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Susan S. Fainstein

Ann Markusen

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THE URBAN POLICY CHALLENGE: INTEGRATING ACROSS SOCIAL AND ECONOMIC DEVELOPMENT POLICY

SUSAN S. FAINSTEIN*
&
ANN MARKUSEN**

I. INTRODUCTION

The uprisings that raged through Los Angeles in April 1992 propelled the issue of urban policy on to the national agenda after a decade of neglect. They left in their aftermath calls by community groups and members of Congress alike for attention to the racial ghettos of our distressed inner cities. This violence and outcry bore an uncanny resemblance to events in the late 1960s. At that time, civil unrest in Watts and other American neighborhoods prompted demands for national action, which led to the *Kerner Commission Report*.

In this paper, we argue that the Kerner Commission got some things right and some things wrong. It correctly noted the need for place-based policies to overcome poverty and disinvestment, a public policy principle abandoned during the twelve years of the Reagan and Bush Administrations. What it missed was the need to integrate economic and social policy, both at the urban and national levels. This blind spot led to the championing of policies which evolved into separate, piecemeal social services segregated from new, local economic development policies. Together, these independent social and economic policies had a perverse result: they failed to halt capital outmigration, deepened urban poverty in the inner city, and cut into the resources that state and local governments had at their disposal to reverse these trends. This time around, an effective urban policy must blend social and economic policy if inner cities are to be revitalized and their residents provided a life of adequate employment and hope. We examine first the "place versus people" debate and then discuss the elements of integrated national policies oriented toward urban areas.

* Professor, Department of Urban Planning and Policy Development, Rutgers University. B.A. 1960, Harvard University; M.A. 1962, Boston University; Ph.D. 1971, M.I.T.

** Professor and Director, Project on Regional and Industrial Economics, Rutgers University. B.S.F.S. 1968, Georgetown University; M.A. 1972, Michigan State University; Ph.D. 1974, Michigan State University.

II. PLACE-BASED VERSUS PEOPLE-BASED POLICIES

Since the 1960s, economists and policymakers have carried on a desultory intellectual debate over whether policies should be aimed at places, like inner cities and depressed rural areas, or at people. In a seminal paper published in 1966, Louis Winnick argued against programs aimed at places and for those aimed at individuals.¹ He believed both that aiding places was an inefficient way of reaching worthy individuals, in that some unworthy (i.e., higher income) residents would receive some of the benefits, and that assisting some places at the expense of others imposed penalties on the worthy residents of places not targeted.² By and large, this view was adopted by most economists over the next two decades, even though the necessity for quick action and the nature of politics in the American federal system, with its territorially-based representation, ensured that some place-based policies would nevertheless be crafted.

The 1968 *Kerner Commission Report*, without explicitly addressing the underlying rationales, argued for place-based policies. To combat unemployment, for instance, it endorsed the consolidation and spatial concentration of employment services in twenty select inner cities and two rural high-poverty areas, and it recommended tax credits for the location and renovation of plants in a limited number of urban and rural impoverished areas.³ In 1980, however, the President's Commission for a National Agenda for the Eighties, which was established under President Carter but reported on the eve of the new Reagan Administration, took a strong position in favor of assistance to individuals. It contended that place-oriented policies diluted the efficacy of funding directed at poverty alleviation and that some localities should be allowed to shrink and their residents encouraged to relocate to more promising locales.⁴

Dissenting scholars have written in defense of place-based policies,

1. See Louis Winnick, *Place Prosperity vs. People Prosperity: Welfare Considerations in the Geographic Redistribution of Economic Activity*, in *ESSAYS IN URBAN LAND ECONOMICS IN HONOR OF THE SIXTY-FIFTH BIRTHDAY OF LEO GREBLER 273* (Real Estate Research Program, University of California at Los Angeles ed., 1966).

2. For a discussion of Winnick's contribution, see Roger Bolton, 'Place Prosperity vs People Prosperity' Revisited: An Old Issue with a New Angle, 29 *URB. STUD.* 185-203 (1992). See also Matthew Edel, 'People' versus 'Places' in *Urban Impact Analysis*, in *THE URBAN IMPACTS OF FEDERAL POLICIES 175-91* (Norman J. Glickman ed., 1980).

3. See *REPORT OF THE NAT'L ADVISORY COMM'N ON CIVIL DISORDERS 233, 236* (Bantam Books 1968) [hereinafter *KERNER COMM'N REPORT*].

4. See *PRESIDENT'S COMM'N FOR A NATIONAL AGENDA FOR THE EIGHTIES, URBAN AMERICA IN THE EIGHTIES* (U.S. Government Printing Office 1980). For a review of how urban policy lost its place-based focus and succumbed to an economic developmentalist approach, see Ann Markusen & David Wilmoth, *The Political Economy of National Urban Policy in the USA, 1976-1981*, 5 *CANADIAN J. REGIONAL SCI.* 125-44 (1982).

particularly those aimed at cities. Taking issue with the Commission for a National Agenda in the Eighties, Gordon Clark championed place and community as important national values that would be injured by policy-driven outmigration.⁵ Ann Markusen argued against a national policy of neutrality toward the pace of change. She demonstrated that rapid change, which decimated older, industrial inner cities, created underutilization of urban infrastructure and, at the same time, accelerated suburban and exurban growth, resulting in costly and unnecessary subsidies for erecting new infrastructure in the latter.⁶ Roger Bolton recently has reviewed this literature. He pioneered a new conceptualization of the value of a "sense of place" and reissued the call for policy directed toward localities.⁷

Although Clark based his normative argument on equity grounds, while Bolton and Markusen relied on efficiency criteria, both approaches agree on two basic phenomena: first, positive externalities not registered in the marketplace and not reducible to individual experience reside in places; second, preservation and enhancement of these externalities are in the national interest for both efficiency and equity reasons. Externalities are the consequences, positive and negative, of behavior which are experienced not by the actor but by others in the environment, be they businesses, governments, or individuals. Espousing theoretical approaches that offer firms and workers the maximum flexibility in choosing where to live and do business does not guarantee that total social welfare will be maximized.

Several types of externalities have been articulated. First, there is the impact of firm and individual behavior on other individuals—the improvement or deterioration in social circumstances (the change in community, family, psychic satisfaction, or recreational opportunities), in asset values (chiefly of owner-occupied housing), in job prospects, in the transfer of information, and in public services. Bolton's work is particularly acute in exploring the "sense of place" as an asset in which people are willing to invest and from which they gain returns.⁸

Second, a rich literature on urban agglomeration shows the value of

5. See GORDON L. CLARK, *INTERREGIONAL MIGRATION, NATIONAL POLICY, AND SOCIAL JUSTICE* (1983).

6. See Ann Markusen, *Federal Budget Simplification: Preventive Programs vs. Palliatives for Local Governments with Booming, Stable and Declining Economies*, 30 NAT'L TAX J. 249 (1977).

7. See Roger Bolton, *An Economic Interpretation of a "Sense of Place"* (Williams College Research Paper No. 130, 1989) [hereinafter Bolton, *A "Sense of Place"*]; Bolton, *supra* note 2, at 185-203.

8. Bolton, *A "Sense of Place," supra* note 7, at 16.

place for firms⁹—the entry or exit of other firms in the environment may affect the cost structures and sales opportunities for existing firms. Central places like cities offer important advantages due to economies of scale resulting from their status as major loci for information, goods, labor, and consumption. Disagglomeration—the deterioration of networks of firms and labor pools when capital outmigration occurs—is a dynamic process that can be set off by a rather mild but coincidental withdrawal of some subsegment of the economic community, causing a cumulative process¹⁰ that ultimately can be quite destructive to the ensemble of income-generating activities characterizing an area economy.

Finally, rapid changes in neighborhoods affect subnational governments whose investments in infrastructure and public services presume a certain size and character of the locality. Both revenue concerns and scale economies shape the quality and level of public services and new investments in long-term infrastructure. Rapid rates of growth or unexpected rates of decline create negative externalities that make public service provision difficult and often inefficient. Underutilized public sector capacity is wasted, while overutilized capacity diminishes the quality of services for residents. The allocation of federally funded infrastructure—highways, sewer, and water projects—also may be inefficient and inequitable if it does not take place-based factors into account.

The justification for place-based policies is that benefits such as the sense of place, agglomeration economies, and public infrastructure are geographically *fixed* assets, with returns that are at least in part “public goods.” Social service and employment policies aimed at individuals and economic development policies targeted at individual firms regardless of place can contribute to the deterioration of any or all of these place-based assets. For example, an investment tax credit that encourages firms to build new plants in suburban or exurban locations rather than maintaining or building them in existing communities has negative consequences for workers, firms, and city governments left behind.¹¹ A policy orienta-

9. For original works on agglomeration, see WILBUR R. THOMPSON, A PREFACE TO URBAN ECONOMICS (1965), JOHN FRIEDMANN, URBANIZATION, PLANNING AND NATIONAL DEVELOPMENT (1973), ALLAN FRED, CITY SYSTEMS IN ADVANCED ECONOMIES: PAST GROWTH, PRESENT PROCESSES, AND FUTURE DEVELOPMENT OPTIONS (1977), and HARRY W. RICHARDSON, REGIONAL ECONOMICS: LOCATION, THEORY, URBAN STRUCTURE, AND REGIONAL CHANGE (1969).

10. See Nicholas Kaldor, *The Role of Increasing Returns, Technical Progress and Cumulative Causation in the Theory of International Trade and Economic Growth*, in THE ESSENTIAL KALDOR 43-61 (F. Targetti and A.P. Thirwall eds., 1989).

11. See Michael Luger, *Some Micro-Consequences of Macro Policies: The Case of Business Tax Incentives*, in PROCEEDINGS OF THE NATIONAL TAX ASSOCIATION—TAX INSTITUTE OF AMERICA (1981).

tion that pays attention to these fixed assets leads inevitably, then, to advocacy for place-sensitive programs at the national level. Indeed, during the Carter years, it was recommended that all national policies be evaluated, via "urban impact statements," for their positive or negative impact on spatially fixed assets.¹²

In reality, it is very difficult to measure agglomeration economies, public sector capacity utilization, and the value of an area's sense of place. Bolton explores the measurement problems for the latter at length, acknowledging the difficulties.¹³ These externalities are indeed considerable—the size of our social services and economic development budgets are one indicator of just how substantial they may be. Place-based policies are a legitimate, if imprecise, way of preserving existing externalities, economizing on the provision of public infrastructure, and eliminating some of the displacement that otherwise reappears as claims on the social services budget. Providing protection, stability, and continuity for existing communities and directing resources to those which, at any one point in time, are at risk can be a powerful way of increasing both standards of living and the viability of local economies. This has become a rather novel idea in 1992, after a decade in which we developed national amnesia about the importance of place and the lessons of the 1960s. Yet, because racial concentration in inner cities has barely diminished in the intervening period, the need for policies that take into account the coincidence of place and poverty has only become more obvious.

Place-based policies encompass both urban and rural locales. For historical reasons, concerning both sectoral specialization and different cultural patterns of settlement, the two have been treated separately, with policy-making power delegated to different agencies. The problems of rural areas and their remedies often have been closely tied to agriculture and natural resource development, and to the special problems of Native-American (in the West), African-American¹⁴ (in the cotton-belt South), and poor white (Appalachian) populations. Urban areas, on the other hand, experience problems associated with industrial decline, suburbanization of economic activity, and the mix of populations built up from poor black migrants from the rural South and immigrants from

12. See THE URBAN IMPACT OF FEDERAL POLICIES, *supra* note 2, at 3-19, especially Ann Markusen, *Urban Impact Analysis in the U.S.: A Critical Review* 103-07, for a review of the urban impact statement proposal.

13. Bolton, *A "Sense of Place," supra* note 7, at 32-37.

14. Editor's Note: The contributors to this Symposium have used the terms "African American," "black," and "black American," often interchangeably, in their articles. The *North Carolina Law Review* has elected to defer to its contributors' choices in the absence of any universally accepted racial or ethnic designation.

abroad. In this Essay, we confine our analysis to the urban case, although analogous arguments can be made for rural policies.

III. THE TASK: INTEGRATING ACROSS SOCIAL AND ECONOMIC DEVELOPMENT POLICY

When the *Kerner Commission Report* was published in 1968, the United States was at the peak of its post-World War II affluence. The massive restructuring of employment and space that loomed just beyond the horizon had not yet come into view.¹⁵ The three overall policy choices set out in the Commission's report—continuation of existing policies, ghetto enrichment, and racial integration¹⁶—assumed the existence of a healthy overall economic framework within which African Americans could achieve prosperity if their specific circumstances were altered. Consequently, it was possible to regard the situation of African Americans as an anomaly to be treated by overcoming economic and social barriers to their advancement. The Commission attributed lack of access to jobs and low wages to inferior schooling, exclusion from job referral networks, suburban decentralization of employment, and discrimination in hiring and promotion.¹⁷ Proposed economic remedies boiled down to worker training (elimination of the skills mismatch), removal of labor market frictions (bringing labor and jobs into proximity), and ending racial discrimination.¹⁸

Discussion of the characteristics now captured by the phrase "world economic restructuring" had not yet entered the policy discourse in 1968.¹⁹ The effects of regional shift, internationalization of the United States economy, growth of the informal sector, downgrading of manufac-

15. See Robert A. Beauregard, *Space, Time, and Economic Restructuring*, in *ECONOMIC RESTRUCTURING AND POLITICAL RESPONSE* 209, 210-15 (Robert A. Beauregard ed., 1989) (defining economic restructuring and providing an extensive series of references to the literature on the subject).

16. KERNER COMM'N REPORT, *supra* note 3, at 218-19.

17. *Id.* at 91-93.

18. *Id.* at 231-36.

19. For a sampling of the now vast literature, see generally DAVID HARVEY, *THE URBANIZATION OF CAPITAL: STUDIES IN THE HISTORY AND THEORY OF CAPITALIST URBANIZATION* (1985) (examining capitalism as it relates to the urban process); Beauregard, *supra* note 15, at 209-40 (exploring the various conceptions of economic restructuring); Erica Schoenberger, *From Fordism to Flexible Accumulation; Technology, Competitive Strategies, and International Location*, 6 *ENV'T & PLAN.: SOC'Y & SPACE* 245, 250-54 (1988) (analyzing the shift from Fordism to flexible production); Allan J. Scott, *Flexible Production Systems and Regional Development: The Rise of New Industrial Spaces in North America and Western Europe*, 12 *INT'L J. URB. & REGIONAL RES.* 171, 178-82 (1988) (describing the emergence of flexible specialization in manufacturing systems); MANUEL CASTELLS, *THE INFORMATIONAL CITY* (1991) (describing the role of technology in shaping economic restructuring).

turing,²⁰ flexible specialization of industry, decline of mass production industries, the hollowing out of the corporation, and the domination of central-city economies by financial and business services were just beginning to transform job markets.²¹ The Commission analyzed the spatial shift resulting from the movement of rural blacks to northern cities;²² it lacked the foresight to predict the counter-movement of manufacturing jobs from the industrial north to low-wage locations in the American South and West and around the world. Writing at a time when the national unemployment rate was only 3.8%, the Commission considered spatial mismatch only in terms of intra-metropolitan, rather than global, location of industry and workers.²³ Similarly, it did not anticipate the massive increase in immigration of the following two decades that would heighten the competition for low-skilled jobs. National stagnation in employment, an increasingly polarized income distribution, and the resulting political strains had not yet combined to produce both increased poverty and greater public reluctance to assist the poor.

The Commission did make passing reference to stimulating industrial and commercial development in poverty areas through tax credits,²⁴ discussed the encouragement of small businesses in ghetto areas,²⁵ and stresses the importance of skills training and job placement.²⁶ It failed, however, to explore the relationship between the structure of the national economy and the position of black workers. Nor did it propose strategies to affect the structure of industry through sectoral stimulus, development banking, employee or community ownership, or local development corporations. Furthermore, the dependence of households on female earnings had not yet been recognized;²⁷ therefore, the significance of the prevailing low wages in female-dominated occupations for the persistence

20. Saskia Sassen describes the "downgrading of the manufacturing sector" as "a process in which the share of unionized shops declines and wages deteriorate while sweatshops and industrial homework proliferate. This process includes the downgrading of jobs within existing industries and the job supply patterns of some of the new industries . . ." SASKIA SASSEN, *THE GLOBAL CITY: NEW YORK, LONDON, TOKYO* 9 (1991).

21. See WILLIAM W. GOLDSMITH & EDWARD J. BLAKELY, *SEPARATE SOCIETIES: POVERTY AND INEQUALITY IN THE U.S. CITIES passim* (1992) (providing an excellent recent discussion of the relationship between economic restructuring, race, poverty, and policy).

22. KERNER COMM'N REPORT, *supra* note 3, at 116-18.

23. *Id.* at 217.

24. *Id.* at 235-36.

25. *Id.* at 236.

26. *Id.* at 79, 232-33.

27. HOUSE COMM. ON WAYS AND MEANS, 102D CONG., 1ST SESS., OVERVIEW OF ENTITLEMENT PROGRAMS 951 (Comm. Print 1991) [hereinafter OVERVIEW OF ENTITLEMENT PROGRAMS].

of poverty was misinterpreted.²⁸

With the hindsight of the 1990s, it is possible to see the economic position of African Americans as dependent on three factors: (1) the improvement in the aggregate performance of the United States economy; (2) the selection by the federal government of overall national economic development strategies intended to have positive impacts on central-city populations as well as on the aggregate economy—that is, the choice of general policies for economic stimulus of the whole country that are also most likely to affect inner cities favorably; and (3) the formulation of programs targeted specifically at central-city economies that would stabilize the economic base and generate jobs accessible to local residents—that is, the design of programs that constitute what usually is labeled an urban policy.

The principal thrust of the Kerner Commission's specific recommendations addressed social rather than economic policy. The Commission did concern itself with the fragmentation of programs that affected low-income African-American communities, commenting that: "[T]he typical ghetto resident has interrelated social and economic problems which require the services of several government and private agencies. At the same time, he may be unable to identify his problems to fit the complicated structure of government."²⁹ Nevertheless, the Commission framed its concerns almost entirely in terms of social service provision rather than national economic programs or coordinating services to individuals with place-oriented economic development efforts.

Ironically, the preoccupation with social policy that characterized the *Kerner Report* subsequently was almost wholly reversed at both the national³⁰ and local levels of government. The federal government cut back on social programs, especially those grants-in-aid designed to assist localities in improving services.³¹ City governments, forced to cope with

28. See *infra* pp. 1472-73, 1438 & notes 40, 66, 67.

29. KERNER COMM'N REPORT, *supra* note 3, at 285.

30. The first national urban policy report prepared by the Reagan Administration declared: "The basis of the Reagan Administration's Urban Policy is to place the highest priority on economic growth as the most important element of such policy." U.S. DEP'T OF HOUS. & URBAN DEV., THE PRESIDENT'S NATIONAL URBAN POLICY REPORT 11 (1982).

31. Federal aid decreased from 23% to 15% of municipal own-source revenue between 1980 and 1984, and state aid (in turn dependent on federal transfers) declined similarly. Put another way, for every dollar the average city itself raised in 1980, it was able to spend \$1.56, while for every dollar it raised in 1984 it could spend only \$1.44. Curtailments of assistance for employment and training programs were especially severe; federal outlays under the Jobs Partnership Training Act were cut 69% in constant (1986) dollars between 1980 and 1986. See Susan S. Fainstein & Norman Fainstein, *The Ambivalent State: Economic Development Policy in the U.S. Federal System under the Reagan Administration*, 25 URB. AFF. Q. 47, 47-52 (1989).

this decline in federal assistance at the same time as they were experiencing population transformation and employment loss, moved strongly into the economic development arena, but with limited funds and few powerful planning tools. Without other sources of substantial financing at their disposal for supporting development, they entered into Faustian bargains with the private sector, in which they traded away capital expenditures, land, and future revenues in order to attract development. The combination of impoverished populations and a constrained tax base then deprived them of the resources necessary for adequate social service programs.

The lion's share of local governmental effort and resources has been directed at property-led economic development based in downtown office projects.³² Even so, municipalities have engaged in numerous experiments in community economic development.³³ These efforts, however, mainly have lacked federal backing and have not been integrated into either national economic policy or local social policy. The many local economic development corporations have only very limited sources of financing, and much of the time and energy of their staffs is devoted to raising funds rather than operating programs. The extent to which they attempt to serve broad social purposes, like providing needed neighborhood services or assisting the hard-core unemployed, varies considerably and depends on the orientations of the staffs. Although such groups deserve praise for their efforts to provide an indigenous economic base in inner-city neighborhoods, their total impact is quite small.³⁴

A. Federal Policies

Currently, the problems of the national economy mean that, for political as well as economic reasons, the labor market disadvantages of the African-American population can be addressed only within the context of an overall urban economic policy that addresses issues of both place and poverty. This insight is fundamental to William Julius Wilson's argument in his two major books,³⁵ in which he attributes black

32. See Marc V. Levine, *The Politics of Partnership: Urban Redevelopment Since 1945*, in *UNEQUAL PARTNERSHIPS* 12, 12-13 (Gregory D. Squires ed., 1989).

33. See PETER K. EISINGER, *THE RISE OF THE ENTREPRENEURIAL STATE: STATE AND LOCAL ECONOMIC DEVELOPMENT POLICY IN THE UNITED STATES passim* (1988).

34. See generally Michael B. Teitz, *Neighborhood Economics: Local Communities and Regional Markets*, 3 *ECON. DEV. Q.* 111, 111-22 (1989). Professor Teitz argues that economic development policies at the local, neighborhood level "face great difficulties in raising incomes or bringing people into the economic mainstream" due to the "historic divorce of workplace from residence." *Id.* at 112.

35. WILLIAM J. WILSON, *THE TRULY DISADVANTAGED: THE INNER CITY, THE UNDERCLASS, AND PUBLIC POLICY* (1987) [hereinafter WILSON, *TRULY DISADVANTAGED*];

poverty to economic restructuring and to resulting changes in the labor market causing well-paying unskilled jobs to disappear.³⁶ He contends further that it is feasible politically to combat the predicament of the underclass only through universal policies aimed at redressing the inequalities generated by the economy.³⁷

Wilson's discussion raises the long-debated issue of the relative contributions of race and class to the disadvantaged position of minorities. His research incorporates not only the purely analytical question of the power of each variable in predicting lifetime earnings or educational achievement,³⁸ but also the political question of what emphasis likely produces the best policy response. Even if racial discrimination is the most important determinant of the status of African Americans, he believes that strong explicit policies aimed at redressing discrimination through affirmative action, hiring quotas, and forced residential integration provoke too much conflict to remain politically viable.

Such remedies are extremely divisive because they address the race problem without attempting to resolve class issues. If they worked, such policies simply would shift African Americans into slots now held by other members of the working class. In the 1990s, the poor populations of the inner cities are more complex than they were in the 1960s, with substantial groups of Hispanics, Asians, and whites displaced from older industrial sectors competing for a shrinking number of jobs. African Americans still suffer the greatest discrimination and segregation, but unless affirmative action efforts are accompanied by economic policies that increase the aggregate number of jobs and raise wages at the lowest levels of the economy, they merely will alter the composition of the poor without diminishing their numbers.

Critics of Wilson justifiably have accused him of discounting racial factors in his analysis of the circumstances of black communities, of exaggerating the extent to which blacks ever lived in class-integrated communities, of overstating the geographic mobility of middle-class blacks,³⁹

WILLIAM J. WILSON, *THE DECLINING SIGNIFICANCE OF RACE* (1978) [hereinafter WILSON, *DECLINING SIGNIFICANCE*].

36. WILSON, *TRULY DISADVANTAGED*, *supra* note 35, at 39-46; WILSON, *DECLINING SIGNIFICANCE*, *supra* note 35, at 88-121.

37. WILSON, *TRULY DISADVANTAGED*, *supra* note 35, at 140-64; WILSON, *DECLINING SIGNIFICANCE*, *supra* note 35, at 144-54.

38. For an extensive investigation of this question, see ANDREW HACKER, *TWO NATIONS* 93-160 (1992).

39. See REYNOLDS FARLEY, *BLACKS AND WHITES: NARROWING THE GAP?* *passim* (1984) (using a demographic analysis of social and economic trends to discredit some of Wilson's findings); Norman Fainstein, *Race, Class, and Segregation: Discourses about African Americans*, 17 *INT'L J. URB. & REGIONAL RES.* (forthcoming 1993) (analyzing how the way in

and of disregarding the plight of low-wage female black workers.⁴⁰ Such criticisms, however, do not contravene Wilson's thesis that general economic trends severely injure black workers who lack the educational qualifications, social connections, and spatial mobility to compete for the limited number of well-paying jobs in the modern economy. Economic policies that would unite the white, brown, and black working classes would command more political support than explicitly race-oriented programs. In addition, the surcease of attacks on the public sector, the restoration of federal revenue sharing with local governments, and a reversal of the thrust toward privatization would enormously enhance the economic prospects of African Americans who are employed disproportionately by governmental agencies.

Effective policies for black, low-income, inner-city areas require federal programs with broad scope; they must foster economic enterprise, raise wage levels, train the workforce, place workers in jobs, and provide services such as health maintenance and day care that enable workers to keep their jobs. Such an ambitious mandate requires both instruments specifically designed to stimulate inner-city job growth and general programs of infrastructure investment, defense conversion, labor legislation, educational assistance, industrial and trade policies, and taxation that, at a minimum, do not harm central cities and that, when possible, disproportionately benefit them.⁴¹

which the debate is framed obscures issues); Norman Fainstein, *The Underclass/Mismatch Hypothesis as an Explanation for Black Economic Deprivation*, 15 POL. & SOC'Y 403, 413-18, 421-29, 447-48 (1987) (disputing that economic and educational factors alone cause the deprivation of African Americans).

40. Adolph Reed, Jr., *The Liberal Technocrat*, 246 THE NATION 167, 168 (1988) (reviewing WILLIAM J. WILSON, *THE TRULY DISADVANTAGED* (1987)). Like Wilson, the Kerner Commission saw the solution to the economic problems of black women as improving the employment situation of black men. After pressing for an "upgrading" of employment for black men, the *Report* noted that "[t]he fact that almost half of all adult Negro women work reflects the fact that so many Negro males have unsteady and low-paying jobs." KERNER COMM'N REPORT, *supra* note 3, at 125-26. The *Report* nowhere suggested an upgrading of female employment.

41. Theda Skocpol notes that United States policy consistently has lacked coordination between its economic and social components:

Back during the founding period of its modern interventionist state, from 1930 through 1946, the United States originally opted *not* to closely coordinate "social" and "economic" interventions. . . . The technical and intellectual capacities of the federal government to devise and implement targeted industrial or labor market interventions were not improved during the era of commercial Keynesian dominance. Little intellectual or political legitimacy was built up for the notion that the federal government could—or should—pursue economic, employment, and social-welfare objectives through the same public policies or through deliberately coordinated public policies.

Theda Skocpol, *The Limits of the New Deal System and the Roots of Contemporary Welfare*

During the 1970s a number of analysts pointed to urban policy as the unintended consequence of general legislation aimed at influencing the economy or building transportation infrastructure.⁴² Cities largely suffered from these policies; for example, the interstate highway program contributed strongly to middle-class flight from central cities, even though suburban development was not a goal of the program. During the Reagan-Bush years, a variety of policies ostensibly intended to stimulate the economy, reduce inflation, cut the size of government, and free up the private sector had extremely negative effects on central cities. Tax reductions, the favored policy for encouraging investment, reduced the funds available for supporting social programs. Cuts in social-service expenditures not only weakened programs but caused the physical withdrawal of agencies whose presence in low-income areas had provided them with a stable institutional framework. High interest rates combined with the strong dollar to decimate American manufacturing, particularly in the auto and steel industries, where well-paid minority workers were among the first fired. Privatization of governmental services destroyed public sector jobs that had offered career ladders for African Americans. Finally, the wave of mergers and acquisitions that thrived on deregulation exacerbated the plant closings and office consolidations that further shrunk the economic bases of central cities.

B. A National Urban Policy

In addition to designing broad policies that channel benefits to low-income people, the federal government needs once again to endeavor to create an urban policy. As we argued at the beginning of this Essay, spatially oriented programs are a necessary part of any effort to overcome urban poverty. Under the Reagan and Bush Administrations, enterprise zones (EZs), while never actually enacted at the federal level, became the favored urban program. Within such zones, businesses would receive regulatory and tax relief. They continue to be touted as an effective remedy for the absence of business development in low-income neighborhoods, and President Bill Clinton called for their establishment in his first economic address to Congress.⁴³ By 1990, EZs existed in

Dilemmas, in *THE POLITICS OF SOCIAL POLICY IN THE UNITED STATES* 293, 301-02 (Margaret Weir et al. eds., 1988).

42. See *THE URBAN IMPACTS OF FEDERAL POLICIES*, *supra* note 2 (containing a collection of articles by authors discussing the impacts of federal policies on urban areas).

43. *Text of the President's Address to a Joint Session of Congress*, N.Y. TIMES, Feb. 18, 1993, at A14 [hereinafter *Presidential Address*].

thirty-seven states, where they have received mixed reviews.⁴⁴ Despite their popularity, EZs are severely deficient in their capacity to rectify the income problems of the working poor, since their essence is to trade on the advantages of a low-wage workforce. Thus, in terms of the dual problems afflicting the African-American community, unemployment and poverty-level wages, even the most efficacious EZs address only the first and may have a deleterious effect on the second.⁴⁵ Moreover, unless federal legislation incorporated provisions mandating social services for potential workers and technical support for local businesses, EZ benefits would go mainly to corporations placing branch operations within the zones rather than low-income residents.⁴⁶

The only other urban initiative of the Bush Administration was the HOPE program,⁴⁷ which sells public housing to tenants. Minimally funded, this program does nothing to increase the stock of low-income housing and siphons money away from construction programs. Despite the passage of the 1990 Cranston-Gonzalez National Affordable Housing Act,⁴⁸ federally funded housing construction in 1991 comprised only 82,000 units as compared with 248,000 in 1977.⁴⁹ The Bush Administration did continue job-training programs under the Job Training Partnership Act,⁵⁰ spending about four billion dollars a year on local efforts that offered no guarantee of a job to graduates.⁵¹

Not only did the Reagan and Bush Administrations sharply cut funding for existing place-oriented programs, including the community development and social service block grants as well as the Economic Development Administration (EDA), they also showed little interest in improving the quality of program administration. For any place-based program to be successful, it must overcome the artificial boundaries im-

44. See ENTERPRISE ZONES: NEW DIRECTIONS IN ECONOMIC DEVELOPMENT *passim* (Roy E. Green ed., 1991) [hereinafter ENTERPRISE ZONES].

45. George C. Galster, *A Cumulative Causation Model of the Underclass: Implications for Urban Economic Development Policy*, in THE METROPOLIS IN BLACK & WHITE 190, 204-05 (George C. Galster & Edward W. Hill eds., 1992).

46. See Enid Beaumont, *Enterprise Zones and Federalism*, in ENTERPRISE ZONES, *supra* note 44, at 41, 41-57.

47. Home Ownership Through HOPE Act, Pub. L. No. 101-625, tit. IV, 104 Stat. 4148 (1990) (codified at 12 U.S.C.A. § 1709; 42 U.S.C.A. §§ 1437, 12870 to 12880, 12891 to 12898 (West Supp. 1990)).

48. Pub. L. No. 101-625, 104 Stat. 4079 (1990) (codified at 42 U.S.C. §§ 12701-12898 (Supp. II 1990)).

49. Robert Guskind, *The Republican: Checkmated or Just Chary?*, PLANNING, Oct. 1992, at 9, 13.

50. Pub. L. No. 97-300, 96 Stat. 1324 (1982); Pub. L. No. 98-524, 98 Stat. 2487 (1984) (codified as amended at 29 U.S.C. §§ 1501-1781 (1988 & Supp. II 1990)).

51. Guskind, *supra* note 49, at 13-14.

posed by the functional divisions among bureaucracies. The Kerner Commission noted accurately:

The system through which Federal programs are translated into services to people is a major problem in itself. . . . Federal programs often seem to be self-defeating and contradictory: field officials unable to make decisions on their own programs and unaware of related efforts; agencies unable or unwilling to work together; programs conceived and administered to achieve different and sometimes conflicting purposes.⁵²

The Commission noted that a number of attempts at coordination had been made during the 1960s and that the (now-defunct) Office of Economic Opportunity and the Model Cities program had been intended to bring together multiple agencies with the aim of reducing poverty.⁵³ The Commission recommended the formation of interagency task forces to achieve coordination at both the federal and municipal levels; it further suggested the establishment of multi-service centers and little city halls within urban neighborhoods.⁵⁴ The Nixon Administration, which took office immediately following the publication of the *Kerner Report*, took little heed of its recommendations. Its principal policy innovation was the introduction of block grants, which had not figured into the Commission's discussion, but which did partly overcome interagency conflicts at the federal level by removing many federal agencies altogether from poverty-related activities. The separation of social service from Community Development Block Grants (CDBG), however, sustained the fissure between social and economic policy, while the withdrawal of the federal government from its former interventionist role under the categorical grant system⁵⁵ did nothing to force coordination at the city level.⁵⁶ Only in the area of "welfare reform" has there been a serious recent attempt to coordinate economic and social policy. The

52. KERNER COMM'N REPORT, *supra* note 3, at 230.

53. *Id.* at 152.

54. *Id.* at 150-55.

55. Categorical grants are directed to highly specific programs, usually on a discretionary basis (for example, water and sewer grants). Block grants are distributed on a formula basis to all eligible areas for broad purposes. See CHARLES E. DAYE ET AL., HOUSING AND COMMUNITY DEVELOPMENT; CASES AND MATERIALS 102-05 (1989).

56. A portion of the CDBG may be used for social services at the choice of the recipient. See 42 U.S.C. § 9904(c)(1)(A) (1988). Many municipalities, however, do not exercise this option. A Department of Housing and Urban Development (HUD) official once commented to one of the authors that it was inappropriate that CDBG contain a social service component since HUD did not have the capability to monitor social programs. The concept of incorporating a social service component into a grant aimed primarily at physical redevelopment dated from the Model Cities program, which had been framed with the idea that residents affected by revitalization programs required supportive services. From the HUD official's point of view, however, the goal of coordinating development and social policy that had inspired the multi-

various plans adopted by the states in response to federal legislation authorizing experimentation in welfare programs have sought to move people from the welfare rolls into either training or jobs. These efforts usually have involved extensive social services and the identification of work opportunities. As economic programs, however, they have been restricted to job placement and have not been concerned with job creation.⁵⁷

IV. HOW TO DO IT RIGHT

As the preceding discussion illustrates, broad policies to invigorate the economy usually have emphasized economic growth with little regard for the social impact. At the same time, programs specifically designed to assist cities have been curtailed sharply. This section presents some examples of how economic and social concerns can be integrated within public policy; we also provide an illustration of how the federal government can support a local program aimed at stabilizing a city's economic base. We present first the case of defense conversion and then, more briefly, the examples of the construction of high-speed rail, the regulation of women's wages, and federal support of a local effort to sustain a vital industry.

A. *The Case of Defense Conversion*

In the 1990s, defense spending is targeted to be cut by thirty to fifty percent, reversing the enormous build-up of the 1980s and dramatically scaling back the facilities set in place over forty years of Cold War.⁵⁸ While welcome for its ability to release resources for more productive uses in the economy, this transition is apt to worsen the circumstances of many minorities in selected communities, because defense spending is highly concentrated across the country.⁵⁹ The ironic consequence may

purpose intent of the grant did not outweigh bureaucratic logic. Conversation with HUD official (Jan. 1980).

57. Some local economic development programs that combine job creation with training and placement offer an example of the kinds of coordination that could be achieved. For example, the East Williamsburg Valley Industrial Development Corporation in Brooklyn, New York, offers technical assistance, marketing support, security, and sanitation services to manufacturers located in an old industrial area. It also refers job applicants, giving preference to ex-offenders and welfare recipients, to publicly supported training programs and offers a job placement program. It is currently seeking to develop a day care center for workers within the industrial area.

58. See ANN MARKUSEN & JOEL YUDKEN, *DISMANTLING THE COLD WAR ECONOMY* 1-8 (1992); ANN MARKUSEN & CATHERINE HILL, *CONVERTING THE COLD WAR ECONOMY* 7-9 (1992).

59. See ANN MARKUSEN ET AL., *THE RISE OF THE GUNBELT* 8-25 (1991).

be diversion of resources from inner cities, even though they have been the widely discussed targets for reinvestment of the peace dividend.

First, the cuts will fall disproportionately on staffing of the armed services rather than on procurement of equipment. Especially at the lower and less skilled levels, young urban blacks are overrepresented in the military,⁶⁰ making them more vulnerable to cuts. For this group, a job in the volunteer army has offered a way out of urban poverty and a means for enhancing education and skills. The involuntary separation of soldiers and the evaporation of new positions for younger urban youth will worsen the current unemployment situation in inner cities and among blacks. Although Congress has passed a generous package of severance pay and job and educational transition assistance, there is no mechanism linking these programs to new job creation. Second, a disproportionately high share of military facilities selected for closure are in urban areas, where they formed a major source of employment for inner-city residents. Examples include the Philadelphia Naval Shipyards and the Alameda (Oakland, California) Naval Air Station.⁶¹ Civilian personnel at these facilities have few other attractive work options.

Third, a projected shift toward high-tech weaponry and away from older production lines in tanks, ordnance, fighter aircraft, and ships will concentrate associated unemployment in mature, working class cities like Groton, Connecticut; St. Louis, Missouri; and Long Beach, California. These are areas that recruited and absorbed black rural migrants as defense workers during the rapid expansion of weapons production during World War II, and have since provided high-paying jobs for relatively skilled, blue-collar workers. The closure of these plants and shipyards will deepen the unemployment in these centers, compounding poverty and economic decline. In contrast, design and manufacture of high-tech weaponry is concentrated heavily in suburban areas around Los Angeles, Boston, and Silicon Valley, and in newly emerging agglomerations like Orlando, Colorado Springs, and Huntsville, Alabama.⁶²

Since 1989, when defense outlays first began to fall, a number of programs have been launched to facilitate adjustment. For the most part, these have been piecemeal and ill-coordinated; twenty-six separate categorical programs, spread over three agencies, were packaged in the

60. Paul Magnusson & Seth Payne, *Who is Really Doing America's Fighting*, BUS. WK., Feb. 25, 1991, at 35.

61. Catherine Hill, *Base Closures in the 1990's: Lessons for Development*, NATIONAL COMMISSION ON ECONOMIC CONVERSION & DISARMAMENT, (Working Paper, Washington, D.C., March 1993).

62. MARKUSEN et al., *supra* note 59, at 26-50.

1992 congressional appropriations, at a cost of 1.5 billion dollars.⁶³ They treat firms, workers, and communities as separate, atomized candidates for services. Workers are individualized, offered income support and training, for instance, only after the plants have closed. Community economic diversification planning grants are available from the Department of Defense (DOD) or the Economic Development Administration (EDA) in the Department of Commerce, where they are not tied to implementation funds, firm alternative use planning, or worker adjustment programs. As a result, little progress has been made in efficiently moving workers out of defense production into civilian activity.

The appropriate way to address the conversion problem would be to acknowledge its place specificity and to design programs that integrate firm assistance, worker assistance, and community economic development funds in a coherent way. For instance, economic development planners for a defense-dependent locale could be charged with producing a vision of the future of the area economy, complete with sectoral specializations which would build on the existing skills and expertise of the defense-dependent sectors in the area. This would be far better than recommending one more world trade center or biotechnology incubator, as the conversion planning effort in St. Louis did recently. Ways to ensure market creation, through federal and state government procurement, standards, and regulations, would be investigated, and each firm, with worker involvement, could be required to fashion alternative use plans which would be sensitive to the vision of the future area economy.

Rather than becoming individualized recipients of unemployment insurance and retraining efforts, workers could be placed into alternative use planning and served at transition centers set up for counseling, entrepreneurship training, education and retraining programs, and even efforts at worker/management plant buyouts. By providing place-based rather than people-based assistance, these programs would preserve the communities' synergistic assets: a work force with a long history of camaraderie and cooperation and the existing ensemble of physical and human capital. By keeping resources assembled, coordinated efforts can salvage much more than compensating programs, which reduce former military bases and plants to real estate and displaced workers. Pursuing place-based policies would avoid the worst of the cumulative disinvestment process that might otherwise be set off by defense cuts.

63. Les Aspin, *Defense Conversion, Reinvestment and Transition Assistance Act of 1992 (\$1.512 billion)*, Memo to the National Conference of Mayors, Oct. 12, 1992, U.S. House of Representatives, Committee on Armed Services.

B. National Programs with Spin-offs

The following two examples show how universal national programs could benefit the inner-city significantly:

(1) The development of high-speed rail, justified as an investment that will produce national economic growth, has been a priority item on the Clinton agenda.⁶⁴ In addition to its other spin-offs, it could affect the spatial distribution of commerce by bringing travelers directly into the center of cities. Unlike air travel, which carries passengers to peripheral points and stimulates nodes around the airport, high-speed rail could foster growth around centrally located train stations. Choices in the design of such systems, however, would determine whether or not benefits are actually targeted to central locations. If, in an effort to minimize initial expenses, rights-of-way were constructed to skirt cities rather than pass through them, the potential advantages would be lost. Even the construction of suburban stops in addition to central terminals would diminish positive externalities for core areas, as would the decentralization of depots for sorting of fast freight.

(2) Comparable-worth legislation, which would require equal pay for equivalent—though not identical—work, would benefit all women; however, it particularly would enhance the living standards of African-American families and add to the consumption fund within central cities. The wage discrepancy between white and black women is small compared to that between white and black men, but black women are far more likely than whites to be the sole source of support for their families. Although Wilson⁶⁵ and others have heavily emphasized unemployment among black men as the principal affliction of ghetto communities, the low income of African-American women is the direct source of most poverty among ghetto children, because the majority of them live in households headed by single women.⁶⁶ Restructuring of central-city economies has increased the employment prospects for these women, who work disproportionately within the clerical, health-service, and domestic-service sectors that have expanded in the last fifteen years. Improvement in the relative compensation for these jobs would lift many African-American families out of poverty.⁶⁷

64. *Presidential Address*, *supra* note 43, at A14.

65. WILSON, *TRULY DISADVANTAGED*, *supra* note 35, at 46-62.

66. In 1990, 56.2% of black children lived in single-parent households maintained by their mother. See *OVERVIEW OF ENTITLEMENT PROGRAMS*, *supra* note 27, at 951.

67. Of female-headed families with children in which the mother worked at least part of the time, 28% were classified as poor in 1989, *id.* at 1145, and 12.7% were considered poor even when the parent worked full-time, *id.* at 1144. Because blacks are represented disproportionately among the poor, the figures for black families would likely be higher.

A general increase in the minimum wage would probably be politically more acceptable than comparable-worth legislation. Although less effective in diminishing black poverty, it would, to the extent that women disproportionately hold minimum wage jobs, also serve to raise relative female wages. Although both comparable-worth legislation and an increase in the minimum wage are opposed by those who contend that they would increase unemployment, many of the service jobs in which African Americans work cannot be exported, and the effect of a uniformly imposed wage would prevent domestic competitive price-cutting by creating a level playing field. The result then would more likely be inflation than unemployment,⁶⁸ as the pay increases are passed on to consumers.

C. *Federal Support of a Local Effort*

In 1992 Macy's Department Store, already in Chapter 11 bankruptcy, declared a loss of \$1.25 billion.⁶⁹ Macy's is a national chain with its corporate headquarters and largest store in Manhattan. Although Macy's had stronger revenues per square foot of selling space than almost all competing department-store chains, a mid-1980s leveraged buy-out, in which its management took the store chain private, created a cost structure unsustainable during an economic downturn.⁷⁰ The impact of a total collapse of Macy's would fall heavily on New York's minority population, because Macy's employs many minority workers. Perhaps even more significantly, the store's purchases constitute a mainstay of the fragile New York garment industry, which is the city's largest manufacturing sector and a very important source of minority (especially Hispanic and Asian) employment.⁷¹ It would also be a devastating loss to the segment of New York's financial industry that specializes in providing credit to retailers for purchase of stock.

The City of New York, in its various economic development programs, has offered huge tax subsidies for office construction and business retention;⁷² it also has provided capital grants and technical assistance to small businesses and manufacturers, and has provided large sums to keep

68. Rebecca M. Blank & Alan S. Blinder, *Macroeconomics, Income Distribution, and Poverty*, in *FIGHTING POVERTY: WHAT WORKS AND WHAT DOESN'T* 180, 180-208 (Sheldon H. Danziger & Daniel H. Weinberg eds., 1986) (analyzing the effects of unemployment and inflation on the poor and concluding that unemployment has a far more negative impact).

69. Stephanie Strom, *Macy's Pins Hope for Rebound on 5-Year Plan*, N.Y. TIMES, Nov. 6, 1992, at D1.

70. *Id.*

71. Roger Waldinger, *Race and Ethnicity*, in *SETTING MUNICIPAL PRIORITIES*, 1990, at 50, 65 (Charles Brecher & Raymond D. Horton eds., 1989).

72. See SUSAN S. FAINSTEIN, *THE CITY BUILDERS* (forthcoming 1993) (concerning the use of incentives to real estate development and their impact in New York City).

the New York Yankees from departing. It has, however, never tried to rescue a bankrupt department store, even though a number of New York's most famous retailers have gone out of business. Many would argue that governmental intervention of this sort constitutes "lemon socialism,"⁷³ that bankruptcy disciplines businesses, and that the market will give rise to other suppliers that will fulfill Macy's function for New York's consumers. But the replacement of Macy's by branches of department stores with headquarters elsewhere—as is happening with the takeover of sites left vacant by Alexander's, a recently failed chain—would not produce the backward and forward linkages currently provided by Macy's. Rather than underwriting the construction costs of empty office buildings, New York City could affect its economy far more substantially by sustaining Macy's. To do so, however, it could not simply supply an off-budget tax break. Rather, it would have to provide capital up-front, an expensive and politically risky undertaking. Only with the assistance of a federal development bank would such a venture be possible; the quid pro quo, however, would have to be a large equity share in the enterprise for the public. Such public participation in ownership of the corporation could assure that Macy's would maintain the full operation of its flagship store, that it would support New York businesses in its purchasing arrangements, and that it would hire New York residents and develop career ladders for the city's minority population.

V. THE RESTRUCTURING OF URBAN POLICY: THE RIGHT THINGS AT THE RIGHT LEVEL

We recommend, therefore, a thorough revamping of urban policy that scales the barrier between economic and social policy while preserving a place-based orientation. Such a strategy offers the best route toward protection, stability, and continuity while encouraging economic revitalization. Contrary to the trade-off often assumed between the old and the new, preservation of existing assets and reticence in using public money to create new ones may not constitute a drag on economic development but rather a wise use of resources. This remains a hypothetical claim, because it is impossible to total up the sum of externalities and public costs that account for the difference between purely private cost and overall social cost. But, at present, the continued deterioration of our cities and the worsening of rural poverty argue for steps toward policy integration and place-based policies.

Our recommendations present a major challenge, because simply re-

73. See Staughton Lynd, *Towards A Not-for-Profit Economy: Public Development Authorities for Acquisition and Use of Industrial Property*, 22 HARV. C.R.-C.L. L. REV. 13, 40 (1987).

invigorating place-based agencies like the Department of Housing and Urban Development (HUD) will not suffice. Many of the actions that affect the economic and social vigor of inner cities currently are lodged in agencies like the Department of Health and Human Services (HHS), the Department of Labor, the Department of the Treasury, and various economic policy-making groups like the Council of Economic Advisors and President Clinton's new National Economic Council. Most of these have been relatively conservative and have focused on giveaways to businesses, but some refreshing new experiments have been undertaken in worker retraining, small business assistance (Michigan's Modernization Service), plant closing response (Massachusetts' Industrial Service Program), institution-building (Pittsburgh's Steel Valley Authority), and sectorally-oriented task forces (aerospace in Los Angeles, steel in Chicago, polymers in Akron). A new national initiative would build on these experiments and replicate them elsewhere, rather than erecting unnecessary new layers of Washington bureaucracy.

A. What To Do in Washington

In Washington, several things could be done to make urban policy more powerful and streamlined. First, an Office of Urban Policy could be set up in the White House to oversee the packaging of urban programs in a way which would force coherence and amplify the effect of federal dollars. The Director of the Office would sit on the President's National Economic Council, informing economic policymakers about the impacts of their proposed plans on cities and adding targeting criteria onto new initiatives like the investment tax credit. The Office should have the Secretaries of Labor, Commerce, Energy, HHS, HUD, and Defense on its advisory board, and it should have discretion over pools of resources from each agency, which it could then package for "one stop shopping" by localities. Where state and local governments lacked the institutional capacity to conduct cohesive economic development programs for inner cities, the Office could help them build it. The Office would have an ongoing monitoring function, collating relevant data and assessing differential urban performance.

A prototype for this kind of high-level coordination was created during the Bush Administration in the Federal Coordinating Council on Science, Engineering and Technology (FCCSET) structure for the coordination of science and technology policy. Chaired by the President's science advisor, the relevant secretaries (Defense, Energy, Transportation, Commerce, etc.) with significant technology programs began working together in this setting to rationalize federal technology policy. A similar Office of Economic Conversion, designed to be self-liquidating at

the end of the decade, has been proposed to oversee the process of converting from a military to a civilian economy.⁷⁴ If established, these offices could ensure that conversion and urban policy might enhance rather than cancel out each other.

In designing new configurations for federal urban and industrial policies, the principle of federal funding with state and local implementation should be followed as closely as possible. In the conversion area, for instance, the Director of the Massachusetts Industrial Services Program reported having to write seven grant applications to five different agencies in 1992 for conversion assistance.⁷⁵ She would strongly prefer "one stop shopping"—an office to which she could apply for a package which covers worker retraining, community economic development, and firm assistance all in one bundle, with considerable flexibility in deploying it. New federal bureaucracies for administering programs should not be developed unless circumstances are exceptional. Each place to be targeted has its own unique circumstances which are best read and addressed at the local level.

B. *What To Do at City Hall*

By forcing states and cities to rely on their own resources, twelve years of Republican administrations succeeded in making lower levels of government far more capable of intervening in the local economic development process than they were previously. Officials have learned how to market their territories, how to negotiate with the private sector, and how to plan strategically rather than simply to generate master plans containing static conceptions of ideal land uses. Except in a few "progressive" cities,⁷⁶ however, government officials largely acceded to private interests and failed to retain a significant public benefit from the deals they made with businesses. In part this outcome was the consequence of their lack of significant bargaining resources.

Given the expertise that exists at the state and local level, the precedent of allowing subnational governments to carry out federally funded urban economic development and social programs ought to continue. The Kerner Commission's recommendation of a federal inter-agency task force to monitor programs and insure that they remain within broad

74. See MARKUSEN & HILL, *supra* note 58, at 56-59.

75. Conversation with Ann Markusen, Professor and Director, Project on Regional and Industrial Economics, Rutgers University, in New Brunswick, N.J. (Oct. 10, 1992).

76. In his book *The Progressive City*, Pierre Clavel examines Hartford, Cleveland, Berkeley, Santa Monica, and Burlington, Vermont. PIERRE CLAVEL, *THE PROGRESSIVE CITY passim* (1986). Chicago during the Administration of Mayor Harold Washington and Boston under the Raymond Flynn Administration also often are named as progressive cities.

federal guidelines indicates the appropriate degree of federal involvement. Backed by the federal government, local officials can extract better bargains from private businesses. Especially in hard economic times, business resistance to governmental intervention weakens. Just as firms that previously refused to bid on governmental contracts are now doing so, many would be willing to accept governmental participation in their decisionmaking in return for financial stability. Whether through an equity interest in private firms, contractual agreements, or the establishment of semi-autonomous development corporations, an enriched local public sector can play an important role in assuring that local economic actors serve the needs of the local public.

State and local governments also will have to tackle the problem of marrying social and economic policy. Several states have experimented with novel ways of doing this. In Washington, for instance, the state employment agency has permitted workers to take their unemployment compensation as a lump sum and invest it in a new business, thereby linking a social program (unemployment services) with job creation (economic development). Worker retraining programs in a number of cities and states have been linked to job commitments by firms and to first-source hiring programs by government and business. Nevertheless, most state and city governments continue to run education, training, and social services programs separately from their economic development efforts. Bridging councils or offices like those we recommend for the federal government could play a comparable role at the subnational level.

In designing this federal system, some thought must be given to the possibility that patronage and corruption could destroy the effectiveness and legitimacy of new urban programs. Pass-throughs to the state and local level are good only if at those levels competent professionals manage the programs, and broad participation ensures that they are well-crafted. Design principles that ensure such participation will help, as they did in the Model Cities program. Some federal monitoring of the use of funds would have to be done, and program evaluation should be well-funded at the national level to enable improvements in urban programs to be undertaken readily as we learn from new experiments.

VI. CONCLUSION

The *Kerner Commission Report* offers a number of important insights which could be recycled usefully in the 1990s in the aftermath of the Los Angeles riots. On the one hand, it argues for specific targeting of inner cities for revitalization. Its depiction of the human potential and existing built environment of cities makes a powerful case for place-based

policies to preserve and restore the vitality of existing urban assets. The neglect of urban policy in the decades following the report, and the worsening of inner-city poverty and deterioration since its publication, suggest that its place-based prescription was right.

Many of the Kerner Commission's concrete suggestions were implemented. But they tended to take the form of uncoordinated attacks on poverty (through welfare and income maintenance), on unemployment (through the Comprehensive Employment and Training Act (CETA)), and on urban development (through block grants). Eventually many of these programs were reduced or eliminated, but even those that survived suffered from their isolation from a large, more powerful set of policies, mostly nonspatial in nature, that were simultaneously undermining the viability of the very communities that were targeted for aid. The failure to identify these larger forces made urban programs appear ineffectual and, even worse, money drains that made easy targets for budget cutters.

In the early 1990s, through a combination of protest and electoral change, urban problems are again in the spotlight. An effective approach will have to blend place-based policies with general economic stimuli, social policy with economic policy, and state and local with federal approaches. If this can be accomplished, we may be able in another twenty years to consign the *Kerner Commission Report* to the historical archives, honoring it as a seminal document in the restoration of our great American inner cities.