inant role of business in defining the interventionist agenda. In the earlier period, federal funding targeted slum removal and construction of affordable housing. In the middle period, these social goals were dropped, and the focus turned to the support of economic development for local business. Finally, government funds were used to subsidize economic development for global competition. In all three phases, local government operated less as a vehicle for social justice for all citizens than as an aid to businesses experiencing declining profits in the new global marketplace. And it was during this period that the Clinton and George W. Bush administrations relaxed regulations on the mortgage and security markets, crucial factors that led to the housing crisis and collapse of world markets beginning in 2009.

Support for Slum Removal

In the immediate post–World War II period, urban renewal was aimed at revitalizing the downtown areas of cities and clearing away slums or blighted dwellings. Programs were supposed to replace cleared land with affordable housing and income-earning civic projects. According to some estimates, over 5 million low- to moderate-income housing units in U.S. cities were candidates for destruction and replacement (Flanagan, 1990:292). By the end of 1961, renewal programs had eliminated more than 126,000 substandard housing units, but only 28,000 new dwellings were built (Robertson and Judd, 1989:307). The net result was a decline in the number of dwelling units for low-income households and an increase in housing costs in poor neighborhoods.

By the late 1950s, the amount of federal money allocated for central city slum clearance and renewal increased greatly each year. Combined expenditures were $706 million in 1960, $1.8 billion in 1966, and $3.8 billion by 1970, or an increase of over 500 percent in ten years (Mollenkopf, 1975). There were many reasons for the federal government's spending spree, most of which occurred through the Department of Housing and Urban Development. By the 1950s, central cities were being devastated by the immense outflow of people to the suburbs. This shift, as we already discussed, was made possible by government highway and housing programs. As a result, downtown retailers and their department stores were in danger of being shut down because of the success of suburban shopping malls, while entire residential sections of the city gave way to blight and decline as middle-class people moved out. City politicians appealed to the federal government for help in rescuing downtown areas. A second cause involved the national response to the ghetto riots of the 1960s, which also highlighted the deterioration of inner-city areas. Funding for HUD projects more than doubled after 1966, the year of the worst rioting. While some low-income residents were helped by the ambitious redevelopment schemes subsidized by the federal government, much of the urban renewal involved the clearing away of slums to allow private real estate interests to use downtown land for profit making, including the building of middle- and upper-middle-income housing projects and the regeneration of central

city commerce through the construction of plazas, civic centers, and pedestrian malls. At that time, observers noted that the policy seemed to be more effective at removing African American and/or poor residents than at replacing slums with affordable housing. Over 75 percent of all persons displaced by renewal projects were black, and urban renewal became known as "Negro removal" (Robertson and Judd, 1989:3).

Paradoxically, at the same time that HUD programs were intervening in urban renewal projects in the central city, other federal housing policies in the form of tax subsidies to homeowners and war veterans would destroy city neighborhoods by promoting suburbanization. In the United States (but not in most other industrial countries), homeowners are allowed to deduct the interest that they pay for their home mortgages from the amount of taxes they owe to the federal government. The Servicemen's Readjustment Act of 1944, more popularly known as the GI Bill, guaranteed home loans for veterans; by the time the original legislation ended in July of 1953, 2.4 million veterans had purchased new homes with loans backed by the Veterans Administration. These subsidies, which amounted to billions of dollars each year, were responsible for the massive shift to the suburbs, or white flight. By the 1970s, it was already clear that the United States had become segregated by race and class, with middle-class whites dominating the suburbs while the inner cities were increasingly populated by minorities and those whites who either could not afford to move to suburbia or preferred to live in the city in newly built or renovated upper-middle-income housing. Government intervention, working within the confines of the privatism ideology, was no longer rational social policy, and in fact worked against the interests of the larger society in the fight to save the city.

Support for Economic Development

By the late 1960s, the goals of urban policy had changed as a result of political pressures. Commitment to the revitalization of slums was abandoned in favor of using government programs to bolster private business interests in the city. It was now apparent that urban economies, which had been dependent on manufacturing, were in decline. Deindustrialization had taken over the country, and cities needed to retool themselves to compete with other communities within their metropolitan region for new employment. Downtown business interests, along with local politicians, regrouped and worked together to use federal funds for revitalization projects. The focus of renewal shifted from slum clearance to support for economic development, such as the construction of sports stadiums, hotel and tourist complexes, and high-rise service centers.

For example, in the 1960s, the city of Los Angeles used urban renewal funds to bulldoze the blighted section of Bunker Hill near downtown. But instead of replacing the structures with affordable housing and preserving the community, the city and its partners in the business sector constructed a music center, high-rise banking offices, and expensive high-rise apartment complexes. Slightly east of this redevelopment, the

city eradicated another blighted residential neighborhood and replaced it with a sports facility, Dodger Stadium, instead of low-income housing (Davis, 1990).

Such projects, backed by powerful political and business interests, were responsible for the eradication of inner-city neighborhoods and small businesses, while the signs of progress greeted residents with visible advertising for the joint government/business ventures. In many cases, city neighborhoods that did not represent high-yield profit making for business were bulldozed despite the objections of local residents. Gregory Squires (1989) illustrated this trend by presenting a dozen case studies drawn from cities around the country in *Unequal Partnerships: The Political Economy of Urban Redevelopment in Postwar America*, and other researchers have presented case studies of public-private partnerships in individual cities (Robertson and Judd, 1989; Stone, 1989; Davis, 1990).

In the 1960s and 1970s, economic development as an urban policy meant that privatism had taken over not just through co-optation as it had in previous periods but overtly as part of city revival schemes. According to the argument, business concerns come first in a period of recession because when business prospers, the tax coffers of the city are also enriched. Housing programs and community redevelopment had to take a backseat, as did the fight against the problems of uneven development and for social justice. As in other periods, while some federal programs directly aided business, others also helped the middle class. City government could not stem the tide of middle-class white flight during this period because the pull of subsidized suburbanization was too powerful (see Chapter 6). Government could try to make the city a better place in which to do business, but it could not make it a better place in which to live. While government subsidies continue to aid business interests in the cities and mostly white homeowners in the city, by the end of the twentieth century the focus of urban development had shifted to a new and higher level, as American cities began to compete against one another, and even against cities in other countries, in the new global marketplace.

Support for Global Competition

The shift to a financial and service economy for the downtown had now turned into global competition. Each place was in competition for limited investment that was attuned to worldwide opportunities within the marketplace of global capitalism. National programs that supported private enterprise would bypass local bureaucracies and downsize the role of government planning. Issues of social justice were ignored. This restructuring of the federal/city government relationship reached its zenith during the eight years of the Reagan administration and resulted in the cutback of urban policy until there was little funding for urban programs of any kind. Several reasons have been advanced for the federal abandonment of HUD program initiatives over the years. Sadly, most are political. In the 1980s Ronald Reagan ran on a platform that de-emphasized

the needs of cities. The plurality of active voters lived in the suburbs, and they were attracted by his call to get government "off the backs" of people. This meant that under the Reagan and Bush administrations from 1980 to 1992, there were severe cuts in public welfare programs, which officials explained as the inevitable consequence of the massive buildup in military spending that left large budget deficits (and no money left over for the cities or for urban residents, most of whom voted Democratic and did not support the Reagan agenda). The new regime followed a conservative philosophy that favored market solutions to social problems. It also reaffirmed the political principle of federalism, which made the condition of cities a responsibility of the states. This principle suggests that local and state governments were better able to deal with local problems and that urban revitalization should be market driven rather than pulled along by federally financed and planned projects. Such sentiments were supported by a majority of voters, who backed President Reagan's conservative agenda and later elected George H. W. Bush. The cuts to federal programs that gave assistance to urban areas were unprecedented. Robertson and Judd (1989:314) made these observations about national aid to cities during this period:

> Overall spending dropped from $6.1 billion in fiscal year 1981 to $5.2 billion in fiscal year 1984. The $5.2 billion spent for the fiscal year 1984–1985 amounted to a decline of almost 20 percent when corrected for inflation. By the 1989 budget year, money for urban programs was cut $4.4 billion, a further reduction of about 40 percent when the effects of inflation are considered. Nearly all subsidies for the construction of public housing were ended. Urban mass transit grants were reduced 28 percent from 1981–1983 and were cut another 20 percent by 1986. CETA [Comprehensive Employment and Training Act] funds were eliminated after 1983.

The Clinton administration began with high hopes for the redevelopment of urban regions, but these hopes were quickly dismantled by scandal and bitter partisan politics. Clinton's nomination of Henry Cisneros, the very popular and successful mayor of San Antonio, Texas, to head the Department of Housing and Urban Development was derailed when it was revealed that he had had an affair during his time in office, and Bill Clinton would face similar accusations for much of his second term. The 1990s brought little in the way of new ideas or new aid to urban areas, and the cities and states were left to fend for themselves.

As bad as the 1990s may have been, the situation for cities and metropolitan areas was even worse during the George W. Bush administration. Although the Clinton administration managed to achieve a budget surplus by the end of its second term, which might have been used to shore up local governments in the throes of fiscal crisis, there was no effort to do this under President Bush. Instead, a sizable government surplus was turned into a budget deficit of historical proportions. Much of

the spending went to support the U.S. military presence in Iraq, and many credible reports claim that billions of dollars of this effort were unaccounted for and are probably lost forever. While the deficits of the Bush years impacted ordinary citizens, they also had substantial effects on local government. When cities and towns found themselves in fiscal crisis and unable to support services or repair needed infrastructure, they could not turn to the federal government for relief. This might have been possible when the federal government had a surplus, that is, in the latter years of the Clinton presidency, but there were no such opportunities during the Bush years. Instead, city services, investments in infrastructures, funding for housing programs, and much else declined in real dollar amounts during these years.

Local politicians now work directly with business to revive ailing urban economies as their only way out of fiscal distress. Such a strategy only works when the business community has the resources to help. Public/private partnerships in the face of fiscal crisis also represent an extreme example of privatism because the reduction in or elimination of policies aimed at improving social well-being has occurred at every government level since the 1980s. This trend continued through the 1990s as the Clinton administration issued waivers to states that sought to eliminate welfare programs and replace them with a variety of "work incentive" programs. The result has been a substantial reduction in the number of welfare recipients, but this does not mean that former welfare recipients now participate in the paid labor force. Fewer than half of the persons removed from welfare rolls over the last decade have found permanent employment, and the number of families seeking assistance from food pantries and other private-sector charities has increased substantially.

According to Desmond King, local policy has been reduced completely to the subsidization of the private sector through either supply- or demand-side incentives to business (King, 1990). The former consists of tax breaks, rent-free land, and local bond financing designed to attract capital to the area. One such plan commonly used is tax increment financing, where businesses are allowed to forgo local taxes for a specified period of time so that they can recover development costs for new projects in a community. After a specified period of time, the development is placed back on local tax rolls; the creation of TIF zones is described in more detail in Box 13.2. The city of Chicago currently has more than 130 TIF districts that bring in some $500 million in tax revenue (Cook County Clerk's Office, 2009). Demand-side incentives include city (and suburban) development activities to create new industries with the aid of the private sector by underwriting development costs, such as in the creation of high-tech industrial parks. In both cases, the policies commonly used now stand in stark contrast to those of the 1960s, because the emphasis is on the private sector and economic development, without the reference to issues of social equity and injustice that once obscured the emphasis on privatism.

At the close of the first decade of the twenty-first century, we have seen the global economic crisis progress through successive waves that have impacted local governments

Box 13.2

Tax Increment Financing and Urban Development

Tax increment financing (TIF) is a special tool that a city such as Chicago can use to generate money for economic development in a specific geographic area. TIFs allow a city to reinvest all new property tax dollars in the neighborhood from which they came for a 23-year period. "New" revenues arise if new development takes place in the TIF district, or if the value of existing properties rises, resulting in higher tax bills. These funds can be spent on public works projects or given as subsidies to encourage private development. But TIFs can also make it easier for a city to acquire private property and demolish buildings to make way for new construction.

With consistent community participation, TIFs can be a tool for implementing a community-based revitalization plan through encouraging affordable housing development, improving parks and schools, fixing basic infrastructure, putting vacant land to productive use, creating well-paying jobs, and meeting other local needs.

The state law that allows Illinois cities and towns to create TIFs requires that they are only established in areas that are "blighted," or in danger of becoming blighted. To determine if an area is eligible, the city conducts a study of the area and writes a "redevelopment plan" and a "project budget"—an overview of the development priorities for the area and how TIF dollars will be spent during the TIF's 23-year life. The redevelopment plan must be approved by the city council.

TIFs are politically appealing tools because they do not require the city to raise your tax rate. Instead TIFs generate money for redevelopment by raising the value of the property that is taxed. TIF money can be used for: a) planning expenses, such as studies and surveys, legal and consulting fees, accounting, and engineering; or b) acquiring land and preparing it for redevelopment, including the costs of environmental cleanup and building demolition, especially in older areas, where making a site ready for a developer reduces costs and eliminates a major barrier to redevelopment. To aid this process, the TIF law gives the city expanded powers to acquire private property through its power of "eminent domain." If the city can show it is acting for a "public purpose"—a very loosely defined idea—it can force property owners to sell their land to the city at "fair market value." The city then resells the land to a private developer, often at a deep discount, or uses it for a public building.

Under Illinois law, the clerk's office receives and processes a municipality's ordinance establishing the TIF district and directing the clerk to dictate to the Cook County treasurer the allocation of revenues to the TIF. Revenue is generated for the TIF as property values increase within the TIF district. Under state law, the clerk's office must redistribute revenue to the TIF districts according to the amount of the increment or increased value since the initial or frozen value. Parcels are taxed utilizing the current property value of the property, but any taxes collected because of increases to the value beyond the frozen or initial value of the property are diverted from other tax districts and distributed to the TIF.

SOURCE: Adapted from *TIFs 101: A Taxpayer's Primer for Understanding TIFs*, Cook County Clerk's Office (2009).

in several ways. A number of cities lost their entire employee retirement accounts in the collapse of the investment banks. As homeowners have been forced to abandon their homes because of increased interest rates, the cities lose property tax revenue (the largest single source of public school funding for most communities). As state governments confront mounting deficits due to decreased sales tax revenue, the deficit is passed down to the cities in the form of program budget cuts, forcing local communities to cut programs and lay off workers. In many states, state and local governments introduced mandatory furloughs (unpaid days of leave, in effect, wage and salary cuts for workers in the public sector), and some states, such as California, are in such serious financial distress that they seem faced with unprecedented quality-of-life cutbacks in education, infrastructure repair, basic environmental services, and publicly supported health care.

There is little hope for assistance to cities and metropolitan regions in the foreseeable future. The immense and quite incomprehensible level of federal deficit spending had a measurable effect on local communities even before the economic crisis. We now see a very damaging, critically injuring effect on local government. Furthermore, current projections indicate that our foreign entanglements will lead to astronomical deficit spending for many years to come. To be sure, this is terrible news for cities, towns, counties, and even state governments in the United States.

PRIVATISM AND ISSUES OF SOCIAL JUSTICE

Has the support of private enterprise and abandonment of active intervention in cities been successful? Our analysis of metropolitan problems (Chapter 9) shows just the opposite. The limitations of privatism and government subsidy for economic development include the failure to realize benefits from development, especially by low-income residents; the proliferation of beggar-thy-neighbor competition among different cities, which does not benefit local areas; the subsidization of capital investment that is not reinvested locally; and the destruction of public resources without benefit from the public subsidization of private-sector growth (Barnekov and Rich, 1989). What are the limitations of the ideology of privatism and the present constraints on pursuing social justice more broadly?

Lack of Community Benefits from Public Investment

Publicly supported growth does not bring the kind of benefits purported by boosters of public/private partnerships. In Houston, which claims to be a city based on private enterprise, business has used government funds in many ways to develop infrastructure, subsidize industry, and grease the wheels of profit making. During the city's growth, the costs of development were passed along to residents. By maintaining a low tax rate on business, the city failed to plan adequately for highways, sewage systems, garbage collection, water quality, and road maintenance (Feagin, 1988). Future residents will be saddled with the immense public bill to finance the missing infrastructure and the costs

of growth. The experience of Houston has been duplicated in other U.S. cities, which now face immense infrastructure problems of their own. This has not prevented cities from spending millions in taxpayer money on "development" projects such as sports stadiums, convention centers, and luxury housing, which provide few benefits for the city as a whole and none for those most in need. The alleged "crisis" of the infrastructure and of public support for the quality of life in our urban areas is not, as some political leaders maintain, a crisis of funding alone, but represents skewed priorities when all available money is spent on civic development projects of dubious value. Other case studies reveal that privatism twists the intent of public/private partnerships to the full benefit of business. Economic development programs are intended to attract private investment in the local community to the benefit of the city as a whole. But increasingly we have seen private businesses turn this process on its head, threatening to leave for other locations unless they are granted special concessions. In some cases cities have been forced to pay significant amounts to keep local businesses in place, and in other instances states have had to step in when the local community lacks the resources.

Case studies have shown how the competition for investment dollars simply forces local jurisdictions to make excessive sacrifices. This is especially true as capital becomes increasingly mobile in the global economy. In the past decade, we have seen cities and states offering incredible tax breaks and other incentives to attract new or relocating industrial plants, another use of public funds to support private business. Between 1996 and 2007, for example, spending by the state of North Carolina doubled from $550 million to $1.3 billion, with $1.1 billion of the total set aside for tax incentives for business (Disilvestro and Schweke, 2008). In 2001, the city of Chicago provided the Boeing Company with $20 million in incentives to relocate its headquarters from Seattle, outbidding Denver ($18 million) and Dallas ($14 million). The deal included payment of $1 million to another company to vacate its lease in the riverfront building that the city had selected for the new corporate headquarters and required the city to develop a downtown heliport (Lyne, 2001). Some observers have called this ruthless competition among places for investment the "new arms race." In the chase after global dollars, social equity programs are cut or abandoned. As a result, cities have a diminished capacity to support socially beneficial programs and to sustain the community quality of life, and the uneven development within and between metropolitan regions is of growing concern.

The Crisis of Local and State Government in the United States

Government policy involves an often unproductive struggle between the dominant priority to support business and the lesser goal, often passionately pursued by social movements, of social justice. Spatial competition among places for limited public and private investment also affects the success of policy because the United States has no overarching national program for metropolitan revitalization. In the 1950s, competi-

tion was between central cities and their suburbs; in the 1970s, it was between regions of the country, especially between areas that were not experiencing a decline in manufacturing (such as the Sun Belt) and those that were (for example, the Frost Belt). By the 1980s and 1990s, however, cities large and small had been brought into a universal global competition for scarce resources. These policies pitted place against place to the advantage of capital and at the expense of local taxpayers. In July 2009 President Obama hosted a Metropolitan Summit at the White House, where he announced that he had ordered the first comprehensive interagency review of "how the federal government approaches and funds urban and metropolitan areas so that we start having a concentrated, focused, strategic approach to federal efforts to revitalize our metropolitan areas." (More of his speech at the Metropolitan Summit can be read in Box 13.3). Although the Obama administration has committed itself to forging an active urban agenda, it remains to be seen if the general policy direction and use of public funds to support private enterprise will continue, or if instead a new emphasis on social justice will emerge. As homelessness, housing deterioration, and other urban problems intensify, renewed pressure is being placed on the federal government to intervene once more to stem the decline in the quality of community life. If such a turnaround does occur, it will come only with a renewed debate on the philosophy of intervention.

Box 13.3

Remarks by President Obama at the Metropolitan Policy Roundtable

"It's great to be joined by some of the finest urban thinkers in America for what I understand has been a critical conversation on the future of America's urban and metropolitan areas.

"Now, as you might imagine, this is a subject that's near and dear to my heart. I've lived almost all my life in urban areas. Michelle and I chose to raise our daughters in the city where she grew up. And even though I went to college in L.A. and New York, and law school across the river from Boston, I received my greatest education on Chicago's South Side, working at the local level to bring about change in those communities and opportunities to people's lives.

"And that experience also gave me an understanding of some of the challenges facing city halls all across the country. And I know that those challenges are particularly severe today because of this recession. Four in five cities have had to cut services, just when folks need it the most, and 48 states face the prospects of budget deficits in the coming fiscal year.

"But we're going to need to do more than just help our cities weather the current economic storm. We've got to figure out ways to rebuild them on a newer, firmer,

continues