

The American Model of Urban Development: Lessons for Europe

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The study of America is valuable when it teaches us about the future. From popular music to sport utility vehicles, things often happen first in the USA that others are inclined to follow. Being first is a dubious achievement when it offers lessons about pathways to be avoided, however. In this case, American studies is valuable for suggesting better futures than what America has experienced.

Changes are taking place in American cities and suburbs in recent decades that may be considered attractive harbingers of the future. Especially when much of Europe is beset with high chronic unemployment and underfinanced public services, the American model of urban development may look attractive. The fast paced commerce of so many big US cities, the booming suburbs filled with new homes and big cars, and the economic energy that has delivered national growth and low unemployment are enviable. U.S. style urban development has certain advantages, but some of its social and political costs ought to give pause to Europeans seeking alternative futures.

The American Model

What is the “American Model” of urban development? One way of capturing it is to consider the following comparison of how two major cities—one in the USA and one in France—addressed a common problem: namely, how to modernize their central business areas. Beginning about 20 years ago officials in New York City wanted to develop a decaying area in Manhattan that had once been an attractive playground filled with theaters, cinemas, pleasant restaurants and shops--the vicinity of Times Square where the famous Broadway theaters are located. It had fallen upon hard times. The streets were dominated by peep shows, fast food outlets, porno movie houses, pawn shops and neglected rooming houses. The area’s legitimate theaters no longer were attracting the numbers of visitors and tourists they once did.

City officials created a special joint business-government corporation to help plan the neighborhood’s renewal. The authorities relaxed the density controls and building height regulations in the area in order to lure investors to build office towers and hotels. They later gave millions of dollars in tax concessions, loans and outright cash grants to businesses, including to one wealthy multinational corporation, so that they would move hundreds of jobs to this location or invest in some of the new buildings. Throughout this process, the city government negotiated with developers and investors in order to maintain their confidence and participation in the renewal scheme. As it evolved in objective and scope, many poor or marginal tenants in the old shops and apartments were displaced to make way for a new “Great White Way.” Anchored by a Walt Disney theater, the lights shine again in the hotels, playhouses, upscale restaurants and shopping arcades.

At about the same time in Paris, officials and planners decided to develop a large underutilized swath of land on the eastern side of the city. With little attempt to consult business leaders, the government allocated more than \$3.5 billion in public funds to anchor the development with four towers housing the new national library. The library was to be accompanied by promenades, recreational facilities, publicly assisted housing and vast commercial space. The project was capped off by the construction of modern high-tech transit lines to service the area. No subsidies were given to the developers and they were not

called upon to participate in the project until virtually all the plans were laid out by the planners. And this was by invitation to invest in a scheme the planners and officials had already started moving forward. Paris Rive Gauche is on the way to building 10 million feet of office space, housing for 15,000 people, parks, a sports complex and a university.

These examples typify contrasting approaches to city building. In the American case, officials leaned heavily toward the marketplace as the driving force in shaping the timing, direction and management of the project. Working in close collaboration with the private sector as a source of money and leadership, New York City officials participated as public entrepreneurs. They bid for the cooperation of private investors and employers in the hopes that the project would take off in the direction they wished. The role of government was big, yet it remained highly dependent on the preferences and largesse of private corporations.

In the French case, the hand of government was paramount throughout. The public sector initiated and managed a vast development project that kept business investors at the margin. They were called in to participate only after most of the plans were set. In the building process, officials asserted a large public presence in the form of housing, libraries and other facilities to anchor and shape this vast commercial development. Investor preferences and the private developers had to go along with this or get out of the way.

Clearly, the U.S. style of development leans close to the market and seeks to incorporate business participation at almost every turn in order to make public objectives possible. Government looms large, but more as an initiator and provider of money inducements than as a regulator. In the European case, the opposite is true. There are exceptions to these patterns, of course. But most urban development in the USA focuses on competing for the money, jobs and people of business to obtain public benefits, while Europe relies much more on public investment and state regulation.

What Makes the U.S. Different?

Why is U.S. urban development so different? City building is always strongly influenced by the private marketplace. Unlike national governments, cities lack much ability to control the movement of people and jobs across their borders through such things as passports, visas, trade legislation and the like; they must compete with other cities and regions to survive and prosper economically. Without assets, jobs and other investments that are largely in private hands, cities and towns will decay as businesses shrink, families move away, schools close and property values plummet. Thus, all cities in our market economy—whether in North America or in Europe—must be responsive to the movement of private wealth.

Equally important, however, urban development is also decisively shaped by the kind of political environment within which communities compete to promote their well being. The political environment specifies rules under which city governments manage economic changes and enable cities with public resources for this purpose. In the case of the USA, the political environment strongly favors private sector influence over urban development.

This model of urban development was no accident. It was a deliberate political choice made over many decades by governments at all levels in the USA. During the past half century a distinctively American system of urban development took shape in response to the confluence of three forces of historic proportions.

The Post Industrial Economy

First, a postindustrial economy emerged that unleashed new forces influencing the shape of cities, nations and even the entire global order. Many businesses that once were strongly tethered to the factories, downtowns and railway terminals of major cities were liberated

from these central places and became able to re-locate to other areas well outside of the big cities where they could reap new cost advantages. Computer technologies, telephone services, and the availability of lightweight and other man made materials, such as plastics, enabled manufacturing businesses to move away from sources of raw materials. The growth of services rapidly replaced manufacturing production as the major sector of the economy. Transformation to a predominantly office-based economy permitted more businesses to move easily to lower cost locations in suburbia, the Sunbelt and foreign sites. The organization of capital changed fundamentally, typically decentralizing divisional operations in scattered locations while only concentrating corporate headquarters functions in traditional urban centers.

Dispersal of jobs was accompanied by the scattering of urban populations. The post war years were colored by a trek to suburbia of historic proportions and on a scale that has so far not been duplicated in other Western industrial nations. In the USA suburbanization was strongly influenced by race. Due to the mechanization of southern agriculture and the more robust economic growth of states outside of the south, the postwar decades witnessed the movement of more than 5 million African-Americans to Northern cities. This new presence accelerated the flight of white families from inner city areas to the suburbs, creating highly segregated metropolitan areas all over the Mid-west and Northern sections of the USA by the 1970s. This change also put into motion a shift in political power from the cities to newer areas in the suburbs and in the Sunbelt region.

The dual process of deconcentration and deindustrialization has relentlessly continued, creating a situation where many cities have become interchangeable as business sites while corporate investors are able to pick and choose among cities, suburbs and even rural areas competing for their dollars. It is a phenomenon experienced by virtually all Western industrial nations in recent decades, posing essentially similar problems for their political systems. What distinguishes the USA, however, is that the political order for managing and channeling these new social forces stands apart from the political systems in Europe and other industrial nations. In the US the dominant political response has been to construct an urban system that radically decentralizes governmental power and authority and discourages shifting problem solving to higher levels of government in the US federal system.

The ideal of small scale politics and the notion that local people know best how to solve their own problems has a long history in America. Thomas Jefferson celebrated the local community found in rural areas, towns and villages. He saw these places as the most appropriate venue for promoting the social ideals of healthy living and community, while he cast suspicion on central governmental power. Jefferson once termed cities “sores on the body politic,” and hoped that America would remain a community of villages. Later, Mark Twain remarked that men will fight for their homes, but not for their boardinghouses. This ideal of harnessing individual self interest to the local community also informed America’s response to postindustrial change during the past half century.

Initially state governments played the crucial role. As families and jobs left central cities, state governments enabled suburbanites to incorporate into autonomous local governments that could assert control over land use and keep out unwanted people, industries and other “intrusions,” including people of color, public housing and the poor. People leaving the cities and their problems behind were permitted to fragment entire metropolitan areas into hundreds or, as in New York, even more than a thousand local governments, each competing to minimize service burdens and keep taxes low. Bringing in the tax rateables and keeping out the undesirables became the suburban governmental mantra. At the same time state governments supported this by refusing to permit central cities to expand their territorial boundaries as wealth exited into unincorporated areas; they passed laws enabling

suburbanites to create special district governments to provide services beyond their local government's reach, such as commuter transportation, water, sewers and other services that could only be financed by large scale governments. The result is metropolis we know today: the suburbs remain predominantly a bastion of white upper income groups while the central cities house those left behind.

The federal government's policies reinforced the building of the American Model. During the initial post war decades, federal programs played a dual role. On one hand, it subsidized urban economic competition among cities, suburbs, and regions through a bevy of programs that stimulated flight of people from extant urban centers. For example, federal mortgage guarantee programs for veterans and mid-income families were biased in favor of new suburban locations, rather than older inner city areas. The interstate highway program, begun in the 1950's, subsidized the use of the automobile to commute to distant suburban locations while denying even the modest use of federal funds for mass transit until the 1970s. National defense programs that expanded rapidly during the Cold War favored newer locations in the Sunbelt, rather than crowded central cities. On the other hand, other federal programs attempted to address some of the harsh social consequences of these policies. During this period central cities still played a major role in national electoral coalitions of the Democratic Party. Housing and urban renewal programs were launched to assist downtown renewal while later programs of the 1960s Great Society agenda focused on addressing urban poverty.

By the 1970s, however, the population movement to the suburbs and Sunbelt, together with national partisan electoral realignments, diminished the importance of central city electorates in national party coalitions. This triggered almost continuous political marginalization of the cities during succeeding years. Fueled by a powerful conservative tide and a new Republican political majority, the last decades of the century witnessed almost continuous withdrawal of the federal government from the cities and the elimination or diminution of national urban programs. Beginning with the last two years of the Carter administration, Democratic as well as Republican administrations undertook major cuts in federal aid to cities, as well as the housing and economic development initiatives of earlier years. In effect, federal urban policy became one of encouraging people to vote with their feet. Cities, towns and suburbs have little choice but to compete vigorously with other communities to retain the businesses they have and to hew closely to private business, private investors and taxpayer tastes if they wish to survive and prosper.

The American Model and the Future

Will the American model serve as a template for others to follow? Should Europeans emulate it in their own way? Will it eventually produce a more efficient and socially healthy urban society despite its shortcomings? The wisdom of this go-it-alone urban policy can only be tested over considerable time, when all of its social costs and benefits are revealed. It is possible, however, to get a glimpse of this possible new world by considering some emerging social consequences of the American development model during recent decades. From this perspective, there are several disturbing trends that ought to give pause to Europeans. These include neglecting important community social needs, erosion of democratic control of economic policies, and new forms of social segregation and polarization.

Neglecting Community

To begin, US urban development politics often overlooks many important community social needs as cities race to lure jobs and dollars from the private sector.

This is a conclusion that arises from my own recent study of ten cities in North America and Western Europe.[1] The research tracked and evaluated the attention given by these ten cities to different kinds of public policies over a period of more than 30 years, a time when all of

them grappled with fundamentally similar problems arising from the restructuring of the global economy. In particular, this included systematic evaluation of the extent to which the cities chose to incorporate collective social objectives in their development programs; this included such things as bringing good jobs to needy people, providing social housing, providing public amenities, protecting the environment, promoting public transportation access to employment and other things. This was done using qualitative as well as quantitative measures of social policy. Overall, we found that US cities are inclined to give less attention to equity and quality of life considerations in urban development, compared with most of their Canadian and European counterparts. Although not all European cities or all American cities displayed equal degrees of social attentiveness, the American-European divide was a major fault line.

This study further concluded that decreased efforts of US cities to tend to the social consequences of economic change are strongly related to the go-it-alone style of urban development in America. In a political system where localities must raise most of their tax revenues by themselves and can expect little compensatory financial assistance from the national government and even many states, the pressure to seek business growth and minimize the service burdens of disadvantaged people is enormous. This accounts for the inclination of American local officials to frequently take a short term perspective on urban development, relying extensively on providing incentives to the businesses that will bring bricks and mortar projects, like office buildings, luxury apartments and shopping malls—things that assuredly cannot move and can quickly generate jobs and tax revenue payoffs.

The difficulty is that this style of development tends to ignore a longer term vision of the community and its needs, particularly matters such as who gets the new jobs, the quality of life that new development brings, the provision of public amenities and so forth. If American cities were able to rely more on financial and regulatory assistance from higher level governments, as in Europe, they might be more capable of patient, longer term perspectives on what economic programs the city needs and the distribution of the benefits of growth. Taking a longer term community perspective is not anti-growth or anti-business. It simply means competing economically by building cities that are attractive places where people want to live and work, eventually bringing in investment dollars because of the comparative desirability of the community. In effect, this means letting amenities and quality of life play a big role in driving urban growth.

America's focus on short term lures to bring in the jobs usually is also quite wasteful of public resources. Bidding wars among local governments to bribe businesses with tax incentives, cheap loans, freedom from regulatory burdens and the like siphons funds from important programs, such as improving schools, maintaining parks, filling potholes--all the other things that make communities better places to live and work. There is considerable evidence that most business incentive programs just move jobs from one locality to another, rather than yielding much increase in new wealth that otherwise would not happen.[2]

Shifting Power From the People

The American model has also occasioned a disturbing shift of political power away from citizens. In order to succeed in the marketplace, local officials must constantly seek to leverage investment money from private sources. This is especially important when it is necessary to borrow large sums required to take on major capital projects, such as renewing old downtown areas, building convention centers and sports arenas, and other such endeavors. Typically, U.S. cities are very much on their own in capital borrowing. They must issue their own bonds to municipal investors who seek assurance that they will eventually be paid off. Accordingly, local officials are inclined to provide this assurance by making sure that bond obligations will not have to compete with ordinary city services and projects, such

as teacher salaries, street sweeping or health centers, at budget time. The result: Urban America has witnessed the rise of a whole network of “money generating governments.” These are agencies, like the Lower Manhattan Development Corporation (created following 9/11) or the Port Authority of New York and New Jersey, that are almost always appointed, distant from voter control, and financially independent of general purpose local governments. They mostly prefer projects that will generate revenues and now dominate the development game in every urban area. In recent decades, these special governments have proliferated dramatically, shifting control of urban development decisions out of the hands of popularly elected officials and into the hands of independent authorities that operate like a business.

The European style is different. Typically, local authorities obtain most operating monies from central government grants and they use national government agencies with solid credit ratings to borrow on their behalf. This relieves local officials of becoming as absorbed with the short term monetary returns of government operations as their American counterparts. It also subjects investment decisions of local politicians to the big picture views and priorities of higher governmental officials.

The Segregated City and Social Polarization

Finally, the American model breeds social exclusion and polarization. Metropolitan areas in the USA already are deeply divided by class, income and race as a result of suburban residents escaping from central cities and even older suburbs to leave the racial minorities and have-not groups behind. This is a direct result of America’s radically decentralized urban policy. It has produced one of the most territorially segregated urban societies in the industrial West.

This exclusionary landscape is now extending within cities themselves. As financially pressed central city governments compete in a world that often favors suburban locations, their efforts to modernize downtowns have become increasingly oriented to building them for the visitor class. This involves remaking cities for upscale groups amidst very large impoverished resident populations, and has precipitated new ways of separating tourists, white collar workers, and corporate business activities from poor residents and sight of their nearby decaying areas.

The geography and politics of cities in the 21st century is being powerfully shaped by perceptions of safety and security. Neighborhoods and the downtowns of large cities are often demarcated and defended from surrounding land uses that might seem threatening.[3] The barriers that protect downtowns come in various forms, such as shopping centers, entertainment districts, and tourist enclaves. Perhaps the most comprehensive barriers have been built in Atlanta and Detroit, where a large proportion of downtown office workers commute to the sealed realms of the Peachtree Center and the Renaissance Center. In both these structures, workers drive into parking garages and then enter a city-within-a-city where they can work, shop, eat lunch, and find a variety of diversions after work. They never have to set foot in the actual social community of the city. In other cities, the downtown enclosure may be less extreme, but for visitors the experience of the city may not be much different. Business travelers and tourists who visit central cities now commonly fly into an airport, take a taxi or a light rail to a downtown hotel, and stay within the well-defined enclave of restaurants, shops, hotels and offices, never seeing or even becoming aware of the larger city around them.

Protected enclaves have proliferated in suburbs just as they have in central cities. A large proportion of urban residents commute from subdivisions, gated communities, townhouse developments, or condominium complexes to high-rise downtown office buildings or suburban office parks, and they drive to enclosed malls or mall complexes for shopping and

commute to tourist bubbles to enjoy themselves. By 2002, an estimated 50 million Americans lived in common interest developments with private governments, compared to 32 million only one decade before.[4] For many, the urban experience has turned into a series of enclosures, each connected by a transportation corridor.

The American Model of Development: A Pathway to the Future?

The response of America to postindustrial change has been bold, inventive and singular. It is also important to recognize that the American model is not simply the triumph of anti-government and neo-liberal ideas. To the contrary, government has played a huge role in erecting this urban system; local government responsibilities have expanded greatly to compensate for the withdrawal of the federal governmental presence in cities.

The emerging political and social consequences of this model of fragmentation, private sector dependency and social polarization and segregation are hardly ones that most Western societies would consciously choose. It may be that European urban policies must change in order to keep up with a globalizing and increasingly competitive world of industry and commerce. Yet the U.S. urban system will be more important for illustrating pathways that are less worthy of imitation than for providing a beacon to the future. Indeed, given its social flaws, Americans may more likely look to European models of urbanization to address the problems of city and suburb.

Notes

- [1] H. V. Savitch and Paul Kantor, *Cities in the International Marketplace: The Political Economy of Urban Development in Western Europe*. Princeton, N.J.: Princeton University Press, 2002.
- [2] See Paul Kantor, *The Dependent City Revisited. The Political Economy of Urban Development and Social Policy*. Boulder, CO: Westview Press. 1995.
- [3] Judd, Dennis R. "Enclosure, Community, and Public Life," in *Research in Community Sociology: New Communities in a Changing World*, ed. Dan A. Chekki. Greenwich, Conn. and London: JAI Press. 1996. Pp. 217–238. Davis, Mike, *City of Quartz*. New York: Vintage. 1990.
- [4] "Homeowner Associations—General Housing," *Realty Times*, June 28, 2002. McKenzie, Evan, *Privatopia: Homeowner Associations and the Rise of Private Government*. New Haven: Yale University Press. 1994.

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