

POLICY TOOLS FOR URBAN REDEVELOPMENT: PUBLIC-PRIVATE PARTNERSHIPS

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Motto: *the city lives by remembering
(Ralph Waldo Emerson¹)*

This paper addresses the issue of inner city redevelopment and focuses on possible policy tools that may be used to cope with declining urban areas (for e.g., the public-private partnership).

This paper has a twofold structure. Within the first part it will review some of the existing literature on this topic so as to develop a theoretical framework for understanding urban redevelopment within the American cities. The second part emphasizes the importance of public-private partnerships for inner city redevelopment consists in a case study about an inner city redevelopment. It also addresses some of the limitations associated with such partnerships and how they can be mitigated. In the conclusion section it is argued that declining urban areas and the need for innovative strategies to cope with these issues are to be found also within the European cities. Even though European downtowns have remained a desirable place to live, aging industrial cities are definitely a serious problem that needs to be dealt with by policy makers. Accordingly, the point we try to make is that urban decline is a serious challenge for both American and European local governments and, with modification, some of the same tools can be used.

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A THEORETICAL FRAMEWORK FOR UNDERSTANDING URBAN REDEVELOPMENT

• “Glimpses” of Urban America: the Decline of Inner Cities

American inner cities have experienced enormous decline in the post World War II era which only the most inattentive observer could fail to notice. A sizable body of literature provides the reader with a quite vivid picture of the decay of the inner cities. As one scholar notices, sprawling ghettos beset by poverty, crime, and physical decay are located in the shadows of gleaming skyscrapers and guarded condominium buildings. On downtown streets, the homeless wander amid tourists and affluent white-collar workers (Judd and Kantor, 2002, p.307). This decline has manifested itself in pockets of vacant or underutilized land; abandoned residential, commercial, and industrial buildings; diminished public infrastructure; population loss; and resultant social problems (Hamlin and Lyons, 1996, p.9).

The causes that determined this situation are numerous. According to one classification, they are physical, economic, fiscal and social (Hamlin, 2002). Race has also been a powerful causal element in determining spatial patterns in US metropolitan areas (Fainstein and Campbell, 1996). Since recently, the global environment has also been mentioned as a challenge for the inner cities (Savitch and Kantor, 2002). “The tale” of these urban areas and their decay is thus very complex as many of the causal factors reinforce each other.

What happened?

A possible framework for analyzing the transformation most of the American inner cities underwent in the last four decades (starting with the 1960s) traces it along three distinct trajectories: the deindustrialization of the urban economies; the deconcentration of older cities; and the globalization process (Savitch and Kantor, 2002). This framework allows for a clear analysis of this topic.

(1) Economic deindustrialization

Many American central cities both within the 19th and 20th century were created as locations for heavy industry (Savitch and Kantor, 2002). Their genesis and their later development are thus closely related to the evolution of the industrialization process and to its broader impact on the whole society. A growing manufacturing industry meant well-paid jobs for unskilled workers who came by thousands to work and live within heavily industrialized inner cities. Foreign immigrants as well as poor rural Americans from Appalachia and the Deep South contributed to an increase in the number of population the inner cities in the first half of the 20th century housed. Even though the housing was often substandard and the neighborhoods overcrowded, the inner city residents managed to spawn a host of vibrant institutions. Labor unions, shops, schools, churches, and social clubs bound communities together, allowed citizens to connect to public institutions, and gave the city meaning (Savitch and Kantor, 2002, p.5).

Starting with the 1960s, these vibrant inner cities began to decline. This trend is the result of impersonal changes within the American economy coupled with demographic and social processes. Following the global post-industrial trend, central cities evolved from manufacturing to service centers. A huge number of factories were closed down or moved to non-metropolitan areas. Just as central cities were losing their low-skill employment base in manufacturing, they simultaneously came to house a growing number of poor minorities, creating a serious ‘employment mismatch’ (Farley and all, 2000). Urban minorities were geographically segregated from high paying jobs in manufacturing by the movement of factory employment to suburban and non-metropolitan areas and socially isolated from high paying jobs in the central city by a lack of education (Massey and Eggers, 1990, p.1154).

Deindustrialization continues to affect US inner cities: poverty has greater concentration within these urban areas and a huge number of minorities (especially Blacks and Hispanics) seem to be segregated within downtown poor neighborhoods (Massey and Eggers, 1990; Peterson 1991). Cities located in the North of the US have experienced the most dramatic transformations as their economies were almost entirely depending on manufacturing. Detroit, the automobile city of US, is an extremely relevant case in this respect.

It is not just the geographic location that accounts for different and uneven transformations among inner cities. Scholars distinguish among several types of cities depending on their economic functions within the society (Savitch and Kantor, 2002). A threefold typology identifies primate cities (the capital ones), secondary cities (the heavily industrialized ones), and cities of passage (the ports). The cities that have been most severely affected by the economic changes from the ‘70s are the secondary and the passage-cities. The capital cities, due to the fact that they had some service-oriented economy to rely on, were able to recover quite easily. In a few cases port cities and those belonging to the rustbelt managed to escape the decline, but most industrial cities are still struggling to find a place for themselves in the new post-industrial society.

Perhaps the most spectacular and interesting change brought by the economic deindustrialization is the emergence of new-age boomtowns, the high-tech ones (Savitch and Kantor, 2002). Their economies are usually based on computers, software, electronics, space technology, or other emerging economic sectors. Because these cities were born out of the structural changes within the economy, some people think that attracting high-tech industries into declining inner cities is the key for urban redevelopment.

This may be a desirable objective but is definitely hard to achieve: high-tech industries, even though footless, still have a major location constrain. They need to be in entrepreneurial environments that attract highly educated people who can invent, complete research, formulate entrepreneurial solutions and feed other's creativity through intense interactions. These individuals are usually attracted to highly cosmopolite urban areas, with the highest quality of education at all levels (Hamlin, 2002, p.5). There are cities that can redevelop their inner cores in order to become desirable locations for such industries, but many cities will never going to fit this profile. In their case, urban redevelopment should be directed towards more feasible goals.

(2) Demographic deconcentration

The way inner cities look nowadays is attributed to losses in population that occurred as middle and high-income families moved out to the suburbs. Most of the times they left behind an impoverished underclass that further contributed to the decay of buildings and infrastructure in the core cities.

Scholars consider that urban deconcentration can take two forms: *dedensification* (refers to a movement out of healthy central cities, which allows remaining residents more space and gives departing residents more economical accommodations) and *decline* (refers to an exodus from urban cores because of decaying conditions, leaving these cities as segregated reservations for poor). In the US, deconcentration often means urban decline (Savitch and Kantor, 2002).

A growing body of literature addresses the topic of underclass. Scholars use the term underclass to describe enclaves of poverty within inner cities. The people residing within these neighborhoods are not just economically poor, they are also socially isolated. Social isolation deprives residents of inner-city neighborhoods of resources, conventional role models and cultural learning from mainstream social networks that facilitates social and economic advancement in modern industrial society. The lack of neighborhood material resources, the relative absence of conventional role models, and the circumscribed cultural learning produce outcomes, or concentration effects that restrict social mobility (Wilson, 1991).

But there is more to this story as deconcentration entails movement away from places. It is not just about those who remain trapped within inner cities; it is also about the better off who can afford to move out. Scholars use the term urban sprawl to describe these population movements towards the fringe of the city. The problem is that sprawling suburbs eat up prime farmland and recreational open space; infrastructure, such as highways and water lines are expensive to install; and national energy dependence has resulted from excessive dependence on auto transportation (Hamlin, 2000, p.5).

One should not believe that all these trends are due to ecological, natural forces that operate within the urban environment. The white flight to the suburbs is the direct result of public policies that have been undertaken at the federal, state or local level. After World War II, the Veterans Administration housing insurance program and the rapidly rising incidence of car ownership combined to increase the number of city dwellers moving to the suburbs. Continued improvement and construction of roads through federal highways programs compounded the trend, and growing numbers of affluent and middle-income households moved out of the city (McBee and all, 1992, p.3). One could add the role played by the mortgage system set in place, in part through federal policy, to encourage single-family house ownership, while racial discriminatory practices within the housing markets ensured the concentration of minorities within the inner cities (Massey and Danton, 1988).

(3) Globalization

Many books and articles have been written on globalization. By the same token, many sophisticated definitions try to encompass the meaning of this phenomenon that seems to affect more and more our daily lives. For the purpose of this paper, we cite a quite simple definition that emphasizes the key aspects of globalization. Then, we will turn to the way in which it influences urban decline and constrains urban redevelopment.

The term 'globalization' describes the process of increasing the connectivity and interdependence of the world's markets and businesses. This process has speeded up dramatically in the last two decades as technological advances make it easier for people to travel, communicate, and do business internationally (www.investorwords.com). Globalization is thus not just about free trade. It also subsumes both a technological and a socio-cultural dimension.

Globalization does affect cities. It is not to say that globalization caused the decline of inner cities but that constrains and opportunities are associated with it. Capital cities and regional centers usually can take advantage of it. Globalization generates a need for central direction in which financial, legal, and professional services are concentrated within a common locale. Also, the knowledge-based economy has accelerated face-to-face and informal contacts; it has increased an appetite for conferences, seminars, and annual meetings (Savitch and Kantor, 2002). Perhaps the biggest advantage globalization brings for these biggest cities is that, up to a certain point, globalization limits the dichotomy between cities and suburbs. As scholars pointed out inner cities are traditionally regarded as a place for production and suburbs as a place for consumption (Savitch and Kantor, 2002). Within these 'global' cities both production and leisure seems to be associated with inner cities. Conference centers, hotel facilities, restaurants, and luxurious amenities may become the key elements for downtown redevelopment.

One should not believe that globalization brings only benefits for big cities. As migration is a phenomenon that comes with this global trend within the economy, secondary cities have experienced it as well. One of the problems these cities have is related to the existence of poverty enclaves within otherwise quite wealthier metropolitan areas. Quite expectedly, migrants searching for better opportunities account for a substantial part of the poor.

But globalization is not just about capital and regional cities. Perhaps its most important consequence is that it made people aware of the fact that cities, no matter what their size may be, are not alike. Where you live and work matters more than ever in accessing jobs, income, public amenities, schools, and green space. These things are 'contingent' upon places. Location does make a huge difference. Neat suburban residential enclaves, edge cities, busy commercial downtowns, urban ghetto, vacated industrial areas, and campus-like office parks are all part of a complex urban fabric that differentiates opportunities (Savitch and Kantor, 2002, p.16).

One could imagine how these perceptions reinforce and exacerbate urban sprawl; indirectly, they also make attracting developers to invest in inner cities more difficult (the perception of higher risks).

Why should inner cities be redeveloped? Do they still matter?

The previous section of the paper analyzed some of the transformations inner cities have undergone in the last decades. Clearly, they are no longer the vibrant places they used to be before World War II. Is this really a problem? Do inner cities still matter? Are they more than a relic of the past? The answer to all these questions is, yes, because of the role inner cities still play within the broader urban context.

In the first place, a regions central city is usually a center of its history, culture and heritage (McBee, 1992). As the home to important historic sites and to historic and architecturally unique buildings, innercities are also the cultural centers of our regions. They are the places where artists congregate,

new art forms are created, and where greatest cultural institutions congregate. To any region, these institutions are assets that can be replicated only at enormous costs, if at all (Report, 2003, p.8).

These factors that give a city center its sense of place are important as they determine the corporate business sector to come and locate there. A high visibility and in many cases the prestige of a downtown location are attractive to businesses that are pillars of the community- banks, courts, government agencies, power companies, major accounting, law, and insurance firms (McBee, 1992).

But central cities are not just a business address; they are also possible destinations for tourists. As scholars noted, the rise of the office-complex city has been accompanied by the rise of the tourist city. Cities are today in the midst of what Judd and Fainstein describe as a “tourist bubble”, whose growth is among the fastest in the world (Savitch and Kantor, 2002, p.19).

One may claim that these arguments are valid when it comes to cities that have a history, a significant past that can “be sold” to both tourists and businesses. New York, Boston, Chicago, Seattle, etc, definitely fit this profile. What about the small and medium cities that are nothing more than another spot on the map? Why should they redevelop their downtowns?

The existing literature on this topic usually focuses on the advantages urban redevelopment can bring to a city. The literature seldom mentions the costs associated with a non-redevelopment policy and who pays these costs. A common perception is that only the residents pay the costs of bad inner city neighborhoods. This is not entirely true.

In the case of small cities, downtowns and inner neighborhoods are closely linked to nearby residential neighborhoods (Burayidi, 2001). Often within easy walking distance, these suburban neighborhoods are not spatially isolated from the problems the residents of the inner cores experience. As one scholar noticed, the costs associated with declining inner cities have recently become more directly visible to suburbanites. All of the central city problems are now spreading rapidly to the inner ring of the aging suburbs (Hamlin, 2002, p.3).

A final argument that inner cities matter draws upon what one could easily notice by taking a closer look to some American cities. As the authors of a recently issued policy report emphasize, many leading-edge communities, places with growing economies that are attracting new residents, are anchored by attractive, urbane central cities. Maybe most surprising, in those places, the conflict between cities and suburbs is fading. More policy-makers now recognize that the old fights held back economic and social progress in both cities and the suburbs (Report, 2003, p. 2-3). I don't know if data and facts are supporting the authors' optimism about the policy consensus in the matter of inner city redevelopment, but we strongly believe, due to all the arguments presented, that this is the goal that has to be achieved.

Who should the inner city be redeveloped for?

To acknowledge that inner cities should be revitalized is definitely the first step city governments have to undertake when shaping their urban agenda. Even more important is to determine whom are they redeveloping the inner cores for. American cities are losing middle class families of all races to the suburbs, but middle class families are unlikely to be a source of central cities' future growth in aging industrial cities (Report, 2003). The flight of middle-class families with children to the suburbs is due both to perceptions and facts about the “dangers” of living within the inner cores (Hamlin, 2002). Some of these people will continue to believe that inner city schools are declining and that the crime level is high no matter what empirical data may actually say. Without data to support these claims, they remain nothing more than scenarios. I've mentioned them because they seem to provide some sort of support for the statement that middle-class families of child rearing age are not going to be the source future growth for aging cities.

Two other groups of individuals are more likely to come to locate within the inner city: immigrants and the “creative class” (Report, 2003). They may each play a special role within the urban revitalization process.

(1) *The immigrants*

The '60, '70s and the '80s meant rampant decline in population for most of the American central cities. The case of Detroit is perhaps the most well known: over a period of a few years the population of the city declined by more than 50%. New York and Chicago did manage population gains during the past decade, but white residents continued to flee and the gains were due to immigration from Latin America and Asia (Savitch and Kantor, 2002).

Gains in inner city population do not mean per se either economic growth or revitalization. As mentioned before, if inner cities lead to the social isolation of their residents, individuals and the society pay huge costs.

Let's first consider how a revitalized inner city is supposed to work in relation to its immigrants. Central cities are supposed to play an "up and out" role. They should be a place where the poor and newcomers find affordable housing, access to jobs and close proximity to social networks. Urban neighborhoods should act as launching pads to connect many residents to the broader community and economy. As residents advance economically they often move out of these neighborhoods-many to the suburbs. In successful cities newcomers follow them into these launching pad neighborhoods and the cycle continues (Report, 2003, p.7). Do existing inner cities fit this profile?

At their turn, immigrants bring new energy, vitality and creativity to their communities. They create new neighborhood businesses and contribute greatly to the culture, infusing new creativity and variety to art, music, dance and cuisine (Report, 2003, p.7). Of course, this is an oversimplified picture of a downtown neighborhood where residents are immigrants. In order for an inner city to play the "up and out" role, the community must minimize discrimination based on race or ethnicity. This is often not true, especially when it comes to blacks. In the case of Puerto Ricans who also seem to be trapped within poor downtown neighborhoods, we still lack data from which to draw a possible conclusion (Massey and Eggers, 1990).

(2) *The "creative class"*

The first section of the paper referred to the knowledge workers and high-tech specialists who seem to be attracted by cosmopolitan, vibrant inner city neighborhoods. They are part of what one scholar has defined as being the "creative class" (Florida, 2002; Report, 2003). Other social groups that are likely to be part of this class are the professionals, the college students, gays, the artists and the bohemians.

Of course, certain cities will be able to attract more categories of individuals from the creative class than the others. This is a fact. But not even the smallest city or town should neglect its creative class, no matter if it consists in professionals, artists or computer workers. In regular medium and small cities I believe the creative class consists mainly in professionals. If the city is located in the close proximity of a university, students are also an important creative group.

As do immigrants, the creative class brings new energy, vitality and creativity to their communities. They are a major source of new stores, restaurants, clubs and galleries in the urban neighborhoods in which they settle (Report, 2003).

* * *

The "tale" of the decline of the American inner cities is definitely important and relevant for the broader objective of my paper. It is impossible to refer to urban redevelopment without a proper understanding of the causes that created the need for it in the first place and of the opportunities/constraints it takes place in.

• ***Policy tools available for coping with downtown decline: the public/private partnership***

The last sections of the papers stresses how inner cities have been the terrain on which economic, technologic, social, and global transformation has taken place. An assumption of this paper is that cities are not necessarily the passive recipients of this change. They have the capacity to guide it

and shape its impact. That capacity may be constrained or mediated by underlying structures, and it may differ from city to city, but is nonetheless present. Choice, then it is an essential part of urban redevelopment (Savitch and Kantor, 2002, p.4).

Policy makers definitely have to make choices when it comes to redeveloping the inner cores. The public-private partnership is a possible policy tool to be used to induce urban redevelopment within certain areas. But, this partnership is not to be considered a ‘panacea’ for all the urban ills. Public-private (p-p) partnership works best under certain conditions, and policy makers must consider disadvantages or limits when they decide to employ this tool. This section addresses some of these issues. The emphasis is placed on the meaning of the p-p partnership within the context of the inner city redevelopment process.

A false dichotomy

A critical first question about the role of the p-p partnerships within the context of urban development to be addressed is the issue of governmental intervention in this field. Simply put, why should city governments play an active role in revitalizing inner cities? Why not let the market forces drive redevelopment?

Even though most of the urban scholars admit that the redevelopment of the inner cities is a public goal, disagreement rests upon the actors and the tools to be used to accomplish this goal. Because Americans have always been suspicious of ‘big government’, the laissez-faire mechanisms of the economy are considered the best way through which resources are allocated. The problem with this approach is that markets allocate resources efficiently if they meet certain conditions. Some markets come close to the perfect competition model described by the economists. Unfortunately, the specific markets affecting the way a city functions (the most important ones being the housing and the real estate markets) are far away from meeting the criteria of a perfect market (Hamlin and Lyons, 1996). From this perspective, the government should intervene to perfect these markets, to make their functioning come close to the perfect competition model (Hamlin, 2002).

A practical example is the government’s role in land assembly and preparation. The economists’ model of a competitive free market assumes that the marketed items are bought and sold in large numbers of highly divisible products of equal quality. It assumes perfect information about price and quality of each item and that each transaction is arms length. Looking at the urban real estate market, land parcels do not fit the model. For historic reasons, many parcels are too small to use, poorly shaped, have poor infrastructure, contain possible soil contamination and experience other environmental problems. Individual parcels often have complicated legal histories, with many lien, deed restrictions, title imperfections and complex current ownerships. They often contain obsolete buildings requiring demolition and experience negative externalities from surrounding properties. Assembling several small parcels economically is nearly impossible. Once the owner of a key parcel in the middle knows you are trying to assemble land, he raises the price. Having enough inner city land to rearrange and modernize rights-of-way requires owning such a big territory that it could involve purchasing and assembling dozens of old parcels.

It is no wonder that participants in the “free” market for urban development land choose greenfields instead of inner city urban locations for their projects, particularly since those greenfields often experience subsidies in the form of free modern infrastructure, and loose regulations allow for the externalization of other costs.

The market place for urban real estate can be perfected if governments uses their legal powers to acquire and assemble urban parcels, readjust property lines to allow for the modernization of rights-of-way and infrastructure, clear titles, abate taxes and police externalities caused by surrounding properties. It can also use governmental powers to arrange for special assessments, tax increment

financing, or tax exempt debt financing to pay for clean-up, to demolish obsolete buildings, and to build modern infrastructure, thus preparing the land to compete with greenfields for new development.

As one scholar argues, the public sector can use both carrot and stick to level the playing field and/or to nudge the private sector in the proper direction. The stick represents laws and regulations that enforce minimum standards of behavior and mitigate externalities. The carrot represents incentives for more optimal behavior. These incentives take the form of regulatory relaxations, financial inducements, coordination, or information (Hamlin, 2002).

One approach to p-p partnership is that the city and a developer come together to form a legal partnership to complete a project. This sometimes happens, and can work well, but this is a simplistic view of the p-p partnership concept and has many potential problems. These problems will be mentioned here and discussed later. One problem is that this simplistic approach sometimes reduces public oversight and participation since many private businesses demand confidential negotiations. A second problem is that, since public employees are often inferior at business negotiations than their private sector counterparts, governments often give away more than they need to. A third issue is the potential for favoritism, political payoff, or outright corruption.

The concept of p-p partnership is more complex than these simplistic views suggest and has a huge body of literature. This paper provides some additional statements about how the p-p partnership may be conceptualize¹ that capture the essence of this very complicated concept.

According to one scholar, various constituencies, particularly in our complex cities, need to get together, and bring resources to the table. This involves not just government and private businesses, but various intermediate sector organizations such as NGOs, sometimes called third-sector organizations. These include membership non-profit corporations such as labor unions and churches, community service and development organizations such as faith-based CDCs, and non-profit housing corporations, to name a few. In the US, third-sector participants are so numerous and diverse that the title p-p partnership is misleading. In one case, it has been renamed intersectoral integration (Lyons and Hamlin 2001).

In this paradigm the assets brought to the partnerships are diverse. Government brings legal powers and public expertise such as the use of eminent domain and knowledge of large-scale data bases. Non-profits bring the ability to attract donations and have special connections to various constituent groups, to name a couple of their contributions. Private companies bring risk-taking investment capital, business management and marketing expertise, to name a few.

Imagine as a practical example, a moderate-income housing project. The government can clear and prepare the land and infrastructure using debt capital raised through the use of tax exempt bonds. NGOs can bring donated capital, special knowledge of the needs of moderated-income housing clients, an understanding of inner city neighborhoods, and expertise in accessing and using special programs such as low income housing tax credits. A private developer can leverage private capital and offers skills related to all aspects of implementing, marketing and managing a private development project. The non-profit might own the land, since land cannot be depreciated, and lease the land to the private owner who can then maximize tax advantages for investors by depreciating the building.

A final definition argues that the partnership means bringing together various persons and resources for a common goal and hopefully, for their mutual gain (Sulzberger Straus in Davis, 1986). This paradigm calls for all stakeholders, including neighborhood residents to share their assets and expertise, and to jointly work out their goals. Then, the result would not be what somebody in an

¹ The quoted statements belong to various city officials, practitioners, and media representatives that took part in the panel.

authoritarian position has decided the community needs, but rather, something the community itself has decided it wants for itself.

Hagiwara talked about how many in the field of p-p partnership emphasize the importance of the third-sector or intermediate-sector NGOs in implementing p-p partnership. But he felt a fourth sector should be added, the general public, implying that p-p partnership should not leave out intensive citizen participation (Hagiwara 1991). With citizens in the partnership, one can look to all of the assets that everyone can bring to the table, and build a community from the inside out, using the ideas, needs and resources of everyone in the community (Kretzmann 1993). Assets are not just legal and financial, but include historic knowledge of the community, family roots, social capital, and enthusiasm for preservation of the community. One set of assets that everyone can bring is their knowledge and their experience in the community. A full partnership becomes a “learning community” (Senge 1994). Everyone teaches each other how to make the community better. The end result is a strong communication network and a strong fabric of social capital (Hamlin and Duma). Many researchers have found that the most resilient inner city neighborhoods have these qualities.

In summary, all these statements provide us with important clues about the meaning of p-p partnership. First, the dichotomy public-private is artificial when speaking about a partnership. Instead, one should emphasize the existence of intermediate-sector organizations and activities. These organizations and activities exist in part to promote the public interest, but must also be sensitive to the need to reward investors for taking risks (Hamlin and Lyons, 1996). Second, the partnership goes sometimes beyond the cooperation of the public, the private and intermediate sectors. It also includes the groups within the community/neighborhood. These formal and informal citizen groups usually provide the public and the private sector with information about how the developmental process should be planned so as not to create adverse effects or costs for those who reside in the area targeted for redevelopment. Though sometimes ignored, those groups can provide important inputs into the development project.

The p-p partnership describes a broad set of interactions among sectors that have traditionally functioned separately from one another. These interactions subsumed to the partnership concept are best understood when traced along three distinct dimensions - organizational structure, activities, and financial mechanisms (Hamlin and Lyons, 1996). Rather than struggling to redefine the boundary between public and private, with the former ceding territory to the later, partnering works to blur boundaries (Linder, 1999), to create an economy without walls between the sectors (Hamlin and Lyons, 1996).

However, the way in which a partnership works is highly dependent on the policy context in which it is situated and on the ideology that describes the relationship between the public sector and the private sector within a society. The next section traces the meanings of the p-p partnership concept along the recent history (starting with the 1970s) of urban redevelopment within the American cities and stresses upon the ideology of ‘privatism’ that underlies it.

Urban redevelopment and the meaning of the public-private partnership: The ideology of ‘privatism’ with the U.S.

The p-p partnership, as a rubric for describing cooperative ventures between the state and private businesses, currently enjoys remarkable acclaim in both official and scholarly circles. As one scholar put it, organizations ranging from the European Union to Canadian Heritage not only endorse the partnership idea but also actively employ it as a programmatic tool for adapting to what they perceive as changing needs and circumstances (Linder, 1999).

But is the p-p partnership really a policy innovation of the last decade? And where is one supposed to trace its roots? According to one opinion, partnerships have been developed in US since the 1970s by the federal government as a tool for stimulating private investment in inner city infrastructure

(Linder, 1999). Another author claims that p-p partnership is little more than a new label for a long-standing relationship between the public and the private sector. Growth has been the constant, central objective of that relationship, though in recent years subsidization of dramatic economic restructuring has become a complementary concern. While that relationship has evolved throughout U.S. history, it has long been shaped by an ideology of privatism that has dominated urban redevelopment from colonial America through the so-called postindustrial era (Squires in Fainstein and Campbell, 1996, p.226).

It is important to acknowledge the fact that privatism shapes the interaction between the public and the private sector. As mentioned before, boundaries between these two sectors tend to blur when they partner. Yet, the way in which structures, activities and financing are shaped within the frame of the partnership reflects the basic tenets a society holds about the actors and the mechanisms through which wealth should be generated.

Within the American society, private economic actors are credited with being the most productive, innovative, and effective. From this perspective, public policy should serve private interests. The government should focus on the facilitation of private capital accumulation via the free market. While urban policy must acknowledge the well-known problems of big cities, it can do so best by encouraging private economic growth (Squires in Fainstein and Campbell, 1996).

The ideology of privatism basically subsumes all these tenets. It draws upon the belief in the supremacy of the private sector and market forces in nurturing development, with the public sector as a junior partner whose principal obligation is to facilitate private capital accumulation. Individual material acquisitiveness is explicitly avowed, but the selfishness is justified by the public benefits that are assumed to flow from the dynamics of such relations (Squires in Fainstein and Campbell, 1996). This ideology implies nonetheless a hierarchical relationship between the public and the private.

The p-p partnership has always been 'sold' as meeting important public needs. In the post-war period urban renewal was launched and initially justified as an effort to improve the housing conditions of low-income urban residents. Soon enough shopping malls, office buildings and conventions centers rather than housing became the focus of urban renewal programs (Squires in Fainstein and Campbell, 1996). The senior role of the business sector within these partnerships has been justified according to a socially valued tenet in the efficiency of the businesses to promote economic growth. As one scholar noticed, the idea of government and business evokes images of wartime solidarity and memories of small town life in America, where businesses and government shared talent and community responsibilities. It seems to draw on communal traditions of cooperation that are, at once, vaguely familiar and socially valued (Linder, 1999, p. 36). Nonetheless, this ideal picture is misleading. As the cited author observes, when we scratch the surface of these arrangements over the past century, the spectacle of machine politics, graft and corruption shines through.

Many scholars claim that the p-p partnership in the context of urban renewal programs allowed for state and city governments to heavily subsidize the private sector and to gain electoral benefits by granting public contracts to specific entrepreneurs. An extremely comprehensive approach to the concept of p-p partnership identifies three major negative aspects in relation with this process: a declining public accountability; limited benefits for the general public; a reduced financing of other public needs, for e.g., education (Squires in Fainstein and Campbell, 1996).

In some cases, public authority (eminent domain or zoning rights) ended up being exercised by or in the interest of private businesses. The Disney World example is probably the best documented one within the urban literature. The area in which the business is located has been incorporated as a city, and, as a consequence, private stakeholders exercise public authority within this jurisdiction. One can imagine the purpose this "private city" serves and who benefits from it (Judd and Fainstein, 1999).

Another problem is that public subsidies granted to businesses in order to encourage them to locate in a certain jurisdiction have not always generated the expected benefits. Many urban renewal programs place a special emphasis on the creation of new jobs. But in many cases these incentives embody unintended costs resulting in minus-sum situations as public subsidies outrun subsequent public benefits. One reason for the disappointing results is that with the proliferation of incentives, the competitive advantage provided by any particularly subsidies is quickly lost when other communities match them (Squires in Fainstein and Campbell, 1996). In most of the cases, the businesses are shopping around for the best deal and the acerb competition among cities does nothing but further encourage it.

Finally, one should not forget that more resources spent on providing subsidies for business means less resources spent on other public services. Education tends to be one of the public services that is somehow neglected within the inner cities. This has a huge impact on what kind of industries and what kind of development strategies the city is going to enact in the future. As mentioned in the first section of the paper, whether or not a city is able to attract high tech industries heavily depends on the existence of a skilled, high-educated population.

All these aspects have to be taken into consideration when a p-p partnership is created and developed. However, the importance of this concept should not be downplayed just because the interaction between sectors presents challenges to our existing system of ethics and politics, and to our ability to achieve economic and social equity. These latter challenges should not convince us that the concept is fatally flawed an unworthy of serious consideration as a policy tool. Instead, the cited authors argue, they should stimulate us to rethink old paradigms regarding the relationships among the various groups that make up our global society (Hamlin and Lyons, 1996, p.4). A new approach to p-p partnership may emerge from the interaction of city dwellers, community organizations, and public officials who have begun to develop specific policy alternatives, including more inclusive partnerships, in hopes of achieving something better than “the mess of laissez faire” (Squires in Fainstein and Campbell, 1996, p.268).

The public-private partnership as a policy directed toward risk shifting

In the previous section I present a brief analysis of the evolution of the p-p partnership in close relation with the urban redevelopment within the US. I believe such an analysis provides the reader with important clues about the specific meaning of the partnership concept within the frame of urban redevelopment.

As one scholar noticed, the concept subsumes at least six different meanings (Linder, 1999). I believe that when referring to p-p partnership as a policy tool that can be used to address the problems of declining inner cities, the meaning that best describe it is risk shifting. Partnering is a means of responding to fiscal stringencies on the part of the government. Public officials are interested in leveraging public capital for infrastructure and other capital-intensive projects. From the government’s perspective, the partnership arrangements are means of getting private interests to sign o, and they promise profit potential for doing so (Linder, 1999, p.45).

This specific meaning of the p-p partnership concept has to be assessed in close connection with the broader problem of inner city investment that basically has two dimensions. First, small businesses, for reasons that are not totally understood, are experiencing difficulties in obtaining the finances they need in order to expand and to grow. As small businesses are considered the ‘engines’ of local economic development, it is quite important to create the conditions that allow them to further develop (Hamlin, 2002). Second, the price of land and infrastructure dictates development within the inner cities. There are huge costs associated with redeveloping downtowns. Obsolete buildings, contaminated land, a lack of parking infrastructure, all these generate extra-expenditures for developers. According to a simple, profit driven logic, private businesses are not going to invest downtown under these conditions.

From this perspective, the role of a p-p partnership is to provide adequate incentives that will induce private developers to redevelop the inner cores. The public sector best accomplishes this goal when it acts as to shift risks and to provide a reasonable risk/reward ratio for investors and developers (Hamlin, 2000; Linder, 1999).

What exactly can a city government do in order to accomplish this goal? And how many financial resources does it have to employ?

I believe that there are both financial and non-financial mechanisms through which public sector can improve the risk/reward ratio for investors within the inner cities. For example, the city government can assist the developers in acquiring land downtown. The assistance can range from just providing accurate information about available lots to land readjusting and cleaning. The city can also employ public money to build infrastructure downtown. The public sector also uses a variety of financial mechanisms through which finances are provided to small businesses (loan insurance and loan guarantee), developers are compensated for targeting certain disadvantaged groups or area (tax credits, tax abatements, empowerment zones), etc.

The p-p partnership is one of the policy tools that city governments can employ in order to deal with declining urban areas. The concept describes a set of structures, processes, and financial mechanisms that have experienced a continuous adaptation in the last decades. It is nonetheless true, that there are many aspects that can be considered as limits to this innovative interaction among sectors. But this should not determine public officials to downplay the significance of public private cooperation. As the case study will prove, there are many instances when the partnership works.

CONCLUSIONS

The stated goal of the paper was to provide a critical analysis of the urban renewal process within the American inner cities. The decline of the inner cores is the result of both ecological, impersonal changes within the economy and political decisions/public policies enacted at various governmental levels. Changing the downward spiral cities seem to be trapped in requires innovative approaches, such as the p-p partnership. Within the frame of urban redevelopment, p-p partnership draws upon a very specific idea: the public sector is supposed to leverage private capital for redevelopment and in order to do so it has to provide investors with a more adequate risk/reward ratio.

As stated in the beginning of the paper, this analysis represents a starting point for a more comprehensive approach to urban renewal programs within the European cities. For the time being, I will emphasize the fact that urban decline is affecting European cities as well and policy makers have to explore innovative approaches to deal with these problems. The way in which the American experience can provide European policy makers with constructive ideas and best practices is explored in the remaining space of this paper.

American urban scholars usually stress upon the fact that European inner cities, as opposed to their American counterparts, have remained a desirable place to live (Judd and Fainstein, 1999). However, one should not imply from this that European cities escaped the decline pattern described in the first section of the paper. True, decay may have another 'face', may entail for different spatial movements within the cities, but this does not make it less difficult to handle.

The structural changes within the economy probably hit the American cities more severe than the European ones. In part, this is due to the 19th and early 20th century genesis of American central cities as location for heavy industry. Continental cities, on the other hand, mostly developed in the trading era of the 17th and 18th centuries, and wealth was largely vested in the urban core. Thus, the ecological structure of European cities permitted them to shift more easily to tertiary economies (Savitch and Kantor, 2002, p. 6).

As this is true in some cases, there are also industrial cities that have experienced enormous difficulties to shift to a service economy. Birmingham, UK is up to a certain point the Detroit of Europe. And there are other examples as well. Massive deindustrialization and economic contraction in Scotland and in England's northern and midland regions was sharply contrasted by new-economy growth in the South of England. In Germany, in old-economy cities, most notably those of the Ruhr-Rhine area and those of the North, disinvestments and job loss have been prevalent since the 1970s (DiGaetano and Storm, 2003).

It is also worth mentioning that European cities do not experience the same cleavages between the inner cores and the suburbs. Due to cultural reasons, American traditions favor country and low density living, while Continental, traditions are more disposed to high density or clustered environments. In America, the availability of greater space and racial enmity contributed to middle-class white flight (Shavitch and Kantor, 2002, p.27). Because this discrepancy inner city/suburbs is less accentuated in Europe, urban decay has been regarded sometimes as an exception and not the rule. However, in the last decades, more and more cities are trying to improve their infrastructure, to make their urban environment more attractive for international companies and high skills workers to locate within their jurisdiction. The somehow 'sudden' understanding of the importance of urban redevelopment rests nonetheless upon the increasing competition among European cities to receive funds from the European Union.

The p-p partnership is valued within the frame of the European Union as an extremely innovative tool to address not only urban problems but also many other aspects that are related to the efficiency of the public sector. However, the specific role of the p-p partnership as a means for the government to leverage private capital is not properly understood. This may have to do with the fact that many European countries do not have such a sophisticated financial capital market as US does. The lack or insufficient development of a secondary financial market may be the cause for the very limited role of the p-p partnership within the frame of urban renewal in Europe.

However, because the p-p partnership in US seems to be so tied to the ideology of privatism and a very decentralized administrative system, it is extremely hard to say how exactly this process should be developed across Europe. Even in the UK, a country that shares a great deal of cultural and economic background with US, p-p partnership usually occurred as a result of the central government policy (especially in the Thatcher era) rather than being homegrown, as in the US (DiGaetano and Storm, 2003, p.380).

By means of summarizing, European policy makers should try to adapt the idea of p-p partnership to the political, cultural, and economic background in their own countries. But during this process they should not forget that the crucial role the 'public' plays within a partnership is related to its ability to leverage public capital.

P-p-partnership should not mean using the cover of privatism to conduct secret negotiations between government officials and private developers. Partnership means that we work together on real problems - the gut issues - and we understand that we [the city] as a single entity do not have all the answers.

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