CHAPTER ONE

Introduction

Viewed internationally, American cities are unique—extraordinarily self-reliant in relation to higher level governments, but also extraordinarily dependent on private sector investment decisions. Providing a wide array of essential services and exercising most land use authority within their boundaries, they finance their activities mainly with revenue that they raise themselves. When they do seek assistance from higher levels of government, they engage vigorously as well in political mobilization. Their physical and economic development has been driven overwhelmingly, however, by private for-profit investment. In many respects, as a result, local politics has always been an aspect of business—a way of bringing government power to bear in support of private investment opportunities. American cities are conspicuous for the emphasis they place on growth and in the intensity with which they compete with one another for it. Higher-level governments have rarely sought to curb this feature of the system, doubtless because it greatly enhances investor influence and business leaders passionately support it. These have been the fundamental attributes of city politics throughout American history.

Within this framework, however, the system of urban governance has continually adapted to changes in the broader society, economy, and national polity of which it is a part. The focus of this book is on a series of profound changes that occurred during the second half of the twentieth century involving the politics of large-scale government investments in physical capital facilities—*mega-projects,* we label them—to revitalize cities and stimulate their economic growth.[1]

This was a period, particularly during the third quarter of the century, of kaleidoscopic change, as governments first took on a substantially more active role in promoting development and then pulled back in the face of massive public backlash. It was also a period in which higher-level governments became far more engaged in assisting localities to realize their development ambitions, and in which—during the late 1960s and early 1970s—ordinary citizens and ideologically driven associations were empowered as never before to constrain development where it threatened to disrupt valued elements of the existing urban fabric. Local governments and their private constituencies for growth did not retreat—at least not in general or for long—from their thoroughgoing commitment to economic development, but they did adjust their tactics profoundly. Most notably, they shifted tactics in seeking to lure major investors, relying more on fiscal and regulatory inducements, less on public infrastructure development; and within the arena of public development they shifted tactics as well, striving to reduce disruption and minimize citizen resistance.

The original research presented in this book focuses on transportation mega-projects: highways, airports, and mass transit systems. More broadly, however, drawing on the work of other scholars as well, we endeavor to answer the following questions:

—Why did American governments undertake such ambitious, highly disruptive activities as urban renewal and intraurban expressway con-

1. The term *mega-project* as employed in this book denotes initiatives that are physical, very expensive, and public. More specifically, mega-projects involve the creation of structures, equipment, prepared development sites, or some combination thereof. They cost at least $250 million in inflation-adjusted year 2002 dollars. (This is an approximate rather than a hard-and-fast threshold, but most of the projects discussed in this book exceeded it by a very comfortable margin.) Mega-projects are fundamentally an expression of public authority. The clearest indicator of their public nature since about 1920 has been public financing, wholly or in large part. Other indicators, some of which were even more significant during the nineteenth and early twentieth centuries, include government-granted monopoly franchises, land grants, delegations of eminent domain authority, loan guarantees, and access to the benefits of public debt financing (for example, via the issuance of privately guaranteed public revenue bonds).

The prefix *mega* to indicate "very large" became common in science and engineering during the late nineteenth century. (See *Chambers Dictionary of Etymology*, 3d ed, s.v. "mega.") The term *mega-project* itself dates to the late 1970s, when the Canadian government and the Bechtel Corporation more or less simultaneously adopted it, the former to describe massive energy development projects to which it had recently committed, the latter to describe its general portfolio of very large-scale projects. (See Jeff Sallott, "Oil Sands Alberta's Wildcard in Pricing Battle with Ottawa," *Globe and Mail*, November 7, 1979, p. P9; and Thomas Lueck, "Bechtel and Its Link to Reagan," *New York Times*, December 5, 1980, p. D1.)

struction during the 1950s and 1960s? Why did public investments of such magnitude, involving large-scale displacement of current residents and enterprises, become feasible for the first and only time during this period?

—What changed during the late 1960s and early 1970s, delaying or derailing most urban mega-projects then in the pipeline and sowing widespread doubt that their like would often prove feasible again?

—How, and to what extent, did the political impulses that generated mega-projects in the 1950s and 1960s find expression in the remaining three decades of the century? How did the strategies and tactics required to carry out mega-projects change after 1970, and at what cost? Did these new requirements entail a shift as well in the dominant mega-project types?

—Are the political forces that have generated urban mega-projects over the past half century so irrepressible and adaptive that a continuing flow of such investments in the decades ahead may be anticipated? Or have the constraints on such development become so burdensome, and so expensive to overcome, that urban mega-projects are likely to be very rare in future?

Interjurisdictional Competition

What competition means for American local governments, above all, is striving to make themselves attractive to private investors. In bedroom suburbs, the investors of primary concern are homebuyers.[2] In major employment centers, though, competitive efforts focus mainly on business investors—because the largest among them control very large sums indeed, because they bargain hard, and because local companies that stand to profit from growth tend to be better funded, better organized, and more highly motivated than anyone else to engage in politics on an ongoing basis.

This is not to say that the dominance of local growth interests is invariant across local policy arenas, over time, or across jurisdictions. Growth elites care most about such issues as downtown revitalization and improving regional infrastructure. Other groups typically have other priorities—for example, improving neighborhood services and schools, police-community relations, or conditions of public employment. In certain periods, moreover, groups critical of growth initiatives become far more active and better mobilized than usual, forcing growth elites to retreat or at least to adapt their plans in significant ways. Such eruptions of antigrowth sentiment eventually run out of steam, but they may leave enduring legacies. Finally, the balance among local interests varies from one jurisdiction to

2. See Fischel (2001, pp. 14–16, 242–44); and Schneider (1989, pp. 39–40, 125–46).

another. While growth coalitions appear dominant in most cities, at least when it comes to their highest priority issues, there are also conspicuous exceptions: cities like San Francisco, California, and Cambridge, Massachusetts, in which groups emphasizing the need to constrain investors have dominated for considerable periods. Such jurisdictions are invariably prosperous nonetheless, because they are endowed with such assets as favorable climate, historic character, or anchor employers with very little capacity to move (for example, universities and medical centers), which ensure strong investment demand almost regardless of what they do.[3]

The instruments available to cities in pursuing their growth objectives fall into two broad categories: inducements to private investors and direct public investments. The former include zoning concessions, tax abatements, low-interest loans, and the use of eminent domain to assemble and prepare large parcels of land, often overlaid on a general pattern of low taxation and minimal business regulation. The latter are most commonly for purposes that large segments of the business community view as vital to local competitiveness, but from which it is generally impossible to extract profits directly. Mass transit and convention center investments, for example, tend to be intrinsically unprofitable. Airports and highways could in theory be profitable but regulatory uncertainties, federal aid rules, and the ubiquity of publicly owned, underpriced alternatives render them, with rare exceptions, unduly risky for private investors. The inducement-investment distinction frequently blurs in specific cases—as when governments build stadiums to attract sports franchises or undertake road improvements to clinch deals with private factory and office developers—but it is clear and significant in many others.

We have chosen to focus on public investment strategies primarily for two reasons. First, efforts to realize large-scale investment projects often provide an unusually revealing window on patterns of influence in urban development politics. Such projects involve huge commitments of public resources and often entail significant threats to some interests and values even as they promise great benefits to others. Because the stakes are so high, the struggles over project authorization, planning, and implementation often draw in powerful actors whose activities are normally camouflaged or who stay out of lesser political disputes, confident that others will adequately protect their interests.

3. P. E. Peterson (1995, pp. 28–29). Clarence Stone emphasizes, on the other hand, that cities blessed with very strong investor demand often choose nonetheless to impose few restrictions. Stone (1993, pp. 19–20).

Second, while political scientists concerned with urban politics have recently been preoccupied with business influence and economic development policy, they have devoted remarkably little attention to the politics of direct public investment. The most obvious explanation, noted above, is that during the final three decades of the twentieth century cities shifted notably away from public investment toward monetary and regulatory inducements in their efforts to attract investors. It is less obvious, though, why this shift occurred. One possibility is that cities were simply responding to economic and technical changes. A service economy may require less public infrastructure for each unit of output, for example, than its industrial predecessor. Another possibility is that certain forms of large-scale public investment became vastly more expensive, time consuming, and politically difficult after about 1970. We argue mainly in this book for the latter, political, explanation. The reductions in new urban highway and airport construction, for example, were both abrupt and long lasting, despite burgeoning motor vehicle and air travel demand. Even as governments turned away from these project types, moreover, they turned toward others much easier to site in the new political environment but with far weaker economic rationales: for example, rail transit systems, convention centers, and stadiums for professional sports franchises.[4]

One might reasonably conclude, on reviewing the most influential recent works on American urban politics, that both competitive strategies and the distribution of influence in urban politics have been fundamentally constant over the past half century—though with slight adjustments to reflect such factors as the declining economic value of new highways (Paul Peterson), the growing minority share of the central-city electorate (Clarence Stone), and the increasing importance of amenity as a competitive asset (John R. Logan and Harvey Molotch).[5]

We concur in part with this view. There certainly has been continuity on two dimensions: the central role of business-led growth coalitions in urban development politics and the disposition of cities to compete proactively for investment rather than merely encourage it by holding down their tax rates and minimizing their regulatory demands.

4. Similar changes occurred within the highway and airport sectors—toward the improvement of existing highways rather than the construction of new ones, and improvements to airport terminals rather than runways. We do not argue, however, that these shifts entailed any worsening of typical project benefit-cost ratios.

5. P. E. Peterson (1981, p. 135); Stone (1989, pp. 79–82); and Logan and Molotch (1987, pp. 76–81, 290–91).

But we develop three collateral arguments in this book as well: (1) the capacity of local growth coalitions to impose disruption on other local interests sharply—and durably—declined in the late 1960s and early 1970s; (2) the new constraints imposed in this period stimulated changes in the types of projects undertaken, required major alterations in design and mitigation strategies, and greatly drove up project costs; and (3) these changes merit recognition as significant alterations in the overall character of urban politics.

From the standpoint of local business and political leaders, the primary effect of the changes noted above has been to require tactical adjustments—they have by and large found new ways to pursue their traditional objectives of growth and economic competitiveness. From the standpoint of ordinary citizens, however, particularly in the categories most commonly victimized by mega-projects in the 1950s and 1960s (low-income and minority residents of older neighborhoods), their significance has been fundamental. The capacity to defend one's home and immediate environment, and the power to influence decisions about how to distribute the costs and benefits of government activities bearing on them, are not everything one might desire as a citizen. But they are, for most urban residents, the most important stakes of urban politics—and thus merit a prominent place in theories about it.

Plan of the Book

A generic problem in studies of this type is to find the right balance between depth and breadth. To keep the focus sharp, we concentrate on three interrelated mega-project types: highways, airports, and rail transit systems, the largest categories of public mega-project spending in and around cities during the second half of the twentieth century. We opt for breadth, however, on four other dimensions. First, we integrate our findings with leading theories of urban politics and with the empirical research of others on urban renewal and its successors, particularly the recent investment booms in downtown festival malls, sports facilities, and convention centers. Second, we address national patterns. Though we make substantial use of case narratives, they are drawn from multiple cities, chosen to illustrate broad themes, and interspersed with examinations of national developments. Third, our focus is intergovernmental. Most urban mega-projects during the latter half of the twentieth century were undertaken within contours of opportunity defined by federal programs and with substantial, often predominant, federal financing. They were frequently carried out, moreover, by state agencies and regional authorities, leaving just a minor role in the formal sense for local governments. We delineate the multilevel dynamics of these cases while highlighting as well the key roles that local actors invariably performed. Finally, whereas most in-depth studies of urban politics focus on relatively brief time periods and portray apparently stable patterns of influence, we examine developments over half a century, long enough for considerable evolution to have occurred.

This is, for most of its length, a work of empirical narrative and analysis, intended for readers with a serious interest in urban politics and public policy but not necessarily in urban political theory. Even its most empirical chapters are driven, though, by concerns arising from political science theory, and we bring these concerns to the fore in two chapters, 3 and 8. In these we ask:

—What light can leading contemporary theories of urban and American politics shed on the politics of large-scale public investment and its place within the broader framework of urban governance?

—How well does each theory explain the observed facts? The significance of this question, of course, is that general theories must inevitably be tested against particular observations. No single failure is fatal, but the path to theory appraisal (and perhaps refinement) must consist of an accumulation of specific tests.

Readers who wish can skip chapters 3 and 8 without missing any portion of our empirical argument. It is these chapters, however, that most explicitly address the place of mega-project politics within the overall context of urban and American governance and examine broad controversies about the forces that have shaped urban development policy over the past half century, so we hope that most will be drawn in.

Chapter 2 provides an overview of urban mega-project politics through the second half of the twentieth century. Chapter 3 examines leading theories in search of propositions—hypotheses, from our standpoint—that seem pertinent to our investigation. Chapters 4, 5, and 6 focus on highway, airport, and rail transit mega-projects, respectively. Chapter 7 draws out common themes from these mode-specific narratives. Chapter 8 revisits the formal theories discussed in chapter 2, asking which accord best with our empirical findings. Finally, in chapter 9 we review developments since the turn of the twenty-first century—including the terrorist attacks of September 11, 2001, and their early aftermath—and speculate on the future of urban mega-projects.