CHAPTER 1 MANAGING AMERICAN CITIES IN THE TWENTY-FIRST CENTURY

INTRODUCTION: AMERICAN CITIES CONTINUE TO CHANGE AND EVOLVE

The eighth edition of *Managing Urban America* finds city governments changing and evolving, just as they have been doing since the first edition of this textbook appeared over thirty-seven years ago. More than a decade and one-half into the twenty-first century, cities face many of the same challenges they have confronted since the so-called urban crisis of the 1960s: *managing* conflict through politics; *adapting* to environmental influences such as population shifts and changing citizen tastes and preferences; *incorporating* new groups into governing structures; *balancing* own-source funds with intergovernmental revenues; *responding* to federal and state mandates; *negotiating* with other local governments; *delivering* a myriad of local goods and services to the populace; and *seeking* approaches to managing cities that are efficient, effective, equitable, and responsive.

But urban managers at the beginning of the new century are also confronting new issues and challenges. Unlike the situation in the 1960s, cities now operate largely in an intergovernmental milieu best described as "fend for yourself" federalism.[1] Outside of government economic stimulus programs, the federal government today is less likely to offer financial help to local governments to balance budgets or deliver goods and services. Increasingly, city executives must be innovative and entrepreneurial to find ways to do more with less. Such productivity enhancement requires broad new approaches to running urban America that emphasize *results*, *performance*, and *accountability* in the day-to-day management of human and fiscal resources, information and technology (IT), and services. Among the new phrases added to the vernacular of urban management since the early 1990s, "reinventing government" (REGO) and the "New Public Management" (NPM) have been used as managerial strategies by municipal officials to augment traditional administrative processes to enhance municipal productivity.

Changes in technology have brought other new challenges to twenty-first-century cities. Major transformations have occurred since the 1960s in management information systems (MIS) and geographic information systems (GIS). In many American cities, these two systems—operating either individually or in an integrated framework—result in more efficient payroll and bill processing, dispatching of emergency personnel, and/or infrastructure repair. Personal computers have changed forever the nature of day-to-day work at the local level. Computer hardware and software, for example, allow for more efficient and effective financial administration, computer-based testing in human resources (HR) departments, reliable and efficient storage and transfer of data, and enhanced communication with the public.

The technology of the Internet has transformed the modern city into a global community. In addition to the official web pages that most cities maintain, a wealth of governmental, social, economic, business, demographic, and cultural information about almost any city can be retrieved from other Internet sources. This information is available not only to a city's own residents but also to anyone in the world, twenty-four hours a day. Indeed, today technology links every city to every other city on the globe; all that is needed to secure or exchange information is access to the World Wide Web. The Internet also allows for e-government—electronic government. The "electronic village"[2] allows city employees to communicate with each other and citizens to contact their city's political and administrative officials via e-mail. The impact of the Internet on city management is still in its infancy. Local officials are expending much effort to harness and *manage* the power of this technology!

This opening chapter, which is divided into five parts, provides a context for understanding the remaining chapters in *Managing Urban America*. First, we discuss how and why American cities have changed since the 1960s, focusing primarily on financial, social, and demographic changes. Second, we offer an analysis of how cities have responded to these changes by improving their management capacity. The third section of the chapter, in essence, places the entire topic of urban management within the framework of systems analysis: after introducing and explaining the basic concepts of systems theory—which suggests that city officials make public policies in response to environmental stimuli—we focus on the impact of citizen participation and e-government as examples of significant environmental factors that impinge on the management of modern cities. In section four, we argue that "good management" skills alone are simply not enough to equip the contemporary city executive with the know-how to be successful; an effective city executive also needs to understand the nature of community values, bureaucratic inertia, politics, and leadership. The chapter concludes with an overview of the book's organization.

HOW AND WHY AMERICAN CITIES HAVE CHANGED

City governments today grapple with a host of pressures and conflicts. Even in smaller communities, urban managers must constantly respond to the demands of the groups, institutions, and governmental entities that constitute the external world of the urban polity. These political pressures do not materialize out of thin air: competing and conflicting demands on urban government emerge from the racial, ethnic, social, economic, and governmental diversity that is so characteristic of contemporary urban America. To perform effectively, an urban manager must comprehend and come to terms with the often turbulent environment created by these outside forces. Learning to negotiate, to bargain, to persuade, and to compromise may thus be as crucial to a manager's success as is the exercise of traditional administrative skills. In this section, we study the economic and social milieu in which urban managers must operate.

THE STATE OF AMERICAN CITIES: FISCAL AFFAIRS

In the midst of President John F. Kennedy's "New Frontier" and President Lyndon B. Johnson's "War on Poverty" in the 1960s, practitioners and students of urban politics alike assumed that city governments would continue to grow, if not prosper. After all, state and local government payrolls were expanding enormously during the 1960s—and they continued to do so during the 1970s—much faster than those at the federal level. Cities were doing more than ever, responding to new needs and demands. Keith Mulrooney, a former city manager of Claremont, California, describes his activities in the late 1960s:

> Confronting antiwar demonstrators, holding council meetings in Chicano houses, sitting with hippies in a park discussing last week's narcotics bust, bargaining against a labor pro, or contracting with the Black Students Union to conduct reading improvement programs for low achieving black school children.[3]

These challenges of city management in the 1960s represented a significant departure from the issues faced in previous eras, such as building city infrastructures and developing a science of administration that would allow government employees to manage cities efficiently. "The shift in . . . priorities . . . [was] from the physically oriented to the human oriented."[4]

Along with these new problems came lots of federal dollars and a sharp increase in municipal employment and programs. Between 1960 and 1980, for example, the number of federal grant-in-aid programs grew from 132 to well over 500, and there was a corresponding growth in funding, from \$7 billion to \$91.5 billion.[5] In some communities, local officials developed new programs solely to draw federal dollars; further expansion seemed inevitable. A 1979 report from the International City/County Management Association (ICMA), for instance, suggested that the inevitability of growth was so widely accepted that it functioned as fact.[6] This pervasive view of local government called for growth in every imaginable area: urban populations would grow, budgets would expand, federal grants would increase, municipal jobs would multiply, and benefits would rise as cities were forced to undertake an ever-longer list of responsibilities.

But things do change. Due to an ailing economy in the late 1970s, federal aid to cities began to shrink under the Jimmy Carter administration. Then came the "Reagan Revolution," which brought major reductions in federal domestic spending, including additional cuts in financial assistance to state and local governments (see Chapter 2). In 1978, cities had received almost 16 percent of their revenue from federal sources; by FY 1990–1991 the figure was 3.6 percent.[7] In 2012, the nation's municipalities and towns received about 5 percent of their total *general revenue* from the federal government.[8]

As holding the line—and, yes, retrenchment—became the order of the day in the 1970s, cities showed more resilience than pessimists thought they would. Cuts were made, budgets were balanced, and taxes were raised in a number of communities. Cities learned to manage with less and emerged from this period of fiscal crisis stronger and more independent than ever. To the extent that they did so, a great deal of credit must go to the tough-minded city officials who made hard choices. Also, state governments proved to be thoughtful parents of their legal offspring, providing much-needed relief, both programmatically and fiscally.

Fiscal conditions improved for many cities in the 1990s, thanks in large part to record growth in the nation's economy under the Bill Clinton administration. By the late 1990s, some cities had escaped the fiscal morass they had experienced just a decade or so previously. For example, in a report, titled *The State of the Cities 1998*, the U.S. Department of Housing and Urban Development (HUD) noted, "Driven by a robust national economy, cities are fiscally and economically the strongest they've been in a decade."[9] The report went on to note that the number of jobs was growing and unemployment was falling in central cities. Cities were improving as places to live; many downtowns experienced a renaissance as centers of tourism, sports, entertainment, and the arts. Crime continued to decline, and home ownership in central cities was on the rise. Similar good news was reported in 1997 in the National League of Cities' *The State of America's Cities: The Thirteenth Annual Opinion Survey of Municipal Elected Officials*.[10] America's elected municipal officials reported steady improvements in city finances and local economies. The overall assessment of the state of American cities was "more positive and optimistic than it has been in quite some time." Then the prosperity bubble burst.

The new millennium brought the Al-Qaeda backed terrorist attacks in New York City on September 11, 2001. In addition, the George W. Bush administration's War on Terrorism resulted in significant American involvement in protracted, and costly, wars in Afghanistan and Iraq. Then, the economy collapsed. Starting in late 2007, a global financial meltdown began, producing in the United States the so-called Great Recession.[11] As newly elected Barack Obama assumed the presidency in January 2009, he inherited a deeply troubled national economy. Before leaving office, President George W. Bush had asked Congress to pass the Emergency Economic Stabilization Act; in October 2008, lawmakers provided up to 700 billion dollars to bolster the U.S. financial system. Quickly after entering office, President Obama asked Congress to pass a similar bill to stimulate the national economy. Once again, Congress responded quickly. In February 2009, The American Recovery and Reinvestment Act provided almost 800 billion dollars to expand unemployment benefits; fund federal tax cuts; and provide additional money for social, education, health care, and infrastructure programs.

Although the Great Recession, according to the Brookings Institution, ended with the expansion of the gross domestic product in the third quarter of 2009,[12] the lingering effects of the economic downturn continued as President Obama neared the end of his seventh year in office. And, with respect to the focus of our study here, there is no doubt that the Great

Recession has had a severe and, some would argue, permanent impact on the financial viability of American cities.[13] For example, based on survey data gathered from 2,214 American cities by the ICMA in 2009, Gerald Miller examined the impact of the Great Recession on local governments. Managers responding to the survey cited a number of measures used across the cities to mitigate the financial crisis, including the increased use of fee-supported services and contracting out, reshaped employee health and pension benefits, limited pay increases, use of better financial management procedures, and renewed economic development efforts.[14] Based on survey findings, Professor Miller concludes, "The 2007–2009 recession has created dire fiscal problems for local government managers, and from their reactions it appears that managers believe these problems point to permanent, structural budget imbalances."[15] In 2011, Karen Thoreson and James Svara examined the impact the Great Recession was having on 2,116 cities and counties. They found that almost 40 percent of the responding managers said that the impact was either "significant" (30.8%) or "severe" (6.8%).[16] In cities with populations greater than 100,000, more than 60 percent of the local executives said the municipality had experienced major budget problems. The authors conclude, "The [economic] crisis has prompted deep reflection on what the role of local government will be in the future. It has not been a temporary downturn followed by a return to previous conditions."[17] Professors Lawrence Martin, Richard Levey, and Jenna Cawley agree with Thoreson and Svara. They assert the Great Recession has created a "New Normal" for local governments in terms of finances (fewer resources), employment (smaller workforces), and services (new ways of delivering services).[18] The authors conclude: "When one considers the evidence, it is hard to imagine that local governments can return to anything approximating what existed ex ante the great recession."[19]

University of North Carolina political science professors David Ammons, Karl W. Smith, and Carl Stenberg disagree with those who contend the impact of the Great Recession on local governments has been transformational. They contend

> severe economic hardship has rarely been a "game-changer" [for local governments]. Conditions triggered . . . by the Great Recession . . . are unlikely to change fundamentally the scope, quality, or delivery of services in most counties and cities or to reshape the local jurisdictional or intergovernmental landscape, despite predictions to the contrary.[20]

While we agree with Professor Ammons and his colleagues, a discussion we return to in Chapter 11, one fact remains. The Great Recession represents the most significant economic downturn in U.S. history since the Great Depression. As such, cities cannot expect to return to economic health anytime soon, to the good old days of growth and revenue expansion of the 1960s, early 1970s, and most of the 1990s. Given the current state of the national and global economy, most cities, like the federal and state governments, face hard budgetary choices. Until the worst economic downturn since the Great Depression improves, as it surely will, municipal officials must do more with less. Now more than ever, improved municipal management is a necessity. Managing with less demands more dedicated, competent, and politically astute municipal managers. In the broadest sense, that is what this book is all about—improving the management of city governments, from both a technical and a political perspective. In addition to their fiscal concerns, municipal executives must be sensitive to demographic and social changes in local populations. As the urban place changes, so do values, expectations, demands, and economic bases.

THE STATE OF AMERICAN CITIES: SOCIAL AND DEMOGRAPHIC CONDITIONS

In many of America's big cities, the outward movement of people and jobs continues.[21] These cities have not only lost productive citizens and desirable employers, but also have seen their tax bases shrink. Many of the residents who remain need special services. Poverty remains high in many inner-city neighborhoods, where employment opportunities are limited for low-skilled workers. Dependency persists, as welfare rolls remain concentrated in large central cities. So the service needs endure, but resources are often scarce.

Social and Demographic Changes

One of the major demographic trends affecting American cities is the deconcentration of the central city. U.S. cities, in fact, have been decentralizing for many years. The year 1970 marked the first time that more people lived in the suburban rings of metropolitan areas than anywhere else in the country. Suburbia, despite some valid criticisms, does offer open space, cleaner air, better schools, and, above all, a chance for home ownership. Polls show that all groups, regardless of age, class, race, or geographic location, prefer either suburban or small-town living. And the positive pull of suburbia is not the only factor involved, for, in many places, the central city exerts a negative push. As former mayor Michael R. White of Cleveland once noted, people leave to escape crime, congestion, deteriorating housing, poor services, inferior schools, and, in some cases, minority neighborhoods.[22] Of course, not everyone can escape: essentially, the white and the well-to-do have dominated the outward flow, while racial minorities, the poor, the unskilled, the uneducated, and the elderly are left behind.

What are conditions like today in large cities? Two studies by the Brookings Institution highlight some of the social and demographic changes taking place in big cities and suburbs. The first study, focusing on racial change in the nation's one hundred largest cities between 1990 and 2000, finds that America's big cities continue to grow more diverse.[23] Between 1990 and 2000, for example, the one hundred largest U.S. cities lost 8.5 percent of their white residents, or 2.3 million people. In these big cities, whites now represent a minority, 44 percent of the total population; the comparable figure in 1990 was 52 percent. In eighteen cities—Anaheim, Riverside (Calif.), Milwaukee, Rochester, Sacramento, Ft. Worth, Augusta/Richmond (Va.), Philadelphia, Boston, San Diego, Mobile, Montgomery, Columbus, Norfolk (Va.), Albuquerque, Baton Rouge, Shreveport, and St. Louis—whites dropped from a majority to a minority of the population. Seventy-one of the one hundred cities lost at least 2 percent of their white population during the decade; in twenty cities, the decline of the white population was greater than 20 percent. Detroit lost the greatest number of white residents (53 percent), followed by Birmingham (40 percent), and Santa Ana, California (38 percent).

Among minority groups, the Hispanic population grew the most during the 1990s. The nation's one hundred largest cities gained 3.8 million new Hispanics (a 43 percent increase). Slightly over a million Asians (a 38 percent growth rate) moved into these cities between 1990 and 2000, while the black population grew by only 6 percent, or about 816,000 new residents. Over that decade, the Hispanic share of the population increased from 17 to 23 percent, as the black and Asian populations remained fairly stable, at 24.1 percent and 6.6 percent, respectively.

This first Brookings Institution study concludes that changes in the racial composition of big cities have social, economic, and political implications. For example, big cities experience overall population growth when all their racial and ethnic groups grow in size. In the twenty cities that grew the fastest, the white population grew by 5 percent, blacks increased by 23 percent, the Asian population enlarged by 69 percent, and the number of Hispanics rose by 72 percent. Thus, the study says, "Cities hoping to achieve real growth need to provide a living environment that is attractive to families of varying race and ethnicity."[24] Another of the study's implications concerns the service needs of particular groups: "Cities must consider how the structure and delivery of health care, public education and general city services should be adapted to the needs of the changing populations."[25] In Aurora, Colorado, for example, the Hispanic population increased by 271 percent during the 1990s—at the beginning of the decade, one of every fifteen residents was Hispanic; by its end, one in five was Hispanic.

Changing demographics also influence the wealth of the city. The Brookings Institution report notes that census estimates suggest that in 1999 the median household income for Hispanics was $14,000 lower than that for non-Hispanic white households. A growing Hispanic population coupled with a declining white population may, therefore, create real fiscal impacts on cities. On the other hand, an overall increase in a city's population "could increase the total amount of income in cities."[26] Public policymakers must understand, analyze, and manage these competing effects.

Finally, a growing minority presence in big cities means that the electoral base for minority candidates is growing: these increasing numbers may result in the election of more minority mayors, city council members, and school board members. We discuss the implications of minority representation on local policy in Chapter 3.

Bruce Katz, director of the Brookings Institution's Metropolitan Policy Program, prepared a second study that focuses on demographic changes in American cities. In a 2005 speech, he highlighted these recent trends in metropolitan areas:

- Suburbs grew faster than cities. Between 1990 and 2000, the one hundred largest U.S. cities grew by 8.8 percent, while their suburban populations increased by

17 percent. The faster growth in the suburbs occurred in all types of households—married with no children, married with children, other family—no children, nonfamily.

- Racial and ethnic group shares of suburban populations increased. Between 1990 and 2000, the African American share of the suburban population rose from 33 to 39 percent; the Asian population living in the suburbs increased from 51 to 55 percent; and the Hispanic population grew from 46 percent to 50 percent. The rate of change for all these minority groups was much greater in the suburbs than in the cities. Over this same decade, the black population in central cities rose by 5 percent; but the increase in the suburbs was 36.1 percent. The growth rates for Hispanics were 46.2 percent in central cities and 71.9 percent in suburbs. Finally, the Asian population grew by 37.3 percent in central cities, compared to 63.4 percent in the suburbs. About one in four (27 percent) of all suburban households are minority.
- Educational attainment varies widely across U.S. cities and by race within the cities. In the nation's one hundred largest cities, 10 percent of Hispanics, 14 percent of blacks, 37 percent of whites, and 39 percent of Asians hold bachelor's degrees.
- The *absolute number* of people living in poverty in U.S. metropolitan areas increased from 19.3 million in 1980 to 23.1 million in 1990 to 25.8 million in 2000. The poverty rate in central cities fell from 19 percent to 17 percent between 1990 and 2002, while the poverty rate in suburbs increased slightly, from 9 percent to about 9.1 percent. In fact, the number of suburban residents living in poor suburbs—measured as suburbs in which the per capita income is less than 75 percent of that for its metropolitan area—increased from 8.4 percent in 1980 to 18.1 percent in 2000.[27]

Analysis of 2000 U.S. Census data show the demographic trends discussed above moved forward into the first decade of the twenty-first century. In her 2011 *New York Times* article, Sabrina Tavernise summarizes some of these trends.[28] For example, between 2000 and 2010, minorities represented 98 percent of the population growth in the largest 100 U.S. metropolitan areas. In these largest metro areas, the Asian population grew by 43 percent, Hispanics by 41 percent, blacks by 12 percent, and whites by only 1 percent. In large metropolitan areas in 2010, Hispanics represented 20 percent of the total population, up from 15 percent in 2000 and 11 percent in 1990, blacks constituted 14 percent of the population, unchanged from 2000, and Asians totaled about 6 percent of the population. In the large metro areas, the white population accounted for 57 percent of the total 2010 population, compared to 71 percent in 1990. The white population decreased in 42 out of the 100 largest metropolitan areas, with Las Vegas showing the greatest decrease—from 60 percent white in 2000 to 48 percent in 2010. New population projections by the U.S. Census Bureau show the U.S. will become a "majority minority" nation in the year 2044.[29]

How are cities coping with problems associated with social, economic, and demographic changes? In particular, how is all this ...