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MAKING A PLACE FOR COMMUNITY

Local Democracy in a Global Era

By Thad Williamson,
David Imbroscio, and
Gar Alperovitz

With a Foreword by Benjamin R. Barber

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INTRODUCTION

THE CASE FOR COMMUNITY ECONOMIC STABILITY: ECONOMICS AND POLITICAL ECONOMICS

The case for making community economic stability a guiding force in the formulation of economic and social policies is compelling: Strong, economically secure communities are normatively attractive for a host of reasons, and the effort to build them, on balance, is likely to impose few net costs to society.[1] Contrary to conventional wisdom, such an objective is achievable in the era of globalization and greater decentralization of production. Implementing a full-blown policy initiative to enhance community economic stability would be desirable, efficient, and possible in the new century. We elaborate upon each of these claims below.[2]

IS COMMUNITY STABILITY DESIRABLE?

To most observers it may seem obvious that it is desirable to preserve, sustain, and strengthen geographically defined communities over time. Nevertheless, many economists believe that instead of attempting to support community, public policy should seek to facilitate individual and business mobility, no matter the costs. From a different perspective, some sociologists and social activists argue that geographically defined communities are now less relevant than communities defined by shared interests, organizational membership, race and ethnicity, or other forms of association not strictly tied to particular

places. Both arguments suggest that emphasizing geographical communities as a basis for policy is a mistake.

We find such arguments, even stated in their most plausible forms, unconvincing. To be sure, we are not opposed to individual and family mobility, and we agree that forms of community other than geographically defined units are important. But the type of communities we are primarily concerned with in this book are not affective communities, communities of interest, or the feelings of community that arise from membership in clubs, churches, and other associations. Rather, we are concerned with geographically demarcated communities in which a diverse array of citizens join together in self-governance—in short, with the local-level building blocks of democratic practice.[3] And we believe that the cumulative force of a number of considerations converge to suggest overwhelmingly the inherent desirability of policies emphasizing local-level community economic stability.

First and foremost, community economic stability is intimately intertwined with prospects for meaningful local-level democracy. Community economic stability is obviously vital to the nurturance of "civil society" and what has come to be known as "social capital." The strength of a society's social networks, civic associations, religious organizations, and even participation in nonpolitical clubs and groups have been identified by Robert Putnam and a host of other social scientists as an important (and in some cases decisive) determinant of overall institutional performance, including government efficacy, quality of public services, and socioeconomic development. Putnam's study of regional governments in Italy after 1970, for instance, found a striking association between success in twelve separate measures of regional governance efficacy and the degree of civic attachment present in each region. More recently, Putnam has presented an impressive accumulation of evidence showing that, after controlling for a variety of factors, Americans today are less likely to participate in numerous civic institutions—from PTAs to churches to fraternal organizations—while overall measures of social trust and confidence in American institutions have declined.[4]

Not enough is known about the precise relationship between community economic instability and these observed changes in American civic culture. However, the link between long-term stable residence in a community and civic participation has been well established by researchers. The most thorough recent study of American political engagement, conducted by Sidney Verba, Kay Schlozman, and Henry Brady (building on the work of many previous studies finding that long-term residents vote at a higher-than-average level), found that the number of years spent in a community is a positive pre-

dictor of both national- and local-level civic involvement, with the effect nearly twice as strong for local involvement. Verba and colleagues go on to note that "those who have educated parents and are themselves well-educated are more mobile and less rooted in their communities. Thus, ties to the community can represent an alternative—indeed, one of the only alternatives—to the dominant force [in predicting political participation] of education and the other socioeconomic stratification variables associated with it."[5] Likewise, a detailed 2000 survey of nearly thirty thousand Americans conducted by the Saguaro Seminar on Civic Engagement at Harvard University shows that both the number of years lived in one's community and the expectation of staying in one's community in the future are positively correlated with greater social trust, civic participation, and formal group involvements.[6]

The nature and strength of the linkage between economic stability and long-term residence has received less attention from researchers. But communities that experience economic displacement and long-term population decline will inevitably lose a substantial portion of their social-capital-enhancing long-term residents.[7] Furthermore, after an economic dislocation, it is the better-educated, higher-income residents who are most likely to be able to leave—the very people who are most likely to be strongly involved in a community's civic life. (This point is often noted in connection with the flight to suburbia of black middle-class residents in recent decades.) Moreover, recent evidence from the Saguaro Survey indicates that the proportion of the workforce in one's immediate locality (the zip code) that consists of either public-sector or nonprofit-sector workers—the part of the workforce that is most insulated from the ups and downs of the market—is positively correlated with long-term community residency as well as several common social capital indicators (such as attendance at public meetings).[8]

Membership in civic organizations, social networks, local grassroots organizations, and simple personal relationships are all threatened when economic decline causes members of a community to lose their jobs, experience increased financial and familial stress, and perhaps move away.[9] Even in relatively good economic times, such as from March 1998 to March 2000, nearly 1.1 million Americans moved because they had lost a job or were looking for work. During this two-year span, another 12 million Americans moved for job-related reasons such as a corporate transfer or relocation; nearly one-third of all moves out of a county are for work-related reasons.[10]

Nearly two decades ago Barry Bluestone and the late Bennett Harrison observed: "Loss of a work network removes an important source of human support. As a result, psychosomatic illnesses, anxiety, worry, tension, impaired interpersonal relations, and an increased sense of powerlessness arise."[11] A

recent case study of the effect of Chrysler's closure of an auto plant in Kenosha, Wisconsin, by Yale sociologist Kathryn Marie Dudley illustrates this point, as well as the destruction of tangible social capital involved when plants close:

> When a plant closes, workers lose a social structure in which they have felt valued and validated by their fellows. When they are stripped of their workplace identities, dislocated workers face an external culture that no longer seems to value, or grant social legitimacy to, the kind of work they do . . . and when their plant closes this accumulated cultural capital is lost. Long and respectable work histories are suddenly worthless, and workers are faced with the prospect of starting all over again, from scratch.[12]

A *New York Times* series documenting the effects of downsizing and community instability in Dayton, Ohio, drives the point home:

> Everything, seemingly, is in upheaval: not just the jobs and lives of tens of thousands of people, but also the big corporations, the banks, the schools, the religious and cultural institutions, the old relationships of politics and power, and, especially, the people's expectations of security, stability, and a shared civic life . . . Churches are losing members. So are service organizations; people say they cannot leave work for meetings, even if they only last an hour.[13]

In short, the loss of a community's economic basis leads to the destruction of accumulated social capital. Conversely, communities in which few residents are compelled by economic necessity to move have stronger social bonds.

How widespread are these community-disrupting events? Even in very good times—for instance, the year 2000—there were over 5,622 mass layoffs (measured by the Bureau of Labor Statistics as events when at least fifty employees from the same establishment file unemployment claims after being laid off for at least thirty days) involving 1.2 million workers in the United States. Over 40 percent of these layoffs were seasonal (particularly in agriculture and construction), and in about one-third of the nonseasonal layoffs, employer recalls were expected. But in 1,572 cases (involving 340,000 workers), the layoffs were permanent, and in 779 cases (involving 188,000 workers), work sites were closed completely. Just over one-half of such permanent closures were of manufacturing plants. Mass layoffs occur disproportionately in large cities: Forty percent of all layoffs in 2000 took place in the nation's fifty largest metropolitan statistical areas (MSAs). Fourteen of those MSAs had ten thousand or more workers separated from their job in 2000.

Recessions obviously present the potential for much heavier job loss. But even throughout the expansion of the late 1990s, even as unemployment fell

below 4 percent nationally, over 2.5 million Americans a year were laid off (including 1.1 to 1.2 million people affected by mass layoffs.)[14] Insecurity of workers and communities—even during relatively good times—has important political consequences. A vast political science literature has established that local democratic governance is compromised (perhaps fatally) in situations where local governments' fiscal prospects (and the health of the local economy in general) are dependent on the decisions of private investors, who may or may not pull out jobs at any time.[15] In such situations democratic choice is sharply circumscribed: Local policy inevitably bends *away* from many publicly favored policies and *toward* meeting the needs of mobile capital, as well as those of existing businesses with a strong stake in local land values.

This body of scholarship also shows that in places with more stable economic bases such as a state capital or a university, or an extremely favorable geographical location, local political regimes that have a broader democratic reach are more likely to be formed. Not only are such local regimes more inclusive of the variety of political interests in localities, but they also tend to pursue policies promoting greater equity. One of the requirements of building up democratically inclusive, equity-oriented local regimes is, accordingly, the development of a stable local economic base capable of supporting such regimes.[16]

When localities are left at the mercy of unrestrained economic forces, local politics either becomes relatively meaningless (lacking sufficient power) or tilts toward the interests of a narrow range of business-oriented constituencies. As University of Maryland political scientist Stephen Elkin observes, an "alliance between public officials and land interests will be at the center of any local politics where capital can move in and out of local boundaries at will. A politics with such an alliance at its center will be unlikely to pursue egalitarian policies of any significant sort and will more than likely work to reinforce existing material differences among the population."[17]

Stable communities of place also have the capacity to impact the character formation of citizens. When the economic underpinnings of a community erode, social networks and institutions—such as families, schools, churches, soccer leagues, and civic organizations—are also weakened, with predictably damaging results. The experiences and lessons learned from growing up in a blighted, depressed neighborhood in which everyone is struggling to get by and sources of social support are scarce are very different from those learned from growing up in a stable neighborhood where institutions are strong and people have confidence in the future. In their work on unstable central-city neighborhoods, John Jakle and David Wilson observe that

> transiency erodes sociability. When one's neighbors are forever on the move, situated near one for only a few months or even weeks, then neighboring bonds are necessarily weak if not impossible. A constant succession of neighbors almost necessitates mutual suspicion and social distance. As few households are known to one another, people legitimize each other's conduct with great difficulty, always assuming and expecting the worse. Anonymity gives people immunity from moral controls. Missing is the gossip, ridicule, and ostracism by which traditional communities keep members controlled.[18]

We are not here primarily concerned with the relationship of economic class to the character of either a community or the individuals who live in it. On the one hand, in even the poorest areas of America, countervailing, community-building institutions can be found doing amazing work, and on the other, as the Littleton tragedy illustrated, even affluent communities can fall prey to a crisis of meaninglessness and emptiness. We do suggest, however, that relatively stable communities marked by neither boom nor bust and lacking huge inequalities of wealth are more likely than highly unstable communities to nurture positive community values.

Liberty is also involved: Where one chooses to live (to the degree one is able to exercise choice in the matter) is an important way of expressing individual freedom and identity. Some Americans prefer very small towns, some prefer cities of 75,000 to 100,000 people, and some believe New York City to be the pinnacle of human civilization and cannot imagine living anywhere else. When any of these forms of human settlement are allowed (or compelled) to disappear or decay to the point where they become undesirable places to live, the scope of choice available to citizens about what sort of environment in which to live one's life is reduced. If the hometown where you grew up dies out or decays economically and you are *compelled* to leave, a very significant life option has been extinguished.

In his seminal 1983 critique of place-disregarding economic and social policy, geographer and social theorist Gordon Clark articulates the principle of "maintaining community integrity"—a principle akin to our call for community economic stability. Community integrity, he writes, "involves taking jobs to people, thereby building the economy in terms of the locational preferences of residents, not firms." Such a policy recognizes and attempts to realize in practice "the right of individuals to choose where to live and, once a choice has been made, the requirement that governments support this choice by providing for residents' welfare wherever they live."[19]

Clark correctly observes that a variety of federal programs that are consis-

tent with a place-based policy agenda are already in place. But Clark's larger point is that respect for the freedom of individuals requires making a reasonable effort to preserve the places where they have chosen to live, even when this means intervening in economic policy structures and the operations of the market. The late Harvard political theorist Judith Shklar made the related argument that providing work opportunities to all is critical to providing all citizens with a basis for "public respect" as free and equal members of the society. Shklar argued that the "minimum political obligation [owed by American society to its members] must be the creation of paying jobs geographically close to the unemployed."[20] This general principle has been made explicit in several cases in Europe: Regional policy in the Nordic countries of Sweden, Finland, and Norway (for instance) toward outlying towns in the remote, sparsely populated regions of those countries has long been animated by the notion that people have "the right to continue living in the area they were born."[21]

Stable geographic communities also provide a natural site for organizing political action across class, race, ethnic, and gender lines and for developing what some have termed "bridging social capital" that can enhance social cohesion and reduce tension throughout society. To be sure, towns and cities with racially and economically diverse populations are often the site of social conflict and tension. But racial and economic segregation has even worse consequences for local civic life. Princeton political scientist J. Eric Oliver has shown in an important recent study that economically diverse municipalities tend to have higher participation in local politics than homogeneous places.[22] Giving up on specific localities as the site of democratic debate and common social action would consign America to becoming an increasingly fragmented society, with its citizens disconnected from both local decision making and larger-order governance structures. This is a recipe for balkanization and a hardening of boundaries associated with race and other ethnic and class divisions. If meaningful interaction between diverse types of citizens within a public sphere does not take place in the localities where people actually spend their lives, it is not likely to happen at all.

In addition to the benefits it is instrumental in creating, community economic stability is valuable as a good in itself. The uprooting of place represents a tangible destruction of connections with the past and a sense of belonging and shared identity—qualities that help make life meaningful. Lewis Mumford put it this way over half a century ago: "A habitat planned so as to form a continuous background to a delicately graded scale of human feeling and values is the prime requisite of a cultivated life. Where that is lacking, men will fumble uneasily with substitutes, or starve."[23]

Theorists of democracy such as John Stuart Mill, Alexis de Tocqueville, and John Dewey (among many others) have long contended that local democracies are the fundamental schools in which national democratic experience was (or was not) learned and developed. As Tocqueville stressed, "The strength of free peoples resides in the local community. Local institutions are to liberty what primary schools are to science; they put it within the people's reach; they teach people to appreciate its peaceful enjoyment and accustom them to make use of it."[24] Similarly, Mill emphasized participation in local affairs as a means of developing the capacities of citizens. Dewey, too, saw strong local communities as an important check against ignorance and as a mechanism for creating citizens capable of self-governance on a larger scale: "There is no limit to the liberal expansion and confirmation of limited personal intellectual endowment which may proceed from the flow of social intelligence when that circulates by word of mouth from one to another in the communications of the local community. That and that only gives reality to public opinion. We lie, as Emerson said, in the lap of an immense intelligence. But that intelligence is dormant and its communications are broken, inarticulate and faint until it possesses the local community as its medium."[25]

In short, many important political thinkers have argued that the quality of larger-order democracy (and, for some, the moral basis for it) rests upon strong, vigorous local institutions in which citizens learn the art of self-rule. We do not think that the concerns of thinkers such as Tocqueville and Dewey are outdated or irrelevant today. Rather, we suggest that the degree to which the economic underpinnings of local communities can be stabilized—or not—will be inextricably linked with the quality of American democracy in the coming century. A host of indicators—most obvious are national voting trends—have declined dramatically over the last three decades. If Americans do not learn and experience the arts of democracy where they live their lives, we question whether they can ever learn them.

THE EFFICIENCY OF COMMUNITY ECONOMIC STABILITY

No matter how desirable a political economy in which localities are stabilized over time might be in theory, few would urge serious, concerted efforts in this direction if they involved gross, large-scale economic irrationalities and systematic waste. Indeed, the most common argument against place-based development has been that it is "inefficient." Rather than provide subsidies or assistance to places experiencing economic decline, whether cyclical or long-term, or take active steps to anchor capital in place over time, many economists have argued that it is more efficient to allow firms to make their own decisions

about where to locate jobs, and then encourage job-seekers to move to areas with employment opportunities. Any restriction on the mobility of capital, it is held, would require firms to keep production running at inefficient sites rather than move to the sites best suited to maximizing profits—which in turn, it is held, means locations with efficient access to transportation, markets, technology, social and business networks, or simply cheaper labor.

The classic statement of this position remains a report issued by President Carter's White House Commission in 1980. *A National Agenda for the Eighties* argued that "the economic health of our nation's communities ultimately depends on the health of our nation's economy. Federal efforts to revitalize. . . areas through [public policies]. . . concerned principally with the health of specific places will inevitably conflict with efforts to revitalize the larger economy." These place-based policies, it went on to argue, have "anti-industry biases" that are "pernicious" because they hurt general economic productivity and impose costs on the nation as a whole. In their stead should be policy efforts that do "not discourage the deconcentration and dispersal of industry and households," because these trends flow from natural workings of the market.[26]

We believe that the traditional efficiency argument against place-based economic policy is fundamentally flawed on two grounds. First, it fails to take account of the costs of what we term "throw-away cities"—namely, the many social costs incurred when people are forced to leave town—as well as the sunk private and public investments in infrastructure, housing, commercial buildings, education, utilities, and other public goods that are left to decay or are abandoned outright (while those very same structures, goods and services must be provided in new communities).

These costs are heightened when we consider that many sophisticated economists have pointed out that when individuals (and by extension communities) *lose* something they have—a job, a steady income, a hometown worth living in—that loss typically generates greater disutility than the utility gained when individuals *gain* goods that may be equivalent in monetary value to what is lost. People are by nature more attached to things they already have than to things they have yet to acquire.[27] It is not simply that economic processes that systematically devalue place concentrate the burdens of the market economy on the "losers," although that is a very important point to keep in mind; rather, it is that the gains from such processes must be very high indeed to outweigh the loss experienced by those who have seen their livelihoods taken away from them.

Second, the traditional view also fails to take account of the fact that optimal firm location is no longer rigidly determined by traditional technical

considerations, such as the need to locate heavy industry near transportation networks. With manufacturing on the decline and the tremendous improvement in modern communications, most of the activities of the contemporary American economy can be efficiently located in any number of places.

The Costs of Throw-Away Cities

The costs of "throw-away cities" have not gone unrecognized by thoughtful observers. Economic geographers John Jakle and David Wilson, who have documented the "derelict landscapes" associated with industrial decline, point out that when plant shutdowns occur, "[S]ocial costs are hidden in at least four ways.

> First, infrastructural costs are shifted from entrepreneur to community. Upkeep of streets, sewers, schools, and facilities falls on taxpayers. Second, social costs are transferred from rich to poor. The indigent are least able to participate in a relocation that promises economic benefits. They are left behind to pursue everyday life in a community bereft of opportunities and resources. Third, social costs are transferred from present to future. The degrading of lives and landscapes left behind becomes a social and economic burden borne by future generations. Poverty and decay are problems inherited by future residents. Fourth, social costs are transferred geographically. Regions of economic viability become focal points for capital and resource concentration at the expense of eroding regions.[28]

There have been numerous studies of the general social costs of dislocation. During the 1970s and 1980s, for instance, the deindustrialization of the Midwest and Northeast prompted scholars to examine the impact of plant closures and capital mobility on individual communities. Consistently, researchers found a disruption of community and family life in the form of increased crime and divorce rates. In the wake of plant closings, there were greater demands on social services—at the same time that tax revenues dropped.

Of particular economic significance is the cost of wasted public and private capital. One example: Scott Bernstein of the Center for Neighborhood Technology in Chicago observes that there are nearly four thousand abandoned shopping centers in America's central cities.[29] Similarly, The Sierra Club notes:

> In community after community, we've seen districts. . . shutting schools in existing neighborhood as they build new ones on the fringe. . . Between 1970 and 1990, Minneapolis–St. Paul built 78 new schools in the outer suburbs and closed 162 schools in good conditions located within city limits. In

> Maine, though the student population declined by 27,000 students, the state spent a whopping $727 million on new school construction.[30]

Between 1990 and 1999 over one-quarter of the nation's 1,071 communities with more than 25,000 residents saw their populations decline—even as the nation's overall population increased from just under 249 million to 272 million. Between 1980 and 1999, while the national population increased from 227 million to 272 million (roughly a 20 percent increase), some 195 towns with population greater than 25,000—including many major cities—lost 5 percent or more of their residents. Obviously the people in the declining cities went somewhere else—which helps explains why over 150 towns and cities experienced population growth of 75 percent or more over the 1980–99 period. These communities had to rapidly construct new infrastructure to support their bulging populations—while nearly 200 other communities saw a steady drift toward underuse or wastage of their already-built public facilities.

Some states (such as Pennsylvania and Ohio) saw widespread decline of existing towns, while other states (particularly Florida and California) saw dozens of communities arise seemingly from scratch. Still other states, including Illinois and Virginia, saw boomtowns rise even as other places within the state declined. Very few states achieved a balance of stable, slowly growing communities combined with some towns that were growing more rapidly. It is also a mistake to think of very large cities such as Detroit as the only places to experience population losses and thrown-away infrastructure. Most of the communities experiencing decline are smaller cities like Dayton, Ohio and Wheeling, West Virginia.[31]

Several baseline studies have been conducted of the relative infrastructure costs of different kinds of development (low density versus high density). One of the most thorough recent studies of the infrastructure costs of new growth in a locality is planning consultant Eben Fodor's 1998 report, "The Costs of Growth in Oregon." Fodor estimated the per capita costs of adding public infrastructure such as new school facilities, sanitary sewage, transportation facilities, water system facilities, parks and recreation facilities, stormwater drainage, fire protection facilities, library facilities, and electric power generation facilities at $16,301 for each new resident moving into a typical Oregon city. Not included in this figure are the cost of power transmission and distribution facilities.[32] Obviously, this figure should be considered an estimate—the actual cost may vary depending on local conditions (and also on whether new development takes place in a compact or a sprawling fashion).[33] And, of course, to this figure must be added the private costs of providing shops, housing, and workplaces to accommodate the new residents.

Between 1980 and 1990, the 275 American municipalities with population exceeding 25,000 that lost at least 1 percent of their population over the course of the decade saw a net reduction of some 2.05 million residents. Between 1990 and 1999, the 256 communities that experienced population losses greater than 1 percent saw a combined net population loss of over 1.6 million people. Taking these totals together, declining communities experienced a net loss of roughly 3.7 million people during the 1980–99 period. Using an estimate of $17,700 for per capita public infrastructure costs (Fodor's estimate of $16,300, adjusted for inflation), we can make the further estimate that roughly $65 billion (2001 dollars) in new public infrastructure was built over the 1980–99 period to accommodate the needs of new residents who left cities that experienced net population losses—that is, people who left declining cities.[34]

That figure is but an estimate of the *new* public capital costs associated with internal migration from declining places to growing places; it does not even begin to capture the value of the infrastructure wasted in the places left behind when schools, hospitals, roads, public utilities, and housing stock close, fall into disrepair, or are underutilized.[35] Nor, to repeat, does it include the *private* capital costs of new growth, such as the cost of the housing, new businesses, and offices built to accommodate new residents. These costs are even more difficult to estimate, but they are almost certainly substantially higher than the public infrastructure costs; one preliminary estimate by Tom Ricker of the University of Maryland places these costs at roughly five times higher than public costs.[36] If we accept Ricker's estimate of the magnitude of total private capital costs, the estimate of the total capital costs would rise to some $390 billion. But even this last figure does not include costs resulting from the Americans who have moved away from any of the hundreds of declining rural communities and small towns in the past two decades. Also, this figure refers only to mobility-related capital costs and does not include the cost borne by specific communities in lost tax revenues and increased social spending when jobs disappear and citizens leave. Nor are the transportation and other expenses associated with moving itself included.[37]

Such estimates are obviously very preliminary. We find it extraordinary that so little empirical work has focused on measuring these costs—either by economists concerned with efficiency or by public policy analysts. Much more intensive empirical study is clearly needed to gauge total capital costs associated with the rise and fall of population in American cities. Moreover, as Scott Bernstein observes, while there has been significant high-quality work done on the costs of urban sprawl, "there is virtually no analogous research on the 'benefits of reuse.'"[38]

Some scholars have, however, contributed useful, if preliminary, methodological work aimed at developing new evaluative tools to incorporate public (or social) costs into the prescriptive analysis of economic development policy. Policy analyst David Smith's seminal work on the "public balance sheet," for example, builds from the commonsense notion that costs such as those resulting from "throwing away cities"—while external to the private decision-making process—should not be excluded from the public decision-making process. His approach would allow policy makers to compare the *total* taxpayer and public benefits from community stabilization policies against the *total* costs.[39]

The public balance sheet approach evaluates the efficiency or wastefulness of a firm's decision to shut down or relocate a plant from the perspective of the public and of the economy as a whole—not from the perspective of the firm itself. As a result, a public balance sheet factors into the calculation of efficiency a variety of "negative externalities" related to community economic instability. The public balance sheet takes into account several key costs incurred by the public that private firms typically ignore in making investment decisions, including lost public tax revenues, increased government social spending, wasted public capital, and so forth. This comprehensive assessment allows for a more systematic and rigorous cost-benefit comparison between the relative efficiencies of policies oriented to community stability versus policies that exacerbate capital hypermobility and community instability.

Conventional analysis commonly overestimates market economic efficiency while underestimating the efficiency of community stability because it does not adequately factor in the full range of costs.[40] Once such costs are recognized and correctly calculated, the efficiencies associated with community stability, and the inefficiencies of community instability, become increasingly evident. And, to repeat, the public balance sheet still does not include all private costs associated with throw-away cities.

The Efficiencies of Firm Location

There is, however, a second general flaw in the argument that policies aimed at community stability are inefficient: Namely, the assumption that the efficiencies of firm location are inherently tied to technical, rather than socially determined, factors. We find this assumption to be problematic for two key reasons. First, much discussion of the need to allow firms to freely locate in response to technical advantages one place may have over another has rested implicitly on the assumption of a *manufacturing-based economy*—that is, economic activity that historically had to locate near raw material sources

and transport hubs, starting with water and evolving to rail and air. But the assumption of a manufacturing-based economy no longer holds: Manufacturing now occupies no more than 14 percent of the American workforce. Indeed, the figure is projected to shrink to less than 10 percent over the next quarter century.[41] Services (including government) now account for over 80 percent of nonagricultural American jobs. In contrast to the situation historically faced by the manufacturing sector, most services need not be wedded to places that happen to provide access to natural resources or to water- or rail-based transportation networks. To be sure, as we note in Chapter 2, there are still important economic benefits to agglomeration today, especially in high-tech sectors (such as the ability of firms in a given area to network with one another or draw upon a shared labor pool of skilled workers). But many enterprises in the service sector can operate in a wide range of locations without sacrificing productive efficiency. As we shall see in Chapter 1, the growth of the service economy has led to an *increase* in the degree to which city economies are localized—despite increased integration with the world economy and despite the fact that many services are now more widely traded outside the immediate locality than in the past.

Table I.1. Distribution of Employment by Sector in the American Economy, 1950–1999

Sectoral shares of nonagricultural employment in the United States

	1950	1960	1970	1980	1990	1999
Manufacturing	33.7%	31.0%	27.3%	22.4%	17.4%	14.4%
Place-specific activities*	7.2%	6.7%	5.9%	5.9%	5.3%	5.4%
Services	59.1%	62.2%	66.7%	71.6%	77.2%	80.2%

*Includes mining and construction.

Source: Derived from *Economic Report of the President 2001* (Washington DC: Government Printing Office, 2001), Table B-46.

If the first major point often forgotten in discussions of the efficiency of economic activities is the decline of manufacturing, the second is that technology itself, especially advances in communications and transportation, has reduced the role played by technical factors in determining the efficiency of firm location in all sectors, including manufacturing. Technological improvements have made dispersal of a firm or industry's operations much more fea-

sible, as individual production facilities, administrative offices, and market outlets can be located in widely separated places. This is true even for manufacturing: Urban economist Edward Glaeser of Harvard University notes that by the end of the twentieth century, "transport costs for goods had declined so much that it was no longer essential for manufacturing plants to be close to customers and suppliers. Indeed, declining transport costs have driven a de-urbanization of manufacturing almost as striking as manufacturing's overall decline."[42] Similarly, there has also been a reduction in the technical need for huge concentrations of capital to be amassed in one place in order to facilitate coordination of production. Again, economic dispersal comes with little or no cost to economic efficiency. Most important is the obvious fact that the Internet now allows coordination over vast distances.

This is not to suggest, however, that place no longer matters in firms' location decisions; the qualities of particular places—particularly, in some industries, the presence of networks—often do matter when capital moves from one place to another.* Moreover, in most cases the decentralization of production has not implied decentralization of control over production, which often remains hierarchically structured, with key investment decisions typically taking place at corporate headquarters, not at the local level. Creating truly stable communities will probably require much more localization of investment decision making than that afforded by large, hierarchical corporations operating multiple production facilities at different locations—and indeed (as discussed in detail in Parts II and III) the development of functional, credible local alternatives to traditional corporate structures.

What is important for our argument at this stage is simply the observation that new communications, transport, and production technology makes place-based decentralization increasingly economically feasible. Purely *technical* determinants of firm location—that is, factors rooted in physical geography, the distribution of natural resources, or the logistical need for centralized coordination—are shrinking in importance and will continue to shrink as manufacturing occupies a decreasing share of the national economy and as communication and transportation technologies continue to advance.

* Some analysts argue that the face-to-face interactions and personal relationships that appear to facilitate innovation and networking in certain industries (financial services in New York and information technology in Silicon Valley are commonly cited as examples) ensure that there will continue to be a privileged place for cities and a continued economic function for high density in twenty-first-century economies. We agree, but caution that only a very few cities can be Silicon Valley or New York; most American urban areas are not going to be "global cities."

Instead, the factors that remain important in driving firm location in the postindustrial economy are primarily *socially determined:* labor costs, tax rates, subsidies available to firms, access to universities and technical assistance, access to good public infrastructure (roads, airports, etc.), regulatory policies, quality of education, quality of workforce, and, perhaps most important, presence of a large-scale development anchor (such as a state capital or university) to help stabilize local entrepreneurial activity. In the new postindustrial economy, all kinds of places are capable, *technically,* of being efficient locations for production. On the one hand, this fact illustrates why public policy must play a role in ensuring that the increased capacity of firms to decentralize production does not lead to further destruction of existing communities. On the other hand, it also means that a comprehensive agenda aimed at stabilizing all American communities economically for the sake of enhancing local democracy need not incur overwhelming economic efficiency costs.

THE FEASIBILITY OF COMMUNITY ECONOMIC STABILITY IN THE NEW CENTURY

A third, seemingly powerful objection to nurturing community economic stability is the claim that it simply cannot be done within the context of a modern, postindustrial economy. The market *must,* it is held, control the fate of communities.

In a broad sense, it is true that no economic system has yet blended the goal of sustaining community over time with other economic goals (such as productivity, efficiency, and innovation). But it is false to conclude that there are no successful examples of using public policy within advanced market-oriented societies to sustain communities, or that a disregard for place is the inevitable result of a productive economic system.

Such a conclusion ignores the huge public subsidy and policy system currently operating in the United States to encourage the opposite outcome: mobility and the decline of place. The transient nature of American society is *not* simply a response to market operations but rather in large part the product of political choices expressed through public policies. Urban expert Peter Dreier points out that

> the root causes of the urban crisis are directly tied to federal policy. The flight of industry and the rise of a low-wage American economy, the suburbanization of housing, the siting of Pentagon facilities and contracts, and the redlining by banks and insurance companies can all be traced to federal policy choices, not simply market forces or consumer preferences.

He adds: "Federal aid to cites . . . has served, in effect, to 'clean-up' the problems created by federally assisted disinvestment."[43]

Research by political scientist Jeffrey Lustig on plant closings also documents this point:

> Tax write-offs for plant and equipment losses, liberalized depreciation rules, investment tax credits, and preferential treatment for capital gains all throw disproportionate rewards in the direction of companies engaged in closedowns. . . . The companies benefit from the assumption by the government of the tab for the personal, infrastructure and *social costs* entailed in the closedowns or relocations.[44]

That a contrary policy—one aimed at nurturing community economic stability—is feasible is suggested by the fact that, on reflection, Americans already seem to know a great deal about how stable communities are created and sustained. It is intuitively obvious to most citizens that moderately-sized university towns, state capitals, and even towns near long-established active military bases and prisons have greater economic stability than areas primarily dependent on private investment. (Of course, a university or state capital alone is likely to be inadequate as a stabilizer for very large cities.) Such areas are in many cases recession-proof. Understanding this reality, many struggling localities dream of landing a major public asset or facility as a development anchor. Literally hundreds of communities have bid for the siting of major new federal office facilities or new prison construction, or have attempted to attract retirees and their stable Social Security pensions to town. The practice is only slightly more indirect in the case of military contracts, when politicians go to bat for Department of Defense suppliers within their jurisdiction to try to land weapons contracts or maintain bases.

It is noteworthy that of the 62 state capitals and major public university towns with population between 25,000 and 250,000 listed in Table I.2 above, under 13 percent have experienced population declines of 5 percent or more since 1980—roughly 30 percent less than the nationwide rate of community decline over that period. Even in these cases, population almost certainly would have declined more rapidly than it actually did but for the presence of a state capital or university. Some 66 percent of the towns have experienced stability or moderate growth, while 21 percent have grown more rapidly. It is also worth noting that the unweighted average unemployment rate in these 62 towns and cities in 1999 was just 3.4 percent, compared to a national average of 4.2 percent. Twenty-six of these towns and cities had

Table I.2. Community Stability in Moderate-sized State Capitals and State University Towns, 1980–1999*

Includes all state capitals and all cities hosting its state's flagship public university

Declining (8)	Stable (30)	Moderate Growth (11)	Fast Growth (11)	Boomtown (2)
Albany, NY	Jefferson City, MO	Bismarck, ND	Raleigh, NC	Athens, GA
Jackson, MS	Morgantown, WV	Chapel Hill, NC	Carson City, NV	Missoula, MT
Harrisburg, PA	Lansing, MI	Madison ,WI	Reno, NV	
Richmond, VA	Annapolis, MD	Eugene, OR	Anchorage, AK	
Charleston, WV	Ann Arbor, MI	Concord, NH	Olympia, WA	
Trenton, NJ	Berkeley, CA	Lincoln, NE	Lawrence, KS	
Charlottesville, VA	Little Rock, AR	Norman, OK	Salem, OR	
Hartford, CT	Montgomery, AL	Columbia, MO	Fayetteville, AR	
	Tuscaloosa, AL	Dover, DE	Tallahassee, FL	
	Iowa City, IA	Juneau, AK	Boise, ID	
	Boulder, CO	Bloomington, IN	Santa Fe, NM	
	Gainesville, FL			
	Newark, DE			
	Baton Rouge, LA			
	Springfield, IL			
	Topeka, KS			
	Des Moines, IA			
	Providence, RI			
	State College, PA			
	Knoxville, TN			
	Burlington, VT			
	Salt Lake City, UT			
	Lexington, KY			
	Cheyenne, WY			
	Laramie, WY			
	New Brunswick, NJ			
	Columbia, SC			
	Frankfort, KY			
	Grand Forks, ND			
	Champaign/Urbana, IL			

[1]Derived from Deirdre A. Gaquin and Katherine A. Debrandt, eds. 2001 Couunty and City Extra: Annual Metro, City, and County Data Book. 10th Edition. Lanham, MD: Bernan Press, 2001. State capitals with less than 25,000 or greater than 250,000 (1980) population excluded. Declining cities are those losing 5% or more of population; stable cities are those whose population neither declined by 5% nor grew by 20% or more; moderate growth cities experienced growth of 20 to 40%; fast growth cities grew between 40 and 75%; and boomtowns grew by over 75%.

unemployment rates of 3.0 percent or less, including nine towns with less than 2.0 percent unemployment.[45]

The commonsense perception that places anchored by public institutions tend to be relatively stable is not limited to state capitals and towns with big universities. Consider comments made by residents of Romulus, New York, a small town of 2,065, when New York State cutbacks in the early 1990s led to 601 lost jobs at the Willard Psychiatric Center and threatened to close the facility altogether: "You go into many areas and people say, 'A mental institution—my God, I wouldn't want to live near one,' but that's not the attitude here," said local restaurant owner Ray Sajac. "That facility across the street is a lifeline for the entire community." "If Willard were to close, people just wouldn't know what to do and where to go," said Richard J. Compo, president of the county chamber of commerce. "They've worked there for so long, they would just be lost."[46]

Such illustrations are simply examples of the obvious reality that public policy can help achieve local stability. The fact is, almost 40 percent of the U.S. economy involves direct public financial flows.[47] If we include the impact of indirect public activities that in various ways leverage or constrain private activities (such as regulations, tax programs, loan guarantees, etc.), the figure would be still greater. The possibilities for developing a coherent strategy of using existing levels of public spending to explicitly target community stability are substantial.

In the following pages we explore many widely-accepted traditional strategies to achieve community stability—including, for instance, targeted financial and technical assistance to distressed areas and well-designed human capital initiatives. Also, in Chapter I and again in Part IV, we systematically examine the costs and benefits of international trade–and we review a series of national and international trade-related strategies aimed at helping achieve greater local economic and job security (as well as environmental standards).

In Parts II and III we also examine how local institutions and economic structures that root standard business activities in place can be developed. Thirty years ago, when there was little experience with large-scale worker ownership of manufacturing firms, when institutions such as the community development corporation were in their infancy, and when many other practices (such as establishing community-owned land trusts in downtown areas, using public pension funds to promote local- and state-level economic development, or lending state money to high-tech start-up firms in exchange for equity shares in the new business) were all but unheard of, the idea that local economies could be anchored by anything other than the large-scale private corporation would have struck most observers as unrealistic. Today, however, there is an impressive range of experience with place-rooted institutional

forms and little reason why public policy cannot self-consciously seek to nurture the further development and expansion of such institutions. As we shall explore, local initiatives to enhance local economic multipliers can further increase stability.

THE MOVEMENT TO ACHIEVE COMMUNITY STABILITY IN CONTEXT

Our case against American capitalism's tendency to throw away places is not a new one; it rests upon a long tradition of sophisticated analysis and on-the-ground activism aimed at preserving the value of place. Moreover, recent years have seen a resurgence of popular writing concerned with place, often building on earlier work by writers such as E. F. Schumacher and Wendell Berry. Former international development practitioner David Korten, for instance, urges place-rooted strategies as an alternative to corporate-led globalization. In an important treatise on ecological economics, *For the Common Good,* Herman Daly and John Cobb offer a similar vision of local businesses strongly rooted in community. In his book *Going Local!* Michael Shuman presents an array of policy ideas and strategies to help nurture locally controlled economic institutions.[48]

The following primer builds on the evolving discussion of place-centered economics. It takes seriously traditional objections to such policies and provides a realistic assessment of the capacity of different policies and institutional forms to help reroot the American economy. We believe the case for making communities a centerpiece of American economic and social policy is strong, and that—partly as a result of the practical developmental experience and new research of the past quarter century—over the next decade it should be possible to move toward a comprehensive strategy aimed at strengthening communities challenged by globalization, market dislocation and job chasing, and sprawl. Although the idea of community-based social and economic policy cuts against the grain of much traditional economic discourse, we also suggest that the idea of preventing communities from being thrown away has vast potential political and economic appeal. Beyond this, the ongoing shift to a service economy and the advance of new technologies open entirely new possibilities for better stabilizing communities over the next decades of development.

In a more fundamental sense, for many people a community-rooted economic policy is already just plain common sense. Community stability is a uniting value for Americans on the left, on the right, and in the center alike. We agree with the sentiments of former Ohio congressman John Seiberling, who in the wake of several 1978 plant closures in his home state told the House of Representatives:

The people of Akron, the people of Youngstown, the people of Newark, should have a little bit more going for them than the teetering balance in a corporate board room as to whether they are going to stay in a city or move away. . . . It is a lot easier to keep Humpty Dumpty from falling off the wall than to try to put him back together again afterwards. No, this country cannot simply walk away from its investments in its established urban centers where we have billions of dollars invested in public facilities, cultural institutions, universities and schools, factories, offices and stores and, most important of all, where people have invested their life savings to build their homes. We simply cannot walk away from that.[49]