STRATEGIES FOR THE INTERNATIONAL MARKETPLACE: RESULTS IN TEN NORTH AMERICAN AND WESTERN EUROPEAN CITIES, 1970 TO 2000

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The whole history of civilization is strewn with creeds and institutions which were invaluable at first and deadly afterwards.

Walter Bagehot

We present here some results reported in a draft chapter of our forthcoming book, *City Politics in the International Marketplace: Urban Development in North America and Western Europe* (Princeton: Princeton University Press). This work examines ten cities in North America and Western Europe over a period of three decades in order to probe political responses by local governments to restructuring of the global economy. A model of urban development politics is described that focuses on how cities bargain in order to deal with pressures of the capital investment process. It argues that cities compete to promote their economic well-being by seeking to influence capital markets via a variety of urban strategies. In doing so local governments bring to the international bargaining table different assets and disadvantages.

Specifically, bargaining advantages derive from what we call the driving and steering forces of urban development. Driving forces comprise the economic conditions and intergovernmental context within which cities compete; they are largely exogenous circumstances over which communities have very limited control. Steering forces are more endogenous in character and pertain to the popular control capabilities and political cultures of localities. In our model, regimes—or dominant governing coalitions--are forged to manage these driving and steering resources and to bargain for influence over the capital investment process.

This bargaining model was examined in light of the experience of six Western European cities (Glasgow, Liverpool, Marseilles, Milan, Naples, and Paris) and four North American cities (Detroit, Houston, New York City, and Toronto) during the period 1970 to 2000. In this paper we report our evaluation of three alternative strategies used by these cities to enhance their economic and social choices in the city building process: the growth strategy, regionalism, and national urban policy. Each of these approaches are frequently cited as means of increasing local citizen control over urban development. The growth strategy urges local governments to rely upon their own resources by maximizing the city's competitive position in regional, national and global marketplaces. Regionalism argues that expanding horizontal intergovernmental cooperation will generate local control over the capital investment process. Finally, proponents of national urban policy argue that vertical governmental integration, increasing national oversight and regulation of urban development, is essential for enhancing local political control of economic restructuring.

All of these strategies were employed by several of the cities during the past three decades. But our analysis indicates they are by no means equal in opening up the urban the capital investment process. Although each strategy had some positive effects on the bargaining ability of cities, the least productive was the growth model. Cities that placed greatest priority on growth were among the most vulnerable in respect to public control of local development. Ironically, national urban policy was most critical for generating local citizen influence over development decisions despite the fact that this strategy also meant increased central governmental oversight and regulation. In-between we find regionalism. Although its record proved to be highly variable, regional strategies held some very positive benefits for local governments in particular circumstances.

Bargaining and Strategic Thinking

Strategic thinking allows us to attach means to ends, and to do so while taking into account a larger environment. By thinking strategically we can set our sights on the problem at hand, sharpen our focus, and bring a particular approach to bear. Good strategic thinking also begins from a subjective viewpoint and fits into a larger scheme of things. Our own perspective springs from a bargaining model of urban development, and it tells us that cities are heavily dependent upon their ability to negotiate in an international marketplace. The question is how can localities best deal with this situation?

There is no shortage of suggestions for how cities might cope with the vicissitudes of the marketplace. Indeed, the list proliferates with every passing year. The most familiar are “supply” and “demand” strategies. These strategies focus on growth, and they respectively seek to stimulate private investment by lowering business costs or by exploiting new markets (Eisinger, 1988). Other strategies often complement the supply and demand approach. “Cluster” strategies seek to reach a critical mass and create a mix of related businesses within a given location, enabling cities to build upon their competitive advantages of location and density (Porter, 1995). “Place marketing” strategies concentrate on selling a city’s image in order to attract investors (Pagano and Bowman, 1997). “Human resource” strategies call for educating a workforce in order to draw upon new knowledge economies (Reich; 1992; Clarke and Gaile, 1998). “Amenities” strategies recommend that cities enhance themselves with recreation, culture and open space in order to attract clean industry (Florida, 2000). “Niche” strategies advise cities to match their strengths with some aspect of market demand and play up unique abilities (Boyle, 1994). “Deregulation” and “efficiency” strategies advise cities to impress business with their superior performance (Parks and Oakerson, 2000; Savas, 2000:).

These strategies urge cities to sharpen their competitive edge, and they have their uses, but they also have their shortcomings. Instead of a broad ranged approach that softens, deflects or rolls back market forces, they come closer to a tactical compliance with it. Our approach is somewhat different. Rather than subordinating cities to market forces, we underline how cities might strengthen themselves vis-à-vis business and cope with market stings. We focus on how cities can maximize their bargaining resources in the face of market pressure and, most crucially, how they might expand choice. Cities may be compelled to bargain with private benefactors, but they need not magnify their weakness and they can leverage their strength.

Taking this perspective is important because, in our judgment, the deliberation over city strategy has been one sided. The public sector is often blamed for its inability to attract business and faulted for its rigidity. Government is admonished to be more efficient and behave like a business. When reformers urge public officials to be more business like they mean cities should reduce taxes and work more flexibly to accommodate industry. Seldom, do they intend that cities adopt business practices like merging resources or creating alliances among localities. Even less frequently do they mean that cities should be more aggressive in dealing with business or protect themselves from bidding wars. Rarely do we find strategies designed to improve a city's position in the international marketplace through democratic, participatory institutions.

Is it possible to strengthen a city's bargaining hand? Evidence from our ten cities tells us that some cities have been able to do this and that structural impediments can be modified, if not changed. A sound, long-term strategy is important. The trick is in knowing limitations and making the most of opportunities for cities—both individually and collectively. It is also in knowing what can or cannot be done, in recognizing that not all cities can or should pursue the same course of action, and in setting goals more attuned to the nature of the city than slavishly following fashions of the moment.

Choices About Growth, Markets and Democracy

The "choice" between growing or dying is not a choice at all but a trap. The ability to choose is crucial to any good strategy. That choice needs to be made in accordance with a city's existing resources and its potential to enhance those resources. Granted, most cities would prefer to grow, and they may even be compelled to seek growth by political pressures. The literature amply demonstrates that growth is aggressively promoted by coalitions of realtors, developers, bankers, utilities, newspapers and schools (Molotch, 1976; Logan and Molotch, 1987; Jonas and Wilson, 1998). And its allure is potent for good reason. Growth makes politicians happy and officials would much rather cut ribbons than budgets. At least in some systems, it may be difficult to provide even a meager social agenda without development. Growth may be unequal and lead to enormous social disparities, but most citizens would rather have something to redistribute than nothing at all. Finally, growth is propelled by a powerful psychology, feeding on both the fear of being left behind and the hope of being at the forefront.

Journalists and scholars equate progress, quality and prestige with growth (*Newsweek*, February 6, 1989; *U.S. News and World Report*, November 13, 1989; *Wall Street Journal*, March 27, 1989; Hall and Hay, 1988; Summers, Cheshire and Senn, 1993;). Cities are periodically ranked by their population growth and carefully watched with each count. Newspapers and electronic media are quick to announce the "fastest growing cities". We should be careful about these diagnoses and faulty parallels. Growth may be right in some instance and wrong in others. Growth is neither automatically good nor bad. It may simply be more appropriate for some cities and less appropriate for others. Growth can also be misunderstood and misapplied. As we point out in Chapter 1, some mature cities have lost population over the past three decades and actually prospered. Paris, Milan and pre consolidated Toronto exemplify this pattern. Kenneth Jackson (1999) elucidates this nicely when he points out that Manhattan's population dramatically declined after 1910 because densely occupied space was filled with landmarks like Rockefeller Center. Statistically, Manhattan was in decline; in fact it was immensely enriching itself with soaring property values, public transit and skyscrapers.

Leo and Brown (2000) bring the broader lesson home, showing that Vienna, Copenhagen and Rome have been demographically stagnant or lost population over the last few decades. By this criterion these cities would be classified as failing. In reality their magnificence has continued to this day. Even vastly successful commercial centers like Brussels, Frankfort and Hamburg have been stagnant while continuing to prosper. Since its success with the Olympics Barcelona is considered to be one of the most vibrant cities in Europe, yet it incurred slight population losses between 1981 and 1996 (Urban Audit, 2001). Other cities with stagnant or losing populations are neither booming nor depressed but reasonably well off. Indianapolis, Winnipeg, Cologne and Stuttgart spring to mind (Urban Audit, 2001). Besides these examples, cities like Detroit, Liverpool and Glasgow have actually lost population and incur real decline. Sharp reductions in population can signal serious deterioration and cities need to take strategic action to reverse this, but much depends on the facts and circumstance of the city. The point here is that there are vast differences between different types of cities, and a prescription for growth carries vastly different consequences. The remedies are different for different situations, and so should be the choices.

It makes sense that cities should think carefully before rushing headlong into a competitive race for growth. If governments are to exercise choices over growth they will have to create strategies that enable them to act collectively in the international marketplace. There are multiple reasons why this should and can be done. The first is psychological, and part of that psychology requires putting to rest the twin pessimism of determinism and fatalism. With globalization we have reified the marketplace and by now believe its operations are inexorable and its makeup inviolate. Contrary to the stereotype, the international marketplace is not as pure as some would have us believe. Governments, regional associations, central banks and international financial institutions (World Bank, International Monetary Fund, World Trade Organization) frequently step into the international marketplace and change it. The U.S. bailout of Mexico during the 1990s, the EU's determination on monetary policy, and OPEC's curbs on petroleum production are just a few examples of how global markets are regulated. Cities may not yet be major players, but evidence from our study shows that localities can work in tandem with higher level governments to control larger forces. They can buffer themselves against adverse markets and prevail against raw supply and demand factors. This capacity should be understood and exploited.

Second, we should combat the idea that the nation state is steadily becoming helpless. We hear much about the weakening or "hollowing out" of the national state (Scott, 1996; Harris, 1997; Beauregard and Pierre, 2000). Again, our limited survey shows the nation state to be enormously resilient. France, Italy, and the United Kingdom have a commanding presence in their cities and Canada continues to delegate that presence to its provinces. Nations without that presence, like the United States, have chosen to withdraw rather than been forced to withdraw from central city problems. In other respects the United States is a more powerful economic actor than ever. This suggests there is a difference between weak government and limited government. Some governments have chosen to limit their scope of policy action, and this may even allow them to grow stronger rather than weaker. If anything, changes have occurred in the structure of national and supra national organizations, and these are designed to better cope with a more complex world. Coping with those complexities may involve devolution of power to localities and regions, but as the European cases shows that is a far cry from sloughing off national responsibilities. Devolution can also mean the nation state coordinates and orchestrates local roles.

Third, and as a corollary to the previous point, cities and regions are sometimes portrayed as replacing the nation-state as the essential actors on the global stage (Peirce, 1993; Abu-Lughod, 1999). This mirror image thinking rests on the assumption that if one party is gaining another must be losing. As a matter of course, both city regions and nation states have become more active on the global stage, and their mutual presence is complementary. Nothing reveals this as much as the activities of the European Union, which has forged multi sided partnerships between nations, localities, regional associations and private enterprise. In North America, provinces and states are helping localities function on the international marketplace. Trade delegation, sister cities, cultural exchanges and financial alliances are the embryonic manifestations of a public presence. The truth is, globalization has brought a proliferation of multi-sided partnerships and policy adaptations responding to its pressures. We already have active public institutions operating within the international marketplace, and we should be able to build upon them—not just to mediate between private parties or help trade, but to represent the interest of people in taming the marketplace.

Markets are efficient and productive. There is no question that by playing to highly decentralized arenas and to optimally sized populations, markets have outperformed bulky, centralized bureaucracies. And by using the lubricant of rational, self-interest and profit, these markets have created record setting levels of wealth. But markets have also produced huge disparities and unchecked waste. Markets can also fail or ignore whole populations and entire cities. The effects of these imbalances are not only manifest within cities but operate between cities, widening differences and inflating the power of one area to the detriment of another. Markets are plutocracies and respond to those who can turn on or shut off the money spigot. . As such, they work for the strong and disregard the weak with consequences that magnify over time. As we opened the 1970s there were differences between cities. Glasgow was not in the same category as Houston, but it was industrially sustainable and survived by brute strength. Toward the end of the century much had changed. Glasgow was industrially broken and marginalized, while Houston glistened with clean industry and had become core city on the world market (Friedman, 1986).

Markets clear a path for technological progress, but at great human cost. Even within the same nation, we see devastating social polarization exacerbated over time. In terms of social affluence the distance between Houston and Detroit was not great during the 1960s. Both cities were populated by blue collar workers and a stratum of powerful business executives. Over the last three decades the social distances between those cities grew into chasms. Detroit became a sinkhole for wasted industry and Houston thrived as a sunbelt boomtown. Much the same analogy could be drawn between Milan, which has steadily risen to become a city of high affluence and Naples, which is mired in poverty and struggling to keep some kind of industrial base. Across nations the distances can be more glaring. Nothing illustrates this better than a comparison of Toronto with Detroit. Both began the 1970s as major cities for their respective nations. These cities are not a great distance from one another, located at different sides of the Great Lakes, but they are worlds apart. Toronto entered the era in sound social condition and by 2000 it had grown into an upscale, sophisticated city. Detroit also entered the era as a reasonably well off union town, led by a powerful industrial elite, but by 2000 had become a symbol of indigence. While market conditions accounted for some of the difference, regional and national policies could hardly be discounted in making some areas prosperous and others indigent.

Politics and the Art of Balancing Tradeoffs

Only politics allows us to deal with the effects of and compensate for market failures. Good politics can concert local action and bring cities together for mutual cooperation. As a form of politics collective action can make cities aware of complementary strengths, enable them to assess parameters for growth and help them set a strategic course. This is no simple matter because development policies are fraught with tradeoffs. Highly competitive market practices can sometimes provide quick injections of capital, invigorate industry and provide jobs. Yet at the same time they can increase social polarization, tilt imbalances still further and degrade the environment.

It is true that cities require growth in order to redistribute wealth and enjoy the privilege of managing growth. But it is equally valid to be wary of frantic growth or growth at any cost. Cities need to know what they obtain in exchange for the favors they grant investors. Do growth policies yield commensurate payoffs? Do the policies bring “high value” entailing permanent, well paying jobs or “low value” involving intermittent, low paying jobs? Do the benefits serve central city residents or do they leapfrog into more affluent suburbs?

While the scope of our study does not permit us to trace the effects of multiple policies in each of our cities, we can obtain a broad picture. If market policies do anything, they are supposed to create jobs for those in need of them. Investment is supposed to “trickle down” to the unemployed and add jobs. For some clues we turn to cities with an unfavorable market position; those that operate in what we call “dependent contexts” (see Chapter 7). [1] Using the experience of these cities, we can draw an association between their exuberance for pursuing market policies and their success in garnering employment. Table 9.1 provides a snapshot of how dependent cities and their surrounding suburbs have fared on this criterion over a recent period. A recent period during the last decade should give us an idea of how market policies adopted during the 1980s and through the 1990s might have worked. The table lists cities from most to least market centered.

Table 9.1

Employment and Unemployment in Dependent Cities: 1991-1997 [2]

As we can see all of the dependent cities lost jobs. Detroit lost the least number and was down by nearly 11,000 with an unemployment rate of 8 percent. By comparison Glasgow and Liverpool lost 30,000 jobs and 23,000 jobs respectively, and their unemployment rates were slightly higher. During the same period Marseilles and Naples lost 12,000 and 14,000 jobs respectively and their employment rates were well into double digits. As a proportion of total employment the most market centered cities lost about as many jobs as the least market centered cities. We can say that highly market centered Detroit was able to fend off decline somewhat better than its European counterparts. While Detroit’s performance was marginally better, during this period its poverty rate hovered at about 33 percent (State of the Cities Data Systems, March 2001). All the while substantial development benefits accrued to the suburbs rather than the central city. During this same period, Detroit’s suburbs added over 200,000 jobs and experienced half the unemployment (State of the Cities, March 2001). Racial segregation between central city and suburbs remained among the highest in the nation.[3] Suburbanites were also likely to be the heaviest beneficiaries of subsidized office towers, assembly plants, new waterfronts and stadiums. They constitute the city’s white collar labor force, they hold the highest paying jobs, and they alone can afford high priced tickets for sporting events.

While we should not blame market-centered policies for Detroit’s problems, they did not appear to be alleviating them. Certainly, when we turn to Europe the benefits of a market approach are mixed, if not questionable. Here market centered cities fared better on unemployment, but worse on job retention. In fact, social centered Marseilles and

[1] We use these cities because they have experienced similar distress. Also, de-industrialization has led them to pursue different strategic routes toward recovery. This provides a useful, albeit incomplete test, for how well market policies have fared.

[2] Employment is shown by place of work while unemployment is by place of residence. As a general rule employment is confounded by national and regional trends, so the results should be interpreted with caution.

[3] For metropolitan Detroit the index of dissimilarity in 1990 was .83.

non market centered Naples do better at holding jobs than their sister port city, Liverpool or their northern neighbor, Glasgow. Moreover, Marseilles shows signs of recovery. Its port has been revived and this has spilled into some downtown rejuvenation. Since the early 1990s cargo increased by close to 50 percent and the port has begun to add jobs (*Le Monde*, 5 Decembre 2000).

The paradox of more jobs together with more unemployment may reveal something about social centered patterns. We see this contrast in two prosperous cities—Paris and New York. During the last decade Paris added 3 percent to its employment base, while New York added less than half that proportion at 1.1 percent (HUD, State of the Cities Data System, 2001). At the same time Parisian unemployment stood at 10 percent while New York's rate was considerably lower at 7 percent (INSEE, 1999). No doubt other governmental policies also influences this outcome. Social benefits tend to be higher on the Continent than in the United States or Great Britain. Generous social benefits in Europe make it more likely that workers will stay home and collect stipends rather than accept lower paying jobs. Laid off European workers can often collect 70 or 80 percent of their ordinary wages plus health coverage. Also, the French have reduced the work week to just 35 hours without commensurate reductions in pay. This has the effect of maintaining higher paying jobs, but doing less to offset unemployment. In European eyes it is better to not to work than to work at marginal wages.

Other policies may also soften social polarization. Common amenities, free services and discounted rail fares for the needy can go a long way toward promoting a feeling of equalization. When Europeans talk about social coherence they mean policies that enable diverse classes to partake in similar privileges. White (1998) makes this case for both Europe and Asia, arguing that Paris and Tokyo mitigated social division by focusing on a collective benefits and cultural agenda. Both cities provide high powered social policies that cut across class lines and absorb masses of people. This strategy stresses social investment, and it can lead to expenses that are difficult to maintain.

These differences in approach provide a clue to our earlier supposition that market centered policies may be producing an abundance of "low value" jobs in order to stimulate development, but also producing other liabilities. The market strategy emphasizes short term, powerful monetary incentives in order to fill urban vacuums with mega projects, but fall short on long-term benefits for the central city. It exploits and can exhaust physical and human resources in order to promote development.

To be sure this type of development may draw taxes, revenue and indirect income. Tangible and immediate renewal can be appealing and some cities are likely to go it alone in promoting spectacular projects (Olds; 1995; Loftman and Nevin, 1996). But is this a smart way to grow? We think not. For one, central city growth needs to be done in conjunction with suburban growth. Only then can localities exploit complementary strengths and bargain more effectively. Second, if growth policies are to yield substantial returns, inter-local bidding wars must be halted. That is the only way market centered policies can yield worthwhile benefits. Third, localities must learn to share gains so that every participant is rewarded. That is the best way to encourage social centered approaches. Beggar thy neighbor policies will not do, and are likely to scare away more affluent collaborators. Last, "saving the central cities" requires that central cities also save the suburbs and that each save each other. Much as business may form cartels, establish alliances with suppliers, create holding companies or pool information, so too must cities adopt parallel practices. Like business they can do so by showing the divisible and singular benefits to be gained by collaboration. We now take up some approaches that can help to accomplish these ends.

Metropolitan and Regional Approaches

By regionalism we mean the ability of multiple localities within an identifiable geographical setting to work collectively toward common ends. Localities may combine their efforts through loosely organized regional pacts or in more firmly entrenched regional authorities. The ends which any regional pact or authority adopts may be broad or narrow. Essentially we are talking about a range of institutional forms that can engage in inter local cooperation on a metropolitan or regional scale. The institutional vehicles for achieving cooperation can be quite varied. We cite three major approaches consisting of 1) multi tiered government 2) linked functions and 3) complex networks.

Beginning with the *multi tiered* approach, localities can band together and establish an umbrella institution with metropolitan wide functions. Under this arrangement localities retain a number of existing functions, but another level of government takes on a discreet set of responsibilities. The “umbrella tier” either supplants or supplements responsibilities of “lower tier” governments. One way to view multi tiered government is not as a division between “lower levels” or “higher levels” of authority, but as the formation of different kind of authority designed to deal with “narrow” and “wide” kinds of issues.[4] One could very well imagine such an authority taking on responsibility for land use, development and environmental policies. These responsibilities are largely regulatory and developmental in nature, and they accomplish the larger ends of reducing bidding wars and evening out investment. The Greater London Council (1964-1986) Metro Toronto (1954-1998) and the current Minneapolis/St. Paul Metro are examples of multi tiered government.

Next, the *linked function*s approach hinges on an agreement between a higher level government and a single city. Usually the link is developed over a limited set of objectives or responsibilities. The French government uses this extensively to assist cities in realizing particular objectives through a system of contracts with individual cities (*contrats de villes*). These contracts may cover ways in which a city can advance a particular industry (*technopole*) or rejuvenate neighborhoods or adopt strategies for combating social exclusion. Localities voluntarily enter into a *contrat de ville*, and in return for committing themselves to the resolution of a problem receive funding from the national government. This type of linked function has the advantage of flexibility and and the ability to address unique needs. The same flexibility and targeted approach has been used in the United States at a metropolitan level. There linked functions have allowed single cities to enter into developed agreements with their counties in order to share taxes (Louisville) or provided services (Charlotte) or support cultural activities (Pittsburgh).

A fourth route toward cooperation lies in the *complex networks* approach. Here large numbers of independent local governments cooperate through multiple, overlapping webs of inter-local agreements. This is accomplished through voluntarily, horizontal connections and based on varying time arrangements. The idea emphasizes efficiency through competitive advantage and synergy by allowing localities to trade on each other’s strengths. Complex networks are particularly popular in the United States where local independence is highly valued. Its advocates claim localities can retain independence while also reaping the benefits of cooperation through a rich and intricate net of inter local agreement, allowing cities to work at optimal efficiencies (Schneider, 1989;
Parks and Oakerson, 2001).

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[4] A division of labor among tiers is key to this type of government. Some services may be better provided at a higher or lower level depending upon whether the goal is to maximize efficiency, effectiveness, equity, or accountability. Further, this often depends on the type of service, whether capital or labor intensive, and the local context.

None of these approaches is without liability. Multi tiered government may appear to reconcile divergent objectives between localism and regionalism, but it has its problems. Efforts to impose regional solutions on "locals" have met resistance. Small cities dislike being told they must accept an unwanted incinerator or low income housing for the good of the metropolis. National, state or provincial authorities have often overridden metropolitan governments, presumably for overstepping their bounds. Also, aggressive regulation or redistribution can engender resentment or fears of political competition. Politicians at higher levels of government may look askance at regional or "middle level" politicians who can command sizeable constituencies. Not surprisingly, metropolitan tiers often find themselves crushed between the grindstones of local and higher levels of government. While metro governments look good on paper, the record is mixed. They appear to do best during their initial years of operation and act with great gusto, but as time goes by the glitter fades. Metropolitan tiers in London and Toronto have been abolished, while the Minneapolis/ St. Paul Metro has found itself under fire (Harrigan, 1996).

Likewise, linked functions and complex networks are also handicapped. Their partial, flexible and selective approach can create an impression of being temporary, "band aid" measures. Another difficulty with these approaches is their reliance on self-direction and voluntarism. The perception is that self-direction is also no direction. An absence of comprehensive, agreed upon objectives can lead to helter-skelter policies. Critics would argue that without any central authority, there would be no assurance regional problems will be addressed, much less an ability to compel compliance. Without strong enforcement localities could simply disregard any order with which they disagreed (Norris, 2001). Moreover, weak compliance can only rationalize the status quo. Anything localities do can be explained, *ex post facto*, as an effort to address regional issues. Last, the *complex networks* approach ignores the stubborn problem of collective accountability. Exactly, which localities or networks determine overall performance is left open.

Even while taking account of these liabilities, these institutions also have substantial assets. Metropolitan tiers accomplished a great deal when they were given adequate support. London's authority ran the underground, built housing, carried out strategic planning and defined Greater London by a Green Belt that preserved open space. All this was done with remarkable skill and success. Despite its missteps the Greater London Council was quite popular and its abolition was vigorously opposed by most citizens (Savitch, 1988). Little more than ten years after abolition, London again has turned again to a metropolitan strategic authority led by an elected mayor. Toronto's Metro government could point to a similar list of accomplishments like fair share housing, land preservation and equalized social services. It too enjoyed popular support, and, in the face of abolition, Torontonians came to Metro's defense. Now that it is gone and Toronto's metropolis has expanded, politicians struggle with the need for a regional tier of government. Indeed, it was not so much policies that undid London's and Toronto multi tiered governments, but political punishment from opposition leaders who cultivated a different constituency.

For all the criticism against the governance approach, linked functions and complex networks have steadily gained ground. And while the detractors have a point they do fall short of the mark. Thus, by focusing solely on the ability to compel, critics ignore that localities can find common ground and use that to achieve mutually compatible ends. Voluntarism can be a powerful tool because it is incremental, non threatening and capable of growing by trial and error. Complex adaptation to local condition may be a good thing, because it is organic and it has the potential to grow through the accretion of mutual benefits. This permits localities to address what has come to be called the "new regionalism"—an agenda focusing on growth, the environment, land use controls and social equity. The "new regionalism" also explores ways in which governmental institutions can more creatively bring localities together.

Government, Governance and Regionalism

Both the linked functions and complex networks approach point up the need to think of regional institutions as more flexible, resilient and adaptable to rapid change. The urgency is fed by a sharpening dichotomy between the notion of government as opposed to governance. The classic idea of *government* entailed formal institutions, elections, established processes of decision-making, and administrative structures. *Government* is an elaborate machine that operates through hierarchical layers of political authority and accountability. Heretofore, most efforts to introduce metropolitan or regional government meant an addition of brand new layers of authority—staffed by a chief executive, a legislative body and a bureaucracy.[5] *Government* is a fairly encompassing form of organization—a legitimate monopoly that takes responsibility for both providing and producing public services. By contrast, *governance* has a different connotation. It conveys the notion that existing institutions can be harnessed in new ways, that cooperation can be carried out on a fluid and voluntary basis among localities, and that people can best regulate themselves in horizontally linked organizations. *Governance* also recognizes that localities can provide public services without necessarily producing them (Parks and Oakerson, 1989). That is, localities can provide (arrange for) services by entering into a great variety of contracts and arrangements with other governments, non-profit organizations or private corporations that undertake the production (delivery) of services. Cities can do this by shifting their perspective from traditional notions of inter-local rivalry to regional or metropolitan modes of inter-local cooperation.

In sum, where *government* is vertical and firmly institutionalized *governance* is flat and flexible. Where *government* is formal and directed from above, *governance* is informal and self-regulating. Where higher level *government*, like nations, provinces or states, connect to localities through demarcated procedures, lower level *governance*, like inter local agreements, is looser and less confined by boundaries. *Government* emphasizes the centralizing features of regionalism while governance stresses the decentralizing virtues of local cooperation. By and large the multi tiered approach is a form of *government* while linked functions and complex networks are types of *governance*.

We see *governance* not as a replacement for *government*, but as an additional mechanism for promoting inter local cooperation. We also note that some types of governance have drawn a good deal of attention because of their adaptability to the global economy. Globalization calls for a simultaneous ability to unify local governments and combine resources but also plays to their diversity and responsiveness. Smaller government which can combine resources as the need arises yet innovate under pressure are best suited to the global era (Porter, 1995; Savitch, 1998). With some degree of success localities in Europe and North America have used regional institutions to forge partnerships and meet global challenges (Clarke and Gaile; 1998).

Whether localities are organized through multi-tiered arrangements or by linked functions or in complex networks, our survey suggests that regionalism can enhance citizen choice if it also lends itself to sustaining the bargaining capacity of cities in the capital marketplace. At least in theory, regional intergovernmental cooperation ought to promote the bargaining leverage of localities in several ways. First, it can broaden the local fiscal

[5] For purposes of this article we use the terms "metropolitan" and "regional" synonymously.

base. This enables local governments to more easily substitute public sector investments for private sector investments and to shift the cost of providing services to governments with a larger and more elastic revenue base. Fiscal regionalism ultimately could encourage local governments to undertake longer term perspectives in fashioning urban development strategies—in turn, giving greater attention to social priorities rather than just going after every last tax dollar to cover tight local budgets.

Second, regional institutions can expand the territorial reach of regulatory programs aimed at checking the mobility of private capital for public purposes. In Paris, regional institutions worked in consort with the national government to control the movement of industry during the 1970s (through differential taxation, specialized zoning and the placement of infrastructure). Third, greater regional cooperation may also limit self-destructive intra-metropolitan economic competition that simply moves jobs around without adding any new wealth to the region. For example, the inability of the Port Authority to prohibit the use of supply side business incentives to lure jobs from localities and states in the New York region allowed business to play local governments off against each other. If a regional prohibition on this form of "sheep stealing" were enforced, there is little doubt that little doubt that it would strengthen the bargaining hand of individual local governments in the New York metropolitan area.

Is there evidence that regionalism can actually work in the way theory predicts? Regional governmental intervention was significant in most European cities.. In our North American cities it was most significant in Toronto, it played a minor role in New York, a weak role in Houston (functioning through the municipality's vast size) and it was virtually absent in Detroit. Because regionalism is bound up with so many other institutions it is not easy to sort out from other of public intervention, and the effects of regional efforts are all the more difficult to ascertain. Nevertheless, we can trace its strands and offer some generalizations and begin with the strongest regional efforts.

France illustrates the complexities of regionalism.. As mentioned in Chapter 3 and elsewhere, intergovernmental relations defy neat dichotomies between centralization and decentralization. Indeed, these two traditions can complement each other. In different ways cities are products of each tradition and regional institutions find themselves at the juncture of local and national action. In Paris, the regional institutions receive funding from the state and work in collusion with the city and other departments within an enormous area of nearly 5,000 square miles (known as the *Ile-de France*). A regional council and social-economic council operate across local boundaries. These institutions assist in infrastructure and transportation, they help build new towns and even recruit industry. Almost every major project around and in Paris has been undertaken with regional cooperation. *La Defense* and most recently *Paris: Rive Gauche* are two notable examples.

In Marseilles, regional institutions have grown by increments since the early 1990s. Beginning in 1992 Marseilles began working with three surrounding localities through a public corporation. In this early stage inter local cooperation focused on minor projects like roads and traffic. Gradually, and with incentives from the state, that cooperation has grown and by 2000 encompassed eighteen localities. What has come to be known as a *Communaute Urbaine is* now overseen by a common regional body drawn from the local mayors and councilors of its constituent municipalities. Marseilles' Communaute Urbaine now collects a common tax on business, substantially eliminating the incentive for localities to bid against one another for private investment. Inter local funds are now used to build infrastructure, provide amenities, construct social housing and stimulate development. The grand project opening the city to the sea, EuroMediterranean, is also supported and represented by this newly emerging form of regional governance.

Toronto also presents a case for regionalism. For decades the Toronto region was served by a Triple Alliance between province, metro and city. It was formed when the city of Toronto was one-half of the region's population and about three-quarters of its tax base. As Metro Toronto guided the metropolitan area's growth, assuming responsibility for overall land use planning, transportation and infrastructure systems within its 240 square mile jurisdiction, it displayed all the capability one could expect of a regional government. It provided regional revenue sharing, dispersed social housing and funneled capital investment into strategic areas without leaving its constituent governments to be played off by business investors and developers. Its position was undermined only in recent years as the provincial government of Ontario refused to allow Metro's jurisdiction to expand beyond its original 240 mile area. Since the Greater Toronto area now has a population of 4.5 million scattered over 2,700 square miles, the bargaining capacity of the new unitary government legislated in 1996 has diminished considerably. Not surprisingly, there has been a policy shift on the part of Toronto in favor of more market centered approaches, as described in Chapter 4 and 6. Presumably, Toronto's success in taming growth, equalizing revenues and resisting rapacious intra-jurisdictional competition will rekindle if regional governance is strengthened in future reforms.

In New York only very limited forms of regional governance are at work in the form of the bi-state Port Authority and a public mass transit conglomerate (the Metropolitan Transportation authority). As discussed in earlier chapters, neither of these institutions has been able to play a very assertive regional role in coordinating local development policies. Although it could be argued that "regional style" government was also present in Houston due to its large territorial size (a point discussed below), its tradition of limited government surely limits any regional ambitions. In all, however, in at least six out of the ten case cities there is some kind of track record to examine.

In the other European cities regional approaches show a spotty record of helping poor central cities in the ways predicted by theorists, however. In Italy the regional institutions that were created in 1970 played only a marginal role in development planning in Milan and Naples due to their limited powers in this area of public policy. Nevertheless the Lombardy regional council was able to assert an important mediating role in transportation planning of Milan. In Naples the Campania region demonstrated importance in coordinating earthquake assistance to localities. If their powers were to expand, regional governance in Milan and Naples may grow in the direction that reformers anticipate—but it has not yet happened.

On the other hand, another type of Italian regionalism--the huge Southern aid programs administered by the *Agencia* and its predecessor, the *Cassa del Mezzogiorno*, powerfully influenced Neapolitan development along with that of other poor cities located south of Rome. Yet these forms of regional intervention did not work as expected. The availability of large amounts of public assistance for infrastructure and housing helped compensate for lagging private sector investment in Naples, especially after the earthquake that rocked the city in 1980. No doubt the availability of this assistance enabled Naples to plan far more equitable recovery programs, especially in the area of housing policy where more than 20,000 housing units were built. Yet the regional agencies never were able to coordinate development assistance in league with Neapolitan officials in order to plan very effective use of comparatively vast public monies. The history development politics throughout the region was one of haphazard planning, uncoordinated decision making and corruption-ridden programs. At the local as well as at the regional levels rampant clientelism undermined much regional coordination. So fragmented were the city's development activities that the European Union (then called Community) helped set up the Naples Integrated Operation in an attempt to rationalize the administration of extant public services and public investments. This program was terminated during the 1990s without leaving much of a mark.

The most potent regional strategy occurred in Glasgow. Here the Scottish Development Agency aggressively shaped the city's development planning. It dwarfed the role played by the Strathclyde regional council in economic development. But Glasgow's regional gamble did not pay off as theory would predict—and, indeed, this case raises serious question about the wisdom of poor central cities relying on regional overseers to help them. Our survey shows that the SDA initially sought to check the city's precipitous decline by undertaking various compensatory measures that targeted its investments to the region's worst black spot areas, including Glasgow's deprived eastern neighborhoods. Over time, however, SDA policies did less and less to tilt assistance to Glasgow. After the mid-1980s the agency promoted job growth anywhere it could in the region, helping to fuel a pattern of suburban development that leaves Glasgow behind. Political reorganization during the 1990s shifted power to quasi-governmental local agencies that are explicitly supposed to solicit the needs and preferences of the private sector and to compete for assistance from Scottish agency officials. This has, in turn, forced city officials to place their bets on downtown-centered job strategies that largely by-pass the neighborhoods in order to find a pathway to economic revival. Ironically, regional planning appears to be supporting free-swinging American style development in which economic competition among cities and suburbs increasingly drives what is happening.

The experience of our cities with regional governance reveals troubling dilemmas that seem inherent in a this strategy. In highly centralized intergovernmental contexts, such as France and Italy, regional cooperation is more important as a means of democratizing development policy than as a way of enhancing the bargaining capacity of local governments. The overwhelming role of national programs of fiscal equalization, public investment and economic regulation render regional institutions somewhat redundant as a means of achieving leverage over the international marketplace. To be sure, reforms that democratize and encourage political participation add to the steering capacity of local government; this, in turn also enhances their ability to bargain. But it is unclear if specifically *regional* institutional reforms are necessary in order to obtain that. For example, in Italy reform of the party system and successful prosecution of official corruption did much to enliven local politics during the 1990s.

In contrast, where regional governmental agencies are more autonomous and have extensive territorial boundaries they seem to have limited interests in helping the poorer parts of the region. This is because regional governments seek to compete as regions. Their "big view" of regional interests is unlikely to give very high priority to areas that do not contribute much to regional economic performance unless they are constrained to do so by political overseers. Further, these "big box" governments need to represent diverse urban constituencies that differ in respect to income, growth, revenue capacity and populations. The wider are regional boundaries, the more that poorer central city constituencies will be relegated to minorities by big suburban voter blocs. In effect, powerful economic and political interests will discourage big regional governments from being reliable allies for needy central cities.

This disturbing conclusion is suggested by several of our case cities. Glasgow found that SDA officials became increasingly absorbed in helping fast growth suburban areas and in the "Silicon Glen" corridor near Edinburgh than in trying to revive high unemployment inner city neighborhoods. Even Toronto's experience is showing signs of following this logic. Metro Toronto's ability to continue its successful regional programs was contingent upon expanding its political boundaries in order to keep up with population and job dispersal in the region. But this was stopped by a political coalition at the provincial level having extensive support from Toronto suburbs. Had Metro been allowed to expand there is little doubt that these suburban interests would change political calculations in a bigger Metro.

Similar suburban interests have arisen to resist the further territorial expansion of Houston. Although technically not a regional government, Houston's political control over more than 625 square miles functionally makes it one at least in size. As Houston's territorial boundaries have grown, however, economic and political pressures have militated against the city acting like the one that regional reformers would like. The city has largely continued to pursue its traditional pro-growth strategies of expanding into the region even at the cost of depriving older inner areas of attention. Efforts to resist further annexation of new areas mostly come from the state government using legal barriers in response to pressures from suburban voters—not from city officials seeking to balance growth with equity for under-serviced and over-taxed neighborhoods.

The case for regional strategy seems to make most sense for fairly compact metropolitan areas where it can be demonstrated that there are salient common socio-economic interests served by greater regional governance. Here, it may be possible that highly visible social interdependencies (such as common problems and unemployment problems) help generate political support for policies to enhance fiscal equity and regional development. By limiting the territorial scope of regional governance the probability of forging reliable governing coalitions is also enhanced. Similarly, limited forms of cooperation, such as the linked functions in the USA or the *contrat de ville in France,* in which single cities enter into agreements with another government in order to provide services or share revenues may also have a firm foundation. The difficulty, of course, is that those who seek regional solutions usually want "big box" government to force more prosperous jurisdictions to help disadvantaged areas. Therein lies the contradiction. In larger and more diverse regions poorer jurisdictions run up against powerful interests who seek regional competitiveness without helping poorer areas and who are under political pressure to avoid redistributing resources.

What is clear, however, is that regionalism is no magic bullet for cities. Regional reform requires choosing appropriate forms of regional cooperation for each specific political context. In some it may be superfluous; in others it must be shaped to accommodate particular political and economic realities. No one size fits all.

National Urban Policy

Whatever the advantages of regional strategies, they seem likely to diminish over time. As regional economic competition spreads, metropolitan areas may actually succeed in forging cooperative institutions to support common approaches to the international marketplace. Even if this happens, however, regionalism's success will carry the seeds of failure. The growth of economic competition among regions will merely replace competition among cities, suburbs and other smaller units of government. Business interests will be able to play off one region against others, much as they do in bargaining with cities today. Pressure to compete as a region is also likely to discourage regional officials from helping lagging parts of the region or supporting forms of revenue equalization. In the long run at least, a national urban policy that can contain dog-eat-dog competition may be a superior means of enabling local governments to become better bargainers.

The last four chapters provide fairly consistent evidence for this conclusion. We find that the ability of local governments to cope with the social consequences of global post industrialism is greater in nations where national policy makers are powerful overseers of local development.

Specifically, vertically integrated intergovernmental systems usually confer important bargaining advantages on city government in the capital marketplace; governmental systems that shift political and fiscal responsibility downwards to the cities weaken their bargaining capacity.

In integrated political systems where national government firmly engages localities through unified territorial administration, oversight, fiscal support and political linkages, city development officials think and act differently than do their counterparts in the United States. They look less to the marketplace for their cues and regard the matter of fashioning urban programs more as a political process. They are inclined to be less market centered in their policy choices. As a group, they are supportive of social intervention in the development process in order to spread the benefits of growth and cushion vulnerable populations form its negative consequences.

To be sure, intergovernmental arrangements are only one bargaining resource. It is a mistake to think that it is all-important. Indeed, some cities, such as New York, were able to sustain fairly ambitious social centered development programs despite lack of extensive national or state assistance. New York's economic prowess, its open and competitive political system, and its left-leaning political culture combined to compensate for abandonment by higher governments. In contrast, other cities in highly integrated governmental contexts, such as Naples, lacked the political will to exploit their substantial intergovernmental advantages. The city's limited ability to steer relatively abundant public power and resources to public purposes hamstrung its designs.

Overall, however, cities that could access significant fiscal and political resources from higher level governments could more easily pursue a wider choice of development strategies even if, as in Marseilles, their poverty and their subordinate position in the global marketplace placed important limits upon them. Moreover, we find that this pattern tends to hold over time. During the last 30 years nearly all cities have become more "market centered" in the use of policy tools. Yet where national governments provided substantial fiscal and regulatory support to local governments cities were able to avoid dramatic of ratcheting down of their historic social commitments.

In the face of this evidence, one might conclude that sustaining national governmental involvement in urban development is the way to make cities better off. But that oversimplifies how national urban politics really works. While national urban intervention may limit city dependence on the capital marketplace, it also increases dependence of local citizens on the public sector and the vicissitudes of national politics. In countries with vertically integrated governmental systems many of the decisions that shape the future of particular cities are made at a distance in a political process whose dynamics sometimes relegate its citizens to minor players. National urban policy can help cities to expand choices, but it also can be turned against particular cities.

This downside of national urban policy was visible in our cities. Changing national politics sometimes enmeshed localities in ways that their officials were not always happy about. In Britain a shift away from social centered forms of development programs occurred in Liverpool and Glasgow after the election of Margaret Thatcher in 1979. Her government's stand-off with Liverpool's radicals shattered the city's regime and forced it down a pathway of "mainstream" development that, for better or worse, has yet to bear much fruit. Her neo-liberal government also helped to nudge the Scottish Development Agency in the direction of marginalizing Glasgow in a new regional strategy. As SDA became reorganized into a more decentralized operation called Scottish Enterprise, its officials found that promoting growth in suburban areas and New Towns would win more approval from national overseers than continuing a fight aimed at the inner-cities.

In integrated governmental systems local politicians who seek new initiatives for their cities sometimes find that national urban politics can be a trap. In Italy the instability of national governments, the constant shifting of party coalitions and the catch-as-catch-can style of patronage politics undermines the possibility of sustaining a genuine national urban policy. This forces local officials to cobble together uncertain alliances held together by the glue of partisanship and patronage in order to secure the cooperation of national governments. Caught in a web of clientelism that stretches through party and bureaucratic channels all over the country, local politicians are strongly oriented to events in Rome rather than in the city halls. For instance, in Naples the scramble to protect turf, lay claims, and capture bits and pieces of the national aid programs was driven by political alliances in Rome, leading to huge waste in projects for reconstruction after the 1980 earthquake. Following that experience, changing political direction hinged not only on new local leadership, but also on events at the national level. For instance, the rise of mayor Antonio Bassolino and his entrepreneurial style government was made possible by the collapse of the party system all over Italy, including Naples. This, in turn, was driven by judicial magistrates in Milan and Rome using the national courts to prosecute office holders in nearly every major city. Without the nation-wide disintegration of the old politics and its parties it is difficult to imagine the meteoric ascent of this reformer mayor in a machine town like Naples. Indeed, the mayor's sudden appearance was due in part to a decision by party chieftains (of the *Rifondazione*) in Rome to send in someone to clean up the city.

Of course the dynamics of national politics may also work to enhance local choices and support local initiatives. In Paris Jacques Chirac's leadership and right-of-center partisanship ensured close cooperation between local projects and national planners. It also materialized in Glasgow during the 1970s after the Labour government decided to launch inner-city initiatives that in Scotland resulted in the birth of a special development agency to regenerate black spot areas.

It would be dangerous to assume that the benefits of a European style national urban policy would necessarily be duplicated in the United States, However. Since the 1960s America's big cities have become marginalized in national presidential voter coalitions as urban populations and jobs shifted to the suburbs and the cities of the Sunbelt. The result has been dwindling big city congressional representation and the election of national administrations lacking interest in aiding older Frostbelt cities like Detroit and New York. National urban programs steadily fell to the wayside. Today any attempt to seriously expand federal power over urban planning would probably generate new regional conflicts over economic development that suburban and Sunbelt would probably win. The end result would most likely further tilt federal attention away from the central cities. Alternatively, this could produce regional political stalemate, relegating federal urban to the sidelines—the pattern that originally undermined federal involvement in city building during the 19^{th} century (Kantor, 1995: Ch. 2).

In essence, the politics of national urban policy can work in many different directions—and not always in ways that cities want. The case for national intervention is strongest when it when it is not highly contingent upon the dynamics of national coalition-building and partisanship. That is, national urban policy is best it is less discretionary and mostly provides the means by which localities can make their own choices about development policy. The most valuable national assistance that enhances city bargaining are non-discretionary fiscal programs that equalize revenues among cities and provide funds for capital projects in cities from national funds, rather than from the private marketplace. National grants in aid to equalize spending capacity, intergovernmental tax sharing and the use of national credit to borrow on behalf of local governments for their capital needs are key components of the integrated governmental systems in Western Europe and

Britain. Together these fiscal devices help liberate their city governments from excessive dependence on private capital. This allows local public economies to move with greater freedom and responsiveness to local community values. In addition, because it helps free local officials from having to dedicate economic and tax policy to satisfying private investor interests, systems of national fiscal support also encourage opening up the policy making process to competing citizen interests, democratizing governance. Local regime-building comes to depend more on what people who live in the community want and demand, rather than their to what the marketplace will allow.

Institutional Innovation and City Bargaining

Looked at from our bargaining perspective, growth, regionalism and national urban policy all help strengthen the ability of local governments to influence the international marketplace. Comparative analysis of experimentation with each of these approaches as cities have coped with a massive restructuring of their economies shows that political innovation matters. What stands out most, however, is that these strategies are not equal from the standpoint of enhancing citizen choice. some of them empower local communities more than others.

Although the growth strategy attracted the largest following among our ten cities, there is not much evidence that drives to increase the competitive position of cities produces many of the results claimed by its proponents. This reality is most evident in the poorest cities where efforts to limit their economic subordination seems to generate greater inequalities. Regional institution-building holds considerably more promise for expanding city bargaining capacity and choice. Most of the European cities and the one North American city that pursued regional political innovation found greater empowerment at the end of thirty years of economic restructuring. Yet regionalism is clearly no panacea. Its impact on city bargaining proved quite variable. Difficulties were encountered in tailoring appropriate forms of regional cooperation to political contexts. Further, regional governance is plagued by inherent dilemmas that undermine its capacity to help poor cities as regional governments it extend their reach.

Overall, national urban policies are clearly the most efficacious strategy. Revenue sharing and equalization, national oversight of local planning and other forms of national regulation of city building have a dual strategic function. They help shield cities from the winds of the global marketplace while protecting communities from each other as they compete for economic power. Ironically, however, the very institutional structures that enhance economic opportunities for cities also limit their political choices. Greater vertical political integration is a double-edged sword. National governments do not always act as cities may wish. Favorable national urban policies are not easily sustained in some political systems. Juggling political and economic dependency to achieve a desirable balance is an unavoidable struggle.

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Table 9.1

Employment Circa 1990 - 1999

Market Centered		City	Employment Lost 1991 – 1996-7-9	Percent Change 1991 – 1996-7-9	Unemployment Rate 1996-7-9
		Detroit	-10,863	-4.00%	7.90
	most	Glasgow	-30,003	-11.40%	9.87
		Liverpool	-23,011	-15.97%	10.37
	least	Marseilles	-11,614	-4.70%	23.30
		Naples	-13,746	-4.65%	43.00

Notes: Actual years are as follows: Marseilles: 1990-1999; Glasgow & Liverpool 1991-1996;Detroit:1991-1997;**Naples:1981-1991**

Sources: Detroit: State of the Cities Data Systems: Current Labor Force data, SOCDS Special Extract from County Business Patterns; http://socds.huduser.org/index.html

Marseilles: Recensement de la population 1999 - Exploitation principale - Copyright INSEE:http://www.recensement.insee.fr/

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