary consequences of decades of Keynesianism and the rigidities of Fordism) and external factors (the oil shocks, the inflationary effect of the growing Eurodollar market and the debt crisis). Accounts are contained in Harvey, 1989, and Dicken, 1998.

Urban entrepreneurialism in theory

This optimistic view has inspired a 'smarter' approach to local economic development partnerships which attempts to exploit these trends. Traditional 'smokestack-chasing', it is argued, has led to a bidding war between localities and, in any case fails to take account of the processes of economic restructuring associated with the demise of Fordism. Peter Eisinger (1988) calls the new approach the 'entrepreneurial state', whose 'demand-side' policies he contrasts with outdated supply-side approaches. 'These demand-side policies are not so concerned with shifting the location of established capital or even with retaining it…as they are with the effort to foster new business formation, business diversification, and new industries. Convinced that the key to local growth and well-being lies in exploiting and even creating new markets for local private businesses and entrepreneurs, state government has taken upon itself the task of identifying, ranking and developing market opportunities' (333). In other words local authorities should identify key sectors, such as information technology, which offer good growth prospects. 'To bridge resource gaps that private actors cannot fill and to share some of the risks involved in new market ventures, state and local governments may subsidize or coinvest in these undertakings. To the degree that state and local governments have increasingly assumed the roles of market developer, broker, financial partner, and risk-bearer, we may speak of the rise of the entrepreneurial state' (333). Thus the entrepreneurial state is a mechanism 'for preparing for the economic future in a relatively self-conscious way' (335). Practical steps include provision of venture capital, funding for research and development, including market research, and various forms of small business 'husbandry' (Evans, 1995).

Eisinger's terminology is somewhat confusing, since, although he is hopeful that new markets can be stimulated, strictly speaking the entrepreneurial actions of his municipalities are on the supply side. Entrepreneurial approaches have often led to a continuation of traditional commercial property development in the centre of cities, especially to accommodate retail, tourism, professional and financial services, since these are often seen as 'hot' sectors with good growth prospects. The difference now is that cities may play a much more hands-on role in identifying and assembling land for development, and raising equity for joint ventures with private investors. Spindler and Forrester (1993:33) dismiss demand-side local economic development policies as 'practice without theory' which emerged in an ad-hoc way when it became clear that traditional approaches were not working. They advocate another 'smart' variant aimed at exploiting economic restructuring, namely 'human capital development'. The focus of this approach is on the 'mismatch between the jobs of the future and the skills of the population' (Fitzgerald, 1993:126). According to Daniel Bell (1973) the knowledge economy will require a highly-skilled workforce, and it is this assumption which has led to calls for local economic development policy to focus on training. The corollary is that education and training is most likely to promote those forms of economic development which do not rely on low wages for their competitiveness (Spindler and Forrester, 1993:34).

Entrepreneurial partnerships in practice

David Harvey (1989a) has categorised U.S. urban entrepreneurialism of the 1980s into four types:: *(i) Competition for the production of goods and services*. This is traditional industrial recruitment and retention via inducements, plus a new emphasis on business creation through support for R&D, workforce training and venture capital. Actions may also be taken to reduce labour costs in the public sector, in the hope that this will have a knock-on effect for private enterprises. *(ii) Increasing the share of consumption taking place locally*, through promotion of tourism, provision of consumer attractions (sports stadia, convention centres, marinas etc.), organisation of urban spectacles and general place marketing. *(iii) Acquiring key control and command functions* in high finance, government, or information gathering and processing (including the media), through infrastructure provision, subsidies and local support for higher education. (iv) *Competing for central or state government surpluses* in urban programmes, military budgets, and so on.

Entrepreneurial partnerships principally use six financial and institutional mechanisms (Krumholz, 1991, Wassmer, 1994, Breagy, 1996). The first four of these have their roots in traditional post-war partnerships, although they were refined in the 1970s and 1980s. The remaining two are relatively recent.

(i) Property Tax Abatements are offered to manufacturers and commercial property developers as a cost-cutting incentive to invest in the area. These are normally of fixed duration, say 20 years, and aim to reduce the cost of land and property. Initially touted to assist in 'blighted' or 'distressed' areas, tax abatements are now used extensively to entice investors into commercial areas both downtown and in suburbs.

(ii) Industrial Development Bonds are issued by municipalities on the open market and used to finance local industrial development. Since municipal bond interest is exempt from federal (and most state) income taxes municipalities can pay lower rates to bondholders and use the funds to offer below-market loans to industrialists. Many municipalities actually use the cheap finance to purchase industrial land, buildings and machinery and lease it on at low rates to industrialists. Thus the state intervenes in the capital market, subsidising the cost of borrowing, assuming some of the lending risk, and ensuring market returns for bondholders.

(iii) Tax Increment Financing relies on the assumption that new investments will augment municipal revenues, and that such tax increments should be available up front to the municipality to finance urban renewal. The projected revenue stream may be used by special development agencies to issue tax-exempt bonds, guaranteed by the municipality's general funds.

(iv) Downtown Development Authorities (DDAs) with private sector representation have been established by many municipalities as special purpose vehicles for urban redevelopment. Their stated purpose may be something like 'to promote business development and prevent deterioration in a city's central business district'. DDAs may be authorised to draw up and implement development plans, acquire and dispose of property (with delegated powers of eminent domain), and to establish tax levies to support their activities. DDAs speed up (and increase the reliability of) decision-making by reducing public scrutiny; at the same time their creditors will in the final instance enjoy the protection of the municipality and its tax payers.

(v) Business Incubators and Research Parks provide premises, technical and management support to new small businesses, as well as attractive environments for the location of (especially high-tech) small companies and support for research, development and information sharing. These facilities are often a partnership between firms, states, local governments, universities and non-profit bodies.

(vi) Export Assistance Programmes provide information and other support to small and medium firms wishing to tap international markets.

Federal urban programmes – in were also adapted to support this approach. A new breed of urban programs in the late 1970s, sought to 'leverage' and redirect private investment through public subsidies. The most important were Urban Development Action Grants (UDAGs), introduced by President Carter in 1977, awarded each year on a competitive basis to those cities which succeeded in 'signing up' prospective investors in 'distressed' areas. The Community Development Block Grant (CDBG), which was introduced a decade before to improve housing for the poor, was also now promoted as an economic development fund to be used to leverage private investment. These two programmes were managed by the Department of Housing and Urban Development (HUD). In addition funds to support 'leverage' were made available by the federal Economic Development Administration (EDA).

Problems with the entrepreneurial approach: finding and keeping the good jobs

The optimism of advocates of the smarter or entrepreneurial state depends on three assumptions. First, that a post-industrial future is emerging in northern cities which holds out the hope of restoring and fulfilling the expectations of the Fordist era – steadily rising profits and wages – with minimal need for state welfare provision. Second, that highly-skilled jobs, many created through local networks of dynamic small businesses, will be at the centre of the new economy. Third, that private actors are unable or unwilling to make the most of these opportunities in the absence of some assistance from state bureaucrats. It is therefore cost effective to bridge the gap with public funds, and to assume some of the risk. The theoretical and empirical foundations of these assumptions are discussed below.

The so-called 'post-industrial' labour markets of many Western cities are increasingly segmented and polarised, guaranteeing flexibility for corporations, but highly unequal returns for employees. According to the Institute of Personnel Management in London (1986), a small (and shrinking) core of well-paid 'essential' executives enjoys high remuneration, good career prospects, and generous benefits, in return for flexibility over job functions. A peripheral group of clerical, secretarial and lesser skilled manual employees are also employed full time, but high turnover amongst this group resulting from poor career opportunities facilitates workforce reduction by natural wastage. A second large (and growing) peripheral group is made up of part-timers, casuals, fixed-term contract staff, temporaries, sub-contractors and public subsidy trainees, with even less job security than the first peripheral group. This labour market polarisation explains why the record income inequalities in America associated with the recession of the 1980s have deepened during the economic recovery of the 1990s.

According to a forthcoming analysis of U.S. Census figures by the Economic Policy Institute in Washington DC (EPI, 1999), despite aggregate economic growth of 8% between 1989 and 1996, record corporate profits and rising per capita incomes, the real earnings of the median U.S. worker in 1997 were 3.1% lower than in 1989. Over the same period, real hourly wages stagnated or fell for the bottom 60% of workers. Median family income dropped 2.3% and the typical married-couple family worked 247 more hours per year in 1996 compared to 1989. By contrast, CEO pay more than doubled between 1989 and 1997, rising to 116 times the pay of the average worker – an almost eightfold increase since 1965. The share of workers in jobs lasting over 10 years fell from 41% in 1979 to 35% in 1996. Low pay and job insecurity at the lower end of the labour market has been accompanied by increases in the cost of living and tightening of welfare provision. The net result has been a steady increase in the poverty rate during one of the most sustained booms in American history, such that in 1996, 13.7% of the population were poor.[11] More than one in five children were classified as living in poverty in 1996. Due to pre-existing and sustained discrimination, a disproportionately high proportion of low-wage and contingent workers living in poverty or with vulnerable incomes are women and ethnic minorities.

Baltimore, for example, whose entrepreneurial strategy in the 1970s and 1980s was successful at attracting major tourism and retail investments, experienced growing inequality throughout this period, and in the 1990s is home to record numbers of working poor, whose wages are inadequate to raise a family. In Baltimore, any stroll to the soup kitchens organised by local churches reveals that black families (no longer an ethnic minority in the city) with working parents are increasingly turning to such voluntary services to supplement their income. Saskia Sassen (1991) has shown that labour market polarisation is also typical of those 'global cities' like London, New York and Tokyo, which are home to the corporate control and command functions of the global economy. These

[11] Only in 1997, after several years of strong growth and record profits has this rise in poverty begun to level off. Inequality, on the other hand, is still growing. Recently there are concerns that international financial instability, especially the Asian crisis, may restore the upward trend in U.S. poverty.

typically generate a core of highly-skilled well-paid executive jobs and a mass of low-skill low-paying jobs in such areas as downgraded manufacturing, catering, cleaning and domestic service, a trend which has been documented in cities of various sizes throughout Europe (Mayer, 1992, Preteceille, 1997) and the United States (Mollenkopf, 1997)

As far as the focus on supporting small firms as job creators is concerned, it is important to note that there are a number of potential explanations for the rise in the relative and absolute number of small establishments in the U.S. and U.K. during the 1980s and 1990s. In addition to the thesis that small entrepreneurs are best able to practice flexible specialisation, small establishment growth may result from vertical disintegration and outsourcing in larger firms seeking to locate production in lower-wage non-unionised locations, or disproportionate closures of large firms during the recession and attendant deindustrialisation. Whichever factor is most important, it is now clear that the impact of the small business revival on employment quantity (or quality – see below) was something of a false hope.. Between 1962 and 1987 there was no net increase in the number of Americans (or Japanese, or Germans) working in small businesses in the economy as a whole (Harrison, 1997), and the marginal increases in manufacturing were not on the scale original anticipated. Only in Britain did the total share of jobs located in small businesses rise, and that during the period when a record number of jobs were being lost in large-scale industries. Studies of employment patterns in new firms in Britain have shown that most job creation is concentrated in a small proportion of fast-growing businesses, and it is very difficult to target these in advance (Storey, 1985).

A progressive-competitive alternative…

As awareness of the potential depredations of globalisation sinks in, it is routine for candidates for local public office to state their aim to bring ‘good, lasting jobs’ to the city. This implies that there is a way to avoid post-industrial polarisation, which involves combining urban entrepreneurialism with a greater degree of selectivity about what kind of jobs are being attracted or created. In other words, it is not good enough to target sectors such as tourism or financial services with good growth prospects; rather attention must be paid to the precise number and quality of the jobs which are to be created, their wages and longevity. This means analysing the production process of different industries, and finding that part of the process which promises the best results. At the core of this strategy, which Leo Panitch (1994) calls ‘progressive-competitiveness’ is ‘to support and guide both workers and capitalists towards high-tech/high-value-added/high-wage production.’

However a difficulty in targeting progressive-competitive programmes has become apparent, since the problem of poverty wages is not limited to so-called post-industrial service-sector economies. It is particularly revealing to consider the highly polarised labour market of the Silicon Valley area, heart of America’s highly profitable and fast growing information industry, and inspiration for local economic development policy-makers around the world hoping to emulate its success as an industrial district. Around 40% of Valley jobs pay too little to keep a single parent and child out of poverty (Benner, 1998). [12] Various attempts have been made to make sense of this apparent contradiction and to theorise the changes in production systems and labour markets. According to Bennett Harrison (1997:106-122), the workforce in the hi-tech industries of Silicon Valley have been highly stratified from the very beginning. Plants hired low-skill low-paid workers, especially Mexican immigrants, who commuted into the valley from the poor and overcrowded neighbourhoods of San Jose. When the escalating cost of living and commuting made it hard to keep down labour costs, several firms moved their plants elsewhere in the U.S., across the border to Mexico, or sub-contracted production to South-East Asia, whilst retaining their management in the Valley. Harrison also notes that the rise of Silicon Valley is probably attributable less to the energy and innovation of small firms working in co-operative networks than the strength of five or six giant corporations, the huge demand of the

---

[12] See the case study on page **Error! Bookmark not defined.** for more details.

U.S. defence industry, and the presence of Stanford University. Recent waves of mergers, takeovers and consolidations have ensured that the giant corporations remain firmly in control.

The result of these processes is a series of globally dispersed and flexible production networks, centrally controlled. These are ‘networks connecting small and big firms, substantially anchored by alliances among powerful, concentrated producers and financiers’ (Harrison, 1997:249; see also Castells, 1997). This pattern which Harrison calls ‘concentration without centralisation’ is to be found across many sectors, from computers to automobiles, financial services to clothing. ‘[I]n many cases the legally independent small firms from which the big companies purchase parts, components and services may not be all that independent, after all, but should rather be treated as de facto branch plants belonging to the big firms. Production may be decentralised into a wider and more geographically far-flung number of work sites, but power, finance and control remain concentrated in the hands of the managers of the largest companies in the global economy’ (Harrison, 1997:47). Multinational corporations (MNCs) have become adept at the very product differentiation and flexibility which was supposed to offer an opportunity to the wealth-distributing small firms. And the ‘lean and mean’ MNCs have achieved their flexibility by reducing their core workforce, automating production, and cutting costs through subcontracting – effectively pushing the competitive pressure into small businesses and sweatshops.

The precise configuration varies from one sector to another. For example, car manufacturers may invest in assembly plants in a number of locations, but use small businesses as suppliers. In the apparel industry, brand-name retailers frequently have no production facilities, preferring to place orders with networks of suppliers around the world (Moody, 1997). The result is that small businesses cannot afford to pay decent wages. New York’s Chinatown is home to apparel sweatshops whose competitiveness is based on their ability to undercut shops in Thailand for last minute orders from top fashion labels. Their workers know that the 10-12 hour days at below subsistence wages which they endure are the only basis on which contracts will come their way. Some of the owners of these establishments live below the U.S. poverty line; workers live like ‘rats in the sewers’ of one of the richest cities in America (Newsweek, Oct 1998). Services such as cleaning, catering and security will likely be outsourced irrespective of the industry.

The discovery that workers in small businesses generally enjoy lower wages, benefits, and health and safety standards in comparison to large firms leads Bennett Harrison to comment that ‘an economic development program that did target small firms for special treatment could, in the absence of other regulations or quid pro quos, actually contribute to a worsening of the national average standard of living’ (1997:51).

In general, the prognosis is not good, whether we consider poorly-paid workers in branch plants or in small firms caught up in global production networks. If workers attempt to win wage raises, the large corporations may move plants or outsource the contested function; alternatively if the work is already outsourced, they may simply switch to cheaper suppliers. Even more often the threat (or remote possibility) of a relocation or switch of one kind or another acts as a deterrent to keep labour costs down. Hence the ‘competitiveness’ of a corporation’s production system may be equated with its geographical extent, the number of possible configurations, and the speed at which it can reconfigure. In the words of David Harvey (1989b:226), these corporations have learnt the ‘social power of time and space’. The implications of this analysis for local economic development are very severe. If corporations increasingly use contingent employment, sub-contracting and regular internal restructuring to keep costs down, then it is hard to see which part of the production system a city should hone in on. Whether the target of economic development policies and partnerships is a headquarters office of a TNC, a backroom data processing operation, a branch manufacturing plant, a network of high-tech small businesses, or hotels and convention centres, there seems to be no guarantee that a reliable supply of good jobs towards the lower end of the labour market will be the result.

…or a race to the bottom?

A final hope for advocates of progressive-competitiveness is to revert to one of the arguments of traditional partnerships: Irrespective of inequalities in the labour market, economic growth will boost local tax revenues. The swelled municipal coffers can then be used to improve the welfare of the urban poor. Whilst this might work if it were possible to nurture into existence very firmly rooted businesses, in respect of potentially mobile businesses, this logic misses the kernel of Paul Peterson's argument. Cities constantly have to pander to the needs of the highest tax payers (i.e. corporations), otherwise according to Tiebout's logic they will leave for greener pastures. In other words, once you have attracted, retained or boosted a firm with subsidies, your ability to tax its expansion is circumscribed by the possibility that another city will subsequently make it a better offer. The popular view that cities must engage in the competitiveness game deepens this collective action problem, a 'race to the bottom' from which it is very difficult for one city to escape.

According to Jamie Peck and Adam Tickell, 'Localities…have …become 'hostile brothers', flinging themselves into the competitive process of attracting jobs and investment by bargaining away living standards and regulatory controls… For the vast majority of cities and regions, the scope for local economic intervention is limited to the creation of a so-called 'good business environment' which bends to the will of mobile capital … The competition engendered is at best a zero-sum game and at worst destructive...... While economic 'success' remains elusive for most, it is increasingly fragile for those that have it.... Attracting growth may be difficult, *keeping it* will prove harder still' (1994:280-311). For David Harvey, '[m]uch of the vaunted "public-private partnership" in the United States…amounts to a subsidy for affluent consumers, corporations, and powerful command functions to stay in town at the expense of collective consumption for the working class and poor' (Harvey, 1989a: 12).

A few theorists (see, for example, Brotchie et al., 1995) and many more policy advisors and business think-tanks see this competition as a good thing. In the neo-classical tradition they argue that the result is increased efficiency through better adaptation of each city to its comparative advantage. Whilst there might be some robbing Peter to pay Paul the ultimate consequence is more productivity, higher investment, more jobs. This argument relies on the notion that there is an aggregate national gain from the 'investment' of public money in increasing city competitiveness. Setting aside the problem we considered above that some of the growth may be associated with fewer or, at least, poorer jobs, it is very difficult to test this view since there is no easily comparable control case. In any case when the going rate for job subsidies amounts to three, four, or even ten times the annual salary (as in some highly-publicised extreme cases) it is hard to claim that they are prudent investments. The more common view that many entrepreneurial partnerships have become a form of 'corporate welfare' redistributing large sums from poor to rich has made it from the dusty pages of academic journals to the newsstands and on to the streets. A four-part special on the subject in November 1998 in *Time* magazine sheepishly admits in its cover story that parent company, Time-Warner is one of the recipients. Having cleared the way with a home truth, the authors proceed,

> '[The] deals are usually trumpeted as "economic development" or "public-private partnerships." But a better name is corporate welfare. It's a game in which governments large and small subsidise corporations large and small, usually at the expense of another state or town and almost always at the expense of individual and other corporate taxpayers…Two years after Congress reduced welfare for individuals and families, this other kind of welfare continues to expand, penetrating every corner of the American economy. It has turned politicians into bribery specialists, and smart business people into con artists. And most surprising of all, it has rarely created any new jobs…Fortune 500 companies…have erased more jobs than they have created this past decade and yet they are the biggest beneficiaries of corporate welfare. Time's investigation has established that almost without exception, local and state politicians have doled out tens of billions of taxpayers' dollars to businesses that are in fact eliminating rather than creating jobs. Some of the money has gone to prop up individual companies and avoid the consolidation within industries that an unfettered market would bring about. Some has been pumped into profitable companies, making them more profitable. Some has been awarded to companies that have threatened to move if they don't get it. Some has been diverted to businesses that local politicians have somehow

> divined will be more successful than their competitors. And last, some has gone to entire industries that are shrinking' (Bartlett and Steele, 1998:1-5).

The capture of economic assistance by large firms may have been exaggerated and sensationalised by these journalists, but it is certainly a problem. Strictly by my definitions, when large firms in old established industries are the partners, the *entrepreneurial* partnership has reverted back to a *traditional* partnership. But this may be inevitable due to a targeting problem. Namely, if local authorities have the discretion to raise loans and taxes in order to help businesses become more competitive, then large established firms have the bargaining power to demand their fair share, and a bit more too. In the U.S. a number of advocacy groups have mounted national campaigns to pare down or stop these partnerships (Cuff and Erskine, 1998, LeRoy, 1994).

Urban entrepreneurialism and the hollow state

Although national governments still play a role in economic policy, a trend towards the 'hollowing-out of the state' has been observed (Jessop 1993:10). This triple displacement of national state powers upwards into international institutions, outwards into the market, and downwards into local government is a driving force behind urban entrepreneurialism. As central government cuts back its funding for urban development (a recent trend in the U.S., U.K and elsewhere) the competitive pressure builds up on municipalities to increase their tax bases. At the same time the demand for services increases as people who previously benefited from central government programmes are forced to look elsewhere. At the same time the power and influence of large corporations, is rising, as evidenced by the most recent wave of mergers and acquisitions which seems set to continue. The result is that flexible large companies, are pitted against inflexible (in the sense of fixed in space and purpose) municipalities. And since flexibility is currently a major source of power, this situation creates scope for firms to benefit from regulatory arbitrage across jurisdictions, just as international currency traders and speculative investors do across the borders of those countries with exchange rate policies. The parallel is worrisome, bearing in mind the instability and suffering prompted by the latter in recent months.

Consequently, it is very important that we consider the question of *scale* in public-private partnerships. A partnership between a small town hall and a multinational property developer or financier is something quite different from that between one department of a big city government and a neighbourhood entrepreneur. Decentralisation (or abrogation) of certain responsibilities by national government may tip the balance of power in partnerships against the interests of ordinary tax-payers.

(4) EQUITY-BASED APPROACHES IN THE U.S.

Having questioned in some detail one aspect of the neo-classical urban economic model – the theory of industrial location – we now move our focus to its other two related components: the working of intra-urban land markets and the pluralist political tradition. We will then be in a position to consider theoretical and historical context for the emergence of equity-based partnerships in the United States in recent years.

Beyond the neo-classical theory of urban land markets *

We have considered above how the transition away from Fordism-Keynesianism, and in particular the call to become globally competitive, can operate to ensure that the Pareto-efficient outcome of classical industrial location theory is associated with growing levels of inequality in the urban labour market. With this in mind, we now turn our attention back to the land and property markets. What are the implications of high income inequality, and mobile speculative capital for our neo-classical model of the latter? What will be the result of ongoing support for downtown urban renewal? In order to answer these questions we need to go beyond the neo-classical model, and its concern with efficiency,[13] to look at the impact on those who live, work and do business in cities.

The first concern we must raise with the neo-classical model of urban land markets is their conception of space as a neutral, uniform and constant field of action over which economic activity takes place. According to David Harvey, social space 'only takes on meaning in terms of "significant relationships"' (1973:34) and social processes. Hence social space is complex, multidimensional and discontinuous, and its value and configuration can be influenced or even manipulated by changes in social relationships. Consequently, the translation of location into a commodity whose value depends on transport costs or distance from a central point is a highly problematic approach. The actions which take place in social space (such as investment in a new plant or shopping mall) may reconfigure the space (by opening up new markets, or creating new stores of raw material, for instance), rendering invalid the original assumptions of a von Thünen type model. What's more, land and property do not function like ordinary commodities. They are place-bound, they change hands relatively infrequently, they are commonly used as a store of value, and their purchase normally requires a loan from a financial institution. In place of generalising assumptions about utility maximisation, Harvey (1973:163-6) asks us to consider the diverse perspectives of different actors, their objectives, and their power over urban space. Landlords, for example, are primarily concerned with realising higher rentals, which may be boosted by rising property prices. Renter-occupiers are concerned with the 'use-value' (size, quality and accessibility) of their homes, attributes which recede out of reach as rentals rise. Developers, who create use-values for others in order to realise exchange-value for themselves, have a strong interest in redevelopment, suburbanisation and other process which cause movements in population and land values. For realtors, who thrive on a high volume of property transactions, the use-value of a home is its ability to be sold, and to generate exchange-value in the form of a commission. These are conflicting perspectives, backed by different positions of power in the market.

A most important source of power is that afforded by the monopoly position of landlords, which is a permanent feature of urban space, 'not something experienced as a deviation from the spaceless world of perfect competition' (Harvey, 1973:168) as assumed in the neo-classical model. This monopoly power is a function of the spatial structure of cities (e.g. there is only one CBD, land around key transport nodes is always limited, etc.) and it also emanates from the fact that a fixed housing stock is normally already in the hands of landlords or realtors when poor people enter the market. Hence according to Harvey, '[t]he consumers' surplus of the poor groups is diminished by producers of housing services transforming it into producers' surplus through quasi-monopolistic practices… Also the poorest groups generally live in locations subject to the greatest speculative pressure from land-use change' (174). A good example of the manipulation of urban space through monopoly power is the practice of 'red-lining', whereby financial institutions refuse to lend in run-down inner-city neighbourhoods (usually home to low-income African Americans and recent immigrants in U.S. cities) when there are greater profits to be had in the suburbs. Under these circumstances there is no incentive for landlords to maintain their properties, but rather to maximise their income over a short time horizon. This, in turn, builds up pressure on poor tenants, eventually leading to irresistible pressure for the redevelopment of the area under higher-value commercial uses, forcing out the low-income residents. Hence, 'the rich can command space whereas the poor are trapped in it' (Harvey, 1973:171). According to Smith (1994) these cycles of running-down and redevelopment are a rational (although undesirable) feature of all urban land and property markets, since the latter are driven at least as much (if not more) by the supply decisions of profit-seeking housing producers as by the consumption preferences of those demanding housing in the neo-classical model. The presence of large quantities of internationally mobile capital in big cities in

[13] We will not throw out the idea that supply and demand determine outcomes or that these outcomes might, under some definition, be described as efficient. However, we need some more insights to in order to look at the implications for poverty, inequality and public policy.

recent years has exacerbated the problem by pumping money into property speculation. This, when coupled with the herd effect has overinflated prices, leading to real-estate bubbles and busts in cities like London.

A second weakness in the neo-classical model highlighted by Harvey (1973:50-95) is its treatment of 'externalities' – i.e. those benefits or costs which go unpriced in the urban system. The advantages of being close to transport or the costs and inconvenience of high levels of pollution, far from being marginal imperfections in an otherwise harmonious system, are, according to Harvey, central to urban life. All public goods, such as railways, airports and rubbish dumps, are 'impure' and have associated with them a field of benefits and costs imposed upon nearby residents. Urban citizens frequently organise and lobby their governments to try to maximise the benefits (and minimise the costs) of these 'hidden mechanisms of redistribution'. Well-resourced and relatively compact business groups often prevail in the battle for benefits over more diverse and unwieldy poor communities. Moreover, the spatial benefits and costs are amplified through the ability of public investment to create land values. For example, wealthy residents may benefit disproportionately from public subsidies applied to a commuter transit system linking the city centre and affluent suburbs through the convenience it offers; in addition the values of their homes may rise as a result. Urban planning processes which do not take account of these effects and are susceptible to the demands of affluent elites, are likely to lead to a redistribution of income in favour of the already wealthy.

Critics of urban renewal (Krumholz, 1991, Levine, 1989, Fainstein, 1995, Kersehn, 1993) have argued that public support for private commercial property investment in the inner city is the clearest example of such 'upward redistribution' from poorer to richer urban residents through the value of land and property. All residents pay taxes, yet developers benefit disproportionately from such policies. In cities like Cleveland, Baltimore, New York, and the London Docklands, according to these critics, the aggressive pursuit of downtown physical redevelopment has simply displaced some of the urban poor by replacing their housing with commercial properties, and, in some cases, high-priced condominiums. In addition the downtown urban renewal policies have been one piece of a bigger process: the restructuring of urban space in such a way that inequalities are systematically reinforced by the spatial structure of the city. For example, commuter trains and highways, funded or subsidised by tax dollars bring affluent workers into the central city from spacious suburbs with parks and other amenities. Meanwhile poor people live on relatively high-priced land in dense and often polluted neighbourhoods close by to where they work. This presents a starting point for urban markets which is quite unlike von Thünen's simple model (see page 6).

The demise of pluralism: urban politics and growth machines *

The conclusions reached above might lead one to believe that cities are subject to powerful economic forces which through the (now slightly less virtuous) hidden hand of the market impose negative outcomes on powerless residents and their political representatives. Normatively, this is hard to accept since it would render local politics quite irrelevant to urban outcomes. And experience tells us that local politics has made a difference to the outcomes in different cities.[14] But if politics does matter, and Dahl's pluralist assumptions were right, then America's cities would not be so divided, and home to so many poor people. By now, surely, they would have voted for a change, and shut down the traditional public-private partnerships in favour of better housing, lower rents and higher quality education. This puzzle has given rise to a voluminous literature on the way in which political systems in U.S. cities systematically tend to prejudice urban development in favour of particular interests (Logan and Molotch, 1987, Stone and Sanders 1987, Fainstein, 1994).

---

[14] Although I challenge the reader to identify a modern city with no poverty or homelessness. And in those which come closest, such as Scandinavian cities, perhaps, it is hard to argue that local policies were decisive.

According to Logan and Molotch (1987:62-3), '[l]ocal business people are the major participants in urban politics, particularly business people in property investing, development, and real estate financing… Business people's continuous interaction with public officials (including supporting them through substantial campaign contributions) gives them *systemic* power…Rentiers need local government in their daily money-making routines, especially when structural speculations are involved. They are assisted by lawyers, syndicators, and property brokers, who prosper as long as they can win decisions favoring their clients. Finally there are monopolistic business enterprises (such as the local newspaper) whose futures are tied to the growth of the metropolis as a whole.' This 'local growth elite' is the driving force behind a 'growth machine', which may also include local universities, utilities and even organised labour, and which popularises the view that 'more intensive development benefits virtually all groups in a locality,' since it 'strengthens the tax base, creates jobs, provides resources to solve existing social problems, meets the housing needs caused by natural population growth, and allows the market to serve public tastes in housing, neighbourhoods and commercial development' (85).

Whilst Logan and Molotch argue that there may be some times and places where this argument is true, in general 'growth is at best a mixed blessing and the growth machine's claims are merely legitimating ideology, not accurate descriptions of reality' (85). A number of detrimental effects can contradict the immutable logic of the growth machine. For example, depending on the excess capacity of existing amenities such as sewage works or transport systems, increased demand can impose upon the tax base very high fixed costs for new infrastructure which may well exceed subsequent increases in tax revenues. As discussed in the previous section, growth (and rising values) in property markets may actually reduce the affordability of decent and accessible housing to poorer residents. The environmental impact of growth may also impose quality of life and economic costs (unequally) on urban populations. And, as will be discussed below, new technologies and labour markets may be such that expansion of industry and commerce is associated will falling aggregate employment or wages.

If the benefits of growth are tenuous at best, why do local government officials so often pursue growth at all costs? One simple answer is individual corruption, and Logan and Molotch detail a number of cases where mayors and other senior officials are shareholders in local development companies (66). Probably of greater importance is the reliance of U.S. politicians on businesses for campaign contributions. According to Doug Henwood (1998:26-7), 'Underwriting firms - the big investment and commercial banks - contribute mightily to the campaigns of local treasurers and comptrollers. Since so many give it's hard to see how the local officials can decide among smooth Wall Streeters bearing gifts. Despite some attempts to rein in this essentially legal form graft it's almost certain to continue…The nexus of bond dealers who raise money for local governments, real estate developers and construction contractors who profit from the capital expenditures so financed, the lawyers who service all sides, and the politicians supported by the rest of the gang are common structures of urban and regional power in the U.S. They assure that the budget will be full of subsidies and tax breaks to developers and contractors, that fresh land will be developed often at the expense of existing settlements, and that in a crunch welfare and other public services will be cut but debt service will continue to flow.'

Urban regime theory and bargaining with business

Out of the critique of urban politics offered by Logan and Molotch grew the possibility of transcending this one-sidedness. If growth machines – i.e. coalitions between various urban actors – are the mechanism through which local leaders are co-opted to a growth agenda, then presumably, other coalitions or 'urban regimes' are possible which might deliver quite different results. In general, then, an urban regime is 'an informal yet relatively stable group with access to institutional resources that enable it to have a sustained role in making government decisions' (Stone, 1989:4). Thus urban regime theory replaces the idea of *government*, which gets its mandate from a plebiscite every few years, with *governance*, in which the authority and trajectory of public policy depends on permanent networks across the public-private divide. In other words, 'Urban regime theory assumes that the effectiveness of local government depends greatly on the co-operation of nongovernmental actors and on the combination of state capacity with nongovernmental resources' (Stone, 1993:6).

There are now numerous case studies of city politics, analysed from this perspective, and attempts to explain why certain regimes emerge in different times and places (Clavel, 1986, Fainstein and Fainstein, 1986, Lauria, 1997, Harding, 1997). A more abstract analysis, by Kantor and Savitch (1993) interprets state-business relations in general and local economic development partnerships in particular as a process in which politicians are pitted against business in a bargaining process. The outcome or 'yield' of the bargaining process depends on the presence of three bargaining resources: market conditions, popular control, and policy intervention mechanisms. Unfavourable market conditions, weak popular control and dispersed intervention mechanisms lead to low yields for the city (but beneficial to business), probably comprising tax abatements, free land and other inducements. Favourable market conditions, strong popular control and integrated intervention mechanisms make it possible for politicians to achieve more positive results, such as higher business taxes, restrictive zoning requirements, development fees and public amenities. All of the latter can be used to improve the quality of life of urban residents, in particular the urban poor. Intermediate positions will lead to indeterminate outcomes such as negotiated levels of payment for land for development. The authors claim their framework was confirmed in a comparative analysis of 15 international cities.

Kantor and Savitch present an analysis which is somewhat functionalist, its direction of causation open to dispute, and its conception of state and business as adversaries rather out of place in the reality of the United States. The latter is wishful thinking, perhaps, for those who are desperate to escape the grip of the growth machine. However it does contain an important message for dissenters amongst the municipal leadership. Depending on the state of your economy, you may be able to achieve much more egalitarian outcomes than you think by winning concessions or 'exactions' from business, and many cities have done so (Amsterdam is the top ranking city of the 15 examined by Kantor and Savitch; Detroit comes last). But this will only be possible if (i) your electorate is mobilised and informed, and able to monitor and participate in decision making and (ii) you have the technical and institutional capacity to implement and enforce the concessions which you win. A mobilised electorate with access to decision making processes, according to Kantor and Savitch, may be able to win concessions in addition to those listed above, such as employment concessions for local residents and minorities, contract set-asides for local firms or minority contractors, rent control or stabilisation laws and inclusionary zoning.

The Downtown Development Agencies which are so popular in entrepreneurial partnerships are precisely the wrong way to go, then, since they remove the bargaining and deal-making process from public scrutiny and consequently they tend to weaken the position of the state vis-à-vis business. By contrast, institutional arrangements which subject public decisions to much more regular and widespread scrutiny – such as public planning forums at sub-municipal level, institutionalised land-use review policies, prior public announcement of all proposed partnership deals, requirements that firms applying for public subsidies and concessions inform and consult their workforce and other affected parties – would all be a positive step. The cities of St. Paul, Wisconsin, Gary and Hammond, Indiana and the State of Connecticut have all introduced such 'right-to-know' requirements into their economic development programmes (LeRoy, 1994:26-42).

Kantor and Savitch list a number of positive outcomes of a bargaining process between the state and business, which might be achieved under the right circumstances. I will expand on one or two of the most important examples, as far as urban poverty alleviation is concerned:

(i) Development fees and concessions (a.k.a. 'construction linkage' or 'planning gain') are schemes which require that city businesses make special contributions to support the needs of the urban

population, or a particular target group, in return for permission to proceed with profitable investments, property developments and so on. A scheme was introduced in Boston which required all city developers to pay a ‘linkage’ fee, calculated according to the proposed floor space of new developments, into a special fund, which was used to finance and subsidise low income housing. This was extended to require that developers identify and support the low-income housing projects directly.

(ii) Contract compliance imposes certain requirements on all businesses executing contracts for the city, such as suppliers, utilities, general contractors (e.g. construction companies working on city contracts, cleaners, caterers, etc.). Requirements may include reservation of a proportion of all jobs for local low-income employees or for employees from minority ethnic backgrounds, or provision of training to employees as part of the contract. There is often a debate as to which of these conditions is most likely to achieve a net benefit for the urban poor. However one contract compliance condition which is gaining popularity across America and requires special treatment is the passing of local ‘living wage’ legislation (see page 26).

(iii) Procurement regulations (a.k.a. contract set-asides) may specify that a certain proportion of all city contracts are to be awarded to local small firms, minority contractors, or even community based non-profit groups.

(iv) Strict and inclusionary zoning may require that all commercial developments within certain areas of the city include a certain proportion of low-income housing, accessible community amenities, etc. This generates valuable physical resources, and also may help to alter the residential structure of the city toward mixed-use and mixed-income neighbourhoods, reducing transport costs and preventing the isolation of low-income people in neighbourhoods with poor services, costly transport etc.

Planning and participation

Some of the strategies highlighted above require quite extensive forethought and preparation. Development fees, or contract compliance regulations must be realistic, given local economic conditions, and robust enough to withstand considerable opposition when they are first proposed. Use of zoning requirements to extract exactions from businesses and developers or to alter the structure of the city would require a comprehensive and pre-emptory approach to town planning which does not exist in many U.S. cities.

To introduce his study of planning experiments in six U.S. cities (Hartford, Cleveland and Berkeley in the 1970s, Santa Monica and Burlington in the 1980s) Pierre Clavel (1986:2) says: ‘At a time when planning had become associated with stultifying central administration, these cities found ways to recast planning as a link between a vital grassroots citizens movement and the desires of progressive political leaders to formulate redistributive policies’. As this statement suggests, Clavel found three issues to be decisive in the creation of a climate in which to plan and in the success of the plans: First, the connection between planning process and electoral politics. Successful planning was almost always the result of the election of visionary political leaders, who often ran for election on the basis of aspects of the plan which was later implemented. Second, popular participation through the existence of a neighbourhood movement, such as Berkeley Citizens Action, which grew out of the anti-war and student movement of the 1960s and the rent control campaigns of the 1970s. This was sometimes backed up by the institutionalisation of popular participation ‘so that it rested more on a mass base and less on organised interest groups.’ The neighbourhood planning assemblies in Burlington are an example of this. Third, a publicly agreed planning methodology was used. Obvious as this third point might sound, it contrasts strikingly with the traditional urban renewal approaches, which were (and remain) reactive and secretive. Based on the input of a mobilised citizenry in most cases, planners located close to the political leadership would conduct (often participatory) studies of the best social and economic development policies to follow. This prevents council members from making decisions based on their own whims or personal connections (the familiar American pork barrel). ‘Equity planning’ also generally required the removal or restructuring of the existing independent city planning commission, which had been instinctively pro-business, reactive and ineffective.

The visions which underpinned many of the plans were that of social values, and in particular collective ownership of city assets. In Berkeley this vision was summed up in a document entitled *The Cities’ Wealth* (Bach et al, 1976), which started from the premise that since public investment creates land values with tax-payers dollars, all taxpayers should benefit, rather than just landlords and developers (see page 18). In an earlier study, one of the report’s authors had shown that the income residents need in order to afford private rentals in U.S. cities were almost twice those which would suffice in housing co-operatives run by the residents (cited in Clavel, 1986:110). This earlier study concluded, ‘[w]e know from the study results that the larger the proportion of community-owned real estate, utilities, and enterprises in a town, the greater potential benefits to the residents’. In Berkeley, and in a number of the other cities, this led to the municipality providing support to neighbourhood organisations to set up and run their own non-profit housing projects, social services, co-operative foodstores, and so on. Other innovations introduced through the planning processes in the cities which Clavel studied were progressive tax schemes, rent controls, contract compliance, and affirmative action policies. Whilst there was often a vigorous opposition from the business community to each proposal in the first instance, this generally subsided over time.

Community ownership and development

In many cities, the neighbourhood organisations of the 1960s and 1970s have evolved into major non-profit community groups, known as community development corporations or CDCs. These are generally run by a board of local residents and in some city neighbourhoods have become multi-million dollar enterprises employing thousands of people.[15] The National Congress for Community Economic Development (NCCED), the national co-ordinating body for CDCs with an influential federal lobbying office in Washington DC, lists the following CDC activities around the country (NCCED, 1990:i-iii)

(i) Housing: The rehabilitation and construction of affordable housing for low and moderate-income people is the most common activity of CDCs. Community-based development organizations produced more housing for low-income families in 1986-87 than the U.S. Department of Housing and Urban Development, including single-family homes, large multi-family buildings, and housing for people with special needs – such as the elderly and victims of substance abuse. Approaches to building housing also vary, with groups using limited-equity co-ops, in-fill housing, moderate rehabilitation and self-help housing.

(ii) Human Services: Some CDCs provide human services to area residents, such as family counselling, teen pregnancy programs and literacy programs, which focus on addressing a particularly strong need in their community. Others have combined the provision of services, particularly child care, with efforts to provide increased employment for area residents. In addition to child care, other initiatives include the use of women prisoners to rehabilitate homes, the licensing of a CDC by the state to provide a facility for the elderly, and the care of babies with AIDS.

(iii) Commercial Development by many CDCs has created jobs and provided access to goods and services that people formerly had to leave the area in order to purchase. Some developments are quite large and have had major impacts on their communities, such as the Community Development Corporation of Kansas City, which is using its experience in developing an inner-city shopping

[15] The New Community Corporation in Newark is one of the largest, with 1,400 full-time employees.

center to construct others in the city, or Por La Causa, which has completed a major downtown development in Phoenix, Chicanos, that is modelled after the marketplaces of towns in Mexico.

(iv) Industrial Development by some CDCs in areas that have little chance of attracting outside companies has created relatively well-paid jobs that are appropriate to the education and skills of their residents. The Delta Foundation, for instance, has launched businesses in the poor rural counties in Mississippi and Arkansas that border the Mississippi River. Dineh Co-operatives has been able to create a considerable number of jobs for residents of the Navaho reservation through the establishment of an electronics plant.

(v) Business Development: CDCs have used revolving loan funds and the provision of technical assistance to support the creation and expansion of small businesses within their communities. Community Equity Investments, Inc. of Pensacola, Florida, for example, has developed a revolving loan program for small businesses that has become a state-wide model. Coastal Enterprises in rural Maine has assisted local women to establish successful micro-enterprises.

Two further areas in which CDCs are active are 'workforce development networks' (Harrison and Weiss, 1998) and 'comprehensive community-based change initiatives' (CCIs; Gittell and Vidal, 1998:39). The practice is a little simpler to understand that these rather fancy titles. Workforce development refers to provision of job training and information to poor people (often of minority ethnic origin) in the area of the CDC. This includes job skills, life skills and general preparation for the so-called 'world of work'. The CDC may also help to place people in jobs. To get the training right and to find jobs for people, CDCs often maintain a network of connections and sometimes formal contracts with employers, public agencies and other non-profit bodies. CDC involvement in workforce development aims to counter persistent discrimination in the labour market which has not been effectively addressed by more conventional training approaches. CCIs are attempts to deliver services and promote community development in a holistic and co-ordinated way. Critical of the 'bricks-and-mortar' approach of some housing projects and the isolated categorical programmes of government, CCIs attempt to bring all these together in one initiative. In order to strengthen the social structures and interactions which are thought to help people take charge of their lives they may also focus on leadership development and on social relationships. We will return to this theme in the discussion of social capital on page 29.

CDCs are not public-private partnerships, in the sense of a partnership between the state and a private enterprise, since they are independent community initiatives. However virtually all CDCs now receive some form of government assistance, either from the federal, state or local level. In addition, many CDCs benefit from corporate financial and technical support, a large part of which is forthcoming as a result of federal and state legislation (see the section on federal support on page 27). Hence their achievements raise a question regarding the definitions of public and private. Surely a democratic and representative self-help community-based non-profit body has the right to claim public status? Yet some CDCs manage enterprises which generate surpluses (should we call them profits?), which are reinvested into other local enterprises, for the benefit of the community. In some cases, private corporations and even local governments have complained that CDCs have usurped their roles (even though CDCs generally operate in 'risky' areas skirted by corporations or in neighbourhoods with poor public services). Legal precedents based on the U.S. constitution make a surprising distinction between CDCs on the one hand and private landlords, housing developers and their financial backers on the other. The latter can support the electoral campaigns of local politicians since they are constitutional 'persons'; CDCs as non-profits may not. The implications for growth-machine politics are obvious.

Living wage legislation[16]

The introduction of living wage laws by local authorities across the United States can be traced to four factors. First, low wages are increasingly identified as a cause of urban poverty, such that, in many families wage earners are forced to work more than one job. Second, there is a strong tradition of using contract compliance, i.e. special conditionalities, such as local hiring or affirmative action, in city contracts. This provides a simple mechanism for extending living wage provisions beyond direct municipal employees. Third, the federal minimum wage has declined in real terms to a level well below the floor in the market. Finally, the recent revival in many cities of community organising and action, presumably in response to poverty and inequality. Of particular significance where the living wage is concerned are alliances between local trade unions and civic groups such as ACORN (Association of Community Organisations for Reform Now).

Baltimore was one of the first cities to introduce a living wage ordinance, in December of 1994. This mandated a minimum hourly wage of $6.10 for anyone working on a city service contract, effective July 1, 1995. This increased to $6.60 per hour for contracts signed after July 1, 1996, with a provision for subsequent renegotiation. The level was calculated as being sufficient to keep a family of four above the poverty line. Since this time another 18 cities have introduced living wage provisions, some of which are below the Baltimore level. At the time of writing, the latest city to introduce a living wage was San Jose, at a level of $10.75 (or $9.50 plus health insurance) on November 17th, 1998.

The living wage provisions in Baltimore and San Jose cover all city workers, and those who work on city contracts. Other cities, such as Minneapolis/St. Paul and Minnesota, have extended the living wage requirement to firms receiving economic development subsidies. Despite (or perhaps because of) the large number of economic development subsidies in Baltimore, this provision was rejected by that city. Attempts to pressure cities into extending the living wage to other categories of business, or to all businesses in the city, have met with limited success.

Not surprisingly, wherever they have been proposed, living wage laws have been met with vigorous opposition, primarily from business interests and some local political leaders. Opponents claim that a living wage law will cause increases in the costs of public contracts, lead to increased unemployment, cause companies to drop out of bidding for public contracts, impose significant administrative costs, and cause businesses in general to shun the locale in response to the law's ostensibly unfavourable impact on the local business climate. It has generally taken several years of campaigning by community and labour groups to counter these objections and persuade local governments to introduce the provisions. In many case the law was only passed after the living wage became an election issue, and an incumbent hostile to the living wage was ousted. Living wages have often led to a form of partnership between the city and community groups, since the latter have been involved in monitoring compliance and determining subsequent increases.

The success of living wage provisions rests on their ability to increase the quality of life of the most poorly-paid workers without causing the negative consequences predicted by the critics. In fact, not all these consequences may necessarily be negative from our point of view. For instance, if living wages do indeed cause increases in the cost of public contracts, this increased cost will have to be met by the city and its tax-payers. If taxes and services charges are sufficiently progressive (i.e. they fall disproportionately on the wealthiest residents), then minimal tax increases to fund a living wage may be an acceptable way to address local poverty and inequality, as long as it does not lead to a high level of ‘emigration’ or disinvestment. Recent studies in the U.S. (Card and Krueger, 1995) have, in any case, shown that minimum wage increases (at least up to a certain level) tend to be

---

[16] The information in this section is from the author’s fieldwork in Baltimore and from Weisbrot and Sforza-Roderick, 1996 and Pollin and Luce, 1998. More details on Baltimore are in the case study on page 48.

absorbed by firms and not translated into job cuts or passed on to their consumers, in this case the city. This can be explained by a competitive climate which is sufficient to force firms simply to absorb the costs, or by increases in efficiency and productivity which may result from the increased motivation of workers who are paid a wage they can live on.

The fact that so many cities have adopted these provisions during one of the strongest and most sustained periods of growth in corporate profitability in the United States is interesting from our point of view. First, it indicates that, even (or some might say especially) in the 'post-Fordist' era, a period of strong growth in output is consistent with an intensification of poverty amongst working people. Second, it shows that the earlier living wage provisions can not have been so damaging to the local economy as to have provided sufficient discouragement to other cities who have subsequently passed such laws. And finally it refocuses our attention on the question of the composition of poverty-reducing public-private partnerships, since the private actors in the living wage initiatives are primarily community groups and labour unions.

Federal support for equity-based approaches and the hollow state revisited

From the previous two sections it appears as if community-based grassroots initiatives across America have been able to mobilise the energies and resources of local people, who, by reclaiming some ground from the conventional public and private sectors, have been able to improve the quality of their lives. However this is only part of the story. If we scratch the surface we find a surprising benefactor behind many of these community initiatives: the federal government. In particular the achievements of the Community Development Corporations are underpinned by two sources of federal funding and a third source from the banks, but which has been mobilised by federal legislation.

(i) The Community Development Block Grant (CDBG), introduced during the 1960s urban crisis has been a very significant source of funding for community groups, and especially community development corporations. Reports produced each year by the U.S. Department of Housing and Urban Development in the mid-1980s listed '100 Success Stories of Local Community Development Public/Private Partnerships' in which federal funding from the CDBG programme was used, usually to 'leverage' private investment (HUD, 1983, HUD, 1984). Projects ranged from a 26-unit limited-equity housing co-op for low-income residents in Santa Rosa, California or 200-units of non-profit housing plus small business support in Vermont, to more traditional urban renewal projects on a grand scale, such as the construction of a commercial entertainment district in downtown Buffalo, New York. The presence of a non-profit community development group of some kind seems to be a distinguishing feature of those partnerships which resulted in affordable, accessible housing and services for the poor.

(ii) The Low-Income Housing Tax Credit (LIHTC), introduced in 1986, provides a substantial tax advantage to developers and financial institutions who invest in low-income housing. In the late 1990s this amounted to an annual allocation (in terms of tax forgone) of $3bn by federal government (Klein and Wehrli, 1990). A minimum of 15% of the credits are required, by law, to be awarded to partnerships involving community-based non-profit organisations. In many cases the state governments, who administer the programme, have increased this percentage. The power to award the credits may be transferred in advance to community groups. This puts the latter in an unusual position of power to negotiate favourable deals with investors. Currently the LIHTC is a very important source of funding for community development initiatives.

(iii) The Community Reinvestment Act (CRA) is a 1977 law that was enacted to combat redlining. It states that banks and saving institutions must take affirmative steps to help meet the credit needs of the entire community they are chartered to serve, including low and moderate income areas. CRA. CRA directs the four federal banking agencies that supervise depository lenders to evaluate the

extent to which banks and other lenders are meeting local credit needs before they grant requests to expand, either by opening new branches or through mergers and acquisitions. A weak CRA record may be grounds for denial of an expansion request. One of the most important features of the CRA is that it provides citizens with standing to intervene in the regulatory process. Local community groups, non-profit development organisation, small business associations have found filing comments on lenders' CRA performance to be an effective way to change lenders' policies. In particular, many community development corporations have used the threat of a CRA filing to press stubborn banks into setting up lending facilities for their residents' housing and business needs. Banks have done deals with CDCs to finance major low-income and non-profit housing projects as a way of meeting CRA requirements. Despite repeated protests and lobbying against the CRA from banks and other financial institutions, its enforcement has been tightened in recent years. Although a number of banks have managed to turn CRA-mandated lending into a profitable part of their business, it is very unlikely that they would have made the effort in the absence of federal regulation. Chief Economist and Senior Vice President of the World Bank Joseph Stiglitz recently gave the CRA an additional endorsement by recommending that it be used as a model by developing countries (Stiglitz, 1998)

In addition to federal budgetary support, and private support mandated by federal legislation, community development initiatives in the United States receive contributions from state and local government. Partnerships between cities and CDCs have often been the result of hard-fought battles by the community to be recognised, similar to the more recent campaigns by community and labour groups to pass living wage laws. They may also result from federal programmes, administered on a decentralised basis, but which require community participation. Alternatively, in those run-down and redlined neighbourhoods where the CDC is 'the only show in town', municipalities have had no choice but to work with them. CDCs also receive corporate sponsorship and investment. A number of 'intermediary' organisations exist to channel resources from corporations and other sources to CDCs.[17] The existence of federal programs which mandate private, city and state investment in community initiatives makes it difficult to know how much would be forthcoming under other circumstances.[18] In any case, federal funding has been and remains the most important source (Gittell and Vidal, 1998:54).

The significance of federal support for community initiatives is surprising given the hollow state thesis – that central government has become a much less important tier as a result of globalisation. It is certainly true that a number of functions are, formally speaking, being decentralised, privatised or internationalised. An example is U.S. welfare provision, responsibility for which was recently transferred to state and city level. However it has been suggested (Peck, Walsh) that this has in effect led to an abrogation of responsibility due to the constraints of the local 'scale'. Our analysis of urban development more generally seems to point to a comparable 'weakness of the local'. On the one hand, the direct support for community development by various federal programmes over the last three decades[19] has served to energise and mobilise community efforts and support equity-based approaches. On the other hand, the majority of those initiatives which are controlled or originate at the state, and particularly the local level have tended to focus on traditional and entrepreneurial subsidies to business. Decentralisation of federal urban aid is likely to exacerbate this situation and to make it harder for community groups to access this assistance (Gittell and Vidal, 1998:1). In the United States, then, *when it comes to equity-based partnerships*, it is possible to argue that the hollow centre has consistently been lower down, at the municipal level, with some of the most important actions located above and below this tier. Although this is a sweeping generalisation with

---

[17] The biggest intermediaries are the Local Initiatives Support Corporation (LISC) and the Enterprise Foundation.

[18] Gittell and Vidal (1998:38) estimate that the two most important intermediaries have used the federal Low-Income Housing Tax Credit to raise $7bn in private equity capital for CDC housing projects, compared with a total of $179 million in voluntary giving in 1991 by corporations and foundations.

[19] The Community Action Program in the 1960s, the Community Reinvestment Act in the 1970s and the Low-Income Housing Tax Credit in the 1980s. To some extent this tradition was carried forward in the 1990s by the Empowerment Zones programme.

many exceptions, such as the city planning initiatives described on page 23, it is nonetheless an important theoretical point. We will contrast this with the British situation, below, and return to it again in our conclusions.

Entrepreneurship vs. equity: local economies and social capital

Traditional partnerships, then, to the extent that they are concerned with poverty, focus on supporting *economic growth* and rely on the benefits to trickle down to all members of society. Entrepreneurial partnerships, by contrast, focus on boosting and/or harnessing the process of *economic restructuring* which has been taking place in recent decades, in the hope that this process can be tilted somewhat towards the poor. Equity-based partnerships, by contrast, focus on *economic relationships* and are very directly concerned with improving the quality of life of the poor and changing their position in the broader economy. This raises two questions. Firstly, if equity-based partnerships aim to redistribute the spoils of growth, do they not risk the prospect of cutting off the hand that feeds them by deleteriously affecting that growth? Secondly, is there really a difference between small business and human capital development as practised by the entrepreneurial state and the rather similar activities of community development groups?

Pure neo-classical economic theory would certainly have us believe that local redistribution is liable to dampen growth, or at least chase investors away. But as with so many things this is a question of degree. No-one would argue that all public goods which benefit rich and poor yet cannot be individually billed – such as national defence, parliament, foreign affairs or national parks – should be abandoned because they may be funded disproportionately by wealthy tax-payers. Few would even suggest that public goods which can be billed individually – such as hospital care and education – should not be subsidised or offered free to those who cannot afford them. Cities subsidise both kinds of public goods (roads, metropolitan police and planning in the first category; social workers, homeless shelters, and, in some cases, public schools in the second) and by so doing, effect redistribution. Equity-based partnerships such as planning gain and living wages simply introduce new ways to extend this kind of redistribution. And whilst they generally face considerable opposition, this usually subsides quite fast, and there is no convincing evidence that most of them have actually driven away investment. The same businesses who opposed Boston's construction linkage policy, saying it would 'kill the goose that laid the golden egg', two years later defended it in the face of a supreme court challenge, arguing that it was a positive development in the city.[20]

The lesson seems to be that there is a strong symbolic or ideological component in the redistribution-hurts-growth argument. For example, lenders and credit-rating agencies these days penalise municipalities (and national governments, for that matter) for increasing public spending, or reward them for cutting it, without even looking at the quality or nature of the expenditure. Recent studies indicate that this may be quite mistaken since more equitable cities, which address the needs of their poor, are considered higher-quality environments by investors, and subsequently may have better growth prospects (Pastor et al.). This limits of this logic depend on local circumstances. For example while redistributive investments in public amenities and public services may actually be growth-enhancing in many cases, a living wage may not help in a small town with a shrinking economy. However, the general message is that cities can push the bounds of redistributive policies by seizing the moral and political high ground, and also by marshalling the theoretical and empirical evidence that equity is good for growth. And the mobilisation of citizens, especially community groups in poor communities, can contribute to this aim.

The second question, on the difference between entrepreneurial and equity-based efforts to train workers and create jobs lies our understanding of the concept of a 'local economy'. We saw in the discussion of global production networks on page 15 that small firms are often caught in global

[20] See the case study on page **Error! Bookmark not defined.**.

webs, such that they rely on large, even multinational, corporations for their business. In a study of 400 diverse businesses in seven localities in the UK, James Curran and Robert Blackburn (1994) tried to ascertain how firmly small businesses are caught in the web, i.e. how stable their contracting relationships are with the big firms they supply or service. They also looked at the interrelationships between small firms within each locality. Their somewhat surprising finding was that both sets of relationships were quite weak. Big firm-small firm relations are weak because large firms rarely sign contracts far into the future, preferring to operate on an intermittent and irregular basis. The reasons for weak linkages between small firms in the same locality are less clear, but probably include the reliance on the large firms for business, and the fact that different small firms have very different market catchment areas, according to the type of product they offer. Hi-tech firms or those in growing sectors, such as media and marketing, were particularly weakly linked to other firms in the immediate neighbourhood. Few businesses saw institutions such as chambers of commerce or local government as contributing to local economic development, even where a local regeneration programme did in fact exist in one of these institutions. This '*lack* of importance of locality in relations between business in the sense of an integrated local economy'[21] (180) leads the authors to question government-led regeneration, especially that which emphasises small business support and the links between firms (along the line of industrial districts). Whilst it may be possible to nurture some small businesses into existence, unless these small businesses on their own create enough jobs and opportunities for low-income people, they may not have much of a multiplier effect on the economic opportunities available in the surrounding area.

Community-based job creation programmes in CDCs may well suffer from the same problem. However, to the extent that they (i) root the jobs or businesses they support in meeting local needs,[22] (ii) ensure that jobs go to local residents and are fairly paid, and (iii) directly strengthen relationships and interactions in the community, they may be less vulnerable to the problem.[23] The best examples are jobs created for local people in projects like housing, community security, social services, childcare and so on, which by their nature bring benefits to local people. CDCs may also build local 'social capital' (Putnam, 1993, Moser, 1998) in a way that might counter the fragmentation of the local economy. If people are linked institutionally in a collective endeavour, if they know each other well, if they feel part of the same community, their economic interactions may also increase. This certainly seems to be the case in Newark, where a number of businesses, established with the help of the CDC, all operate from the same converted church and the local supermarket, part-owned by the CDC, reinvests its profits into local job creation. Similarly, CDC 'workforce development networks' may be more able than government training projects to 'redistribute jobs, earnings, work experience and dignity to the residents of low income communities' (Harrison and Weiss, 1998:2) by virtue of their roots in local social networks and their links to external organisations such as employers.

The desire to increase local economic interactions and 'rebuild the local economy' underlies local economic and trading systems (LETS; Lang, 1994). LETS attempt a sort of local de-linking (Amin) by creating a virtual local currency, based on entries in a book or on a computer system, thus increasing local economic transactions.

Gittell and Vidal (1998) believe that CDCs which build 'social capital', in the sense of internal community solidarity ('bonding capital'[24]) and external linkages ('bridging capital') are making a direct contribution to poverty reduction. Stronger supportive relationships inside the community make people less vulnerable to external shocks, and better external links increase their influence over local decisions. Both of these are poverty-reducing in terms of the broader definition of poverty to

[21] There is now a large body of theoretical literature which problematises the concept of 'local economy' (Eisenschitz and Gough, 1993:121, Castells, 1996, Storper, 1997)
[22] See the discussion of job creation in secondary labour markets in the UK, below???
[23] They may be able to 'hold down the global' (ref???)
[24] Putnam, 1995.

which we referred in our introduction.[25] As its double-barrelled name suggests, the federal Empowerment Zones and Enterprise Communities programme introduced in 1994 aims to combine entrepreneurial and equity-based approaches. The programme stresses the importance of community planning and institution-building, whilst at the same time offering substantial tax breaks to local entrepreneurs. It remains to be seen how successful this will be.

A danger inherent in the adulation of social capital is worth noting. Unqualified, the concept does not distinguish between the sense of common purpose, trust, good relations and institutional supports associated with a community housing project on the one hand, and those which may accompany a car-theft racket on the other. As Gittell and Vidal (1998) point out, social capital fixation may lead us to focus so much on building harmonious and consensual relationships that we lose sight of our original purpose, which might at times require conflicting interests to be acknowledged and addressed. Hence some believe that the tradition of community organising which has its roots in Alinsky's Industrial Areas Foundation (Kriesberg, 1987), and which was responsible for some of the most important victories of the civil rights movement, has been diluted by CDCs. The living wage movement demonstrates that communities and labour groups may indeed have something to gain from concentrating on the internal strength of the community and its ability to make its presence felt externally, even where this involves some initial conflict with the local authority and business.[26]

(5) BRITISH LOCAL GOVERNMENT AND THE RETURN TO PRIVATISM

The structure and traditions of local government (and the urban system they have helped to shape) are rather different in Britain to the United States. Thus the public-private partnerships on each side of the Atlantic came into being in different circumstances, and it is our belief that we must understand these differences before analysing their success or failure. Following the 'Americanisation' of U.K. urban policy in the 1980s, it is possible to argue that contemporary partnerships in Birmingham, England and Baltimore, Maryland have more in common than in the past. However we will start with an historical account before we attempt to answer that question.

Public services, council housing and town planning *

In contrast to the United States,[27] for much of the twentieth century the tradition of urban privatism in Britain has been tempered by a countervailing tendency of concerted action by the state. The medieval tradition of town building never quite died away and it was common even at the height of the industrial revolution for some principles of planning and design to exist alongside the more usual, uncoordinated urban development of the day. The planned urban communities of Robert Owen, designed to improve the conditions and productivity of workers, and the Victorian Garden City Association, based on Ebenezer Howard's utopian vision of balanced new communities, were both responses to the harsh conditions of Victorian slums. By the turn of the century, municipal governments in cities like Birmingham and Glasgow were providers of housing, tramways, hospitals, police, baths, markets, water, gas, electricity and refuse collection for their citizens. They were also

---

[25] Page 3. See Moser???

[26] Building social capital may, then, be a means to an end but it should not become an end in itself. Ben Fine, a more accomplished critic of social capital draws our attention to a contradiction in the term. Since '"capital" is not a thing in the first place but is already social, global, exploitative, and embedded, to coin a phrase, in broader relations of which the state forms a part' then 'the social can only be added to capital if it has been illegitimately excluded in the first place' (1998:27). In other words, the simplest form of social capital is none other than monetary wealth!

[27] The reader may encounter a tendency in what follows to place too much emphasis on the differences between the U.S. and the U.K. For example, a town planning tradition exists in the U.S. too, and we considered one or two quite imaginative applications of it on page 23. However these were the exceptions which prove the rule, and the more common difference between the two planning systems has been described thus: In the U.S. you can do anything which is not known to be illegal; in Britain you need to ask permission to do anything. Our purpose here is to characterise and draw out the implications of these very real differences of degree and generality.

major local employers, often setting an example to industry by paying a living wage to their employees.

After a visit to London and Glasgow in 1906, Frederic Howe, a native of Cleveland, Ohio, attributed what he saw as the greater efficiency and public service of the British city partly to the re-emergence of this 'municipal trading'. As towns grew in the first part of the nineteenth century, the concentration of land ownership by the aristocracy, and control over city franchises by parliament had averted the local rent-seeking and corruption which Howe observed in cities across America..[28] However, when prices of privately-provided services such as water and gas began to rise it proved impossible for parliament to regulate the franchisees. As town councils gathered strength in the second half of the century, they gradually bought out the private utility companies, and purchased land from the landlords.

On the town councils, each town councillor represented a ward, having been freely elected by the tax-payers living there. This contrasted with the U.S., where candidates first had to obtain the permission of the party bosses to stand, national party politics and rent-seeking dominated, and elections were complicated by voters having to elect a confusing multitude of officials. Top amongst these was a powerful executive mayor, in whom were vested most municipal powers. The British system, according to Howe, was well designed to 'bring out the best men [sic] in the city' (234). The advantages of a good electoral system, the absence of 'prizes' (land and utility licences) to hand out, and highly efficient municipal services led Howe to conclude, 'The British city is free from corruption. Its organisation is simple, direct democratic. The members of the Town Councils are responsible and responsive to public opinion. There is no boss, no machine, no spoils system' (x).

Howe saw a great potential in the British system of municipal democracy and public ownership: 'nowhere else, whether in Europe or America has poplar government more fully justified itself than in British local administration' (8). But he was horrified by the persistence of feudal land ownership and the disregard of the landlords and parliament for the conditions of the urban poor, something which seemed to be beyond the power of town councils to address. He also pointed out one principal shortcoming of local democracy: 'The suffrage is limited to the tax paying class.' Howe saw not only a great potential, then, but a sad current reality. While ordinary urban residents were proud of their cheap public services, their living conditions were atrocious. 'Poverty is at its worst in the British city. Millions of people are herded in tenements unfit for the stabling of horses. An equal number are even hovering on the border line of pauperism. So far as human welfare is concerned "good government" is not enough' (x).

Wartime exigencies forced parliament to take a keener interest in urban living conditions. An important milestone was the Glasgow Rent Strike of 1915. Led by women, 20 000 working class residents of one of Britain's most important wartime munitions-producing cities protested the overcrowding and suffering resulting from the opportunistic greed of urban rentiers (Castells, 1983:27-37). The influx of munitions workers had brought an already acute housing shortage to a head, boosting the monopoly power of the landlords who pushed rents beyond the means of working families, leading to a spate of evictions. The success of the strike, due in part to the government's determination to ensure uninterrupted munitions production, led to the passing in the British parliament of the Rents and Mortgage Interest Restriction Bill of 1915, which reined in the greed of urban landlords and financiers. The Housing and Town Planning Act followed in 1919, mandating local governments throughout the country to build public housing for their workers.

Throughout the twentieth century, a principal objective or British urban policy has been to use the instruments of planning to overcome the brutality of the Victorian city and the inheritance of

---

[28] See Howe's earlier work on the American city (Howe, 1905). Rent-seeking in Britain was limited to parliament, especially the Lords.

unplanned and uneven urban development. On the heels of the success of wartime planning, the Town and Country Planning Act of 1947 specified that 'good planning principles' would direct all future urban development, and that all private development would be subject to planning permission. A striking testament to Britain's faith in the power and rationality of the state in urban development was the New Town Act of 1945, which authorised the funding and construction of new communities throughout Britain. As of 1980, 28 new towns had been built, providing a mix of public and private housing for more than two million people in England, Scotland and Wales. Public housing provision wasn't limited to the new towns: public agencies were responsible for over 57 percent of all new housing in Britain between 1945 and 1970, and virtually all of it was built as rental property to remain in the public domain (Barnekov, Boyle & Rich 1989:32).

By the 1950s British municipalities were an integral part of the welfare state with delegated responsibilities for health and education as well as housing and basic municipal services. Parliament had formally recognised municipal corporations as far back as 1835, granted them the right to elect councils in 1888 and approved a uniform property rating system in 1925. Together this early legislation set out the precise types and functions of municipalities, requiring them to operate *intra vires*, i.e. only to carry out those functions specifically allocated by parliament. A number of reorganisations followed, leading to a rational system of counties, each broken up into districts, across the entire country. The big cities had metropolitan county councils (plus the GLC for London) which were responsible for metropolitan wide planning, transport and services. With central control came substantial financial support, and by the time the Rate Support Grant (RSG) was formalised in 1967, local government was highly dependent on central government transfers.

The RSG was (and arguably still is) one of the most highly redistributive central-local 'revenue sharing' programmes of any western democracy. Its aim was to equalise the fiscal capacity of every municipality after taking into account its property tax base and its spending needs, thus underwriting service standards across the country. In 1985 British local authorities raised 31% of their revenue from property taxes, and relied for a further 48% on central government transfers. U.S. municipalities, which also raised around 30% of their revenue through property taxes, relied for only 39% on intergovernmental transfers. Moreover, central-local transfers amounted to 6.1% of GDP in the U.K., compared to 3.3% in the U.S. This shortfall was partly made up by property taxes in the U.S., but still meant that in 1985 total municipal income from all sources was 8.8% of GDP in the U.S., compared to 12.6% in the U.K. (all figures King, 1991). Fiscal equalisation operated both between Britain's cities and within them: for example, a similar approach was taken to redistributing tax revenues across the many boroughs of Greater London.

Thus central funding boosted the total spending power of British cities as well as making it more equitable. One result was that city dwellers came to expect a certain basic level of service wherever they were. More importantly for our purposes, Tiebout's incentive for cities to attract rate-payers into the tax base which operates so powerfully in the U.S., was substantially weakened or removed altogether in the U.K.[29] Conversely, the threat of 'exit' was far less of a concern in the British system.

Central regulation of municipal revenue was not limited to the fiscal side; financial powers of municipalities were also circumscribed. Although local governments could finance their capital expenditure through the Public Works Loan Commission, private borrowing required central government approval (Page, 1985). Unlike in the U.S. where municipal bonds were a common source of revenue, British local authorities were generally unconcerned about their credit ratings.

[29] In fact it actually became a disincentive after 'rate-capping' was introduced in the 1980s, whereby central government set spending limits on municipalities and cut the RSG to those who overshot. Since RSG levels were increasingly insufficient to subsidise the services at levels and prices which urban residents had come to expect, urban growth became, in some instances, a local fiscal burden.

The regulation of municipal borrowing thus further weakened the ability of market forces to influence the spending decisions of municipalities.

National and local approaches to urban poverty in Britain in the 1970s *

Despite the emphasis on public provision and redistribution, Britain's older industrial cities were subject to the same polarising dynamics as those in the U.S., leading to a concentration of inner-city poverty. Moreover, town planning had created its own ghettos, council housing estates whose tower blocks and imposing concrete modernism began to symbolise deprivation. The racial character of the inner city ghettos was highlighted and turned into a national problem, as symbolised by Enoch Powell's 'Rivers of Blood' speech[30] in the 1960s. Central government responded with two programmes aimed at addressing persistent urban poverty. The Urban Programme (UP) and Community Development Project (CDP), introduced by Harold Wilson in 1968 and bearing a marked resemblance to the US War on Poverty, provided central government funding for research teams and action teams to work in the inner cities. Although the dominant thinking at that time – also from the U.S. – was that poverty was based on some sort of social-pathology, the reports produced by the fieldworkers in these two programmes, along with the Inner Area Studies of 1972, highlighted the broader structural causes of urban poverty. They suggested that 'the solution does not consist in the poor pulling themselves up by their bootstraps, but in sufficient political will being directed toward fundamental and far-reaching social change' (Atkinson & Moon, 1994:49). This diagnosis led CDP teams to encourage local residents to get organised, to make greater demands of their local authorities, and even to oppose the capitalist state. Not surprisingly central government subsequently withdrew support for the CDP.

The Labour Government's White Paper for the Inner Cities, produced in 1977, drew on the findings of these early urban initiatives, in the light of the recession of the early 1970s. It identified the causes of urban problems in economic restructuring at a regional and national level, and prescribed economic, physical and social remedies to improve urban environments and infrastructure and to encourage endogenous industrial growth. Whilst the paper recognised a role for the private sector, the principal implementing agents were to be local authorities, working together with central government and other public bodies. Hence the Urban Programme of the late 1970s emphasised public-public partnerships in Britain's cities.

Building on this analysis, and faced with a rising tide of deindustrialisation, a number of Labour local authorities set for themselves the task of intervening in the British economy. Two contrasting approaches can be identified. The first were attempts, in the socialist tradition, to support workers organisations and demands, and prevent the erosion of their jobs and incomes. The second was an effort to try to help modernise British industry, which, it was felt suffered from short-termism, lack of interfirm co-operation, and an underinvestment in research, development and training (Hutton, 1996, Eisenschitz and Gough, 1993:75). In many cases the two approaches fused into a combination of modernisation and 'restructuring for labour'. This combined approach placed great store in the power of the state, operating on the premise that the public sector provides a vital stimulus for economic change, that lack of planning is a cause of economic decline and inequality, that priority should be given to existing indigenous industries and that urban regeneration relies on boosting the sphere of production (Bennington, 1983).

The most ambitious of Labour's proposals for progressive modernisation was the *London Industrial Strategy* (GLC, 1985) produced by the Greater London Council (GLC). The GLC was one of a number of local authorities to set up Local Enterprise Boards, or LEBs, which provided loans and supported planning, information-sharing, research, development and training in selected 'strategic'

[30] A right-wing member of parliament who attributed Britain's urban and social problems to black immigrants, and called for them to be deported en masse, or else racial war would result. (???).

sectors of the economy – sectors which could provide ‘good jobs’ or meet social needs – whilst insisting on minimum labour standards and strengthening trade unions in the sectors they supported.

The GLC, in common with other councils, also attempted to intervene in the spatial restructuring of the city, which was increasingly favouring the demands of developers and property speculators. For example, attempts were made to set aside high value land in the inner city as ‘Community Areas’, and to protect the lower-value uses which ordinary people were making of this land. However the council did not have the funds to sustain the programme and the hostile Conservative government which was elected in 1979 overruled their land zoning decisions on appeal and handed over development rights to Urban Development Corporations (see below). Similarly by the middle of the 1980s, many of the LEBs, frustrated with their own weakness in the face of greater economic forces and lack of national support, succumbed to the logic of international competitiveness. Restructuring for labour gave way to a more familiar emphasis on business support and training. This was more akin to the progressive-competitiveness strategy of the entrepreneurial state described on page 15, although relations between Labour local authorities and British business were a far cry from the cosy connections in many American cities.

Urban Entrepreneurialism from above

A sea-change in urban policy followed the election of Margaret Thatcher in 1979 at the height of Britain’s deindustrialisation. Thatcher believed in the primacy of market forces and that rigid local government and inflexible labour markets were a key cause of capital flight and urban decline. The state should be a facilitator and enabler of the market, not a direct provider of housing or other basic needs. If mining and manufacturing were in decline, so be it; Britain’s future prosperity lay elsewhere, perhaps in financial services and commerce. The regeneration of Britain’s cities could be led by private investment in commercial property – as in the United States. Financial deregulation would boost rents in the big cities by transforming property into a profitable investment commodity for foreign firms. Thatcher’s opposition to the municipal traditions which had evolved through most of the century – subsidised services, affordable council housing, stringent planning controls – was exacerbated by the fact that the vast majority of local councils were controlled by the Labour Party. During the early 1980s a struggle ensued between the free-market principles of the conservative government in Westminster and the ‘new left’ local economic experiments of labour controlled councils in many of Britain’s largest cities.

The Conservatives wrote off Labour’s local experiments as unrealistic and unnecessary. Local bureaucrats, they maintained, are ill-placed to make strategic economic decisions, and, in any case, removal of government regulation would in itself stimulate investment, and the resulting prosperity would flow to urban residents. Despite this free-market rhetoric, Conservative urban policy involved a high degree of central state intervention, for a number of reasons. In the first place, the principal means available to the Conservatives to weaken left local government was to increase central government control in urban areas. Secondly, the investment they wished to stimulate in high-value commercial property required special government support, such as land assembly and clearance. And finally, the persistence of urban poverty and the inner city riots of 1980/1 led to much greater caution in winding down the inherited Urban Programme. In fact the latter was retained throughout the 1980s, although it was gradually reformed to become an instrument for encouraging business-led urban property development.

The urban initiatives of the conservatives between 1979 and 1997 can be characterised as various attempts to inject or enforce from above what was perceived to be missing from the British urban scene: vibrant private entrepreneurship with requisite rewards and public-private partnerships which encouraged private initiative – in short a new twentieth century privatism. The main instruments to this end were Enterprise Zones, Urban Development Corporations and the City Challenge programme.

Enterprise Zones, introduced by Geoffrey Howe in 1980, were based on the thinking of Peter Hall that inner cities would only be revitalised by a radical relaxation of planning, employment, welfare, pollution, health and safety legislation to encourage free enterprise and innovation in 'growth poles' which would act as 'seed beds' having spillover and multiplier effects on adjacent areas. Howe saw such zones as a way of allowing people 'to earn and keep significant reward for the investment and effort we wish them to put into our urban deserts' (Atkinson & Moon,1994:140). Enterprise Zones were also to act as test areas for broader free market principles. In the end the exemptions were more limited than Peter Hall had advocated. Nevertheless, between 1981 and 1985, 25 Enterprise Zones were created.

Troubled by the inner city riots and the new-left experiments of the Labour local authorities, central government decided to take an increasingly hands-on approach to urban problems. In 1981, Urban Development Corporations (UDCs) were established in London and Liverpool – both cities with concentrated inner city poverty and racial tensions and strong Labour councils. The stated objective of each UDC was to 'secure the regeneration of its area', to which end it was given a wide range of powers, including planning, compulsory purchase and highways, and a substantial annual budget from national coffers. The UDCs were run by appointed boards, accountable to the national minister. Regeneration was never clearly defined, and in their early years the UDCs took a reactive stance – waiting for approaches from the market. When this proved ineffective, the London Docklands Development Corporation (LDDC) turned to the financial institutions in the City of London, to try to cash in on office expansion. The result was a public-private partnership on a grand scale, leading to the construction of 8.5 square miles of high-tech offices and waterfront apartments, served by a commuter rail network. A further 14 UDCs were established during the following decade.

The Urban Development Corporations forged public-private partnerships by means of central government monies over the head of local authorities and their electorates. During the remainder of the 1980s, central government took a number of steps to extend and deepen the partnership approach, with or without local authority support. In 1982 the Urban Development Grant (later City Grant) was introduced, following a trip to the United States by a group of officials within the Department of the Environment in London. These grants, like those they replicated in the US, aimed to support local regeneration projects which were able to 'leverage' private sector investment. The most dramatic step followed in 1986, when the Conservatives abolished the Greater London Council and the Metropolitan county councils, which it viewed as the greatest obstacle to the rebirth of a dynamic privatism in British cities.

In 1988, Margaret Thatcher launched *Action for Cities*, her government's statement on urban development in Britain. This document placed the leading role unambiguously on the private sector, coupled with increased government efficiency. Barely a mention was made of local government. In 1991, the Urban Programme was reshaped into 'City Challenge', a fund which required that local partnerships be formed up-front and that they compete nationally for funding. Bids would be adjudicated according to the personal discretion of the national Minister, Michael Heseltine, whose stated aim was to reintroduce 'that Victorian sense of competitive drive linked with social obligation' (Atkinson & Moon, 1994: 122). Several years of City Challenge, and its successor, the Single Regeneration Budget Challenge Fund, have spawned hundreds of public-private partnerships throughout the UK during the 1990s, formed with the sole purpose of bidding for these monies.

U.S. vs. U.K: regulation, regimes and the politics of scale

There appears to have been a convergence, then, between U.K. urban policy in the last 15 years and the traditional and entrepreneurial partnerships which have prevailed in the United States since the war. Certainly the outcomes of these recent U.K partnerships bear a resemblance to former developments in U.S. cities. For example, Canary Wharf in London's Docklands, the Albert Dock in Liverpool and the Metro Centre in Tyneside are all more reminiscent of U.S.-style business-led urban renewal projects than anything which preceded them in Britain. And they have given rise to similar criticisms: that they have elevated private profits above the needs of the local community, that they have focused on physical renewal, whilst neglecting distributional issues, and that they have led to a displacement of the prior populations (Shaw and Robinson, 1998). Similarly the emphasis placed by many Labour local authorities in the late 1980s on training and small business support has something in common with the U.S. entrepreneurial approach; both place their hopes in new flexible high-value sectors.

A simplistic emphasis on these parallels, however, obscures the underlying differences and their implications. The public-private partnerships of the 1980s in Britain were initiated and driven principally *by central, not local*, government. The incentive to augment the local tax base and the close relations between municipal officials and their financial backers, which continue to motivate local privatism in the U.S., are still much less of a force in the U.K. Consequently, most of the partnership arrangements (such as unelected *quangos*) had to be grafted onto local circumstances from above by a central government ideologically committed to privatism. Evidence of this lack of local incentive is provided by the subsequent introduction of programmes, especially the Urban Development Grant and City Challenge, which aim to ignite local partnership initiatives by rewarding them with public monies. The results have been characterised as ‘grant coalitions’ as distinct from ‘growth coalitions’ in the U.S.

The general point is that central governments, and in particular the fiscal and political structures of the state, play a key role in determining what kind of local partnerships are either possible or probable. Let us be more specific about the impact of national policies on the emergence of public-private partnerships in the U.S. and U.K. First a note of caution: It would be unwise to attribute any firm causal relations based on a static comparison of national policies and local outcomes in the U.S. and the U.K. since there are so many contingent historical, economic and political factors.[31] In addition it is important to remember that we are operating with ideal-typical descriptions and generalisations. With that disclaimer out of the way, it seems safe to say that the U.S. system (privatism, fragmented jurisdictions, decentralised revenue and borrowing, expensive political campaigns) *provided the perfect environment* for the emergence of local growth machines based on traditional property-led and smokestack-chasing partnerships. This was especially true in (and helped to accelerate the emergence of) a climate of perceived increased capital mobility.

The British system (public services, metropolitan authorities, centralised fiscal and financial arrangements) provided no such impetus, and almost certainly shielded local authorities from these pressures to some extent. Even during the deindustrialisation of the 1980s, Conservative governments found it very difficult (or did not want) to reverse this situation in Britain. Although they talked the language of public-private partnership, the local incentive simply was not there.[32] To transform the system in Britain would have required much more fundamental changes, such as decentralisation of tax powers, the dismantling of the town planning system and the wholesale privatisation of services.[33] In the absence of these changes, Labour local authorities were able to use the ‘shielding effect’ of the British system to engage in limited municipal socialist experiments in the early 1980s and other equity-based approaches to this day.

In the United States, on the other hand, it has been very difficult, right from the start, to establish redistributive local partnerships. Paradoxically the strongest support for such initiatives has come from the central state itself, acting, in our simple characterisation, against the U.S. tradition. And

---

[31] Not to mention the existence of the state level in the U.S. which we have not mentioned here. For a full description of the differences in the municipal systems in the two countries, see Wolman and Stoker, 1992.

[32] And ironically, when the business property rate was centralised in the 1980s, the incentive was weaker than ever.

[33] In fact the introduction of Compulsory Competitive Tendering (CCT) slowly but surely did lead to privatisation of municipal services over the 1980s. Plus Conservative policy ensured the gradual withdrawal of municipalities from housing provision. However local authorities still provide services and housing on a larger scale than in the United States.

whilst the federal Community Reinvestment Act and the Low-Income Housing Tax Credit have provided a vital boost for community-based non-profit approaches, they have not compensated for the basic privatist orientation of the U.S. system. This would require radical reforms to campaign finance regulations and electoral systems, the introduction of an intergovernmental revenue-sharing system, and the possibility of more widespread municipal involvement in housing and other basic services.

This analysis raises a theoretical and a related practical question:

1. Are economic or political factors decisive in determining urban outcomes, especially the types of partnerships which are possible?

2. Which level of government (or scale) should we be most concerned with, local or national (or for that matter international)?

The obvious answer to the first question is that neither has complete precedence. Both urban regulation theory and urban regime theory offer approaches to explaining the link between changes in the economy and changes in governance arrangements. Regulation theory operates at a higher level of abstraction, emphasising that new governance (including legal, institutional, cultural and symbolic) practices are necessary to stabilise growth when fundamental changes take place in the economy – such as the collapse of Fordism. Regime theory focuses in more detail on the specific local arrangements – growth machines, progressive coalitions etc. – which are compatible with the incentive systems of different epochs. Whilst the former acknowledges that transformations will be patchy and uneven, the latter provides a stronger basis for a consideration of the specific circumstances which constrain local struggles in different places (see Lauria, 1998, for a collection of essays on the relation between regulation and regime approaches).

Our analysis of public-private partnerships acknowledges that while political agency is certainly constrained by economic circumstances, it is in no simple way determined by it. We have maintained throughout that political agency and especially historical alliances have been crucial factors in shaping history. Examples in our account include the Glasgow rent strikers of 1915 who influenced national government policy in Britain (with the temporary support of wartime industrialists against urban rentiers) or the community and labour alliance which managed to pressure the municipality into passing living wage legislation in San Jose in 1998. What is more, the political outcomes, often won through struggle, appear to be one force in bringing about (or at least reinforcing or hampering) economic changes. For example, whilst decentralisation, privatisation and the intensification of inter-urban competition in the search for competitiveness may be *responses* to globalisation and capital mobility, they are also part of its *cause*.

This finding is directly connected to the second question, since the outcome at one scale tends to act as a constraining force at other scales. In particular the national and international scales constrain the local. Those who feel justified in restricting their focus to the local scale may believe that local autonomy and diversity are inherently good, and hence allowing for diversity is in itself empowering (Wilson, 1995. This explains the preoccupation of some recent work on urban partnerships with the intricacies of local institutional arrangements and power dynamics (Geddes, 1997). This certainly has the advantage of focusing on many different facets of poverty, such as exclusion from local decision-making. And since the economic activities have to take place in some local space, it may be argued that the reconstruction of strong local communities in all their diversity is the best way to take on and tame the excesses of globalisation.

However this runs the risk of falling into the kind of ‘militant particularism’ (Harvey, 1996) which loses sight of the bigger picture. As we saw earlier, many multinational corporations have achieved a high level of command over vast global networks. It is true that they may often consider it necessary to participate in local bargaining processes (in order, for example, to protect their interests when they have substantial local sunk costs). However if the tide turns strongly enough against them, they may have the option to withdraw and restructure their priorities at a much higher scale. This is a little harder for an isolated neighbourhood organisation. Similarly, many of the decisions which constrain the space for local action – such as trade policies or interest rates – are taken by national governments and supra-national institutions. Hence we need to consider political struggles and the policies to which they contribute at all spatial scales simultaneously if we are to achieve a situation where it is possible for equity-based partnerships to prevail. This is what Swyngedouw (1997) calls a ‘politics of scale’.[34]

(6) NEW DIRECTIONS

Poverty, stakeholders and governance

The rising urban inequality and a recognition of the shortcomings of previous partnership approaches on both sides of the Atlantic have led to recent policy adjustments. The aim seems to be to somehow combine entrepreneurial approaches which emphasise small business development and training with the focus on community organisation and participation in the equity-based approaches we have considered. In the U.K. this has taken the form of a reworking of City Challenge, now renamed the Single Regeneration Budget Partnership Fund (SRBPF), with a greater emphasis on the ‘multidimensional disadvantage’ and ‘social exclusion’ experienced by the poor (Geddes, 1997). The SRBCF is still based on a competitive bidding process, but the objectives which bids might address has been extended to include improving the environment, health, housing and quality of life of urban residents as well as the more familiar objectives of enhancing local economic competitiveness, employment and skills, and ‘levering in’ private investment. A further objective in the SRBCF is to enhance community participation. The 201 successful bids in the first annual round were projected to lever in investment at a ratio of 1:4, create 300 000 jobs and generate 20 000 businesses, as well as achieve other social and community advantages (Geddes, 1997:13). A similar approach is reflected in the Empowerment Zones/Enterprise Communities programme in the U.S.

At the core of these programmes seems to be a vision of a broader alliance, perhaps a ‘public-private-community partnership’ (PPCP). And yet it is difficult to see how such a diverse and ambitious range of objectives will be met, especially since some objectives may be in conflict with each other. Mike Geddes has noted the potential of PPCPs in ‘identifying a common agenda and strategy, achieving the commitment of mutual resources… promot[ing] synergy and provid[ing] a means to manage conflicts between players’ (1997:108). However he warns of a ‘ladder of partnership involvement and influence’ with local government and employers on the top rungs, voluntary groups (NGOs) in the middle and community organisations and trade unions at the bottom. He therefore recommends specific institutional measures to ensure more equal participation, such as community capacity building, as well as steps to promote the involvement and control of women and ethnic minorities. With these caveats, Geddes is cautiously optimistic that PPCPs ‘can provide a framework which encourages the co-ordination and integration of policies and resources between the public-private and not-for-profit sectors and with the involvement of excluded communities and

---

[34] A concrete example might help to illustrate this point. One local equity-based policy which we have considered favourably is that of inclusionary zoning. This requires that developers of commercial housing reserve say 10% of each investment for affordable low-income units. The latter might be delivered in partnership with community groups. This combines the obvious benefit of affordable housing delivery with an integration of the city into mixed-income neighbourhoods, rather than affluent suburbs and ghettos. This is good for urban social relations and it means that under-serviced or redlined areas are less likely to emerge. Successful introduction of inclusionary zoning will almost certainly rely on local political mobilisation to see off its opponents. However, the political battle may not be restricted to the local level. State and national laws may support or retard this local policy. This is borne out in our example by a real life Supreme Court ruling in 1987 against a California public development agency which restricted the ‘social’ uses of zoning (Dreier, 1989:48). This decision is yet to be appealed nationally by community groups.

groups themselves. This can enable social and economic policies to respond more effectively to the local concentrations of poverty and exclusion which are now far more widespread, and introduce a greater degree of differentiation and responsiveness to the needs of excluded communities and social groups' (1997:129). However his practical investigations have highlighted 'the limited degree to which many local partnerships appear to be making "partnership with the community" a reality (1997:115).

Geddes' guarded optimism reflects a common view that new kinds of partnership offer the best solution to the complex challenges of governing a modern city, with its many different 'stakeholders',[35] weak state, and apathetic electorate. The answer – build consensus amongst the stakeholders and mobilise them to work together to find creative and co-operative solutions. This is often portrayed as the modern enlightened approach to governance. The danger is that this formulation might lead us back into the U.S. interest group pluralism of the 1950s (see page 7). This time the argument is not that all is well and hence government can easily play the role of *arbiter*, but rather that there is such a momentous task ahead that government had better find a consensual path as a *facilitator.* Both imply a *neutral* role for government – bad news for equity-based approaches which require interventions to effect a redistribution of power and/or income.

And what of the existing processes for ensuring accountability, ossified as they are, such as elections and representation? Is 'government by partnership' an alternative to democracy or a way of deepening it? If the latter, then partnerships will certainly not be consensual most of the time. Thus Geddes concludes his study with a reality check with which we have to concur: 'There is also a justifiable concern that the promotion of local partnership should not become a "cover" for the fragmentation of policy responses, and lead to a loss of democratic accountability and a reduction in the resourcing of mainstream social programmes. The future of partnership should be within the context of a continuing commitment to a strong public welfare system, and to a redistributive fiscal, economic and social policies. It is within such a framework that local partnerships can make the most valuable contribution to dealing with localised problems of poverty and exclusion' (1997:130).

Meeting basic needs…back to the future?

On both sides of the Atlantic there has been a renewed interest in anti-poverty strategies which take the social or human needs of the poor as their starting point. At the same time there is a recognition that such strategies might create jobs and provide incomes for the unemployed.

Nittoli and Giloth (1997) call for federal and local support for 'paraprofessional job creation'. These are 'human service' jobs in low-income communities such as community health advisors, childcare workers and educational counsellors. These jobs place a premium on local rather than certified professional knowledge. The authors estimate that 700 000 Americans are currently employed as paraprofessionals. Expansion of the sector would have a 'double social utility' by meeting peoples' needs and creating local employment. However improvements in the sector and its growth is hampered by lack of proper recognition and role clarity on the part of government agencies; fragmented training, 'credentialing' and standards of practice; uneven and inadequate supervision; and, finally, low wages. Government should attend to all these areas, and consider expanding paraprofessional employment into other human service areas. Their roles might include outreach, education, emotional support, mentoring and role modelling, surveillance and clerical work.

In a similar vein, the Centre for Local Economic Strategies (CLES) in Manchester, calls for government support for 'Intermediate Labour Markets' or ILMs. These are '[w]aged or salaried full-

---

[35] This word is in such common usage now that it appears to require no reference or definition. And yet its 1990 Oxford English Dictionary definition reveals how quickly its meaning has changed, *viz.* 'an independent party with whom each of those who make a wager deposits the money etc. wagered' (Allen, 11990).

or part-time jobs with training which are only available to unemployed people for a limited time period, and where the product of their work has either a direct social purpose or is trading for a social purpose where that work would not normally be undertaken (LGMB, 1996:18). ILMs jobs would primarily be delivered through the 'social economy', i.e. co-ops, mutual or friendly societies, voluntary organisations and other not-for profit ventures. Government should provide support in the form of grants, subsidies and job supplements.

CLES' proposal is featured in the quarterly newsletter of the UK Local Government Anti-Poverty Unit, established in the mid 1990s by the Local Government Management Board – the professional body of senior local government officers. The existence of a national anti-poverty unit and (and many regional and local units) is a sad indication of the fact that UK local government is struggling to get on top of the poverty problem in Britain's cities. The LGMB newsletters (LGMB, 1996, 1997) discuss a very wide range of anti-poverty strategies being discussed in local authorities around the UK, including improved delivery of basic services, housing and welfare and the question of a national minimum wage. It is interesting to note from our current perspective that the issue of public-private partnerships, whilst mentioned, does not feature very prominently in their discussions.

This raises one rather troubling question which we cannot dodge. Has the focus on public-private partnerships for local economic development become something of a distraction from more familiar ways of improving the quality of life of municipal residents, such as the provision of good quality affordable services. We may have partially answered this question in our discussion of the economic changes associated with globalisation and post-Fordism: i.e. traditional Keynesian-welfarist approaches to service delivery are no longer sustainable. However, in a situation where substantial amounts of public resources (in the form of budget lines as well as human and physical resources) are being diverted from service delivery to economic partnership programmes, this anser is no longer satisfactory. Thus one area for partnership designers and evaluators to consider very carefully is the following: what are the opportunity costs of these policies. Of course public-private partnerships are also in vogue as a means to deliver services. Some of the theoretical arguments we have discussed may also apply to these service or infrastructure partnerships. However a full discussion of this will have to wait for another study.

Spaces and places[36]

In our discussion of urban land markets we saw how the neo-classical model assumes that cities are flat, neutral, contiguous spaces over which economic transactions take place. Distance is reduced to a cost and location to a commodity. Later we showed how much more complicated than this is urban space, with its social meanings, in-built monopolies, discontinuities and dependencies. And yet in this study we have given very little attention to the social processes which go on in cities and the social relations which enable or constrain these processes. We have referred, it is true, to the buyers and sellers, voters and representatives, service providers and beneficiaries, workers and employers who live in cities. But cities inhabited by these people alone would be quite limited (and I think unliveable). What of the mothers and fathers, the children, the cousins, aunts and uncles, the preachers and the congregations, the sportspeople, their clubs and their supporters, the artists and their admirers, the students, teachers, writers, thinkers, the traders, the clubs and societies, the young people and the gangs, the hikers, walkers, sightseeers and so on? In all these roles and so many more besides, people live in cities and make use of them. Cities are not just *spaces*, they are *places* which give meaning and support to our lives and human relations.

And since we are here concerned with poverty and quality of life in its broadest sense, we also have to be concerned with the type of places our cities are. Do they provide spaces, opportunities, amenities for all of the things we do? And in particular do they do so in an *inclusive* way which is

[36] See Jacobs (1992), Lefebvre (1991) and Harvey (1989, chapter 4) for more on social spaces and cities as places.

accessible to everybody, not just to those who can pay? Or have cities' roles as places for their inhabitants become subordinate to their roles as players in an international competition?

As well as providing places for us to live and relate, cities are powerful *symbols* of our social relationships. Ancient cities were dominated by temples, castles and palaces to symbolise the power and authority of lord (on high and on earth) and emperor. Twentieth century cities, especially in Europe, tended to give pride of place to town halls and civic centres and squares. More recently these have given way to banks and shopping malls. What kind of identities do our cities promote and support – that of subject, voter or citizen? Or, as has become increasingly popular, that of consumer? All of the questions we have been considering in this study – free markets versus planning, privatism versus public service, government versus governance, all have a bearing on the kind of living space and symbolic space which the city becomes, and hence on the quality of life of its inhabitants.

The organisation of so much in contemporary cities around private consumption, ability to pay, and ability to drive in a car is an issue which should concern us. In the past two decades, policy makers have come to take it as given that cities function well when users pay for services. And yet non of our cities seem to be working well, plagued as they are by extreme inequality, poverty, crime and deprivation. This is directly relevant to our discussion of public-private partnerships, since the latter involve us in considering what *is* and what *should be* public and private. Do public-private partnerships help to bring more of city life into the realm of the publicly-accessible, publicly-available, commonly-enjoyable? Some of them may. But the reverse tendency is also apparent, especially in the traditional partnerships which still operate in many cities. And this reverse tendency is that of removing more and more into the privately-consumed, fee-paying arena. This trend is something to be very concerned about in advocating more partnerships in our cities.

(7) EMPIRICAL EVIDENCE

In setting out the theoretical critiques of various partnership approaches, we have already considered a great deal of empirical evidence at a general level. For example we know that income inequality has been rising rapidly and real wages at the lower end of the job market have stagnated or fallen in the U.S. during the 1980s and 1990s. For the record, the same is true in Britain (Barclay, 1995). Our aim in this section is to see what can be gleaned from a more specific focus on empirical evaluations of different partnership approaches. This is a highly contentious area for three reasons:

(i) Public-private partnerships have a wide range of different objectives. Some aim to boost the income of the poor. Others are concerned with addressing other facets of poverty, such as inadequate provision of basic services, or exclusion from political, social or even cultural processes. Some initiatives set themselves an intermediate goal, such as job creation, and simply assume that the result will be a drop in unemployment, followed by a drop in poverty. Still others are not directly concerned with poverty, but have an objective such as small firm creation, or a less well-defined aim such as 'economic development' itself. This very wide range of goals is complicated by the fact that the objectives are often not stated clearly. Or they are left to be inferred from the outcomes. Or, in some cases they are represented differently according to the audience. This makes it very difficult to adopt an approach to evaluation which is meaningful, and which allows one to compare different approaches.

Researchers have complained about the measures typically used, such as number of jobs created, arguing instead that evaluation studies should try to directly trace the improvements in the quality of life of intended beneficiaries (Foley, 1992:592). Reese and Fasenfest (1997), in a particularly good critical review of the evaluation literature, suggest using an 'outcome line' as an instrument to force a clear distinction to be made between the end objectives and the intermediate variables, such that policy makers and evaluators are forced to reveal the hidden assumptions in their models. They point out, for instance, that ‘research has often confused “city economic health” with the “health of city residents”’ and they suggest that appropriate indicators of success might be based around the concept of ‘livelihood’, ‘political empowerment’ and ‘voice’ as well as the standard quality of life measures used in international development such as life expectancy, health and nutritional status.

(ii) It is very difficult to attribute causation in complex urban systems. The success of a partnership approach may be offset by general economic decline, and may therefore be impossible to detect. Cross-city comparisons suffer from the problem that every urban economy is different and so it is impossible to control for all factors. This problem may be exacerbated by the likelihood that if declining cities are more likely to introduce economic development policies, a correlation may be found between such policies and decline. Moreover, partnerships generally target small geographical areas, and yet as we have shown, economic processes generally have a wide reach. Early signs of success may prompt migration or investment changes, thus reversing the result. For example, provision of affordable housing or skills training might attract migrants and push up poverty rates. Very few studies have found a satisfactory way to control for enough possible intervening variables in order to attribute any type of causation (Wassmer, 1994).

(iii) Political exigencies may prevent objective evaluations. Politicians with their eye on the next elections may be much more interested in the ribbon-cutting opportunities offered by public-private partnerships than on any proven positive outcome. This is likely to lead to an avoidance of rigorous evaluation, or a preponderance of shoddy, superficial studies which make quite unjustified or misleading claims. The latter are certainly not difficult to find. Since the explosion of urban evaluations in the 1960s and 1970s there has been a dramatic reduction in the size and scope of these evaluations, but not in their number (Barnekov and Hart, 1993). This has been attributed to the fact that policy officials feel obliged to conduct at least some kind of internal assessment, if only to ensure continued funding, but that they no longer see formal independent evaluations as being useful, as they are generally ignored by politicians (Barnekov and Hart, 1993). Researchers who have failed to find any convincing proof of the effect of the most commonly repeated urban policies have concluded that their ongoing use must reflect their electoral value in securing votes, (Spindler and Forrester, 1993, Dewar, 1998).

With these shortcoming in mind I will look at the evidence relating to each type of partnership. For ease of reference, each paragraph starts with a short summary statement.

Traditional partnerships

Traditional partnerships which focused on downtown property development have almost certainly intensified the stark contrasts in many U.S. cities.[37] Urban renewal in the 1950s and 1960s, normally led by committees of city businessmen, transformed the urban space, and contributed to new patterns of life and work. Dilapidated working class neighbourhoods and disused factories were raised to the ground, and replaced by modern offices, banks and shopping malls. Highways and mass transit systems made it possible for suburban professionals to commute into the city, and growth in the suburbs was accelerated. Downtown communities were displaced. Some displaced residents moved to the remaining inner-city areas and found work in the increasingly service-centred economy. Others were displaced to new ‘edge-cities’ at the urban periphery or out of the city completely. In this way the foundations of the modern U.S. urban structure were laid, with its glittering skyscrapers encircled by poor neighbourhoods, beyond which are upmarket commuter suburbs leading into miles

[37] I have not been able to find any quantitative empirical investigations of the impact of large-scale traditional partnerships in U.S. cities in the post-war period. However, a number of the case studies in Squires (1989) make reference to this period. My conclusion is based on the material in this collection, as well as the more general comments in Harvey (1973, 1989) and Smith (1984, 1996).

of urban sprawl. Acute poverty and social exclusion certainly did not go away, and its racial character was demonstrated quite dramatically by the 1960s urban revolts.

Traditional U.S. partnerships which aimed to attract industry with cost-cutting inducements have probably had little overall effect. The impact of financial inducements such as tax abatements is very difficult to assess, since it is so difficult to say what would have happened in their absence. A review of more than 50 empirical studies over 3 decades (Eisinger 1988:200-224) reached the following conclusions: (i) Markets and the labour situation are the two most important considerations in explaining plant-location decisions. Moreover, a favourable labour climate appears to be less a function of low wages than of the absence of union activity. "Quality of life" factors and climate are also critical for certain companies, particularly those that employ a high proportion of engineers, managers and other professionals.(ii) Taxes constitute a small proportion of firms' costs. Consequently tax abatements and financial incentives are not very important in decisively influencing particular location choices. When they do come into play, their main impact is primarily on intrastate, or most commonly intra-metropolitan, location choices. (iii) There is some evidence to suggest that tax abatements and financial incentives may be associated with more expansive investment behaviour by resident firms. However, with respect to aggregate investment levels it is likely that central government macro-economic policies will have been more important.

The U.K. Enterprise Zones programme, based on the same logic as traditional U.S. partnerships, led to an unacceptably high cost per job being paid out of public money, and proved disappointing to the government. Although the tax exemptions were more limited in practice than had been advocated (Atkinson and Moon, 1994), the National Audit Office (NAO, 1990) reported a total expenditure (in tax forgone) of £431m to March 1987. This led to the creation of only 10 000 permanent and 2 500 temporary jobs at an average cost of over £30 000 per job. Two independent studies (Cadman, 1982, Erickson and Syms, 1986) concluded that the principal beneficiaries of Enterprise Zones were landowners and landlords in the designated areas, who were able to put up their rents in response to the incentives. Massey (1982) found that Enterprise Zone incentives tended to accelerate industrial restructuring, discriminating in favour of new service firms and at an aggregate level probably just succeeded in moving a small number of jobs around. The 10-year period of the original zones was not renewed as the programme had proven disappointing to the government (Wolman and Stoker, 1992).

Entrepreneurial partnerships

Entrepreneurial partnerships in the U.S. led by charismatic mayors who pursued investments in tourism and commercial property seem to have been highly successful. However their distributional effects are suspect. They may have hastened the arrival of a dual labour market in some cities. Partnerships in cities like Baltimore and Cleveland in the 1970s, were characterised by very pro-active mayors who sought out individual investors in sectors like tourism, and offered them very substantial financial incentives. For example, Shaeffer of Baltimore offered the Chairman of the Hyatt Corporation $11m from public coffers towards a $33m hotel, which became the centrepiece of 240 acres of promenades, marinas, offices, retail, upmarket residences and entertainment outlets.[38]

There is no question that these inducements were decisive in securing investment and hastening the transformation of many cities into tourism or other service-oriented economies. However the price was massive cuts in basic city services – by 20% over 10 years in the case of Baltimore – and many of the same cities are now home to more working poor people than ever before, as the jobs created are so poorly paid. Levine's (1987a) analysis of U.S. census data for 12 towns in the north east U.S. concludes that aggressive entrepreneurial partnerships such as that in Baltimore seemed to contribute little or nothing to the city's ranking in terms of output or per capita income growth, whilst being

[38] From an interview with the author in March 1997.

associated with a deterioration in rates of poverty (see Squires, 1989 for a collection of case studies of property-based entrepreneurial partnerships in the 1980s).

Several Urban Development Corporations (UDCs) in the U.K. have also been very effective at securing investment in property 'mega-projects'. But these seem to have displaced the former inhabitants, and, due to very poor evaluation, the net impact on poverty is unclear. The London Docklands Development Corporation (LDDC) initially took a more traditional reactive approach, but when this proved ineffective it actively courted banks and other institutions in London's booming financial district. The result was a multi billion pound investment in offices, up-market apartments and infrastructure. LDDC paved the way with land clearance and assembly and financial inducements. The flagship project was Olympia & York's Canary Wharf Development. Rapid house price inflation and recession pushed O&Y into receivership in 1992, owing the banks £550m and unable to meet its commitments to invest in local transport and other amenities (Kersehn, 1993). Early official claims of 1:12 gearing of private investment with public subsidies were revised down to 1:7, and researchers say that when the site preparation and other associated expenditures are considered, the rate falls to 1:4 (Atkinson and Moon, 1994:153). And this does not account for substantial public investment in transport infrastructure. No formal evaluation of the first 2 UDCs was conducted before another 11 were declared. UDCs report to central government on 6 output measures, but critics claim that these are poorly defined and the resulting 'smokescreen of confusion' (Shaw, 1995) has allowed ministers considerable scope to make bold claims which are difficult to substantiate. Some researchers have suggested that the continued high poverty rates in neighbouring council estates is evidence that the trickle-down effect is not working.

Entrepreneurial subsidies in the U.S. have proved very difficult to target. Consequently there has been a slide back into providing traditional subsidies for established businesses at very high costs per job. Most partnership schemes in the 1980s and especially the 1990s claim to be targeting growth sectors, especially those in which small businesses have an advantage and where limited public support can make all the difference. Yet a very substantial amount of money still goes into traditional subsidies for large businesses. Recent examples in the U.S. include $61 000 per job paid to a multinational potato crisp factory by the city of Jonesboro', Arkansas and $323 000 per job for an international engineering company by Philadelphia (Bartlett and Steele, 1998). There are a number of documented cases where companies receiving such subsidies are relocating and shedding jobs in the process. Recent evidence that subsidies continue to have a negligible overall impact on firm's location decisions (Wassmer, 1994) raise the disturbing possibility that some of the bidding wars take place after firms' location decisions are already made, and yet still give rise to substantial payouts.

The net effect of small business support programmes is uncertain. While some job creation may result, a great deal of public money is certainly wasted in this area. The very large body of research into small business support is inconclusive when it comes to evaluating these policies. David Storey, a leading authority in this field in the UK, looking back on more than 16 years of empirical research recently stated quite bluntly that '[d]istribution of income arguments are unlikely to provide any justification for small firm policies' (1994:257). He further reiterated his earliest finding that 'it has never been shown that the *net* effect of subsidising small firms is to create more wealth in the community. In essence the argument must always return to the basic issue that, if there are economic factors which currently favour the small firm, these would be exploited by that sector *without* the assistance of government.' (Storey, 1982, quoted in Storey 1994:255). He also points out that 'the key role which government can play is in creating a suitable macroeconomic framework within which firms can prosper,' including 'low inflation, low interest rates, economic growth and a high level of aggregate demand' (315). Finally he says that if small business support is to continue, it must focus on quality not quantity, and on the ever elusive task of trying to pick in advance the very small number of small firms which are likely to grow fast and create a lot of jobs.

Equity-based partnerships

Community development corporations (CDCs) have succeeded in providing housing and social services to their residents. They have also created jobs and boosted incomes in their communities. They may also have achieved a broader empowerment effect, although this is difficult to measure. There are now over 2 000 CDCs in the United States. Up to 1993, these had produced approximately 400 000 units of affordable housing, developed 23 million square feet of commercial or industrial space, lent $200 million to business enterprises and created over 60 000 full time jobs (not including construction jobs; NCCED, 1995). A large number of CDCs have also provided education, health and social services. There is no question that a large proportion of this activity has addressed unmet needs of low-income residents and filled a gap in American society where services are normally provided by the market and yet investors have redlined poor communities. There is also evidence that some services have been provided on a cheaper basis than for-profit mechanisms. The vast majority of jobs which have been created are certainly more firmly rooted in local communities than small business jobs created by other means. It also seems fair to say that participation of local residents in CDC activities has led to greater control of ordinary people over their lives – although this kind of empowerment effect is hard to measure.

Schemes which levy special fees or impose inclusionary zoning requirements on city developers have raised substantial sums for affordable housing and amenities in poor neighbourhoods without negatively impacting growth. Such ‘linkage’ policies have been successful in cities such as Boston, San Francisco and Chicago. In Boston, $75 million was raised between 1983 and 1987 through a $2.5/per square foot levy on downtown office development (later upped to $6). An attempt was also made to introduce an inclusionary zoning law, requiring all market-rate housing developers to include 10% of affordable housing units in their projects. While this law was being debated a Supreme Court decision ruled out such ‘social’ uses of zoning. However many neighbourhood associations and CDCs managed to get developers to comply with the policy ‘voluntarily’. When a supreme court challenge was mounted to the linkage policy, leading developers announced that they would continue to comply irrespective of the decision, as they had seen the positive results it achieved (for more information see Dreier, 1989).

Living wage laws have led to minimal (but important) improvements in income for a small number of low-wage workers without chasing businesses away. However they have been very difficult to extend Living wage laws in 19 cities have upped the incomes of municipal employees and employees of municipal contractors by a small, but crucial, amount. In almost all cases, they have not created undue cost burdens on businesses that would force the latter to lay off low-wage workers or relocate. Nor have they significantly raised the costs to city government of providing basic services, which might then have forced the cities to reduce spending on poverty alleviation. However most living wage ordinances affect a small number of people – such as 7 500 workers or 0.3% of the total workforce in Los Angeles. Attempts to extend living wage provisions to other categories of business or on an unconditional city-wide basis have not been very successful to date (Pollin and Luce, 1998).

Suggestions for future approaches to evaluation

Based on our analysis, the factors that partnership formulation and evaluation should consider are as follows:

Income, wealth and work: In the cities we live in, material wealth and income provide access to services, livelihoods and choices. Partnership evaluations, then, cannot neglect these traditional indicators in favour of an exclusive focus on the ‘softer’ factors below. Work is seen by some as a basic human right. Certainly work is an important source of fulfilment, income and status for many of us. But job creation alone should never be used as an indicator of policy success. Quality of employment, remuneration, and net improvements in employment levels adjusted for relocation of economic activity should always be considered.

Housing and services: In our cities, wealth and income guarantee access to adequate housing, healthcare, education and other services. Since incomes are currently very highly polarised, anti-poverty initiatives have to be concerned with the provision of affordable and acceptable housing and other basic services. The more unequal are income levels, and the higher the price of housing and services, the more necessary it will be for ways to be found to subsidise these for low-income people/

Democracy, accountability: Partnerships, may increase participation and enhance people's control over their own lives and over collective decision-making. But it is also possible for partnerships to have the opposite effect by removing decision-making into privileged and inaccessible partnership structures. Partnership designers and evaluators must therefore be concerned about ensuring that partnerships enhance democracy and accountability.

Place and community: Cities are places which support our social lives and symbolise our social relations If public-private partnerships are a way of increasing access, and inclusion in city spaces, then this is positive. But in light of the income inequalities referred to above, policy makers have to guard against a reverse tendency for partnerships to move more of urban life into the realm of the privately-consumed and privately-paid for.

(8) CONCLUSIONS: LIMITS OF LOCAL GOVERNANCE

The record of public-private partnerships for local economic development in addressing poverty and inequality in U.S. and U.K. cities is very mixed. There is a considerable and growing body of evidence which suggests that the greater portion of the public money spent on such partnerships produces, at best, no significant effect on the urban poor. At worst, much of the expenditure may actually lead to increased poverty by diverting public money and energies away from service delivery, subsidising corporate profits, and increasing social exclusion. In order to understand why this is happening it is necessary to be realistic about the capacity for local action in the context of national and international trends, especially the polarising and destabilising impact of globalisation.

On the positive side, there are certain kinds of 'equity-based' local partnership which do show some promise, even in the current economic climate. However these require us to reconsider our conventional wisdom regarding the definitions of 'public' and 'private' and the popular view that decentralisation is always good for local people. The traditional reliance on alliances between local government and private corporations, to the exclusion of community groups, trade unions, and other sections of civil society, are not compatible with this approach. Moreover, the success of equity-based partnerships may be heavily reliant on citizen mobilisation both locally and nationally, and on the introduction of supportive policies by national government.

In order to understand more about the impact and potential of these equity-based partnerships, we need a new approach to evaluation, which takes account of the power relations implicit in local governance structures, without losing sight of the hard core quantitative issues relating to wealth and income.

Unfortunately there is a vast chasm which separates empirical and theoretical work on public private partnerships with current practices in the United States, and, in recent years, Britain. It is no exaggeration to say that the practice lags the evidence by about 25 years.

These are the findings of the present study in relation to the United States and Britain over the past five decades. The relevance of these findings to developing countries will depend on a range of economic, political, historical, social and institutional factors. However they should at least provide food for thought for policy makers in cities like Durban, South Africa, which have already adopted a traditional public-private partnership approach modelled on the United States (Brij and Ramballi, 1997).

Below is a sort summary of our more detailed findings and recommendations.

(i) *Traditional partnerships which focused on downtown property development have probably intensified the stark contrasts in many U.S. cities.*

(ii) *Traditional partnerships which aimed to attract industry with inducements have probably had very little overall effect.*

(iii) *Entrepreneurial partnerships, which aim to hasten industrial restructuring may have helped to usher in poor quality jobs and labour market polarisation.*

(iv) *Many contemporary partnerships have failed to create jobs in small business and have led down a slippery slope into wasteful 'bidding wars,' and 'corporate welfare'.*

(v) *Equity-based approaches, which aim to empower the poor directly, offer the most promise. They depend for their success on a mobilised and well-informed electorate and visionary leadership.*

(vi) *LED partnerships are very difficult to evaluate and there is a tendency to measure the wrong thing. Officials avoid rigorous or participatory evaluations, probably for political reasons.*

(vii) *We need a participatory approach to evaluation which combines an analysis of power relations and governance with measurement of human development indicators.*

(viii) *Central government policies are absolutely vital in encouraging the right kind of local partnerships. Decentralisation may be a wolf in sheep's clothing. For example, Britain's centralised approach to revenue sharing (or 'fiscal equalisation') has prevented the worst excesses of the U.S. system.*

(ix) *Even centrally-administered programmes like the Single Regeneration Budget (formerly City Challenge) in Britain have in some instances been squandered on U.S.-style corporate welfare.*

(x) *It is important to transcend narrow definitions of 'public' and 'private' and to recognise local power relations.*

(xi) *We need to keep our eye very firmly on the prize – poverty reduction.*

(9) APPENDIX A: BALTIMORE CASE STUDY

The following case study of Baltimore illustrates the use of all three types of partnership approach – traditional, entrepreneurial and equity-based over the last 50 years. Baltimore

The boom in production and trade which had powered Baltimore's economy during World War II had begun to fade by the 1950s. In 1954 a group of prominent businessmen formed the Greater Baltimore Committee, or GBC, to pursue a downtown urban renewal project aimed at reviving property investment. A quasi-public development corporation was established to clear land and raise funds for Charles Center – a 33-acre complex of offices, apartments and retail shops. Public funding of $40m, including federal grants, attracted $145 million of private investment and the principles of

Baltimore's public-private partnership were established: businesses leads and government follows with support and funding. In the mid 1960s, downtown realtors and business leaders turned their attention to the inner harbour, a decaying waterfront of derelict piers and crumbling warehouses. Their plans gathered dust during the race riots and civil strife of the period; six people were killed and 5 000 arrested in Baltimore in the wake of the assassination of Dr. Martin Luther King Jr. in April 1968. The establishment of an annual city fair in the 1970s by a coalition of local leaders, academics and professionals helped to create a more optimistic climate, and the Inner Harbor project was revived. However the more inclusive spirit of the coalition soon gave way to a narrower commercialism.

In 1973, with the U.S. economy in recession and Baltimore's industrial base further eroded, democratic mayor William Donald Schaefer was elected. Schaefer was a tough city boss who believed in a partnership of business and private enterprise for furthering the city's development. Between 1970 and 1985, Baltimore lost almost 40 000 manufacturing jobs, a decline of 45%. The flight to the suburbs accelerated with a net loss of 134 000 white residents, or 28% of the city's white population during the 1970s. Schaefer's strategy for counteracting those trends hinged on the creation of a good business climate. Working closely with the GBC, he threw his entrepreneurial energy and considerable amounts of public money into the Inner Harbour project. Between 1974 and 1984, in real terms, the mayor cut municipal spending by 20%, while expenditures on economic development rose by 400%. Building on the GBC model, Schaefer erected a network of 24 quasi-public corporations designed to entice investment. The most important component of Schaefer's 'shadow government' was a bank which used municipal tax revenues and bond issues to provide 'gap financing' – an extra push to make projects move. These transactions were not open to public scrutiny, making it easy for the bank's trustees to respond quickly to requests from investors. To set up one of the key deals, Schaefer flew to Chicago and announced to a sceptical Hyatt Corporation chairman, "Have I got a deal for you!".[39] Hyatt received $11m from public coffers towards a $33m hotel, which became the centrepiece of 240 acres of promenades, marinas, offices, retail, upmarket residences and entertainment outlets. The Hyatt Renaissance Hotel in Baltimore is now one of the most profitable in the chain.

Baltimore's renaissance was celebrated around the world. In November 1987 the *Sunday Times* in London proclaimed, "Baltimore, despite soaring unemployment, boldly turned its derelict harbour into a playground. Tourists mean shopping, catering and transport, this in turn meant construction, distribution, manufacturing – leading to more jobs, more residents, more activity. The decay of old Baltimore slowed, halted, then turned back. The harbour area is now among America's top tourist draws and urban unemployment is falling fast."[40] However in the years that followed Scheafer's election as state governor in 1986, another story emerged. Despite the downtown glitz, life had got harder for Baltimore's poorest residents. Between 1970 and 1980, over 75% of Baltimore's neighbourhoods experienced an increase in poverty. The average neighbourhood poverty rate in the city's ten poorest, mainly black neighbourhoods rose from 42% to 51% over the same period. Unemployment rose from 9% to 25%. Housing conditions remained amongst the worst in the U.S., with over 40% of rental units containing one or more structural deficiencies. Few city dwellers seemed to have benefited from the new jobs. In 1979, suburban residents held 63% of CBD professional and managerial jobs, up from 47.2% in 1969. City dwellers were over-represented in low-paying jobs, many of which are temporary or seasonal. There was much evidence of polarisation which critics characterised as 'Two Baltimores' or "rot beneath the glitter".

If the benefits of the renaissance to Baltimore's poorer residents is in question, its contribution to the city's adjustment to new economic circumstances is no clearer. At an aggregate level, Baltimore fared worse than many other east coast industrial cities. Amongst twelve 'frostbelt' cities of similar

---

[39] Interview with the author, Baltimore, April 1997.
[40] Cited in Harvey (1991:237).

size, Baltimore ranked eleventh in manufacturing payroll growth, tenth in per capita income growth and eighth in service and retail sales growth between 1972 and 1982. During the same period, Baltimore's per capita income declined relative to nine of these cities. In 1979 its poverty rate was the highest – at 23%. Baltimore's dualistic development has continued into the 1980s and 1990s. Although the municipal tax base increased many times during the renaissance it is unclear how much of the expanded revenue has been used to fund basic residential services. The Baltimore Development Corporation continues to use public funds to provide investor subsidies.

In April, 1993 the Baltimoreans United in Leadership Development (BUILD) a coalition of church organizations active in Baltimore for some decades, launched the nation's first living wage campaign. A living wage is calculated differently from the minimum wage, and in Baltimore is set at the level at which a worker and three dependants can live at the federal poverty line (currently $7.70 per hour). The idea behind the living wage is all contractors to cities must pay the living wage, which will be regularly adjusted with inflation and shifts in the Federal poverty line. The Baltimore living wage campaign was initially launched in response to a growing recognition that local soup kitchens were being frequented by low-wage workers, not the unemployed, who could not make ends meet. Since its launch and success, the Baltimore campaign has been replicated with sometimes different goals, outcomes and mechanisms, in other cities, including New York and Los Angeles. are legislative and others are ballot initiatives. Some prescribe union-level wages and others a Baltimore-style wage, and some cover only contractors to cities while others go further and cover businesses receiving public subsidies (Pollin and Luce, 1998; Preamble Center, 1996). The common theme is that firms receiving some form of state contract or subsidy must pay their employees enough to support their families above the poverty line.

The initial focus of BUILD's campaign was on the hotels that are part of the Inner Harbor urban redevelopment. The campaign began with the launch of a "social compact" to demand that hotels and other downtown businesses subsidised by the Inner Harbor development raise wages, boost training programs, and offer better work opportunities. BUILD argued that because public subsidies built the Inner Harbor, businesses should be obliged to provide "a living wage". Later, BUILD shifted its attention to the City of Baltimore itself to demand the living wage for city employees and workers subcontracted to the city. The strategies directed to, and responses received from, the Inner Harbor Hotels versus the city are important to understand.

The Inner Harbor hotels responded to BUILD's agitations by setting up a hospitality management program. Later, in May, 1995 leaders of downtown hotel and restaurant trades associations signed an agreement to establish training programs with Baltimore City Community College and the University of Maryland Eastern Shore. They committed to a "good-faith" goal to fill 25 percent of managerial and professional positions in a given years with people from minority backgrounds. The hotels did not, however, commit to the living wage demanded by BUILD, arguing that pay and benefits are the functions of market trends. So, while BUILD extracted some important programs from the hotels, they were unable to secure increased wages for hotel employees.

In May 1994, approximately a year after targeted the downtown hotels for the living wage, BUILD joined together with the American Federal State County and Municipal Employees union (AFSCME), and formed the Solidarity Sponsoring Committee (SSC), an organisation of 150 workers seeking better wages and conditions for part-time and casual workers, safer streets, and regulated wages for city contracts. The group shifted its target to Baltimore city, gaining the support of a councillor, Mary Pat Clarke, who agreed to sponsor living wage legislation, which would enforce a living wage for city employees and employees of companies who subcontracted to the city. Clarke challenged Kurt Schmoke in the 1995 mayoral election, and the issue of the living wage became an important distinction between the two candidates, with the incumbent Schmoke unwilling to commit to the legislation. On October 24, 1994 Council gave preliminary approval to the living wage bill, and on December 13, 1994 Mayor Schmoke signed the bill into law, with the goal of raising the pay of service workers contracted to the city to $7.70 over 4 years, beginning at $6.10 in July 1995. After initially threatening to veto the bill, Mayor Schmoke appeared to have become concerned about losing electoral support to Clarke in the upcoming mayoral race

The living wage campaign in Baltimore then, has been successful in improving the wages of a certain group of public sector workers, and those private sector workers contracted to the city, although some problems with enforcement of the living wage by contractors have arisen. The campaign has been less successful, however, in improving the wages of private sector service workers employed by and contracted to the Inner Harbor hotels initially targeted and the Johns Hopkins campuses and Medical institutions.

(10) APPENDIX B: THE SOUTH AFRICAN CONTEXT FOR THIS STUDY

Following its political transformation from Apartheid to democracy, South Africa is faced with an enormous economic challenge. Levels of inequality are the worst in the world, and almost half the population is outside formal employment. Homelessness, poor health, education and basic services are the norm for a large section of the black population. Investment has fallen over the past two decades and the economy is emerging from a period of low growth and high inflation (RSA, 1995a, IDC, 1996).

The new Government was elected with a mandate to implement an ambitious Reconstruction and Development Programme (RDP), which promises houses, education and basic services to all South Africans (ANC, 1994). Recently the *Growth Employment and Redistribution (GEAR)* macro-economic strategy, announced by President Mandela, set bold targets for public & private investment and job creation, based on internationally competitive industries and agriculture and underpinned by fiscal discipline and deficit reduction (RSA, 1996a). The success of *GEAR* relies on achieving an economic growth rate of 6% p.a. by the year 2000. Lower growth will mean unmanageable deterioration in employment .

The Government has introduced a wide rage of policies and programmes to meet these targets. These include tariff reform to increase international competitiveness, high real interest rates to control inflation, public sector spending cuts, focusing of welfare payments, targeted investment in economic, social and municipal infrastructure, subsidies for housing and land development, support for export-oriented competitive industry, tax incentives for labour intensive manufacturers, support measures for small business and a national crime prevention strategy.

The push for international competitiveness and the creation of an investor-friendly environment has been accompanied by a devolution of functions to local authorities. The new constitution calls on the “distinctive local sphere” of government to “promote social and economic development”, “deliver sustainable services” and “give priority to the basic needs of the community” (RSA, 1996b). This combination of global integration and local devolution –which has been termed ‘glocalisation’ – is a common phenomenon which has been studied extensively (Swyngedouw, 1992, Jessop, 1994). For local government in South Africa the new logic means reduced grants, higher interest rates and uncertainty in the local tax base. Inherited debts, inefficiencies and service backlogs have led many municipalities to the brink of bankruptcy (RSA, 1996c). Public-private partnerships are viewed as the only way to kick-start a virtuous cycle of investment, job creation, growth in revenues and improved services.

Despite the constitutional devolution, national government has not relinquished control of local development. The inefficiency of South Africa’s spatial economy is of concern to several national ministries. Apartheid relocated millions of poor Africans to undeveloped and unendowed homelands and provided cash grants for non-viable industries to establish there (Dewar, 1987, Bloch, 1993). According to *GEAR*, international competition demands that jobs be created where real “comparative advantages” exist. Hence a national spatial strategy is under consideration to assist with restructuring and to target the government's supply-side support (c.f. EU Regional Structural Funds, Platzky, 1996). Profit-based investment incentives have been introduced (RSA, 1996f) to boost competitiveness in certain 'winning regions' – known as *Spatial Development Initiatives,* or *SDIs* – and lessen the pain of restructuring in others. In the SDIs national government is also offering technical support for public-private partnerships, and (under discussion) exemptions from import duties and labour standards. In addition, limited public investments in infrastructure are given a high profile in an attempt to 'crowd-in' private investment.

These spatial interventions are backed up by a nation wide campaign to promote Local Economic Development (LED). New legislation requires all local authorities to prepare LED plans – known as *Integrated Development Plans* or *IDPs* – as the basis for their budgets (RSA, 1996d). A national Directorate for LED and Public-Private Partnerships has been established, and a monitoring system has been introduced to ensure local government compliance with *GEAR*'s fiscal targets, and to intervene when adjustments are required.

The new policies are leading to considerable economic restructuring at a local level. The pain of this reorientation is already being felt. Business failures and cost-cutting have led to job losses. Credit has been pushed out of reach of many small businesses. Some local economies, which were reliant on government subsidies and government jobs, are showing signs of collapse. As in many developing countries which are experiencing the twin pains of globalisation and structural adjustment, the success of the LED partnerships will be a key determinant of the future viability of many local economies.

Some cities have already been proactive in launching public private partnerships. One example is the city of Durban, 500km south of Johannesburg, on the east coast of South Africa. Anticipating the national democratisation process, the mayor of Durban launched Operation Jumpstart in 1991 'to develop the area for all its people, in a spirit of non-racialism, based on economic growth and participation of all in a free economy'. At the centre of Operation Jumpstart were two partnerships in which the city government supported and subsidised private-sector urban development. These partnerships, it was argued 'would create 6 000 – 8 000 new jobs in directly associated industries, plus many indirect jobs'. Although it is too early to make conclusive assessments of the impact of these projects, or the cost-effectiveness of the public subsidies, critics have already asserted that the trickle-down theory which underpins them is not working (Maharaj & Ramballi, 1998).

(11) REFERENCES

Aglietta, Michel, 1979, *A Theory of Capitalist Regulation: The US Experience*, London: Verso.

Albo, Greg, D. Langille, and Leo Panitch, 1993, *A Different Kind of State? Popular Power and Democratic Administration*, Toronto: Oxford University Press.

Alonso, William, 1971, "A Theory of the Urban Land Market", in *Internal Structure of the City: Readings on Space and Environment,* New York: Oxford University Press.

Amin, Samir, 1990, *Delinking : Towards a Polycentric World,* Michael Wolfers (trans.), London: Zed Books

Andrew, Caroline and Michael Goldsmith, 1998, *From Local Government to Local Governance – and Beyond?,* International Political Science Review, Vol. 19, No. 2, 101-117.

Atkinson, Rob and Graham Moon, 1994, *Urban Policy in Britain: The City, the State and the Market,* New York: St Martin's Press.

Bach, Eve, Thomas Brom, Julia Estrella, Lenny Goldberg and Edward Kirshner, 1976, *The Cities' Wealth: Programs for Community Economic Control in Berkeley, California,* Washington DC: Conference on Alternative State and Local Policies.

Barclay, Sir Peter, 1995, *Inquiry into Income and Wealth,* York: Joseph Rowntree Foundation.

Barnekov, Timothy and Douglas Hart, 1993, 'The Changing Nature of US Urban Policy Evaluation: The Case of the Urban Development Action Grant', *Urban Studies,* 30/9, 1469-1483.

Barnekov, Timothy K., Robin Boyle and Daniel Rich, 1989, *Privatism and Urban Policy in Britain and the United States,* New York: Oxford University Press.

Bartik, Timothy, 1994, *Better Evaluation Is Needed For Economic Development Programs To Thrive,* Economic Development Quarterly. v8 n2, 99-107

Bartlett, Donald L. and James B. Steele, 1998, *Corporate Welfare*, cover story and feature, Time Magazine, 9 November 1998.

Beauregard, Robert A., 1993, "Constituting Economic Development: A Theoretical Perspective", in *Theories of Local Economic Development: Perspectives from Across the Disciplines*, ed. Richard D. Bingham and Rober Mier, London: Sage.

Bell, Daniel, 1973, *The Coming of Post-Industrial Society: A Venture in Social Forecasting*, New York: Basic Books.

Benner, Chris, 1998, *Growing Together or Drifting Apart: A Status Report on Social and Economic Well-Being in Silicon Valley*, Washington: Economic Policy Institute.

Bennington, John, 1983, 'Local Economic Strategies: Paradigms for a Planned Economy', *Local Economy*, 1, 7-24.

Berkowitz, Bernard, L., 1987, 'Rejoinder to Downtown Development as an Urban Growth Strategy: A Critical Appraisal of the Baltimore Renaissance', *Journal of Urban Affairs,* 9/2 125-132.

Bingham, Richard D. and Robert Mier (eds), 1993, *Theories of Local Economic Development: Perspectives from Across the Disciplines*, London: Sage.

Birch, David L., 1987, *Job Creation in America: How our Smallest Companies Put the Most People to Work*, New York: Free Press.

Blakely, Edward J. (1994), *Planning Local Economic Development: Theory and Practice*, Thousand Oaks: Sage.

Bluestone, Barry and Bennett Harrison, 1982, *The Deindustrialisation of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry,* New York: Basic Books.

Bond, Patrick, 1991, 'Alternative Politics in the Inner City: The Financial Explosion and the Campaign for Community Control of Capital in Baltimore', in *Hollow Promises: Rhetoric and Reality in the Inner City*, Michael Keith and Alisdair Rogers (eds), London: Mansell.

Breagy, James (ed.), 1996, *Benchmarking Practices: To Achieve Customer Driven Economic Development, Washington DC:* National Council for Urban Economic Development (CUED).

Brotchie, John, Mike Batty, Ed Blakely, Peter Hall and Peter Newton (eds.), *Cities in Competition: Productive and Sustainable Cities for the 21st Century*, Melbourne: Longman.

Cadman, D., 1982, 'Urban Change, Enterprise Zones and the Role of Investors', *Built Environment*, 7, 13-19.

Card, David and Alan B. Krueger, 1995, *Myth and Measurement: The New Economics of the Minimum Wage,* Princeton, N.J.: Princeton University Press.

Cashdan, Ben, 1997a, "Local Government and Economic development", in *Research for the Local Government White Paper,* Pretoria: Government of South Africa.

Cashdan, Ben, 1997b, *Local Government and Poverty in South Africa, unpublished* research report for UK Department for International Development, Pretoria (mimeo.).

Castells, Manuel, 1983, *The City and the Grassroots: A Cross-Cultural Theory of Urban Social Movements,* Berkeley: University of Califormia Press.

Castells, Manuel, 1996, *The Rise of the Network Society,* Oxford: Blackwell.

Cherry, Gordon, E., 1972, *Urban Change and Planning: A History of Urban Development in Britain since 1750*, Henley-on-Thames: Foulis.

Christaller, Walter, 1966, *Central Places in Southern Germany,* translated by Carlisle W. Baskin, New Jersey, Prentice Hall.

Clarke, Susan, E., 1998, 'Economic Development Roles in American Cities: A Contextual Analysis of Shifting Partnership Arrangements', in *Public Private Partnerships for Local Economic Development*, Norman Walzer and Brian D. Jacobs (eds), Wesport: Praeger.

Clavel, Pierre, 1986, *The Progressive City: Planning and Participation, 1969–1984,* New Brunswick: Rutgers University Press.

Colenutt, 1991, 'The London Docklands Development Corporation: Has the Community Benefited?', in *Hollow Promises: Rhetoric and Reality in the Inner City*, Michael Keith and Alisdair Rogers (eds), London: Mansell.

Cox, Kevin (ed.), 1997, *Spaces of Globalization: Reasserting the Power of the Local,* New York: Guilford.

Cuff, Courtney, and Lynn Erskine (eds.), 1998, *Green Scissors 98: Cutting Wasteful and Environmentally Harmful Spending*, Washington DC: Friends of the Earth.

Curran, James and Robert Blackburn, 1994, *Small Firms and Local Economic Networks: The Death of the Local Economy,* London: Paul Chapman Publishing.

Dahl, R, 1961, *Who Governs? Democracy and Power in an American City,* New Haven: Yale.

Dewar, Margaret E., 1998, 'Why state and local economic development programs cause so little economic development', *Economic Development Quarterly*, 12/1, 68-87.

DFID, 1997, *Eliminating World Poverty: A Challenge for the 21st Century (White Paper on International Development),* London: The Stationery Office.

Dicken, Peter, 1998, *Global Shift: Transforming the World Economy,* third edn., New York: Guilford.

DiGaetano, Alan and John S. Klemanski, 1993, *Urban Regimes in Comparative Perspective,* Urban Affairs Quarterly, Vol 29, No.1, 54-83.

Dreier, Peter, 1989, *Economic Growth and Economic Justice in Boston: Populist Housing and Jobs Policies,* in *Unequal Partnerships: The Political Economy of Urban Development in Postwar America*, ed. Gregory D. Squires, New Brunswick: Rutgers University Press.

Economic Policy Institute, 1999, *The State of Working America 1998-99,* Washington: Cornell University Press.

Eisenschitz, Aram and Jamie Gough, 1993, *The Politics of Local Economic Policy: The Problems and Possibilities of Local Initiative*, London: Macmillan.

Eisinger, Peter K., 1988, *The Rise of the Entrepreneurial State: State and Local Economic Development Policy in the United States*, Madison: University of Wisconsin.

Elam, Mark, 1994, "Puzzling out the Post-Fordist Debate: Technology, Markets and Institutions", in *Post Fordism: A Reader,* Ash Amin (ed.), Oxford: Blackwell.

Erickson, R., and P. Syms, 1986, 'The Effects of Enterprise Zones on Local Property Markets', *Regional Studies*, 20, 1-14.

Evans, Peter, 1995, *Embedded Autonomy: States and Industrial Transformation*, New Jersey: Princeton.

Fainstein, Susan and Norman Fainstein, 1986, "Regime Strategies., Communal Resistance, and Economic Forces", in *Restructuring the City: The Political Economy of Urban Redevelopment*, Susan Fainstein et al. (ed.), New York: Longman.

Fainstein, Susan, 1994, *The City Builders: Property, Politics and Planning in London and New York,* Oxford Blackwell.

Fainstein, Susan, 1995, "Global Cities and Local Communities: The Cases of New York and London", *Competition and Change Vol 1 No 2:140.*

Filion, P., 'Potential and Limitations of Community Economic Development: Individual Initiative and Collective Action in a Post-Fordist Context', *Environment and Planning,* 30, 1101-1123.

Fine, Ben, 1998, *The Developmental State is Dead – Long Live Social Capital*, unpublished paper (mimeo.).

Fitzgerald, Joan, 1993, "Labor Force, Education and Work", in *Theories of Local Economic development: Perspectives from Across the Disciplines,* Richard D Bingham and Robert Mier (eds.), Newbury Park: Sage.

Foley, Paul, 1992, 'Local Economic Policy and Job Creation: A Review of Evaluation Studies', *Urban Studies,* 29/3, 557-598.

Furdell, Phyllis A., 1994, *Poverty and Economic Development: Views from City Hall,* Washington DC: National League of Cities.

Geddes, Mike, 1997, *Local Partnership and the Political Economy of Social Policy in the European Union,* unpublished paper presented to the Regional Studies Association Conference, Frankfurt, 20-23 September 1997. (mimeo.)

Gelfand, Mark, I., 1980, "How Cities Arrived on the National Agenda in the United States", in *Financing Urban Government in the Welfare State*, Douglas E. Ashford, (ed.), New York: St. Martin's Press.

Ghere, Richard, 1996, *Aligning the ethics of public-private partnership: The issue of local economic development,* Journal of Public Administration Research & Theory. V6 n4, pp 599-621.

Gittell, Ross and Avis Vidal, 1998, *Community Organising: Building Social Capital as a Development Strategy,* Thousand Oaks: Sage.

GLC, 1985, *London Industrial Strategy,* London: Greater London Council.

Hambleton, Robin and Huw Thomas (eds), 1995, *Urban Policy Evaluation: Challenge and Change*, London: Paul Chapman.

Harding, Alan, 1997, *Urban Regimes and Growth Machines: Towards a Cross National Research Agenda,* Urban Affairs Quarterly, Vol 29, No.3, 356-382.

Harrison, Bennett and Marcus Weiss, 1998, *Workforce Development Networks: Community-Based Networks and Regional Alliances,* Thousand Oaks: Sage.

Harrison, Bennett, 1997, *Lean and Mean: The Changing Landscape of Corporate Power in the Age of Flexibility,* Second edition, New York: Basic Books.

Harvey, David, 1973, *Social Justice and the City,* Oxford: Blackwell.

Harvey, David, 1989a, "From Managerialism to Entrepreneurialism: The Transformation in Urban Governance in Late Capitalism", *Geografiska Annaler* 71 B (1): 3-17.

Harvey, David, 1989b, *The Condition of Postmodernity,* Oxford: Blackwell.

Harvey, David, 1991, 'A View From Federal Hill', in *The Baltimore Book,* Elizabeth Fee, Linda Shopes and Linda Zeidman (eds), Philadelphia: Temple University Press.

Harvey, David, 1996, *Justice, Nature and the Geography of Difference,* Oxford: Blackwell.

Hawley, Amos, 1950, *Human Ecology: A Theory of Community Structure,* New York: Ronald Press.

Henwood, Doug, 1998, *Wall Street: How it Works and For Whom*, London: Verso.

Hirst, Paul and Grahame Thompson, 1996, *Globalisation in Question,* Cambridge: Polity.

Howe, Frederic, 1907, *The British City: The Beginnings of Democracy,* New York: Charles Scribner's Sons.

HUD, 1983, *Working Partners: 100 Success Stories of Local Community Development Public/Private Partnerships at Work*, Washington DC: U.S. Department of Housing and Urban Development.

HUD, 1984, *Working Partners 1984: 100 Success Stories of Local Community Development Public/Private Partnerships,* Washington DC: U.S. Department of Housing and Urban Development.

Hutton, Will, 1996, *The State We're In,* London: Random House.

Institute of Personnel Management, 1986, *Flexible Patterns of Work,* London: IPM.

Jacobs, Brian, D., 1998, 'Bureaupolitics and Public/Private Partnerships in Economic Development in the British West Midlands', in *Public Private Partnerships for Local Economic Development*, Norman Walzer and Brian D. Jacobs (eds), Wesport: Praeger.

Jacobs, Jane, 1992, *The death and Life of Great American Cities,* New York: Vintage.

Jessop, Bob, 1993, 'Towards a Schumpeterian workfare state? Preliminary Remarks on post-Fordist Political Economy', *Studies in Political Economy,* 40.

Jessop, Bob, 1994, 'Post-Fordism and the State', in *Post-Fordism: A Reader,* A. Amin (ed), Oxford: Blackwell.

Kantor, Paul, and H. V. Savitch, 1993, 'Can Politicians Bargain with Business? A Theoretical and Comparative Perspective on Urban Development', *Urban Affairs Quarterly*, 29/2, 230-255.

Kantor, Paul, and H. V. Savitch, 1993, *Can Politicians Bargain with Business? A Theoretical and Comparative Perspective on Urban Development*, Urban Affairs Quarterly, Vol 29, No.2, 230-255.

Kersehn, Anne, 1993, 'Docklands – A Private City?', *History Today*, 43, 7-10.

King, David, 1991, Grants as a Source of Local Government Finance", in *Local Government: An International Perspective*, Amsterdam: Elsevier Science Publishers, 173-188.

Klein, Jonathan and Lynn Wehrli, 1990, "The Low-Income Housing Tax Credit: Federal Help for Low-Income Housing", *The Connecticut Real Estate Law Journal,* Vol 8 No.3: 33-38.

Krumholz, Norman, 1991, *Equity and local economic development*, Economic Development Quarterly. v5 n4, pp 291-300.

Lang, Peter, 1994, *LETS Work: Rebuilding the Local Economy*, Bristol: Grover Books.

Lauria, Mickey (ed.), 1998, *Reconstructing Urban Regime Theory: Regulating Urban Politics in a Global Economy*, Thousand Oaks: Sage.

Lefebvre, Henri, 1991, *The Production of Space,* Oxford: Blackwell.

LeRoy, Greg, 1994, *No More Candy Store: States and Cities Making Job Subsidies Accountable,* Chicago: Federation for Industrial Retention and Renewal (FIIR).

Levine, Marc V. 1989, *The Politics of Partnership*, in Unequal Partnerships: The Political Economy of Urban Development in Postwar America, ed. Gregory D. Squires, New Brunswick: Rutgers University Press.

Levine, Marc V., 1987a, 'Downtown Redevelopment as an Urban Growth Strategy: A Critical Reappraisal of the Baltimore Renaissance', *Journal of Urban Affairs*, 9/2, 103-123.

Levine, Marc V., 1987b, 'Response to Berkowitz: Economic Development in Baltimore, Some Additional Perspectives', *Journal of Urban Affairs*, 9/2 133-138.

LGMB, 1996, *Anti Poverty Matters: Newsletter of the Local Government Anti-Poverty Unit,* Issue 11 Winter 1996, London: Local Government Management Board.

LGMB, 1997, *Anti Poverty Matters: Newsletter of the Local Government Anti-Poverty Unit,* Issue 12 Spring 1997, London: Local Government Management Board.

Lichfield, Dalia, 1998, *Measuring the Success of Partnership Endeavours,* in Public Private Partnerships for Local Economic Development, ed. Norman Walzer and Brian D. Jacobs, Wesport: Praeger.

Lipietz, A, 1987, *Mirages and Miracles: The Crisis of Global Fordism,* London: Verso.

Litvack, Jennie, Junaid Ahmad and Richard Bird, 1998, *Rethinking Decentralization in Developing Countries,* Washington DC: World Bank.

Logan, John R. and Molotch, Harvey, L., 1987, *Urban Fortunes: The Political Economy of Space,* Berkeley: University of California.

Lösch, August, 1954, *The Economics of Location,* New Haven: Yale University Press.

Lowry, I.S., 1960, "Filtering and Housing Costs: A Conceptual Analysis", *Land Economics*, 36: 362-370.

Maharaj, Brij and Kemraj Rambali, 1996, 'Recent Trends in Local Economic Development in the United States: Policy Implications for Urban Reconstruction and Development in South Africa', in *Urban Forum*, 7/2, (?? pp).

Maharaj, Brij and Kemraj Ramballi, 1997, *Local Economic Development Strategies in an Emerging Democracy: The Case of Durban in South Africa,* Urban Studies, Vol. 35, No. 1, 131-148

Massey, Doreen, 1982, 'Enterprise Zones: A Political Issue', *International Journal of Urban and Regional Research*, 6, 429-34.

Mayer, Margit, 1992, "The Shifting local political system in European Cities," in M. Dunford and G. Kafkalas (eds), *Cities and Regions in the New Europe: the Global-Local Interplay and Spatial Development Strategies*, London: Belhaven.

Mitchell-Weaver, C. and B. Manning, 1991, *Public-Private Partnerships in Third World Development: A Conceptual Overview*, Studies in Comparative International Development, Vol. 26, No. 4, 45-67.

Mollenkopf, John, 1997, *Changing Patterns of Inequality in New York City*, City University of New York unpublished paper (mimeo.).

Moody, Kim, 1997, *Workers in a Lean World: Unions in the International Economy*, London: Verso.

Moser, Caroline O. N., 1998, "The Asset Vulnerability Framework: Reassessing Urban Poverty Reduction Strategies", *World development*, 26/1: 1-19.

Murray, Robert, 1993, *Making Democracy Work: Civic traditions in Modern Italy*, New Jersey: Princeton University Press.

National Audit Office (NAO), 1990, *Regenerating the Inner Cities,* London: HMSO.

NCCED, 1990, *Community Development Corporation Profile Book,* Washington DC: National Congress for Community Economic Development.

NCCED, 1994, *Jobs for Communities: Case Studies of Successful Community Economic Development Programs*, Washington DC: National Congress for Community Economic Development.

NCCED, 1995, *Tying it All Together: The Comprehensive Achievements of Community-based development Corporations*, Washington DC: National Congress for Community Economic Development.

Nittoli, Janice M. and Robert P. Giloth, 1997, "New Careers Revisited: Paraprofessional Job Creation for Low-Income Communities", *Social Policy,* 28/2: 44-60.

PA Cambridge Economic Consultants, 1987, *An Evaluation of the Enterprise Zone Experiment*, London: HMSO.

Pagano, Michael, and Ann Bowman, 1992, *Attributes of development tools: Success and failure in local economic development,* Economic Development Quarterly. v6 n2, pp 173-86.

Page, Sir Harry, 1985, *Local Authority Borrowing: Past, Present and Future,* London: George Allen and Unwin.

Panitch, Leo, 1994, *Globalisation and the State*, Mexico University.

Park, Robert E., 1952, *Human Communities: The City and Human Ecology*, New York: Free Press.

Pastor, M., P. Dreier, J. E. Grigsby and M. Lopez-Garza, *Growing Together: Linking Regional and Community Development in a Changing Economy,* California: Occidental College. ??? complete ref.

Peck, Jamie and Adam Tickell, 1994, 'Searching for a New Institutional Fix: The After-Fordist Crisis and the Global-Local Disorder', in *Post-Fordism: A Reader*, A. Amin (ed), Oxford: Blackwell

Peterson, Paul E., 1981, *City Limits,* Chicago: University of Chicago Press.

Piore, M. J. and C. F. Sabel, 1984, *The Second Industrial Divide: Possibilities for Prosperity*, New York: Basic Books.

Piore, M. J. and Sabel, C. F., 1984, *The Second Industrial Divide: Possibilities for Prosperity*, New York: Basic Books.

Pollin, Robert and Stephanie Luce, 1998, *The Living Wage: Building a Fair Economy,* New York: New Press.

Preteceille, E. (1997), *Analysis of Inequality in Paris,* unpublished paper presented to *Cities in Transition* Conference, Berlin, July 21-23, 1997

Preteceille, E., 1997, *Analysis of Inequality in Paris*, unpublished paper presented to Cities in Transition Conference, Berlin, July 21-23.

Putnam, Robert D., 1993, *Making Democracy Work: Civic traditions in Modern Italy*, New Jersey: Princeton.

Putnam, Robert D., 1995, "Bowling Alone: America's Declining Social Capital", Journal of Democracy, 6::65-78

Pycroft, Christopher, 'Local Partnerships and Strategic Alliances for Economic Development: The Need for Economic Development Audits', *International Review of Administrative Sciences,* 62, 109-122.

Raco, M., 'Assessing "Institutional Thickness" in the local context: A Comparion of Cardiff and Sheffield'' *Environment and Planning,* 30, 975-996.

Reese, Laura A. and David Fasenfest, 1997, *What Works Best?: Values And The Evaluation Of Local Economic Development Policy,* Economic Development Quarterly. v11 n3, pp 195-107.

Reitzes, Donald C. and Dietrich C. Reitzes, 1987, *The Alinsky Legacy: Alive and Kicking*, Greenwich: JAI Press Inc.

Riposa, Gerry, 'From Enterprise Zones to Empowerment Zones: The Community Context of Urban Economic Development', *American Behavioral Scientist,* 39/5, 536-551.

Rogerson, C. M., 1997, 'Local Authority Interventions to Promote Local Economic Development in South Africa', in *Local Economic Development Research Programme,* Department of Constitutional Development, Government of South Africa, Pretoria.

Rogerson, C. M., 1998, 'Local Economic Development and Poverty Alleviation: Lessons for South Africa', in *Local Economic Development* , Pretoria: Department of Constitutional Development.

RTPI, 1985, *How Effective is Local Economic Planning? A Discussion Document*, London: Royal Town Planning Institute.

Rubin, H., 'Shoot Anything that Flies: Claim Anything that Falls: Conversations with Economic Development Practitioners', *Economic Development Quarterly,* 2, 236-251.

Sen, Amartya, 1992, *Inequality Reexamined,* New York : Russell Sage Foundation.

Shearer, Derek, 1989, *In Search of Equal Partnerships: Prospects for Progressive Urban Policy in the 1990s,* in Unequal Partnerships: The Political Economy of Urban Development in Postwar America, ed. Gregory D. Squires, New Brunswick: Rutgers University Press.

Skocpol, Theda, 1987, 'America's Incomplete Welfare State: The Limits of the New Deal Reforms and the Origins of the Present Crisis', in *Stagnation and Renewal in Social Policy,* Martin Rein and Gøsta Esping-Andersen (eds), New York, Sharpe.

Smith, Neil, 1984, *Uneven Development: Nature Capital and the Production of Space,* Oxford: Basil Blackwell.

Smith, Neil, 1996, *The New Urban Frontier: Gentrification and the Revanchist City,* London: Routledge.

Spindler, Charles J. and John P. Forrester, 1993, *Economic Development Policy: Explaining Policy Preferences Among Competing Models,* Urban Affairs Quarterly, Vol 29, No.1, 28-53.

Squires, Gregory D. (ed.), 1989, *Unequal Partnerships: The Political Economy of Urban Redevelopment in Postwar America,* New Brunswick: Rutgers University Press.

Stiglitz, Joseph, 1998, *More Instruments and Broader Goals: Moving Toward the Post Washington Consensus,* WIDER Annual Lectures, no. 2, January 7th, Helsinki.

Stoker, Gerry, 1998, *Theory and Urban Politics,* International Political Science Review, Vol. 19, No. 2, 119-129.

Stone, C. N. and H. T. Sanders (eds.), 1987, *The Politics of Urban Development,* Lawrence: Kansas University.

Stone, C. N., 1993, "Urban Regimes and the Capacity to Govern: A Poltical Economy Approach", *Journal of Urban Affairs,* 15: 1-28.

Stone, C. N., 1993, *Regime Politics: Governing Atlanta 1946-1988*, Lawrence: Kansas University.

Storey, David J., 1982, *Entrepreneurship and the New Firm,* London: Croom Helm.

Storey, David J., 1994, *Understanding the Small Business Sector,* London: Routledge.

Storper, Michael, 1997, "Territories, Flows, and Hierarchies in the Global Economy", in *Spaces of Globalisation: Reasserting the Power of the Local,* Kevin R. Cox (ed.), New York: Guilford.

Swyngedouw, Erik A., 1992, 'The Mammon Quest: Glocalisation, interspatial competition and the monetary order: the construction of new spatial scales', in *Cities and Regions in the New Europe: the Global-Local Interplay and Spatial Development Strategies*, (?? init) Dunford and G. Kafkalas (eds), London: Belhaven.

Swyngedouw, Erik A., 1997, "Neither Global nor Local: 'Glocalization' and the Politics of Scale", in *Spaces of Globalisation: Reasserting the Power of the Local,* Kevin R. Cox (ed.), New York: Guilford.

Taub, Richard P., 1988, *Community Capitalism,* Boston: Harvard Business School Press.

Tomlinson, Richard, 1994, *Urban Development Planning: Lessons for the Economic Reconstruction of South Africa's Cities,* Johannesburg: Witwatersrand University Press.

Von Thünen, Johann Heinrich, 1966 (orig. 1824), *The Isolated State*, Oxford: Pergamon Press.

Walsh, Jessica, 1998, *The Localization of Labor Market Regulation: Challenges and Opportunities for Baltimore,* Johns Hopkins University, unpublished paper (mimeo.).

Walzer, Norman and Brian Jacobs, 1998, *Public Private Partnerships for Local Economic Development,* Westport: Praeger

Walzer, Norman and Lori York, 1998, *Public Private Partnerships in US Cities,* in Public Private Partnerships for Local Economic Development, ed. Norman Walzer and Brian D. Jacobs, Wesport: Praeger.

Ward, M., 1996, *Regeneration Through Work: Creating Jobs in the Social Economy*, Manchester: Centre for Local Economic Strategies.

Wassmer, Robert, 1994, *Can local incentives alter a metropolitan city's economic development?*, Urban Studies. v31, pp 151-8

Weber, Alfred, 1929, *Theory of the Location of Industries*, translated by Carl Joachim Friedrich, Chicago: University of Chicago.

Weisbrot, Mark and Michelle Sforza-Roderick, 1996, *Baltimore's Living Wage Law: An Analysis of the Fiscal and Economic Costs of Balimore City Ordinance 442,* URL: www.preamble.org/baltimore.html.

Wilson, Patricia, 1995, *Embracing locality in local economic development*, Urban Studies. v32, pp 645-8.

Wolman, Harold and Gerry Stoker, 1992, *Understanding local economic development in a comparative context,* Economic Development Quarterly. v6 n1, pp 406-417

World Bank, 1993, *Poverty Reduction Handbook,* Washington: IBRD.