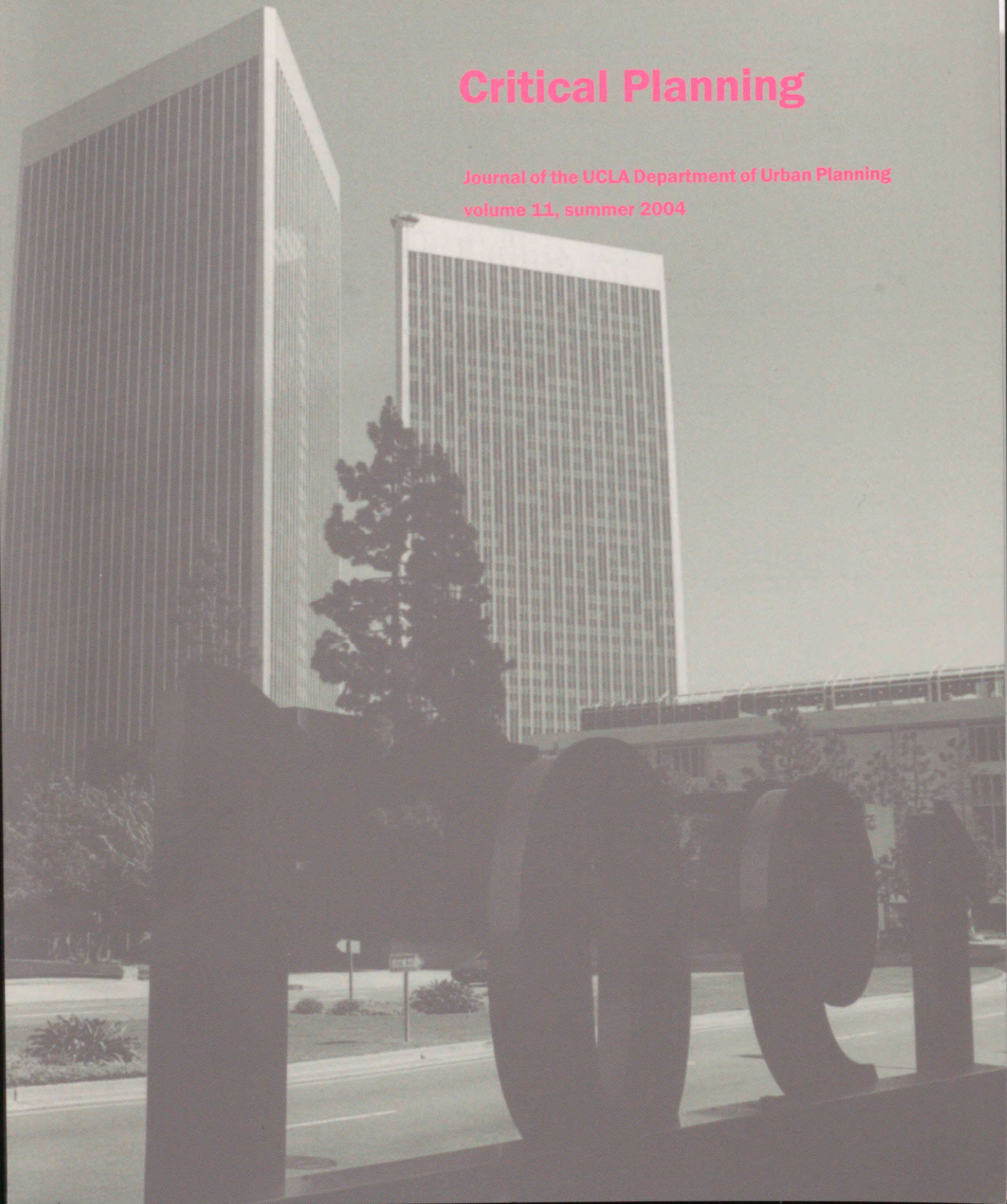


# Critical Planning

Journal of the UCLA Department of Urban Planning  
volume 11, summer 2004





---

### Review Board

Amy Ford  
Ashok Das  
Catherine Yu  
Jennifer Gress (UCI)  
Kimiko Shiki  
Laura Russ  
Renia Ehrenfeucht

### Outside Reviewers

Carl Grodach  
Dan Chatman  
Dontraneil Clayborne  
Elsa von Scheven  
Hyun-Gun Sung  
Jung Won Sonn  
Kathy Kolnick (USC)  
Shana Aelony  
Stefano Bloch  
Todd Gish (USC)  
Yves Bourgeois  
Vivian Qu

### Managing Editor

Miguel Kanai

### Administrator

Todd Nelson

### Production

Amy Ford  
Ashok Das  
Johnny Pacheco-Bell  
Jung Won Sonn  
Kimiko Shiki  
Monica Waggoner  
Renia Ehrenfeucht  
Tom Kemeny

### Webmaster

Cheol-ho Lee

### Editors

Mark Elliot (USC)  
Michael Manville  
Miguel Kanai  
Priyam Das  
Rebecca Ratzkin  
Todd Nelson

### Special Editors

Anne Taufen (UCI)  
Blake Roberts (UCI)  
Kate O'Hara  
Kevin Holliday  
Dave King

### Special Thanks

Anastasia Loukaitou-Sideris  
Anna Diep  
Barbara Nelson  
Judith Magee  
Margaret Johnson  
Marsha Brown  
Mary Jane Varley  
Meredith Neuman  
Paul Ong  
Victor Mendez  
Vincent Riggs  
Wendy Belcher

### Original Design

Peter Aeschbacher

### Photo Credits

Michael Manville  
Century City, Los Angeles (cover)  
Les Halles 1998 (98)  
Bilbao Guggenheim (122)  
Leela Viswanathan  
Yangtze River Dam project (3-4, 30, 51-52, 63,  
112, 132)  
Priyam Das  
Milwaukee Art Museum (82, 141-142)  
Photographer unknown from Shana  
Aelony  
Les Halles 1971 (18)

---

**Critical Planning** is funded by the Dean's Office in the School of Public Policy and Social Research, the UCLA Graduate Students Association, the Department of Urban Planning, the Lewis Center for Regional Policy Studies, and through subscriptions.

**Critical Planning** is published annually by the students of the Department of Urban Planning in the School of Public Policy and Social Research at the University of California, Los Angeles, with participation by students of the Department of Urban Planning at the University of Southern California (USC) and the Department of Urban and Regional Planning at the University of California, Irvine (UCI).

Send subscription orders and all correspondence to:

### Critical Planning

Department of Urban Planning  
3250 Public Policy Building  
University of California  
Los Angeles, CA 90095  
310.825.4223  
310.206.5566 (fax)  
critplan@ucla.edu  
www.sppsr.ucla.edu/critplan

---

### Subscription Rates

Student: \$5/year, UCLA Alumni: \$10/year, Individual: \$15/year,  
Institution: \$35/year, Friends of Critical Planning: \$50/year

---

ISSN 1522-9807

© 2004 Critical Planning.

All rights reserved.

# Critical Planning

Volume 11, Summer 2004

1

2

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

27

28

29

30

31

32

33

34

35

36

37

38

39

40

41

42

43

44

45

46

47

48

49

50

51

52

53

54

55

56

57

58

59

60

61

62

63

64

65

66

67

68

69

70

71

72

73

74

75

76

77

78

79

80

81

82

83

84

85

86

87

88

89

90

91

92

93

94

95

96

97

98

99

100

## Critical Planning

Journal of the UCLA Department of Urban Planning  
volume 11, summer 2004

**Editorial Board**

David Alford  
John Carr  
Richard Crane  
Gerrit Klaerner  
Michael Kruse  
Michael Latham  
Michael Lyall  
Michael Maltz  
Michael Miller  
Michael O'Neil  
Michael Pacioni  
Michael Ridd  
Michael Squires  
Michael Smith  
Michael Taylor  
Michael Teitz  
Michael Turner  
Michael Voth  
Michael Wright

**Editors**

David Alford  
Michael Pacioni  
Michael Ridd  
Michael Squires  
Michael Smith  
Michael Taylor

**Section Editors**

David Alford  
Michael Pacioni  
Michael Ridd  
Michael Squires  
Michael Smith  
Michael Taylor

**Special Issues**

David Alford  
Michael Pacioni  
Michael Ridd  
Michael Squires  
Michael Smith  
Michael Taylor

**Editorial Board**

David Alford  
John Carr  
Richard Crane  
Gerrit Klaerner  
Michael Kruse  
Michael Latham  
Michael Lyall  
Michael Maltz  
Michael Miller  
Michael O'Neil  
Michael Pacioni  
Michael Ridd  
Michael Squires  
Michael Smith  
Michael Taylor  
Michael Teitz  
Michael Turner  
Michael Voth  
Michael Wright

**Editorial Board**

David Alford  
John Carr  
Richard Crane  
Gerrit Klaerner  
Michael Kruse  
Michael Latham  
Michael Lyall  
Michael Maltz  
Michael Miller  
Michael O'Neil  
Michael Pacioni  
Michael Ridd  
Michael Squires  
Michael Smith  
Michael Taylor  
Michael Teitz  
Michael Turner  
Michael Voth  
Michael Wright

**Editorial Board**

David Alford  
John Carr  
Richard Crane  
Gerrit Klaerner  
Michael Kruse  
Michael Latham  
Michael Lyall  
Michael Maltz  
Michael Miller  
Michael O'Neil  
Michael Pacioni  
Michael Ridd  
Michael Squires  
Michael Smith  
Michael Taylor  
Michael Teitz  
Michael Turner  
Michael Voth  
Michael Wright

**Critical Planning**

Journal of the UCLA Center for Urban Planning  
Volume 12 Number 2004

**Editorial Board**

David Alford  
John Carr  
Richard Crane  
Gerrit Klaerner  
Michael Kruse  
Michael Latham  
Michael Lyall  
Michael Maltz  
Michael Miller  
Michael O'Neil  
Michael Pacioni  
Michael Ridd  
Michael Squires  
Michael Smith  
Michael Taylor  
Michael Teitz  
Michael Turner  
Michael Voth  
Michael Wright



# Critical Planning

volume 11, summer 2004

---

<b>Editorial Note</b> .....	1
<b>The New Urban "Anthem": Neoliberal Design and Political Fragmentation</b> Kevin Romig .....	5
<b>Making Habermas Do What He Doesn't Want To: Communicative Planning Theory's Misunderstanding of Communicative Action</b> Jung Won Sonn .....	19
<b>The Neoliberal Turn and the Restructuring of Public Housing Policy in the United States</b> Jason Hackworth .....	31
<b>Megaprojects and Risk: A Conversation with Bent Flyvbjerg</b> Renia Ehrenfeucht .....	53
<b>Measuring the Consumption Benefits of Professional Sports Facilities</b> Charles Santo .....	64
<b>"Wonderworld X" – A Sustainable Leisure Park in the Vienna Region?: Spatial Impact Assessment for Megaprojects</b> Erich Dallhammer .....	83
<b>The Spatial Distribution of Airport-Related Development: Rethinking Megaproject Economic Impacts</b> Julie Cidell .....	99
<b>From Mega to Micro: A Conversation with Manuel Pastor, Jr.</b> Martha Matsuoka .....	113
<b>Policy Brief – Megaprojects in New York City</b> David Halle and Steven Lang .....	123
<b>Commentary – In Defense of the "Minor" Project: Smart Planning Principles for Local Infrastructure</b> Vicki Elmer .....	133
<b>Book Reviews</b>	
<b>Essay – Megaprojects and Global Flows</b> Joseph Boski .....	143
<b>Mega-Projects: The Changing Politics of Urban Public Investment</b> Allison Yoh .....	146

100

101

102

103

104

105

106

107

108

109

110

111

112

113

114

115

116

117

118

119

120

121

122

123

124

125

126

127

128

129

130

131

132

133

134

135

136

137

138

139

140

141

142

143

144

145

146

147

148

149

150

151

152

153

154

155

156

157

158

159

160

161

162

163

164

165

166

167

168

169

170

171

172

173

174

175

176

177

178

179

180

181

182

183

184

185

186

187

188

189

190

191

192

193

194

195

196

197

198

199

200



## Editorial Note

**Critical Planning** is the product of a collective effort, sustained by the diversity of its members and the plurality of their voices. It is in the tradition of our student-run journal to count on a broad range of contributors, planners as well specialists writing in a number of related disciplines from urban sociology and geography to critical cultural studies and theory. Every year, authors and editors; individual and institutional supporters; students, practitioners and faculty come together to debate, sometimes fervently, ideas about planning and what we see as pressing issues concerning our cities and regions. In the following paragraphs, I take on the rewarding editorial task of introducing the materials that we have compiled in the past several months of labor and intense negotiation.

This eleventh issue opens with Kevin Romig's interpretive essay of Anthem, Arizona, a large-scale master-planned private community in the exurban fringe of metropolitan Phoenix. Romig looks at the intersection of urban design and privatized lifestyles, processes of community formation under the developer's corporate influence and the metropolitan context of an urban neoliberalism in which private entities are increasingly in charge of managing public goods in fragmented cities.

Jung Won Sonn's critique of the epistemological foundations of communicative planning theory delineates major discrepancies between the theory's construction of a communicative rationality within the planning process and Jürgen Habermas original longing for an ideal speech situation.

Jason Hackworth traces the restructuring of public housing in the United States over the past 30 years and relates it to the rise of neoliberal public policy. His paper contributes to theories on the shift from Keynesian forms of public intervention to market-based forms of (non-)intervention.

After these three initial articles, we continue on into the issue's special theme: Megaprojects in Cities, Citizens and Megaprojects. Through a series of articles, essays and interviews, we explore topics associated with the increasing ubiquity of megaprojects, both in the United States and internationally: costs and benefits, risks, differential impacts, legal and institutional frameworks, the differences that community participation and mobilization can make in the planning and implementation of megaprojects, the role of megaprojects in furthering the globalization of urban space and issues concerning the provision of public infrastructure through mega and minor projects.

Renia Ehrenfeucht's interview with Bent Flyvbjerg focuses on the political economy of megaprojects, particularly the issue of risk that, in its multiple forms, is inevitably associated to the undertaking of megaprojects.

Charles Santo's article reviews approaches to the measurement of public and private consumption benefits associated with stadium construction: the estimation of consumer surplus, compensating differential effects and willingness-to-pay with contingent valuation methodology. Santo highlights the potential utility of each approach to guide policy decisions as well as their methodological problems and need for further research.

Julie Cidell looks at the spatial distribution of economic impacts associated to megaprojects. In her study of the Minneapolis-St. Paul International Airport, she shows that the intra-metropolitan distribution of economic benefits is highly uneven. She further remarks the spatial mismatch between associated costs, concentrated in areas surrounding the airport, and localized economic benefits.

Erich Dallhammer's article examines legal, institutional and political issues surrounding Wonderwold X, a rejected proposal for a large-scale amusement park in the suburbs of Vienna, Austria. It exposes how even sophisticated, cost-effective and well-intentioned planning instruments, such as spatial impact assessments, do not secure the completion of megaprojects when they fail to foresee intense local and regional opposition.

Martha Matsuoka's conversation with Manuel Pastor, Jr. reflects on how communities can organize to share in the benefits of regional development, ever more tightly linked to local competitiveness in the global economy. The conversation draws several examples from Southern California, a metropolitan region where a heavy emphasis has been placed on infrastructure upgrading and megaprojects in order to strengthen its position as a transnational center for trade and the transshipment of goods.

David Halle and Steven Lang's essay on megaprojects in New York City contributes to our renewed policy briefs section and its goal of bridging the divide between the public policy world and the academic realm. Several megaprojects currently underway in New York City, Halle and Lang write, invite us to rethink the politics of large-scale public intervention and the balance between community participation and infrastructure needs.

Vicki Elmer's comments admonish us against missing out on the big picture of public infrastructure, composed mainly of "minor" local projects. Elmer describes the problems associated with local infrastructure planning and proposes five guidelines through which practitioners can engage in smart planning for infrastructure.

Joseph Boski's review essay presents three recent books, *Splintering Urbanism*, *Globalization and Urban Change* and *The Globalized City*, that link megaprojects to the dynamics of urban globalization. Finally, Allison Yoh reviews *Mega-Projects: The Changing Politics of Urban Public Investment*, an academic- and practitioner-oriented history of megaprojects over the past five decades.

— Miguel Kanai



# The New Urban "Anthem"; Neoliberal Design and Political Fragmentation

Journal of Planning Literature

Kevin Romig

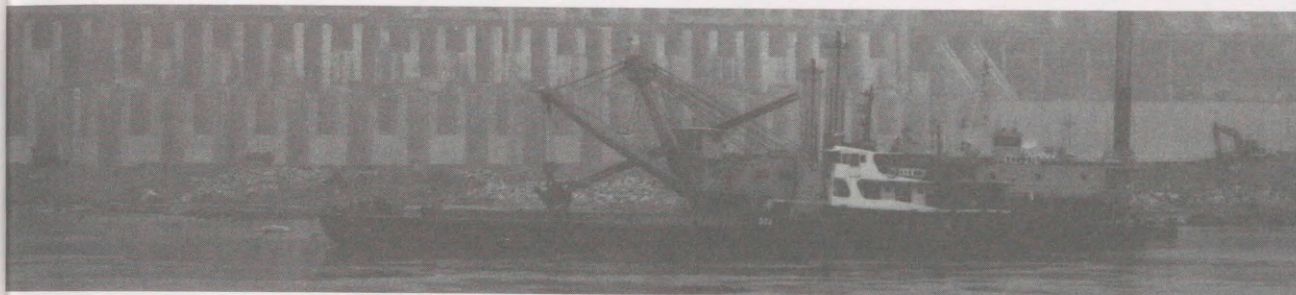


Photo by the author

## Introduction

The rapid growth of markets for new residential development in the United States has been the subject of much scholarly attention. This attention has been particularly focused on the development of "new urbanism," a planning and design movement that has been widely adopted in the United States and other countries. The movement is characterized by a focus on walkability, mixed-use development, and a sense of community. The movement is also characterized by a focus on the design of public spaces and the creation of a sense of place. The movement is also characterized by a focus on the design of buildings and the creation of a sense of architectural identity. The movement is also characterized by a focus on the design of streets and the creation of a sense of urban form. The movement is also characterized by a focus on the design of parks and the creation of a sense of green space. The movement is also characterized by a focus on the design of transit and the creation of a sense of connectivity. The movement is also characterized by a focus on the design of schools and the creation of a sense of community. The movement is also characterized by a focus on the design of libraries and the creation of a sense of knowledge. The movement is also characterized by a focus on the design of museums and the creation of a sense of culture. The movement is also characterized by a focus on the design of theaters and the creation of a sense of entertainment. The movement is also characterized by a focus on the design of restaurants and the creation of a sense of dining. The movement is also characterized by a focus on the design of shops and the creation of a sense of commerce. The movement is also characterized by a focus on the design of offices and the creation of a sense of work. The movement is also characterized by a focus on the design of homes and the creation of a sense of shelter. The movement is also characterized by a focus on the design of public housing and the creation of a sense of social justice. The movement is also characterized by a focus on the design of affordable housing and the creation of a sense of economic opportunity. The movement is also characterized by a focus on the design of transit-oriented development and the creation of a sense of sustainable living. The movement is also characterized by a focus on the design of green buildings and the creation of a sense of environmental responsibility. The movement is also characterized by a focus on the design of smart growth and the creation of a sense of efficient land use. The movement is also characterized by a focus on the design of transit-oriented development and the creation of a sense of connectivity. The movement is also characterized by a focus on the design of green buildings and the creation of a sense of environmental responsibility. The movement is also characterized by a focus on the design of smart growth and the creation of a sense of efficient land use.



China's leading steel producer, Baosteel, is set to build a \$2.5-billion steel mill in the state of Hubei, which will be the largest steel mill in the world. The mill will produce 10 million tons of steel annually, enough to supply the needs of the entire country.



The mill will be the largest steel mill in the world, and will be the largest steel mill in the world.

China's leading steel producer, Baosteel, is set to build a \$2.5-billion steel mill in the state of Hubei, which will be the largest steel mill in the world. The mill will produce 10 million tons of steel annually, enough to supply the needs of the entire country.

The mill will be the largest steel mill in the world, and will be the largest steel mill in the world.

The mill will be the largest steel mill in the world, and will be the largest steel mill in the world.

The mill will be the largest steel mill in the world, and will be the largest steel mill in the world.

Continued on page 10



# The New Urban “Anthem”: Neoliberal Design and Political Fragmentation

**Kevin Romig**

Anthem, Arizona is a large-scale, unincorporated master-planned community on the exurban fringe of metropolitan Phoenix. Its physical and geographic isolation, along with the strong rules and identity put forth by the developer, led to the creation of a community socially and culturally isolated from metro Phoenix, which further adds to political fragmentation and urban sprawl. The political context of this development is firmly embedded in neoliberal beliefs that private entities rather than public institutions should manage the operation of public goods. This interpretive essay reveals Anthem as a commodified community formed around the private consumption of a scripted lifestyle based on amenity, stability of housing prices and strong community identity shaped by advertising. While this community may be viewed as an economic success from a real estate perspective, the cultural, social, economic and political implications of this resort building paradigm indicate a foreboding future for urban life and lifestyle.

## **Introduction**

The rapid growth of master-planned communities is the most important trend in housing within the Phoenix metropolitan area. These communities use powerful advertisements that depict active “consumers of community” playing softball, having a leisurely barbeque or teeing off amidst the rounded shadows of a saguaro in the morning sun (McHugh 2003). The ads appeal to people who are searching for more in life, a sense of belonging or simply a new place to live. Certain ads promote less expensive homes in the exurban realm of rattlesnakes and javelinas. Others entice people to buy into an expensive gated community overlooking the rugged, scenic mountains, and some attempt to pry empty nesters and seniors out of their easy chairs and into a life of active leisure. As the promotional material becomes more effective in highlighting the advantages of one community over another in order to lure flexible capital, many builders have difficulty competing with the powerful machine that is Anthem. Designed by the Del Webb Corporation, Anthem is a multi-generational community located thirty two miles north of downtown Phoenix. Del Webb has many planned communities that sell the active leisure lifestyle to seniors in their Sun City, Sun City West and Sun City Grand projects, but their Anthem community expands the idea of active leisure and sells it to people of all ages (Figure 1).

Because most of Phoenix's population growth occurred after 1950, it is a great place to study patterns of suburban dwelling and suburban community formation. Most municipalities in the Valley of the Sun have boundaries that grow in a sprawling fashion, creating an expansive race to acquire more land and more people. Certain cities are more successful than others in attracting more lucrative, higher-end growth, which produces a variety of different cultural landscapes (Romig forthcoming). In a region so influenced by the rise and fall of the copper market, the current booming commodity is real estate. With the twenty to forty year population projections predicting a future of 6.3 million people in the Valley of the Sun, there will be no end in sight to the massive growth.

Such a unique urban context, combined with the local and national success of this specific community, makes Anthem an important case study in understanding master-planned communities. Yet this paper will not list off the numerous awards Anthem has received from local and national builder associations, nor will it be a forum for residents to exclaim either their praise for the development or engage in diatribes about problems with the home or community. Instead, I will examine the geographic, cultural and social implications of the Anthem community design in the context of the Phoenix metropolitan



Figure 1. Advertising from Del Webb.  
Source: Author

area. I will uncover a place that exhibits qualities of a private housing landscape guided by neoliberal principles and promoting a strong community identity based on cultural homogeneity. The strong community structure in Anthem does not have a populist, organically developed sense of community shaped over time, but a manufactured, commodified dynamic set in place to sell houses.

I used a number of research methods for this case study. I posed as a prospective homebuyer eight times over a three-year period to observe what aspects of the community were being sold at a particular time. During these visits, I informally interviewed people directly involved in selling property and homes, met local informants who would later provide me with community information and conducted landscape appraisals as the community grew over time. I have also followed current news and events in Anthem through local media sources, and have maintained a file of Anthem's advertising and



promotional material that has appeared on billboards, television, radio, print media and direct mailings.

### Literature Review

In this section, I will blend contemporary urban social theory with planning literature focused on community development and master-planned communities. In doing this, I will highlight trends most evident in this specific community in order to illustrate how Anthem is emblematic of neoliberal America. Neoliberalism is used here to denote a "laissez faire" approach by government toward market forces—in this case the proliferation of private, market-driven housing. Brenner (2002) highlights three aspects of urban life affected by neoliberal practices at various levels of government: the intensified interspatial competition between locales for external capital investment, an increase in the delivery of public services directed through private organizations, and the rise of uneven development and social polarization. Many see this neoliberal retraction from public life by government as an inhibitor of quality of life. The privatization movement is linked to a growing skepticism about governments' ability to successfully provide public services (Dillon 1994). One response to this lack of faith in government is large-scale master-planned communities like Anthem. However, the meaning of community in many urban areas is increasingly relying on the qualifying assumption that "small is beautiful" (Davis 1990). People living in special interest communities, like those in a lifestyle of perpetual leisure, tend to

curtail civic activities (Oliver 2001) and exhibit lower levels of social capital (Putnam 2000). Instead of looking outward across public space for social bonds, people here tend to look inward—within their own private community or social clubs—for social interaction. This continues to fragment the political and social makeup of the metropolitan areas (Frug 1999). The typical reaction of architects and urbanists to the disorder of this fragmentation has been to respond with master-planned communities based on complete rationalism (Wilson 1997). This drive for order is intrinsically linked to utopianism and totalitarianism (Harvey 2000). Strangers are often feared in these privatized landscapes, and the community association laws justify separation instead of encouraging social interaction (Frug 1999).

The growth and development of master-planned communities in metro Phoenix began with the influx of retirement communities and the Sun City and Youngtown developments in the early 1960s (McHugh, Gober and Borough 2002). This trend continued into the 1970s multi-generational developments of McCormick Ranch in Scottsdale and Dobson Ranch in Mesa. Future developments attempt to emulate the success of these communities and slightly reshape the basic premise of the developments based on detailed focus group data. Their goal is to create fast-selling communities that entice flexible capital to their locale and have the quickest turnaround on their initial investment. These places are not the New Towns of the 1960s (Bloom 2001), nor are they heavily influenced by principles of New Urbanism (Sexton 1995). These are tract develop-

ments held together by clearly defined community boundaries, strict enforcement of community rules and regulations, homeowners' associations, and—more recently—restricted community amenities for private use.

Anthem has taken this model of the master-planned community to a new extreme. By locating far away from existing developments and unclaimed land, Anthem's boundaries are clearly delineated. The community's homeowners association (HOA) remains heavily influenced by the developer, Del Webb, who makes life here seem transfixed in a state of intense order so that it can continue to sell houses. Also, Anthem's community amenities are so impressive that other developments have difficulty competing for flexible capital. This paper will highlight how Anthem is a prototypical utopian development driven by social and political separation, consumerism, commodification of community, and neoliberal practices on the part of government.

### **Community Overview: Physical Isolation and Development Issues**

Anthem is located seven miles from any other residential area and is a perfect example of leapfrog development: a development that has an irregular geographic pattern moving outward from the central city. Phoenix had yet to include this property within its boundaries, leaving an opportunity for building in this area. This is private land, and Anthem is only responsible to the county. The build-out population of Anthem is expected to reach 30,000 people. Cur-

rently the town has 1,803 residents since it opened in 1999.<sup>1</sup>

Anthem is subdivided into two sections based on people's different stages of life and lifestyle aspirations: Parkside neighborhood and Country Club neighborhood. The Parkside neighborhood is a traditional suburban tract development surrounding an amenity-laden private park. The houses are meant to attract middle-class, first-time homebuyers. They range from 990 to about 1800 square feet in size and are reasonably priced due to the distance from other neighborhoods. The homes initially sold quickly because of their affordability, the added amenities built into the community park, and Del Webb's aggressive advertising portraying Anthem as a holistic community. The Parkside neighborhoods are outside of the park itself (Figure 2). The houses are nearly identical, and the community rules and regulations were written in a way to make sure that the landscape aesthetic stays the same. The \$73 per month association dues include front yard landscaping to ensure everything remains similar. No fruit trees are allowed, but creosote bushes are mandatory; no boats, RVs or trailers can be visible from the street.

The sixty-three acre Anthem Community Park is unlike most parks in the Phoenix metro area in that it includes a small gauge railroad (Figure 3), a large playground area, a baseball diamond complete with a few rows of bleachers, a roller hockey rink, a fitness center including a rock climbing wall, beach volleyball pits, a lake, an Olympic size pool adjacent to a water





Figure 2. The landscape of the Parkside neighborhood.  
 Figure 3. The miniature railroad at the Anthem Community Park.  
 Source: Author



park and a miniature skate park. The park is the centerpiece of this master-planned community, and can only be enjoyed by residents of Anthem (Figure 4). The massive investment in the park illuminates the builder's intent to make one community stand out more than another. It also highlights the insularity of this community: if a park such as this is built, people have one less reason to mingle with the broader community. As long as Anthem remains located far outside a major urban center, this private park will continue to serve the Anthem community without conflict. In the next ten years, however, as urbanization creeps northward to encompass Anthem, the exclusively private use of such a facility will bring to light the foremost foundation of lifestyle communities like Anthem: increased social isolation and polarization.

In contrast to the Parkside development, the Country Club side of the community attracts the affluent homebuyer, including the nouveau riche, empty-nesters and avid golfers, as well

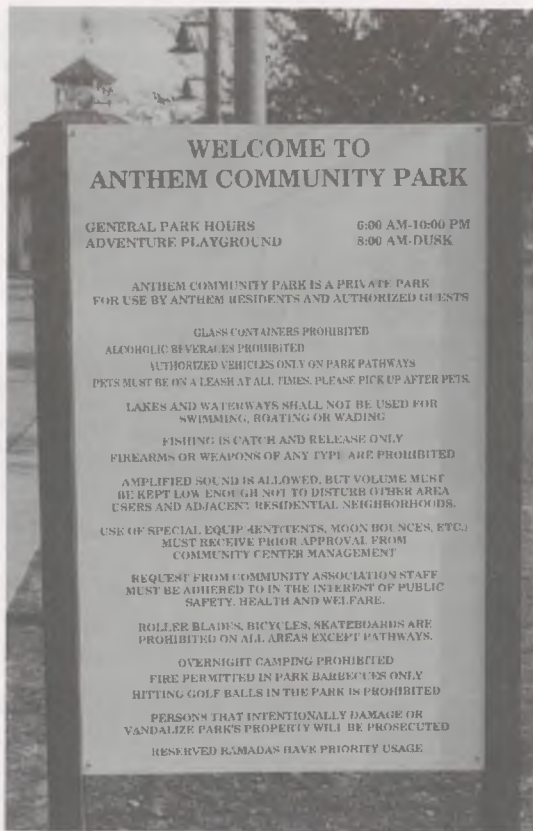


Figure 4. The welcome sign into the private park at Anthem.

Source: Author

as people seeking the exclusivity of the gated community (Figure 5). Along the upward slope of Daisy Mountain, the Country Club development re-

sembles the design of Del Webb's Sun City developments by offering a wider range of house styles to fit the needs of an older clientele. The model home area is set up like a shopping mall with ten different housing styles surrounding a tree-lined walkway for easy comparison shopping. Many of the houses line the golf course, and the verdant stretches of grass contrast the tan, rugged mountains and the brown tile roofs of the Parkside development to the south (Figure 6). Three of the ten Country Club house floorplans offer a Sonoran-style enclosed patio between the front yard and the entrance to the house. The residents of the County Club development have access to all parts of the Anthem community including the community park, and pay a higher association fee than the residents of Parkside who only have access to the county club for two years before they are prohibited from using it. Although not a problem yet for Anthem, this distinct class separation designed into a suburban landscape will add to the growing number of issues with which they have to contend.

As with any large-scale housing community, Anthem has had its share of problems. The most significant problem grew out of the initial rapid success of the community. The houses were in such high demand that the builder did not put the necessary effort into preparing the land for residential development. Since 1999, numerous reports have surfaced of improper settling of the soil due to a high concentration of clay and insufficient compacting and grading of the property. The improper soil settling has led to cracks in foundations, floors, driveways and walls, mostly





Figure 5. The entrance to the Anthem Country Club neighborhood.  
Figure 6. The landscape of Anthem Country Club.

Source: Author



occurring after the two-year warranty on the home has expired. This environmental and building issue has become so widespread throughout the community that a class action lawsuit has been filed against Del Webb.

Another major development issue revolves around water rights. Most locations within the United States fall under riparian water rights due to the availability of water (Shiva 2002). The riparian rights state that whoever wants water can use it however they see fit. Arizona falls under the Law of Prior Appropriation (Comeaux 1981), which states that a person must obtain permission to use water, and that the person with the oldest rights to water will have access to it, depending on how much is in the system. Other users will be able to draw water depending on the allotment specified in their water rights document (Worster 1985).

Much of the urban growth in the Phoenix metropolitan area has occurred in areas that have

been converted from agricultural land with water rights to residential space, leading to a decreased demand for water as urban use requires less water than agricultural use. Most of these new residential developments buy water rights, and face no imminent danger. However, as new lands outside of the arable agricultural land in the Valley of the Sun are sought for their higher elevation and distance from the inner core, the competition for water rights hinders land speculation. In order to address the water shortage in the southern part of the state, Arizona built a canal called the Central Arizona Project to divert Colorado River water in the direction of Tucson. The major beneficiaries of this investment project were residents of metro Tucson and Native American tribes in Southern Arizona.

In order to supply Anthem with a reliable water source, Del Webb negotiated a 100-year lease agreement to purchase water from the Ak Chin Nation. In a region that has been in a drought for the past five years, Anthem is at risk for recurring water shortages, making water prices for Anthem residents roughly three times more expensive than most municipal water in the Phoenix metro area.

### **Social and Political Isolation**

The political implications of the Anthem design principle are important because of the community's unwillingness to be a part of any other municipality. The location of Anthem, just beyond the city limits of Phoenix, provides strong clues about the civic-mindedness of its residents. Demographically, Anthem is almost completely white. Census estimates

classify Anthem's population as 95 percent Caucasian. People here do not want to be part of the Phoenix tax base. They do not want to pay into funds for lower-income neighborhood improvement grants, city roads and infrastructure, or public libraries throughout the cities of Phoenix, Scottsdale or Peoria. This anti-government sentiment is not just attributable to Anthem, but to other Del Webb developments like Sun City as well. Sun City was the first location in Arizona to de-annex from the local school district (McHugh, Gober and Borough, 2002). The Sun City West development also attempted to de-annex from the Dysart school district, but was unsuccessful even after voting down every bond initiative over a three-year period (McHugh, Gober and Borough, 2002). Aside from the school system, Anthem will not have a representative in the Maricopa Association of Governments because it is not part of a municipality. The trend of communities like Anthem deserves attention: future residential development is likely to continue seeking out unclaimed land to avoid being absorbed by existing municipalities, even those that are able to expand their jurisdictional boundaries as in the case of Phoenix.

The rise of neoliberal strategies in residential development will intensify social polarization (Brenner 2002). The social implications of this private community design are important. The community is physically isolated from the rest of the metropolitan area. It is organized as a private community, and there is little if any social interaction between Anthem residents and people outside the citadel. Ac-



According to the 2003 census, an estimated 76% of the population in Anthem drives alone to work. No one took public transportation or drove to a public transportation station. Nine percent work at home, furthering social isolation within Anthem, and the events that residents attend are mostly contrived get-togethers to promote the ideals of the developer in order to sell more houses.

This leads to an interesting conceptual dilemma: is social life in Anthem a balance between lived and manufactured, or scripted experiences, or is life here completely contrived? The notion of a scripted life is based on the unquestioning adherence to community codes and regulations and living a life that is similar to the principles of the community builder, advertisements, television shows, and other ideals professed by real estate interests and local mass media outlets who have profits directly tied to local growth (Lewis 1996). In a similar study, many of the interviewees in Scottsdale's gated enclaves seemed content in a scripted lifestyle, but others attempted to reach out beyond their neighborhood gates to foster a broader sense of community by establishing a local chapter of the Jaycees, or volunteering for the McDowell Mountain Preserve (Romig forthcoming). There is no surrounding community around Anthem for residents to reach out to as of yet, and so they remain insulated in the scripting of community life by the Del Webb Corporation. People here turn to the builder, Del Webb, or the community association designed by Del Webb for their social outlets and sense of community, emphasizing the stronger

social isolation that accompanies Anthem's physical isolation.

### **Consumerism and Neoliberalist Practices**

Anthem's promotional material is strongly directed towards Caucasians, and revolves around golf, tennis and water parks. The various interests of the people residing in the community define the identity of a locale (Arreola 1996). The identity is set so firmly here by the builder that this territorial place-based identity becomes a basis for reactionary exclusionary politics (Harvey 1993). Combined with the strict rules and regulations of the homeowners association (HOA), the market-driven approach to community building by Del Webb—a company known for developing other white paradises—has fashioned Anthem into a community with little cultural diversity and little opportunity for change in the future.

The economic implications of the Anthem master-planned community model relates to the commodification of community and neoliberalist practices, and the market-driven approach to the operation of social goods. Local governments in Arizona often take a hands-off approach to community formation. In the last twenty years, there has been a massive rise of special interest communities that are legally bound by community rules designed by homeowners associations (McKenzie 1994). The multitudes of HOAs have usurped power from the local municipality and have built small-scale, private communities working to fracture political urban space (Frug 1999). In the case of Anthem, a large-scale, private community is being formed because it

is seemingly what the market desires. Public choice theory states that people should be able to choose what community they desire based on what they can afford, but there may be significant problems with such freedoms. If Del Webb is responsible for the operation of social goods such as neighborhood block parties, events for the arts and public forums to discuss community events, what happens if the social goods are not cost effective for business practice? This is a question that will continuously resound throughout the neoliberal era.

### **Commodification of Community**

Perhaps the most important aspect of community life in Anthem that can be identified as emblematic of major urban community issues is the notion of the commodification of community. In Anthem, community is commodified in two separate yet related ways. First, the selling of place is part and parcel of an ever-deepening commodity culture (Harvey 1993), where nearly everything, including social goods, has a price. People buy into an idea of what community is supposed to be like, with the script predestined by the builder. The “instant community” apparatus is in place, and the residents simply have to decide how much “community” they want to partake of. This is the big selling point distancing Anthem from other housing developments in metro Phoenix. The reason the community seems so dynamic at its onset is that it sells houses. What happens when the community nears completion or has reached its built-out projections? Likely, the builder’s guiding hand will slip away, and that dynamic com-

munity structure will be left for residents to carry on, or have a community management company take over.

Second, the actual paying of community association dues commodifies community. Should people really be expected to pay for community? The direct payment of community dues in exchange for a community apparatus directly relates to the commodity aesthetic. In the Parkside development at Anthem, community costs \$73 a month. People pay the fees in exchange for a “community” in which they can participate on a drop-in basis. Although the Anthem model of community building appears efficient and easy, it is doubtful that it will help find methods to build more sustainable and diverse communities in the future, lead people into more volunteer or charitable work, or provide intellectual space for public discourse.

Although life here seems scripted and people are willing to trade their personal property rights for stability in the price of their house, one cannot neglect the fact that this development has been a tremendous success in terms of selling houses. People, for the most part, are happy here. While the community dynamic taking hold in this inorganic landscape might concern most academics with a critical predilection, the residents enjoy the sense of community they ascertain from the HOA apparatus. People have an instinctive desire to feel part of something bigger and communities such as these offer a feeling of belonging for a set price. This trend is important because in Phoenix, the master-planned building



design concept is the norm, not the aberration. This is a characteristic of the housing supply, and there is little demand for anything else. People in search of a house in a new construction area have no choice: they must buy into a HOA.

The underlying contradiction in master-planned communities is rooted in the differing ways people conceptualize community. A community like Anthem is a manifestation of the devolution from community as a shared realm with a shared purpose to an amalgamation of closely bunched independent estates (Sexton 1995) underneath one broad umbrella called the Anthem HOA. The sense of community to which Anthem residents aspire can be defined in terms of shared territory (with well-defined boundaries), shared values (defining identity and commonality) and shared destiny (live by the rules to protect the investment) (Blakely and Snyder 1997). Using this tripartite rubric, the community dynamic in Anthem is vibrant. The community identity is clearly defined through the developer's promotional material, the community's boundaries are clearly delineated by fences, gates and distance from other housing developments, and the housing prices remain well-defined through the careful control maintained by the builder or developer. Commodification gives Anthem its sense of community. The gates sell houses in the Country Club due to the suggestion of exclusivity and safety. Paying dues to the HOA, which defines the community's shared destiny, commodifies the shared destiny of each resident in Anthem.

What is lacking in Anthem is the idea of community as a shared public realm, but the public realm is not as easy for builders to commodify, and takes time to develop. Along the same lines, the idea of community as shared support structures is not well defined in a place such as Anthem. If the builder and builders' beliefs are so engrained in the associations, the need for mutual support structures declines because residents come to depend on the builder for support. For example, white customer care vans cruise through Anthem's streets emblazoned with the Del Webb logo to provide physical support while social support is inorganically generated through the builder and the HOA. The bending of large-scale builders creating an instant, private, commodified community space with a hands-off approach by governments who are influenced by the large-scale builders' interests will likely be the legacy of neoliberal urbanism. If so, more Antheims will come.

### **Conclusion**

In the case of the development of Anthem, the county was strong-armed by one of the most successful business entities in the state – the Del Webb Corporation. County planners realize that rapid urban sprawl is not sustainable or economically sensible. However, little is done to slow down the growth machine, and leapfrog development continues into the vast stretches of desert in Central Arizona. Many officials in local government have risen to power by promoting rapid growth and urbanization, and changing the growth culture is not easy. The Maricopa Association of Governments has very

little power, and is dominated by the desires of pro-growth individuals in the City of Phoenix. The likelihood that more developments will spring up in unincorporated land in metro Phoenix is doubtful, but as home developers build a more substantial lobby, they will be able to dominate local politics at the municipal scale in Buckeye, Gilbert or Surprise.

With Anthem, Arizona presents a blueprint for how a privatized, isolated development takes shape within a neoliberal political framework. The outcome is a commodified, homogenous community perpetuating the fragmentation of the urban area through increased social and political isolation and emphasis on the bottom-line housing market. Landscapes such as Anthem highlight Americans' desire for separation, isolation and local social control. It is important to view Anthem as the next master-planned model to be reapplied and reconstituted in the future as similar communities sprout up throughout the Southwest and Southeast. The Verrado community, to the far west of Phoenix, is DMB Associates' retort to the Anthem juggernaut. The increased competition to lure flexible capital highlights neoliberal Phoenix. It is comprised of 1,145 acres, and plans are to build 14,000 homes. Similar communities are flourishing in places like Florida, Virginia and Nevada. As neoliberal governmental entities continue to rely on market discipline for the operation of social goods, these communities, because they are profitable, will be the ones built and issues such as affordable housing, sustainability and social welfare will continue to be ignored. Anthem was built because the growth machine drives

political discourse in central Arizona. This type of growth will continue as long as metropolitan-scale governments are continually underfunded, powerless and disregarded (Oliver 2001). Understanding trends in these commodity landscapes better equips planners and policy-makers to understand how to make more sustainable dwellings attractive to prospective buyers in a competitive market in order to attract flexible capital. Further public control is essential to inhibit the rapid growth of these unsustainable developments and managing growth on the exurban fringe.

### Notes

<sup>1</sup> Data availability is a large issue because Anthem's boundaries do not correspond with census tract boundaries. To acquire the data in this paper, I had to join three blocks together that encompass the current boundaries of the community. The 2000 data did not show the majority of the town's growth, and I obtained updated estimates based on the year 2003 from Claritas.

### References

- Arreola, Daniel D. 1996. Urban Ethnic Landscape Identity. *Geographical Review* 86: 518-533.
- Blakely Edward J. and Mary Gail Snyder. 1997. *Fortress America: Gated Communities in the United States*. Washington, DC: Brookings Institute Press.
- Bloom, Nicholas D. 2001. *Suburban Alchemy: 1960s New Towns and the Transformation of the American Dream*. Columbus OH: Ohio State Press.



- Brenner, Neil. 2002. Decoding the Newest "Metropolitan Regionalism" in the USA: A Critical Overview. *Cities* 19: 3-21.
- Comeaux, Malcolm. 1981. *Arizona: A Geography*. Boulder CO: Westview Press.
- Davis, Mike. 1990. *City of Quartz*. London: Verso.
- Dillon, David. 1994. Fortress America. *Planning* 60: 8-12.
- Frug, Gerald. 1999. *City Making: Building Communities Without Building Walls*. Princeton NJ: Princeton University Press.
- Harvey, David. 2000. *Spaces of Hope*. Berkeley: University of California Press.
- . 1993. From Space to Place and Back Again: Reflections on the Condition of Postmodernity. In *Mapping the Futures: Local Cultures, Global Change*, edited by John Bird, Barry Curtis, Tim Putnam, George Robertson and Lisa Tickner. London: Routledge.
- Lewis, Paul G. 1996. *Shaping Suburbia: How Political Institutions Organize Uneven Development*. Pittsburgh PA: University of Pittsburgh Press.
- McHugh, Kevin E. 2003. Three Faces of Ageism: Society, Image, and Place. *Ageing & Society* 23: 165-185.
- McHugh, Kevin, Patricia Gober and Daniel Borough. 2002. The Sun City Wars: Chapter 3. *Urban Geography* 24: 627-648.
- McKenzie, Evan. 1994. *Privatopia: Homeowner Associations and the Rise of Residential Private Government*. New Haven CT: Yale University Press.
- Oliver, Eric J. 2001. *Democracy in Suburbia*. Princeton NJ: Princeton University Press.
- Putnam, Robert. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Simon and Schuster.
- Romig, Kevin. Forthcoming. The Upper Sonoran Landscape: Gated Communities in Scottsdale, Arizona. *City and Community*.
- Ross, Andrew. 1999. *The Celebration Chronicles: Life, Liberty and the Pursuit of Property Values in Disney's New Town*. New York: Ballantine.
- Sexton, Richard. 1995. *Parallel Utopias: The Quest for Community*. San Francisco: Chronicle Books.
- Shiva, Vandana. 2002. *Water Wars: Privatization, Pollution, and Profit*. Cambridge MA: South End Press.
- Wilson, Elizabeth. 1997. Looking Backward: Nostalgia and the City. In *Imagining Cities: Scripts, Signs, Memories*, edited by Sallie Westwood and John Williams. London: Routledge.
- Worster, Donald. 1985. *Rivers of Empire: Water, Aridity and the Growth of the American West*. New York: Pantheon.

KEVIN ROMIG (Kevin.Romig@asu.edu) is a doctoral candidate in the department of geography at Arizona State University. His research interests lie in urban geography, community and citizenship issues and sense of place.







# Making Habermas Do What He Doesn't Want To: Communicative Planning Theory's Misunderstanding of Communicative Action

**Jung Won Sonn**

The advocates of communicative planning argue that communicative planning theory would provide planners with a framework for collaboration in the planning process. The epistemological strategy that they employ, however, does not provide an effective means for achieving the desired collaboration. Indeed, an examination of a Habermasian epistemology within the context of the Frankfurt School reveals major discrepancies between communicative planning theory and Habermas's theory of communicative action. By highlighting these discrepancies, this paper attempts to contribute to communicative planning's search for a more solid epistemological foundation.

## **Introduction**

Communicative planning is a project that has excited practicing planners and researchers since the 1980s. From its beginning, advocates of communicative planning theory argued that it would depict and guide planning in actual, real world circumstances rather than dictate norms to planners. They also hoped that communicative planning theory would provide planners with a framework for collaboration in the planning process (Innes 1995). These expectations were welcomed by educators who wanted to teach real-world planning to students, as well as progressive practitioners who had been waiting for a theory that legitimizes wider community participation in the planning process.

I believe these promises are truly exciting, but doubt that the epistemological strategy they employ provides an effective means for achieving them. In my view, Jürgen Habermas's philosophical work, upon which communicative planning theory attempts to base itself has little relevance to the issues that communicative planning theory attempts to solve. Indeed an examination of Habermasian epistemology within the context of the Frankfurt School reveals major discrepancies between communicative planning theory and Habermas's

theory of communicative action. By highlighting these discrepancies, this paper attempts to contribute to communicative planning's search for a more solid epistemological foundation.

The first section reviews communicative planning perspectives both in terms of their analysis of the planning process and as alternatives to much-criticized "rational planning." The second section examines the epistemological basis of critical theory and Habermas's work in this context to show how it departs from the theoretical foundation of communicative planning. The final section concludes with several suggested alternative epistemological frameworks for a theory of communicative planning.

### **Communicative Planning Theory**

#### **The Promise of Communicative Planning Theory 1: A Realistic Description of the Planning Process**

Communicative planning theory has been proposed as a way to fill the gap between positivist approaches to model planning practices and reality as observed in practice.<sup>1</sup> Instead of proposing the idealized model of rational planning theorists, communicative planning attempts first to "find out what planning is by finding out what planners do" (Innes 1995: 184) and then critically reflect upon it before proposing an alternative model. Communicative planning's empirical study and theorization focuses on "the messy part of planning" that could not be accommodated by the rational planning model (Innes 1995). By conducting anthropological research, communicative planning theorists attempt to describe "real" plan-

ning processes, including the political realities generally ignored by rational planning theoreticians.

In *Planning in the Face of Power* (1989), John Forester demonstrates what communicative planning theory could do. He suggests that planners derive power not from their technical expertise so much as from their capacity "for bargaining with bureaucratic cooperation or possible delays; managing uncertainty and shaping images of the future; preempting definitions of problems and thus approaches to solutions; alerting, warning, or working with outsiders (or insiders); coalition building; and selectively calling attention to particular opportunities or threats (Forester 1989: 17)."

For Forester's planning practitioner, talk and argument are the essential tools. In this context, Forester (1989; 1993; 1999) proposes that the analysis of the dialogue between planners, politicians and residents will help us understand how consensus is achieved in the process of policy-making.

#### **The Promise of Communicative Planning Theory 2: Rules for Collaborative Planning**

Progressive planners who had long needed a theory to justify their innovative practices initially welcomed communicative planning theory. With the emergence of advocacy planning, planners renewed attention to low-income, minority and other disadvantaged groups (Davidoff and Reiner 1962; Davidoff 1965). The Marxist critique, however, suggested that planning interventions alone cannot fundamentally change working-class urban life as long as the



broader society remains dominated by the overarching framework of capitalist relations (Harvey 1985). Given this critique, advocacy planners have struggled to find a solid theoretical basis on which they could depend (Mazziotti 1974; Piven 1970).

Given this practical dilemma, communicative planning theory presented an alternative avenue for normative planning theory. Consequently, communicative planners attempted to create practical rules for guiding the planning encounter. Innes (1998) in particular proposed criteria by which one can evaluate how close a certain planning process approached the normative model offered by communicative planning.

First, individuals representing all the important interests in the issue must be at the table.... Power differences from other contexts must not influence who can speak or who is listened to, or not.... The discussion must be carried on in terms of good reasons, so that the power of a good argument is the important dynamic.... Speakers must speak sincerely and honestly; they must be in a legitimate position to say what they do, with credentials or experience to back them up; they must speak comprehensibly—jargon and technical language communicates poorly; and what they say must be factually accurate in terms of scientific or other methods of verification. Finally, the group should seek consensus. (Innes 1998: 60)

In describing the ideal planning process, Innes does not mention the comprehensive search for alternatives, the objective analysis of cost and benefit or other planning criteria commonly maintained as standards of scientific analysis. This omission casts

the communicative planning process as negotiation that in fact has little relation to positivist scientific principles. This understanding of the planning process transforms the planner from scientific analyst to a mediator of negotiation (Forester 1989).

As a means of negotiation, communicative planning is particularly desirable when “no single stakeholder can implement policy without coordinating with others, and where the definition as well as the solution to the problem is contested” (Goldstein 2001: 12). When stakeholders participate in the communicative process, and thus in the production of information, they are more likely to agree on the results. Therefore, the communicative planner should encourage communication among stakeholders. In so doing, according to Goldstein, there are seven rules that the communicative planner should follow.

- (1) Instead of attempting to scientifically determine the public interest, communicative planning fosters the formation of political will between representatives of the community by promoting dialogue;
- (2) Rather than trying to set collective goals in isolation from political interaction, communicative planning encourages stakeholders who have knowledge of the way decisions are made to develop a strategy that can be implemented through the political process;
- (3) Modelers are relieved of the responsibility of making political choices, confining their efforts to providing analysis and regulator expertise and facilitating the process;
- (4) Instead of assuming that stakeholders will cooperate to reach common goals, communicative planning provides a process for stakeholders to enhance their capacity to cooperate;
- (5) Rather than requiring integration of all the details of a compre-

hensive plan, the communicative planning process yields a set of general guidelines and strategies that can be fleshed out through the conventional decision-making process; (6)

Communicative planning does not produce a single plan, which would threaten the desire of stakeholders to maintain their influence over the policy process and address individual topics as they arise; (7) The planning procedure allows stakeholders to build on small agreements, rather than requiring them to vote up or down on a complex package they are unfamiliar with. (Goldstein 2001: 12-13)

In proposing these rules, Goldstein frames communicative planning theory as a normative theory.

#### Epistemology of Communicative Planning Theory

Indeed communicative planning theorists have attempted to establish its epistemological basis in Habermas's theory of communicative action. Innes (1995) argues that Habermas's theory is attractive because it describes what urban planners are actually doing. To Innes (1998), studying the role of information in the planning process clearly reveals the inadequacies of the rational planning model. Contrary to that model's positivist orientation towards "information" collected and processed by urban planners, communicative planning theorists note that other kinds of "non-scientific" information appears to carry more weight in the decisionmaking process. Examples include prioritizing the opinion of an elected official's friend, valuing residents' insight, or responding to pressure from interest groups (Forester 1993).

According to the theoreticians of communicative planning, elevating other sources of knowledge above scientific information in the planning process illustrates that the rational model incorrectly presumes that planning as a process is primarily guided by an "instrumental rationality." While rational planning theory describes planners as processors of objective information, Innes, by contrast, argues that "information becomes gradually embedded in the understandings of the actors in the community through processes in which participants, including planners, collectively create meanings" (1998: 53). Information created through discussion in the community where it will be implemented is more powerful than information provided by an external expert, communicative planning theorists argue.

Furthermore, while rational planning theory assumes clear delineations between successive stages of objective information acquisition, decision-making and action, in the planning encounter information is instead linked directly to action without an intervening decision-making step. Action is prescribed once there is agreement on an indicator and a shared understanding of the problem it reflects. Because learning, deciding and acting cannot be distinguished, the linear, step-wise process assumed in the model of instrumental rationality simply does not apply (Innes 1995: 185). This is not because information generated within the community is more scientific than that provided by external experts. Rather, the discussion and negotiation process have added meaning to the information, leading communicative planning



theorists to conclude that “communicative rationality” rather than “instrumental rationality” is at work in the planning process.

### **The Ideal Speech Situation: Rules for Negotiation or Epistemological Foundation?**<sup>2</sup>

As illustrated above, Innes (1998) and Goldstein (2001) exemplify the ways in which communicative planning theorists propose communicative action rules that negotiation should follow. This is possible because theorists tend to read the theory of communicative action in instrumentalist terms. This misunderstanding stems from the fact that they do not situate this Habermasian concept within the context of his philosophy or within the broader history of the Frankfurt School (or the broader Marxist tradition).

Reading Habermas, it is easy to think that the ideal speech situation is one that he longs for the human race to pursue in actuality. In particular, when Habermas (1989) romanticizes late 17th-century “coffee houses” in England and “salons” in France, where emerging bourgeois intellectuals freely communicated their ideas, it is plausible to interpret him as arguing for a return to such era. Nevertheless, when one considers Habermas’s concept of the “ideal speech situation” in the history of critical theory, one finds that “ideal speech” is not a condition to pursue but rather only a concept within an epistemological project. Habermas proposed the concept of the “ideal speech situation” to respond to a puzzle that his teachers could not solve.

Earlier members of the Frankfurt School distinguished “scientific theory” from critical theory as a means of inquiry. Horkheimer (1982) argued that scientific theory “organizes experience in the light of questions which arise out of life in present-day society.” Positivist science, however, retains an objective perspective on information as broadly applicable to social issues – yet remains apart from them. “The social genesis of problems, the real situations in which science is put to use, and the purposes which it is made to serve are all regarded by science as external to itself” (212).

Scientific theory formulates laws from nature which can be applied to various dimensions of human experience. Critical theory, by contrast, presents an opportunity to reflect upon thought as a product of free will – not as the result of coercion as a product of broader societal conditions.

The problem in advanced capitalism, according to Horkheimer and Adorno (1995), is that the dominance of scientific theory removes the critical capability of oppressed people. The contemporary labor class, coerced by structural economic arrangements, may consider itself a mere input to the production process – a way of thinking that works against their “real interest.” Critical theory’s *Ideologiekritik*<sup>4</sup> should reveal this coercion. A good example of critical theory is Karl Marx’s analysis of labor process in his “economic and philosophical manuscripts,” also called the Paris manuscripts. In this work, Marx asserts that workers experience profound alienation due to the estrangement between the products of their labor and the labor process (Marx 1988).

However, if *Ideologiekritik* is a critique of the dominant ideology or false consciousness that prevent oppressed people from seeing their true interest, Frankfurt School theorizing falls into a dilemma: in order to distinguish false consciousness from real interest, one needs discover one's real interest at the outset precisely because false consciousness is defined by, and works against, one's real interest. Yet false consciousness prevents one from perceiving real interest. Frankfurt School thinkers realized this problem and attempted to solve it but individual members of the school diverged in their opinions.

Theodor Adorno, for example, thought that there was no transcendental ground from which one can criticize ideology or false consciousness, for any ground is also part of one's consciousness, already shaped by one's history and tradition. But, when an agent feels frustration and suffering, Adorno argues, it should be an indication that false consciousness is at work (Adorno 2000). Only by studying frustrations and sufferings in their specific situated context can they be revealed. This is where one can begin *Ideologiekritik*.

However, this approach has a critical weakness: Without frustration or suffering as consciously experienced by human agents (despite their evident existence), it is impossible to begin the work of *Ideologiekritik*. Adorno assumes that frustration and suffering are manifestations of ideology, but some ideology does not manifest itself in such a form. For example, when coercion is dominant, the resulting false consciousness does not even allow for the per-

ception of frustration and suffering (Lukes 1974). A person may even feel happy when his or her "real" state is deeply painful. As Marcuse (1962) pointed out, members of the proletariat class under advanced capitalism are deprived of their ability to feel frustration because of the influence of mass culture. The more serious the coercion, Marcuse suggested, the less likely is the potential realization of individual emancipation from false consciousness. Without some sort of standard against which one's current state is judged, it is impossible even to realize coercion. This is why some members of the Frankfurt School searched for a transcendental foundation by which to measure false consciousness against real interest. Under these circumstances, Marcuse later proposed that experimental literature and art create room for realizing people's false consciousness. The conflict between art and everyday thoughts and customs allows for an opportunity to identify coercion in order to reveal possibilities for different forms of thought (1978).

Such an approach is hampered by elitism, however. The majority of people hardly enjoy opportunities to reflect on high art. Furthermore, while art and literature present varying images to suggest different possible alternatives, there remains no transcendental basis to distinguish a real image of happiness from a false one. This presents a dilemma for the critical theorist.

Habermas sought to develop a transcendental foundation that does not change according to the situation of the social agents who are involved but rather



remains fixed as a reference.<sup>4</sup> To this end, he grounded his argument for a transcendental foundation in his optimistic views on language. He argues that linguistic communication is in the nature of human beings, and thus being a human agent entails participation in a community where the participants agree upon certain rules of communication – rules which are neither explicitly known to participants nor ever completely realized. If they were to become realized, the participants in a discussion would all be able to come to terms on certain points of agreement which are what Habermas considers to constitute truth. In other words, truth is what all participants would agree upon if they were in an ideal speech situation. In an ideal speech situation, Guess (1981: 66) argues, agreement constitutes “true beliefs” while agreement upon certain preferences would then constitute “rational preferences.” Agreed upon interests would be “real interests.”

The explanation above should clarify that “ideal speech situation” is not normative. Habermas was not suggesting that people should follow the rules he provides but rather suggested that there exists a transcendental ground for truth-claims. With the concept of an ideal speech situation, he described a condition in which coercive ideology can be revealed – a condition that is only theoretical in that it cannot be achieved in reality. In fact, he does not claim that his description of “ideal speech situation” has to be correct but merely wants to accept the existence of the “ideal speech situation” as an epistemological foundation for distinguishing real interest from false consciousness. In his later *Theory of Communicative Ac-*

*tion*, Habermas (1984) begins to thoroughly develop the concept of “ideal speech situation.” He does not spend too much time elaborating on what the “ideal speech situation” is like, but instead appears to explicitly warn against taking communicative action theory as a theory about communication. “[T]he communicative model of action does not equate action with communication” (Habermas 1984: 101).

Communicative planning theorists then appear to have taken Habermas too literally. Their understanding of the “ideal speech situation,” where actors are free from coercion and power differentials, is pursued as a model of what planners should actually seek to bring about. This does not find support in Habermas’s writings, however, because the nature of discussion in Habermas’s ideal speech situation is very different from the type of discussion that occurs in the planning process. In an ideal speech situation, participants in a discussion will agree on the “truth” because it is true. The ideal speech situation is simply a process for finding it. That is, when social actors are free from coercion, there remain no false consciousnesses that will distort their understanding of society. Therefore, the emancipating nature of language reveals itself during the speech act, when its participants will finally find a point on which everybody can agree.

Discussion in a planning process, on the other hand, does not pursue “truth.” Rather, discussion is a process of negotiation where a participant attempts to influence others in order to maximize his/her interest, regardless of whether those interests are colored

by false consciousness. There is no right or wrong, just incompatible interests. Even if participants find a point upon which everyone agrees, that point is not an inter-subjective truth but rather a balance point of interests that have arrived at a satisfactory compromise. In the planning process, for example, a participant understands there is a limit to one's influence over the other participants. So he will try to secure his most important interest by compromising other interests. If one altruistically accepts another person's argument in contradiction to one's own interest, that acceptance still has little to do with inter-subjective truth. Altruism is not an arrival at truth but an act of sacrificing part of one's interest. One's "true" interest remains the same even after one surrenders it.

Occasionally, a discussion process may result in a common ground for every participant's interest. However, this does not mean participants have found the transcendental "truth" that exists in an ideal speech situation. Indeed this common ground is very fragile, and a new participant can easily disrupt it. The final agreement in a planning process is the best solution only for the existing participants' interests. A new participant with different interests may find the agreement unacceptable. Also, when external conditions or the participants' preferences change, the participants' interests also change accordingly and an agreement based on participants' previous interests ceases to be shared. Therefore, the common ground that participants find in a planning process holds only temporarily. In contrast, inter-subjective truth found in the ideal speech situation does not shift

when a newcomer joins the discussion. The ideal speech situation is a way of accessing truth. Therefore, if correctly obtained it should not change even if external conditions or the participants' preferences change.

The nature of discussion in the planning process, however well designed, is fundamentally different from that of the ideal speech situation. Moreover, communicative planning theorists explicitly devise rules which Habermas's theory does not provide. Rules of communicative planning aim at facilitating discussion in the hope of achieving better planning outcomes. In the terminology of critical theory, communicative planning theorists use theory instrumentally; their rules thus belong to the realm of scientific theory in Horkheimer's (1937) or Habermas's (1978) categorization of theories. Using Habermas's ideal speech situation as a guide or tool for manipulating the external world is exactly the opposite of what Habermas intended. The fact that communicative planning theorists have deployed the conceptual ideal of Habermas's critical theory in the role of a scientific theory is decidedly ironic.

### **Saving Communicative Planning from Itself**

This paper has argued that communicative planning theorists' claims of deriving their work from Habermas are based on a misinterpretation of his theories. The "ideal speech situation" that they want to emulate in the planning process is actually an epistemological foundation and not a normative framework. For Habermas, discussion in an ideal speech



situation enables participants to find truth. Discussion in planning, on the other hand, is for negotiating conflicting interests; the final product is not truth but rather an accommodation of interests.

But, why bother to criticize communicative planning if theorists are using it to generate new and helpful empirical studies? Is not planning research about the practical implications of new theories? Misunderstanding Habermasian theory, however, prevents communicative planning from fully realizing its own potential. There are numerous epistemological systems and some of them may be more helpful to the aims of communicative planning theory. If planning theorists believe that Habermas has offered the most suitable epistemology for their project, they may not look for better alternatives.

The aim of this paper is to point out problems in one of the epistemological strategies followed by communicative planning, not to provide alternatives. However, some possible directions are evident. When communicative planning theorists conduct empirical research on dialogue in planning processes, they can rely on ethnomethodology or other types of discourse analysis without being based in Habermas at all. If they need philosophical underpinnings for this type of analysis, they may want to incorporate the philosophical hermeneutics tradition of Martin Heidegger (1962), Friedrich Schleiermacher (1998), or Hans Georg Gadamer (1975). To address the issue of efficient communication as a method to facilitate negotiation, theorists can turn to sociological exchange theory, game theory in economics or other

theories in negotiation studies in order to ground communicative planning theory in alternative analyses to liberate it from its problematic association with the work of Habermas.

### Acknowledgements

I appreciate the valuable comments of Yeheskel Hasenfeld of the Department of Social Welfare at UCLA, as well as three anonymous reviewers of this journal. I am also indebted to Walter Lew, who carefully edited this paper. The usual disclaimer applies.

### Notes

<sup>1</sup> For a detailed description of the rational planning model, see Schön (1983: 21-37).

<sup>2</sup> Of course, this paper is not the first critique of communicative planning theory. Margo Huxley and Oren Yiftachel demonstrated that communicative planning theory's application of communicative action to planning, a function of state, is missing the point that the very purpose of communicative action is to resist against the imperative of state and market (Huxley 2000; Yiftachel & Huxley 2000; Huxley & Yiftachel 2000).

<sup>3</sup> Horkheimer's description of critical theory reveals its similarity to hermeneutics as set forth by Husserl, Heidegger, or Schleiermacher (Woolfolk, Sass and Messer 1988). Both critical theory and hermeneutics intend to interpret people's understanding of objects rather than objects themselves. What distinguishes critical theory from hermeneutics is that critical theory has a specific goal: *Ideologiekritik*.

<sup>4</sup> In his early writings, Habermas agreed with Adorno's contextualist view. However, according to Guess, a renowned interpreter of Habermas, he felt it necessary to defend epistemological objectivism and attempted to find transcendental foundation of epistemology against emergence of postmodernism and other forms of extreme relativism (Guess 1981: 64).

### References

- Adorno, Theodor. 2000. The Concept of Enlightenment. In *The Adorno Reader*, edited by Brian O'Connor. Malden MA: Blackwell.
- Davidoff, Paul. 1965. Advocacy and Pluralism in Planning. *Journal of the American Institute of Planners* 31(4): 103-114.
- Davidoff, Paul and Thomas A. Reiner. 1962. A Choice Theory of Planning. *Journal of the American Institute of Planners* 28(2): 103-105.
- Forester, John. 1999. *The Deliberative Practitioner: Encouraging Participatory Planning Processes*. Cambridge MA: MIT Press.
- . 1993. Learning from Practice Stories: The Priority of Practical Judgment. In *Readings in Planning Theory*, edited by Scott Campbell and Susan Fainstein. Cambridge MA: Blackwell Publishers Ltd.
- . 1989. *Planning in the Face of Power*. Berkeley: University of California Press.
- Gadamer, Hans. 1975. *Truth and Method*. Berkeley: University of California Press.
- Goldstein, Bruce. 2001. How Communicative Planning Can Help Counties Reduce the Impact of Land Use Change on Biodiversity, While Other Planning Frameworks Fall Short: A Conceptual Blueprint for the California Biodiversity Project. [<http://gis.esri.com/library/userconf/proc96/TO50/PAP036/P36.HTM>]. Accessed 11 April 2004.
- Guess, Raymond. 1981. *The Idea of a Critical Theory*. Cambridge UK: Cambridge University Press.
- Habermas, Jürgen. 1989. *The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society*. Cambridge MA: MIT Press.
- . 1984. *The Theory of Communicative Action*. Boston: Beacon Press.
- . 1979. *Communication and the Evolution of Society*. London: Heinemann.
- . 1978. *Knowledge and Human Interests* (2nd ed.). London: Heinemann.
- Harvey, David. 1985. *The Urbanization of Capital: Studies in the History and Theory of Capitalist Urbanization*. Baltimore MD: John Hopkins University Press.
- Heidegger, Martin. 1962. *Being and Time*. Malden MA: Blackwell.
- Horkheimer, Max and Theodor W. Adorno. 1995. *Dialectic of Enlightenment*. New York: Continuum.
- Horkheimer, Max. 1982. Traditional and Critical Theory. In *The Essential Frankfurt School Reader*, edited by Andrew Arato and Eike Gebhardt. New York: Continuum.



- Huxley, Margo. 2000. The Limits to Communicative Planning. *Journal of Planning Education and Research* 19(4): 369-77.
- Huxley, Margo and Oren Yiftachel. 2000. New Paradigm or Old Myopia?: Unsettling the Communicative Turn in Planning Theory. *Journal of Planning Education and Research* 19(4): 333-342.
- Innes, Judith E. 1995. Planning Theory's Emerging Paradigm: Communicative Action and Interactive Practice. *Journal of Planning Education and Research* 14(3): 183-190.
- Innes, Judith E. 1998. Information in Communicative Planning. *Journal of the American Planning Association* 64(1): 52-63.
- Lukes, Steven S. 1974. *Power: A Radical View*. London: MacMillan Press, Ltd.
- Marcuse, Herbert. 1978. *The Aesthetic Dimension: Toward a Critique of Marxist Aesthetics*. Boston: Beacon Press.
- . 1962. *Eros and Civilization: A Philosophical Inquiry into Freud*. New York: Vintage Books
- Marx, Karl. 1997. Economic and Philosophical Manuscripts. In *The Marx Reader*, edited by Christopher Pierson. Cambridge UK: Polity Press.
- Mazziotti, Donald. 1974 The Underlying Assumption of Advocacy Planning. *Journal of the American Institute of Planners* 40(1): 38-47.
- Piven, Frances Fox. 1970. Whom Does the Advocate Serve? *Social Policy* May/June: 32-37.
- Schleiermacher, Friedrich. 1998. Hermeneutics. In *Schleiermacher, Hermeneutics and Criticism and Other Writings*, edited by Andrew Bowie, Karl Ameriks and Desmond M. Clarke. Cambridge UK: Cambridge University Press.
- Schön, Donald A. 1983. *The Reflective Practitioner: How Professionals Think in Action*. New York: Basic Books
- Woolfolk, Robert L. 1988. Introduction to Hermeneutics. In *Hermeneutics and Psychological Theory: Interpretive Perspectives on Personality, Psychotherapy, and Psychopathology*, edited by Stanley B. Messer, Louis A. Sass and Robert L. Woolfolk. New Brunswick NJ: Rutgers University Press.
- Yiftachel, Oren and Margo Huxley. 2000. Debating Dominance and Relevance: Notes on the "Communicative Turn" in Planning Theory. *International Journal of Urban and Regional Research* 24(4): 907-913.

JUNG WON SONN ([jungwson@ucla.edu](mailto:jungwson@ucla.edu)) is a doctoral candidate in urban planning at UCLA. He is writing his dissertation on technology and regional economic development.







# The Neoliberal Turn and the Restructuring of Public Housing Policy in the United States

**Jason Hackworth**

Public housing policy in the US has been restructured dramatically in the past 30 years. The prevailing narrative of this transition foregrounds an attempt to move beyond the "mistakes" of Keynesian-style federal intervention in housing markets. Local housing authorities are now encouraged to ally with the private market, demolish high rise income- and race-segregated housing, and to replace this model with privately managed, mixed-income developments. This paper argues that the transition is most usefully situated as an example of the neoliberalization of public policy. It shows how the specific experience of public housing policy in the US can be interpreted through the lens of much wider ideas and strategies of neoliberalism. It also shows that "actually existing neoliberalism," as represented in this case, poses serious conceptual problems for the larger project of neoliberal theory.

## **Introduction**

It has been slightly more than a decade since the United States Congress began serious discussions about how to revamp the nation's public housing system, but the subsequent change has been swift and decisive. The Homeownership and Opportunity for People Everywhere (HOPE) program, enacted in 1992, and the Quality Work and Housing Reform Act (QHWRA), enacted in 1998, fundamentally changed the way that public housing works in the United States. Framed as a response to the mistakes of mid-twentieth century planning and public housing construction (Cisneros 1995), these programs provide funding to replace much of the existing stock and managerial structure with a stronger local and private market orientation. Public housing authorities (PHAs) are now not only permitted to engage in partnerships with private developers, but are encouraged to do so. Housing finance no longer consists entirely of direct federal subsidies and public housing is no longer reserved solely for the very poor. The US Department of Housing and Urban Development (HUD), and public housing in general, have been "reinvented." Federally centered Keynesian public housing has been replaced by a more diffuse neoliberal public housing that is smaller in scope, locally governed and more oriented to real estate capital.

Explanations of this transition have been varied. Some have interpreted the changes as part of an overall effort to revive—which in many cases means gentrify—inner city real estate markets (Crump 2003 and 2002; Wylie and Hammel 1999; Bennett and Reed 1999). Others, by contrast, have linked the changes to the wider devolution of the American state (J. Smith 2000; see also Keyes et al. 1996; Adams 1990; Staeheli et al. 1997). Related to this explanation have been attempts to interpret the shifts as part of a series of government failures (Cisneros 1995; US Dept. of HUD 1995; see also Wallis and Dollery 1999; Chang 1997; Meier 1993) that have necessitated the deployment of private sector housing provisioning systems (van Vliet 1990; Forrest and Murie 1988; Lundqvist 1988; Swann 1988; Adams 1987). Still others have attempted to show how the US's erstwhile cultural ambivalence toward the poor and public housing led to the recent changes (Vale 2000). Comparatively little has been done, however, to link recent public housing policy changes to a wider theory of state or economic restructuring. Such an understanding is important because individual policy actions like the HOPE program and QHWRRA do not take place in a social vacuum. Rather they are deeply imbued with the logic that governs the wider processes of such restructuring. A better understanding of such processes provides a better window into the local politics of public housing management.

This paper attempts to fill the void by applying the insights of the wider literature on neoliberalism and

the New Political Economy to particular changes being experienced within the realm of US public housing. It attempts to show that public housing policy has been neoliberalized over the past thirty years, and that this deeply ideological transition has narrowed the policy dialogue on public housing (and affordable housing more generally) in ways that are poorly understood. The overall intent is to open a more meaningful housing policy dialogue by clarifying the terms of the recent transition. Section one of the paper describes the roots and evolution of neoliberalism, in order to clarify the way it is conceptualized in this paper. Section two provides a brief history of US public housing policy leading up to its current and ongoing neoliberalization. Lastly, section three describes this neoliberalization, with special emphasis on the response of three local housing authorities to neoliberal public housing.

### **Neoliberalism and the New Political Economy**

The language of liberalism, neoliberalism and the New Political Economy is very common within contemporary social theory. Because they are often used without being explicitly defined, however, the meaning of such ideas tends to be somewhat variable. This section attempts to clarify the way that liberalism and neoliberalism are being conceptualized by briefly revisiting the development of both ideas. Understanding the evolution of the wider liberal tradition (i.e. Girvetz 1963) is the first step toward a workable definition of late twentieth century neoliberalism and its broader policy framework, the New Political Economy (Chang 1997; Meier 1993).



Though the ideas underlying liberalism are evident in Greek, Roman and reformist Christian writings, the most commonly cited root to the project is in the classical liberalism of the eighteenth and nineteenth century. Classical liberals varied in their politics, method and purpose but were relatively unified on several counts. First, they shared an intense focus on the individual. Following Hume, Paley, Bentham and James Mill in particular, classical liberalism asserted that the true measure of a society lay in the degree to which its individuals were allowed to pursue pleasure. Individuals themselves were seen as the most qualified at understanding their needs and wants, so society should be structured around lowering barriers to the individual realization of this pleasure. Classical liberals varied on whether the right to pursue pleasure was natural (Hume) or part of a social contract (Locke), but almost all believed that individual autonomy should be venerated above all else.

The second major tenet of classical liberalism, following largely from Adam Smith (and the neoclassical school of economics that he inspired), is that an unfettered market is the most efficient and effective means for encouraging this individual autonomy, and for assuring that the simultaneous pursuit of individual pleasure does not devolve into anarchy. Within this frame, society is best served when individuals are able to pursue their needs and wants through the medium of price. Producers are servants of consumers, who demand certain goods based on their wants. The third major tenet of classical liberalism is the non-interventionist state. Classical liber-

als—Smith, Bentham and Acton—argued that the most effective way to achieve a society of pleasure-seeking, market-oriented individuals is for the nation-state to be minimalist, or *laissez-faire*. According to classical liberals, the state should focus only on the pursuit of safety, competitive (unfettered and non-monopolistic) markets, and a constitution guaranteeing individual rights, particularly the right to retain property.

The three main premises of classical liberalism were scripted largely as an antidote to the power of monarchy and or the church in Western Europe during the eighteenth century. The ideas of liberalism took one of their strongest institutional forms in the founding documents of the United States—the Federalist Papers, the Constitution and the Declaration of Independence—but it was not until the late nineteenth century that classical liberalism became widespread throughout North America and Western Europe. But it is also true, ironically, that the late nineteenth century was when prominent fissures within the liberal project began to emerge. Following from John Stuart Mill, an increasingly egalitarian strand of liberal thinkers began to argue that the tenets of classical liberalism were neither being attained, nor were they attainable, without a strong secular state that redistributed wealth among the populace. Mill's calls for a strong estate tax and compulsory education are among the suggestions for intervention that this variant of liberalism began to inspire. In the late 19th and early 20th centuries, amidst prolonged depressions, the exploitation of

child labor and a massively uneven distribution of wealth, some began to agree, and an “egalitarian” liberal movement emerged (Kekes 1997).

Egalitarian liberalism is a loose assemblage of ideas and as such does not have as many foundational thinkers as classical liberalism, but the works of Mill, John Maynard Keynes and, much later, Rawls (1971; 1993), Dworkin (1985) and Nagel (1978) became landmarks in its literature. Egalitarian liberalism took root most firmly in places where anti-socialism was strongest, with the United States being the most acute example (N. Smith 2002). It became increasingly widespread after Keynes (1936; also 1926) and the American New Deal demonstrated that an interventionist approach could actually promote (rather than impede) economic growth. Egalitarian liberalism combined several basic tenets of classical liberalism—particularly the focus on the individual and a belief in the elegance of the market—with a redistributive nation-state whose responsibilities included the provision of basic levels of economic security, on the grounds that political freedoms were impossible without some degree of economic intervention (Girvetz 1963). As Kekes (1997:13) explains:

The core of egalitarian liberalism continue[d] to be autonomy. The autonomous life, however, is seen as requiring both freedom and welfare rights. It requires that individuals should be guaranteed certain basic goods that are needed for living according to any conception of a good life. The role of government, therefore, is to protect not merely freedom rights but also welfare rights.

Justifiable interventions included, but were not limited to, public housing, corporate anti-trust laws, food stamps and basic income redistribution.

Though some classical liberals loathed this turn in liberal thought and largely rejected it, the basic ideas of egalitarian liberalism (particularly Keynesianism<sup>1</sup>) inspired and were in turn inspired by a massive shift in governance during the mid-twentieth century toward a more openly-regulatory nation-state.

This shift was halted by the rise of *neoliberalism*. Neoliberalism, simply defined, is an ideological rejection of egalitarian liberalism and of the Keynesian welfare state in particular. It is also a selective return to the ideas of classical liberalism, of the sort most strongly articulated by Hayek (1944; 1960) and Friedman (1984; with Rose Friedman 1962, 1990).<sup>2</sup> Once considered the workings of a “lunatic right fringe” (Girvetz 1963), neoliberalism by the 1990s had become naturalized as the proper mode of government for a variety of geo-institutional contexts. Neoliberalism achieved hegemonic status through a number of important mediums, including the Thatcher and Reagan Administrations of the 1980s, which openly sought to “roll-back” many elements of the Keynesian state, such as public housing, income supplements and medical subsidies. Under neoliberal logic, Keynesian redistribution is no longer a foundation of international competitiveness but an impediment to it (Jessop 2002); labor flexibility is seen as crucial for a working economy (Peck 2001a; Moody 1997); and monetarism is seen as the only proper macroeconomic intervention by the state



(Canterbury 1995). Government failures are the central justification for the roll-back of intervention, while the Keynesian notion of market failure has virtually disappeared from macroeconomic policy dialogue (Chang 1997). Nothing short of a New Political Economy has emerged, according to neoliberalism's proponents (Meier 1993).

But as some recent authors have noted, this should not imply that neoliberalism is a static, inevitable or autonomously operating political environment. Rather, some have suggested that neoliberalism is better seen as a process—one that evolves, intensifies and weakens differently across time and space (Peck and Tickell 2002; Mitchell 2001). Drawing mostly on the experiences of North America and Western Europe, Peck and Tickell (2002) have shown that this process has heretofore involved two phases, the first involving the roll-back of Keynesian welfare institutions and the second involving the "roll-out" of more direct policies to promote neoliberalism. Roll-back neoliberalism, though varying from place to place, involves the reduction of subsidies or regulations designed to counteract regional or interpersonal uneven development. For example, public housing, welfare and unemployment insurance outlays are often reduced during this phase. Roll-out neoliberalism, by contrast, involves a set of policies that more proactively ensures the reproduction of neoliberal political economy. Workfare has emerged as the most obvious example of roll-out neoliberalism (see Peck 2001a), but as I will demonstrate later, housing policy has also been oriented to

make any return to Keynesian-style policies more difficult.

Roll-out neoliberalism is particularly interesting because it provides a conceptual challenge to one of neoliberalism's main tenets—the idea of the non-interventionist state. There are several dimensions to this. The first and most obvious is that roll-out activities embody positive policy actions made by government, rather than the removal of state interference (as neoliberal theory suggests). Second, it challenges the notion that state power under neoliberalism automatically devolves to the local. Proponents of neoliberalism see it as a return to local control, but critics point out that while responsibility is frequently decentralized in neoliberal regimes, resources often are not. As Peck (2001b) and others (Atkinson 1999; Clark 1999) have suggested, it may be that economic risk and social reproduction are the only resolutely localized functions under neoliberal capitalism. With greater responsibility for production (N. Smith 2002) and social reproduction (Gough 2002), localities are not simply given power as much as they are given risks and responsibilities that the Keynesian national welfare state had previously defrayed (such as affordable housing, infrastructure and urban development subsidies).

In order to pay for such responsibilities, local governments, in a variety of contexts, are increasingly forced to behave as market actors—to acquiesce less ambiguously to the needs of capital and to provide public goods through private delivery mechanisms (Harvey 1989). Cities and other local governing struc-

tures have thus not simply been given devolved power from the nation-state, but have been disciplined into competing more vigorously with one another through the mechanisms of the market. In doing so, however, local institutions have become increasingly regulated by a series of non- and quasi-governmental market police officers—bond-rating agencies (Hackworth 2002; Sinclair 1994; Sbragia 1996), among others, the IMF and the World Bank (Harris and Fabricus 1990)—that have a very different *raison d'être* than the nation-state (which previously served in this capacity). Institutions such as these serve to impose a form of “disciplinary neoliberalism” (Gill 1995) that can be highly punitive to dissenters (Peck and Tickell 2002). Public housing provision in the United States, though always a small and maligned appendage of the American welfare state, has also been fundamentally transformed by this transition. The remainder of this paper explores this transition, which provides insight into “actually existing neoliberalism” in general (Brenner and Theodore 2002) and its impact on the restructuring of public housing in particular.

### **The Case of Public Housing Policy Restructuring in the United States**

The institutional history of public housing, and specifically the transition it has undergone in the last 30 years, can be used to shed light on the contextual nature of neoliberalism. The history I present here has been derived from existing scholarship, discussions with officials and residents at over 50 housing authorities in the US, and analysis of nationwide

data on public housing obtained from the US Department of Housing and Urban Development (HUD). At a schematic level, the history is broken into three major periods: pre-1937; 1937–1973; and 1973–present. Prior to 1937, public housing was virtually non-existent save for several experiments in New York City, the work of charitable organizations and periods of temporary housing for defense-industry workers. Between 1937 and 1973, public housing reached its Keynesian apex. Though never as comprehensive as public housing systems in Western Europe, during this time the US system continued to expand and provide housing for the urban poor in multiple contexts. After 1973, the public housing system began to shrink and restructure dramatically in line with the larger neoliberal turn.

#### **Pre-1937**

Prior to the 1930s, public housing policy in the United States consisted of a series of ad hoc programs designed not to increase the overall affordable housing stock but to meet particular local needs (Harloe 1995). Much of this housing furthermore is difficult to call public because it was built and managed by philanthropic organizations in a variety of local contexts (Plunz 1990). In a classical sense, it was the most liberal that public housing policy has ever been, in that public involvement was constrained by the ideological fervor for non-intervention. Philanthropic efforts—from settlement houses to workingmen’s houses—typically sought not only to house impoverished urbanites but to reform them



as well. Most philanthropic housing came with strict behavioral or work rules for its residents. The total number of philanthropic units is difficult to calculate precisely, but it can safely be said that levels of housing for the poor were lower before 1937 than they were at any time afterward.

Other public housing efforts prior to the 1930s included wartime worker housing during World War I (Plunz 1990; Harloe 1995). Though access to this housing was limited, it set an important precedent for government construction and maintenance of housing. This precedent would be built upon by several large cities, such as New York, after the war (Plunz 1990). Efforts to expand such programs beyond the municipal level, however, were met with resistance in Congress. At the federal level, public housing was viewed as socialist and the ideological aversion to intervention went a long way toward limiting the development of a meaningful national strategy prior to the 1930s (Marcuse 1998).

#### 1937–1973: Keynesian Public Housing

It was not until a sizeable portion of the middle class was thrust into poverty that a centrally organized program of public housing emerged in the US. The 1930s provided this set of conditions, but—tellingly—the first public housing bill did not reach Congress until 1937, despite the rough economic times earlier in the decade. The 1937 Housing Act authorized the construction of approximately 170,000 new public housing units in severely disinvested neighborhoods across the US (Harloe 1995), but was not a part of the initial New Deal

largely because it was deemed a socialist threat by the construction industry (Marcuse 1998).<sup>3</sup> This had both short and long term consequences. In the short term, fear of this “threat” prompted lawmakers to take steps assuring that real estate capital would be protected in the bill. Among other protections, the 1937 Act required the equivalent demolition of substandard units in the nearby community (with compensation for the building owner) so that the private market would not have to experience the unfair competition of government built alternatives in the neighborhood (Bratt 1986; Spence 1993). It also set income eligibility requirements very low, so as not to compete with the unsubsidized private market.<sup>4</sup>

In the long term, a fear of gravitating toward socialism would permeate public housing policies throughout the mid-twentieth century, and make public housing unusually sensitive to the concerns of real estate capital and local control. This was quite apparent in the 1949 Housing Act, which inaugurated the twentieth century’s second major surge in public housing construction. By 1949 the construction lobby was an even more powerful influence on Congress (Checkoway 1980) and was able not only to revive the allegation that public housing was socialist, but also to persuade Congress to orient the Act primarily around single-family detached homes in the suburbs (Lang 2000). The public housing portion of the 1949 Act was small, and consisted largely of funding for slum clearance, or “Negro removal” (Hirsch 2000) as it was then called—a practice in which thousands of housing units in functioning neighborhoods were destroyed and replaced by

problematic high-rise public housing complexes. The Act also prohibited public housing from competing with private markets by: a) employing rent ceilings that were set 20 percent below the lowest nearby rental units; b) requiring that public housing be designed in an austere, stigmatizing way so as to stand out from the private stock; and c) authorizing unsustainably low operating budgets for PHAs. A set of subsequent amendments to the 1949 Act and new programs including Section 202 (1959), Section 23 (1965) and Turnkey Housing (1965) provided low interest loans and incentives to private developers to build very low-income housing.

The final major Keynesianesque push to create more low-income housing culminated in the 1968 Housing Act. Unlike the 1937 Act, which had been tangential to President Roosevelt's New Deal, the 1968 Act was more central to President Johnson's Great Society. But it was still a compromised set of programs, and it never approached the larger goals set by its proponents. Continuing the erstwhile protection of real estate interests and local autonomy, the Act provided interest rate and rent subsidies to private developers who built or managed public housing for the government. Although the 1968 Act was responsible for the most rapid short-term increase in public housing units in the twentieth century, its effects were short-lived. In 1973 the Nixon Administration announced that the public housing program was too expensive and declared a moratorium on future construction, effectively extinguishing the 1968 Act (Harloe 1995; Bratt 1986).

Generally speaking, the 1937–1973 period witnessed the birth and apex of Keynesian public housing in the US. Though never reaching the level of provision of Western Europe, public housing in this epoch can be deemed Keynesian to the extent that it was a public investment designed (in part) to offset housing costs, increase disposable income and stimulate aggregate effective demand. But we can also see that this state intervention was deeply colored by the classical liberal desire to avoid a powerful government role in the economy. Marked effort was made to establish and maintain protections for private real estate capital and local autonomy.

#### 1973–Present: Neoliberal Public Housing

The 1973 moratorium marked the beginning of a 30-year process that neoliberalized public housing. From the mid-1970s to the mid-1990s, a series of roll-back and roll-out phases in public housing policy emerged, perhaps not linearly but more or less sequentially and helped restructure the nation's approach to public housing. The initial phase of this process involved a basic divestment of the housing stock, while the more recent stages have involved measures to assure that the desired neoliberal order stays intact (e.g. private management, market-based delivery systems). These shifts have been motivated by the belief that past efforts at public housing have either hurt, or simply ignored, the private market and the needs for local and individual autonomy.

It is fair to ask why the roll-back of Keynesian policies was even necessary, given the very limited nature



of public housing programs during the twentieth century (see Harloe 1995). After all, in comparison to similar housing programs in other countries, Keynesian public housing in the United States remained very limited, and never enjoyed a popular constituency (this despite the fact that Keynesian subsidies for other types of housing, namely single-family detached homes, were wildly popular). But when the focus shifts to the institutional power of public housing after the 1960s, it becomes clearer why such an active effort was made to neoliberalize this comparatively inconsequential sector. First, in 1965 HUD was created from the ashes of the United States Housing Authority and given cabinet level status (Harloe 1995), an important step in its eventual institutional power. Its reach as an institution was further extended by the comparatively ambitious 1968 Housing Act, which, as mentioned earlier, put the newly formed HUD in charge of the century's most rapid surge in public housing construction. By the time the Nixon Administration entered office in 1969, the agency—and American public housing—were arguably at the apex of their institutional and fiscal power. HUD was a visible symbol of an active and redistributive government, and rolling the agency back thus became a visible symbol of that government's dismantlement. The roll-back of public housing was, in other words, a representative moment in a much wider process. With two dramatic strokes—the demolition of the Pruitt-Igoe Housing Complex in 1972 and the Nixon moratorium of 1973—the roll-back of Keynesian public housing was initiated. The basic reduction of subsidies and

federal involvement continued through the 1980s and 1990s. During the 1980s, HUD's budget was slashed more aggressively than any other level of the domestic branch of government (Bratt and Keating 1993), and during the 1990s, the most active source of public housing funding came in the form of grants to facilitate the demolition and privatization of housing stock (the HOPE program discussed below). The aggressive roll-back of public housing has evolved and expanded considerably from its 1970s beginnings.

But the neoliberalization of public housing in the US has also involved much more than the non-interventionist withdrawal of funding and oversight. The roll-back of Keynesian public housing has been paralleled by a roll-out of various neoliberal measures that promote "self-sufficiency," entrepreneurialism and private governance. In arguably the most extensive measure of this sort, the federal government began foregrounding Section 8 vouchers as the preferred mode of public housing in the early 1970s.<sup>5</sup> Section 8 vouchers are payments by the federal government to individual landlords to cover the gap that exists between 30 percent of a tenant's income and the prevailing fair market rent (determined by HUD). There are both tenant-based and project-based Section 8 outlays, but both are organized on similar logic. The program was seen less as a way to reduce federal expenditures (though this justification should not be understated) than as a way to more assertively involve the private market in the allocation and management of public housing units. It has

evolved from being a fairly marginal outlay by HUD to being one of its largest in the past thirty years.

Nor was Section 8 the only form of roll-out neoliberalism to emerge in the last thirty years. In 1986, the federal government further institutionalized the belief in market-allocated public housing by initiating the Low Income Housing Tax Credit program. Tellingly, the program is not administered by HUD, but by the Internal Revenue Service, since it involves the allocation of tax credits to qualified low-income housing builders. The builders are compensated for their creation of submarket units by selling the credits to corporations or individuals with high tax liabilities. In this way the program seeks to channel private capital into affordable housing. Central to the expansion of both this program and Section 8 is the idea that the market will be able to allocate goods more efficiently and effectively than any federal government office.

Another mechanism used to roll-out a neoliberal public housing order has been the encouragement of homeownership for public housing tenants. Such policies, it is important to point out, are different from the Keynesian private homeownership policies promoted by the federal government after World War II. Specifically, the neoliberal policies are urging public housing tenants to purchase the public units in which they currently reside, not enter the open market with federal help. Where the Keynesian programs were a continuous redistribution of wealth designed to maintain aggregate demand, the

neoliberal policies are better seen as the privatization of existing government assets.

Much like the Section 8 program, homeownership initiatives of this sort are not unique to the past thirty years, but the government's reliance on them has increased markedly in the past two decades (see Hackworth and Wylie 2003). Also like the Section 8 program, homeownership for the poor has been promoted for more than just its potential to reduce federal expenditures. The idea of homeownership has been promoted quite openly by HUD—and the federal government more generally—as a way to generate self-sufficiency among the existing public housing tenantry (HUD 2003). The first major effort to provide federal homeownership subsidies for low-income families (the Section 235 Program) was initiated in the 1968 Housing Act, but the program faltered shortly thereafter because of management problems (Bratt 1990). Section 235 was followed by a series of smaller demonstration programs during the 1980s, including the Public Housing Demonstration Program [1985] and the Nehemiah Program [1987], but both met fates similar to the original initiative (see Silver 1990). The programs were largely derived from similar efforts in the UK to sell Council Housing. In the US, however, the public housing stock was in such poor physical shape by the 1980s that any serious effort to sell the units would have involved a tremendous upfront federal commitment. As a result, during the Reagan and the first Bush administrations, the movement to promote homeownership amongst the very poor never gained



popular support. The idea resurfaced again in the 1990s as a component of the HOPE program (discussed later), but the same aversion to substantive federal expenditures for physical improvement limited its expansion.

A final set of roll-out programs has sought to link housing to individual work ethic. As mentioned earlier, the language of promoting self-sufficiency has been rife throughout recent public housing initiatives (see US Dept. of HUD 2003). The idea is to wean the existing tenant base from federal government support by improving their work ethic and sense of entrepreneurialism. Among the most iconic early programs in this regard was the Reagan Administration's "Project Self-Sufficiency," which provided assistance for 10,000 single mothers within the public housing system to become "economically independent" (Vale 2000). The first Bush Administration's "Operation Bootstrap" included another 3,000 families in a similar program in 1989. These programs encouraged job training and included light incentives for working. The Clinton Administration's Work and Responsibility Act of 1994 built on these efforts by providing more incentives for employers to hire welfare recipients, but this bill was thwarted by a more restrictive (to the recipients) Republican-led effort called the Personal Responsibility Act. After several years of debate, an agreement was finally reached in the form of the Quality Housing and Work Responsibility Act (QHWRA) of 1998. The QHWRA, among other things, mandated community service and stricter

screening of tenants, opened access to public housing for higher income families and allowed public housing authorities (PHAs) to evict tenants for a wider range of reasons (Vale 2000). It has also allowed newly installed private managers of public housing to enforce such rules. Roll-out neoliberalization was thus well underway by the mid-1990s.

The HOPE program, initiated by a federal commission on "severely distressed" public housing and by the Cranston-Gonzalez Affordable Housing Act of 1990, folded many of the initiatives discussed earlier into a more-or-less coherent public housing agenda (Marcuse 1998). In many ways, the HOPE program is an embodiment of both roll-back and roll-out neoliberalism. On the one hand, its mandate is to demolish the country's most "severely distressed" public housing units (HUD 2003)—a clear expression of roll-back divestment. Individual public housing authorities are competitively awarded grants for this purpose, and as of 1995 they are no longer required to replace all of the units felled during the implementation of redevelopment plans (Keating 2000). Since 1993, the program has funded the demolition (or forthcoming demolition) of approximately 77,702 public housing units (US Dept. of HUD 2001). The units that will be built in their place are increasingly reserved for a more economically independent clientele. Twenty-one percent of the new units (17,743) will be reserved for subsidized rental and ownership opportunities. Approximately 16.4 percent of the new units (13,772) will be market rate

and unavailable to most existing or future public housing tenants. The remaining projected units (approximately 52,316 or 62.4 percent of the total) will be technically designated as public. Furthermore, 15.3 percent of the public units will eventually be sold to qualifying tenants and many of the management and ownership functions of new HOPE units will be turned over to private authorities. Thus the HOPE program represents, on one level, a basic reduction of the physical housing stock owned by the federal government—a roll-back of investment outlays and extant federal commitments.

But it also represents much more than this. The HOPE program is a transparent roll-out of neoliberal policy in practice. It has, for example, been linked—via the 1998 Quality Housing and Work Reform Act—to the work responsibility acts discussed earlier. Housing benefits have been linked to workfare programs and the language of economic self-sufficiency is again found throughout the program's promotional material (HUD 2003). Increasingly, tenants must behave in "acceptable" ways to continue to receive their housing benefits. PHAs have been given new powers to evict for behavioral or economic reasons. In HUD's new "One Strike and You're Out" program, for example, PHAs are able to evict tenants for criminal activity committed by any member of a household on or off the public housing complex grounds.<sup>6</sup> It is part of a more transparently interventionist set of neoliberal state practices. These practices have created a highly complicated institutional geography for local policymakers and ac-

tivists attempting to forge a more creative response to current housing conditions for the poor.

### **Local Examples of Neoliberal Public Housing**

A closer look at the HOPE program experience of three PHAs—New York City, Seattle and Chicago—helps illustrate the difficulties now confronting local housing providers under neoliberal public housing policies. These three locations were chosen because they represent a relatively broad range of governance styles under neoliberal housing in general and the HOPE program in particular. The New York Housing Authority (NYHA) has chosen to cling most tightly to the principles of Keynesian public housing, refusing, in most cases, to embrace or even participate in many of the recent roll-back and roll-out initiatives by HUD. The Seattle Housing Authority (SHA), by contrast, has chosen to embrace the roll-out nature of the HOPE regime (e.g. income diversity, private governance, local autonomy) without reducing its physical housing stock, while the Chicago Housing Authority (CHA) has embraced the HOPE program as a way to permanently remove as many housing units as possible. Looking at such different locales helps us to better understand the nature of local autonomy under neoliberal public housing. Overall, it is clear that neoliberal housing has, as promised, decreased federal oversight and, in some cases, increased local control (mainly by private market actors). But as the cases also demonstrate, it is just as clear that the neoliberalization of housing policy is creating wholly new local constraints to a progressive housing policy. The examples are based



on discussions with HOPE program coordinators and other officials at each PHA, a review of literature printed and posted by the PHAs, and examinations of tenant input and activism during the HOPE application process. The discussions were focused on changes in governance capacity and the PHA's response to recent federal changes.

#### New York City

New York's history as the most prolific local public housing provider throughout the Keynesian era, and its tenants' history as the most organized group of its sort in the country, has had an important impact on the city's approach to the HOPE program framework. By and large, the New York PHA has refused to use the program as a way to thin or diversify its housing stock. Many of its physical housing units sit amongst the city's most devalORIZED neighborhoods, and much of its housing technically qualifies as "severely distressed" (the requirement for demolition to take place), but the New York Housing Authority has only applied for two HOPE program grants since 1993. Much of this has to do with housing activism in the mid-1990s that informed tenants of the problems of displacement occurring in other cities. A fairly diverse coalition of activists argued forcefully that the city needed more, not less, money from the federal government for housing construction, and that the HOPE program was wrong-headed given the scarcity of affordable housing in the city. Their larger vision involved (among other things) a federally-subsidized, locally-managed system of affordable housing (not unlike, ironically, the

ostensible definition of neoliberal public housing), but their work in this case was mainly defensive, and by necessity it was dedicated more to stopping the HOPE program than it was to devising alternative strategies. On a basic level, the activists were victorious, as the city subsequently refused to participate recklessly in the HOPE program. This stance was absorbed more readily by the NYHA than in most other locales. The NYHA has largely chosen to pursue HOPE program dollars only when true tenant support is present, and when it is feasible to replace all demolished units. It has also steadfastly refused to introduce private sector real estate interests to the HOPE process. Its approach stands in contrast to that of most other PHAs nationwide, which have either chosen, or been pressured, to pursue strategies of physical divestment or income diversification, usually by partnering with private sector real estate firms. New York's institutional and political support of public housing, deeply rooted in its history as the leading US public housing provider, appears to have shaped its approach to the HOPE program application and development process. But while the aversion to neoliberal public housing and the desire to add more housing units were most widespread in New York, they were insufficient to lead to an increase in public rental units. Even within this local context, proactive increases in the level of support for traditional public housing or even significant federal outlays for community organizations were marginalized as outmoded by the neoliberal policy discourse (see Cisneros 1995 for an example of this).

## Seattle

The Seattle Housing Authority (SHA) has, since 1995, been awarded four HOPE program grants, amounting to \$135,137,383. These include grants for the redevelopment of the Holly Park, Roxbury House and Village, Rainier Vista Garden Community and High Point Garden housing complexes. The authority has been one of the most assertive in the US at pursuing HOPE dollars but has done so, importantly, within the context of fairly strict local regulations. The Seattle City Council mandates, for example, that every unit demolished as part of a HOPE plan be replaced and set aside for very low-income tenants. This mandate—largely a response to pressure from a local activist group, the Seattle Displacement Coalition (SDC)—has assured that, unlike many other cities participating in the program, very low-income tenants will be allotted a unit elsewhere in the PHA's system. It has not, however, translated into a large percentage of such tenants moving into redeveloped communities. Of the 2,177 units demolished (or scheduled for demolition) since 1995, only 1,211 will be replaced and available to very low-income tenants on-site; any remaining tenants will be relocated to another complex in SHA's system. But while dissent certainly existed among tenants during the HOPE application processes, the stance of the city council served to avoid some of the more acrimonious protestations that affected PHAs elsewhere in the country. Perhaps because of this, tenants have been more receptive to SHA's proposals than has been the case with other public housing communities nationwide. The city's

ethos of social democracy, its relatively low level of existing segregation and the high amenity value of SHA's properties have all shaped its approach to public housing provision in the current context. Still, the more ambitious goals of SDC and local community activists of full on-site unit replacement, aggressive protections against displacement and increased funding from the federal government, were left unaddressed by the city council and SHA.

## Chicago

In contrast to the apparent solidarity of public housing interests in New York City or the democratic socialism in Seattle, public housing in Chicago has been, and continues to be, a deeply divisive issue, and its provisioning approach during the past 10 years reflects this rancor. The HOPE program has apparently offered city officials the opportunity to put aside this bad blood by simply putting aside public housing. Rather than choose retention or a mixed income approach, the Chicago Housing Authority (CHA) has used the six grants it has received since 1993 largely to divest itself of its physical stock (see Crump 2002; J. Smith 2000; Bennett and Reed 1999). Local officials are quick to point out that much of this approach was shaped by the federal government's take-over of CHA from 1995 to 2000, but it is equally true that CHA tenants have been more politically isolated than those in New York and Seattle. Many of the policies implemented by federal officials (including the take-over itself) were enthusiastically supported by key local leaders. The case also demonstrates how feasible it is within the current



context for authorities to disregard major organizing pushes by its tenantry. In perhaps the most outspoken of these efforts, the Coalition to Save Public Housing organized tenants to fight the HOPE program in Chicago. Much like the activist groups in New York and Seattle, the Coalition argued that demolishing housing units at this time was wrong-headed given the city's housing crisis. But their proposed solutions (e.g. more investment in existing communities) were roundly dismissed by local officials intent on implementing the HOPE program.

In Chicago, over 8,200 units have been demolished or are awaiting demolition, but only 2,821 public rentals are planned for replacement. Also, unlike the other two case studies, the CHA has targeted the most impoverished complexes. CHA's HOPE plans all rely heavily on Section 8 vouchers to accommodate the balance of people whose homes were demolished. Over 2,000 units are projected for construction in the coming years, but most of these will not be available to the poorest cohort in their stock (US HUD Office of Public Housing Investments 2001). Despite militant local activism against the HOPE program for the past eight years, no housing authority or city council protections exist in this case, and the displacement problem has been among the worst in the country. Some tenants will benefit enormously by being able to live in physically redeveloped environments, while most others will be forced to navigate the historically unsympathetic Chicago housing market for opportunities with their Section 8 vouchers.

## Conclusion

Public housing has been neoliberalized, mainly through the vehicle of the HOPE program, and many public housing authorities are often left with little choice—given drastic cutbacks in funding for traditional public housing—but to embrace a market-based self-sufficiency model. All have been supposedly given autonomy, but as these examples and countless others demonstrate, the actual ability to deviate from the market-led status quo is quite limited. There are useful ideas being generated by activist groups at the local level but these ideas have yet to be meaningfully included within actual policy. Dismissed as outmoded (Cisneros 1995) or—as former US presidential candidate Robert Dole recently asserted—“bastions of socialism” (see Nagourney 1996) activist groups are not given a serious airing in the policy arena, and their efforts are often, by necessity, defensive in their orientation.

The HOPE program and the policies accompanying it do indeed represent a shift in housing policy in the US, one that is more in tune with the New Political Economy. The real estate market is now situated as the savior rather than the nemesis of public housing; local and individual autonomy are venerated above all else; and Keynesian forms of redistribution are vilified while neoliberal policy actions are held sacrosanct and deemed non-interventionist. But the unresolved tension in liberalism's pursuit of non-intervention foists a series of systemic contradictions upon neoliberal public housing. The decision to withdraw subsidies or roll-back erstwhile regulations

is itself an act of intervention by the state, and so is the aggressive roll-out of institutions and policies designed to cement a neoliberal future. The pursuit of neoliberal housing policy on the basis that Keynesian policy was too interventionist is, in short, on shaky theoretical ground. Both Keynesianism and neoliberalism are forms of intervention, but until this is more widely acknowledged, debates surrounding progressive housing policy will remain constrained by the false duality of intervention versus non-intervention. The narrow confines created by this duality have thus far inhibited policymakers from imagining forms of intervention that might be able to better address current housing conditions in the US.

### **Acknowledgements**

The author would like to thank Robert Lake and Katharine Rankin for helpful comments on an earlier draft.

### **Notes**

<sup>1</sup> It is important to point out that while Keynesianism was an important part of egalitarian liberalism, its (Keynesianism's) objectives were centered around the maintenance of aggregate effective demand and the correction of market failures. As such, it is useful to link Keynesianism not only to twentieth century welfare state (a concern in this paper) but also to redistributive efforts like homeownership subsidies, infrastructure and the military that were neither considered part of the welfare state nor particularly intended for the poor.

<sup>2</sup> The selective return to liberalism has made for a confusing political situation in the US and Canada where such ideas (classical liberalism) are more frequently held by neoconservatives, and where center-left political parties identify with liberal principles. The situation becomes less confusing when seen as a reincarnation of the original schism between egalitarian liberalism (now represented by North American liberals) and classical liberalism (now represented by right-leaning neoliberals).

<sup>3</sup> Approximately 30 percent of these units were reserved for defense industry workers.

<sup>4</sup> The much smaller Lanham Act of 1940, which led to the creation of housing for war-time workers, was also keen on protecting real estate interests. It mandated that all wartime housing be demolished or privatized after the War.

<sup>5</sup> Though several demonstration programs in the early 1960s experimented with such demand-sided measures, it was not until the 1974 Housing Act that the Section 8 program was officially authorized and expanded as a significant policy device.

<sup>6</sup> In an recent case brought before the Supreme Court of the US, the right of PHAs to evict tenants for criminal activity over which they have no direct control was unanimously upheld. In the case, three tenants were evicted for criminal behavior committed by someone other than themselves: Pearlle Rucker, 63, was evicted when her mentally disabled daughter—at the time living with Ms. Rucker—was arrested for cocaine possession three blocks away from her apartment building. Willie Lee, 71, and his



partner Barbara Hill, 63, were evicted after their grandsons were caught smoking marijuana in the parking lot of the family's housing complex. Herman Walker, 75, was evicted after his in-home caregiver (Mr. Walker is incapable of living alone because of medical reasons) was caught in possession of cocaine in Mr. Walker's apartment on three separate occasions.

<sup>7</sup> The federal government assumed control after allegations of corruption in the Chicago Housing Authority.

## References

- Adams, Carolyn Teich. 1990. The Decentralization of Housing: Introduction. In *Government and Housing: Developments in Seven Countries*, edited by Willem van Vliet and Jan van Weesep. Newbury Park CA: Sage.
- . 1987. The Politics of Privatization. In *Between State and Market: Housing in the Post-Industrial Era*, edited by Bengt Turner, Jim Kemeny, and Lennert Lundqvist. Stockholm: Almqvist and Wiksell.
- Atkinson, A.B. 1999. *The Economic Consequences of Rolling Back the Welfare State*. Cambridge MA: MIT Press.
- Bennett, Larry and Adolph Reed. 1999. The New Face of Urban Renewal: The Near North Redevelopment Initiative and the Cabrini-Green Neighborhood. In *Without Justice for All: The New Liberalism and Our Retreat from Racial Equality*, edited by Adolph Reed. Boulder CO: Westview Press.
- Bratt, R. 1990. Public Housing: Introduction. In *Government and Housing: Developments in Seven Countries*, edited by Willem van Vliet and Jan van Weesep. Newbury Park CA: Sage.
- Bratt, Rachel. 1986. Public Housing: The Controversy and Contribution. In *Critical Perspectives on Housing*, edited by Rachel Bratt, Chester Hartman, and Ann Meyerson. Philadelphia: Temple University Press.
- Bratt, Rachel and W. Dennis Keating. 1993. Federal Housing Policy and HUD: Past Problems and Future Prospects of a Beleaguered Bureaucracy. *Urban Affairs Quarterly* 29(1): 3-27.
- Brenner, Neil and Nik Theodore. 2002. Cities and the Geographies of 'Actually Existing Neoliberalism'. *Antipode* 34: 349-379.
- Canterbery, E. Ray. 1995. *The Literate Economist*. New York: Harper Collins.
- Chang, Ha-Joon. 1997. The Economics and Politics of Regulation. *Cambridge Journal of Economics* 21: 703-728.
- Checkoway, Barry. 1980. Large Builders, Federal Housing Programmes, and Postwar Suburbanization. *International Journal of Urban and Regional Research* 4: 21-45.
- Cisneros, Henry G. 1997. The Public Interest, the Greater Good: How Government Should Work. *The Journal of Housing and Community Development* 54(2): 27-33.
- Clark, Gordon. 1999. Contested Terrain: Republican Rhetoric, Pension Funds, and Community

- Development. *Urban Geography* 20: 197-225.
- Crump, Jeff R. 2003. The End of Public Housing as We Know It: Public Housing Policy, Labor Regulation and the US City. *International Journal of Urban and Regional Research* 27: 179-87
- . 2002. Deconcentration by Demolition: Public Housing, Poverty, and Urban Policy. *Environment and Planning D* 20: 581-596.
- Dworkin, Ronald M. 1985. *A Matter of Principle*. Cambridge MA: Harvard University Press.
- Forrest, Ray and Alan Murie. 1988. *Selling the Welfare State*. London: Routledge.
- Friedman, Milton. 1984. *Market or Plan? An Exposition of the Case for the Market*. London: The Centre for Research into Communist Economies.
- Friedman, Milton and Rose D. Friedman. 1990. *Free to Choose: A Personal Statement*. New York: Harcourt Brace Jovanovich.
- . 1962. *Capitalism and Freedom*. Chicago: University of Chicago Press.
- Gill, Stephen. 1995. Globalisation, Market Civilization, and Disciplinary Neoliberalism. *Millennium: Journal of International Studies* 24: 399-423.
- Girvetz, Harry K. 1963. *The Evolution of Liberalism*. New York: Collier.
- Gough, Jamie. 2002. Neoliberalism and Socialisation in the Contemporary City: Opposites, Complements and Instabilities. *Antipode* 34: 405-426.
- Hackworth, Jason. 2002. Local Autonomy, Bond-Rating Agencies and Neoliberal Urbanism in the US. *International Journal of Urban and Regional Research* 26(4): 707-725.
- Hackworth, Jason and Elvin Wily. 2003. Social Polarization and the Politics of Low Income Mortgage Lending in the United States. *Geografiska Annaler* 85(3): 149-65.
- Harloe, Michael. 1995. *The People's Home: Social Rented Housing in Europe and America*. London: Blackwell.
- Harris, Nigel and Ida Fabricus (Eds.) 1990. *Cities and Structural Adjustment*. London: UCL Press.
- Harvey, David. 1989. From Managerialism to Entrepreneurialism: The Transformation of Urban Governance in Late Capitalism. *Geografiska Annaler* 71: 3-17.
- Hayek, Friedrich A. 1960. *The Constitution of Liberty*. Chicago: University of Chicago Press.
- . 1944. *The Road to Serfdom*. Chicago: University of Chicago Press.
- Hirsch, Arnold R. 2000. Searching for a 'Sound Negro Policy': A Racial Agenda for the Housing Acts of 1949 and 1954. *Housing Policy Debate* 11(2): 393-442.
- Jessop, Robert. 2002. Liberalism, Neoliberalism, and Urban Governance: A State-Theoretical Perspective. *Antipode* 34: 452-472.
- Keating, Larry. 2000. Redeveloping Public Housing: Relearning Urban Renewal's Immutable Lessons. *Journal of the American Planning Association* 66: 384-397.



- Kekes, John. 1997. *Against Liberalism*. Ithaca NY: Cornell University Press.
- Keyes, Langley C., Alex Schwartz, Avis Vidal and Rachel G. Bratt. 1996. Networks and Nonprofits: Opportunities and Challenges in an Era of Federal Devolution. *Housing Policy Debate* 72: 201-229.
- Keynes, John Maynard. 1936. *The General Theory of Employment, Interest, and Money*. New York: Harcourt, Brace and World.
- . 1926. *Laissez-Faire and Communism*. New York: New Republic Press.
- Lang, Robert E. and Rebecca R. Sohmer. 2000. Editors Introduction: Legacy of the Housing Act of 1949: The Past, Present, and Future of Federal Housing and Urban Policy. *Housing Policy Debate* 11(2): 291-98.
- Lundqvist, Lennart J. 1988. Privatization: Towards a Concept for Comparative Policy Analysis. *Journal of Public Policy* 8: 1-19.
- Marcuse, Peter. 1998. Mainstreaming Public Housing: A Proposal for a Comprehensive Approach to Housing Policy. In *New Directions in Urban Public Housing*, edited by David P. Varady, Wolfgang F.E. Preiser, and Francis P. Russell. New Brunswick NJ: Center for Urban Policy Research Press.
- Meier, Gerald. 1993. The New Political Economy and Policy Reform. *Journal of International Development* 54: 381-389.
- Mitchell, Katharyne. 2001. Transnationalism, Neo-Liberalism, and the Rise of the Shadow State. *Economy and Society* 30(2): 165-189.
- Moody, Kim. 1997. *Workers in a Lean World*. New York: Verso.
- Nagel, Thomas. 1978. *The Possibility of Altruism*. Princeton NJ: Princeton University Press.
- Nagourney, Adam. 1996. Dole Calls Public Housing One of 'Last Bastions of Socialism.' *The New York Times* April 30, 145: A14.
- Peck, Jamie. 2001a. *Workfare States*. New York: Guilford.
- Peck, Jamie. 2001b. Neoliberalizing States: Thin Policies/Hard Outcomes. *Progress in Human Geography* 253: 445-455.
- Peck, Jamie and Adam Tickell. 2002. Neoliberalizing Space. *Antipode* 34: 380-404.
- Plunz, Richard. 1990. *A History of Housing in New York City: Dwelling Type and Social Change in the American Metropolis*. New York: Columbia University Press.
- Rawls, John. 1993. *Political Liberalism*. New York: Columbia University Press.
- . 1971. *A Theory of Justice*. Cambridge MA: Harvard University Press.
- Sbragia, Alberta. 1996. *Debt Wish: Entrepreneurial Cities, US Federalism and Economic Development*. Pittsburgh PA: University of Pittsburgh Press.
- Sinclair, Timothy J. 1994. Passing Judgment: Credit Rating Processes as Regulatory Mechanisms of Governance in the Emerging World Order. *Review of International Political Economy* 1: 133-159.

- Silver, Hilary. 1990. Privatization Self-Help and Public Housing Homeownership in the United States. In *Government and Housing: Developments in Seven Countries*, edited by Willem van Vliet and Jan van Weesep. Newbury Park CA: Sage.
- Smith, Janet. 2000. The Space of Local Control in the Devolution of US Public Housing Policy. *Geografiska Annaler* 82: 221-233.
- Smith, Neil. 2002. New Globalism, New Urbanism: Gentrification as Global Urban Strategy. *Antipode* 34: 427-450.
- Spence, Lewis H. 1993. Rethinking the Social Role Of Housing. *Housing Policy Debate* 4(3): 355-368.
- Stacheli, Lynn A., Janet E. Kodras and Colin Flint. (Eds.) 1997. *State Devolution in America: Implications for a Diverse Society*. Thousand Oaks CA: Sage.
- Swann, Dennis. 1988. *The Retreat of the State: Deregulation and Privatization in the UK and US*. Ann Arbor: University of Michigan Press.
- US Dept. of HUD. 2003. Quality Housing and Work Reform Act Background Material. [<http://www.hud.gov>]. Accessed 6 July 2003.
- . 1995. *HUD Reinvention: From Blueprint to Action*. Washington DC: HUD.
- US Dept. of HUD, Office of Public Housing Investments (OPHI). 2001. Unpublished Data on HOPE VI Grantees 1993-2000. Washington DC: HUD.
- Vale, Lawrence J. 2000. *From the Puritans to the Projects: Public Housing and Public Neighbors*. Cambridge MA: Harvard University Press.
- van Vliet, Willem. 1990. The Privatization and Decentralization of Housing. In *Government and Housing: Developments in Seven Countries*, edited by Willem van Vliet and Jan van Weesep. Newbury Park CA: Sage.
- Wallis, Joe and Brian Dollery. 1999. *Market Failure, Government Failure, Leadership and Public Policy*. New York: St Martin's Press.
- Wyly, Elvin K. and Daniel J. Hammel. 1999. Islands of Decay in Seas of Renewal: Urban Policy and Resurgence of Gentrification. *Housing Policy Debate* 10(4): 711-771.

JASON HACKWORTH ([jason.hackworth@utoronto.ca](mailto:jason.hackworth@utoronto.ca)) is an assistant professor of planning and geography at the University of Toronto. His research interests include political economy, housing and inner city real estate investment.











# Megaprojects and Risk: A Conversation with Bent Flyvbjerg

**Renia Ehrenfeucht**

Bent Flyvbjerg is professor of planning at the Department of Development and Planning at Aalborg University, Denmark. He was twice a Visiting Fulbright Scholar at UCLA. His most recent books are *Megaprojects and Risk: An Anatomy of Ambition* (Cambridge University Press 2003), *Making Social Science Matter* (Cambridge University Press 2001) and *Rationality and Power: Democracy in Practice* (The University of Chicago Press 1998). He works as an advisor on questions of megaprojects and risk.

As megaprojects have become ubiquitous, their real benefits and costs have come under increased scrutiny. We interviewed Bent Flyvbjerg, who has extensively studied megaproject development. Flyvbjerg has found systematic problems in the development process: by intentionally misrepresenting information and deliberately disregarding risks, proponents instigate projects that result in fewer benefits and higher costs than promised.

**Ehrenfeucht:** To begin, what is a megaproject?

**Flyvbjerg:** A megaproject is a very big project looked at in the context of where it is being planned or built. What is very big? In general, I would say anything above half a billion dollars is a megaproject. If you are talking about a city like New York City, you might need something bigger. A town in the Midwest would consider something much smaller a megaproject. You cannot define a megaproject independent of the context in which the specific project is being planned or built.

**Ehrenfeucht:** Why might we be interested in megaprojects? What is different now?

**Flyvbjerg:** I think there are two reasons. More and larger projects of this type are being built. And they have larger and larger impacts.

The question is why is this happening? One reason is that technologically it is becoming possible to build bigger projects. So there is a technological driver. Second, megaprojects are politically attractive because they are tangible and monumental. That's a political driver. Third, large projects have always presented an opportunity to various groups to make large sums of money. For megaprojects these sums are mega-large. This is an economic driver.

Finally, there's an increase in wealth in many countries around the globe. Before you would mainly see megaprojects in Europe and North America. Now other geographical areas are getting into a position where they can pay for this type of project. That's another economic driver and it means that megaprojects are now also being built in substantial numbers in South America, in China, in Southeast Asia and in Russia.

**Ehrenfeucht:** You have looked at transportation megaprojects, in particular, from which you and your co-authors wrote *Megaprojects and Risk*. How would you characterize megaproject development?

**Flyvbjerg:** Because of their empirical track record, I have come to think of megaprojects as disaster-prone. It may sound a bit dramatic and I would like to stress at the outset that not all projects turn out to be disasters. But just considering cost overruns, nine out of ten projects end up with problems. Ninety percent! Add to this revenue shortfalls and problems with environmental and social impacts and the picture quickly turns quite dismal.

Why would so many projects end up with problems? Because a "disaster gene" has been built into them. It goes like this. When a megaproject is proposed and appraised, promoters typically overestimate the benefits that will derive from the project and they similarly underestimate the costs. This creates enormous risks with projects. Underestimated costs come back as a boomerang to haunt projects as cost overruns. Overestimates of benefits similarly backfire as benefit shortfalls. In this way, you get a

doubly negative effect. On the one hand, cost overruns, on the other hand, benefit shortfalls. In short, risks to the second degree.

I should stress that when I say risks, I mean a wide range of different types of risks. These can be financial risks. They can be environmental and social risks. They can also be safety risks. The safety risks are particularly important for projects where human safety is at stake, like space exploration or the rebuilding of Iraq, if we look at these as megaprojects. The same holds for health and environmental projects in a more indirect fashion.

So the disaster gene is the underestimation of costs and overestimation of benefits that is often built into projects at an early stage, when projects are first proposed. The disaster happens when the gene kicks in during implementation and cost underestimation comes back as overruns and benefit overestimation as shortfalls. The consequences can be dire, as we have seen in both the space program and Iraq. In other megaprojects, fortunately, the disaster does not directly place human lives at risk but is instead limited to financial disaster. But the basic pattern is the same. Ask Bostonians about the Big Dig, or the French and the British about the Channel tunnel.

**Ehrenfeucht:** Why do you think this is occurring?

**Flyvbjerg:** We have done research on this, which is reported in the *Journal of the American Planning Association*. There are two main reasons. One is psychological, related to over-optimism, or optimism bias, which has been documented as characteristic of hu-



man decision making. Humans generally have a more rosy view of the future than is warranted by experience. Psychologists call it a cognitive bias. This is an explanation you often see in the literature. Psychologist Daniel Kahneman of Princeton University won the 2002 Nobel Prize in economics developing such explanations. They are certainly valid and may in part explain the megaproject disaster gene.

Even so, psychological explanations are insufficient in my analysis. They are too optimistic in themselves. They look at human beings as well-intentioned, but faulty, and that's nice. But it is not always like that with megaprojects. Working as a researcher and adviser, I come across instances again and again of what is called strategic misrepresentation. "Strategic misrepresentation" is the Orwellian euphemism planners and planning researchers like to use for deception and lying. This is not cognitive bias; it is calculated. So you also have politicians and planners involved in strategically misrepresenting projects in order to get the go-ahead to build them. A project brings immediate benefit to many people, including engineers and architects who develop the projects, planners who plan them, land owners, land developers, construction companies, lawyers, politicians who cut the ribbon. Stakeholders may have an interest in letting a project go ahead, even if it was completely useless, which projects rarely are. But even if a project was completely useless once built, many people would stand to benefit from just building it.

I'm not saying that promoters care only about building projects, but there are strong incentives to mis-

represent the costs, benefits and risks of projects in order to get them built, for instance because different groups of promoters are competing against each other for limited federal funds. Therefore, psychological explanations do not fully account for the disastrous outcome of many megaprojects—political explanations are needed as well to account for strategic misrepresentation.

**Ehrenfeucht:** Why aren't politicians more wary of megaprojects if they have cost overruns and benefit shortfalls?

**Flyvbjerg:** We have to remember that the period from the initial idea stage to when the project is put into operation is very long. Ten years is not uncommon. You also see fifteen, twenty years. Decision makers may be tempted to say "Well, when they finally cut the ribbon and the problems possibly start occurring, I won't be in office anymore." In fact I just read an article by Steven Weinberg in the *New York Review of Books* in which he interprets President Bush's New Vision for Space Exploration—which is a megaproject if there ever was one—in just this manner.

The problem here is a lack of accountability arising from the long time periods involved. The costs of a possible disaster do not fall on the people who made the decision. The costs and criticism fall on other people who say, "We didn't make the decisions. We're just here now to administer this project so don't criticize us." There's a diffusion of responsibility.

**Ehrenfeucht:** Could we turn to the question of risk? The book is titled *Megaprojects and Risk*. Why was risk such an important theme?

**Flyvbjerg:** This is a crucial question. Our research shows that planners and decision makers involved in megaprojects tend to think in a deterministic way and not in a stochastic fashion. They think according to what has been called the EGAP principle: Everything Goes According to Plan. Again, this may be something very human. But it turns out that most things related to megaprojects are stochastic. Most things happen only with a certain probability. When thinking in a deterministic fashion, you end up disregarding risk. This is a major problem with megaprojects.

**Ehrenfeucht:** What would be different if we were thinking about risk?

**Flyvbjerg:** Thinking in terms of risk promotes critical and reflexive thinking. It also inserts a healthy dose of empirical matter-of-factness into the planning of megaprojects. You cannot understand risk without understanding probability, and probability is an empirical concept.

For instance, if you think in terms of risk, simple cost-benefit thinking with one figure for costs and one for benefits, and a single cost-benefit ratio, is immediately undermined. Anybody thinking in a risk frame of mind would not accept one figure for a project. Each figure has a certain likelihood and you have to ask what is the likelihood that it will be another figure. This is what risk analysis is about, in-

quiring, for instance, what is the likelihood that the costs of the Big Dig or of rebuilding Iraq are going to be 50%, 100%, or 150% higher than what the cost engineers came up with? Or if someone says, we believe the Los Angeles Metro will have umpteen thousand passengers a day on the Redline, a person thinking in terms of risk would be critical and ask what is the likelihood we're going to have that number instead of a number half that size? Thinking in terms of risk means thinking in terms of alternatives, and alternatives tend to problematize deterministic thinking.

**Ehrenfeucht:** What drives the deterministic thinking? The people who immediately benefit?

**Flyvbjerg:** My point of departure in thinking about risk is as a power researcher. I'm interested in power—political power, power in planning, organizational power, institutional power. When I see a seemingly dated way of thinking, like thinking deterministically about megaprojects, I relate it to the issue of power. "Cui bono?" as the Romans asked, "Who benefits?" Who has an interest in the situation looking the way it does? When a phenomenon appears strange—and it is strange to have highly educated people like engineers, economists and planners treat megaprojects like this—the question I ask is, are these people uninformed or are they acting in a calculated manner? I know they are not uninformed because I'm trained as a planner myself and I train planners. That leaves calculation. Research confirms this.



Behind calculation, what are the interests? Who is interested in not dealing with risk? Well, people interested in making a project look good on paper in order to have it approved and built would be interested in ignoring risk—financial, environmental, social, safety—because risk has a price, as we all know from insurance. So ignoring risk is ignoring a part of the total costs, and our research shows this to be a substantial part.

Here it is also important to remember that most megaprojects are subject to the logic of sunk costs and the point of no return. It is difficult to drop a project once it has reached a certain stage because the costs sunk in the project are now too high and non-retrievable. If you have a billion-dollar project, once you have put in a hundred million, and you find that the project will now cost 1.5 billion dollars, you rarely stop. This is why partly finished bridges are so rare. Seasoned promoters know this when they plan their projects. The consequences of ignoring risks do not become clear until it is too late, so it is possible to ignore them and still get the project built.

**Ehrenfeucht:** In *Megaprojects and Risk*, why did you look at transportation infrastructure projects?

**Flyvbjerg:** First, the book grew out of a research project where transportation was our focus. We were interested in understanding and improving planning and management in large transportation infrastructure projects. In addition, we wanted to have a sharp focus because we wanted to dig quite deep, deeper than had been done before, regarding the economics and politics of planning these projects.

At the same time, we compared transportation projects with other project types, including power plants, water projects, dams, oil and gas extraction projects, IT systems, aerospace projects and even weapons systems. We looked at several hundred other projects based on other people's studies, and we found that the patterns we were uncovering for transportation infrastructure projects were generally found in the other areas as well. This led us to conclude that the pattern we uncovered is quite general. Later research has further confirmed this conclusion.

**Ehrenfeucht:** What is the role of planners in this process?

**Flyvbjerg:** As planners, planning students and planning researchers, we like to think of planners as people doing the right thing, just as other professions like to think positively of themselves. But this is too simple for a researcher looking critically at megaprojects. Therefore I would like to distinguish between planners who are interested in doing things right—having a proper planning process, producing information that is not misinformation, working for the public interest as their code of ethics say they should do—and the situation where planners actively take part in the rent-seeking behavior that is typical in many megaprojects. Rent-seeking behavior is actions aimed at making a profit—economic or political—for a certain stakeholder group, regardless of the overall benefits and costs of a project. In the first instance, planners may make a genuine contribution to proactively improving the planning and decision-making process for megaprojects because, as a

profession, they clearly have the knowledge and tools to do so.

In the second situation, planners are basically part of the problem, not the solution. By participating in rent-seeking behavior they contribute to megaproject disasters, or to making megaprojects more risky than they need to be, instead of preventing disasters and reducing risks. I am unhappy to say this situation is quite common. For a democratically minded person, here the question becomes how to force checks and balances on planners to make them accountable, that will punish them when they do the things with megaprojects they are not supposed to do according to their code of ethics and according to the basic rules of democratic governance, and that will reward them when they do the right thing. You asked me about planners, but this goes for all groups involved in a project. And it is not different from other areas in society subject to rent-seeking behavior and the misuse of power. In democratic societies we seek to eliminate or reduce such behavior by measures of accountability.

**Ehrenfeucht:** How could we improve accountability in megaproject development?

**Flyvbjerg:** There are two basic types of accountability. One is related to the public sector, the other to the private sector. Let's take the public sector first. Here the main means of accountability is transparency. But there is little transparency in megaprojects, so we need to make these projects more transparent. This is a paradox in planning. The smaller a planning project is, the more transparency, the more public

participation, etc. The larger the planning project, the less transparency and participation. Civil society is often kept out of the megaproject planning process, more so than for other planning. That is a problem to do something about and this may happen in a number of ways.

First, all information on megaprojects should be subject to independent peer review. As we talked about earlier, you cannot trust the information produced by promoters because it is often biased to make their project look good on paper with large benefits and low costs. Independent peer review could be carried out by national audit offices, ministries of finance or by independent panels of experts, as was the case for environmental impacts of the Øresund and Great Belt Bridges in Scandinavia. Independent peer reviews are crucial for credibility and public debate.

Second, it is important to systematically compare forecasts for a given project to forecasts and outcomes for other similar projects that have been completed. This is what we call reference class forecasting. Central to any megaproject is a cost-benefit analysis. Central to that analysis are forecasts of costs and benefits. Each of these should be made subject to reference class forecasting.

Third, peer reviews and forecasts should be made available to the public. It is a problem today that information is closed and you cannot get access to it, sometimes even if you are working on the project or for the government agency which promotes it. I know this from personal experience. If you're on the



outside, it is virtually impossible, even if you attempt to use the freedom of information act.

Fourth, public hearings, citizens' juries, scientific conferences and review panels should be used much more widely to generate transparency. This has been done in Denmark and Sweden with great success regarding environmental impacts of megaprojects. So we do not see only negative experiences with megaprojects. We see success stories too. From one project out of ten we may learn positively how to do things better.

Finally, forecasters and planners should come from organizations that will be penalized if the forecasts and plans go wrong. This will create an incentive to get forecasts right. This incentive is often not there today or, even worse, the incentive works in the opposite direction: you are rewarded for making rosy forecasts and plans.

**Ehrenfeucht:** And what about private sector accountability?

**Flyvbjerg:** In the private sector, in business, the main means of accountability is not transparency but competition. If you know how to compete you win, if not you lose out. And without competition accountability suffers, for instance in the case of monopolies. This is all standard fare, but what does it mean for megaprojects?

Well, if you get the private sector to invest in megaprojects, it will be private money that is placed at risk, not taxpayers' money. One reason many public projects disregard risk is that they pass it on to the

taxpayer and then act as if the risk did not exist. If you bring in private capital—we recommend at least a third, also for subsidized projects—the people who own that capital will critically scrutinize what planners and managers do with the money. The normal mechanisms of the financial markets will come into play and they are typically better at enforcing financial accountability than mechanisms found in the public sector.

Moreover, even where private accountability fails to contain the disaster gene we talked about earlier, as has happened for the privately owned Channel tunnel, there is the additional advantage that losses are limited to those who have decided to invest in the project. They pay if the disaster gene kicks in, not the taxpayer.

**Ehrenfeucht:** Do planners have a personal and professional responsibility? Do ethics matter?

**Flyvbjerg:** Definitely. Megaprojects offer a wonderful opportunity to study planners' ethics and what elsewhere I have called the dark side of planning. Our studies show that in many projects planners do not live up to their codes of ethics. Some of the checks and balances we already talked about would help remedy this situation. But there is also the question of professional ethics in relation to our professional organizations, and to what extent these organizations take their codes of ethics seriously by actually enforcing them.

If you look at the American Institute of Certified Planners' Code of Ethics and Professional Conduct,

planners must strive to provide full, clear and accurate information on planning issues to citizens and governmental decision-makers. Planners must also serve the public interest. The British Royal Town Planning Institute has a similar code of conduct. If such codes are to have practical import they must be enforced by rewarding planners who follow the codes and punishing those who don't. This would help improve megaproject planning and decision-making. As I said, today the incentive structure is the exact opposite for many megaprojects: planners are often rewarded for being unethical.

Our research shows, for instance, that for seventy years transportation planners have consistently and predictably got their forecasts wrong by the same large margin. It is difficult to imagine that medical doctors would be allowed to make similar "errors" decade after decade in producing prognoses for a certain disease in the face of evidence that the prognoses were consistently and systematically biased. That would be malpractice. So it is in planning, in my analysis.

But as the American Planning Association states up front on its homepage: "Ethical planning isn't always easy." But what's the alternative, unethical planning? It is clear that we must resist this as a profession. It is equally clear that currently we are not doing enough when it comes to megaprojects.

**Ehrenfeucht:** How are non-professionals, civil society, currently involved in megaprojects? And what could be better?

**Flyvbjerg:** Studies show that civil society generally, and especially the poor and disadvantaged, are not sufficiently involved in the planning process. Poor people are often hurt by megaprojects, I'm sorry to say. To add insult to injury, they are sometimes even actively excluded. This is the opposite of transparency and participation. Patrick McCully's and Arundhati Roy's studies of dams document the problem for the planning of very large water and energy projects. A number of case studies of smaller, but still large, urban infrastructure and services projects in Pakistan, Bangladesh, India and Ethiopia show similar results: social impact analysis cannot be trusted, the poor are not considered, hundreds of thousands of livelihoods are disrupted or lost with no immediate prospect for reemployment.

What to do about that? Again we have to think in terms of power. Technical solutions are not the prime concern in such situations, even if they may matter as they relate to power, for instance, as counter-proposals to the proposals of power. We have to do what people have always done when dissatisfied with the misuse of power: organize and fight back with the means available to us.

As mentioned in the introduction to *Megaprojects and Risk*, we wrote the book with the hope that activists and local communities affected by megaproject development would find useful insights in the book, for example, regarding the deceptions and power games they are likely to meet and possible counter measures. We are happy to see that the book is now actually being used like this. For instance, I recently re-



ceived a note from a volunteer activist in Pakistan asking for a copy of the book. He explained he wanted to use the book in a campaign against the building of big dams in Pakistan. These dams are leading to more deprivation and more poverty for the average citizens, and more opportunities for corruption and embezzlement by the public officials and elite.

These are his words, not mine, but I think they are a pretty good description of the problems in a development setting. They also point a way forward, however, in organizing. And I am delighted that there is a role in this, even if it's admittedly a small and marginal one, for something as unfashionable as an academic book.

What the book has to offer to those confronted with a megaproject is collective knowledge from a large number of projects. Most people who are confronted by a megaproject have this experience only once in a lifetime, perhaps twice, decades apart. This means there is little opportunity to gain useful experience before it's too late. The people who build megaprojects, on the other hand, do so all the time. They have lots of experience. This asymmetry in experience and knowledge all too often translates into an asymmetrical power relationship and places civil society in a loser's role.

So, if you are confronting a megaproject, it is important to know the experience from other megaprojects and about their pattern. It is not a simple thing, for instance, for a local resident to stand up to a

megaproject cost engineer who says the costs would be 500 million dollars, and say "Studies have found that in nine out of ten cases such budgets are underestimated, and most likely the costs will be 750 million. What do you say? Would the project still be viable with this cost?"

Megaprojects are going to continue so it is important that stakeholders, including the stakeholders who might be hurt, stand up and stand up early. People often do not start protesting until construction begins on the site, unfortunately, and then it is too late.

**Ehrenfeucht:** Finally, could we talk a little bit about rebuilding Iraq? You wrote a piece about it.

**Flyvbjerg:** Yes, when the war began and the plans for rebuilding Iraq were being developed, I took a look at the projects involved in the reconstruction effort. They were projects of the kind that typically have large cost overruns in any setting. If you add to this that the reconstruction effort would be pressed for time, would be very complex, would take place in a developing nation just ravaged by war, and would be a possible target for terrorist attacks, it was clear to me that the megaproject of rebuilding Iraq from the outset was burdened with the disaster gene we talked about earlier. Human life would be at risk, costs were likely to skyrocket, the planned benefits would be hard to realize. Later developments have shown this analysis to be correct. The disaster gene has kicked in and the world is holding its breath, waiting to see what happens next in Iraq, and outside.

Moreover, as with other megaprojects, there are groups who stand to benefit no matter what the outcome is—those companies, like Halliburton, which have been in a position to secure contracts, and the consultants who helped them prepare the bids. Huge profits are being made and these groups may laugh all the way along their well-trodden path to the bank. Even at this level of mundane detail, the reconstruction of Iraq follows the pattern found in other megaprojects.

**Ehrenfeucht:** You suggest that the outcomes would not be better under the UN. Do you have some thoughts on how a process could occur that would benefit those most affected?

**Flyvbjerg:** I'm not an expert on international relations, so I have to be careful with what I say. But clearly the UN is not known for its efficiency in ad-

ministrative matters, in fact, quite the opposite. Also, even within the UN, senior officials admit that the organization does not have the capacity or experience to administer a country the size of Iraq. This is why I'm skeptical of the UN, even though the UN should undoubtedly play a role. Perhaps four or five major countries, assisted by the UN, would be a way forward. What I would like to see is an attempt to learn from past experience and here I think Germany and Japan after World War II would be good models to look at.

As a planner and planning researcher, I'm sorry to see that my analysis of the reconstruction effort was so quickly proven depressingly correct. As a citizen in an increasingly globalized world, I hope things will not end up in a complete mess, in a new Vietnam. Fortunately, that's not where we are at present. And it's important we don't get there.

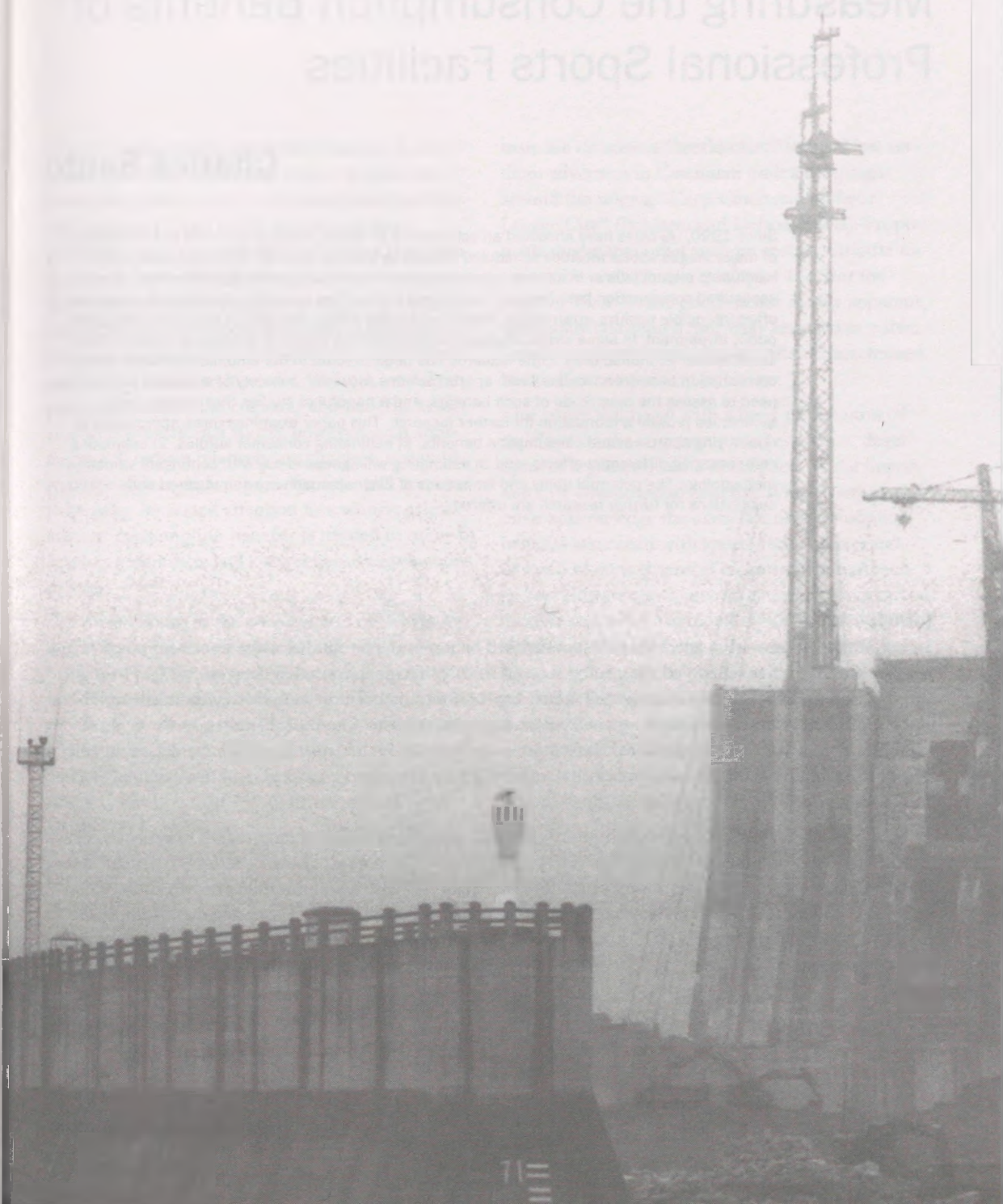
*RENIA EHRENFUCHT (reniae@ucla.edu) is a doctoral candidate in urban planning at UCLA.*



# Measuring the Consumption Benefits of Professional Sports Facilities

Charles Ballou

The construction of professional sports facilities has become a major component of urban development in many cities. While the economic benefits of these facilities are often cited, the consumption benefits to the general public are less well understood. This article examines the consumption benefits of professional sports facilities, focusing on the impact of the new stadium in the city of Chicago. The study uses a combination of surveys and economic modeling to estimate the benefits to the city's residents. The results show that the consumption benefits of the stadium are significant, particularly in terms of increased tourism and local business activity. The study also finds that the benefits are distributed unevenly across the city, with the largest benefits accruing to the area immediately surrounding the stadium. These findings have important implications for the design and siting of future sports facilities.



# Measuring the Consumption Benefits of Professional Sports Facilities

**Charles Santo**

Since 1990, US cities have allocated an estimated \$10 billion in public funds for the construction of major league sports facilities scheduled to open by the end of 2004. While the ability of a stadium to impact jobs or income is questionable, economists acknowledge the existence of associated consumption benefits, both public and private. The value of such benefits, which are often intangible positive externalities, *could* conceivably exceed the cost of subsidies and justify public investment. In some cases, stadium proponents have begun to emphasize quality-of-life benefits over economic ones. Little research has been devoted to the empirical measurement of consumption benefits associated with sports facilities. However, a variety of analytical tools can be used to assess the magnitude of such benefits, and a handful of studies that employ such techniques provide a foundation for further research. This paper examines three approaches to quantifying sports-related consumption benefits: 1) estimating consumer surplus, 2) estimating compensating differential effects, and 3) estimating willingness-to-pay with contingent valuation methodology. The potential utility and limitations of each approach are summarized and suggestions for further research are offered.

## **Introduction**

Since 1990, U.S. cities have allocated an estimated \$10 billion in public funds for the construction of major league sports facilities scheduled to open by the end of 2004 (Rappaport and Wilkerson 2001). Throughout this boom, subsidies for stadiums and arenas have commonly been promoted as economic development tools—key elements of urban revitalization strategies. A host of empirical studies, however, have established that conventional economic indicators cannot justify such investments. The evidence suggests that stadiums have no significant impact on metropolitan area income or employment (Baade 1996, 2000; Noll and Zimbalist 1997; Zimbalist 1998).

In light of such findings, the continued proliferation of subsidized stadiums might seem to reflect a collective irrationality (or indicate a less-benign disregard for the public interest to the benefit of powerful elites) among policymakers. However, another plausible explanation exists: While the ability of a stadium to impact jobs or income is questionable, economists acknowledge the existence of associated consumption benefits, both public and private. The value of such benefits, which are often intangible positive externalities, could conceivably exceed the cost of subsidies and justify public investment.



Despite evidence that discredits stadiums as economic generators, economic impact analysis remains the primary tool for evaluating stadium subsidy proposals.<sup>1</sup> As a result, decision-making processes regarding stadium investments can often be incomplete and misleading. In some cases, stadium proponents have begun to emphasize quality-of-life benefits over economic gains as empirical evidence regarding the economics of stadiums has reached the mainstream media. Without a valid empirical measure of the consumption benefits associated with professional sports, however, such arguments will remain relatively meaningless, and public resource allocation for sports facilities will continue to be risky. Increased attention to scientific assessment of consumption benefits is needed in order to develop a legitimate and comprehensive evaluation process.

The recent boom in the construction of sports stadiums is an element of a broader trend facing urban policy makers and planners. Increased competition for capital among cities has contributed to a proliferation of megaprojects—big-ticket developments backed by state or local subsidies planned amidst a context of contemporary boosterism (Pagano and Bowman 1995). Promoters of public investment in sports stadiums, convention centers, and other tourist destinations commonly invoke vague public interest rhetoric in tandem with economic development arguments. For example, mayors and local business leaders often stump for facilities on the grounds that they will help a city

maintain or achieve “world-class” status. New stadium advocates in Cincinnati built a campaign around the slogan, “Keep Cincinnati a Major League City” (Eckstein and Delaney 2002). Proponents might argue that such projects contribute to civic pride and enhance quality of life. But the value of these public goods is not readily apparent, adequately considered, nor truly revealed in public participation processes that are often characterized by conflict and political influence.

This paper will begin with a brief explanation of the flaws of the commonly used economic development argument, and a description of the importance of consumption benefits. While many economists acknowledge the existence of consumption benefits associated with sports facilities, research devoted to their empirical measurement has been scarce. However, a variety of analytical tools can be used to assess the magnitude of such benefits, and a handful of studies that employ such techniques provide a foundation for further research. This paper will review these important studies and explore the utility and potential contributions of the techniques used. The studies examined here employ the following three approaches to quantifying sports-related consumption benefits: 1) estimating consumer surplus; 2) estimating compensating differential effects; and 3) estimating willingness-to-pay with contingent valuation methodology. The potential utility and limitations of each approach will be summarized and, in conclusion, suggestions for further research will be offered.

### Flaws of the Economic Development Argument

Stadiums are often pitched as economic catalysts. For example, in 1997, a group campaigning for a new publicly funded football stadium for the San Francisco 49ers used the slogan "Build the Stadium Create the Jobs!" (Epstein 1997). Proponents claim new stadiums create jobs and raise income levels due to the multiplier effect of such investments. Tourists and fans who come to see a game spend money not only on tickets, but also on things like parking, dining and other forms of entertainment. Furthermore, stadium and team employees also spend money on goods and services within the city, providing an additional boost.

Stadium advocates commonly provide (or contract for) economic impact analyses, which take into account these optimistic assumptions. Maryland's Department of Business and Economic Development asserted that a new football stadium for the Baltimore Ravens would add \$110.6 million and 1,394 jobs to Maryland's economy (Zimmerman 1997). An economic impact analysis prepared for the construction of Bank One Ballpark, to house Major League Baseball's expansion Arizona Diamondbacks, projected annual increases in economic output of \$162 million for the City of Phoenix and \$230 million for the state of Arizona (Baade, 1996). These claims are not uncommon among stadium boosters and such impact analyses have become the dominant marketing tool of stadium campaigns. (Rappaport and Wilkerson [2001] provide addi-

tional examples that list the predictions of ten other equally optimistic economic impact analyses commissioned by teams lobbying for new facilities.)

Critics cite several flaws in the conventional economic catalyst argument regarding new sports facilities (Baade 1996; Baade and Dye 1990; Noll and Zimbalist 1997; Rosentraub 1997; Zimbalist 1998). They argue that much of the revenue generated by sports facilities represents substitution spending (Noll and Zimbalist 1997; Siegfried and Zimbalist 2000). Professional sporting events provide additional entertainment options for metropolitan area residents, but do not increase their entertainment budget (nor do such events increase residents' average propensity to consume). When residents spend at the ballpark, or at neighborhood restaurants before the game, they are merely shifting their entertainment spending from elsewhere in the local economy—decreasing spending at local bowling alleys or movie theaters. Projections that ignore this substitution effect overstate the stadium's economic impacts.<sup>2</sup>

Predicted impacts also often fail to properly account for leakage. Much of the revenue generated directly by a stadium is spent outside the local economy (Noll and Zimbalist 1997; Siegfried and Zimbalist 2000). Team owners and players, who retain the majority of the income generated by a stadium, often do not live in the host city year round. They spend their incomes in their home communities and invest much of it wherever they can get the highest return. Thus stadiums generate



little "new" money that is not leaked out of the local economy. In addition, local jobs related to stadiums are generally low-wage and seasonal in nature.

Numerous empirical analyses conducted by independent researchers indicate that stadiums have no significant positive impact on metropolitan area employment or income (Baade 1996; Baade and Dye 1990; Hamilton and Kahn 1997; Rosentraub et al. 1994). In fact, Coates and Humphreys (1999) present evidence that some sports franchises actually reduce the level of per capita income in metropolitan areas. They speculate that these results "might indicate a substitution of consumer spending away from goods with relatively high local multipliers, such as trips to bowling alleys and local movie theaters, to goods like stadium events with relatively low local multipliers" (Coates and Humphreys: 615). While claims of economic benefits alone cannot justify large public subsidies for stadium construction, other benefits might provide a rational explanation for such subsidies.

### **The Importance of Consumption Benefits**

By creating benefits associated with private and public consumption, stadiums and teams can be valuable beyond their ability to generate jobs and income. Private consumption benefits accrue to fans who attend games, while public consumption benefits are generally related to rooting for a home team, independent of actually attending games (Rappaport and Wilkerson 2001). In either case,

such benefits exist regardless of any contribution of the team or facility to the local economy. The cultural importance and psychological benefits associated with professional sports teams likely outweigh their economic impacts, providing residents a common ground, topics of conversation, and sometimes a source of pride (Noll and Zimbalist 1997). An entire region can benefit from an enhanced central city image and many believe that professional sports teams simply improve the quality of life. Residents need not ever purchase a ticket to derive utility from a sports team; those who do so receive additional *private* consumption benefits.

In a survey of 1,536 Indianapolis residents, Rosentraub and Swindell (1998) found significant evidence of "social spillover benefits" associated with local sports teams. Respondents ranked auto racing, the NFL Colts and the NBA Pacers as Indianapolis's top three contributors to civic pride and national reputation. The results of this analysis are important in that they demonstrate that sports teams can produce positive externalities, such as civic pride and image benefits, valued by local residents.

Noll and Zimbalist (1997) contend that it is not implausible that "the value of the external benefits of a major league team to consumers...exceed stadium subsidies" (58). They illustrate this point with a hypothetical investment situation. They put forth a stadium, receiving a subsidy of \$250 million in a metropolitan area of five million residents. The per capita annualized cost of servicing the debt to fi-

nance such a stadium would be approximately \$5. "It does not vastly stretch credulity to suppose that, say, a quarter of the population of a metropolitan area derives \$20 per person in consumption benefits annually from following a local sports team. If so, the consumption benefits of acquiring and keeping a team exceed the costs" (Noll and Zimbalist 1997: 58). In order for this hypothetical investment to be truly justified, the cost would need

to be spread across the entire metropolitan area. Often, stadium financing plans impact only a particular city or county of a metropolitan area, while potential consumption benefits extend to a much wider area.

If a stadium creates no significant benefits in terms of jobs or income, in order for it to pass a simple cost-benefit test the resulting sum of the private

Table 1. Sample Current-Generation Stadium Financing Plans.

Sources: Rappaport and Wilkerson 2001; Rafool 1998; www.ballparks.com

Facility/ Year Opened	Total Cost (\$ millions)	Public Investment (\$ millions)	Revenue sources used to repay bonds
Ballpark in Arlington (MLB) / 1994 Arlington	191	135	0.5% sales tax in City of Arlington
Coors Field (MLB) / 1995 Denver	215	168	0.1% sales tax across 6-county area
Edward Jones Dome (NFL) / 1995 St. Louis	299	287	Combination of state, county and city contributions from general fund, hotel/motel tax, convention center revenue, and sale of personal seat licenses
Miller Park (MLB) / 2001 Milwaukee	400	310	0.1% sales tax across 5-county area
PNC Park (MLB) / 2001 Pittsburgh	233	193	Combination of state, county and city contributions from county-wide sales tax, tax increment financing, income tax on players' salaries, and ticket surcharge



and public consumption benefits must exceed the public cost of the facility. An understanding of the distribution of private and public consumption benefits can also contribute to the development of an equitable stadium financing plan. Localities generally rely on a variety of revenue sources to repay stadium bonds; some affect only those who attend games (ticket surcharges), while others are more broadly applied (additional sales or property taxes, or tax increment financing mechanisms). Table 1 illustrates some recent stadium financing plans that are typical of current-generation facilities. Although ticket surcharges or user-fees have become more common in financing packages, the vast majority of public investment in sports facilities comes from non-user sources (Rappaport and Wilkerson 2001). Such arrangements can only be justified if evidence suggests that public consumption benefits outweigh private consumption benefits.

The following sections of this paper will examine techniques that are potentially useful in determining the value of both private and public consumption benefits, and review the findings of several studies that have employed such techniques.

### **Private Consumption Benefits: Consumer Surplus**

The private consumption benefits that residents derive from attending games are directly related to the concept of consumer surplus. In this context, consumer surplus arises when the amount that a person is willing to pay for a ticket to a sporting

event is greater than the actual cost of the ticket. A net consumer surplus generated by a sports team represents a welfare gain to its locality. A measure of consumer surplus can be generated by estimating a demand curve. Various techniques exist for generating a demand curve. In the case of sporting events, data regarding ticket prices and quantities demanded (attendance) can be gathered from various sources. Using regression analysis, these data can be used to estimate a demand schedule.

Irani (1997) provides an empirical estimate of the annual consumer surplus associated with Major League Baseball (MLB) teams, by generating a demand curve for baseball games (assumed to be linear). His analysis uses data collected from all MLB cities from 1972 to 1991. A regression equation is constructed with annual attendance as the dependent variable, and ticket price, population (market size), income and winning percentage (team quality) as independent variables.

Using the results of the regression, Irani identifies a lower and upper limit ticket price for each stadium. The lower limit is the predicted ticket price for each stadium in 1985 and the upper limit is the price at which attendance would fall to zero. By integrating his estimated attendance function over this range of prices, Irani calculates the total consumer surplus generated by each MLB stadium in 1985. The resulting estimates range from \$2.2 million (Cleveland Indians) to \$54.1 million (Los Angeles Dodgers), with an average of \$18.4 million across all stadiums. Table 2 shows the consumer surplus

estimates for all twenty-four teams in Irani's study. Given these findings, Irani asserts that baseball teams generate "nontrivial consumer surplus" and concludes that, "even though a stadium might not provide direct economic benefits to the locality, it does provide a positive amount of welfare gain" (249). In fact, over the life of a thirty-year bond, assuming a discount rate of 6 percent, an annual consumer surplus of \$18.4 million translates to a net present value of \$253 million—a figure that surpasses the public investment level of many recent stadium developments.

While this aforementioned analysis illustrates a technique by which to measure the consumer surplus generated by sports facilities, and provides an important insight into the potential magnitude of such benefits, the utility of the findings are limited for several reasons. Irani's methodology was unable to account for price discrimination practices, which team owners can use to capture some of the consumer surplus. Such discriminating practices include charging different rates for different seats, selling personal seat licenses, and selling ticket packages that bundle the best games with those least in demand. Irani admits that his findings are therefore only upper bound estimates. Such results are likely to overstate the magnitude of consumer surplus. The study was unable to account for any welfare loss associated with increased taxes due to the use of public subsidies. The relationship between winning percentage and attendance is also noteworthy. The regression results indicate that a 10 percent

Table 2. Major League Baseball Consumer Surplus Estimates, 1985.

Source: Irani 1997

<b>Team</b>	<b>(\$ millions)</b>
Atlanta Braves	9.25
Baltimore Orioles	23.07
Boston Red Sox	16.20
California Angels	33.45
Chicago Cubs	23.71
Chicago White Sox	14.15
Cincinnati Reds	17.08
Cleveland Indians	2.18
Detroit Tigers	26.53
Houston Astros	7.12
Kansas City Royals	23.73
Los Angeles Dodgers	54.08
Milwaukee Brewers	9.39
Minnesota Twins	13.85
New York Mets	38.70
New York Yankees	24.89
Oakland Athletics	9.04
Philadelphia Phillies	17.00
Pittsburgh Pirates	2.79
San Diego Padres	24.79
San Francisco Giants	3.40
Seattle Mariners	6.46
St. Louis Cardinals	35.30
Texas Rangers	6.28



increase in winning percentage would increase attendance by about 9.6 percent. As a result, team quality has a direct impact on consumer surplus, with winning teams likely to generate greater private consumption benefits. Since each team's winning percentage will differ, an estimate of average consumer surplus has limited utility when applied to the evaluation of an individual proposal.

### **Public Consumption Benefits: Compensating Differentials**

The consumer surplus measurement only accounts for the extra benefits that accrue to persons who attend games. It does not account for public consumption benefits—the external benefits received by residents who derive utility from the existence of a team without ever purchasing a ticket. These benefits accrue to fans who might enjoy watching games on television or discussing the home team with friends, as well as to non-fans who perceive the team as a contributor to enhanced city image. In this sense, professional sports produce certain public goods—non-excludable and non-rivalrous benefits. Unlike consumer surplus, these benefits cannot be extracted by teams.

Rappaport and Wilkerson (2001) refer to these public consumption benefits as “quality-of-life contributions,” and suggest their relative magnitude can be understood by considering the valuations of other attributes that also contribute to quality-of-life.

For instance, the quality-of-life net present value associated with one extra day per year of pleasant weather for 30 years turns out to be similar in magnitude to many of the recent outlays on stadium projects. So if the contribution to quality-of-life from hosting a major league team is at least as great as the contribution from one extra day per year of pleasant weather, then the public outlays on sports stadiums and arenas may be justified (Wilkerson 2001: 73).

The value of quality-of-life attributes that differ across regions can be measured by variations in wages and housing costs, when all other variables are held constant. Regional amenities, such as a pleasant climate or world-class theaters, attract residents. All else being equal, this drives up housing costs and drives down wages. Economists refer to these effects on wages and housing costs as “compensating differentials.” Lower wages and higher housing costs serve as negative compensation for the existence of quality-of-life attributes.<sup>3</sup> Economists use hedonic pricing techniques to measure the effects of certain amenities or disamenities on wages and housing costs (Blair 1995).

We saw that Coates and Humphreys (1999) found that the presence of a professional sports team actually had a negative effect on per capita income in some metropolitan areas. While they offer substitution spending as a possible explanation, they also consider that this could reflect a compensating differential effect.

A recent college graduate, considering taking a job in either a city that has a professional sports franchise or a city that does not, might be happier tak-

ing a lower paying job in the city with the professional sports franchise, if the nonpecuniary benefits she received from the sports environment in that city were large enough. Therefore, we may observe lower real per capita income in SMSAs with a baseball franchise because residents in that city are willing to accept lower wages or salaries to have access to that franchise (Coates and Humphreys 1999: 615).

While Rappaport and Wilkerson find compensating differential values from other attributes useful as benchmarks, they argue that this approach cannot be used directly to value the quality-of-life benefits associated with sports teams. "The reason is that nearly all teams choose to locate in metro areas with high levels of population and employment. This makes it impossible to distinguish between the variations in wages and house prices that are due to the presence of a sports team and those that are due to the high population and employment" (Rappaport and Wilkerson 2001: 74).

Carlino and Coulson (2002), however, offer an approach designed to overcome this challenge. The authors use hedonic rent and wage regressions to measure the compensating differentials that exist in National Football League (NFL) cities. To address the issue raised by Rappaport and Wilkerson, they use a fixed effects model "to control for all city-specific, time invariant characteristics that contribute to wage and rent determination, including, but not limited to city size" (Carlino and Coulson 2002: 5). Two regression equations are constructed with monthly rent and hourly wage as the dependant variables. The regressions are based on two-period

panel data from the sixty largest metropolitan statistical areas (MSAs). The periods used are 1993 and 1999, between which dates eight cities either gained or lost an NFL franchise. The compensating differential effect is measured by the coefficient of a dummy variable indicating the presence of a team for each MSA in each period.

The results of the rent regression indicate that the presence of an NFL team raises annual rents by approximately 8 percent. The regression explains 43 percent of the variation in rents. With an average rent of \$500 in the sample cities, an 8 percent premium equates to \$40 per month, or \$480 per year, per household. Carlino and Coulson also offer a lower-bound premium estimate of 2.9 percent, which equates to an annual price of \$174. When multiplied by the approximately 290,000 households in the average sample city, this lower bound estimate implies an aggregate NFL amenity value of about \$50 million per year, on average. Discounted over the life of a stadium, this figure far exceeds the cost of a typical subsidy. The results of the wage regression are not as impressive. Though statistically not significant, the analysis indicates that wages are 4 percent lower in NFL cities.

While the fixed effects model employed by Carlino and Coulson accounts for the affect of city size, it is not clear that it can account for all other city-specific variables that could confound the correlation between NFL teams and wages or rents. The combinations of attractive attributes that could exist in coincidence with the existence of an NFL



franchise are limitless. The authors acknowledge this point in their explanation of the wage regression results. "It might be thought that the NFL dummy variable did not represent the effect of NFL teams, *per se*, but some unobserved characteristic correlated with overall growth of economic climate—this despite our careful attempts to control for such unobservables. If this was the case, one might expect such a force to have a positive effect on wages, since the growth probably raises the cost of living" (Carlino and Coulson 2002: 18). This force, then, would likely also be a factor in the higher rent observations.

#### **Public Consumption Benefits: Contingent Valuation**

For the 2.5 million residents of Cleveland and Cuyahoga County, the estimated per capita cost of the Gateway complex is equivalent to approximately \$10 per year (Rosentraub 1996). Contingent valuation (CV) methodology, which employs direct elicitation of willingness-to-pay, allows for the most direct comparison of per capita consumption benefits and per capita costs. Using CV would therefore allow a locality to determine the level of per capita investment justified by per capita consumption benefits.

CV methodology is commonly used to measure the value of environmental goods. It can also be employed to determine the magnitude of consumption benefits associated with sports teams and facilities. CV is a non-market valuation method that elicits respondents' willingness-to-pay (WTP) for

the protection or provision of public goods through the use of surveys that present hypothetical opportunities to "buy" the public good in question. Mitchell and Carson (1989) and Bateman et al. (2002) provide the most comprehensive guide to CV theory and application techniques. Discussion of recent advances in the application CV can be found in Arrow et al. (1993); Carson, Flores and Meade (2000); Carson et al. (1995); and Hanemann (1994).

Respondents to CV surveys express their WTP for a public good contingent upon a specified hypothetical payment vehicle and provision of the good. WTP measurements include both use and existence values (sometimes referred to as non-use or passive-use values). The existence benefits of a stadium are comprised of the benefits that the facility and team provide to those who do not participate as actual buyers or sellers of tickets. Although the design of CV surveys vary widely, they generally contain the following common elements (Mitchell and Carson 1989; Portney 1994):

1. A description of the good that the respondent is being asked to value with appropriate background context.
2. A question that elicits WTP, based on an appropriate payment vehicle (e.g. a tax increase).
3. Follow-up questions designed to determine the characteristics and attitudes of the respondents, with the intent of estimating a WTP function that includes these characteristics as possible explanatory variables.

CV applications have drawn some technical criticism focused mainly on the use of hypothetical constructs and stated preferences as opposed to observed behavior and revealed preferences. Some economists have questioned the ability of respondents to give answers that reflect reality in situations that are not real (Hanemann 1994). Debate about these technical criticisms has contributed to the continual refinement of the methodology (Carson et al. 2000; Lindsey and Paterson 1995). In 1993 the National Oceanic and Atmospheric Administration (NOAA) appointed a panel of economic experts, chaired by Nobel laureates Kenneth Arrow and Robert Solow, to examine whether CV was "capable of providing reliable information about...existence or other passive-use values" (Arrow et al. 1993: 43). The panel upheld the use of contingent valuation, and provided guidelines for future practice that were designed to address some of the criticisms of the method. Many of these criticisms can be addressed through proper survey design and careful choice of elicitation technique and payment vehicle. In addition to the NOAA guidelines, Carson, Groves and Machina (1999) have developed a framework for addressing issues of strategic response (honesty) bias.

In general, guidelines recommend the use of a dichotomous choice WTP elicitation question (as opposed to open-ended questions) with a coercive and plausible payment vehicle. An example would be a referendum-style question that asks respondents how they would vote if faced with some program

that would produce a certain public good in exchange for higher taxes or product prices. This approach simulates a sense of reality by subjecting respondents to a hypothetical situation that resembles situations they are used to facing. Not only are referenda common practice, but the day-to-day purchasing behavior of consumers is often based on acceptance or rejection of a certain price for a certain good. For this reason, the referendum approach closely approximates market transactions.

While the referendum approach offers a significant advantage over other techniques for eliciting WTP, it also has some drawbacks. The discrete choice elicitation of WTP provides less information than a continuous choice technique because respondents are only asked to accept or reject a certain price, rather than to provide their maximum WTP. Because the referendum approach yields only a discrete indicator of WTP instead of an actual maximum, this technique requires a much larger sample to produce a meaningful construct of WTP. Plotting the proportion of "yes" responses against the price traces out the cumulative distribution function of WTP (Hanemann 1994). A measure of average WTP is given by:

$$WTP = \frac{v}{N} \sum_{k=0}^{N-1} (\text{probability of acceptance at price } kv)$$

where  $v$  is the interval between prices and  $N$  is the number of prices (Boardman et al. 2001). Analysis of dichotomous choice results becomes more com-



plicated because the researcher must make "assumptions about how to parametrically specify either the valuation function or the indirect utility function to obtain mean WTP" (Mitchell and Carson 1989: 67). The complication of analysis related to the use of a dichotomous choice variable also limits the utility of such models to explain components of WTP.

Some researchers have attempted to address the limitations of the referendum approach by adding a follow-up question. This is often another dichotomous choice to accept or reject a price that is either higher or lower than the initial price, depending on the initial response. This approach can provide important additional information and reduce the sample size needed, but it is still prone to the analytical drawbacks described above.

Johnson and Whitehead (2000) demonstrate how CV methodology can be used to measure the external benefits generated by a sports facility. The authors examine two facilities proposed to be built in Fayette County, Kentucky: a new basketball arena for the University of Kentucky (UK) and a minor league baseball facility. The UK arena would be built with private money, but its construction would represent a cost to Fayette County by decreasing the rent received at Rupp Arena—the county owned facility where UK basketball games are currently played. The minor league baseball park would cost the county approximately \$10 million and would be built to host a Southern League baseball team. Johnson and Whitehead surveyed 230

county residents to determine their attitudes toward UK basketball and minor league baseball, and elicit their willingness-to-pay for the proposed facilities.

The survey results showed that "the production of UK basketball games generates substantial nonrivalrous and nonexcludable public goods" (Johnson and Whitehead 2000: 51). Although 60 percent of the respondents did not attend any UK basketball games, 56 percent reported watching at least 11 games on television, 72 percent reported reading about UK basketball regularly, and 71 percent reported that they regularly discussed UK basketball with others. The mean annual WTP for a new basketball facility was \$6.36, which Johnson and Whitehead estimate would support capital costs in the range of \$3.71 to \$7.28 million.<sup>4</sup> The projected cost of the new arena was \$100 million. Using statistical analysis, the willingness-to-pay estimate was disaggregated into use and non-use value. The estimated non-use value would support between \$1.12 and \$2.20 million in capital costs. For the baseball stadium, the mean annual willingness-to-pay was \$6.17, which would support capital costs between \$3.60 and \$7.06 million.<sup>5</sup> The non-use value would only support between \$361,000 and \$709,000 in capital costs.

This analysis indicates that the proposed facilities would not generate enough public consumption benefit to justify any significant public investment. These results are a reflection of the preferences and attitudes of local residents regarding the proposed investment. Johnson and Whitehead suggest

that Fayette County residents, even those who described themselves as fans, had little incentive to support investment in a new UK arena. This is partly because the UK basketball team is place-bound by nature, and would remain in Fayette County regardless of whether a new arena was constructed. "The public goods produced by the team would continue to be produced" (57). The same cannot be said of professional sports franchises. A city or locality faced with the prospect of losing a sports team, or the possibility of acquiring a new one would have to weigh very different factors in determining WTP. The public consumption benefits associated with a major league baseball team are likely to be greater than those associated with a minor league team, as measured in this case. In this sense, the nature of the specific cases examined by Johnson and Whitehead limits the applicability of their findings to more typical stadium investment decisions. (This does not, however, limit the applicability of the technique.)

In addition, it is unclear whether the WTP elicitation technique employed by Johnson and Whitehead is adequate to address some of the CV criticisms noted above. While the survey did employ a dichotomous choice referendum question with taxes as payment vehicle, this question was followed by a payment card question that asked respondents to state the *most* they would be willing to pay per year in taxes for the facilities in question. Because of the relatively small sample size and statistical complications in analyzing the results of the refer-

endum question, the regression equations used to estimate WTP were based on responses to this follow-up question. While this approach facilitates a more straightforward statistical analysis, the open-ended payment card elicitation is vulnerable to implied-value bias associated with the price ranges offered (Mitchell and Carson 1989). Using the payment card questions technique could potentially induce bias because it removes the simple take-it-or-leave-it option offered by the referendum approach.

### **Conclusion and Suggestions for Further Research**

With their contrasting results, these three approaches do not clearly reveal whether consumption benefits can justify large public investments in professional sports facilities; however, they do illustrate the potential importance of such benefits. More importantly, they demonstrate that these benefits can, in fact, be quantified with creative applications of econometric techniques and statistical analysis. Techniques that allow for the consideration of consumption benefits clearly provide an opportunity to improve the evaluation process and enhance the debate regarding stadium subsidies. The current framework for discussion and analysis relies too heavily on fallible claims of economic development. In the face of contrary evidence, reliance on an economic catalyst claim is easier to sell to non-fans, and economic development benefits are easier to quantify, however arbitrary they might be.



In order to effectively incorporate consumption benefits into the evaluation of stadium investment decisions, valid techniques for their empirical measurement are required. The techniques reviewed here provide a preliminary step toward the development of a more comprehensive and legitimate decision-making process. In order to define a path for future research, one must understand the contributions and limitations of each approach.

Irani's (1997) consumer surplus estimates illustrate that ticket sales create benefits beyond generating profits for team owners. Estimates of average consumer surplus, however, are of limited utility because such private consumption benefits will vary with team quality and ticket price. Team owners will always seek to maximize profits, and thus capture as much consumer surplus as possible. Consumer surplus estimates cannot account for welfare loss caused by public funding mechanisms.

The concept of compensating differentials is useful in describing the potential amenity value associated with professional sports teams. If a sports team can contribute to quality-of-life in a manner comparable to the perception of pleasant weather or other such amenities, perhaps a certain level of public investment is justified. Difficulty in accounting for all confounding variables potentially limits the validity of hedonic wage and housing cost analyses designed to directly measure sports-related compensating differentials. Even if conscientious stadium promoters wished to wage a more honest campaign for public investment, it is unlikely that they would

wish to rely on compensating differential arguments to do so. The argument that stadiums might increase housing costs and decrease wages because they enhance quality of life would likely be ill-received and result in unintended consequences. While compensating differential estimates implicitly account for welfare loss, they are also likely to vary with team quality.

Contingent valuation (CV) can directly elicit per capita consumption benefits. If CV surveys are properly constructed, and respondents are assumed to act rationally, the quality of the team in question and issues of welfare loss will likely be accounted for in individual construction of WTP. However, the hypothetical nature of the CV technique does not necessarily ensure rationality. CV surveys are prone to a variety of response biases.

While these techniques are capable of producing credible and valid measurements of consumption benefits, they are all relatively untested in evaluating sports stadium investments. The studies reviewed here provide a reasonably firm foundation, but additional research and applications of the techniques employed will help improve their utility and potential contributions. For example, Major League Baseball's decision to relocate the Montreal Expos provides an excellent opportunity for the development of a research experiment that would test these techniques against one another. Such research would provide a valuable measure of external validity.

Groups in Washington, D.C., Northern Virginia, and Portland, Oregon are preparing to bid for the Montreal Expos franchise. In order to estimate a city's sports-related consumer surplus or compensating differential effects, it is necessary to compile certain data from that city (e.g., ticket prices, housing costs, wages, etc.). Therefore, such analyses are of little utility in creating an evaluation process for a city whose proposed stadium investment is designed to lure a *new* team. Despite weaknesses associated with its hypothetical nature and potential response bias issues, CV methodology provides the only applicable evaluation technique in such a case. The application of CV methodology to a scenario—one that involves a major league team whose associated public goods would be dependant on the construction of a stadium—could be more informative than the cases examined in the Johnson and Whitehead (2000) study. Through the use of CV surveys, some measure of willingness-to-pay for the potential benefits associated with hosting the Expos can be obtained for each of the three bidding localities prior to the final relocation decision. These benefits can then be disaggregated into private and public consumption benefits.

In the long term, once appropriate data are available, hedonic wage and rent regressions can be used to estimate any compensating differential effects that develop in the locality that has landed the team. Consumer surplus estimates of private consumption benefits can also be generated. The findings of these *ex post facto*, revealed preference techniques can then be compared to those of the

stated preference CV analysis conducted prior to the relocation. This comparison would provide an informative measure of external validity. Such a research design would test the utility of each approach and help refine techniques for measuring sports-related consumption benefits.

### Notes

<sup>1</sup> There are several likely reasons for this. For example, economic impacts in terms of jobs or income levels are more easily—albeit somewhat arbitrarily—quantified with traditional analytical techniques than are consumption benefits. In addition, the use of economic predictions allows proponents to direct their arguments toward those who would otherwise have no interest in sports.

<sup>2</sup> A new stadium might generate some economic benefit through import substitution if it causes residents to spend money inside the regional economy that they would have otherwise spent outside of the region. For example, a family might decide to forgo a weekend trip in order to take in a local baseball game. In addition, a new stadium located in a central city might realign leisure spending within a region. Residents of the region might spend their leisure dollars at the downtown stadium rather than at a suburban movie theater. These effects are most likely to occur when a stadium is built to lure a new team to the region; however, the vast majority of sports facilities constructed in the past decade have been replacement venues to accommodate *existing* home teams.



<sup>3</sup> Because all else is *not* equal, some amenity-rich cities have above average wages as well as high housing costs. Wage levels are impacted by a vast variety of factors beyond the existence of regional amenities and disamenities. For example, firms generally pay higher wages in larger cities because various agglomeration economies allow them to be more productive in such locations. In addition, attributes that contribute to quality of life might also positively impact productivity, putting upward pressure on wages. Hedonic pricing techniques isolate the impact of amenities on wages or rents by holding these other variables constant.

<sup>4</sup> The lower bound estimate for *aggregate* annual WTP was \$311,249 and the upper bound estimate was \$610,293, based on a population of 95,958. Calculations of the capital costs that would be supported were based on this range of annual total benefits accruing over a period of forty years with a discount rate of 8 percent.

<sup>5</sup> The lower bound estimate for *aggregate* annual WTP was \$301,951 and the upper bound estimate was \$592,061. Calculations of the capital costs that would be supported were based on this range of annual total benefits accruing over a period of forty years with a discount rate of 8 percent.

## References

- Arrow, Kenneth, Robert Solow, Paul R. Portney, Edward E. Leamer, Roy Radner and Howard Schuman. 1993. *Report of the NOAA Panel on Contingent Valuation*. Washington, D.C.: NOAA.
- Baade, Robert A. 2000. The Impact of Sports Teams and Facilities on Neighborhood Economies: What's the Score? In *The Economics of Sports*, edited by William S. Kern. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.
- . 1996. Professional Sports as Catalysts for Metropolitan Economic Development. *Journal of Urban Affairs* 18(1): 1-17.
- Baade, Robert A. and Richard F. Dye. 1990. The Impact of Stadiums and Professional Sports on Metropolitan Area Development. *Growth and Change* 21: 1-14.
- Bateman, Ian J., Richard T. Carson., Brett Day, Michael Hanemann, Nick Hanley, Tannis Hett, et al. 2002. *Economic Valuation with Stated Preference Techniques*. Northampton, MA: Edward Elger.
- Blair, John P. 1995. *Local Economic Development: Analysis and Practice*. Thousand Oaks, CA: Sage Publications.
- Boardman, Anthony E., David H. Greenberg, Aidan R. Vining and David L. Weimer. 2001. *Cost-Benefit Analysis: Concepts and Practice* (2nd ed.). Upper Saddle River, NJ: Prentice Hall.
- Carlino, Gerard and N. Edward Coulson. 2002. Compensating Differentials and the Social Benefits of the NFL (Working Paper No. 02-12). Philadelphia: Federal Reserve Bank of Philadelphia.
- Carson, Richard T., Nicholas E. Flores and Norman F. Meade. 2000. Contingent Valuation: Controversies and Evidence. *Environmental and Resource Economics* 19(2): 173-210.

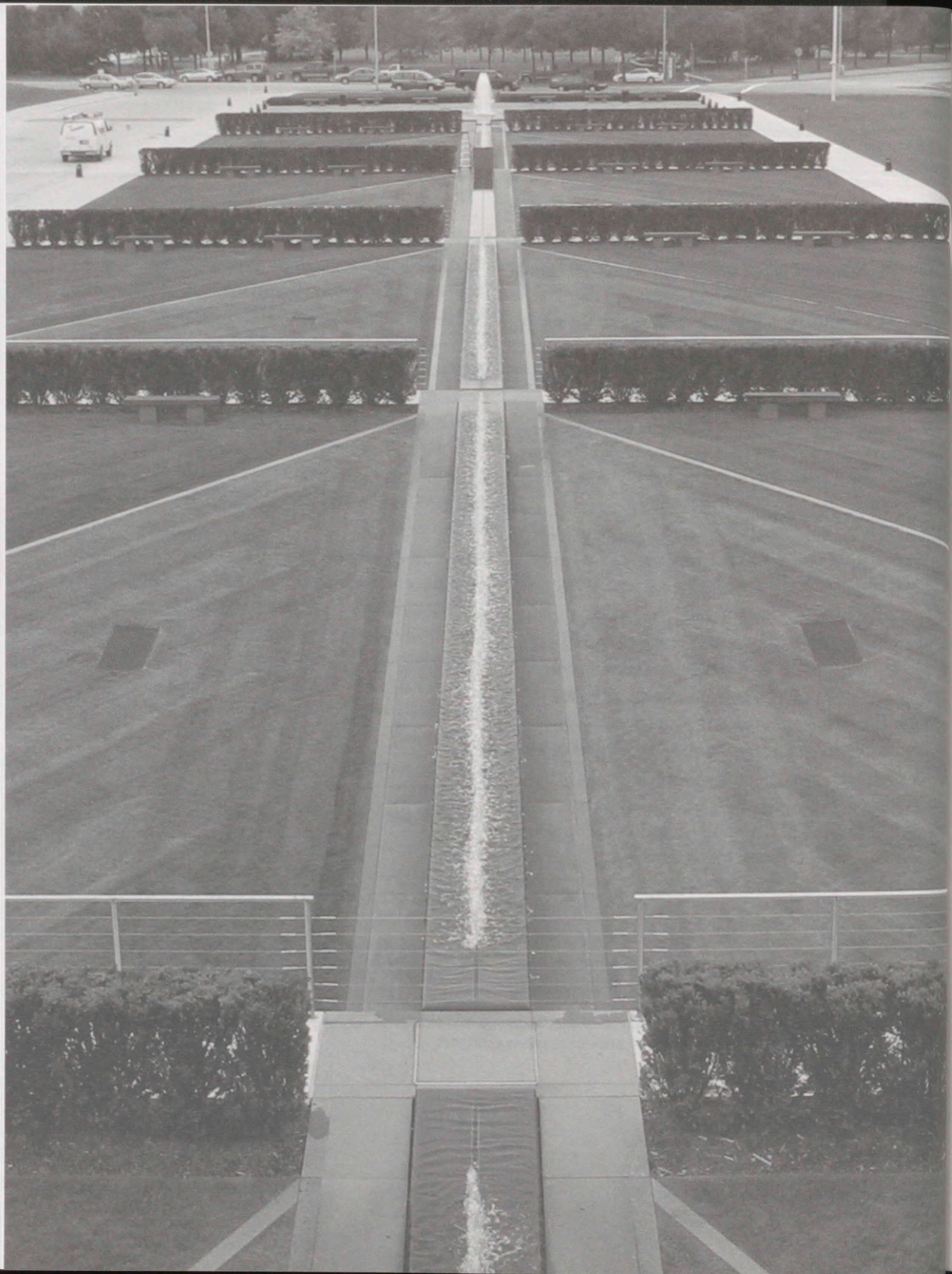
- Carson, Richard T., Theodore Groves and Mark J. Machina. 1999. Incentive and Informational Properties of Preference Questions. Paper presented at the European Association of Resource and Environmental Economists, Oslo, Norway.
- Carson, Richard T., W. Michael Hanemann, Raymond J. Kopp, Jon A. Krosnick, Robert C. Mitchell, Stanley Presser, et al. 1995. Referendum Design and Contingent Valuation: The NOAA Panel's No-Vote Recommendation (Discussion Paper 96-05). Washington, D.C.: Resources for the Future.
- Coates, Dennis and Brad R. Humphreys. 1999. The Growth Effects of Sport Franchises, Stadia, and Arenas. *Journal of Policy Analysis and Management* 18(4): 601-624.
- Eckstein, Rick and Kevin Delaney. 2002. New Sports Stadiums, Community Self-Esteem, and Community Collective Conscience. *Journal of Sport & Social Issues* 26(3): 236-248.
- Epstein, Edward. 1997. "Key Questions on Stadium Deal: Here are Some Answers, but 49ers Scramble for Specifics." *San Francisco Chronicle* April 10, 1997. p. A1.
- Hamilton, Bruce W. and Peter Kahn. 1997. Baltimore's Camden Yards Ballparks. In *Sports, Jobs and Taxes: The Economic Impacts of Sports Teams and Stadiums*, edited by Roger G. Noll and Andrew Zimbalist. Washington, D.C.: Brookings Institution Press.
- Hanemann, W. Michael. 1994. Valuing the Environment through Contingent Valuation. *Journal of Economic Perspectives* 8(4): 19-44.
- Irani, Daraius. 1997. Public Subsidies to Stadiums: Do the Costs Outweigh the Benefits? *Public Finance Review* 25(2): 238-253.
- Johnson, Bruce K. and John C. Whitehead. 2000. Value of Public Goods from Sports Stadiums: The CVM Approach. *Contemporary Economic Policy* 18(1): 48-58.
- Lindsey, Greg, Robert Paterson and Michael Luger. 1995. Using Contingent Valuation in Environmental Planning. *Journal of the American Planning Association* 61(2): 252-263.
- Mitchell, Robert Cameron and Richard T. Carson. 1989. *Using Surveys to Value Public Goods: The Contingent Valuation Methodology*. Washington, D.C.: Resources for the Future.
- Munsey & Suppes. n.d. Ballparks. [<http://www.ballparks.com>]. Accessed 7 April 2004.
- Noll, Roger G. and Andrew Zimbalist. 1997. The Economic Impact of Sports Teams and Facilities. In *Sports, Jobs and Taxes: The Economic Impact of Sports Teams and Facilities*, edited by Roger G. Noll and Andrew Zimbalist. Washington, D.C.: Brookings Institution Press.
- Pagano, Michael A. and Ann O. Bowman. 1995. *Cityscapes and Capital*. Baltimore: Johns Hopkins University Press.



- Portney, Paul R. 1994. The Contingent Valuation Debate: Why Economists Should Care. *Journal of Economic Perspectives* 8(4): 3-17.
- Rafool, Mandy. 1998. Playing the Stadium Game: Financing Professional Sports Facilities in the '90s. [<http://www.ncsl.org/programs/fiscal/lfp106.htm>]. Accessed 21 October 1998.
- Rappaport, Jordan and Chad Wilkerson. 2001. What Are the Benefits of Hosting a Major League Sports Franchise? *Federal Reserve Bank of Kansas City Economic Review* (First Quarter): 55-86.
- Rosentraub, Mark S. 1997. *Major League Losers: The Real Cost of Sports and Who's Paying for It*. New York: Basic Books.
- . 1996. Does the Emperor Have New Clothes? A Reply to Robert J. Baade. *Journal of Urban Affairs* 18(1): 23-31.
- Rosentraub, Mark S. and David Swindell. 1998. Who Benefits from the Presence of Professional Sports Teams? *Public Administration Review* 58(1): 10-21.
- Rosentraub, Mark S., David Swindell, Michael Pryzbylski and Daniel R. Mullins. 1994. Sports and Downtown Development Strategy: If You Build it, Will Jobs Come? *Journal of Urban Affairs* 16(3): 221-239.
- Siegfried, John and Andrew Zimbalist. 2000. The Economics of Sports Facilities and Their Communities. *Journal of Economic Perspectives* 14(3): 95-114.
- Zimbalist, Andrew. 1998. The Economics of Stadiums, Teams and Cities. *Policy Studies Review* 15(1): 17-29.
- Zimmerman, Dennis. 1997. Subsidizing Stadiums: Who Benefits, Who Pays? In *Sports Jobs and Taxes: The Economic Impact of Sports Teams and Stadiums*, edited by Roger G. Noll and Andrew Zimbalist. Washington, D.C.: Brookings Institution Press.

CHARLES SANTO ([santoca@pdx.edu](mailto:santoca@pdx.edu)) is a doctoral candidate in urban studies at Portland State University, where he also teaches a course in sports economics and researches urban economic issues.







# “Wonderworld X” - A Sustainable Leisure Park in the Vienna Region?: Spatial Impact Assessment for Megaprojects

**Erich Dallhammer**

Megaprojects significantly affect the development of regions, the quality of life and the environment. In recognition of this fact, Austrian law requires a spatial impact assessment (SIA, *Raumvertraeglichkeitspruefung*) for all megaprojects. The aim is to aid decisionmaking in the context of regional development and to provide investors with reliable information on a project's potential problems. The SIA also guides the planning authority in regional development. This article illustrates the relation between megaprojects and local politics in Austria, through the role of the SIA in the development of “Wonderworld X,” located in the Vienna region.

## **Introduction**

Is a leisure park that attracts 7.7 million visitors a year suitable for a country of about eight million inhabitants? This was a critical question in the assessment of Wonderworld X, a leisure park that was planned in a small Austrian village in the vicinity of Vienna.<sup>1</sup>

Wonderworld X would attract more than four times as many tourists as its closest competitor, the castle of *Schoenbrunn*, the historical residence of the former Austrian emperors (Kippes and Sattlecker 2003). The leisure park was intended to be not only the greatest tourist attraction in Austria but also the second largest leisure park in Europe, surpassed only by Euro Disney in Paris. In this respect, Wonderworld X qualifies as a megaproject.

The Austrian government requires a spatial impact assessment (SIA - *Raumvertraeglichkeitspruefung*) to evaluate the effects of projects which will influence regional development, quality of life and the environment. An SIA is conducted to aid decisionmaking of local planning authorities and investors. It weighs both regional development and sustainability, and thereby improves the site selection of large-scale projects. It is closely linked to the municipalities' land use planning and development control, and is undertaken during a project's drafting stage. Public participation is not a mandatory part of an SIA, but rather depends on the investor's decision.

In this paper, I will explain the function of the SIA based on the example of Wonderworld X.<sup>2</sup> I trace the path of the proposed leisure park through the local approval process, illustrating the relationship between SIAs, megaprojects and local politics.

### The Vienna Region

Vienna is not only the capital of Austria, but also the center of the country's most prosperous region. The Vienna region is situated in the eastern part of Austria and contains important trans-continental corridors of trade and transit (Figure 1).<sup>3</sup> Furthermore, the region is distinguished by its proximity to Eastern Europe and therefore attracts investment aimed at serving that growing market.<sup>4</sup> Within Europe, the Vienna region has distinguished itself as a particularly successful economic region. Its GDP per capita is 50.3% above the European Union (EU) average. In 1999, the Vienna region was the sixth most productive in Europe. Moreover, the employment rate of 68% is 4.2% above the EU average (Commission of the European Communities 2002).

The Vienna region contains the city of Vienna with a population of 1.6 million inhabitants, as well as 185 smaller surrounding municipalities with a total of about 0.6 million inhabitants (Table 1). Each of these 185 municipalities is governed by an elected municipal council, headed by a mayor.

In Austria, a municipality's income depends largely on a so-called "communal tax," which is directly related to the number of jobs in the community. Additionally, each municipality receives a share of the



Figure 1. The Vienna region in Europe.

Source: OIR - Informationsdienste GmbH

taxes, which are levied by the central government and distributed to the local administrations. The amount of a municipality's share depends on the number of its inhabitants. Therefore, in order to increase its funds, each municipality tries to attract as many enterprises and people as possible.

This taxation system, together with the myriad of local authorities, fosters fierce competition for jobs and citizens. This conflict is especially sharp between the city of Vienna and its surrounding municipalities. However, the strategy of these municipalities to maximize their individual revenues creates negative consequences in the form of typical agglomeration challenges within the region. The region is confronted with suburbanization, and the industrial and



commercial development of green fields. For instance, the population and the number of jobs have stagnated in the city of Vienna over the last decade, while these figures have increased sharply in the surrounding areas (Urban Planning Bureau Vienna 2000).

The subsequent development of the environs leads to higher vehicular traffic and increases congestion. On an average day, between 6:00 and 9:00 a.m., nearly 148,000 persons commute inbound to Vienna, more than 100,000 of whom use a car. Additionally, about

48,000 people commute outbound to companies in and around the city (Urban Planning Bureau Vienna 2000: 18). As a result, limits on air pollution are violated, particularly thresholds on ozone and dust suspension (Umweltbundesamt 2001: 78). These negative effects have been felt among the populace. A survey in the region south of Vienna showed that inhabitants in one-third of the municipalities feel that the environment is affected by noise. Inhabitants in one-fourth of the municipalities note a decline in air quality. Greater traffic loads are perceived

Table 1. Vienna region - key figures.

Sources: Commission of the European Communities 2002; Silberbauer 2001; Stadtentwicklung Wien, Magistratsabteilung 18. 2003; Statistik Austria 2002; Urban Planning Bureau Vienna 2000 data-juxtaposition: Dallhammer 2004

Area (2001)	approx. 1.820 km <sup>2</sup>
Population (2001)	2,170,000
Number of municipalities	186
Largest / smallest municipality (number of inhabitants 2001)	Vienna (1,550,000) / <i>Grasshofen</i> (92)
GDP per head in comparison to the EU's average (1999)	50.8 % above EU average
Employment rate in per-cent of population aged 15 - 64 (1999)	68.0 % (4.2 % above EU average)
Commuters from and to the city of Vienna (1991)	148,000 inbound, 48,000 outbound
Modal split inbound commuters to Vienna (2003)	Public transport: 35 %, private car traffic 65 %
Emission development 1990 - 1996: O <sub>3</sub>	16%
Dust	11%
Number of municipalities in which people feel that:	
- quality of life is affected by noise	33%
- quality of life is affected by air pollution	25%
- there is a lack of open space and green zones	49%

to be the primary cause of these environmental impacts (Silberbauer 2001). These perceived effects resulted in the formation of several citizen action groups who oppose any new developments that could lead to further quality-of-life reductions.

Furthermore, land consumption is on

the rise. In some communities in the Vienna region, the land zoned for building accounts for up to 80% of the potential settlement area (Amt der Niederoesterreichischen Landesregierung 2002). This leads to a lack of open space and green zones, which is a problem in 49% of the municipalities south of Vienna (Silberbauer 2001).

### Wonderworld X

The concept of Wonderworld X depicts a mythical conflict between good (personified by three children and a wizard) and evil. The story was to be presented through computer-animated attractions, shows and films with a strong focus on visitor interaction. The main attractions were conceived as rides through a computer-animated world, each of them presenting an episode of the struggle between good and evil. Two cinemas, three stages for live shows, a disco-

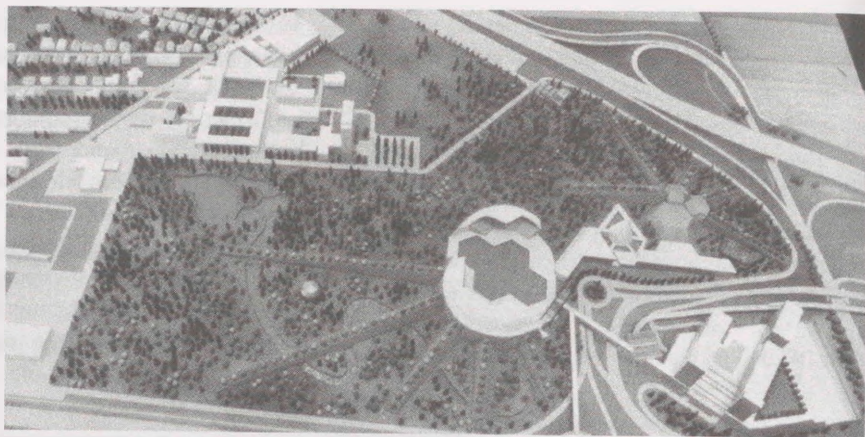


Figure 2. A model of Wonderworld X.

Source: Author

theque and several smaller attractions were also planned. Finally, eleven restaurants with a total capacity of 4,500 people and about fifteen retail stores were proposed (SIA Team 1998). As most buildings would be sited underground, more than 50% of the surface could be designed as a park. The visible buildings were concentrated in the entrance area and were to be of high architectural quality (Figure 2).

Wonderworld X aimed to attract 7.7 million visitors per year (in comparison: Austria has eight million inhabitants – Statistik Austria 2002); 20,000 visitors were projected on weekdays and 50,000 on Sundays (peak day). The project was expected to generate 2,800 jobs: 1,400 within the leisure park and an additional 1,400 created indirectly by the volume of visitors. Moreover, the gross national product (GNP) was projected to grow by some 200 million Euros



(160 million US dollars). Twenty percent of the visitors were expected to stay for at least one night and the additional 1.5 million overnight stays per year would improve income from tourism in the Vienna region (Table 2) (SIA Team 1998).

#### The Site

The area of Wonderworld X was to cover about 40 hectares of land in the municipality of Wiener Neudorf, a small suburb with about 8,000 inhabitants, three kilometers south of Vienna in the province of Lower Austria.

The site is one of the last undeveloped plots of land within a corridor containing numerous industries, enterprises and retail centers from Vienna via Wiener Neudorf further to the south. It is situated in the vicinity of Austria's largest shopping center (*Shopping City Sued*), which provides about 100,000 square meters of retail space with parking space for 10,000 cars. The mall draws on a catchment area that includes Vienna City, the eastern part of Austria and even western parts of Hungary and Slovakia (Jung 1999: 14).

The site contains 50% fallow land, 25% percent agricultural land and 25% commercial use, roads and parking space (Figure 3). It is bordered by two roads, the B17 main road and the A2 highway, enabling direct access to Austria's road network. A station of the Baden Railway (*Badner Bahn*) provides access to the public transport system.

Wonderworld X was designed to be a megaproject of international significance, one with a potentially enormous impact on the regional economy. Due to its proximity to the city of Vienna and to Eastern European countries, to the neighborhood of Austria's largest shopping mall as well as its direct access to Austria's road network, the prospective site is very attractive for investors. However, the region already confronts serious problems as a result of increasing suburbanization and its attendant reductions in quality of life. Any additional development, especially the development of a megaproject, would intensify these problems.

Table 2. Wonderworld X - key figures.

Source: SIA Team 1998

Targeted number visitors per year	7.7 million
Visitors per day	20,000 weekdays, 50,000 on Sundays
Expected new jobs	2,800 (50% within the leisure park, 50 % induced by the volume of visitors)
Expected growth of GDP	EUR 200 million (approx. USD 160 million)
Induced overnight stays per year	1.5 million
Capacity of restaurants	4,500 seats

### The Investor

The investor in Wonderworld X was an international group with experience in constructing leisure parks, especially in Asia. The consortium collaborated with a local partner who owned the neighboring shopping mall. As a part of the mall is situated within the borders of Wiener Neudorf, the shopping mall contributes an important share to the municipality's communal taxes and the local partner offered close relationships with local politicians of the governing party.



Figure 3. The site and surrounding development.  
Source: Author

### The Regulatory Framework

#### Spatial Planning Law

Austria is a federal republic. The responsibility for enacting laws is thus divided between the federal government and the nine Austrian states or provinces (*Laender*). According to the constitution, legislation and execution of spatial planning is the autonomous responsibility of the states. They enact spatial planning laws and are responsible for planning at the regional level. This means that there is no single federal planning law in Austria. Instead, each state regulates the procedures for enacting spatial development plans, and defines the goals for spatial planning policy and broader regional development (Austrian Conference on Regional Planning 1998). One of the main goals of spatial planning law in Austria is to achieve sustainable development.

According to the constitution, the city of Vienna has the status of an Austrian state whereas the 185 municipalities in the region belong to the state of Lower Austria. The Vienna region has to deal with two spatial planning laws, one for the central city and one for the municipalities in its region. This need for coordination across two regimes poses a developmental challenge.

#### Local Planning and Development Control

Responsibility for local planning lies within the autonomous purview of the municipalities (Figure 4). The municipal councils are empowered to enact local plans, while the mayor controls land use. The land use plan (*Flaechenwidmungsplan*) is the primary plan-



ning instrument supporting development control in Austria. It determines the permissible use of land and divides the municipality's territory into zones designated for specific purposes, including zoning as building land, green land and traffic areas. These zoning decisions are legally binding for site owners. They are not permitted to construct any buildings that do not comply with the zoning of the plot, but the plan does not have any obligation to actually realize the zoned use (Land Niederoesterreich 2003).

Local plans must be in accordance with the state's spatial planning laws and existing regional plans, and the state has supervisory authority in the communities. If there is a conflict between planning regulation at the supra-local level and the local plans, the municipality has to adopt plans based on the decision of the state. However, local government is autonomous while acting within the limits defined by the higher planning authorities (Austrian Conference on Regional Planning 1998).

To construct a building, a developer has to apply for a building permit (*Baubewilligung*) with the local authority. The application must contain layout plans, which illustrate the design of the site, as well as building plans, including details of the proposed construction (European Commission 2000). At this stage, there is no requirement for environmental impact assessment. These environmental effects are assumed to have been evaluated already during the preparation of the land use plan (Maxian 1998: 4).

The building permit has to be granted if the project does not contradict the land use plan, the building

code or any other implementing decrees. However, if a project is not permissible according to the valid land use plan, the permit must be refused. In some specific cases that are defined by the spatial planning law, the municipal council may modify the land use plan to enable investors to develop (Land Niederoesterreich 2003).

#### Spatial Impact Assessment (Raumvertraeglichkeitspruefung)

If the modification of a land use plan could have serious consequences for the environment and for regional development, a spatial impact assessment (SIA – *Raumvertraeglichkeitspruefung*) is required in the Austrian state of Lower Austria (Land Niederoesterreich 2003: art. 1 par 1-14). The decision to invoke an SIA for a proposed development is made by the state's supervisory authority on a case-by-case basis.

The SIA requires the developer to outline the project's impact on the environment and regional development. Each SIA is required to address the following issues: conflicts between the project and the aims of regional development, influences on the natural environment and natural scenery, noise and air pollution resulting from both the project itself and the traffic it generates, effects on regional traffic, quality of the underlying geology, water supply and drainage, soil sealing and effects of heavy rain, energy supply, waste disposal, effects on healthcare, security and fire risk and effects on the regional economy (Land Niederoesterreich 2003: art. 1 par 1-1; Maxian 1998).

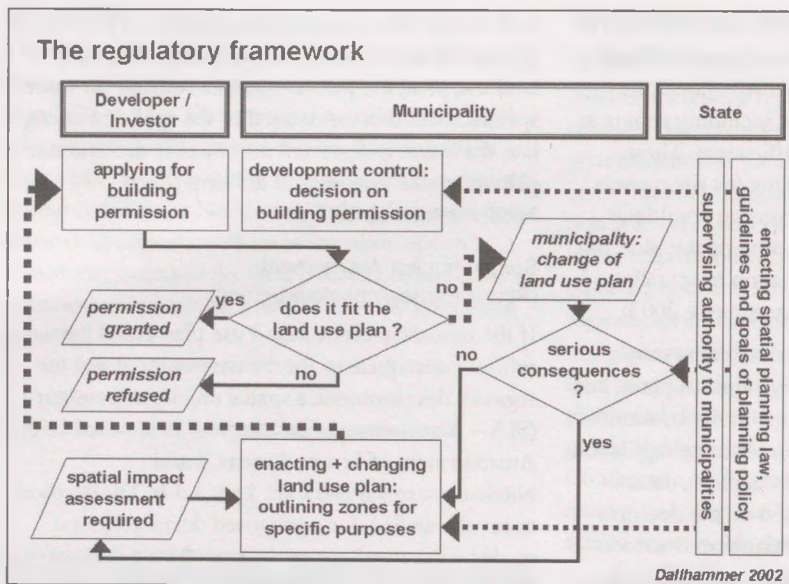


Figure 4. The regulatory framework in Austria.

Source: Author

The SIA's statement about a project's impact on the environment and regional development is examined by the local authorities as well as by the state's supervisory authority. If an SIA is conducted, its results must be taken into account by the municipal council when deliberating any changes to the land use plan.

The proposed site of Wonderworld X is contained within an enterprise zone. This zoning permits the establishment of businesses, light industry and administrative buildings, but prohibits the construction of a leisure park. Therefore, a modification of the land use plan by the Wiener Neudorf municipal

council was necessary before a building permit could be issued for the park.

It is worth noting that public participation is not mandated by law during the preparation of an SIA. The investor, who bears the cost of implementing an SIA, must decide whether or not to invite the public to participate in the assessment. In the case of the Wonderworld X development, the investor opted to minimize decision time and associated costs, and thus excluded the public from debate on

the park development. Considering the existence of anti-development citizen action groups in the region, the ability of developers to eschew public consultation in the SIA must be considered a significant market failure in the process.

### The Spatial Impact Assessment in Theory and Practice

#### Method

As required, the Wonderworld X SIA team compared two hypothetical scenarios: Scenario A described the assumed effects of development based



on the existing land use plan, while Scenario B forecasted the impacts induced by Wonderworld X (SIA Team 1998).

To compare these two scenarios, the SIA was carried out in four successive stages (SIA Team 1998):

- Stage 1 outlined the existing local and regional regulations on regional development. The impact of Scenario A was assessed here.
- Stage 2 evaluated Scenario B in terms of the aims of regional development and sustainability.
- Stage 3 identified the essential measures to balance incompatibilities arising from the evaluation conducted during the earlier stage.
- Stage 4 compared the impacts of Scenario B (Wonderworld X) and Scenario A (commercial zoning).

As car traffic is mainly responsible for the existing environmental problems in the Vienna region, and as the increase in car traffic is one of the most important impacts of Wonderworld X, the following section outlines how the SIA assessed the impacts on regional traffic.

#### Effects of Wonderworld X on Regional Traffic

**Stage 1a: Main Goals** Lower Austrian spatial planning law stresses the goal of sustainable development. As such, environment-friendly transportation including public transport, bicycle and pedestrian traffic should be strongly supported, whereas motor traffic should be reduced to an acceptable minimum (Land Niederösterreich 2003: art 1, par. 2e).

**Stage 1b: Present Situation** The two main roads bordering the site of Wonderworld X, A2 and B17, are of regional as well as national importance, linking Vienna to the south of Austria (Figure 5). Until 2010, the average daily traffic volume will increase by 1.9% per year with up to 88,000 cars a day on A2 and 40,000 on B17, reaching the limits of the road network's capacity. In terms of public transport, a station for the Baden Railway, situated west of the site, provides access to the regional public transport system. Additionally, this railway line is used mainly by commuters and operates at intervals of 15 minutes on weekends and 7.5 minutes on weekdays. Buses operate less frequently (SIA Team 1998).

**Stage 1c: Effects of Scenario A** Scenario A predicted the continuing establishment of enterprises, office buildings, large warehouses and retail centers. It was estimated that this growth would generate a maximum of 2,000 new jobs, some of which would be completely new and some resulting from the relocation of enterprises to the new site, especially from Vienna. Furthermore, it was assumed that 60% of the surface would be covered by roads and parking spaces, 30% by buildings and 10% would remain green space (SIA Team 1998).

**Stage 2: Effects of Scenario B – Wonderworld X** Among the annual 7.7 million Wonderworld visitors expected, 62% would arrive by car, 18% by coach and 20% by public transport. This modal split would induce an additional 9% of regional motor traffic volume and a higher risk of congestion by 2010, especially on the A2 motorway. The 50,000 expected

visitors on Sundays would also cause several regional traffic problems (SIA Team 1998).

The number of cars expected would exceed the car park's maximum of 4,500 spaces by more than 2,300 vehicles on Sundays. Thus, the shopping center car park would have to be used by the leisure park visitors, forcing them into a long, unattractive, or even dangerous, walk from the car park to the leisure park entrance. On Sundays, the capacity of the Baden Railway was predicted to be insufficient, based on a public transport share of 20%. The railway also lacked a secure footpath from the railway station to the park entrance (SIA Team 1998).

**Stage 3: Required Measures to Balance Incompatibilities** To balance the traffic generated, a bundle of mandatory measures was required (SIA Team 1998). To reduce congestion, a new motorway exit would have to be built, enabling direct access from the A2 motorway to the car park (Figure 5). Moreover, the shopping center car park would have to be linked to the leisure park entrance by a fast and attractive public means of transport such as a monorail with a capacity of transporting approximately 3,000 people per hour, which could also link the railway station to the park entrance. Public transport would be encouraged through the provision of cheaper tickets. Moreover, the frequency of the Baden Railway service on Sundays would have to be increased from the current 15 minutes to 7.5 minutes to provide the necessary rail capacity.

**Stage 4: Comparison of the Scenarios (A - Commercial Zoning; B - Wonderworld X)** In compar-

ing the development of a leisure park (Scenario B) with commercial zoning (Scenario A) at the proposed site, the total growth of traffic volume generated by the commercial zone was shown to be far above the traffic increase induced by the leisure park. Moreover, Scenario A predicted a public transport share of 2%, compared to a 20% share under Scenario B. Both scenarios resulted in continued traffic problems. However, the traffic volume in Scenario B would exceed Scenario A only on weekends (SIA Team 1998).

Any development of the site would cause a high risk of traffic congestion in an area that is already under high stress, but in the case of the leisure park, the measures discussed might help to keep the negative impacts at a manageable level.

#### Results of the SIA of Wonderworld X

The SIA concluded its report with a recommendation of Wonderworld X's compatibility with regional development aims. In spite of the park's location in a busy suburban area with its share of existing environmental problems, its development was very likely, given the site's high appeal to investors. Even the development of a commercial zone, as enabled by the existing land use plan, would cause serious conflicts with the aim of sustainable development in addition to problems of regional traffic (SIA Team 1998).

The SIA concluded that the project could help to improve tourism in this part of the Vienna region, but it would also induce several negative impacts on regional development. To balance these effects and to



achieve sustainable development, the SIA set up a list of 32 mandatory measures (SIA Team 1998).

Upon compliance with these measures, the Wonderworld X development was evaluated as being consistent with the existing goals of regional development, and in fact superior to the extension of the existing commercial area (SIA Team 1998).

### Planning and Politics – The Next Steps

Legal Preconditions for the Modification of the Land Use Plan

The SIA impact statement was the legal precondition for the land use plan's modification executed by the municipal council of Wiener Neudorf. In Austria, the modification of local plans is strongly linked to local policy. In principle, a land use plan cannot be

changed just because an investor intends to develop a site. Its modification has to be justified by the planning law (Land Niederoesterreich 2003: art. 22 par. 1). Legal reasons for its modification can be a change in the regional development goals stated in spatial planning law or in the regional plans, or a significant change in the community's (economic) development. The elected members of the municipal council decide any land use plan modifications.

Due to its size, Wonderworld X would have significantly influenced the municipality's economic development.<sup>5</sup> So the rezoning of the site would have implied a reorientation of the local development policy from industrial and retail development to a new focus on tourism. In

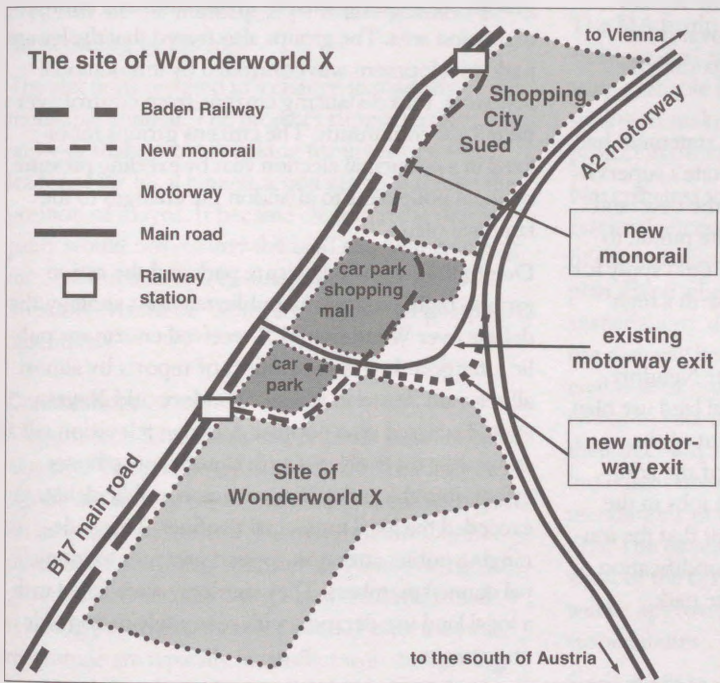


Figure 5. The site of Wonderworld X.  
Source: Author

debate in the Wiener Neudorf municipal council, a majority supported the leisure park project with only two smaller factions in opposition.

#### What Should Have Happened

From the investor's point of view, a local planner, advised by the community, should have prepared the specific details of the modified land use plan. Then, a public inspection of the adapted land use plan should have been held by the citizens of Wiener Neudorf, followed by a majority approval from Wiener Neudorf municipal council regarding the land use plan's modification.

The altered land use plan and the SIA statement had to be inspected and approved by the state's supervising planning authority. Subsequently, the new land use plan had to be made available to the public to become effective. Finally, the investor could apply for a building permit for the leisure park with a high probability of acceptance.

In the past, the majority of the Wiener Neudorf municipal council had agreed to several land use plan modifications enabling the enlargement of the neighboring shopping mall. Because of the additional communal taxes induced by the jobs in the leisure park, the investor was confident that the municipal council would consent to the modification of the land use plan in favor of the leisure park.

#### What Actually Happened

In reality, the process went less smoothly. When the project details became public, regional and local citi-

zen action groups launched a campaign against all new developments in the southern part of the Vienna region. They campaigned especially against the creation of leisure parks. Their main goal was to oppose any development that would increase traffic volumes and thus further reduce their quality of life. The site of the proposed Wonderworld X development was one of the last undeveloped green-field sites in the municipality. As such, these citizens groups struggled against its eradication as a natural recreation area. The groups also feared that the leisure park development was controlled by international investors, thus distancing citizens from control over their local community. The citizens groups mobilized in a municipal election year by exerting pressure on local politicians to abandon the changes to the land use plan.

Due to the size of the leisure park and the action group's highly successful public relations strategy, the debate over Wonderwold X received enormous public attention. It was the subject of reports by almost all relevant Austrian media. Wonderworld X was even discussed on a popular Austrian television talk show. As a megaproject with significant spillover effects into the entire Vienna region, public debate far exceeded the local municipal confines. This wide-ranging public attention applied pressure to municipal council members. They suddenly were faced with a local land use decision with seemingly nationwide importance.

As outlined above, the SIA Team attempted to mitigate unsustainable development effects through a list



of 32 mandatory measures. However, the team had no contact with the public. When public involvement was no longer avoidable, municipal politicians, faced with a growing public outcry in an election year, opted to delay approval on the land use plan. As a result of the delay, investors lost heart in the future of the project. The municipal council's indecision delayed their schedule and the list of additional measures required increased their costs. They were not even sure of the municipality's future position on the rezoning of the site.

The elections resulted in a change in majority of the municipal council. The project's supporters lost votes and—perhaps most shocking for investors—the leader of the local citizen action group assumed the position of mayor. It became clear that the municipality would not modify the land use plan enabling the construction of a leisure park on the site. The investors' vision of Wonderworld X was postponed indefinitely.

### **Conclusions**

Megaprojects have mega-effects, both positive and negative. The plan for Wonderworld X included a significant impact on the development of its region, on its quality of life and its environment. On the other hand, megaprojects such as Wonderworld X generate jobs and can induce powerful and broad-reaching positive economic effects. Projects of this magnitude are typically in conflict with the existing local land use plan, which needs to be modified in order to facilitate their development.

The Austrian legal stipulation of an SIA to assess the effects of megaprojects on regional development and the environment recognizes the need to critically examine projects on such a scale. The SIA is a planning instrument with significant cost-benefit advantages for the municipality. The cost of conducting the impact assessment is borne by the investor. Further, the municipality is under no obligation to alter the existing land use plan.

The SIA further minimizes costs, since it occurs at an early stage of project planning. The investor thus obtains a reliable and timely evaluation creating the possibility of making adjustments or even stalling the project in order to minimize planning costs.

Nevertheless the investor is confronted with one essential uncertainty: his dependence on the decision of the municipal council to modify the land use plan. Even when the SIA proves a project's sustainability, developers cannot be sure that the land use plan will be changed by the municipal council to enable their project to go ahead. The municipal council has to take into account the results of an SIA in their decision about any alteration of a land use plan, but it does not necessarily need to follow the recommendations made by the evaluation team of the SIA. The developer has to bear the costs of the SIA, without the certainty that his development proposal will be approved, even if the SIA proves the project's sustainability.

Since the SIA is basically conceived as an instrument to support the decision-making process of the municipal council and the investors of megaprojects, the

public or even the neighbors of such megaprojects do not play any role during the preparation of an SIA. The public must be informed only of the outcome of the deliberation process for modifying the land use plan (Maxian 1998: 4). As mentioned earlier, public participation up to that point is not required.

Due to the lack of public participation, neighbors and citizen action groups require other outlets to express their interests. Since megaprojects typically have important regional spillover effects, a media strategy to mobilize public attention in opposition to a project stands a good chance of gaining widespread attention.

Therefore, on the one hand, the lack of public participation can reduce planning costs and time, yet it may inflame public resistance which may threaten to halt the development of a megaproject itself.

The stalling of a megaproject as a consequence of public resistance does not automatically lead to an overall positive result. Citizen action groups and media typically tend to stress a project's negative effects, whereas potential positive effects are usually underrepresented in public discussions. Nevertheless a counter-balance of negative and positive effects of megaprojects is needed to gain overall desired regional development.

Public participation or mediation could help to include citizen action groups and neighbors in the decision-making process. It could reduce their mistrust of megaprojects. Furthermore, suggestions from local citizens could lead to modifications of the project and result in a project that is compatible with

local conditions. The inclusion of public participation in the SIA process would further improve the quality of decision-making regarding the site selection of megaprojects. In addition to the assessment of the spatial and environmental effects of a megaproject it would also reflect on a project's social acceptance. The outcome of this public inclusion in the SIA assessment could be a report which provides a comprehensive evaluation of physical, economic and social impacts of a proposed megaproject. Legislators could thus rule on land use plans with more complete information and renewed confidence.

#### Notes

<sup>1</sup> The name Wonderworld X is changed in the article to protect the investor's anonymity.

<sup>2</sup> The author of this article was a member of the planning team (SIA Team) that carried out the evaluation of the effects of the planned leisure park on regional development and the environment.

<sup>3</sup> The east-west Danube Corridor links Bucharest, Budapest, Vienna, Munich, and goes further to Paris. The Pontebbana Corridor, one of the alpine transversals, connects Poland to Italy going from Warsaw through Vienna and Venice to Milan.

<sup>4</sup> The traveling distance to Budapest is 240 km, Prague 251 km and Warsaw 680 km; by contrast, Rome is more than 1,100 km away (Urban Planning Bureau Vienna 2000: 6).

<sup>5</sup> The communal budget of Wiener Neudorf is roughly about one-tenth of the predicted growth of the GNP induced by the leisure park (Statistik Austria 2004; SIA Team 1998).

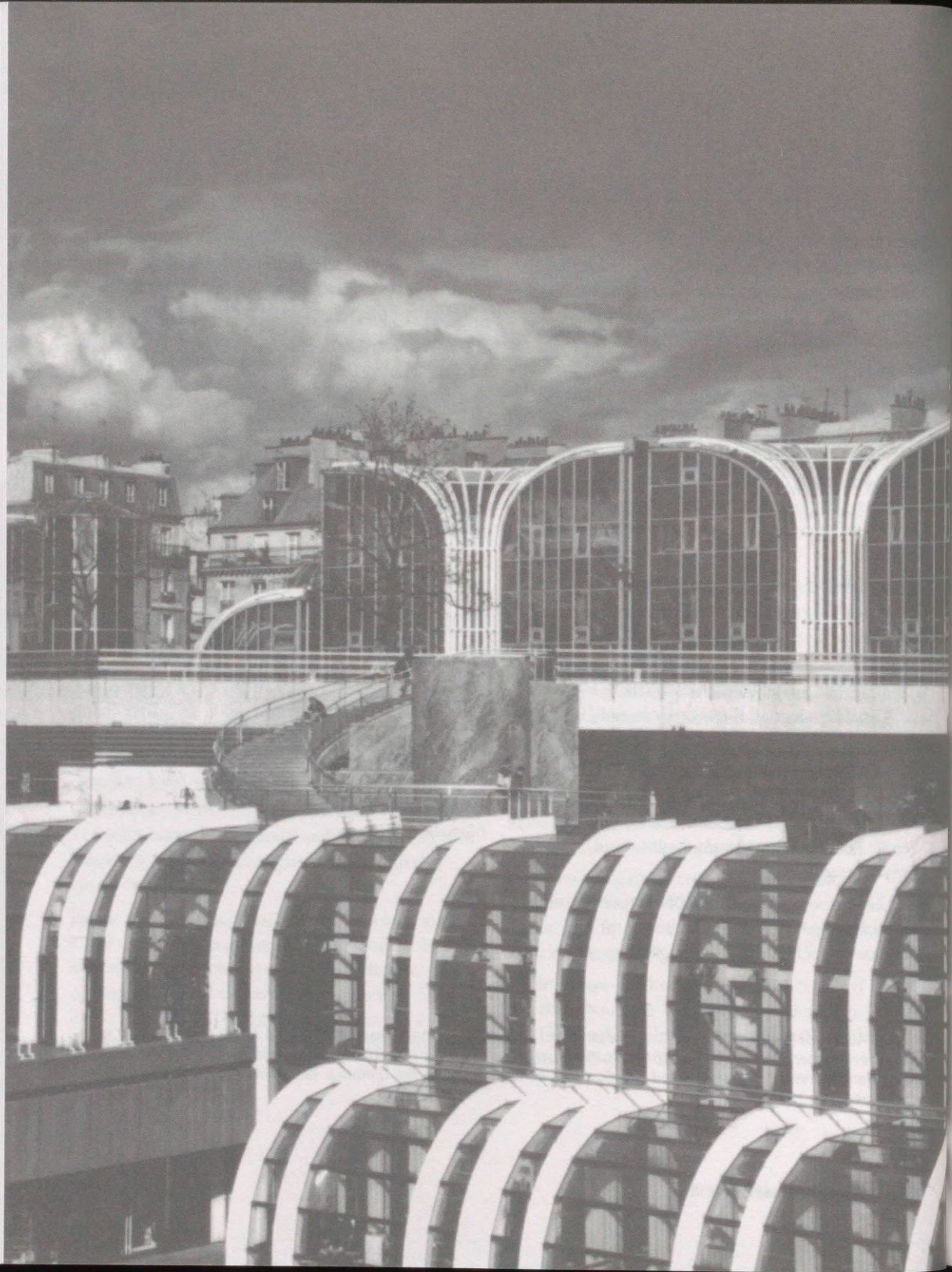


## References

- Amt der Niederoesterreichischen Landesregierung. 2002. *Leitbild fuer die raeumliche Entwicklung des Landes Niederoesterreich, Raumordnung und Regionalpolitik*. St. Poelten.
- Austrian Conference on Regional Planning. 1998. *Spatial Planning in Austria*. Vienna: Geschaeftsstelle der Oesterreichischen Raumordnung.
- European Commission. 2000. *The EU Compendium of Spatial Planning Systems and Policies, Austria*. Series "Regional development studies". Luxembourg: Office for Official Publications of the European Communities.
- Commission of the European Communities. 2002. *Commission Communication, First Progress Report on Economic and Social Cohesion*. Brussels.
- Jung, Gernot. 1999. Shopping City Sued. Im Spannungsfeld zwischen wirtschaftlichem Erfolg und Konfliktpotential. *Raum & Ordnung* 1/1999: 13-17.
- Kippes, Wolfgang and Franz Sattlecker. 2003. *Presseinformation 10 Jahre Schloss Schoenbrunn Kultur- und Betriebsgesellschaft, eine Bilanz mit Perspektiven*. Vienna: Schloss Schoenbrunn Kultur- und Betriebsges.m.b.H.
- Land Niederoesterreich. 2003. *Niederoesterreichisches Raumordnungsgesetz 1976*. St. Poelten: Amt der Niederoesterreichischen Landesregierung.
- Maxian, Michael. 1998. Anforderungsprofil fuer die Raumvertraeglichkeitspruefung. *Raumordnung* 3/1998: 4-6.
- Stadtentwicklung Wien, Magistratsabteilung 18. 2003. *Transport Master Plan Vienna 2003*. Vienna: Urban Planning Vienna.
- SIA Team. 1998. *Raumvertraeglichkeitserklaerung SCS Erlebniswelt*. Vienna.
- Silberbauer, Gerhard. 2001. *Regionsdaten noerdliches Industrieviertel*. [[http://www.noel.gv.at/service/ru/ru2/Regionsdaten\\_IndViertel.htm](http://www.noel.gv.at/service/ru/ru2/Regionsdaten_IndViertel.htm)]. Accessed 15 December 2002.
- Statistik Austria. 2002. *Volkszaehlung 2001 Wohnbevoelkerung nach Gemeinden*. Vienna.
- Urban Planning Bureau Vienna, Municipal Department 18. 2000. *Metropolitan Region Vienna*. Vienna: Urban Planning Vienna.
- Statistik Austria. 2004. *Oesterreichische Gemeindedaten*. [[www.statistik.at](http://www.statistik.at)]. Accessed 25 March 2004.
- Umweltbundesamt. 2001. *Sechster Umweltkontrollbericht des Bundesministers fuer Land- und Forstwirtschaft, Umwelt und Wasserwirtschaft an den Nationalrat*. Vienna.

ERICH DALLHAMMER ([dallhammer@urbanregional.at](mailto:dallhammer@urbanregional.at)) is a planner and a researcher in the fields of urban and regional development. He is senior partner at the Austrian Institute for Regional Sciences and Lecturer at the University of Natural Resources and Applied Life Sciences in Vienna and at the Carinthia Tech Institute - University of Applied Sciences.







# The Spatial Distribution of Airport-Related Development: Rethinking Megaproject Economic Impacts

**Julie Cidell**

While the economic impacts of megaprojects have been of increasing concern to academics and policymakers alike, the spatiality of those impacts has largely been ignored. The tradeoff of regional economic good versus local environmental harm is a frequent refrain concerning large infrastructure projects. However, spatializing the economic benefits of one such project, the expansion of Minneapolis-St. Paul International Airport, shows that the intra-metropolitan distribution of these regional benefits is highly uneven. Therefore, we may need to rethink our conception of the economic benefits of megaprojects by framing their spatial concentration in similar terms to those used in the analysis of negative effects. This enables us to gauge the implications of spatial and scalar mismatches for issues of intra-metropolitan equity.

## **Introduction**

While the economic impacts of megaprojects have been of increasing concern to academics and policymakers alike, the spatiality of those impacts has largely been ignored. The tradeoff of regional economic good versus local environmental harm is a frequent refrain concerning large infrastructure projects. However, as this paper shows by spatializing the economic benefits of one such project—the expansion of Minneapolis-St. Paul International Airport—the intra-metropolitan distribution of these regional benefits is also highly uneven.

Recent research on megaprojects (Altshuler and Luberoff 2003; Flyvbjerg et al. 2003) emphasizes the need for greater awareness of the true costs of large infrastructure projects. Projects such as Boston's Big Dig, the Channel Tunnel between England and France, and the Denver International Airport have made the public aware of not only the impressive engineering feats that are part of those projects, but also of the impressively high budgets and cost overruns associated with them.

One of the arguments most often made in favor of a megaproject is that it will bring millions of dollars in revenue and thousands of jobs to its region. But rarely are attempts made to determine *where* those economic benefits will accrue, particularly in relation to the places that will suffer the negative externalities,

such as pollution or congestion. In this paper, I examine the spatial distribution of economic benefits associated with the expansion of the Minneapolis-St. Paul International Airport (MSP). MSP is in the midst of a \$3.1 billion expansion project that will add a runway, a parking garage, thirty gates and a transit center. While the environmental review process required that the environmental effects of the expansion (noise, air pollution, etc.) be spatialized, the economic benefits were assumed to accrue uniformly to the entire region. The good for the many was seen to outweigh the harm to the few. This paper shows that because of the location of available land and infrastructure, as well as the current location of airport-related economic activity, the economic benefits from the expansion will not necessarily accrue to the part of the metropolitan area where the airport is located.

The rest of the paper is structured as follows: I first review the literature on economic and environmental effects of air transportation; I then trace a short history of the megaproject in question. After I discuss the methodology employed, I present the empirical results. I conclude with implications of these findings for other areas where megaprojects are underway or being considered.

### **Balancing Economic Development and Environmental Effects**

The cities that are host to airline hubs experience both advantages and disadvantages. The advantages are largely economic, and range from jobs at the airport itself, to corporate branches or head-

quarters that relocate to the region from other parts of the country or world. In addition, airline service has come to be seen as a prerequisite for other forms of regional economic development. At the same time, however, the localities nearest the airport are likely to suffer from environmental effects, including air and noise pollution. This mismatch between type of benefit and type of disadvantage, as well as the mismatch in scale between region and municipality or neighborhood, results in environmental effects that must be borne by airport neighbors who may not economically benefit from the airport.

### **Economic Effects**

The association between transportation and economic development has been well established, although the direction of that relationship remains unclear. The assumption that transportation infrastructure drives development, rather than the reverse, has led to major investments by local, state and federal governments attempting to stimulate economic growth. Historically, transportation infrastructure such as canals and railroads has clearly stimulated development in the United States and elsewhere (Borchert 1967). Recent studies, however, are less sanguine about the results of transportation infrastructure investment. Both Black (2001) and Banister and Berechman (2001) note that in developed countries, additional transportation infrastructure is unlikely to produce further economic growth. Rather this investment will encourage the relocation of existing economic activity.



While most of the transportation and economic development literature has focused on roads, many scholars have evaluated the economic impacts of air transportation. For instance, Irwin and Kasarda (1991) found that the more centrally located a metropolitan area is within the national network of air service, the higher are its overall employment levels. Furthermore, the directionality of this connection implies that air service causes higher employment, not the reverse. Button et al. (1999) found that metropolitan areas with an airport hub have on average 12,000 more high-tech jobs than do similar metropolitan areas without a hub. While sectors associated with high-tech only comprise 10 percent of the total economy, about 90 percent of these new-economy jobs are concentrated in the fifty largest cities in the US, further concentrating their importance as nodes in the air transportation network.

The above studies show that airports produce benefits at the metropolitan or regional scales. There is little consensus, however, about an airport's economic impact on its immediate surroundings. Studies indicate that while airport *access* may be an important factor in locational decision making, airport *proximity* is not. For instance, Centonze (1989) found that while the US headquarters of foreign firms consider access to air travel one of the main reasons to locate in large metropolitan areas, proximity to the airport within that metropolitan area is less critical. Both Caves (1994) and Pitfield (1981) were inconclusive as to whether airports have a positive impact on their immediate surroundings.

Finally, the Coley/Forrest (1987) study found that in Atlanta, Kansas City, and Dallas, economic development attracted to the metropolitan area by improved air service was not attracted to the airport environs. National corporations in Atlanta, for example, chose to locate their headquarters in the same geographic sector as existing office development on the opposite side of the city from Hartsfield Airport.

What about firms that are already located near the airport? Hakfoort et al. (2001), in their case study of Amsterdam Schiphol, found that the direct economic effects of the airport (employment at the airport itself) were larger than any spin-off economic activity in the surrounding region. Additionally, in the early 1970s Hoare (1973; 1974), in a study of London's Heathrow airport, discovered that the immediate environs of an airport may actually experience detrimental economic effects. Yet the concerns and questions that he posed have not yet been thoroughly examined, much less answered:

The justification for regarding Heathrow as a growth pole depends partly on the geographical scale of analysis ... When vast sums of public investment are already sunk in such ventures it appears worthwhile incorporating in the overall appraisal projects research work designed to tackle at least three basic questions. How much growth? Growth for whom? Growth where? (1974: 96)

Airport expansion may have an economically detrimental effect on surrounding communities, throwing into question the meaning of "regional" economic growth. Particularly in metropolitan areas

where airports' surroundings are built-up, little of the regional growth brought about by the expansion is likely to occur adjacent to the airport. This imbalance is particularly important because the airports' negative effects fall almost exclusively in the immediate surroundings.

#### Environmental Effects

Noise pollution and air pollution are the two main environmental effects of airports. The former has been well-studied in terms of its effects on health (minimal) and property values (small but significant), while research on air pollution and aviation is relatively recent. Noise pollution is measured for airports in terms of the average day-night noise level (DNL). A DNL of 65 is equivalent to a 24-hour average noise of 65 decibels, about the level of a garbage disposal or vacuum cleaner. Reducing the effects of noise involves either reducing it at its source through quieter engines or operational changes (known as abatement), or reducing it through land use controls or the soundproofing of existing structures (known as mitigation).

Air pollution is more difficult to study. Most airports are located within urban areas and are thus surrounded by pollution from point and non-point sources (Illinois Environmental Protection Agency 2002). Studies have also been inconclusive as to the effects of air pollution from airports on human health (City of Park Ridge [IL] 2000, Illinois Environmental Protection Agency 2002). These studies suggest that airport air pollution, including nitrous oxides, carbon monoxide and volatile organic com-

pounds, is mitigated through source reduction of both aircraft and ground vehicles.

One of the difficulties with balancing economic and environmental effects is that economic impacts are dispersed throughout the entire region, while environmental impacts are largely limited to the area immediately surrounding the airport. When higher levels of government promote airport expansion, they rarely provide funding to help mitigate the costs of their decision because of the scalar mismatch between costs and benefits. However, if it could be shown that the economic benefits are also local rather than regional, this scalar imbalance would not be an issue: It would be areas of similar size who are winning and losing, not larger versus smaller geographical units.

#### **The Expansion of Minneapolis-St. Paul International Airport**

MSP is located approximately seven miles from the downtowns of Minneapolis and St. Paul, at the confluence of the Mississippi and Minnesota Rivers (Figure 1). MSP is unusual in that it is operated by a regional authority, the Metropolitan Airports Commission (MAC), with governor-appointed representatives from not only the seven-county metro area, but also from other cities in the state with airports. Because the MAC is directly responsible to the Minnesota Legislature, airport expansion is debated at the state level.

In 1987, the state legislature called for a capacity study of MSP. When the results showed that the



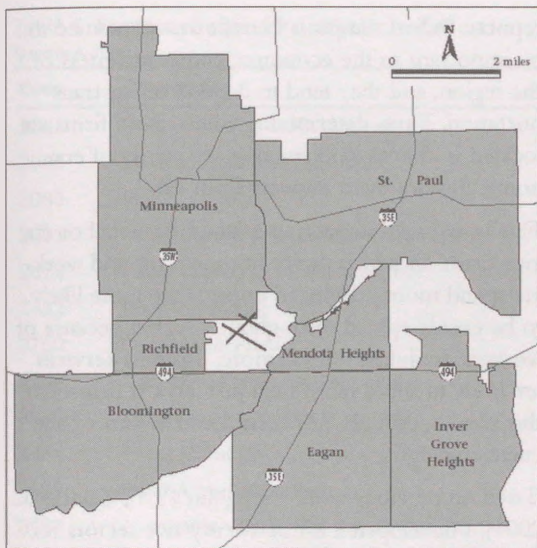


Figure 1. Minneapolis-St. Paul International Airport and study area municipalities.

Source: Author

airport would be reaching its capacity within a few years, the legislature set up a dual-track planning process to examine two potential solutions. One task force would plan the expansion of the existing airport, while the other would select a site for a new airport and plan that facility. The results of the two studies were to be presented to the legislature by April 1, 1996. Before the committees' work could be completed, however, the governor asked the legislature to end the dual-track process and expand the existing airport. The municipalities closest to the airport resented the fact that the study process was not carried out to its full extent, and that the

legislature took control of the decision making while accepting little responsibility for providing state funds for additional soundproofing and other mitigation efforts.

The proposed expansion includes adding a fourth runway, a parking garage and thirty new gates—mostly for regional flights by Northwest Airlines, which uses MSP as a major hub. While construction has been slowed because of the downturn in air travel since 2001, the project is currently expected to be complete in 2005 at a total cost of \$3.1 billion (Minneapolis-St. Paul International Airport website 2004).

Throughout the expand-or-replace debate of the 1990s, economic impact was one of the major issues. A MAC study found that the number of jobs created under each plan would be comparable, about 16,600 direct jobs and 19,600 indirect jobs (Metropolitan Airports Commission and Metropolitan Council 1996). The airport currently provides 45,000 direct and indirect jobs (Airport Technology and Planning Group 1998.) However, the studies did not evaluate, for either option, where the new jobs would be in relation to the airport. Would they benefit the municipalities near the airport, or as was found for Atlanta, would they be in those parts of the metropolitan area that are already growing?

### Methodology

To answer these questions, I mapped businesses in order to determine the distribution of the compa-

nies that are thought to be brought to the region by the airport, as well as those considered to be important to the regional economy based on their level of export production. Employment data from the US Census were used to determine the number of jobs in addition to the number of businesses. Additionally, I studied local attitudes towards the airport and economic development by interviewing airport officials, city planners and mayors from adjacent municipalities, and citizen activists. In order to preserve anonymity, interviewees are not named in this paper.

The FAA's standard method of measuring the economic impact of an airport includes direct, indirect and induced effects, based solely on the amount of passengers traveling through an airport. Direct impacts, about 15 percent of the total, are those directly related to air transportation, either within the sector itself, or related sectors such as hotels, car rental facilities, or airport parking (Wilbur Smith Associates 2000). While such firms are likely to locate at the airport itself, they may also be found in neighboring towns, creating a characteristic landscape of parking lots and chain hotels.

Indirect impacts are also called forward and backward linkages: those firms that take the product of air transportation and use it as part of their own production process. They comprise about 20 percent of all airport-related jobs. Indirect impacts are often assumed to be evenly distributed throughout a metropolitan area, and they are often lumped together with induced impacts in economic impact

reports. Indirect impacts benefit firms assumed to be important to the economic competitiveness of the region, and they tend to depend on air transportation. Thus, determining where these firms are located is critical to examining the equity of economic development impacts from MSP.

Finally, induced impacts consist of the retail or service firms on which direct-impact firms and workers spend money. Induced impacts are more likely to be evenly spread throughout a region because of workers' mobility. Furthermore, business services are likely to serve more than just airport firms. For this reason, they are not considered as part of the current analysis.

Based on previous work (Loughlin 1996; Zaidi et al. 2001), I developed a list of twenty-five sectors for the Minneapolis-St. Paul metropolitan area (Table 1). These sectors either have high location quotients (that is, they produce a relatively large percentage of products for export); produce high-value, light-weight goods that tend to be shipped by air; or have company headquarters or regional offices, thereby requiring travel on the part of their executives or sales representatives.

The studies from which the list of key sectors was chosen used the seven-county Metropolitan Statistical Area (MSA) as the study area. If firms belonging to sectors that are important to the Twin Cities economy are found outside the seven counties, it is still likely that they use MSP for freight and passengers. However, outside the seven counties (a distance of approximately twenty-five miles from



Table 1. Sectors chosen for analysis, by SIC code.

Source: Author

Code	Commodity	Code	Commodity
2041	Flour and Other Grain Mill Products	3571	Electronic Computers
2045	Blended and Prepared Flour	3572	Computer Storage Devices
2083	Malt	3577	Computer Peripheral Equipment
2671	Paper Coated and Laminated Packaging	3599	Industrial Machines, NEC
2672	Paper Coated and Laminated, NEC	3672	Printed Circuit Boards
2731	Book Publishing	3695	Magnetic and Optical Recording Media
2750	Commercial Printing	3822	Automatic Temperature Controls
2782	Blankbooks and Looseleaf Binder	3823,4,9	Mechanical Measuring Devices
3080	Miscellaneous Plastic Products	3841	Surgical and Medical Instruments
3444	Sheet Metal Work	3842	Surgical Appliances and Supplies
3482	Small Arms Ammunition	3845	Electromedical Apparatus
3483	Ammunition, Except for Small Arms, NEC	4500	Air Transportation
3489	Other Ordnance and Accessories		

Note: NEC indicates "not elsewhere classified."

MSP), it is unlikely that such firms base their locational decisions on proximity to the airport. Additionally, the negative effects of MSP such as noise and air pollution are not likely to be felt at such a distance, and so the balance of airport effects is clearly positive. I therefore defined the study area as all the ZIP codes that are entirely or partially contained by the seven-county MSA.

Standard Industrial Classification (SIC) codes were used to map the location of firms in the sectors which are most likely to use the airport, and where firms in those sectors are located in relation to MSP.<sup>1</sup> The US Economic Census lists businesses

based on their four-digit codes in their yearly ZIP Code Business Patterns. It is therefore possible to map all of the businesses within a metropolitan area that produce a certain good or service and determine exactly what goods or services are produced in a certain area, down to the ZIP code level. In the next section I describe the maps created from these SIC data, corresponding to the twenty-five target sectors identified above.

### The Spatial Distribution of Airport-Related Development at MSP

Figures 2 and 3 demonstrate the spatial distribution of the indirect economic impact of MSP generated

as described above. The first map shows the distribution of target firms as a percentage of total firms, while the second shows the distribution of target jobs as a percentage of all jobs. In Figure 2, we see that the firms that are considered to be indirectly reliant on the airport are, for the most part, located in other parts of the metropolitan area. In fact, the heaviest concentrations are directly opposite downtown Minneapolis from the airport. In Figure 3, the indirect economic effects in terms of jobs are more dispersed, but are still concentrated in areas away from the airport. If these are the firms and jobs that are expected to grow with airport expansion, they will not directly benefit the communities neighboring MSP. Rather, these benefits will fall in the southwestern and northern suburbs, which are parts of the metropolitan area that are already experiencing growth.

Figure 4 shows the DNL contours around the airport, the official designation for "noise-affected" areas as determined by the MAC (MAC 1996). Though not a perfect measure, these contours show the extent to which residents are considered by federal law to be negatively affected by noise. Since the contours are based on flight tracks, they are an approximation of the spatial extent of exposure to air pollution as well. Not surprisingly, they are concentrated around the airport, in relation to the location of the three runways.

For the most part, the communities adjacent to MSP are not receiving the economic development benefits of the airport to the same extent as some

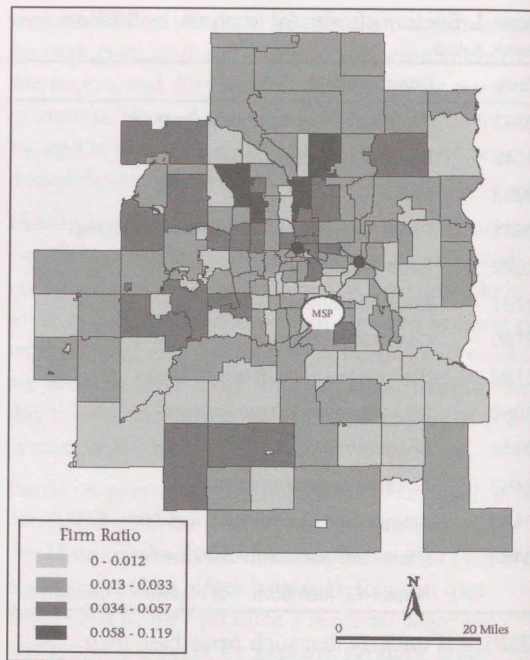


Figure 2. Spatial distribution of the firms in target industries. The large black dots indicate the downtowns of Minneapolis and St. Paul.

Source: Author

communities farther away, showing that both scalar and spatial mismatches exist between airport benefits and costs. The exceptions are Minneapolis to the north and Bloomington to the southwest. Minneapolis contains firms and jobs that are airport-related in other parts of the city than those affected by airport noise, such as downtown. Bloomington



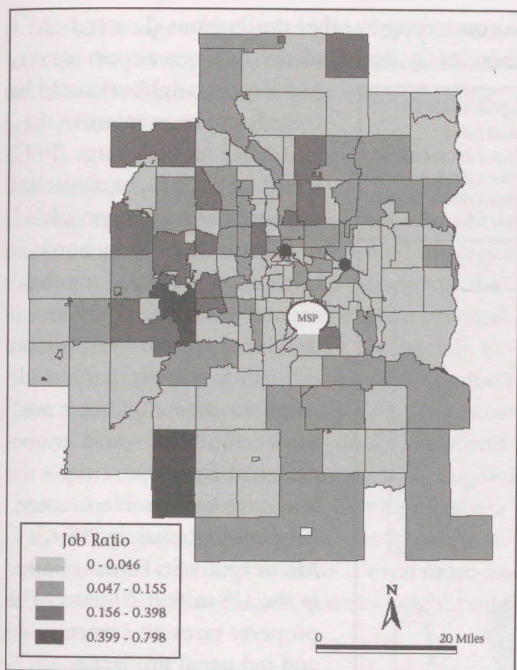


Figure 3. Spatial distribution of jobs in target industries. The large black dots indicate the downtowns of Minneapolis and St. Paul.

Source: Author

is the only city of the seven under study that has aggressively pursued ancillary development such as parking lots and hotels, and is the most pro-airport of the seven.

A number of interviewees pointed out that MSP expansion will benefit municipalities farther away simply because adjacent ones are already built out.

There is little land available for new development in the airport environs, and so any new jobs and/or firms are likely to locate elsewhere, unless cities invest heavily in redevelopment. An official from Mendota Heights, immediately to the east of MSP, noted that CEOs tend to locate their companies near where they live, and they are not likely to want to live with airport noise. Additionally, high quality office space is rare in the airport environs. A former city council member from that same municipality noted that, "The quality of office buildings and all of that is like a grade B/C, compared to the western suburbs that would be like a Grade A. You'll see that we do not have the high-grade kind of buildings at all. So the airport is not benefiting us." A planner from St. Paul echoed this comment, noting that as part of a redevelopment project immediately across the Minnesota River from MSP, "we did our market analysis. . . . you don't have a lot of office developers saying there's a market to have an office right next to an airport." Though past research suggests that office development is drawn to the airport environs (e.g., Taira 1993), the results from MSP suggest that such a conclusion depends on the geography of the metropolitan area under study. As Centonze (1989) found for New York and Coley/Forrest found for Atlanta, office development tends to locate in the wealthiest, fastest growing sector of the metropolitan area, regardless of where the airport is located. The question remains of balance between airport users and those who suffer the environmental effects. Since MSP is a major hub, most of the pas-

sengers who fly in and out are not from the Twin Cities. In fact, just over half of the travelers at MSP

are connecting to other destinations (Lee and Prado 2002). An imbalance between airport users

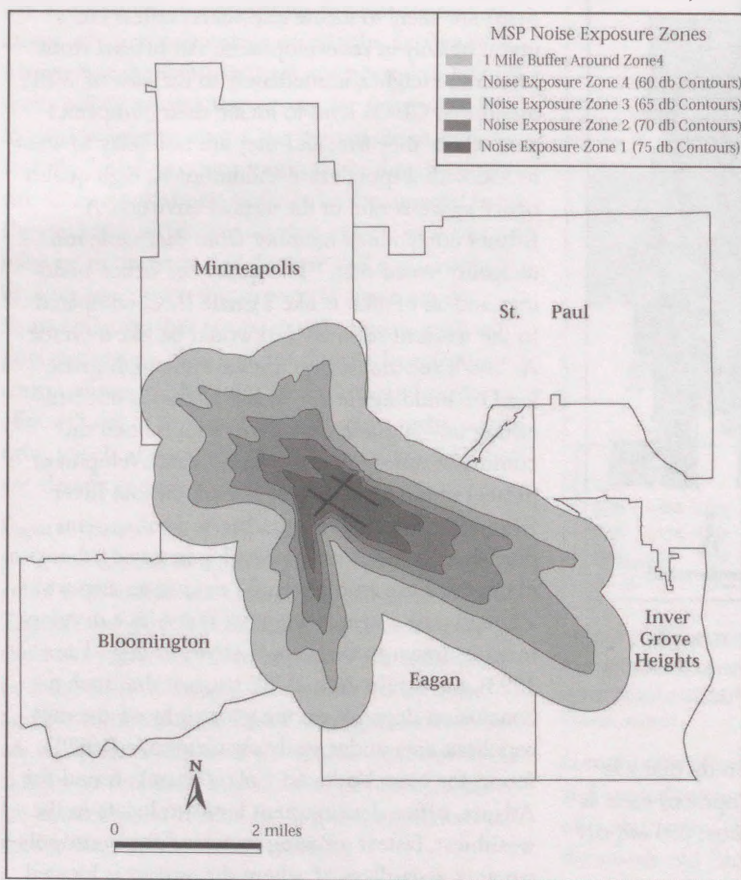


Figure 4. MSP and study area municipalities, including estimated 2005 noise contours.

Source: Author

and airport neighbors could be solved with an increase in the passenger facility charge (PFC) levied on each flight, with the extra proceeds going to additional soundproofing, home buyouts or the like. An imbalance in terms of economic development, however, is more difficult to remedy, particularly when the most obvious types of development—such as park-and-fly or car rental lots—are undesirable to some neighboring municipalities. Minneapolis-St. Paul is unique in the US in that 40 percent of property taxes on commercial and industrial properties are redistributed throughout the metropolitan area, alleviating this imbalance to some extent (Economics Research Associates and Dalhgren, Shardlow, & Uban 1996). However, the redistribution is done with regards to all municipalities in the seven-county area, and not just on the basis of airport-related development. Another option would be for the MAC



to take advantage of its authority to levy property taxes on the metropolitan area to enable communities to redevelop in order to gain some economic benefit from airport expansion.

### **Conclusion**

The regional economic benefits of MSP are not evenly geographically distributed around the region, nor do they occur at the locations adjacent to the airport that bear the most negative environmental effects. While these results are not comparable to Hoare's findings that within ten miles of London's Heathrow Airport there is actually a negative economic effect, they do throw into doubt arguments that airport expansion benefits all parts of the Twin Cities. Airport-related economic development is a local, not a regional issue and the question of mismatch between costs and benefits is even more important with regards to municipalities neighboring the airport.

Part of the imbalance between airport benefits and negative effects comes about because of the location of authority and responsibility with regards to airport decision making. When the state legislature claimed the power to decide that MSP should be expanded, it did not take any of the responsibility to mitigate the effects of that expansion. If the airport truly does benefit the entire state—and it does, at least in the form of state taxes, regardless of any other possible economic benefits—then the responsibility of mitigation lies at the state level as well. Even within the metropolitan area, the MAC

has not taken advantage of its power to levy property taxes. Again, if some of the airport's benefits are truly regional in their scope, then the entire region should be compensating the municipalities and individuals who bear the negative effects.

These imbalances will affect the airport when the expand-or-replace question recurs. Because the current expansion plan is expected to handle demand until approximately 2020, the issue will be raised again soon. The additional investment that the new runway represents at the existing site makes it unlikely that a new site will soon be chosen. However, there is no further room to expand on the existing footprint, and any extension of airport property would be strongly opposed by neighboring municipalities. The balance of economic and environmental effects and the ability of municipalities to keep their land uses compatible would probably intensify with further expansion.

While economic development is certainly part of the impact reports conducted for megaprojects such as airports, the spatial component of that development is often ignored. Breaking down the economic impacts of megaprojects to smaller scales than that of the region may show that the economic and environmental impacts of a project do not occur at different spatial scales, as is often assumed. If, for example, the economic development that an infrastructure project attracts to a region is concentrated in a few municipalities, while the environmental impacts are located in other municipalities, it makes less sense to argue

that economic benefits to the entire region outweigh the negative experiences of a few people. It forces municipalities and regions to think through issues of intra-metropolitan equity more carefully with regards to both the costs and benefits of megaprojects.

### Notes

<sup>1</sup> SIC codes have since been replaced by the North American Industrial Classification System (NAICS). However, since the airport expansion decision making process was concluded in 1996, it makes sense to use data from the mid-1990s, before data were converted to NAICS.

### References

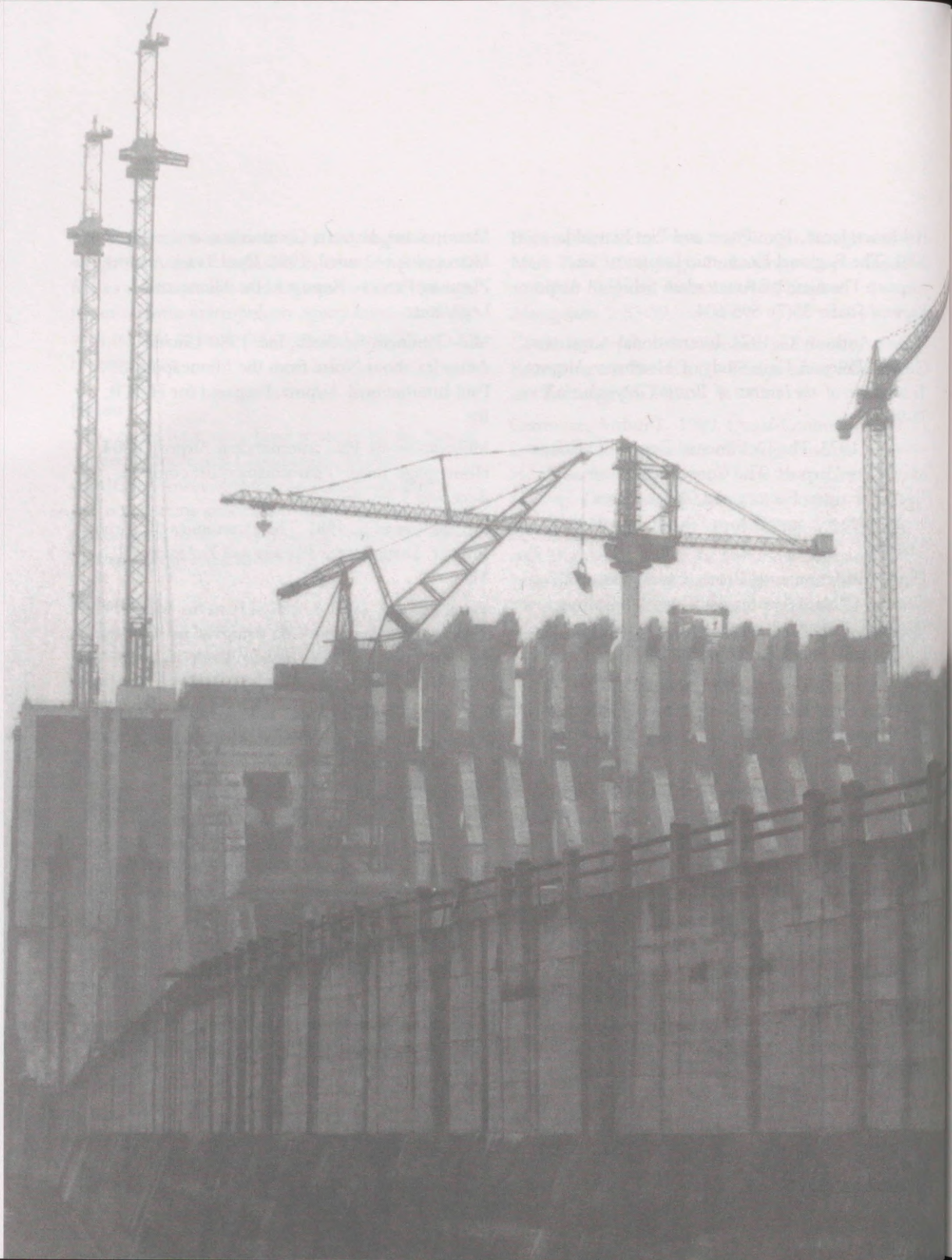
- Altshuler, Alan and David Luberoff. 2003. *Mega-Projects: The Changing Politics of Urban Public Investment*. Washington, DC: Brookings Institution Press.
- Airport Technology and Planning Group, Inc. (ATPG). 1998. Airport/Community Economic Impact Study. Technical Report Prepared for the Twin Cities Metropolitan Council. St. Paul, MN.
- Banister, David and Yossi Berechman. 2001. Transport Investment and the Promotion of Economic Growth. *Journal of Transport Geography* 9: 209-218.
- Black, William. 2001. An Unpopular Essay on Transportation. *Journal of Transport Geography* 9: 1-11.
- Borchert, John. 1967. American Metropolitan Evolution. *Geographical Review* 57(3): 301-332.
- Button, Kenneth, Somik Lall, Roger Stough and Mark Trice. 1999. High-Technology Employment and Hub Airports. *Journal of Air Transport Management* 5: 53-59.
- Caves, Robert E. 1994. Aviation and Society – Redrawing the Balance (I). *Transportation Planning and Technology* 18: 3-19.
- Centonze, Arthur L. 1989. Quasi-Economic Locational Determinants of Large Foreign Headquarters: The Case of New York City. *Economic Development Quarterly* 3(1): 46-51.
- City of Park Ridge (IL). 2000. Preliminary Study and Analysis of Toxic Air Pollutant Emissions from O'Hare International Airport and the Resulting Health Risks Created by These Toxic Emissions. [<http://www.areco.org/ORDair1.pdf>]. Accessed 10 April 2004.
- Coley/Forrest, Inc. 1987. Ready for Takeoff: The Business Impact of Three Recent Airport Developments in the U.S. Denver, CO: Colorado National Banks.
- Economics Research Associates and Dalhgren, Shardlow & Urban (ERA/DSU). 1996. Economic Impacts of the Alternative Airport Development Scenarios. Prepared for the Twin Cities Metropolitan Airports Commission.
- Flyvbjerg, Bent, Nils Bruzelius and Werner Rothengatter. 2003. *Megaprojects and Risk: An Anatomy of Ambition*. Cambridge UK: Cambridge University Press.



- Hakfoort, Jacco, Tom Poort and Piet Rietveld. 2001. The Regional Economic Impact of an Airport: The Case of Amsterdam Schiphol Airport. *Regional Studies* 35(7): 595-604.
- Hoare, Anthony G. 1974. International Airports as Growth Poles: A Case Study of Heathrow Airport. *Transactions of the Institute of British Geographers* 63: 75-96.
- . 1973. The Detrimental Economic Effects of a Major Airport: The Consequences of Heathrow upon Factory and Office Firms. *Tijdschrift voor Economische en Sociale Geografie* 64(6): 339-351.
- Illinois Environmental Protection Agency. 2002. Chicago O'Hare Airport Air Toxic Monitoring Program. [<http://www.epa.state.il.us/air/ohare/index.html>]. Accessed 30 July 2004.
- Irwin, Michael D. and John D. Kasarda. 1991. Air Passenger Linkages and Employment Growth in U.S. Metropolitan Areas. *American Sociological Review* 56: 524-37.
- Lee, Darin and Maria Jose Luengo Prado. 2002. The Impact of Passenger Mix on Reported "Hub Premiums" in the U.S. Airline Industry. [<http://www.luengoprado.net/pdfs/dlml.pdf>]. Accessed 10 April 2004.
- Loughlin, Melissa. 1996. Shifting Global Airline Service and the Local Community (Report MN/RC-96/02). Minnesota Department of Transportation.
- Metropolitan Airports Commission and Metropolitan Council. 1996. Dual Track Airport Planning Process. Report to the Minnesota Legislature.
- Mid-Continent Research, Inc. 1986. Citizen Attitudes about Noise from the Minneapolis-St. Paul International Airport. Prepared for HNTB, Inc.
- Minneapolis-St. Paul International Airport. 2004. Home page. [<http://www.mspairport.com>]. Accessed 3 January, 2004.
- Pitfield, David E. 1981. The Economics of Airport Impact. *Transportation Planning and Technology* 7: 21-31.
- Taira, Atsushi. 1993. Location Patterns and Attributes of Japanese Companies in the Chicago Metropolitan Area. *Geographical Review of Japan* 66(2): 173-182.
- Wilbur Smith Associates. 2000. Airport Economic Impact Study. Prepared for the Rhode Island Airport Corporation.
- Zaidi, Mahmood, Robert Johns, Fred Beier, George John, Wilbur Maki, Gerard McCullough and Shunrong Qi. 2001. The Competitiveness of the Twin Cities Metropolitan Area and the Minneapolis-St. Paul International Airport: Building and Using a Knowledge Base (CTS 01-03). Minneapolis, MN: Center for Transportation Studies, University of Minnesota.

JULIE CIDELL ([julie\\_cidell@yahoo.com](mailto:julie_cidell@yahoo.com)) is an assistant professor of geography at California State University in Sacramento. Her research interests include airports and air transportation, megaprojects, public participation in urban planning and the geography of food.







# From Mega to Micro: A Conversation with Manuel Pastor, Jr.

**Martha Matsuoka**

Manuel Pastor, Jr. is a professor of Latino/Latin American Studies and co-director of the Center for Justice, Tolerance and Community at the University of California, Santa Cruz. His current research includes a focus on community-based development strategies in metropolitan regions, specifically innovative efforts to address needs of low-income residents and immigrant workers. He also works on issues concerning environmental justice and has published widely in that area. His most recent books include *Up Against the Sprawl: Public Policy and the Making of Southern California* (co-edited with Jennifer Wolch and Peter Dreier) and *Searching for the Uncommon Common Ground: New Dimensions on Race in America* (co-authored with Angela Glover Blackwell and Stewart Kwoh).

Major infrastructure investments and megaprojects drive and reflect current trends in the regional development of Southern California. Examples are plenty: the Alameda Corridor, the planned expansion of the ports of San Pedro and Long Beach and the Los Angeles International Airport (LAX), and the ongoing redevelopment of the Staples Convention Center area. Each of these megaprojects has direct impacts on the regional economy as well as on surrounding communities. Community-based organizing and activism, particularly among low-income, working poor and immigrant communities of color, is increasingly challenging the development of megaprojects. Issues of fiscal, environmental, political and social costs are central to this emerging community-based organizing and drive demands for public participation and project accountability. Communities are increasingly raising the question: "Development for whom?"

We invited Manuel Pastor to share his insights on the role of megaprojects in the changing regional economy and how they shape, and are shaped by, low-income, working class and immigrant communities in the region.

**Matsuoka:** How do you see the relationships between megaprojects and the economic, environmental, social and political transformations that have occurred in Los Angeles over the past ten years?

**Pastor:** The large-scale development projects or megaprojects seem to be part of Los Angeles trying to find its footing in the new economy. Many of the largest of these projects—the developments around the ports, the Alameda Corridor, the potential expansion of the 710 freeway and various intermodal transfer stations—seem to be connected to the notion of repositioning Southern California as a major location for the trans-

shipment of goods. Of course, Los Angeles and its ports have long had a major role in terms of global trade but recent megaprojects reflect a far more conscious intention about positioning Southern California by building an infrastructure that will make that possible. Even the expansion of LAX is a part of Southern California's role as an international center for goods and services.

I think that economic repositioning comes out of the fact that the local economy got hollowed out in several very critical ways. There was the well documented widening divide between the rich and the poor, the shrinkage of traditional industry and the re-emergence of a bifurcated new economy with some very high-end service jobs on one end and very low-end service jobs on the other. What got left to the side are the jobs that are accessible for those workers in Los Angeles County who are semi-skilled but looking to move up. In short, the changing economy brought about the disappearance or shrinkage of middle class, unionized jobs. This was also accompanied by a very rapid demographic transformation of the region, including the increasing presence of immigrants. Some are arguing that repositioning Los Angeles as a goods transfer station is exactly the right recipe in the context of these changes: that it will provide employment that fits the skill set of those displaced by the earlier economic changes and connect with the international ties that an immigrant population can provide.

Another response to these trends would be to educate the population more broadly and reposition the

region for higher value-added industries. But that hasn't really been the case, partly because that sort of repositioning requires a tremendous investment not simply in infrastructure but also in the public school system. Yet there's been a tremendous abandonment of that public school system by the middle and upper classes. I think that is where you really need to put the investments to place people in the region in a higher value-added position in the world economy. Instead we seem to have an infrastructure-driven strategy.

**Matsuoka:** Do you see these big infrastructure projects as useful levers to address some of the conditions you describe?

**Pastor:** I think there can be opportunities for megaprojects to address the negative impacts of economic changes but I also think that these megaprojects have generally been oversold as job creators. For example, the jobs that global trade creates may be in a lot of places, but not primarily in the transshipment centers themselves. Moreover, the jobs that will be created per square acre of land used may not be the number of jobs you would create if you were using that land in different ways, for example, in the revitalization of manufacturing. The proposals to expand LAX and the 710 Freeway and to build the Alameda Corridor East are all cases that will expand capacity for goods to go up to intermodal transfer stations; there, they'll be shipped to other transfer stations in the outlying suburbs and then to the rest of the country.



There may not be that much job creation in Los Angeles despite the promises, and whatever job creation happens here won't necessarily be connected to the communities that are along the path of the trade train. There was certainly that risk with the Alameda Corridor project, although in that case communities organized to get a significant share of construction jobs. The proposed expansion of LAX is an example of the problem as well. The expansion will exacerbate the already disproportionate traffic impacts in adjacent communities. People from all over the region come in to fly away to do business. Thus, the burdens are local although the benefits are regional. With regard to cargo at LAX, this is lightweight, high-value cargo—goods that lower-wage workers in Los Angeles are not likely to be involved in producing. The jobs that will be created by LAX expansion—even more so in the earlier proposal before it was tapered back in part for environmental justice reasons—are in the service kiosks of the airport. Many of these would be union jobs—and that's good—but the bottom line is that impacts on employment and wages will be relatively modest and burdens from increased traffic and attendant pollution large. That's one of the reasons why communities in the area have raised the expansion of LAX as a key environmental justice issue.

**Matsuoka:** What do you see as avenues for communities to direct the financial investment and subsidies required for these megaprojects into investment and strategies for revitalization of communities?

**Pastor:** I think that Los Angeles has been a leader in several key ways in trying to capture community benefits from megaprojects. One clear example is the Alameda Corridor project. Community organizations got engaged in the process so their residents could get the construction jobs that would come out of it. This led to the establishment of the Alameda Corridor Jobs Coalition and the tremendous campaign it waged to win a first-source hiring and training program in the construction stages of the project. The harder challenge, however, was gaining traction on the permanent jobs that might have been created after the construction of the corridor was complete. For example, jobs in the factories and industries along the corridor that put goods on that trade train. That's been harder to get traction on.

A second example is the community organizing of the Figueroa Corridor Coalition who targeted the expansion of the Staples Center and won a landmark community benefits agreement. The agreement between the City of Los Angeles and the developer of the Staples Center linked community development with a regional megaproject in order to ensure affordable housing, improve neighborhood conditions, and create job training programs that will allow people to move into the service jobs that are going to flourish as a result of the Convention Center. I think that we have a lot of community organizations that are ready to do this kind of organizing and campaigns.

The issue is that when you hear about global trade and you hear about jobs generated from it, there's

this underlying notion that it is going to lead to clearly positive economic impacts. The big thing is to see who's winning, who's losing, and what's going to be required to tie people in to the development projects in a way that makes sense—and in a way that goes beyond the building of the project *per se*. It's one thing to have jobs while you're laying the pavement, and something very different to have jobs that come permanently from those megaprojects. We need to be thinking more of our urban communities as economic resources and forging new development strategies that harness economic activity generated by megaprojects in a way that strengthens and develops what we've got locally. So I think the issue with regard to these large-scale regional projects is that there will be new jobs in transport, there will be new jobs in warehousing and there will be new jobs at the port. One key issue is to work on the training and linkages to connect people to sources of more permanent employment and not simply temporary employment during construction. Work also needs to be done to insure that maximizing local job creation is actually a key variable in deciding the worth of these projects.

**Matsuoka:** What are the biggest challenges communities face in directing development at a time, as you argue, when Los Angeles finds its footing in the new global economy?

**Pastor:** I think the greatest challenge will be to shift gears from project-based strategies to policy strategies. In the San Francisco Bay Area, and specifically in San Jose, the labor-affiliated think tank Working

Partnerships USA has been working hard on community impact reports, community benefits agreements and community accountability with regard to public subsidies that flow through their redevelopment program. To some extent, they have been successful but they are running into a lot of resistance right now as they try to turn from focusing on a single project to formulating a broader policy about how development should proceed. This is the challenge that's ahead of all of us. It's one thing to say "Here's the Alameda Corridor—let's organize around the Alameda Corridor and try to leverage some jobs out of it," or to say, "Here's the expansion of the Staples Center—let's organize around this very evident and spectacular development and try to get some benefits out of it." It's quite another to turn this into a policy that would say that any public subsidy has to deliver on community benefits; that it has to respect environmental justice concerns and not contribute to environment inequity and that it has to think about the permanent jobs and not just the short run jobs. One of the interesting things about the Figueroa Corridor Coalition and its Staples Center campaign is that the leaders and organizers did think about permanent jobs.

The environmental justice movement has had experiences in this area. If you try to clean things up site by site you are going to exhaust your community energies and you will still be chasing the next site where somebody wants to pollute. Whereas if you can change to a policy level, and focus on what is the permissible level of pollution and the permissible degree of hazards, then you can change the playing



field in some ways. The new frontier is policy. When we go in that direction, we're going to see big battlegrounds between communities and business. Why? Because when you have a project by project approach, usually at least one business will figure, "Gosh, if we could somehow cut a deal with community organizations then we'll be able to get this through the political process." But when you start talking about actually changing policy in a way that makes it standard operating procedure to consider community benefits, then you get a large sector of the business class very opposed to these kinds of concerns.

If you think about Los Angeles at this particular time with its huge set of megaprojects, the fact is that we will need to be thinking creatively at a regional level because that's the level where organizing really needs to take place. These are region-serving projects. We will need to focus on community benefits, community accountability, and the policies that will govern how we make these investments. That's really the challenge for progressives to put into place. Both in terms of thinking about what the levers are to make the changes and figuring out what is the political terrain. Who are your allies? Who holds power? And who will you have to confront and fight as you move forward? The benefit in Los Angeles, of course, is that there is a set of vibrant and inspirational community-based organizations that have been doing this thinking for some time. They have developed their own economic analysis of the region, they understand how to do 'power maps' and have shown a capacity to pull the levers for change. It's an exciting set of capabilities in an exciting time —

but the very future of the region is on the table and so it will require as much capacity as communities and their leaders can muster.

We also know that the approval and financing process for megaprojects is a highly political process. So I think what is innovative about what some folks are doing is understanding and promoting leadership development. The victories in San Jose were not to be expected. San Jose has never been a bastion of progressive thinking; it is very business-oriented and it's the heart of Silicon Valley, which obviously puts a very entrepreneurial and individualistic kind of frame on the way people think about business and the way they go about doing things. One critical contribution was that Working Partnerships developed a leadership institute that brings in both elected officials and community leaders to go through leadership development together. They learn to understand one another and they would learn about issues and policies in order to develop joint perspectives. People have run for office after attending these leadership institutes. So one of the things I've seen in the Bay Area, as well as in Los Angeles, is that leadership training, leadership building and bridging activities allow people to really call on one another. We need to be much more intentional about such leadership development and see it as a long-term investment in our future.

One more important issue in relation to community groups is that they have become great consumers and producers of research and have been able to link this research to their organizing work. Environmen-

tal justice organizations have brought together some of the best research demonstrating that the issues they are facing are quite common - that there's a problem of environmental inequity in the state and that we've got this very sophisticated research to back it up. On the other side, you have businesses that assume that community organizations are not going to be smart about this. They say "Well, it's going to hurt business" or "You haven't really proved causation yet." Of course the easy response is that for a long time we didn't know for sure that cigarettes caused cancer either, but we knew that when people smoked cigarettes they tended to die. It took a long time to put together the epidemiological models that demonstrate how it happened. We still knew that there was a pretty important correlation there. Community groups are likewise mustering up regression models, independent community monitoring of air toxics, and the like. Again, organizing and research are coming together.

**Matsuoka:** How do you see these megaprojects and large infrastructure projects as levers that could drive our regional economy and or expand our local serving industries?

**Pastor:** First, it's important to distinguish between industries that are regional drivers and those that are locally serving. Driving industries in a region often produce items or services that are actually exported to other regions. They're important because they might be sticky or enmeshed in a set of relationships or industrial advantages that the region has, such as software in the Silicon Valley or entertainment in Los

Angeles. They are sticky in the sense that they don't move easily and they attract other companies. Even with outsourcing, software firms are keeping a presence in the Silicon Valley and it's certainly hard to conceive that anyone would do a new entertainment company without having a base in Los Angeles. Those are important industries, yet most of the employment is actually created in the local serving areas despite lots of attention going to global trade. We're about to have more than 40 Wal-Mart superstores come into Los Angeles, with their main competitive advantage not being efficiency but the fact that they pay their workers very low wages. That will drive out a lot of the grocery stores, which is why the grocery store owners were so recalcitrant in this recent strike and wanted to come up with a two-tiered structure.

This is what's going to lower the standard of living in the region—and it is a local serving industry. It's got nothing to do with megaprojects and yet it may have a far more important impact on people's lives—their access to health insurance, the level of wages—than the widely spoken about megaprojects. One of the things I worry about is that the glitter and attention of the megaprojects moves us away from the fundamental changes in the economy that are really eroding people's lives. So you say, "Great, we're going to have thousands of new jobs in moving goods around" but we're moving them to Wal-Mart, which will be basically destroying the very kind of local serving industries and the lives that are made there. So I think it's going to be very, very important to focus on these local serving industries. What



would it mean if we had a very strong union movement, good planning and a commitment to health care for everybody? Some of these megaprojects would help the driving industries do better and have wonderful impacts on the local serving industries as well. So I think again, we really need to focus in on the social movements and public policies that will insure that the local serving sector is providing a decent standard of living.

**Matsuoka:** Is there some carrying capacity or optimum level of megaprojects in the region?

**Pastor:** How many of these projects can be absorbed? I think there are at least two different elements of the absorption. One factor is how much we can absorb economically. I worry that we will hollow out even further by becoming a major trade center and lose some of the industries that we've got now. The question is whether these industries will be able to get onto that trade train themselves and whether we can generate positive spillover effects. The other issue is really environmental. All of these megaprojects are fraught with environmental justice concerns because all of them are going into areas that are already heavily impacted by an abundance of refineries, by very high levels of ambient air pollution and by a tremendous number of hazardous waste facilities.

It was very clear with the original plans for the expansion of LAX that planning for improved air transportation was basically polluting a local neighborhood to generate regional benefits for everyone. The

alternative was sharing the burden by developing a strategy that would have spread the impacts of air traffic around in a more reasonable way. This was done to some degree when plans were cut back for airport expansion but it's still an issue. I think there's some real environmental carrying capacities. Think about the port and that area. If you have spent any time down there, you just have to wonder whether or not there's the capacity to ruin the air further with more diesel truck traffic.

The East Yards communities in the City of Commerce are located in an area where houses come right up against an intermodal transfer station in which rail and truck lines converge. Residents have been there as long as 57 years. When the oldest of them first moved in, the areas abutting their house were agricultural lands owned by Japanese farmers that were taken during the period of internment in World War II. After that, the land was taken by the railroads and in the last ten years it's really bumped up to an intermodal transfer station. Because it's interstate commerce, there's no local authority to determine the level of traffic or the level of pollution. Huge numbers of trucks, as well as cranes that move goods and cargo around, run alongside people's houses. There's tremendous air and noise pollution. This raises a critical question of how much more these people can bear.

Those opposed to environmental justice frequently argue that it's not that the hazards are being placed in minority communities but rather that people of color are moving in the direction of the hazards.

What we really see in East Yards is a classic case of the opposite: an industry expanding and having environmental encroachment on the quality of life of people nearby.

So who is paying the price for a global trade system? It's the people who live in East Yard who now face the cacophony of trucks, cranes, and trains. That's the price being paid. And that's an issue of environmental carrying capacity. But it is not the whole environment or whole regions that are bearing the impacts; these impacts are carried by communities like East Yard, Wilmington and the port areas. That's the real issue with regard to whether or not we have the capacity. And frankly I'm not sure that we do. These communities are now so overburdened that if we were to take cumulative exposure issues seriously we would begin to question whether or not we really could do this kind of vast expansion of global-trade megaprojects. Because it's occurring on the backs of particular groups of people. We haven't really seen the mitigations at a level that communities really believe is appropriate.

**Matsuoka:** What you're suggesting will require visible and coherent regional leadership. Where will that come from?

**Pastor:** One of the things that becomes clear when we understand the localized effects of regional growth and development is that we don't have a fully sketched out alternative economic development strategy for the region. We have a notion that as the Staples Center expands, we want some benefits. We

have a notion that as the Alameda Corridor gets built, we want some local jobs. We have a notion that we should have living wage ordinances and improved conditions for unionization efforts. We have a notion that we should not have disproportionate environmental exposures - that we should do everything we can to mitigate the ones that already exist. But do we really have an alternative economic development strategy?

I think that there's an interesting situation in Los Angeles. You have a fragmented business class which is not really providing that much leadership. You've got regional organizations such as SCAG trying to step in to provide some regional leadership and arguing that the global trade strategy is something that could benefit business, workers, and communities alike. Then you've got communities and community organizations that have a lot of questions about the whole process but haven't really thought through what their alternative economic development strategies are.

What are the driving sectors of the economy that will work for us? How do they connect with local serving industries? Some of the big shifts in our thinking from the last decade were how we could move from local to region to understand the terrain. There was thinking and organizing around winning a living wage across the region and about getting benefits from the Staples Center and the Alameda Corridor. There was important strategizing and organizing by the Metro Alliance around the Dreamworks studio expansion to generate jobs for inner city residents in



the entertainment industry. In short, we helped develop a regional consciousness about what the targets were. But we really don't have an alternative regional economic development strategy yet.

I think that here's where we probably find the next frontier for many of our organizations. We really need to sketch out what we think it is that will drive the economy forward. I know that we should spend a lot of time defending peoples' rights and benefits along the way. But if you're not going to do global trade because of the fact that it has these very negative environmental impacts in the most deeply affected communities, then what will be the driver of the economy into the future? Can it be manufacturing? Well, that's pretty hard in the context of global competition.

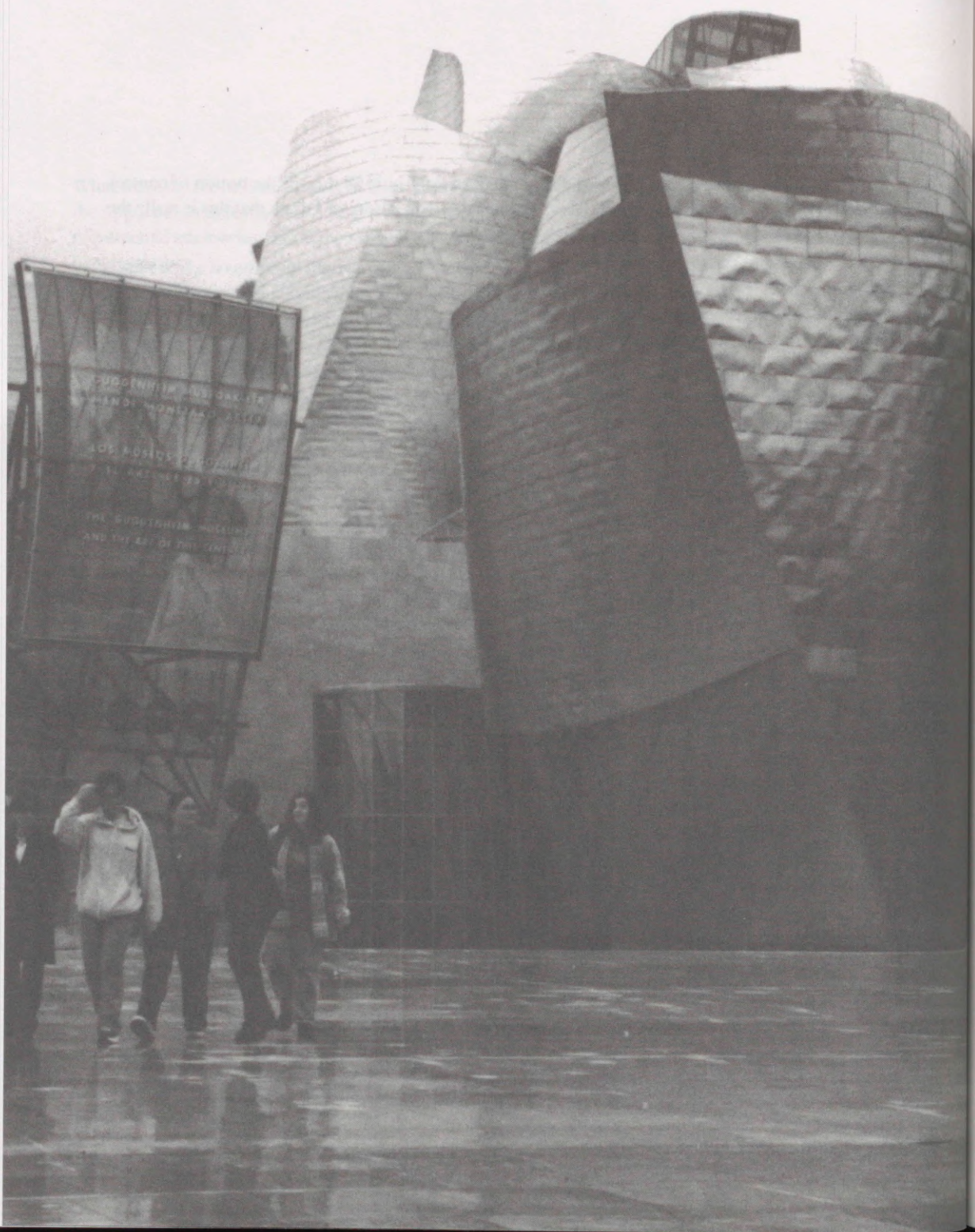
In the Bay Area, where I've been working more recently, people were trying to think about how to connect into the information technology industry and they also had a strategy about how to support information technology because that was something they thought they could connect to. It may be an imper-

fect strategy but still there is the notion of controlling regional destinies. I think that this is really the next challenge.

Certainly asking the right questions is a first step. What will this region look like? How can progressives sketch a vision of sustainable economy in terms of what are the driving sectors of the economy? Who are we making the investments for? What businesses will actually be involved? What kind of labor protections and community standards do we need to have in place for the local serving industries so we don't see the Wal-Martization of Southern California? And what do we need to do to insure environmental integrity and environmental justice across the region? Community-based organizations in Los Angeles have shown tremendous creativity and resilience in the years since the 1992 civil unrest. There's been a dramatic rethinking of strategies for both organizing and changing public policy. I'm actually fairly optimistic.

*MARTHA MATSUOKA (matsuoka@ucla.edu) is a doctoral candidate in urban planning at UCLA. Her dissertation examines how community-based organizations are engaged in regional economic development, with a specific focus on small cities in the former manufacturing core of Los Angeles. She also works on issues of environmental justice and women's organizing responses to globalization and militarism.*







# POLICY BRIEF

## Megaprojects in New York City

**David Halle and Steven Lang**

### **Introduction**

After decades when many said that New York City could no longer carry out megaprojects, several are now on the way or being seriously mooted. Among the largest are the re-building of the World Trade Center; the construction of the Hudson River Park; the development of the Far West of Manhattan—especially the city's "Hudson Yards" project which includes a stadium for the New York Jets and expansion of the Javits Convention Center; and the building of the Second Avenue Subway. These are all in various stages of progress. The Hudson River Park is about half complete, although serious questions remain about whether the funding exists to finish it. The re-building of the World Trade Center is scheduled to begin construction this year, though its eventual shape remains uncertain. The third project, the Far West of Manhattan/Hudson Yards, is still in the conceptual stage. However, Mayor Michael Bloomberg and Dan Doctoroff, his energetic and determined Deputy Mayor for Economic Development, have placed it on a fast track, since they see the stadium component as critical to the city's bid for the 2012 Olympic games. Both men argue that work must start in 2005 if the stadium is to be completed in time. The fourth project, the Second Avenue subway, is now being moved aggressively through the planning stage. Despite the subway extension's long history of contention and inaction, it appeared in the Metropolitan Transportation Authority's capital plan for 2000-2004 after State Assembly Speaker Sheldon Silver, who represents Manhattan's Lower East Side (through which the subway will pass) vowed to hold up the entire state budget if Governor George Pataki didn't fund the entire length of the project. At the time of writing, buildings to be seized under eminent domain have been selected, and discussions with their owners and other involved parties are in process. There is still a concern about costs and a shorter, alternative subway line has been proposed as well. Critics call this the "stubway."

In short, New York City appears to be moving out of a period when it was seen as unable to carry out any kind of large scale projects, which makes this an excellent time to reconsider the whole topic of megaprojects in New York City. In what follows, we first review the two projects whose defeats were critical to the percep-

tion that the City could not complete megaprojects. These are the Lower Manhattan Expressway, defeated in 1969, and Westway, defeated in 1983. Though these projects are often lumped together, they differ in important ways. Westway was, in terms of its potential detrimental impact on neighborhoods and the environment, a much less objectionable project than the Lower Manhattan Expressway. The planners involved in Westway were far more sensitive to the potentially destructive side effects of urban megaprojects than were those behind the Lower Manhattan Expressway. Largely for this reason, Westway almost happened.

Second, we look at the four new megaprojects mentioned above. We argue that each of them has sidestepped the Uniform Land Use Review Procedure (ULURP), which is New York City's elaborate process for reviewing land use projects. ULURP assigns an important role to both the city's community boards and the city council. That ULURP is being avoided suggests that New York's rediscovered affinity for megaprojects may be predicated on its ability to circumvent its own mechanisms for community review.

In sum, megaprojects in New York City have reached an interesting stage. No longer are they the products of a "willful master builder" like Robert Moses, who did his best to push through projects with minimal consultation. Neither, however, are they situated at the other extreme, the products (or hostages) of the multiple committees and layered review outlined in ULURP. In their recent study, Bent Flyvbjerg and his colleagues (2003), laid out a series

of some twenty steps that they say are fundamental to the development of megaprojects, from conception to completion. A critical step, about halfway through, is to "develop necessary legislation and make decisions in Parliament to stop or go ahead with project" (Flyvbjerg, Bruzelius and Rothengatter 2003: 126-127). In today's New York City, which may be both unusual and of great interest because of its size and importance, the "decision to stop or go ahead" may depend to a great extent on which "parliament" one goes before to make one's case. Changing the review process is one way to change the outcome.

### **Megaprojects that Were Defeated: The Lower Manhattan Expressway and Westway**

The Lower Manhattan Expressway

The "Lower Manhattan Expressway," conceived by Robert Moses as a ten-lane highway lined with huge apartment towers, would have cut Manhattan in two from east to west, wiped out the entire neighborhood that later became known as SoHo, and destroyed much of neighboring Little Italy and Chinatown. The battle against the expressway, which several opponents argued would "Los Angelize" New York, lasted from 1959-1969, and counted Jane Jacobs as one of its most outspoken leaders. The victory against the Lower Manhattan Expressway was a bellwether in national urban policy and foreshadowed changes coming in many American cities. The end of the expressway was a turning point in the fight against urban renewal, the misguided federal



program that had, since the end of World War II, helped city governments destroy so many neighborhoods in their struggling downtowns. The expressway was not just defeated but discredited; few people regret its loss and few long for a highway in the place where it was proposed. "Nobody wants a Lower Manhattan Expressway," the noted urban historian Kenneth Jackson said in February of 2004 (Purnick 2004). But Jackson, president of the New York Historical Society, is not constitutionally opposed to large-scale developments. He is one of those who believe that, in general, the city should not lose the opportunity to build megaprojects when suitable ones present themselves.

#### Westway

The historical verdict on Westway is far more mixed. In 1974, city officials formally unveiled a plan to replace the partially collapsed West Side highway, which ran along the Manhattan shoreline of the Hudson River from the Battery to 42nd Street. The plan became known as Westway. Although much of the momentum for Westway's defeat was carried over from the victory over the Lower Manhattan Expressway, and many of the same people were involved in opposing both projects, Westway was far less objectionable. Instead of bisecting vibrant neighborhoods, it was to run along the water. Instead of a giant freeway in the sky, it was planned as an underground expressway, partly depressed under a park that would share land reclaimed from the river with housing and commercial development.

In the ten years after it was proposed, Westway's supporters won over many of its opponents through a series of compromises and some well-applied pressure. In the end, however, the project was defeated by a dedicated core of activists who seized on the unlikely issue of striped bass. The creation of the park above the Westway required the replacement of the piers along the shore with landfill. Because striped bass nested in the piers, a number of marine studies indicated that the project would have a significant adverse effect on the fish population. Al Butzel, an activist lawyer, realized that this finding could be the basis for a lawsuit to delay Westway. The tactic paid off. In 1982, a federal judge revoked an earlier permit for the landfill and ruled that the applicants had deliberately understated the impact on the striped bass. State consultants did their best to save both the highway and the fish, and came up with a \$52.6 million plan to create artificial habitats by driving piles, dredging shallow basins and sinking steel and concrete "fish houses." But the governor and mayor decided enough was enough, and moved to trade in Westway funds for mass transit.

For its supporters, Westway's defeat was "evidence of one of the great urban planning mistakes in the city's history, a lost opportunity to construct vast sweeps of riverfront parkland easily accessible to West Side neighborhoods, financed almost entirely with federal funds." A few years after the project was shelved, Senator Daniel Patrick Moynihan lamented that as the victim of a time when "civic activists were

judged based on what they blocked—not what they built.” More recently, former Governor Mario Cuomo commented: “I credit them [Westway opponents] with sincerity and success. But from the city’s point of view and from the state’s point of view I think it was a colossal loss.” By contrast Congressman Jerrold Nadler, through whose district Westway would have run, echoed the dismissive view of many of Westway’s opponents when he said the project was at base a “real estate development” (Nagourney 2002). This claim was based on the fact that the city’s plan had been to build high rise residential buildings on the landfill as well as a park. Other opponents argued that the Westway money was better spent on mass transit, and of course that the environmental impact of Westway would have been negative, such as damaging the striped bass population (Halle 2004).

Still, Westway was scuttled by several highly contingent events. The findings about the striped bass had been surprising, and the option of trading in highway funds for mass transit dollars gave an exit strategy to politicians who had decided they could no longer tolerate delay. Had these cards not been on the table, the outcome could have been very different. In short, Westway could just as likely have been built as not, and had it been built there would have been less basis for the perception that New York could not complete megaprojects. Indeed, the city did build at least one megaproject during the period under discussion, the convention center on the Far West of Manhattan. Still, it is true that the city’s record of

constructing megaprojects in this period is far from impressive.

### **New York City’s Uniform Land Use Review Process—Community Boards as Spoiler**

It is significant that all four of the megaprojects currently under construction, or looking highly likely to enter that stage, skirt the ULURP. The ULURP was designed to make sure that stakeholders, and above all the community affected by any change, have a chance to scrutinize a proposal that affects land use, which is why New York City’s community boards (discussed below) have a central role in this process. ULURP gives the community boards a mechanism for successfully opposing a mayoral or city planning commission proposal, provided the community board can get support from the borough president and city council. But the ULURP casts the community boards only in the role of spoiler: they can derail projects put forward by the mayor, city planning commission and others but under almost no circumstances can the community boards propose and get their own proposal accepted if the mayor or city planning commission objects to it. The ULURP is outlined in more detail below.

#### **Origin**

The ULURP was approved in principal on November 4, 1975, when voters ratified a new city charter. Section 197-c of the charter stated that “applications by any person or agency respecting the use, development, or improvement of real property subject to City regulation shall be reviewed pursuant to a uni-



form review procedure.” On June 1, 1976, the planning commission (which sets policy for the planning department) adopted the set of procedures, commonly known as ULURP. These were later modified in the 1989 charter change to reflect the dissolution of the board of estimate and the assumption of land use powers by the city council.

The establishment of ULURP reflected two trends of the 1950s and 1960s: the increasing involvement of community boards in the development of the city, and a substantial increase in community participation in many aspects of government. The community boards originated in Manhattan in 1951, when Manhattan Borough President Robert F. Wagner established twelve community planning councils, later known as community planning boards. These boards were the first formal participatory vehicles for neighborhood groups in the city. The planning councils were designed to advise the borough president on local planning and budgetary matters. The other borough presidents created similar groups. The late 1960s brought a surge in community participation, aided in part by federal urban programs—such as the Model Cities initiative—that required local involvement as a condition for funding. In 1968, as required by the City Charter of 1963, the city was divided into 62 community districts, and the role of community boards as advisors to the city government was statutorily established. Each board was given the responsibility for advising the city planning commission on “any matter relating to the development or welfare of its district.”

During the next decade, the boards gained stature as vehicles for the expression of local views on a wide variety of public issues, especially those related to land use.

The State Charter Revision Commission for New York City, established by legislation in 1972, viewed the boards as appropriate recipients of new responsibilities and duties in relation to land use and development. These were included in the new city charter adopted by the voters on November 4, 1975. The city is now divided into 59 community districts, each represented by a community board with up to fifty members who live or work within the district. Board members, who serve without pay, are appointed by the borough president, partly on the recommendation of local city council members.

#### Process

The ULURP process is lengthy and involves numerous potential roadblocks for a project. First, an applicant must file a land use review application with the department of city planning (DCP). The DCP is responsible for certifying that the application is complete and ready for public review. Certified applications are sent within nine days to the affected community board, as well as the borough president and the city council.

Within sixty days of receiving the certified application, the community board is required to hold a public hearing, and adopt and submit a written recommendation to the city planning commission (CPC), the applicant, the borough president, and

when appropriate the borough board (if the project's scope goes beyond one community board). Thus the first public airing of the proposal is at the community board.

Within thirty days of receipt of a community board recommendation, the borough president must submit a written recommendation to the city planning commission. The planning commission must then hold a public hearing within sixty days of the expiration of the borough president's review period, and choose to approve, approve with modifications or disapprove. In most cases, a decision by the planning commission to disapprove is final, and terminates both the application and the ULURP. If the CPC or mayor dislikes a proposal, in other words, its chances of moving forward are slight. On the other hand, if the CPC or mayor support a proposal that the community board(s) and the borough president dislike, the situation gets more complicated. The CPC's approval moves the application forward, but there is a chance to shoot it down at the next stage, the city council review.

An application that has been approved by the city planning commission will be reviewed by the city council if it becomes a "triple no." A "triple no" application is one that gets disapproved first by the community board (first "no"); then by the borough president (second "no"); and then—if the planning commission approves it despite these objections—gets disapproved once more by the borough president, who has the right lodge an objection to the commission's approval within five days. This objec-

tion is the "third no", and the matter goes to the city council, which must then hold a public hearing, and approve, approve with modifications, or disapprove the decision of the city planning commission. A city council action requires a majority vote, but even this does not end the process. The mayor can veto a city council action within five days of the vote, and the council, by a two-thirds majority, can turn around and override the veto, provided it does so within ten days.

#### ULURP Summary

In the ULURP, the city planning commission, which basically reflects the desires of the mayor, holds the initiative in proposing measures. It begins the review process by certifying that a project is ready to move forward and it can hold up a project until it is satisfied that the correct supporting documents are in place, including environmental impact studies if needed. The community boards, on the other hand, can only play a blocking role. They can successfully oppose a proposal from the city planning commission, or elsewhere, provided they find allies in the borough president and, if need be, in two thirds of the city council. But a community board cannot push through a measure to which the city planning commission is opposed.

#### **Avoiding New York City's Uniform Land Use Review Process**

None of the four megaprojects now under construction, or about to enter that stage, are going through the entire ULURP process. In fact, most are not go-



ing though it at all. Clearly, proponents of megaprojects for New York City believe that if a project has to be cleared by the ULURP, it will likely not succeed.

The World Trade Center is being rebuilt on the 16-acre site owned by the Port Authority of New York and New Jersey (PANY&NJ) and is therefore exempt from many, if not all, of the City's land use requirements (this was also the case for the original World Trade Center). The rebuilding is being carried out under the oversight of the Lower Manhattan Redevelopment Commission (the LMDC), a subsidiary of New York State's Empire State Development Corporation, which is the primary economic development agency of the state government. The LMDC consists of eleven members, seven of whom were appointed by Governor Pataki—including first chair John Whitehead, a former chair of Goldman, Sachs & Co.—while the remaining four members were appointed by former Mayor Giuliani. Governor Pataki clearly has the majority of influence. Louis Tomson, a former top advisor to the governor, was selected as first Executive Director of the LMDC and runs its day-to-day operations. He was Pataki's top choice, though Mayor Bloomberg and the directors of the LMDC approved of the selection.

Despite being tapped for his job by Pataki, Whitehead has tried to avoid the appearance of political loyalty in his approach to the World Trade Center site; he has made it a point to stress his independence from the governor. For that matter, he also has made it a point to stress his independence from

Charles Gargano, head of the Empire State Development Corporation and the State's top economic development official; from the mayor of New York City; and from all other groups. "I believe that we have a marvelous opportunity to create a truly great center of the city" (Bagli 2001). Some have speculated that Whitehead is positioning himself as a nonpartisan broker to prevent the redevelopment from being mired in politics and delays, and to help him deal effectively with varied and competing groups—including the families of the over 2,000 victims of the September 11 attacks.

At any rate, the city's ULURP has scarcely been mentioned in the process, and even the city's planning commission has struggled to play an effective role. In March 2004, for example, the commission broke "its conspicuous public silence on the WTC redevelopment plan" to publicly complain about the "lifelessness of the street layout" in the plan. The proposed pedestrian-only streets, the commission argued, would lack the "vibrancy" associated with vehicular traffic. It turned out that this complaint was not new. The city had communicated the same concern in an October 2003 letter from Deputy Mayor Daniel Doctoroff to Joseph Seymour, the port authority's Executive Director, and to Kevin Rampe, the LMDC's president. When the planning commission went public with its complaint in March, David Karnovsky, the city planning department's counsel, reminded the LMDC that it needed to involve the city government if it wanted to move forward. He pointed out that if the plan-

ning commission voted to disapprove or modify the plan, the LMDC could only override that decision by a two-thirds vote of its board of directors. This is a difficult hurdle given that the mayoral appointees on the LMDC numbered just over a third of the total (Dunlap 2004).

The Hudson River Park is also exempt from the ULURP, because it is being built on land (the former Miller state highway) owned by New York State, and under legislation passed by the New York state legislature (the Leichter-Gottfried Hudson River Park Act). The process is thus under the control of the Hudson River Park Trust, a 13-member body with five appointees by the governor, five by the mayor, and three community representatives appointed by the Manhattan borough president. Again, reflecting the dominant role of Governor Pataki, the Trust's first president, Robert Balanchandran, was previously legal counsel to Pataki, and was closely involved in negotiating the terms of the River Park Act.

It is likely that most of the Hudson Yards project, including the expansion of the Javits Convention Center and the rezoning of part of the area to allow residential development, will go through ULURP. But the stadium for the New York Jets, by far the most controversial part of the project and a proposal that has generated much opposition, is exempt from New York City's ULURP because it is being built on land (disused railroad tracks) owned by the Metropolitan Transportation Authority (MTA).

The Second Avenue Subway is entirely a project of the MTA, a public-benefit corporation which runs the regional transportation network that includes MTA-New York City Transit (the largest agency in the MTA), MTA-Long Island Rail Road, MTA-Long Island Bus, MTA-Metro-North Railroad, MTA-Bridges and Tunnels, and MTA-Capital Construction. The MTA is able to use the power of eminent domain to push through its program. Chartered by New York State in 1965, the MTA is governed by a 17-person board. Members are nominated by the governor, with some recommended by New York City's mayor and the county executives of Nassau, Suffolk, Westchester, Dutchess, Orange, Rockland and Putnam counties, with the members representing the latter four casting one collective vote. The New York state senate confirms all board members.

In addition to the Second Avenue subway, MTA agencies, in cooperation with New York City and the PANY&NJ, are focusing on other megaprojects that include providing Long Island commuters with access to the east side of Manhattan via Grand Central Terminal; providing Metro-North riders direct access to the west side of Manhattan via Penn Station; and providing direct rail access to JFK airport.

### **Conclusion**

The New York megaprojects of Robert Moses are legendary, not only for their sweeping ambition but also for the destruction of neighborhoods and callous displacement of residents that was carried out to realize that ambition. Robert Caro's magisterial



COMMENTARY  
In Defense of the "Might" Project

book, *The Power Broker*, chronicled this devastation in detail, staining Moses's legacy and staining as well the idea of superscale developments designed to remake cities. Above all in order to prevent such projects, New York City developed the ULURP, which gave a central place to community boards and assigned them a mechanism for halting potentially disruptive megaprojects.

Today, however, a partial intellectual rehabilitation of Moses's reputation and of the value of megaprojects is underway in New York. The reasons for this are varied. Some have, in retrospect, chosen to focus on Moses' accomplishments as well as his excesses. They argue, for example, that because of Moses the city does at least have an effective network of highways and some magnificent parks (e.g. Riverside Park). In addition, the clear need to rebuild the World Trade Center site made it obvious that at least one megaproject had to be pushed through. As a result, several megaprojects are now in process, but all of them skirt partially or entirely the ULURP.

In short, we are in a new stage of New York City's history in which the construction of megaprojects is proceeding at a time when many people are fully aware of their potentially abusive side. Yet these

projects all circumvent the well-developed system for community involvement via the role of community boards in the ULURP. How this dialectic between community involvement and the renewed momentum of megaprojects plays out will be a central drama for years to come.

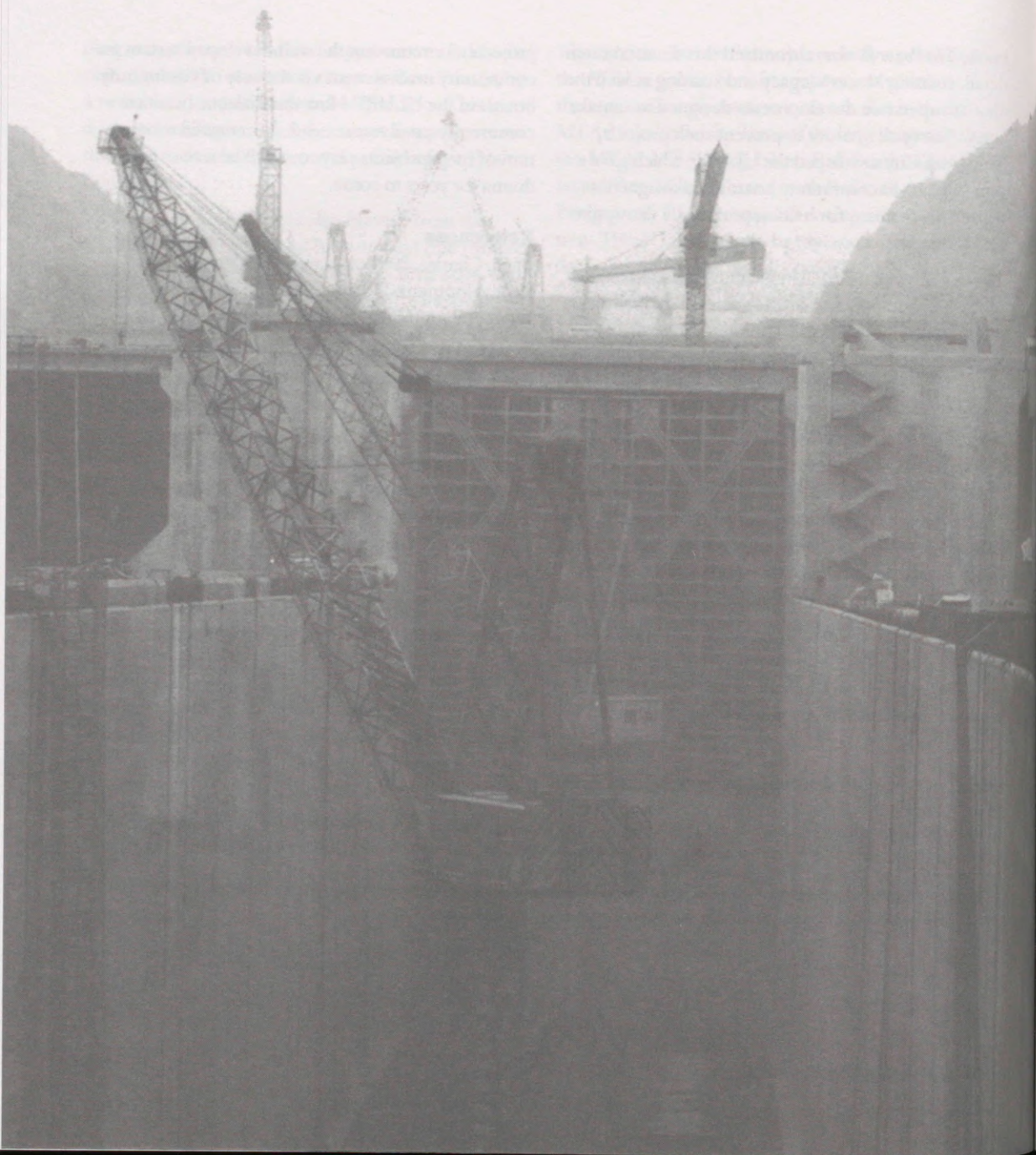
### References

- Bagli, Charles. 2001. A Nation Challenged: Redevelopment; Downtown Renewal Head Vows Independent Effort. *New York Times*, Dec 20.
- Dunlap, David. 2004. Planners Seek more Streets through Trade Center Site. *New York Times*, March 2, B3.
- Flyvbjerg, Bent, Nils Bruzelius and Werner Rothengatter. 2003. *Megaprojects and Risk: An Anatomy of Ambition*. Cambridge: Cambridge University Press.
- Halle, David. 2004. Interview with Al Butzel. February 10.
- Nagourney, Adam. 2002. A Ghost of Westway Rises Along the Hudson. *New York Times*. March 3.
- Purnick, Joyce. 2004. Who Can Part the Red Tape? Who Knows? *New York Times*, February 4, B1.

DAVID HALLE ([dhalle@ucla.edu](mailto:dhalle@ucla.edu)) is the director of the UCLA LeRoy Neiman Center for the Study of American Society and Culture and a professor of sociology at UCLA. His most recent book is (editor) *New York and Los Angeles: Politics, Society and Culture, A Comparative View* (University of Chicago Press 1993).

STEVEN LANG ([stelang@rcn.com](mailto:stelang@rcn.com)) teaches sociology at Mercy College in New York City. He has written extensively about environmental issues especially as they related to the waterfront.







## COMMENTARY

# In Defense of the “Minor” Project: Smart Planning Principles for Local Infrastructure

**Vicki Elmer**

### **Introduction**

Large scale, multi-billion dollar megaprojects have received a great deal of attention in the United States and around the world (Altshuler and Luberoff 2003; Flyvbjerg, Holm and Buhl 2002). These projects are often basic infrastructure such as highways, bridges, airports, tunnels, hydroelectric dams and telecommunications and energy facilities. Megaprojects also include large scale convention centers, waterfront redevelopment projects, opera houses and symphony halls (Sanders 1999; Judd 1999). Undeniably, the politics, financing and impact of these projects merit the interest of planning scholars and practitioners.

Yet little attention has been given to basic bread-and-butter capital infrastructure projects, an area ripe for intervention by the innovative and persistent planner. Despite the huge price tag of individual megaprojects, they are dwarfed by the sheer volume of “minor” local infrastructure expenditures. Cumulatively, minor infrastructure projects taken on by local governments define land use patterns and can set the tone for national and regional goals more than the megaprojects. However, city planners typically are not involved with the minor infrastructure projects. This is unfortunate because local planners can positively influence regional growth and local community development by paying attention to small scale infrastructure projects and utilizing smart growth principles and creative, cross-functional collaborations.

### **“Mega” and “Minor” Projects**

Although the distinction is sometimes fuzzy, mega and minor projects differ in their service areas, costs, timeframes and visibility. Megaprojects are usually intended to serve global, national, and, in some cases, re-

gional needs. They include capital projects in the billion-dollar price range, whose planning, construction and financing can stretch over decades, highly visible to the public. The Boston Tunnel, routinely discussed in headlines; the Three Gorges Dam project in China, expected to cost almost \$25 billion; and the Denver International Airport, completed in 1995 after thirty years of controversy, are examples of megaprojects. Minor projects, on the other hand, may serve a neighborhood by means of local sewer upgrades or sidewalk replacements. They include construction and maintenance of large scale but low profile water supply systems, sanitary and storm sewers (the unsung heroes of the "minor" project), local streets, sidewalks and streetscapes, including street furniture and public art, community facilities such as city halls, parks, recreation centers, libraries, criminal justice facilities, public hospitals and schools.

Although the price tags of individual megaprojects are high and the projects themselves very visible, total public expenditures for "minor" local infrastructure projects dwarf those of megaprojects. For example, in 2002, out of the \$151 billion total capital spending at the local level, only \$5 billion was spent annually on local megaprojects undertaken by public authorities. Furthermore, the backlog of funds needed to bring deteriorated local infrastructure up to acceptable standards over the next five years is \$1.6 trillion, almost as much as the federal budget for 2004 (American Society of Civil Engineers 2003).

### **Challenges for "Minor" Infrastructure Provision**

Despite the fact that Americans enjoy one of the highest standards of infrastructure in the world, today's infrastructure system—made up primarily of the "minor projects"—is at risk. Infrastructure planning needs to be radically improved to prevent deterioration of our quality of life and to stretch scarce taxpayer dollars to meet not only the coming challenges of population growth but also to replace or upgrade a staggering amount of existing infrastructure assets. Minor infrastructure provision faces three areas of challenge: providing new infrastructure in undeveloped areas in cost-effective and non-sprawling ways; upgrading infrastructure in inner city neighborhoods to meet increased demand and sustain community development; and maintaining old infrastructure according to new standards before systems collapse. Planners could address all of these challenges positively, if they were involved in local infrastructure planning.

First, new growth forces local officials to scramble for funds to provide infrastructure that often contributes to sprawl. For example, a recent study estimated that the population of the United States is expected to increase by 22% from 2000 to 2025 (Burchell et al. 2002). To meet the needs of these families, approximately \$927 billion is needed for local roads, \$190 billion for water and sewer and \$44 billion for community facilities. Although some of these funds will be spent on megaprojects, the bulk will be on small scale local and regional infrastructure projects in areas of new growth. Yet these costs could be reduced



from five to ten percent and the infrastructure could be provided more efficiently if infrastructure systems were collaboratively and creatively planned to minimize sprawl and conserve land (Burchell et al. 2002). Providing infrastructure for new growth that is less sprawling can actually reduce the costs of such projects for local governments.

Second, older central cities have on-going capital infrastructure needs. The 1990s brought a wave of investment in the "infrastructure of play" with the construction of megaprojects such as convention centers, sports arenas and downtown entertainment districts to make these cities competitive in the global market (Judd et al. 2002). However successful these megaprojects have proven themselves for upscale economic development, for the most part they did not address the infrastructure needs of low income residential neighborhoods (Hannigan 1998). Furthermore, deteriorated streetscapes in low income central city areas will perpetuate a cycle of poverty and crime. Infrastructure and the "minor project" is an important part of any community development effort. Local law enforcement agencies are joining local activists to advocate for infrastructure upgrades as a tool to fight crime and drug trafficking as part of community policing efforts. For example, in Berkeley, California, the Police Department approached me as the Public Works Director to target maintenance programs like curb repainting, street cleaning, sidewalk and street reconstruction, graffiti abatement, tree planting and trimming, street furniture and pedestrian light replacements in specific neighborhoods

in order to discourage drug traffickers. By all accounts, the community policing program in Berkeley was successful in reducing the incidence of dealing in drug "hot spots" and improving the quality of life for residents.

Third, the lack of infrastructure maintenance is a problem waiting to happen with dangerous and costly repercussions. Maintenance of infrastructure in older cities is not adequately budgeted (Campbell Public Affairs Institute 2000) and infrastructure projects in new areas are systematically approved without consideration of life cycle operating costs (Gakenheimer 1989). Many areas still need to upgrade water and sewer systems to meet federal Clean Water requirements (U. S. Environmental Protection Agency 1999). The urgent reports of the 1980s about infrastructure problems like *America in Ruins* (Choate and Choate 1983) and *Fragile Foundations* (National Council on Public Works Improvements 1988) fell by the wayside as growth problems in the 1990s came to dominate the public agenda. However, the severe backlog of high cost public infrastructure needs still poses threats of catastrophic system failures. In 1996, the city of Berkeley, with a population of about 100,000, estimated it needed a quarter billion dollars for its sewer collection systems alone. The cost of reconstruction after the system fails is about twenty-five to fifty percent higher than if it had been systematically maintained or replaced on a routine basis. Maintaining these upgrades and repairs is much more cost-effective than waiting for disaster to strike.

### **Problems with Infrastructure Planning**

The challenges that exist for the provision of local infrastructure are exacerbated by the outdated, fragmented and often rigid system that has been developed over the past fifty years to plan and finance infrastructure. Within the general purpose government, departments responsible for infrastructure like garbage collection, sewers, streets and water, airports and ports, operate as highly specialized enterprise districts often separate from other departments, due in large part to their independent sources of funding. The system of many single-purpose infrastructure providers worked well to roll out the grid of post-World War II growth requirements (Graham and Marvin 2001). These special districts, independent from city hall and county governments, burgeoned since then, increasing threefold in number from 1952 to 2002 to provide transportation, water, sanitation and the megaprojects that are currently so compelling (US Census of Governments 2002).

However, today such specialization impedes cross-functional planning as improvements in transportation and telecommunications are shrinking the virtual size of the metropolitan area. Decentralization worked well to build the suburbs but it is not adequate to meet the needs of the post-industrial, increasingly globalized economy. As boundaries are shrinking, infrastructure providers bump into each other. At the regional level, decisions by one infrastructure provider can impact growth in a nearby jurisdiction. On the local level, telecommunications,

electricity, sewer and natural gas providers dig up streets and impact the public right of way in an uncoordinated fashion to site equipment, pipes and utility boxes. The fragmented planning is exacerbated by the occasional shock to the system of a megaproject planned and financed by an independent public authority. For instance, federal transportation funds are allocated by regional agencies which are not required to consider the land use implications of these investments (US General Accounting Office 2000). Although transportation, water and sewer investments are the major determinants of the location of growth in an area, water and sewer agencies are frequently separate from the local land use planning agency (Kelly and Becker 2000).

This fragmented situation reflects land development in the 1920s, when one developer could record a subdivision plat with roads that did not connect to those in a neighboring subdivision (Delafons 1969; Kelly and Becker 2000). Today, instead of unconnected streets, we have an unconnected system of infrastructure provision. Jurisdictions for capital investment form a crazy patchwork quilt of boundaries, each with distinct governing bodies and goals. None of them, except for the occasional regional voluntary planning agency and the general purpose government, are concerned with land use impacts of infrastructure investments. In the 1920s, enabling legislation gave local governments the ability to control these excesses. The equivalent is needed today.

While such reforms in infrastructure financing and policy from the state and federal levels will be slow to



come, local planners have many opportunities to ensure that the land use implications of investment in "minor" infrastructure projects are taken into account and that these expenditures support local and regional goals.

### **Smart Planning for Infrastructure**

The smart growth movement has focused attention on designating certain areas for urban growth to foster more efficient use of land and to minimize infrastructure costs (Meck 2002). Collaborative planning emphasizes shared learning between diverse groups to result in better decisions (Innes and Booher 1999). These concepts can be transferred to small-scale infrastructure planning as well. The following recommendations draw from both traditions to help planners and local governments significantly improve local infrastructure planning.

- **Establish or participate in a local capital budgeting process to focus infrastructure investments strategically and to ensure life-cycle budgeting.**

The most important thing that a planner can do for infrastructure is to focus on the existing budget process. Although traditionally the bailiwick of the engineers and the finance departments, planners should be actively involved in putting together the capital budget. In the best of all possible worlds, the capital budget should be linked to long-term program plans for each infrastructure system in order to form a cross-functional infrastructure plan that supports the jurisdiction's comprehensive land use plan. Short of that, a strategic plan that focuses capital invest-

ments by neighborhood or geographic area can result in a more efficient use of public resources. Ideally, the capital budget should provide for life-cycle budgeting so that funding decisions for new projects are tempered by the reality of on-going operating and maintenance costs (US General Accounting Office 1998). Planners with an eye to the future and on multiple land uses can provide a viewpoint for the budgeting process that few others offer.

- **Influence infrastructure timing and location by other providers.** Planners should know what other infrastructure providers are doing within the metropolitan area and how their capital decisions will affect the jurisdiction. The planner should actively participate in or initiate cross-jurisdictional efforts to insure that cross-functional collaborative infrastructure planning occurs where possible. At a minimum, the planner can take this information back to his or her own jurisdiction to better inform the strategic capital plan. Even better, the planner should try to influence other infrastructure providers to locate their investments where they maximize the jurisdiction's strategic plan. The best of all possible worlds is voluntary cross-functional planning among all infrastructure providers in a region.

- **Employ demand management and conservation strategies for infrastructure design and construction in the jurisdiction.** Change does not come easy to those who design infrastructure. The dominant paradigm for building roads, water supply facilities, sewers and public buildings has been to meet the demand even when this results in an inefficient use

of resources and damage to the environment. Planners in cities and counties can promote local regulations that require "green building," and water and energy conservation plans from all developments requiring a local use permit, including public works projects. Furthermore, within the city or county, government planners can be advocates for the use of fees to regulate demand for infrastructure services provided by other departments.

- **Promote and use performance indicator and infrastructure management systems.** Infrastructure management systems track the condition of local infrastructure and provide monthly or yearly reports on key performance indicators. These tools can be used for condition assessment as part of the capital budgeting process. Performance indicator reports can raise awareness within the community and among the elected governing body about the need to make preventive budget decisions to avoid catastrophic failures and expensive fixes. They can be linked with practical daily and monthly work order and work management systems to be used by operating divisions to shift staff to high priority functions.

- **Increase public participation with decision support tools.** Though the public participates in decisions about community facilities funded by general purpose local revenues, a continuing challenge is to expand meaningful public participation into the investment decisions of the "minor" infrastructure projects which are often funded by special purpose user fees. Many of these decisions fly below the public's radar because they happen in special districts

set up to avoid some of the time-consuming public debates in local general purpose government. Local citizens focus great attention on budgeting \$20,000 for a recreation center but ignore a multi-million dollar sewer investment because it is "too technical." The loss of a half-time position is instantly recognized in shorter pool hours or the decreased after-school programs while the land use impact of a street maintenance program or a sanitary sewage treatment facility may seem difficult to understand. However, a new generation of decision support tools is making possible sophisticated visual and spatial representations to explain the land use and environmental impacts of different infrastructure decisions. Agent-based modeling, GIS mapping and others make these decisions more real to the average citizen and can provide analyses to permit the jurisdiction to respond to changing local conditions and opportunities (Landis 1995, 2001; Klosterman 2002). Using these tools can permit more community members to participate in even the most technical infrastructure decisions.

### **Conclusion**

The impact of megaprojects on land use, economic development and quality of life is important indeed. However, local investment decisions in bread-and-butter infrastructure projects are equally or, perhaps, even more important. The total amount of public money invested in these minor infrastructure projects at the local level far surpasses the total of the more glamorous "megaprojects." Minor projects often have a greater impact on local land use than do



the highly visible megaprojects. The environmental impact of deferred maintenance for streets, sewers and even public buildings, parks and local street trees can be far-reaching. Capital improvement funds for minor infrastructure projects are also an important resource for local community development efforts.

Planners are frequently not involved in either budget or design decisions about the location of schools, the placement of sewers or the reconstruction of a street. Yet the tools of planning, including collaborative planning and projections of social and land use impacts, are ideally suited to help local officials make better decisions about the use of scarce taxpayer dollars. While many problems in infrastructure provision need to be addressed at state and federal levels, local planners can practice smart planning today to encourage cross-functional collaboration on local infrastructure projects. Utilizing smart growth principles, planners can leverage infrastructure investment to create the most benefit from these so-called "minor" projects.

## References

- Altshuler, Alan and David Luberoff. 2003. *Mega-Projects: The Changing Politics of Urban Public Investment*. Washington DC and Cambridge MA: Brookings Institution Press and Lincoln Institute of Land Policy.
- American Society of Civil Engineers. 2003. Update on Report Card on America's Infrastructure. [www.acsp.org].
- Burchell, Robert W., George Lowenstein, William R. Dolphin, Catherine C. Galley, Anthony Downs, Samuel Seskin, Katherine G. Still and Terry Moore. 2002. *Costs of Sprawl—2000*. Washington DC: National Academy Press.
- Campbell Public Affairs Institute. 2000. *City Grade Report 2000*. Syracuse NY: Maxwell School, Syracuse University.
- Choate, Peter and Walter Choate, S. 1983. *America in Ruins: The Decaying Infrastructure*. Durham NC: Duke Press Paperbacks.
- Delafons, John. 1969. *Land-Use Controls in the United States*. 2nd Edition ed. Cambridge, MA: The MIT Press.
- Flyvbjerg, Bent, Mette Skamris Holm and Soren Buhl. 2002. Underestimating Costs in Public Works Projects: Error or Lie? *Journal of the American Planning Association* 69 (3):279-295.
- Gakenheimer, Ralph. 1989. Infrastructure Shortfall: The Institutional Problems. *American Planning Association Journal* (Winter):14-23.
- Graham, Stephen and Simon Marvin. 2001. *Splintering Urbanism: Networked Structures, Technological Mobilities and the Urban Condition*. London: Routledge.
- Hannigan, John. 1998. *Fantasy City: Pleasure and Profit in the Postmodern Metropolis*. New York: Routledge.
- Innes, Judith and David Booher. 1999. Metropolitan Development as a Complex System: A New Approach to Sustainability. *Economic Development Quarterly* 13 (2):141-156.

- Judd, Dennis R. 1999. Constructing the Tourist Bubble. In *The Tourist City*, edited by D. R. Judd and S. S. Fainstein. New Haven CT: Yale University Press.
- Judd, Dennis R., William Winter, William Barnes and Emily Stern. 2002. Tourism and Entertainment as Local Economic Development: A National Survey. In *The Infrastructure of Play: Building the Tourist City in North America*, edited by D. R. Judd. New York: M. E. Sharpe.
- Kelly, Eric Damian and Barbara Becker. 2000. *Community Planning: An Introduction to the Comprehensive Plan*. Washington DC: Island Press.
- Klosterman, Richard E. et al. 2001. Decision Support Tools. In *Planning Support Systems*, edited by R. K. Brail and Richard Klosterman. Redlands CA: ESRI Press.
- Landis, John D. 1995. The California Urban Futures Model: Applying the California Urban Futures Model. *Journal of the American Planning Association* 61 (4):438-458.
- . 2001. CUG, CUF II and CURBA: A Family of Spatially Explicit Urban Growth and Land-use Policy Simulation Models. In *Planning Support Systems*, edited by R. K. Brail and R. Klosterman. Redlands CA: ESRI Press.
- Meck, Stuart, ed. 2002. *Growing Smart Legislative Guidebook: Model Statutes for Planning and Management of Change*. Washington DC: American Planning Association.
- Mitchell, Jerry. 1999. *The American Experiment with Government Corporations*. Armonk, New York: M. E. Sharpe.
- National Council on Public Works Improvements. 1988. *Fragile Foundations: A Report on America's Public Works*. Washington DC: Government Printing Office.
- . 1999. *Flawed Forecasts: A Critical Look at Convention Center Feasibility Studies*. Boston MA: Pioneer Institute for Public Policy Research.
- US Census. 2002. *Census of Governments, Volume 1, Government Organization*. Washington DC: Author.
- . 2002. *Census of Governments, Volume 2, Financial Information*. Washington DC: Author.
- US Environmental Protection Agency. 1999. *1996 Clean Water Needs Survey Report to Congress*. Washington DC: Author.
- US General Accounting Office. 1998. *Leading Practices in Capital Decision Making*. GAO/AIMD-98-110. Washington DC: Author.
- . 2000. *Local Growth Issues*. Washington DC: Author.

VICKI ELMER (velmer@uclink4.berkeley.edu) is a lecturer in the department of city and regional planning at UC Berkeley.











# BOOK REVIEW ESSAY

## Megaprojects and Global Flows

**Joseph Boski**

*Splintering Urbanism: Networked Infrastructures, Technological Mobilities, and the Urban Condition.* Steven Graham and Simon Marvin. 2001. Routledge. New York. 512 pp. ISBN 0-415-18965-9 (paperback).

*Globalization and Urban Change: Capital, Culture, and Pacific Rim Mega-Projects.* Kris Olds. 2001. Oxford University Press. New York. 2001. 336 pp. ISBN 0-19-823361-2 (hardcover) 0-19-925696-9 (paperback).

*The Globalized City: Economic Restructuring and Social Polarization in European Cities.* Frank Moulaert, Arantxa Rodriguez and Erik Swyngedouw, eds. 2003. Oxford University Press. New York. 302pp. ISBN 0-19-926040-0 (hardcover).

Three recent books address the urban implications of the relationship between megaprojects and global flows of finance, information, people and culture.

In *Splintering Urbanism*, Graham and Marvin maintain that infrastructure is an important yet often overlooked element in contemporary urban theory. Considered a technical field, infrastructure is usually thought of as an engineering specialty. Graham and Marvin, instead, engage with the impacts of networked infrastructures and technological mobilities on urban life and form. In this respect, megaprojects make up a substantial part of their global study of contemporary urbanism.

Graham and Marvin argue that megaprojects are essential and exemplary nodes in the networks of cities that link our contemporary globalized and urbanized world. They provide massive investment opportunities for the processes of “creative destruction” and reconstitution of urban space according to the ever changing needs of capital—processes illuminated by critical urban geographers such as David Harvey.

Megaprojects provide clearly delimited, material, and discursive cases of both the practice and theory of urbanism. They function as inter-scalar nodes, connecting the urban to the global as well as to other intermediate scales, such as the nation or supra-national region. Yet, as the title suggests, Graham and Marvin also see splintering—divisions or segmentations—within contemporary cities as a consequence of megaprojects. They argue that urban megaprojects, such as London’s Docklands and Malaysia’s Multimedia Super Corridor, which they discuss in some detail, clearly illustrate the dual dynamics of global connectivity and local disconnect.

Megaprojects, however, are only a part of this ambitious book on the contemporary urban condition. Through their focus on infrastructure, Graham and Marvin discuss how the twentieth-century city was often based on universals such as access to telephony and electricity. Twenty-first century urbanism, in contrast, finds shape in networked cities with segmented and preferential access. Central business districts, especially financial districts, have become massive information hubs with very selective links to other parts of the city. The authors employ actor network theory—a form of critical analysis that, due to its focus on the mutual constitution of social and technological relations and complex chains of actors-networks, may be unfamiliar to some urbanists—when describing this phenomenon.

A second book, Olds' study of two urban megaprojects in the Pacific Rim, Pacific Place in Vancouver and Lujiazui in Shanghai, focuses on megaprojects at a macro-regional rather than global scale. He conducts research on networks of elite decision makers, specifically property developers and world-renowned architects.

The section on Vancouver's Pacific Place, a megaproject that includes roughly one-sixth of the downtown area, focuses on a network of primarily Hong Kong-based, ethnic Chinese developers, and in particular the Li Family. An influx of people and currency from Hong Kong has fueled Vancouver's tremendous growth over the last two decades. Olds does an admirable job of discussing these flows of people, culture, information, and finance. By focusing on one developer, he examines the links between the family and prominent local,

national and international politicians to understand how these connections affect their investment decisions. For example, he presents an abbreviated curriculum vita for Stanley Tun-li Kwok, one of the main players in the Pacific Place development. Olds is not telling a tale of "great men," however; he is trying, with some success, to explain how global elites, and in this case ethnic Chinese property developers, are motivated to act within the global flow of culture and capital. This aspect of his study should interest those exploring the ethnic Chinese diaspora, the very wealthy, or the interactions between developers and state actors at local, regional and national levels.

The author's case study of the Shanghai financial district focuses on prominent international architects and the flows of design ideas. Olds describes various proposals for Shanghai's financial district and discusses the winning architect, Richard Rogers, at length. As with the Vancouver case, he presents an abbreviated curriculum vita for Rogers. This portion of the book should interest those examining elites, the flows of global ideas and state-private sector interactions.

Ultimately, most readers will find that the case studies are the most valuable element of this book. Olds spends the first few chapters of the book developing—almost pedantically—a theoretical framework and concludes with a lengthy appendix on methodology. *Globalization and Urban Change* reads like a dissertation, which was the book's original form. The theoretical and methodological discussions, which include examination of Appadurai and the use of narrative as an explanatory device, could be more concise, though they may be useful to scholars involved in similar



studies. Olds also neglects important issues of social justice, such as displaced populations. This may have been a deliberate omission since Olds has written on those topics previously. A further critique is that, despite his theoretical stance about the need to overcome the binary between global and local, he puts the very local (i.e., the neighborhood and anything below the city government level) into the background while focusing on the global.

*The Globalized City*, a collection of analyses of megaprojects edited by Moulaert, Rodriguez, and Swyngedouw, is similar to Olds' effort in its regional focus and emphasis on global flows. Unlike Olds, though, much of the story engages with the social impacts of urban megaprojects and has a more macro-regional approach: all cases are located in the European Union. The collection, as the subtitle suggests, is largely focused on themes of polarization similar to the splintering discussed by Graham and Marvin. Contributors provide nine case studies within the European Union (Athens, Copenhagen, Berlin, Brussels, Dublin, Vienna, Bilbao, Lisbon and Naples), and there are four chapters by the co-editors. While Olds' book is imbalanced with compelling case studies but drawn out theory and method sections, these co-editors create a cohesion often lacking in edited texts. They provide a focused and well-articulated approach to major urban development projects in a macro-regional space.

Moulaert, Rodriguez and Swyngedouw compare megaprojects to "grains of sand" in which one can see these global and multi-scalar dynamics in material form. Unfortunately, megaprojects too often exacerbate

rather than ameliorate urban inequalities. The authors view megaprojects as exemplars of the increasingly inter-connected scales of contemporary capitalism within the context of the global shift toward neo-liberalism since the 1980s. The importance of megaprojects in this regard is that they sustain and shape political and economic governance systems at local, regional, national and global scales. The subsequent methodology section outlines several "social integration and exclusion mechanisms" for analyzing megaprojects. Some readers might be disappointed, nevertheless, to discover that these mechanisms are not systematically described in the case studies and at times barely addressed explicitly.

Overall, the book argues that a spatial approach, particularly a scalar one, is key to understanding megaproject planning and impacts. The book is useful for various readers—those interested in the particular cases, of course, but also for those interested in the issues of scale in contemporary European spatial planning. Indeed, it is hard to imagine undertaking a research project of this magnitude in the United States. For that reason alone, it may serve as an eye-opener for some US-based urbanists.

As these three worthwhile books show, megaprojects are becoming an increasingly significant topic in the study of urban globalization in a variety of regional contexts. Beyond their technical aspects, the increasing ubiquity of megaprojects calls for further research on their economic roles as well as the social and spatial consequences of their implementation.

JOSEPH BOSKI ([jboski@ucla.edu](mailto:jboski@ucla.edu)) is a doctoral student in urban planning at UCLA.

## BOOK REVIEW

# Mega-Projects: The Changing Politics of Urban Public Investment

**Allison Yoh**

*Mega-Projects: The Changing Politics of Urban Public Investment.* Alan Altshuler and David Luberoff. The Brookings Institution. Washington DC. 2003. 339 pp. ISBN 0-8157-0128-4 (cloth), ISBN 0-8157-0129-2 (paper).

In *Mega-Projects: The Changing Politics of Urban Public Investment*, Altshuler and Luberoff provide a rich history of megaprojects over the past half century. Framing their analysis in the context of urban political theory, they define megaprojects as “initiatives that are physical, very expensive, and public... [that] involve the creation of structures, equipment, prepared development sites, or some combination thereof... [and] cost at least \$250 million in inflation-adjusted year 2002 dollars... Mega-projects are fundamentally an expression of public authority” (2). Through a combination of theoretical reflection and historical storytelling, Altshuler and Luberoff test traditional urban political theories. They present case studies based on highway, transit and airport megaprojects. The book’s aim is to understand how megaprojects fit within political theory and identify where theory fails to address patterns in the politics of megaprojects over the past fifty years. Although the book does not attempt to rebuild and refine theory around its findings, the material adds to theory testing, provides a rare insider’s view of the politics of megaprojects and presents a well-defined challenge for urban political theorists.

Altshuler and Luberoff argue that traditional theories of urban politics have never addressed public megaproject investments, even though economic development has been a central concern for these theories and often (if not always) the impetus and rationale for building megaprojects. In addition, they write that theorists have focused on power relations at local levels of government, even though the state or federal governments usually construct megaprojects. Urban renewal, which was locally planned and administered but federally funded, has been the exception. However, the authors convincingly argue that urban political theory



should be “defined to include activities at all levels of government insofar as they are elements of the governance of urban places”(46)—after all, local governments are subject to the laws and regulations of, and often lobby, higher levels of government. Despite their compelling argument, the authors clearly state that they do not intend to add to or refute these theories and they admit that their “focus is too broad and too qualitative for that.” Instead, they hope to “provide fodder for disciplined reflection about how well [the body of urban theories] explain recent patterns and shifts” in urban politics around megaprojects (75). Given this caveat, the authors successfully document the applications of urban political theory across government levels and over time by concentrating on the narrow policy area of transportation megaprojects.

The authors use case studies of three types of urban investment—interstate highways, light rail transit and airports—to chronicle the complexity of project development and the sometimes fortuitous convergence of factors that either propelled some projects to completion or stymied others through political or public opposition. The case studies provide trends and observations that the authors use to test urban theories and also serve as stand-alone histories of projects such as Boston’s Central Artery/Tunnel, Denver International Airport, Atlanta Hartsfield Airport and Los Angeles’s Metro.

The case studies are a valuable source of information for anyone interested in the political workings of planning and development; they are also detailed

enough for those interested in the history and politics of highway, transit or airport projects. Altshuler and Luberoff’s style of storytelling reflects the messy reality of how policies are formed and how decisions are made amidst strong and diverse interests. Since Altshuler served as Massachusetts’ Secretary of Transportation under Governor Francis W. Sargent during debates over the Logan Airport expansion and the Central Artery/Tunnel project (also known as the Big Dig), the authors’ discussions about these megaprojects are particularly rich with candid and experiential insight. They not only describe broad structural considerations such as federal incentives, institutional behavior and the power of special interests, but also produce a text that weaves in the philosophies and personalities of individuals involved in the projects and even extremely technical details such as advances in slurry wall construction and the number of piers sunk into the bed of the Charles River. This level of detail, however, sometimes gets in the way of understanding broader themes and evaluating how well urban political theories apply to megaprojects.

Anticipating this problem, the authors balance the incredibly dense account of project histories with theoretical perspective and a summary of themes common to megaprojects. They provide a distillation of five sets of urban political theories: (1) elite-reputational theories that developed from surveying perceptions of status and power, and argue that corporate elites dominate local politics; (2) pluralist theories that claim power is widely distributed

among local groups; (3) public choice theories that assume self-interested individuals pursuing narrow interests produce collectively irrational outcomes; (4) elite structural theories that argue that local governments derive power from the political and economic contexts, which are in turn biased in favor of corporate domination; and (5) historical-institutional theories that argue that collective decision-making is influenced by institutional arrangements that are products of past decisions.

Altshuler and Luberoff attempt to address issues left unanswered by existing urban theories, such as how urban politics has changed over time. While most previous works have concentrated on just the time period in which they were written, *Mega-Projects* attempts a historical review to trace changes in the urgency, nature and political process of megaproject development. Prior to the 1950s, local governments received little aid from state and federal governments and primarily focused on providing basic services, such as street and sewer systems, city parks and beautification. Fragmented interests at the local level of government meant little ability to mobilize private interests and elected officials in order to overcome taxpayer resistance. Following World War II, federal aid to cities and states increased, marking what Altshuler and Luberoff call the "great mega-projects era." Cities retrofitted their urban areas with interstate highway expansion, cleared slums and built new airports to attract business and corporate interests. New aid programs essentially transformed local politics: diverse local coalitions of advocates, con-

struction interests, materials suppliers, labor unions and other related industries developed around these federal incentives.

However, these large-scale urban renewal projects generated considerable citizen protests, including the riots of the 1960s. Governments responded by adopting rules and regulations that constrained megaproject development; they devised new policy instruments such as environmental review, citizen participation and historic preservation. Altshuler and Luberoff argue that we are currently in an era of "do no harm," characterized by avoidance of political opposition and intense mitigation even when projects have minor effects on the environment or neighborhoods. They document the move away from extensive highway, airport and rail development to other, less-disruptive facilities such as stadiums, convention centers and transit that can be sited away from existing development. These new forms of investment are fundamentally different from previous megaprojects because they have faced considerably more opposition, entailed longer planning processes and have required more extensive mitigation than megaprojects built between the 1950s and early 1970s. The result has been cost overruns from extended reviews, gross underestimation of local costs and overestimation of local benefits in order to compete for federal funding. A few individuals can halt or significantly slow megaproject construction through public participation in formal planning procedures or through the courts. Therefore, such projects require



strong business support and effective public sector leadership.

Altshuler and Luberoff then compare these periods of megaproject development against each set of urban political theories. They ask whether and which of these theories explain the "rarity of ambitious government efforts to stimulate economic and social change" prior to the surge of federal aid to local governments (249). Regime theory offers some explanation: it notes that prior to federal incentives, local governments were fragmented and multiple interests prevented localities from engaging in heavy public infrastructure spending. However, this fails to explain the sudden rise of local interest formation and its sustained power in the era of "do no harm" and reduced federal spending. Public choice theories explain that there has been less opposition to private incentives because the average resident bears only a small portion of the costs and private developers avoid sites that are home to highly mobilized and committed residents likely to object. Historical-institutionalists would argue that the present trends of "do no harm" are a result of past regulations and planning procedures (developed in the 1970s) that "empower[ed] very small minorities to throw sand in the gears of public development initiatives" (255). However, these theories have failed to address why such protective policies continue to exist (and in some cases, become more restrictive) "long after the passing of the unique circumstances in which they originated" (255).

Altshuler and Luberoff point out theoretical gaps and show how urban theories collectively explain bits and pieces of their observations about megaprojects over the past fifty years, but no one theory explains them all. While the authors thoughtfully present where some theories seem on target and where others fall short, they could have offered insight on why these theories have been silent. Nevertheless, their call for further theory refinement is clear and their point well-taken; the depth and level of detail throughout the book make up for this minor omission.

Altshuler and Luberoff conclude with some thoughts about the current state of transportation megaprojects and its implications for the future. The obstacles to megaprojects are once again changing. The authors interpret the recent, semi-successful efforts to "streamline" the environmental review processes as a weakening (though not a complete reversal) of the "do no harm" attitude. Instead, today's obstacles to megaproject development are increasingly fiscal. Will megaprojects continue to be built as frequently and with such high levels of investment given the fiscal crises of major urban areas? The authors believe the answer is not whether they will continue, but how politics will change to ensure that megaprojects remain a central part of urban areas.

Research in the book is primarily focused on transportation megaprojects and the authors do not claim nor do they attempt to answer broader questions about the changing politics of urban areas in general. They do, however, make an ambitious and impor-

tant contribution to the fields of transportation planning and urban theory by adding a specialized slice of policy to the mix. By using a very specific issue around which to fit theory, they are able to illustrate how well these theories cut across time and across governmental levels and where they fail to explain infrastructure development. The greatest strength of the book, however, is its detailed account

of various projects and the authors' expertise in understanding public infrastructure investment in the context of broader political, social and environmental movements. These case studies contribute to theory refinement by presenting more questions than they answer and the authors call for challenging future research and theory building.

*ALLISON YOH (ayoh@ucla.edu) is a doctoral student in urban planning at UCLA.*



# Call for Papers

volume 12 summer 2005

---

**Critical Planning** welcomes submissions from graduate students, faculty and persons outside the discipline relevant to cities and planning.

**Critical Planning** is published by students of the UCLA Department of Urban Planning in association with faculty from the University of Southern California and the University of California, Irvine.

Articles should be 15-25 pages (including references) plus an abstract and cover letter. Manuscripts should be typed, double-spaced, on one side of the page, with margins of 1 inch. Authors should include their names and affiliations on the cover page and a separate page titled "Cover Information." Authors should include their names and affiliations on the first page of the article. Authors should include their names and affiliations on the last page of the article.

Manuscripts are not refereed, but are reviewed by the editors. Authors of the volume are responsible for the content of their articles. All manuscripts are subject to final review and editing by the editors. Authors should retain a copy of their manuscripts.

Please send your final copy to the editors. The editors will be responsible for the final proof. The editors will be responsible for the final proof. The editors will be responsible for the final proof.

EDITORS: JAMES O'ROURKE

14 DECEMBER 2004

**Critical Planning**  
UCLA Department of Urban Planning  
School of Public Policy and Social Research  
University of California, Irvine  
Law, 401-12500-1000  
www.criticalplanning.org

For article tracks from this issue, and to read articles already published, visit  
[www.criticalplanning.org](http://www.criticalplanning.org)

---

**Submission Deadline December 15, 2004**

1870  
The first of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1871  
The second of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1872  
The third of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1873  
The fourth of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1874  
The fifth of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1875  
The sixth of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1876  
The seventh of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1877  
The eighth of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1878  
The ninth of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.

1879  
The tenth of the year  
was a very successful one  
and the business was  
very good. The  
profits were very  
large and the  
expenses were very  
small. The  
year was a very  
good one and the  
business was very  
good.



# Call for Papers

volume 12 summer 2005

---

**Critical Planning** welcomes submissions from graduate students, faculty and professionals on any subject relevant to cities and regions.

**Critical Planning** is produced by students of the UCLA Department of Urban Planning in association with students from the University of Southern California and the University of California, Irvine.

Articles must not exceed 25 typed, double-spaced pages (this includes a 100-word abstract, tables, illustrations, endnotes and references). Submissions must follow the style and spelling requirements of the Chicago Manual of Style, 14th Edition.

References should be cited in the text using the author's last name, year of publication, and page number where appropriate. Endnotes may be used in moderation.

Submissions are anonymously reviewed, according to the following criteria: clear statement of thesis and objectives, relevance of the subject matter, clear development of ideas and concise writing. All submissions are subject to final content and style editing by the editors prior to publication.

Please submit four (4) paper copies to Critical Planning. Include a cover sheet with the title of the article, the author's name, phone number, email address and a two-sentence biographical statement.

## **SUBMISSION DEADLINE:**

**15 DECEMBER 2004**

### **Critical Planning**

UCLA Department of Urban Planning  
School of Public Policy and Social Research  
3250 Public Policy Building  
Los Angeles CA 90095-1656  
[critplan@ucla.edu](mailto:critplan@ucla.edu)

For selected articles from past issues, and a more detailed style guide, visit  
[www.sppsr.ucla.edu/critplan](http://www.sppsr.ucla.edu/critplan)

---

Submission Deadline **December 15, 2004**

# Critical Planning

## volume 11, summer 2004

THEME: MEGAPROJECTS AND CITIES, CITIZENS AND MEGAPROJECTS

- Romig** The New Urban "Anthem": Neoliberal Design and Political Fragmentation
- Sonn** Making Habermas Do What He Doesn't Want To: Communicative Planning Theory's Misunderstanding of Communicative Action
- Hackworth** The Neoliberal Turn and the Restructuring of Public Housing Policy in the United States
- Ehrenfeucht** Megaprojects and Risk: A Conversation with Bent Flyvbjerg
- Santo** Measuring the Consumption Benefits of Professional Sports Facilities
- Dallhammer** "Wonderworld X" – A Sustainable Leisure Park in the Vienna Region?: Spatial Impact Assessment for Megaprojects
- Cidell** The Spatial Distribution of Airport-Related Development: Rethinking Megaproject Economic Impacts
- Matsuoka** From Mega to Micro: A Conversation with Manuel Pastor, Jr.
- Halle/Lang** Policy Brief – Megaprojects in New York City
- Elmer** Commentary – In Defense of the "Minor" Project: Smart Planning Principles for Local Infrastructure
- Boski** Book Review Essay – Megaprojects and Global Flows
- Yoh** Book Review – *Mega-Projects: The Changing Politics of Urban Public Investment*

