SCOTT BRADFORD GISSENDANNER
Strategic Action in Hard Times: Local Responses to Deindustrialization in the United States and Germany
(Under the Direction of ARNOLD FLEISCHMANN)

The institutions of federalism are thought to aid local officials in responding strategically to economic decline, but those making this assumption tend to overlook the fact that local officials must first deal with serious local barriers to strategic action. Recent studies, based on urban regime theory, suggest that four local factors in particular have an impact on strategic policymaking: coalitions of public and private actors, a transformation of the coalition after the onset of decline, intergovernmental relations, and the sequence of decisionmaking. This study explores the extent to which these factors were associated with strategic responses to decline in four deindustrialized cities in Germany and the United States. All factors are found to contribute in an interdependent fashion to higher strategic capacity, but of critical importance is the sequence of decisionmaking, because it exaggerates the impact of structures. Thus, local coalitional decisionmaking processes are clearly of central importance for advancing federalism theory. The study also reveals weaknesses in the urban regime approach, which should focus less on simply identifying coalitions and more on explaining variation in coalitional decisionmaking and on how coalitions transform themselves in response to changed secular conditions.

INDEX WORDS: Federalism, Urban regimes, Economic development, Intergovernmental relations, Local government, Deindustrialization, Germany, United States, Augsburg, Dortmund, Louisville, Providence

STRATEGIC ACTION IN HARD TIMES: LOCAL RESPONSES TO DEINDUSTRIALIZATION IN THE UNITED STATES AND GERMANY

by

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INTRODUCTION

Political Responses to Economic Bad Times

As the costs of deindustrialization increased over the course of the 1970s and 1980s, politicians in the advanced industrial democracies came under pressure to respond in some way in order to promote growth in declining areas. Consequently, governments became more active and innovative in economic development, effectively reinventing the field. Scholars followed politicians into the field to identify factors that explain the policymaking trends of the past decades.

Federalism sometimes was offered as one such factor, and many researchers and politicians even purported that decentralization and local autonomy make for better decisionmaking in economic development. Federalism theory advances empirical arguments about the effect of federal institutions on local decisionmaking. It also advances a normative argument that microeconomic policies (those designed to impact the economy selectively) are best made by local governments because, given the constraints and incentives created in federal systems, they are more likely to act on market information. Thus, it is argued, local government allocates aid more efficiently, and federalism brings "good government," i.e., an efficient allocation of public aid. Yet, there is actually no such thing as "federalism"; there are many federalism*s*. Federal institutions only create a framework of incentives and constraints on local action, and within this framework, a multitude of situations arise for local governments in any particular federal system.

Current explanations of local policy choices are unsatisfactory because scholars focus too much on generic, national institutional explanations of policy output such as "federalism." For better explanations, we must also look at factors that influence the *pro-*

cess of policy adoption in cities in federal systems. Actually, federalism theory offers some underappreciated insights about why local policy processes are significant, and newer studies based on the urban regime approach yield testable hypotheses about what factors are important in shaping these processes.

Urban Regime Theory and the Problem of Strategic Action: Hypotheses for Testing

When we look carefully at the claim that federalism sets up the conditions for "good government," it is clear that this potential can be realized only when local governments use their autonomy to select policies strategically. Strategic action in economic development policy means weighing the costs and benefits of policy alternatives in consideration of particular local problems, market opportunities, and resources.

Actual practice in federal systems often fails to live up to theoretical expectations. Indeed, the case study literature reveals a puzzling variety of policy responses by deindustrializing cities, showing that some cities responded strategically, while others did not. This variation also holds true for cities *in the same federal system*. Although federalism theorists argue that city leaders are forced by market processes to behave strategically, given the variation in policy responses of different cities within single federal systems we have to conclude that being embedded in federal institutions is clearly not a sufficient precondition for strategic responses to decline.

Case studies of local decisionmaking show that local officials typically face several similar barriers to strategic policymaking. Barriers such as too little information and scarce resources mean that city leaders are not always able to make good on the efficiency advantages associated with federalism. Quite apparently, then, other factors must have been present in some declining cities that made it easier for their leaders to respond strategically to decline. The purpose of this study is to identify these factors.

Although we know little about the factors associated with strategic decisionmaking at the local level in times of change, recent studies arising from the urban regime approach draw out one point of commonality among most large cities: urban decisionmaking is made by coalitions of public and private actors who are well known to each other and cooperate repeatedly on different policies and projects. This suggests that the ability of local governments to respond strategically to decline depends in large part on the restrictions faced by such coalitions.

Four factors in particular stand out, leading to four hypotheses about the impact of local decisionmaking on strategic responses to change. First, deindustrializing cities with working public-private coalitions are more likely to respond strategically to decline because only coalitions can generate the resources necessary for policy action. Second, cities are more likely to respond strategically in which the preexisting coalition structure was transformed after the onset of decline. Third, guidance and aid from higher-level governments is expected to make local responses less strategic.

Fourth, not only the structure of networks but also the dynamics of coalitional decisionmaking can have uncontrolled and unintended consequences that may increase or decrease the strategic potential of local government responses to decline. Decisions made at an earlier point in time and the collective experiences with success and failure produce incentives that guide later action. These incentives may serve to make policymaking more strategic, for example by bolstering the acceptance of new policies and the individuals responsible for them. However, if these incentives are not countered by the input of new information about changes in the local economy, such incentives will serve to make policymaking less strategic over time as local actors continue supporting old, superannuated policy responses.

Research Design

A study was conducted to test the four hypotheses. Cases were selected from two federal systems in order to test the implication, drawn from the case study literature, that the way cities respond to decline varies for the same reasons in different countries. We should investigate this possibility and modify American federalism theory to apply to other federal systems, if common causal factors are discovered. Cross-national comparison is an appropriate way to do this.

The phenomenon of interest for the study (the dependent variable) is the degree to which cities adopted growth policies strategically in response to economic decline. Because "strategic-ness" of responses cannot be measured directly, it is operationalized using observable characteristics that correspond with levels of difficulty in economic development policymaking: the number of areas of economic development activity in which a city engages simultaneously, the specificity of its development targets, the complexity of its organizational structure, and the degree to which the efforts of different local organizations are coordinated. All of these characteristics of policymaking are difficult to achieve, but if a city can achieve them, we can assert that its response was also more likely to have been adopted strategically.

The independent variables of this study are the structure of local networks of decisionmakers, the ability of networks to transform themselves after the advent of economic decline, the influence of higher-level governments, and the dynamics of decisionmaking. The hypothesized relationships between the independent and dependent variables are formulated in the form of four propositions for testing. The operationalization of the independent variables is qualitative, requiring a high level of detail in the information gathered about the actors and activities in each city's economic development system.

The structure of local coalitions was evaluated comparatively using interviews with the actors who were responsible for economic development decisionmaking in each city over the past two decades. To measure the distribution of power in decisionmaking networks in the four cases, each city's decisionmakers were asked to identify the most influential individuals in economic development policy in a snowballing process. From the pattern of "votes," a ranking of important actors was compiled for each city, here referred to as a "reputational ranking." Such reputational rankings have qualities that can be compared: the absolute number of individuals identified as important, the kinds of institutional bases represented by these individuals, and the distribution of influence among them. These qualities also allow an evaluation of whether a city's decisionmaking was characterized by a coalition in the sense of urban regime theory, and they also allow a systematic comparison of network structures across cities. These rankings, biographical information about the important actors themselves, and further information provided by interviews, newspaper articles, official documents, and secondary sources were used for evaluating the influence of the other three independent variables.

Given the high degree of detail needed for assessing the dependent and independent variables, a case study approach was unavoidable. Given resource limitations, the number of cases had to be kept very small. The selection of U.S. and German cases follows from the logic of comparison, which necessitated selecting two cities in different federal systems that responded in a similarly strategic manner to similar economic changes. The United States and Germany were selected because they have similar institutions of federalism and a large number of big cities.

Selection of the set of deindustrializing cities in western Germany and the United States after 1970 is based on population size and an evaluation of local economic indicators from the end of the 1960s through the mid-1980s. This evaluation showed that 33 large U.S. cities and 22 large German cities underwent similar processes of deindustrialization over this period of time, measured in terms of manufacturing job loss that was not fully compensated by gains in other sectors. The four case study cities were identified by making inquiries with economic development officials in each of these 55 cities. Officials were asked questions related to complexity, i.e., the level of "difficulty" of economic development activity in the 1980s. Based on their responses, Dortmund and Providence were selected as representative of those that put together a response to decline that was more strategic relative to other deindustrializing cities in the 1980s.

The comparison of Dortmund and Providence justified a tentative argument that all four hypothesized factors aid cities in putting together strategic responses to decline in federal systems. The cases also provided insight into the dynamics of decisionmaking in the policy adoption process, confirming the old suspicions of regime theorists that these kinds of sequential dynamics have a central role to play in the development and transformation of urban regimes. In both Dortmund and Providence, the dynamics of decisionmaking were characterized by an initial crisis situation that galvanized elite opinion, by the quick success of the city's first response to decline, and by the feedback of success into the coalition such that the aspirations and confidence of their newly reorganized public-private coalitions were boosted.

The main subject of study is strategic cities. However, looking at strategic cities alone cannot provide sufficient grounds for the argument that any particular factors they have in common are universally important. One cannot know if these factors are not also common in cities that did *not* respond strategically to decline, unless one also looks at decisionmaking processes in nonstrategic cities. To allow for such a control, the study also includes one German and one American city—Augsburg and Louisville—that experienced economic problems similar to those of Dortmund and Providence but did *not* respond strategically in the 1980s. The process of selection of the control cases was identical to the selection of the strategic cities.

While the comparison of Dortmund and Providence alone confirmed the expectations of the existing literature, the experiences of the control cases of Augsburg and Louisville resulted in some surprises and challenged these expectations. The biggest surprise was a remarkable transformation of Louisville's economic development system, which over the course of the late 1980s and early 1990s became the most strategic economic development system among the four cases studied. Surprising, too, is that policymaking in the strategic cities of the 1980s—Dortmund and Providence—become less strategic in the 1990s. Confining the study to the 1980s would skew our picture of which economic development systems actually worked out the most strategic response to decline, for what seemed to be working in the 1980s turned out to be rather short term in its positive effects. Equally interesting are the processes in Louisville, which eventually produced a highly strategic response to decline, although it took longer to generate. Consequently, the timeframe of all four cases was doubled to include the two decades between 1975 and 1995. Extending the timeframe of comparison revealed that policy adoption in Dortmund and Providence become less strategic in the 1990s. Thus, expanding the time frame of the study effectively doubled the number of cases to eight. The longer time frame provided a more complex picture of the process of response to economic decline and opened the door to a more general explanation of strategic responses in deindustrializing cities.

The Argument

The four factors hypothesized to be associated with strategic responses in the literature are interdependent in ways that are, at first glance, quite puzzling because they seem to be inconsistent over time. Yet, it is possible to put together a single, consistent explanation of strategic responses and variation among deindustrializing cities in federal systems that is consistent with all four cases in this study in both the 1980s and 1990s.

The evidence presented here confirms the hypothesis that coalitions are necessary for strategic responses to change, for every city that mustered a strategic response had a coalition of key public and private actors. Just as hypothesized, such coalitions must transform themselves after the onset of decline, and this transformation must be reflected in the consensual goals of the coalition. Contrary to expectations, guidance and aid from higher levels of government did not block strategic action; indeed, almost all of the projects that are considered successful in the four cases depended on higher-level aid for their completion, so in this sense higher-level governments make particular policies or projects possible in the first place and thus are also necessary for strategically selected policies and projects. However, we cannot assert that state and national government assistance is necessary for strategic action generally. Only in the German cases were state officials involved in determining the direction of local policies and projects, and only in Dortmund did the involvement of higher-level officials serve to support strategic policymaking. Finally, the studies found that elements of decisionmaking dynamics—a much theorized but understudied aspect of urban regime theory—were of great importance for explaining why some cities responded strategically at particular times. Coalitions must experience success early on in their efforts to respond to decline, and this success must feed back in a process that bolsters coalition members' aspirations to do more. This is a process whereby early decisions and early experiences with success have an influence on the long-term ability of city actors to maintain a strategic response to decline; in other words, what happens in the earliest stages of a city's response to decline has unintended consequences for its responses many years later.

The complete explanation for strategic policymaking in local governments' responses to economic decline centers on the presence of coalitions and their changes, intergovernmental aid, and coalitional decisionmaking dynamics. The key to understanding the *timing* of the rise and fall of strategic policymaking is related to the dynamics of decisionmaking, especially the success or failure of a city's earliest responses to decline. Sequential effects in network policymaking have figured prominently in urban regime theory, but they have been underappreciated in empirical research. This study found that dynamics can explain the timing of strategic responses, but they work only by reinforcing strategic policymaking in cities when the right kind of governance coalitions are in place. Decisionmaking dynamics only serve to exaggerate the impact of the structures of governance networks and intergovernmental aid.

Outline of the Study

Chapter one provides a review of the problems of, and policy responses to, economic restructuring on the national, state, and local levels. It elaborates in greater detail the state of current knowledge about the relationships between local decisionmaking and cities' responses to local economic decline, concentrating especially on recent developments in federalism theory and the urban regime approach. The current literature allows us to make some good guesses about what might make cities' responses to decline more strategic, and these are formulated in terms of four propositions for testing.

Chapter two outlines a research design for testing the propositions derived from the urban regime literature. It revolves around four elements: the need and justification for a comparative approach, the operationalization of the dependent and independent variables, case selection, and data collection.

Before moving to the case studies, the common criticisms of comparative urban studies are addressed in chapter three. Some argue that local politics is *overdetermined* by national institutions so that local leaders are not free to make policy choices. Others argue that local politics is *underdetermined*—that political decisions are unique from city to city, being highly multicausal and influenced by local factors which depend on particular local circumstances. If these criticisms are correct, then cross systemic comparative urban studies are senseless. In the first case, all regularities are dependent on national institutions. In the second case, there are no regularities. To address these criticisms, the differences and similarities of the American and German federal systems are laid out, as are the political and economic particularities of each case. Actually, the available information on German and American deindustrializing cities does not support the critics' arguments. Cities within the U.S. and Germany vary widely in their responses so that national political systems cannot be overdetermining local political responses. Likewise, very different American and German cities show intriguing similarities along dimensions suggested by the literature as being causally related with strategic responses. Thus, differences in national institutional systems and local contexts actually suggest that more cross-national research should be undertaken to identify common factors that help cities respond strategically.

The comparison of Dortmund and Providence is presented in chapter four. Dortmund is a traditional industrial city located on the eastern edge of the Ruhr River Valley, Germany's industrial heartland. At the height of its industrial might in 1970, Dortmund's principal industries were coal, steel, and beer. This troika was more than a collection of local industries—it was the foundation of an entrenched and confident blue-collar culture. This worker culture extended into politics, attitudes about urban development, and many other areas of city life. The decline of Dortmund industry and its industrial culture was a long process that impacted the coal industry in the 1950s before it hit steel and brewing in later decades. However, the most severe shock to residents came when the local steel giant's plan to close down most of its local operations was made concrete and public in 1980. In response, the preexisting coalition of private-sector and public-sector leaders in economic development made an unexpected move: it rejuvenated itself by drawing in new members and setting new goals. New policies were adopted with the intention of helping laid-off workers and acquiring or fostering hightech firms. The city then attracted immense resources from higher levels of government for its policies. Its economic development effort centered on one of Germany's first technology parks, experienced quick success and was expanded upon. Although its innovative activity did not extend into the 1990s, Dortmund was able to effect a remarkable turnaround and is now home to several major corporate headquarters and many firms specializing in software and high technology.

Providence, one of America's and most successful shipping and industrial centers, has been constrained in recent decades by its small size, its location in the middle of a balkanized web of townships, and its dependence on the ups and downs of the nearby metropolis of Boston. Despite a steady decline in the local textile industry after the 1920s and 1930s, Providence was still one of the nation's strongest manufacturing centers at the end of the 1960s. This changed quickly in the crisis year of 1973, when President Nixon decided to close some large military installations in Rhode Island, which in turn gravely threatened private shipbuilding operations in the state. In the same year, a prominent insurance company decided to leave the downtown area, making it clear that Providence's white-collar firms were seeking haven in the suburbs from the urban decay that was afflicting Providence. In response, owners of downtown real estate and other private sector actors created a new economic development organization that went on to transform permanently economic development decisionmaking in the city. This private sector group quickly enlisted the active support of elected officials, first at the local level and then among state and national governmental officials. The goals of this increasingly well coordinated and successful public-private coalition were focused strictly on renewing downtown, and by the end of the 1970s immense public resources had been invested in development projects centered around reclaimed rail yard acreage in the city's center. By the end of the 1980s, the public-private network in Providence had turned the 1973 low point into a distant memory. Providence is now celebrated as an American "renaissance" city.

Based on information provided by economic development officials on their activities, Augsburg and Louisville were chosen to represent the set of cities that did not react strategically to decline in the 1980s. These "control" cases are detailed in chapter five.

Augsburg is located in Germany's relatively affluent south, being one of the region's few heavy industrial centers. During and after World War II, Augsburg became a favored site for the production facilities of firms headquartered in the nearby Bavarian capital of Munich and elsewhere. Its manufacturing tradition, and the proximity to Munich stifled growth in service sector industries, a major disadvantage when the local textile industry began its steep decline in the 1970s. Augsburg always had enjoyed a relatively diversified industrial mix, however, and the success of the city's moderate efforts at acquiring a new electronic components production facility in the 1980s put residents and city leaders at ease. Economic development efforts through the end of the 1980s thus remained very modest. However, new global market conditions arising in the wake of German unification and the fall of communism in eastern Europe created a new crisis in Augsburg and elicited new concerns over economic decline and economic development policy. Yet, even after interest in doing something about decline increased in the 1990s, Augsburg's development activities remained ad hoc in nature, and local actors have yet to create a coalition that closely unites private and public-sector interests.

The greater Louisville area had become one of America's most highly industrialized regions by the 1970s, boasting high employment in cigarette, appliance, and automobile manufacturing. A creeping wave of plant closures that began in the 1970s was of concern to local officials, but efforts to respond to change—focusing on the areas of industrial acquisition, office construction, and industrial parks—yielded very disappointing results through the 1980s. A decade-long effort to unify city and county government and to centralize the private sector finally bore fruit by 1988. After the organizations responsible for economic development created a single organizational umbrella for directing their activities, a regional development plan was finally drawn up and implemented. Now that the region has an overarching plan, the experience and enthusiasm present among a large number of individual actors and organizations that sprung up in the Louisville area over the course of the 1980s and 1990s is being channeled into a wide range of coordinated development activities.

So What? Findings, Implications, and Criticisms

The concluding chapter presents the full explanation, as outlined above, for variation in response to decline among deindustrializing cities in federal systems. The study's findings have implications for federalism theory, urban regime studies, using aggregate data in investigations of local policy adoption, the profession of local economic development, and international urban studies. These implications are also detailed in the concluding chapter.

The dissertation ends by anticipating a criticism of this study's narrow focus on economic development policy, namely: all of the coalitions in this study were judged on their ability to pursue growth strategically, yet who is to say that growth is a good thing? Critics of growth politics note that economic development coalitions seem always to serve the interests of a narrow band of elites who profit financially from downtown land development. These critics might argue that the important question is not whether cities can respond strategically to decline, but rather, whether cities can balance all of the concerns arising from deindustrialization, both social and economic, in a fashion that addresses the needs of a broad set of citizens.

The research presented here clearly affirms critics' suspicions that there is a trade-off between growth politics and equity. However, it also shows that these effects were mitigated more effectively in some cities than in others. "Plural" growth elite coalition structures are possible. Make no mistake—one condition of success for such coalitions is the ability to circumvent democratic controls. However, plural and strategic coalitions do focus efforts on areas beyond mere land development, and the broader economic development efforts are, the more likely growth will benefit a wide variety of social groups.

CHAPTER 1

LITERATURE REVIEW

This study has been composed from several different elements: a concern with the concentrated effects of deindustrialization in traditional manufacturing cities, arguments regarding the purported advantages of federal institutions for cities responding to decline, the behavior of local governance coalitions, and a test of four particular factors that are associated with strategic responses to decline. What is new and valuable about this research is not these elements but, rather, the way this research seeks to combine them to create a new way of understanding how the world works. This research seeks to connect different areas of inquiry, and the purpose of this chapter is to explain how this study is linked to each of them.

The first section of the literature review offers an overview of empirical trends, including deindustrialization and new economic development policies on the national, state, and local levels in Germany and the United States. It also reviews the available studies of how particular cities responded to deindustrialization.

The second section reviews the existing theoretical speculation on why governments can or cannot respond effectively to economic decline. This literature has two important weaknesses. Existing investigations into local government responses to decline are still dominated by the earliest, national-level studies. The available research also tends to ignore processes of decisionmaking and policy adoption in favor of generic institutional explanations of policy outputs. In this tradition, "federalism" is sometimes offered as an explanatory factor. Yet, federalism is only a framework that enables different levels of government and different jurisdictions to do different things. The framework itself cannot explain very much, especially if we are concerned about subnational governments. The literature review below shows that federalism theory and studies of urban decision-making can make a much more significant contribution to the discourse of responses to decline than has been recognized so far. Over the past two decades, scholars developing federalism theory and those using the urban regime approach have offered many hypotheses and have accumulated a wealth of information about the *process* of policy adoption at the local level. Thus, the last section of this literature review turns to these literatures to collect some basic hypotheses about which factors in the local policymaking process serve to make cities' responses to decline more strategic. Testing these propositions is the central focus of this research.

Empirical Trends

Deindustrialization and Economic Restructuring

Cycles of growth and decline have accompanied capitalism since its earliest stages, but there are good reasons to point to the 1970s as the decade in which capitalism underwent its first transformation after World War II. Until then, economic conditions in the advanced capitalist countries had favored investment in industrial production. Industry in the United States, for example, returned profits of about 15% on investment during this time period—a rate that compared favorably with other investment opportunities. Thereafter, however, the relative advantage of industrial investment declined steeply, and, in response, the management of many large industrial firms decided not to modernize their older factories. Investment shifted, rather, to new plants in cheap labor countries or to new and more profitable sectors (Bluestone and Harrison 1982: 6). Likewise, Wall Street investors turned their attention to other sectors or to takeover battles. The era of big factories employing thousands of semiskilled, blue-collar workers in the historical industrial heartlands of Europe and America was over.

As a result of declining profitability in manufacturing, the advanced capitalist economies saw a gradual but permanent decline of the manufacturing sector's share of GDP and employment from 1965 to 1985. Growth in services over the same time period, however, was quite steep so that services overtook manufacturing as the dominant economic sector in all of the nations of North America and Western Europe. This transformation was embedded within a more comprehensive transformation of urban politics on the heels of global economic changes now referred to as "globalization" (Harris 1997; Knox 1996; Smith and Feagin 1987). The most significant characteristics of globalization are the increased pace by which markets for all of the components of economic activity—labor, commodities, capital, and transportation—have become international in scope. Although there is debate about whether governments are powerless to check globalization or, indeed, whether they actively support it (Weiss 1997), fewer and fewer firms are afforded the luxury of a local price buffer for their products. Firms must produce at a price that is competitive globally or risk losing even local market share to producers based somewhere else on the globe. Heavy industrial firms were the first to learn the seriousness of this lesson, but in the future a majority of firms in a majority of sectors will learn to think globally or risk going out of business.

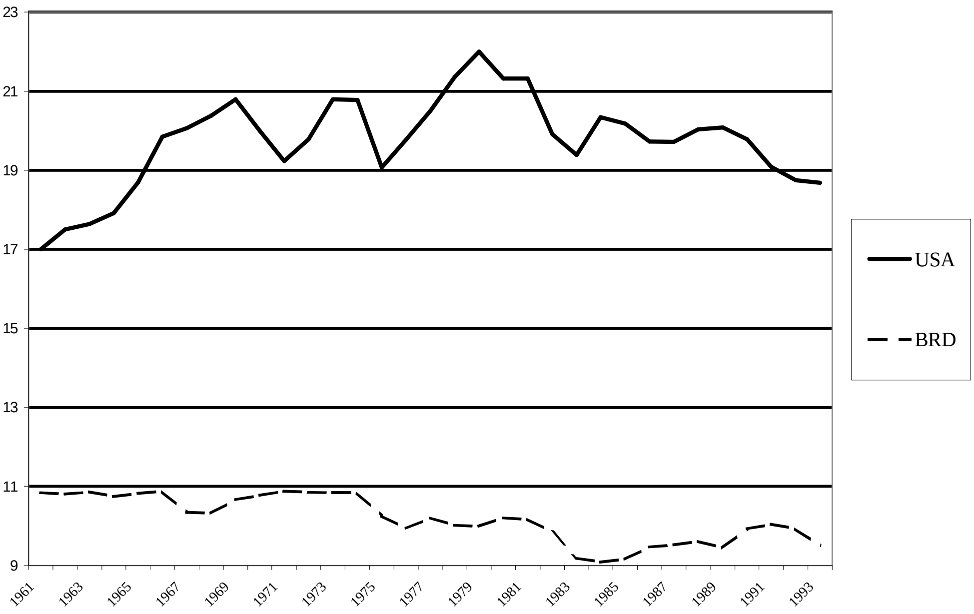
Whereas the benefits of globalization are diffuse, the negative impacts of deindustrialization are concentrated sectorally and regionally. The sectors hit hardest by decline were those that already had narrow profit margins by the late 1960s. The classic "troika" of decline included coal mining, metal forging, and shipbuilding. Production in these and similar sectors involved mature technologies and processes that had become widely available globally. As markets became increasingly liberalized in the 1960s, industrial firms in the newly industrializing countries, which were using modern technologies and paying low wages, gained market share for their products. The steady rise of oil prices after 1973 delivered another blow to many western manufacturing firms.

By the early 1980s, traditional manufacturing firms in Europe and North America had reduced payrolls by the tens of thousands. These layoffs affected mostly traditional manufacturing cities, where heavy industry was born in the 19th century. Laid off manufacturing workers in these cities could find new jobs only in other regions, in other sectors that require quite different skills, or in the local service sector for low wages. Thus, regional pockets of unemployment, urban decay, and social polarization emerged, and efforts to deal with these problems topped local and even national political agendas.

Figure 1.1 shows that changes in absolute employment in mining and manufacturing in Germany (abbreviated either as BRD for *Bundesrepublik Deutschland* or as FRG for Federal Republic of Germany) and the United States followed roughly similar trends from 1961 to 1993. Employment in both countries declined from peaks reached before 1980.

Manufacturing employment reached its peak in absolute terms by the early 1970s in Germany and by 1980 in the United States, and the fifteen-year period from 1970 to 1984 encompasses the first long-term period of decline in both countries. Confidence in the health of traditional manufacturing in industrial regions already had been shaken profoundly during the 1970s by large layoffs. Then, manufacturing employment in both countries plunged, responding to historically high oil prices and a worldwide recession, reaching bottom in 1983 and 1984.

The 1970s and early 1980s were a culturally significant period in both countries because these were the years when industrial regions became regarded as problem areas. Not coincidentally, the term "deindustrialization" and its German counterpart "*Struktur*



Sources: U.S. Bureau of Labor Statistics 1999a; Statistisches Bundesamt 1996
* These data include utility employment.
* Data for Germany do not include the former German Democratic Republic

Figure 1.1: Absolute Manufacturing & Mining Employment, United States and Germany (BRD) in Millions

wandel" (structural change) became political buzzwords exactly at this time. The social costs of economic change became a more salient issue, and the realization set in among academics, journalists, and many leading politicians that the service sector had permanently replaced manufacturing as the most important motor of new job creation.

Despite the similar trajectories of their respective manufacturing sectors, the economic and cultural impact of deindustrialization in the United States and Germany was different. In the U.S., both the manufacturing and service sectors were robust relative to other advanced industrial countries. From 1962 to 1984, the U.S. share of total industrial employment in the world's twenty-four most industrialized economies actually increased by about 20% (Alonso 1989: 224). Over the course of the 1970s, "close to 19 million jobs were added to the American economy, of which over 90 percent were in the service sectors" (Noyelle and Stanback 1984: 1).

Deindustrialization has been more significant culturally and economically in Germany than in the U.S., but only since the 1980s. During the 1970s, total employment increased by 694,000, as service sector gains more than compensated for a net loss of 576,000 manufacturing jobs. Through this decade, deindustrialization proceeded gradually, with few dramatic failures of important national firms and few devastating plant closures. A more dramatic downward slide in employment in the early 1980s, however, began to threaten the regulatory and welfare institutions that had always mitigated the detrimental effects of unemployment. In the 1980s, unemployment in Germany increased relentlessly as coal, textiles, steel, shipbuilding, and other industries rationalized production, although Germany's most dramatic phase of deindustrialization was yet to come. After the 1990 unification of West and East Germany and a short economic boom in the West that ended in 1993, the new Federal Republic has been undergoing a new period of deindustrialization. The negative effects of deindustrialization have been acute in the East, but manufacturing employment in all parts of Germany has dropped, growth has stagnated, and overall unemployment has increased to postwar record levels.

Regional and Sectoral Patterns of Decline in Germany and the United States

Regional variation in the impact of deindustrialization was typical of both countries. In Germany, the North was dominated by traditional heavy industry and thus declined even as the smaller and more flexible southern industries remained intact and quite profitable. Two regions in particular came to symbolize these differences: the north's Ruhr region and the southern state of Baden-Württemberg. The Ruhr was Germany's industrial heartland, and the benefits of the postwar economic boom were concentrated there like in no other European region. Large coal and steel conglomerates ran huge mines and mills that employed tens of thousands with wages that had increased reliably year after year. Although the glory days of the Ruhr had been admixed always with decline—crises afflicted coal in the 1950s and steel in the late 1960s—unemployment was never a significant problem until the early 1980s. Ever since then, unemployment in the Ruhr has exceeded the national average.

Aggregate manufacturing employment in Baden-Württemberg, like that of its neighbor Bavaria, remained very robust until the 1990s. The southern regional economies were buoyed by strong exports in the automobile, electrical component, and machine tool sectors, and they enjoyed a booming service sector. The South was home to a large number of small and medium-sized enterprises, which were apparently much more "flexible" and already adjusted to the methods of production that bring success in the highly competitive global economy: export orientation, specialization into niche markets, and the speedy development of new products (Piore and Sabel 1984). In the 1980s, these qualities made many German manufacturers into winners of globalization. However, after unification, the southern economy took a dip and finally felt the negative effects of international economic change. The two main factors contributing to poor regional economic performance in southern Germany were the national recession that hit after 1993 and the opening of the nearby countries of Hungary and the Czech Republic for outsourcing.

America's problems with deindustrialization were largely concentrated in just a few areas in the Northeast and Midwest, where numerous plants were closed, while new factories were built in the Sunbelt or in a few "innovation centers" close to university research facilities (Negrey and Zickel 1994; Bluestone and Harrison 1982). Decline came in three waves, each affecting a different region. The New England economy was heavily dependent on textiles at the beginning of the 20th century but underwent a period of decline from the end of the 1930s through the 1970s (Harrison and Kluver 1989: 104). As the 1970s progressed, New England experienced a recovery due to Boston's hightech boom, while problems with deindustrialization appeared in New York, Pennsylvania, and New Jersey (Bradbury 1984: 42-45). In the 1980s, the locus of decline again shifted, this time to the Great Lakes industrial heartland areas: upstate New York, Indiana, Ohio, Michigan Illinois, Minnesota, and Wisconsin (Markusen and Carlson 1989).

Defining Deindustrialized Cities

The transformation of the advanced industrial economies that occurred between 1965 and 1985 had similar effects in different countries: the decline of manufacturing jobs, the rise of employment in the service sector, uneven regional growth and decline, and the increasing speed of market transnationalization. However, due to the uneven sectoral and geographic distribution of the advantages and disadvantages of economic restructuring, the number of cities that have experienced serious problems due to this transformation is substantially smaller than the number of cities that have seen losses in manufacturing employment. Nonetheless, the term "deindustrialized cities" is often imprecisely used only to refer to those cities in which local manufacturing job losses are accompanied by social problems such as unemployment, poverty, or population loss (Koritz 1991; Bazen and Thirlwall 1989; Hill and Negrey 1987).

Hill and Negrey (1987), in a definition which is typical of the literature, define deindustrialized cities as those fulfilling three criteria: local manufacturing employment must have declined over more than one business cycle; the city's share of the national industrial employment must have shrunk; and industrial job decline in the city must not have been compensated by employment growth in other sectors of the regional economy. These issues will be raised again in the next chapter.

The Reinvention of Economic Development Policy: Empirical Trends

The advanced, industrial countries have been adopting policies designed to promote local economic growth since the onset of deindustrialization. Their responses have followed common trends, despite dissimilar institutional backgrounds

One common trend is the generally heightened and more persistent interest of all state and local government in economic development activity. A second common trend is the move of national government towards greater decentralization of planning and development activities. Everywhere, cities have gained more autonomy in economic development as federal institutions have been newly created or reactivated. Local governments everywhere have become central agents, partners, and innovators in networks of economic development. This trend is observable not only in federal systems like Germany, but it is also quite clearly evident in "centralized" systems such as France.

A third common trend linking European and North American cities is the increasing use of private organizations to set and implement economic development policies. Development activities once conducted exclusively by bureaucrats have been increasingly privatized or "outsourced" to private or public-private development corporations. A fourth trend is the increasing use of development policies designed to respond to globalization by encouraging local innovation, entrepreneurship, and risk taking.

In practice, all four trends are linked: increased activities are focused on innovation and risk taking, carried out under the authority of local governments in cooperation with private development organizations. As a consequence of these new trends in economic development policymaking, the field has been effectively reinvented in almost all of the advanced industrial economies. Moreover, the common trajectory of these innovations has made the process of economic development policy more similar than ever across different nations. The following discussion highlights common economic development policymaking elements at all levels of government in the U.S. and Germany.

National Industrial Policy

In the U.S. and Germany, the use of macroeconomic policy to address economic decline is no longer a controversial issue. The coexistence of high inflation and low growth in the 1970s had made Keynesian recommendations regarding the manipulation of the national economy for the promotion of growth look out of date, and with the ascendance of Reagan and Kohl, a neoliberal consensus congealed that effectively settled the issue. In the place of debates over Keynesianism, however, there emerged by the 1980s a new debate over "national industrial policy," or policies designed to aid specific sectors or kinds of firms in the national economy.

Western political and economic leaders were stunned by the realization that Japan and other newly industrialized countries were not only dominating markets for heavy industrial products but were also pulling away in more advanced technologies as well, including automobile production and consumer electronics. Arguments surfaced that the Japanese government's industrial policy, which had been so successfully coordinated by the Ministry for International Trade and Industry (MITI), was responsible for giving Japanese firms important competitive advantages in global markets (Johnson 1982). Some argued that the United States government should become similarly active in directing and promoting economic growth using industrial policy. Yet, with the possible exception of U.S. defense policy, neither the United States nor Germany adopted a long-term, coordinated, strategic policy comparable to Japan's. Instead, both countries' central governments adopted a large number of uncoordinated policies on an ad hoc basis. In the United States, such policies included:

> procurement and export promotion programs, import restrictions, trade adjustment assistance to workers, research and development support, information services, tax incentives, selective antitrust enforcement, promotion of regional economic development, emergency financial guarantees and loans for firms (such as Chrysler and Lockheed) and regions (New York City), and various attempts to institute tripartite negotiating forums among business, labor, and government (Krauss and Pierre 1993: 176-177).

Germany's industrial policy unfolded, also on an ad hoc basis, beginning in the 1950s. It centers on three areas: aid to economically backward areas for infrastructure improvement, assistance for growth industries, and aid to special problem industries (coal, steel, shipbuilding, leather, and others). As deindustrialization started to become a problem after 1972, German industrial policy was increasingly focused on providing aid to declining industries of high political importance. Investment subsidies for steel and shipbuilding, for example, nearly quadrupled (Drouin, Ernst, and Wheeler 1987: 117). The political value of aid to depressed industries dovetailed well with the value of aid to depressed regions, and thus it is not accidental that by 1974 more than half of West German government economic aid was in the form of transfers to the governments of depressed regions with the intention of helping them assist their problem industries (Drouin, Ernst, and Wheeler 1987: 118). The goals of Germany's de facto industrial policy changed very little until unification, although both Social Democrat and Christian Democrat governments reduced the absolute amount of government subsidies. Even unification has not effected a transformation of the goals and values of German industrial policy. Its focus remains on assisting declining regions and weak industries, although the geographic concentration of aid was shifted to the East.

National governments in the U.S. and Germany never had a clear, centrally organized, and independently formulated national economic development policy. With the possible exceptions of U.S. defense policy and German subsidies for the coal industry, they always embedded their activity in partnership arrangements with subnational governments. In the early 1980s, subnational governments took over the leadership position in this partnership because of reduced national aid for development. In sum, then, national economic development policy in the United States and Germany does not serve to make the two systems different in practice; rather, in each case, recent trends have created new pressures and opportunities for activism and innovation at the subnational level.

State and Regional Activity

Over the course of the postwar period, state governments in America and Germany became increasingly active in economic development (Clarke and Saiz 1996; Allen 1989: 157). Much of this new activism was born of necessity: national government aid in both countries was curtailed seriously during the 1980s, even as the demand for public-sector development resources had increased in many areas due to deindustrialization and other forms of global economic restructuring. The absence of coordinated, strategic national industrial policy probably functioned as a further incentive for states to become more active, especially in the American case (Clarke and Saiz 1996: 520; Krauss and Pierre 1993: 181).

The Search for More Effective Regional Organizations

German and American state governments engaged in numerous kinds of activities in order to address deindustrialization and economic restructuring, as reviewed below, but just as important as the policies states were using were their attempts at creating new organizations for economic development. States used the opportunities left open to them by their federal systems to create new regional organizations to design and implement new economic development strategies, and the particular kinds of regional organizations created by states evolved out of their respective national historical experiences with regionalism.

In the United States, “metropolitan regionalism” dates to the 1920s and 1930s and was dominated by the consensus that regional consolidation and cooperation can improve the efficiency of government service provision (Mitchell-Weaver, Miller, and Deal 2000: 853). This early consensus was broken some decades later, to be replaced in the 1990s by a "new regionalism" that is more concerned with the social equity issues caused by sprawl in American metro areas. It is thought that public intervention can and should address these issues, irrespective of gains or losses in the immediate efficiency of public service provision (Savitch and Vogel 2000a).

The structures of metropolitan government vary in terms of the number of policy fields they encompass and the degree to which they are either formally institutionalized or based on self-regulated cooperation in networks (Mitchell-Weaver, Miller, and Deal 2000: 864; Savitch and Vogel 2000b). Examples of institutionalized governmental structures include city-county consolidation, special-purpose districts, and annexation. Informal, network-like structures also are common but are much more varied in form.

German states have possessed unilateral authority to create regional planning districts since 1964 (Herrschel and Newman 2000: 1187-8). By the 1980s, however, it was clear that these planning districts, which were created to control sprawl, were not necessarily the ideal organizational form for promoting local economic growth. Consequently, German state governments tried to spur the creation of "organic" regional governance organizations, consisting of representatives from important public and private sector groups, with the intent of encouraging greater cooperation across the public-private sector divide. State governments hoped that such organizations would be able to promote growth more effectively than a host of smaller networks confined to particular cities.

Observers of Germany will know that such efforts take place in a political culture influenced by "corporatism," a wide-ranging concept designed to describe a state-sanctioned pattern of cooperation between business abd labor organizations that has been typical of Germany and other nations. Textbook treatments always emphasize that the reach of German corporatist agreements is restricted to the so-called meso-level; i.e., within particular sectors like metal working and chemicals (The Economist 1994; Katzenstein 1987: 369-70; Cawson 1985). However, some authors have attempted to understand subnational development activities also as a corporatist phenomenon. Allen (1989: 157), for example, notes that German state governments in Bavaria, Baden-Württemberg, and North Rhine Westphalia responded to economic restructuring first by searching for social partners among businesses, banks, and unions in a pattern reminiscent of corporatist bargaining. Although local government had nothing to do with corporatist agreements proper, it was not uncommon for local politicians—especially those in industrial towns—to have been involved in corporatist negotiations as firm managers or as union officials. It would have seemed logical to many of these individuals to extend their experiences with corporatism into their economic development activities. At any rate, first establishing social partnership, then creating a consensus for action is a pattern typical of Germany and which was reinforced nationally by many examples of successful meso-level corporatist bargaining. This pattern spilled over into local government policymaking when state and local government officials began to feel pressure to do something about decline, showing up as "staged" corporatism after the middle part of the 1970s (Heinze and Voelzkow 1991: 194-95). As the term "staged" implies, this effort to create "organic" local networks using the corporatist model of cooperation and intermediation was perceived as artificial by academic experts and by many actors themselves, but it was the main way Germans knew how to generate the resources and skills to implement new local economic development policies. In retrospect, it seems that the application of the general corporatist literature to subnational development politics in Germany was also somewhat artificial. The sheer number of groups involved in local and regional development, combined with the fact that not all local groups support traditional corporatist interests as defined by unions and industrial firms, explodes the assumptions of post-war corporatist theory and points researchers to more general theories of bargaining in networks, a path already blazed by urban regime researchers.

The regionalization of development policy in Germany and the U.S. has been influenced also by studies of the benefits of interaction among geographically proximate businesses. New studies and concepts were developed in the attempt to grapple with the fact that economically successful regions seemed to be characterized by similar forms of interaction among local businesses and between businesses and local governments. A milestone of the literature was Piore and Sabel's 1984 study of "industrial districts" in Germany and Italy that had experienced higher growth rates than their respective national averages (see also Kern and Schumann 1984). Another familiar concept is that of the industrial cluster, or a "geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities" (Porter 2000: 16). Porter argued that clusters "are a striking feature of every national, regional, state and even metropolitan economy," and given the increase importance of global competition, this "suggests new roles for government at the federal, state, and local levels" (Porter 2000:15). In the global economy, the public sector's "more decisive and inevitable influences are at the microeconomic level," and thus Porter recommends that public-sector activity should be directed toward promoting productivity growth generally and assisting the emergence and growth of clusters in particular (Porter 2000: 16; Porter 1990: 618). This implies that a regional approach to economic development, using regionally based organizations, has the greatest promise of making a positive impact on local growth. These arguments have been especially influential in Germany, where many state officials feel that they have been given good reasons to believe that the competence for decision making in economic development aid should be shifted closer to the local level in order to make use of informational advantages and other untapped organizational resources of local actors (Voelzkow 1996: 74). These recommendations meshed well with similar ideas coming from federalism theory, and both literatures nursed a decentralization trend in European economic development policy, where a main motivation for organizational reform in economic development has been "stimulating local activities and exploiting local resources" (OECD 1993: 41).

Policies Used by State Governments to Promote Growth

A further trend linking state governments in the United States and Germany has been a diversification in policies they use to promote growth. Typical activities included infrastructure improvement, incentives to attract new enterprises in promising sectors, aiding existing manufacturing firms in the rationalization or modernization of production, establishing public-private partnerships, subsidizing worker training, creating technology centers, advertising, and improving the quality of local life (Alonso 1989: 234-5). Retrospectively, we see that these and other policies fall into three categories: infrastructure policies, policies designed to cut the costs of production of particular firms, and "entrepreneurial" policies intended to encourage new startups or to help existing firms find or create new markets. Each category emerged at a different period in history, guided by a different understanding of how economic growth occurs at the local level. Each successive wave has added new policies to those practiced earlier, so that now all three kinds of policies are commonly in use (Clarke and Gaile 1998).

Infrastructure provision was the first kind of state economic development activity, whereas the meaning of "infrastructure" was narrower in earlier decades. Earlier concepts centered on "hard" facilities in transportation, utilities, and waste disposal. Most infrastructure policy is still dominated by these kinds of projects, but recent thinking has expanded the understanding of infrastructure to include new kinds of "hard" projects and so-called "soft" infrastructure. New kinds of infrastructure projects have a hightech orientation, such as research institutes or telecommunications hardware. "Soft" infrastructure includes those factors that increase the quality of metropolitan life such as clean air, parks, festivals, and cultural institutions.

The dominance of traditional infrastructure activities was challenged in the 1960s by a second "wave" of policies targeted to particular firms. These policies were guided by

> a model of economic growth that emphasizes the importance of factor costs—basically, the costs of land, labor and capital—in production processes. Given this causal logic, states, under the threat of the loss of investment to competing states . . . worked to promote policies that would reduce those costs (Clarke and Saiz 1996: 523).

States were especially eager to reduce the potential costs of production for those firms seeking to move or expand production. Some common incentives included the subsidization of training costs for new personnel, the provision of city-owned land at low cost, and the reduction of taxes on new facilities. When these incentives first came to be widely used, they were most commonly offered to manufacturing firms, which paid the best wages in the 1960s and 1970s. Thus, the practice came to be called "smokestack chasing." Other factor-cost reduction policies included the reduction of workers' rights and benefits. These kinds of policies were embraced by southern states in the 1920s and were copied by some northern states in response to deindustrialization (Markusen and Carlson 1989).

The policy approach of German states before 1980 contrasts with contemporaneous American practices. Open forms of smokestack chasing were not common in Germany, being all but illegal. German officials did not have to enter into a public bidding war, for top state politicians and the executives of top manufacturing companies often make location deals consensually anyway. Moreover, German federal states cannot manipulate labor market regulations, as these issues are negotiated between business and labor groups on a national level.

A "third wave" of economic development policies emerged in the 1980s (Clarke and Saiz 1996: 537; Eisinger 1988). The third wave of policies is in many ways a response to globalization, reflecting a widely accepted view that it has changed the basic logic of local growth. Growth in the advanced industrial economies is now seen to depend more than ever on the adoption, development, and implementation of new technologies and innovations. Globalization has made even remote regions potential production sites for mobile capital, so that the highly developed West faces more competition for growth from regions that have lower production costs. The ability of the advanced economies to maintain their relatively high wages while guaranteeing growth, so it is argued, will be determined by the ability of domestic firms to apply innovations throughout the entire production process, starting with product design, extending into manufacturing, and continuing through marketing and distribution. Success depends not on increasing market share of standard products by reducing prices relative to other producers. Rather, it depends on innovation and entrepreneurship, by which demand for a new kind of product or service can be created.

The new interpretation of the causes of growth in the globalized era brought a corresponding change in the philosophy driving government economic development policies. Key tasks for government now are seen as assisting firms in adopting or inventing new technologies and products, reducing the costs and risks of entrepreneurship, and helping firms find new export opportunities in the global marketplace. Policies designed to undertake these tasks have been called "entrepreneurial" policies, and they represent the third wave of policy innovation.

It is important to avoid misunderstanding: the intent of "entrepreneurial" policies is not to give the city control over important local businesses, although this was a leftist goal in many European cities in the 1970s. Rather, entrepreneurial policies foster

> those indigenous capacities to serve new or expanding demands (rather than by pursuing mobile capital) by providing resources that permit direct penetration or capture of a particular market (rather than providing peripheral subsidies of factor costs) or that permit risky but potentially productive undertaking that would not have gone forward without government support (Eisinger 1988: 230).

German development efforts show a similar movement from infrastructurual to entrepreneurial policies in the 1970s and 1980. When economic development policies first emerged, they were strictly associated with infrastructure investment. As such, development was tightly coordinated by state planning bodies. Thereafter, and in response to deindustrialization, economic development efforts increasingly became decoupled from planning institutions. States became keenly aware of dependencies on the declining coal, steel, and shipbuilding industries. Many state leaders tried to push national government into subsidizing declining sectors, but a major change in public-sector thinking eventually occurred.

> While in the 1970s there was a widespread belief that economic development could be planned, in the 1980s the strategic thrust had shifted to economic actors other than the state providing the impulse for change. The state's role [is] now seen as a coordinator and monitor of change. (Potratz 1996: 62)

When faith in the effectiveness of centrally coordinated planning institutions was lost toward the end of the 1970s, national and state officials began to create regional governance institutions "from above" in the hope that they would be able to activate private sector cooperation. Although this attempt has not been rated successful by most observers, it opened the door to a more significant trend: the increased intensity of government involvement in economic development and the pursuit of "entrepreneurial" goals. Since the 1980s, states have been more involved in cooperating with local governments in economic development policy, focusing on projects such as business incubators, venture capital funds, training facilities, and new research institutes in addition to their traditional infrastructure programs.

Local Government Activity

As a consequence of the regionalization of economic development, policy initiatives have become increasingly local in origin (OECD 1993: 8). However, local activities too have been changing, mirroring the changes at the state level discussed above. The most important local trends have to do with increased activism, the privatization of the organizational structure of economic development, targeting priorities, and new policy tools.

Increased Activism

Spurred by increased need, lower national government resources, and the new consensus favoring local activism, city governments have become substantially more active in economic development over the past twenty-five years in the United States, Germany, and in the rest of Europe as well (LeGales and Harding 1998: 131; Wolman 1996: 119; Levine 1994; Keating 1993; Mayer 1991; Keating and Hainsworth 1986). The impact of a decline in central government aid has been most profound in western Germany. Aid to western German cities continued to decline in the 1990s, as national development priorities shifted to the East. In the context of reduced expenditures for regional development and increased unemployment, many German cities began experimentation in social and development policy for the first time.

The available data suggest that local governments in both countries increased their economic development effort after the 1970s. Expenditures by American state and local governments on developmental activities, for example, increased from 9.1% of GDP in 1982 to 10.8% in 1990 (Peterson 1995: 54). We also know that the average number of full-time economic development staff in German cities with populations greater than 200,000 rose from 4.9 in 1978 to 6.6 in 1995 (Wrobel 1979: 46; Hollbach-Grömig 1996: 26). This increase in local government staff coincided with an increase of the number of individuals employed by public-private development corporations, which had become much more common by the end of the 1980s (Grabow, Heuer, and Kühn 1990: 35).

Overarching institutional changes also increased activism in Germany. German unification increased the number of economically troubled cities overall, and eastern cities employ on average twice as many economic development staff as do western German cities of similar size (Hollbach-Grömig 1996: 26). Another significant change is the increasing importance of aid from the European Union (EU). Brussels has two programs of significance for local governments in Germany, although not every German city can qualify. The European Social Fund finances training and other programs for laid-off workers, and the European regional development funds provide aid for regional development activities, mostly for infrastructure improvement. German state and city officials have become more adept at applying for and using European aid; they commonly use these funds to augment aid from other levels of government.

The Search for More Effective Local Organizations

Convergence between the U.S. and Germany is also seen in similar changes in their economic development organizations. As development activity began in the 1950s, it was integrated into existing departments or units (for planning, traffic, tourism, etc.) in Germany (Wrobel 1979: 27-41), presumably also in the U.S. Single departments dedicated solely to economic development were uncommon in Germany until the crises in coal and steel in the 1960s, when many German cities in the deindustrializing northwest created new departments dedicated solely to economic development (Stark 1977: 48). Recent changes suggest that local governments are searching for a more effective organization of their economic development effort through forms of privatization. Local governments are now using private economic development corporations and public-private partnerships more frequently than ever before.

Many local governments are attracted to private development corporations because they are supposed to increase the speed of decisionmaking and are perceived to be more readily accepted by business actors than are bureaucratic organizations. With these advantages, they make a "more 'entrepreneurial' mode of operation" easier (Bennett and Krebs 1991: 103). Private and public-private organizations may make it easier for decisionmakers to use market rather than political criteria for setting priorities for the allocation and investment of public funds. They use public and private funds together rather than relying solely on one or the other. Public-private partnerships allow cities to reorient activities away from general policies and toward one-time development projects, negotiated on a contractual basis; this, in turn, helps cities manage the risks associated with "entrepreneurial" policies. (Clarke and Gaile 1998: 61-62). In sum, then, the use of private forms of organization in economic development does not necessarily mean that cities have become more "entrepreneurial," but there is good reason to expect that the use of private economic development corporations and public-private partnerships makes it easier to be so.

The available data on the organization of local economic development in the U.S. and Germany show that local governments in both countries have turned increasingly to private organizational forms. Actually, the Germans nurse a decades-long tradition of delegating state tasks to private or "para-public" institutions, and this tradition permeates all levels of German politics (Katzenstein 1987: 58-80). However, private economic development corporations are a particular kind of organizational form that first emerged in Germany in the 1950s and grew in spurts in the 1960s and 1970s. They first arose on a large scale inside regional assistance areas, being necessary in order to take advantage of federal regional development programs of the 1970s. By 1982, there were 37 regional or county corporations but only 12 local corporations (Bennett and Krebs 1991: 103). This heavy orientation toward national subsidies changed in the 1980s, as more and more cities began setting up private economic development corporations to design and implement local development policy. Germany does still lag behind the U.S. in the use of public-private cooperation—72% of American cities had an economic development corporation in the 1990s in contrast to 26% of German cities. However, their rate of growth in the 1980s was much higher in Germany (Clarke and Gaile 1998: 81; Hollbach-Grömig 1996; Wrobel 1979: 28). Further, private economic development corporations are used as the main institution for economic development in about 35% of Germany's largest cities, making it the most common organizational form for these cities (Hollbach-Grömig 1996: 23). In Germany, the creation of public-private partnerships for single projects is also common, being used in an estimated 80% of the nation's chamber of commerce districts (Bennett and Krebs 1991: 98). Local governments were partners in about half of these projects. In the U.S., about 25% of local governments had been involved in single-project partnerships by the 1990s (Walzer and York 1998: 50). In 1994, only 344 of approximately 1,300 U.S. cities had established some kind of public-private partnership for economic development, although the frequency of partnership is higher among larger cities (Walzer and York 1998: 50). Further, U.S. cities that do use partnerships tend to use them repeatedly (Walzer and York 1998: 50).

Changing Goals and Targets of Local Economic Development

Looking beyond organizational forms to the goals and targets of economic development activity in the U.S. and Germany, one also sees similarities and similar changes over time. Traditionally, local aid in the U.S. targeted established firms and, even more predominantly, firms considering a move in-state (Clarke and Gaile 1998: 57). The situation in Germany was no different: the "central goal of local economic development was the creation of jobs by attracting industrial firms, preferably large firms or branch plants of large firms" (Hennicke and Tengler 1985: 1). Moreover, it is often argued that job creation or retention is a major economic development goal for local governments, especially in declining areas (Alonso 1989: 224; Humphrey, Erickson, and Ottensmeyer 1989). In Germany, the available data suggest that job creation also has been an important overarching goal. It was the main goal motivating organizational innovation among cities in the large state of North Rhine Westphalia in the 1970s, and in 1980, 87% of all German cities identified job creation as the most important goal among five alternatives (Heuer 1985: 29; Stark 1977: 52).

The German data reveal one important and unexpected similarity in broad local development objectives. In 1980, 28% of German cities considered strengthening of their financial capacity as the most important goal for development activity (Heuer 1985: 29). Although certainly not a prime concern for all cities, the fact that a significant portion of German cities view financial capacity as the main goal of local economic development runs counter to the exceptionalist argument that European local government operates largely free of concerns over financial need.

When it comes to specific targets of aid, the differences between the two countries are balanced by close similarities. Clear differences lie in the fact that U.S. cities place a much clearer priority on downtown land development projects: 76% of American cities note that this is a "very important" geographic targeting priority, making it the first priority among four geographic target alternatives (Bowman 1987: 36). A majority of large U.S. cities also place a high priority on minority business development (Bowman 1987: 47). Neither of these targets is important for German cities due to their very different circumstances. In regard to other kinds of targets, however, German and American cities are more similar. Most cities in both countries would prefer to do two things at once: acquire new firms and retain old ones. Approximately 70% of U.S. cities and 86% of German cities identified both "attracting new businesses" and "expanding existing business" as "very important" (Wrobel 1979: 55; Bowman 1987: 36). Technology, research, small businesses, and entrepreneurship are also important specific targets in both countries, although U.S. cities typically subsume their research and development priorities within labor market programs in training and qualification (Bowman 1987: 36). For German cities, technology and innovation are more central for economic development policy proper: in 1995 about 43% of German cities identified "technology and innovation" support as a "very important" area of activity (Hollbach-Grömig 1996: 38). German cities are also more likely to link small business support with the goal of supporting innovative technologies, whereas small business aid in the U.S. is not often targeted sectorally (Bennett and Krebs 1991: 102).

Policies Used by Local Governments to Promote Growth

A comparison of the policy tools common in U.S. and German cities reveals a pattern much more complex than suggested by the exceptionalist argument. Whereas infrastructure improvement and smokestack chasing traditionally dominated the thinking of local governments (Spindler and Forrester 1993: 29; Jochimsen, Treuner, and Gustafsson 1970), a shift from these strategies to "entrepreneurial" policies occurred locally both in the United States and in Europe (Clarke and Gaile 1998; OECD 1993). In Germany, the increase of activities at the local level, especially those designed to stimulate innovation, entrepreneurship, and public-private organizational cooperation, is well documented (Grabow and Hollbach-Grömig 1998: 169; Hollbach-Grömig 1996; Bennett and Krebs 1991; Grabow, Heuer, and Kühn 1990).

Before 1980, the most common areas of American activity included planning, finance, land brokering, infrastructure improvements, industrial parks and development, marketing, and annexation (Clarke and Gaile 1998: 81). Local economic development activities in Germany in the 1950s and 1960s centered on hard infrastructure improvements such as roads, electricity production, water treatment, public transportation, and housing. Cities used tools designed to make commercial land available for development, a central concern due to the short supply of commercial property. German cities always have been able to use tax incentives and offer below-market-rate loans, but only with the approval of state regulatory authorities (Jochimsen, Treuner, and Gustafsson 1970). Studies of policy use in Germany before 1980 indicate that the main activities in Germany concentrated on land brokering, consultation and information exchange, advertising, and ombudsmanship between businesses and the city (Wrobel 1979: 61).

Some areas of substantial difference between the two countries before 1980 do stand out. First, a majority of American cities had been involved in creating industrial and commercial parks by 1980, but only 17 such parks existed in the FRG in 1982 (Hennicke and Tengler 1985: 73). This difference later disappeared, as the use of commercial parks in Germany increased swiftly in the 1980s and 1990s. By 1995, about 34% of German cities had a completed industrial or commercial park and a further 25% had concrete plans to build one in the future (Hollbach-Grömig 1996: 66). This growth is partially accounted for by the heavy use of industrial parks in the East and introduction of new commercial park ideas (including amusement parks and new kinds of housing developments) in the 1990s. A second point of difference lies in infrastructure improvement projects. The data suggest that U.S. cities place more emphasis on infrastructure than do German cities, perhaps because good public infrastructure is ubiquitous in Germany.

The data on financial tool use also show significant similarities between the two countries. A surprising finding for exceptionalists is that over half of German cities were involved in tax deferral or abatements at the beginning of the 1980s (Heuer 1985: 57), a figure higher than that of U.S. cities (Bowman 1987). This suggests that German cities are actively engaged in financial assistance for businesses in spite of the greater institutional constraints on this activity. Another area of similarity is property brokerage and brownfield development. In 1980, 83% of German cities were active in purchasing land for later sale (Heuer 1985: 57), and in 1995 about 75% noted that participation in the development of industrial and commercial property is a "very important" activity (Hollbach-Grömig 1996: 49). Similarly, 69% of American cities were active in "developmental land management," including buying and selling of land (Fleischmann, Green, and Kwong 1992). The prevalence of marketing and promotion efforts is also nearly identical in both countries, although the modern German concept of city marketing is much more extensive. Germans use the English phrase *city marketing* in a somewhat inflationary way, using it to identify a number of activities ranging from ads to information pools to an all-encompassing economic development plan. By 1998, over 60% of cities were involved in some form of *city marketing* (Grabow and Hollbach-Grömig 1998: 169), whereby the real boom probably occurred in the 1980s. Today, about 40% of German cities consider *city marketing* a "very important" activity (Hollbach-Grömig 1996: 38).

The data on local economic development policy activity after 1980 strongly suggest that innovation, technology, and entrepreneurship projects of all kinds boomed in Germany and the U.S alike. Venture capital projects are not as common in Germany as in the U.S., but they are growing, often cosponsored by state governments. Industry and technology parks and other forms of business incubators or aid for entrepreneurs are common in both countries. Indeed, by 1992 these were one of the most common kinds of development projects in Germany. Other kinds of technology projects remain very popular in Germany (Grabow, Heuer, and Kühn 1990: 98). Half of German cities consider innovation and technology a "very important" area of activity (Hollbach-Grömig 1996: 76). Clarke and Gaile (1998) show that American cities have become "entrepreneurial." No similar study is available for German cities, but an entrepreneurial shift is suggested by the increased use of private economic development corporations and the high priority set on technology applications, research, innovation, and new startups.

Concluding Observation Regarding Local Policy Trends

Scholars working from the English language literature sometimes argue that American local government is exceptional because, as they say, the conditions faced by U.S. cities are unique. Yet, local economic development activities in the U.S. and Germany underwent similar quantitative and qualitative changes after 1980. Local economic development policy has been virtually reinvented in Germany and the U.S. in similar processes driven by common trends. There is in both countries a new level of interest in doing something to promote local economic development and a common tendency to target similar areas for public aid, to use entrepreneurial policies, and to rely on various forms of public-private organization to carry out these tasks.

The comparison of the United States and Germany does not support an exceptionalist argument. Rather, the two local economic development systems have become increasingly similar, despite the continuing existence of distinguishing institutional differences. Exceptionalist arguments focus too much on formal institutions, thus overlooking the actual practice of governance. Governance is the art of getting around formal institutional constraints by actors who want to accomplish things here and now but who do not have the resources to change the existing institutional structure. German officials are no less creative in this art than are their American counterparts. Since both countries have seen similar problems with deindustrialization and globalization, they have used similar kinds of policies and organizational forms, even though they had to take different paths to do so.

The Puzzle of Variation in Responses to Decline: Why a Study is Needed

Deindustrializing cities everywhere face two basic kinds of decisions (Koritz 1991: 504; Stanback and Noyelle 1982: 106). Leaders must first decide how actively they want to respond. If leaders want to get active, they must then make a decision about which targets to select for public aid. Shall they support existing but failing industries or direct resources to new kinds of industries or sectors with more promise? One study described this decision situation in the cases of Pittsburgh and Sheffield (Beauregard, Lawless, and Deitrick 1992: 425-426):

> [R]esponses to deindustrialization in Sheffield and Pittsburgh were clearly cast as a choice between a reindustrialization centered on the former dominant industry (steel-based manufacturing) and one that looked for growth amid advanced services, high technology, and tourism; that is, the

> economic trajectory defined as appropriate by nationally ascendant elites. In order to retain jobs, the former would bolster existing steel firms and promote the industry in the face of decline. The latter would involve promoting new growth industries.

The advantage of targeting old industries is political: blue-collar workers and established business elites both typically approve of aid for existing firms in decline. Targeting sunrise industries brings no political advantages, but since these industries are still growing, spending money to promote their presence locally is more likely to pay off in economic terms.

A few studies compare manufacturing cities in decline with the question of how these cities "redefined" themselves, adjusting their economic development goals and policies. Especially useful examples are those studies that set different deindustrialized cities together in the same comparative framework (Pagano and Bowman 1995; Markusen and Carlson 1989).

Pagano and Bowman (1995) look at sets of cities based on economic context (high vs. low distress) and policy activity in economic development (high vs. low activism). They find that cities experiencing similar economic problems vary in terms of their level of economic development activism. What seems to make a difference between more and less active cities is the motivation of local leaders. Oversimplifying, we see that local politics matters, but only if leaders *aspire* to make a difference (Pagano and Bowman 1996: 2-4), reaffirming the impression from other case studies that the first step in becoming more active is the establishment of a consensus supporting increased activity.

Once leaders establish a consensus for action, they face a choice about what kinds of industries to target. In their investigation of decline in the American Midwest, Ann Markusen and Virginia Carlson (1989: 30) found that states and cities in the Midwest together pursued three basic kinds of strategies for dealing with deindustrialization. One strategy targets new industries, involving a "bowing out" of the industrial past by concentrating resources on hightech, finance, and service sectors, thus "letting older manufacturing industries die a more or less natural death" (Markusen and Carlson 1989: 49-50). Two different kinds of strategies targeted existing industries. One such strategy was to "bid down" production costs, a classic cost-cutting approach that "accepts that the midwestern economy must revitalize its basic heavy industrial sectors but believes the chief obstacle to be overcome is uncompetitive cost structures." Such development agendas also included assisting firms in reducing wages against union opposition, eliminating workplace regulations, and lowering workers' compensation and unemployment insurance levels. Another conservative strategy was focused on industry: "betting on the basics" puts emphasis on retention and expansion of existing industries, although this did not exclude attempts to attract new kinds of firms (Markusen and Carlson 1989: 50).

Recent studies of the process of economic development policy adoption in deindustrialized cities show that there is a large degree of variation in the way in which cities—even those facing the same national institutional constraints—respond to decline. Variation is evident both in terms of their activity level and in their targeting choices (Motte and Weil 2000; Horan and Jonas 1998; DiGaetano 1997; Kantor, Savitch, and Haddock 1997; Strange 1997; Rosentraub and Helmke 1996; Pagano and Bowman 1995; DiGaetano and Klemanski 1993; Beauregard, Lawless, and Deitrick 1992; Koritz 1991; Fleischmann and Feagin 1987). This variation suggests the likelihood that some cities have adopted policies more strategically relative to other similar cities; i.e., in consideration of local needs, opportunities, and resources and after weighing the costs and benefits of policy alternatives. However, because all currently available studies of policy adoption include at most two cases, there is little information about possible regularities in the factors associated with targeting decisions and policy adoption.

The case study literature suggests that cities in different national institutional systems vary in terms of their ability to respond strategically to decline. Yet, no studies have looked into the processes by which coalitions of public and private leaders actually generate strategic responses to decline in an intergovernmental context. How is it that some cities in federal systems have responded strategically to economic decline despite these problems, and what distinguishes these cities from less strategic cities working under similar institutional contexts? Clearly, being embedded in a federal system is not a sufficient condition for making development policy more strategic, in the sense used in this study. From the perspective of local governments, there is really no such thing as one single "federalism." Rather, there seems to be a multitude of situations that can potentially arise within a federal system, some of which are positive for local governments and others of which are negative. Other factors must be present that make it easier for city officials to respond strategically before they can realize the "good government" potential of federalism. This points to the need for further studies of local government policy adoption processes

Factors Associated with Strategic Responses to Decline

Deindustrialization in the advanced industrial democracies created problems that were concentrated within a small number of metropolitan areas. The existing research suggests that German and U.S. cities had very similar baskets of organizations, policy tools, and targets at their disposal when responding to these problems. Yet, case studies document variation in the way that cities actually responded to decline, suggesting that although all deindustrializing cities face similar kinds of decision situations, some cities have been able to respond to decline more strategically than others. After addressing the issue of what "strategic responses" are, the remainder of the literature review investigates the current state of speculation regarding factors that may aid local governments in responding strategically, with the goal of arriving at hypotheses for testing.

Strategic Responses to Decline as a Dependent Variable

Cities vary in their responses to economic decline on a lot of different dimensions, but some of these dimensions are more interesting than others. When we consider a firm dealing with changing markets for its products, for instance, it is less interesting to know how many units of a particular product the firm theoretically could produce than it is to know how the firm goes about adjusting its product to fit the new market situation. Likewise, it is less interesting to study the particular product developed by a firm in response to a new market situation than it is to study the way in which a successful firm went about making the new design, for this information is particularly useful for other companies. Correspondingly, information about the process of decisionmaking in a city is of particular interest.

Information about the process of local decisionmaking is scarce in the current literature. Studies of policy adoption that use aggregate data can tell us about the quantity of policy output in cities, but even those studies that differentiate among types of policy tell us little about how particular policies were chosen. Moreover, virtually none of these studies is longitudinal. The periodic ICMA surveys, for example, ask officials whether certain policies are in place, not when or why they were adopted. Such studies do not provide insight into a range of policymaking characteristics such as who was involved in the decisionmaking process, what motivated them to chose a particular policy, whether other policies were available, and whether the timing and sequencing of decisions make any consistent difference. Yet, this kind of information about the process of decisionmaking is potentially crucial for understanding why some cities have been able to adjust more successfully to market changes. Just as in the study of successful firms, one should not concentrate on the "products" or policies of cities, but rather on the particular decisionmaking structures or procedures that link different successful cities.

Ideally, how economic development policymaking *should* be organized in order to maximize the likelihood of a successful response to changed market circumstances would be known. For example, the assertion might be accepted without controversy that the optimal policy system would be *strategic*, or oriented toward long-term success rather than *tactical* and short-term, but there is no consensus about this, and there would be differences in opinion about what kinds of policy systems are most likely to promote strategic responses. Nonetheless, there is a broad literature on government capacity and strategic planning that addresses these issues. The strategic planning literature originated in the private sector about three decades ago and has been applied to community planning. Of course, a truly long-term and strategic plan of action and a truly comprehensive plan requires a level of information that is likely to exceed what any group of policymakers can gather (Lindblom 1959), but this does not preclude the building of a relatively strategic planning process. In the community planning perspective, strategic-ness involves assessing opportunities and threats under consideration of community strengths and weaknesses, then drawing up a plan of action to address opportunities and avoid threats, and, finally, ensuring the continual reevaluation of the plan to determine its viability (Kaufman and Jacobs 1993: 13). Similar ideas have grown out of the government capacity literature (Bowman and Kearney 1988). Honadle (1981: 577), for instance, defines capacity as the ability to "anticipate and influence change; make informed, intelligent decisions about policy; attract and absorb resources; manage resources; and evaluate current activities to guide future actions."

Borrowing from the concepts of capacity and strategic planning, the dependent variable chosen for this study is the degree to which a city adopted growth policies strategically in response to economic decline. A "strategic" response is understood as the pursuit of a growth-oriented policy or project after weighing the costs and benefits of policy alternatives in consideration of particular local problems, market opportunities, and resources. As explained in greater detail in the research design, the definition and measurement of strategic action depends as much on *how a* policy was adopted—in terms of the structure of the local policymaking system—as it does on the particular policy adopted. It is *not* a measure of the success of a particular strategy, e.g., in terms of job growth or some other expected result of development policies. Rather than trying to examine the impact of policies, which is a job for the regional economist, this study focuses on the process by which policies are adopted.

This study is limited to pro-growth policies for two reasons. First, as noted below in detail, city policymaking tends to be dominated by "regimes" of elite actors, who themselves tend toward pro-growth positions (Molotch 1976). Thus, research has sought to study these actors and the goals that they are likely to set for themselves. For this study, then, economic development is understood as the business of promoting local growth, using policies designed to encourage new business investment that otherwise would not have been made in that particular location but for the inducement. The hope is, further, that public spending will be matched by or will stimulate a similar or greater amount of private investment (Clarke and Saiz 1996: 517, 521; Eisinger 1988: 4).

Second, there is need for more information about whether and *how* cities can adopt growth policies strategically. This would serve to balance the large amount of information currently available on *why* city leaders tend overwhelmingly to adopt pro-growth policies in the first place. A well-received interpretation of why pro-growth policies are so common is that they are an expression of the power of those who own land in the city, who cooperate with each other and with politicians to use governmental power to direct public and private investment onto the properties they own (Molotch 1976). In this view, pro-growth policies are opposed to the interests of the general citizenry, or at least to those of non-homeowners. Others interpret growth to be more like a common good, benefiting all either directly or indirectly (Peterson 1981: 20). Much of the subsequent academic debate has centered around these dichotomized understandings of why growth policies are so common (Logan and Molotch 1987: 33-34). Yet the arguments of both sides are based in part on untested assumptions about the process of decisionmaking. To the extent that growth policies are adopted strategically, such policies may be more likely to further forms of growth that benefit a wide variety of groups and individuals in the city, even if they are adopted by land-based elites. Thus, a study of *whether* and *how* a city can adopt growth policies strategically will illuminate from a new perspective the old issues and debates centering on the equity of economic development policy. Might there be a middle ground of "strategic" growth that serves to benefit all citizens? Or do all kinds of growth orientations represent a compromise of the general welfare?

By way of caveat, this study does not seek to define strategic action *per se*, which could be related to any number of goals other than growth. Indeed, growth is not always a consensual community goal. There are many other desirable goals that a city may wish to pursue, including environmental preservation, community development and empowerment, social equity, or job quality (Imbroscio 1997; DeLeon 1992; Rubin and Rubin 1992). Growth itself may even be detrimental to a community (Molotch 1976).

Whether local officials actually *do* act strategically when they pursue growth and what circumstances ease strategic action is the empirical question to which this study is addressed. Indeed, policymakers may not be able to act strategically, or many may not even try. Politicians sometimes have strong incentives to ignore economic criteria, and they always face serious obstacles to strategic action. These incentives and obstacles are discussed in greater detail below.

For the following research, one must know what strategic policymaking "looks like." Although it cannot be identified directly, some of its prerequisites are known, and, given this knowledge, one can look for characteristics of policymaking systems that serve to provide them. One basic prerequisite for strategic action is the ability of actors to make choices based on market information. As noted in the discussion above, benefits from development policy are thought to emerge when, as a result, a firm decides to move into or stay in the local jurisdiction, goods are provided to firms that reduce their production costs, or entrepreneurs and firms can take advantage of opportunities they would have ignored otherwise. All of these and other positive effects depend on the policy addressing actual market circumstances. Thus policies should be more effective when they are based on actual information about local market needs, opportunities, and problems. Strategic policymakers need information, and further, they must have some measure of freedom when making policy choices—alternatives must be available, otherwise market information cannot be applied. Knowing that these are prerequisites for strategic action, some conclusions can be drawn about the observable characteristics of the organization and process of strategic policymaking.

Strategic policymaking will be based on an evaluation of market circumstances that allows some kind of calculation of the costs and potential benefits of a given policy. This may come in the form of a plan, for example, which also allows the discussion of policy alternatives. Since markets continually change, strategic policymakers also must always refresh their information about local market needs, opportunities, and problems. Strategic action also involves acquiring the resources needed to implement the policies that are deemed most appropriate, even if this means finding new funding sources; strategic decisions are not limited by the prior availability of funds. Further, because local needs never fit into standard molds, strategic action means that cities must develop their own innovative approaches or learn to bend standard policies to fit local circumstances. Finally, strategic action requires that the goals pursued by one policy are not annulled or contradicted by other policies. This requires the coordination of the actors and organizations involved in economic development policymaking.

The Broad Debates over Responses to Decline

As politicians adopted more growth policies, social scientists followed them into the fray, creating a new field—the political economy of economic development. This research was pioneered by those looking at national responses, but this national literature opened a new debate on the relationship between institutions and strategic responses to decline with important implications for the local level.

Mancur Olson (1982), looking at the case of Britain under conditions of deindustrialization, reached the conclusion that the way that interest groups were organized at the outset of decline determined Britain's industrial policy reforms. In the case of Britain, where political institutions were dominated by economic interest groups rooted in traditional industries, this meant that the state used its resources to prop up existing industries. Germany demonstrated a similar response, as subsidies benefiting the influential shipbuilding and steel industries nearly quadrupled after 1972 (Drouin, Ernst, and Wheeler 1987: 117). Olson argues that the tendency of European countries to direct national resources onto sunset industries was irrational or "sclerotic" because it delayed market-led transformation of production that would have led to higher economic growth in the medium to long term. Olson thus argues that when domestic interest group influence is frozen and institutionalized nationally, the range of strategic choices practically available to national governments for responding to changed economic circumstances is dramatically reduced. Olson argued that political leaders can certainly respond to changed economic conditions, but that their responses are not always strategic. The distribution of development aid may well be biased by political concerns, not based on the gathering of information about the economic situation or an assessment of domestic strengths and weaknesses. Responses may be determined by whichever interest groups happened to be in power before the changes set in, possibly aided by institutions that "freeze" outdated preferences. Thus, the degree to which political leaders can respond strategically to economic change may depend on institutions that give organizational advantages to some groups but not others (Milner and Keohane 1996: 20-21).

Olson's argument is shared by many scholars who assert or assume that economic development policy involves a necessary trade off between economic efficiency and political expediency. Sound economic policy, these scholars would argue, necessarily involves the ability to shift resources to new and more promising targets. Doing so, of course, means imposing losses on previous beneficiaries of public aid or groups that are not targeted. In democratic systems, however, loss imposition may well be blocked by interest groups that stand to lose from an "economically sound" targeting agenda.

A.O. Hirschman (1970) also addressed himself to the problem of understanding how organizations respond to decline caused by market competition. The function of competition is supposed to be to push inefficient organizations out of the market, thus improving overall efficiency of production. The mechanism by which this occurs is "exit," whereby customers leave for another firm's product. This mechanism is also partially at work for local governments as well, which stand to lose local firms or residents if they cannot offer a competitive service-to-tax mix (Tiebout 1956). Hirschman notes that decline of a firm is often corrigble, but because reversing decline requires resources, the exit of customers and employees can inhibit reforms. Indeed, this is the classic dilemma of deindustrializing cities: they have fewer resources to spend on more intense problems. Organizations need not just resources; they need also the input or "voice" of customers, citizens, businesses, etc., in order to know what kinds of reform are most likely to lead to success. Hirschman notes that the mobilization of voice—the currency of politics—is the principle means for the correction of inefficiencies. Organizations that are better at mobilizing voice are more likely to reverse their decline, according to Hirschman. Yet with Olson, Hirschman would criticize those organizations that disallow exit, thus forcing the members of an organization to be blindly loyal to a particular structure despite its declining trajectory. Loyalty to declining organizations is "functional" only as long as members have the opportunity to change the organization (Hirschman 1970: 78). The issue for Hirschman hinges on the ability of organizations to harness the loyalty of its members and mobilize voice for the purpose of effecting organizational reform. There is every reason to believe that these arguments hold for local coalitions, too.

Federalism Theory and Subnational Economic Development Policymaking

The institutions of federalism have received much attention in the literature on economic development, two in particular: autonomous subnational governments and the decentralization of policymaking and implementation. In keeping with Olson's cynicism about the ability of national institutions to respond to decline, most authors looking at the impact of institutions on *national* industrial policy clearly consider federalism to have a negative effect,. For them, federalism blocks the formation of a new consensus and a coherent plan of action on what to do about economic growth. The problem with federalism seems to be that it multiplies the number of actors whose approval is necessary for policymaking and whose veto can prevent policy implementation and its coordination (Krauss and Pierre 1993: 182). Yet, scholars looking at *subnational* policy tend to see federalism less as an institutional structure with general effects than as a framework that allows different cities to respond differently to their own particular problems of economic change. These authors underscore that subnational governments are more likely to adopt development policies based on real market needs rather than on sheer political interests, which would mean that federalism actually makes strategic economic development policy responses more likely, right in keeping with Hirschman's optimism about the transformative potential of "voice."

Differences of opinion in the federalism literature between Olson's cynicism about sclerosis and Hirschman's optimism about "voice" turn on whether local governments are actually able to mobilize "voice" as a means of responding more strategically to economic change. Can they do so in the rule, as some federalism theorists purport? If this is the case, then the decentralization and local autonomy of strong federalism can be a kind of inoculation against sclerosis at the national level. Yet local governments, too, may have their own problems with sclerosis such that old interests are locked-in, preventing strategic responses to decline, and this is the issue to which this research is addressed.

<u>The Purported Advantages of Decentralization in Economic Development Policymaking</u>

According to the functional theory of federalism explicated by Paul Peterson (1995:17-39), each level of government is relatively more efficient at undertaking certain kinds of public functions. Subnational governments supposedly are more likely to allocate public aid efficiently due to the constraints and incentives set into motion through the creation of multiple, autonomous governments. Peterson's scholarship lays out the argument that federalism makes for "good government" in the sense of the efficient allocation of public funds because it allows the public sector to take advantage of these constraints and incentives.

Federalism theory offers several arguments about the benefits of federal arrangements. Having a larger number of autonomous governments should, for example, increase the degree of accessibility to government decisionmaking, which should in turn foster the participation of social groups (Nice and Fredericksen 1995: 15-20). Another purported advantage of autonomous governments is their function as laboratories of democracy, being places where new ideas can be tried out so as to provide examples for others to follow or improve upon (Gray 1996: 5; Weaver and Rockman 1993: 459; Glick and Hays 1991). In short, federal institutional arrangements are purported to encourage accessibility, participation, and innovation. In Hirschman's terms, these are good reasons for expecting local governments in declining cities to be in a better position to mobilize voice and gain better information about what kinds of actions and reforms are most likely to lead to success.

Subnational governmental officials are thought to receive better information from the marketplace about the effectiveness of their policy choices, for three reasons in particular. First, local governments are expected to get signals from voters about appropriate policy choices. Local resident property owners "can be expected to pressure government officials . . . to employ public resources efficiently to facilitate economic development" (Peterson 1995: 19). Second, smaller governments are more likely to have market-based information on the actual cost and benefits of public policies and services since it is easier to calculate these on a small scale (Peterson 1995: 21). One may also put forward a complementary third argument that because local politicians' constituencies are smaller, they are also more likely to be familiar with the problems and opportunities faced by the whole spectrum of economic actors in their jurisdictions, whereas national politicians make decisions within specialized committees that are often captured by special interests.

Competition among local governments is thought to constrain local decisionmakers advantageously by making them more likely to act on their knowledge of market needs. Smaller governments are, after all, threatened more drastically by negative market changes such as plant closings, rising unemployment, and population decline. Variation in the economic fortunes and tax revenue of local governments are not always compensated by higher-level governments in federal systems. National government revenues, in contrast, are more broadly based and can be augmented by deficit spending. These constraints, according to federalism theory, make local officials in federal systems more attuned to the problems, needs, and opportunities created by local markets. Cities are like private firms in the sense that they must "compete with one another so as to maximize their economic position" (Peterson 1981: 29). Cities must act so as to maintain and improve the attractiveness of their location for business firms and residents. The fruits of successful competition are new firms and residents, who are purportedly always on the lookout for the most advantageous mix of government services and lower taxes. If residents or firms are unsatisfied with the mix of taxes and services provided by their local governments, then they may move to areas that provide a mix more to their liking. Thus, failing to keep taxes low, while still offering services of at least average quality, means running the risk of quickly losing residents and firms to more efficient cities with better services and lower taxes (Tiebout 1956; Peterson 1981: 32-37, 1995: 25; Peterson, Rabe, and Wong 1986).

Peterson's argument is that *small is smarter*—because local governments can neither control nor ignore markets, they are forced by federalism to incorporate anticipated market reactions when making development policy. The incentives and constraints experienced by local governments in federal systems are thought to give them a kind of rationality advantage over big government in economic development policymaking because they ensure that economic development policymaking responsibility is put in the hands of actors who are better informed about local markets, who are compelled to use public funds efficiently, and who are more likely to select targets based on economic rather than political criteria. Practically, this should mean that local governments are more likely to react strategically to decline and to find ways to encourage local growth than are cities that have no autonomy over economic development policy. Peterson (1995: 26), for example, expects local governments to be less likely than national or state governments to waste public aid on "loser" industries, just as feared by Olson.

Why Cities Cannot Always Realize the Advantages of Federalism

Theorists and politicians who laud the advantages of federalism have tended to overlook the process of local decisionmaking. The purported rationality advantages of local governments in economic development policymaking—advantages that rest on accessibility, participation, and innovation—are empty unless local leaders are actually able to realize them in practice. Yet, local officials face serious barriers to innovation in practice, barriers that are inherent to the process of decisionmaking.

For Peterson, the main threat to rational, strategic action by local governments lies in mechanisms that remove the beneficial constraints and incentives of the market. This can happen when higher-level governments become too involved in local development through block grants and other financial transfers. In the U.S., national agencies have sought to assist metropolitan areas to improve social welfare and local economic growth since the 1960s. Peterson sees in this involvement a latent danger to the rationality advantage of local governments. The potential of getting large amounts of state or national money can make local officials numb to market signals and insensitive to local businesses interests. "Each city needs to see direct fiscal benefits from operating efficiently and effectively if local officials are to have appropriate incentives" (Peterson 1995: 24).

Some scholars even point to federalism itself as an explanation for why some cities do not adopt local economic development policies strategically. Ironically, the barrier to strategic decisionmaking created by federalism stems from the very competition among autonomous local governments that is thought to heighten the efficiency and effectiveness of local decisionmaking. When many autonomous governments exist side-by-side, the likelihood increases that different subnational jurisdictions will work at cross purposes. Under competitive pressure to capture a share of national growth, subnational government leaders may feel compelled to compete with other governments in an economic development "arms race" whereby they strive to match and better the highest incentive package offered in order to attract capital investment (Peretz 1986). Failure to do so may mean losing out in the competition to attract new businesses. Joining the incentives race, however, means upping the ante so that the level of incentives necessary to attract new businesses may escalate to the point where it far exceeds any potential benefits of new growth. This dynamic can push the costs of smokestack chasing to astronomical heights. The estimated price tag of the incentive package offer by Kentucky to Toyota is estimated to have cost $50,000 per job (Clarke and Saiz 1996: 519). In these and other cases involving incentives provided by local governments, it is by no means assured that public expenditures will ever be recuperated in the added tax revenue new production might bring.

Federalism theorists tend to overlook the fact that the process of local decisionmaking hides at least three kinds of serious barriers to strategic policymaking above and beyond those created by federalism itself or by the involvement of higher-level governments in the policy process. First of all, the information local officials receive about markets and about the needs and intentions of local firms actually may be quite limited. Several studies have shown that practitioners "operate in an environment characterized by uncertainty, ambiguity, and turbulence" (Wolman 1996: 129). This stands in contrast to Peterson's claim that local governments receive relatively good information from businesses and residents.

Second, in uncertain and ambiguous environments, responding strategically to decline involves political risk, i.e., the chance that policy choices will lead to negative consequences for the ones responsible for the policy (Spindler and Forrester 1993: 39). Because policies targeted to new firms may fail anyway, local officials may choose to avoid any kind of aid for new kinds of firms that is opposed by existing businesses. By doing so, they can be sure that their policies at least appease the existing local business community. Although the most influential firms may not represent the best investments for public aid, local leaders may choose to support exactly these firms (and their workers) in order to minimize their own political risk. While Peterson (1995: 39) readily acknowledges that "the political incentives that shape the decisions of policy makers induce them to make the wrong choices," he only considers these processes at the national and state levels. Yet local studies show that local officials too face pressure to minimize the political risk of their development policies rather than to maximize their economic rationality.

Third, and most fundamentally, even if cities have good information and leaders are willing to pay the political price of innovation, they still may not be able to piece together the resources necessary to implement new policies. Since the 1960s, governing cities has become more difficult due to the increasing complexity of policy action and a steep reduction in the resources available to local governments (Yates 1977). This is especially true for cities in decline.

Too little information, too much political risk, and scarce resources all represent serious barriers to strategic action. Given all of these barriers to strategic policy adoption on the local level, it is easy to understand why federalism does not always deliver on its "good government" promises. It comes almost as a surprise, then, that the case study literature shows that some cities in federal systems have indeed responded strategically to decline. How were they able to do it? What distinguishes strategic cities from those which did not respond strategically to similar kinds of problems? Clearly, being embedded in a federal system is not a sufficient condition for bringing about strategic economic development policy. Other factors must be on hand that aid cities in making strategic decisions in economic development policy before the "good government" potential of federalism can be realized. Thus, studies of local decisionmaking are used to develop hypotheses about which local decisionmaking processes are associated with strategic policy making in federal systems.

Do the Purported Advantages of Federalism Apply Outside the United States?

Some may doubt that the conditions that are supposed to force smaller governments to make more effective and efficient economic development policy decisions hold outside the United States. As noted above, federalism's purported advantages are based almost exclusively on the mechanism of competition, which set up the "exit" option for firms and citizens. However, the available empirical data do not support exceptionalist arguments based on the assumption that only American cities face "exit" pressure. With the increasing globalization of trade, European cities generally, and German cities in particular, have been quite sensitive to competitive pressures. Indeed, observers of German cities have compiled a long list of the new concerns of German cities that have arisen due to heightened competition, including many factors once thought to hold for U.S. cities only. German cities are noting that an increased number of their local firms face stiffer competition internationally just as they are seeing more local firms attempt to internationalize their production and sales. Competition among German cities for aid from state and national governments is more intense, while at the same time the introduction by the European Union of regional development programs means that they now must compete with cities throughout Europe for some forms of aid. Meanwhile, the financial burdens borne by local German governments continue to grow, putting pressure on them to expand their tax base (Grabow and Hollbach-Grömig 1998: 169; Hollbach-Grömig 1996).

Despite the increasing similarity of the economic contexts faced by large cities in advanced industrial countries, the work of many federalism theorists, including especially Peterson, is still based only on a single case—the United States. Federalism, however, is by no means restricted to that case. It is not even restricted to nominally "federal" systems. Recent research has been getting further and further away from an understanding of federalism based on formal, legal definitions of institutions. Research comparing federal and centralized states often underscores instead that there is more variation among policy areas within countries than between "federal" and "non-federal" systems (Pierson 1994: 131). Anton (1989) envisions federal systems as complex fields of governments and individual government officials who are free to create or leave vertical and horizontal coalitions in the interests of securing particular benefits. These kinds of coalitions can form in "federal" or "centralized" states, and indeed in nominally centralized states like Italy, Sweden, France and Great Britain. Indeed, there has been a strong push to create new regional governments and to allow local governments more autonomy in decision making in some policy areas, which would give them all the more incentive to join in informal vertical and horizontal coalitions such as those Anton finds in the United States. Other scholarship has shown the extent to which intergovernmental relations in "federal" systems depend on non-institutional factors such as particular party constellations (Benz 1999: 77); there is no reason to expect that the effects of such factors on intergovernmental relations are special to "federal" systems. In sum, then, scholars should stop employing federalism as a general explanatory variable, for example, in arguments about how national institutions of federalism spur a "race to the bottom" in welfare reform or economic regulation (Scharpf 1994). Instead, an approach that differentiates among policy fields, incorporates political variables, and examines intergovernmental relations across national boundaries is needed.

Propositions for Testing from Urban Regime Theory

A wide diversity of development policies is available to American and European cities. Given the greater supply of policy ideas, one might suppose that local governments are in a better position than ever to respond to local economic situations strategically, tailoring their responses to fit their own particular needs. Yet case studies show that the strategic capability of cities varies. How can this variation be explained? Studies that rely on aggregate data to explain local policy adoption leave us with a great deal of unexplained variation. Some authors conclude that local process variables need to be incorporated into additional studies to account for this variation. Studies based on urban regime theory have begun to identify such process variables, and four factors that are probably associated with strategic policymaking are explored below.

<u>Studies Using Aggregate Data</u>

A growing literature using aggregate data offers explanations of the variation in local policy adoption (Wolman 1996: 124-128). Factors have been examined that correlate with the level of activism, the adoption of particular policy types, and the setting of policy targets (Clarke and Gaile 1998; Reese 1993; Donovan 1993; Fleischmann, Green, and Kwong 1992; Feiock and Clingermayer 1992; Sharp 1991; Clingermayer and Feiock 1990; Bowman 1987; Rubin 1986).

Theories of local agency suggest that factors like the presence of coalitions of progrowth actors, strong leadership, the perception of a disequilibrium between taxes and services, and high bureaucratic capacity will be associated with higher policy activism. Structural theories, on the other hand, suggest that local actors are less free to choose their development strategies through political decisionmaking, being instead constrained by broad economic factors such as deindustrialization, demographic factors such as slow growth and poverty, and political factors such as competition with other cities (Fleischmann, Green, and Kwong 1992). Empirical studies have shown that neither agency nor structural factors alone exclusively determine economic development policy use at the local level (Clarke and Gaile 1998: 97; Fleischmann, Green, and Kwong 1992: 694; Clingermayer and Feiock 1990: 549). However, the scholarship does support some basic generalizations.

Several studies find that measures of economic distress are positively associated with policy activism (Fleischmann, Green, and Kwong 1992; Sharp 1991; Rubin 1986). Similarly, Bowman (1987: 24, 58) finds that high economic distress cities select more targets than do low distress cities. Rubin (1986) uncovers a correlation between the local tax burden and activism, arguing that a higher tax burden promotes the perception of urgency among city officials, which then leads to greater activism. Size also matters—the larger the population, the larger the number of policy tools used (Fleischmann, Green, and Kwong 1992) and the more targets are chosen for concentrated action (Bowman 1987: 47). The size difference, however, may reflect a similarly robust finding that cities with higher bureaucratic capacity also do more in economic development (Fleischmann, Green, and Kwong 1992). Size and bureaucratic capacity are, of course, related: larger cities are also likely to have greater financial and bureaucratic resources.

Strong leadership is also associated with higher activism. Some researchers find that cities with a mayor rather than a manager as chief executive are more active in economic development (Clingermayer and Feiock 1990; Feiock and Clingermayer 1986). This supports arguments that incumbent political actors probably intentionally exploit economic development policies to achieve electoral gains (Elkin 1987: 40; Wolman 1988). Similarly, Schneider and Teske (1993) argue that "policy entrepreneurs" use new policy positions to win elections, and apparently, economic development policies are good for this purpose, for 60% of "entrepreneurial" leaders supported an activist, progrowth agenda.

Despite recent advances, there are two basic problems with the studies of policy adoption that rely on aggregate data. One weakness is that our knowledge is overwhelmingly dominated by studies of the United States. There is very little information available about policy adoption in cities in other federal systems, even though some available information suggests that German cities have progressed on a parallel course to their U.S. counterparts. Activism is higher in cities with larger populations, for example (Wrobel 1979; Heuer 1985; Hollbach-Grömig 1996). The same studies also document regional differences consistent with the conjecture that those regions hit hardest by economic decline are also more active.

A second key weakness in aggregate-data studies is that they focus mainly on the factors associated with activism generally or the adoption of single kinds of policies, not the adoption of sets of policies in response to particular contextual situations. Given the current state of the literature, one cannot know why size and economic decline contribute to higher activity in some cities but not in others. Similarly, whether the reasons for higher activism are the same in different systems is unknown. Studies are needed that look more closely at the process of policy adoption at the local level rather than at the factors associated with the adoption of particular kinds of policies and the selection of particular targets. In sum, more information is needed on "local decisionmaking about economic development, especially the nature of coalitions associated with the adoption of policies and the assignment of programs to local organizations" (Fleischmann, Green, and Kwong 1992: 694).

Urban Regime Theory and its Limitations

Our knowledge about the nature of decisionmaking at the local level is indeed already quite advanced due to a new influx of studies guided by urban regime theory. This literature is less a theory than it is an "urban governance approach" to the study of local decisionmaking, but it offers new and valuable insights into the way political and economic decisions are typically made in local contexts. Urban regime studies have demonstrated that cities in America and Europe are typically run by individuals from both public and private sectors who interact with one another time after time, forming networks or even more exclusive "regimes." However, the urban governance approach has important weaknesses that prevent us from using the information provided by existing studies to draw conclusions regarding the relationship between urban governance and responses to deindustrialization.

The most important gap in the regime literature is its heavy focus on the stability of regimes rather on their transformation. This weakness was preprogrammed into the early literature by the nature of the debates out of which regime theory emerged. Regime theory offered a synthesis of two separate debates in the local politics literature: the community power debate and the ungovernability of cities thesis. The community power debate was conducted between two camps divided over the question of who really decides where public resources are spent in the city. Elitist theorists argued that American cities are controlled by a local power elite—a small group of leading businessmen and financiers—who together with mayors and trade union leaders determine the city's future (Hunter 1953). Pluralists, however, argued that urban politics is the outcome of competition among a large number of diverse interest groups, especially when one looks at any particular city over an extended time period (Dahl 1961). Logan and Molotch (1987) offered the beginnings of a synthesis: although politics does usually include a large number of actors as the pluralists claim, the agenda in city after city serves elite interests and is usually tied to more growth. Thus, in most American cities, there exist coalitions united around the goal of promoting economic growth that function in an elitist fashion, thus bearing a greater resemblance to the urban political machines of old, hence the nomer "growth machines." These progrowth coalitions, so goes the argument, are in fact a new kind of democratically legitimated political machine that excludes other kinds of values or orientations that might have arisen in more democratic systems.

Even as arguments were being exchanged about who really governs at the local level, new arguments were put forward that cities are becoming ungovernable anyway, suggesting that the community power debate was missing the point. Yates (1977) saw a crisis of urban governability caused by the increasing expectations of citizens, the increasing complexity of policy action, and a steep reduction in the resources available to local governments. Similarly, Peterson (1981) argued that the autonomy of local actors to choose targets for public expenditures is severely limited by the institutional constraints created by U.S. federalism.

Urban regime theory offered a new synthesis of both debates: the machine-like stability of progrowth coalitions explains why actors are able to govern the modern city despite the problems noted by Yates and Peterson. With Yates, urban regime theory underscores the problem that getting things accomplished in cities takes more resources and larger numbers of actors than ever before. To make use of the newest tools and ideas in economic development, many of which require complex forms of public-private financing, city leaders must be able to activate more participants and organize them under an increased degree of coordination. Coalition or network building is the way that cities accomplish this. Coalitions are thus a necessary condition for policy action and the maintenance of power in modern cities. Looked at in this way, power at the local level is akin to a production process—"social production" (Stoker 1995: 59). Influential actors who want to get things done enter into bargaining situations, enticing cooperation in policymaking and implementation from other influential actors. The focus of research guided by urban regime approach is on "the informal arrangements by which public bodies and private interests function together in order to be able to . . . manage conflict and [make] adaptive responses to social change" (Stone 1989: 6).

Proposition One

The now widely accepted argument that coalitions or "regimes" are a necessary condition for getting things done at the local level suggests an initial proposition about the roots of strategic responses of local governments to economic decline:

> **Proposition one:** Deindustrializing cities are more likely to respond strategically to decline if their key public and private decisionmakers have created a stable governance coalition in economic development.

There are several possible empirical indications of a stable governance coalition. First, public and private sector actors in a governance coalition will be seen to have cooperated repeatedly to realize particular projects or policies. Also, if a coalition is in place, then its members will be quite well known to each other and they will have similar goals in economic development.

Proposition Two

A working coalition of key public and private sector leaders should enable this leadership to adopt new policies and get things done. However, that a coalition *can* get things done does not mean that it will *choose* to do anything, nor can it be predicted *what* it will choose to do. Even if the presence of a functioning coalition is necessary for the formulation of a strategic response to decline, it is not a sufficient cause.

The earliest and most influential urban regime studies argued that the existence of a strong regime tends to block strategic responses. Yet this conclusion is misleading, guided as it was by a particular agenda important in the early development of regime theory. The early studies by regime theorists, especially Clarence Stone (1989), were intended to demonstrate how systemic, or informal and indirect power structures on the local level can be stabilized within "regimes" despite substantial economic and political changes. Thus for Stone (1989: 9),

> [t]he study of urban regimes is . . . an examination of how cooperation is maintained when confronted with an ongoing process of social change, a continuing flux of new actors, and potential breakdowns through conflict or indifference.

As a consequence of this goal, early regime studies centered on cities whose local, informal networks remained stable over time despite major changes in the political and economic environments. These cases strongly suggested that urban coalition members tend to select policies that serve to protect existing coalitions from change (Stone and Sanders 1987). Following this line of argumentation, one expects that if local governing coalitions in deindustrializing cities formed before the onset of decline, then it is likely that their subsequent economic development policies will be intended to serve the needs of regime stabilization rather than to serve the goals of economic rationality and strategic policy selection. Because economically sensible responses to decline may necessitate challenging or ignoring the interests of influential but declining economic sectors, then the policy choices of established regimes may be made in neglect of economic rationality for the purpose of protecting important local firms. Politicians who need votes want to please businesses who provide their campaigns with contributions and their voters with jobs. Some scholars thus expect politicians to focus on the short-term exigencies of winning elections and maintaining coalitions, rather than on the long-term economic impact of their development policy choices (Wolman 1988; Elkin 1987: 40).

Early urban regime research suggested that the presence of strong urban coalitions attempting to maintain themselves in the face of economic changes may intentionally or unintentionally prevent strategic responses to decline. This has not been supported by later research into local regimes in the United States and Europe—perhaps the findings of early regime theorists were too heavily colored by the cases they chose. Cases where regimes stubbornly resist adapting themselves to serious economic changes do not represent the norm, and there is good theoretical reason to expect the opposite reaction. Federalism theory clearly predicts that local governments cannot afford to support regime stabilization against economic rationality over the long term. Moreover, one of the pioneers of regime theory also underscored that the governing decisions of regimes have everything to do with "*making adaptive responses to social change*" (Stone 1989: 6, emphasis in original). These adaptations can surely entail the programmed transformation or rejuvenation of the regime itself.

Recent urban governance studies have found great diversity in the composition of local decisionmaking networks. They have looked at the stability, decline, or outright absence of progrowth regimes in other cities (Orr and Stoker 1994; DiGaetano and Klemanksi 1993; Hoxworth and Thomas 1993; DeLeon 1992; Fleischmann and Feagin 1987). Another recent trend in the urban regime literature has been to investigate the different types of goals regimes can have (DiGaetano 1997; Kantor, Savitch, and Haddock 1997; Clarke 1995; Stoker and Mossberger 1994; Stone 1993). This new research shows that urban coalitions are often able to adapt themselves to new circumstances by incorporating new goals and/or new members. In fact, the short-term goal of propping up superannuated regime policies is usually not an alternative that receives serious attention by coalition members in real situations. On the contrary, case studies suggest that urban coalitions in transition more commonly attempt to foster long-term change, finding this strategy necessary in order to maintain political stability (Buss 1993; Pecorella 1987). Leadership in crisis often looks for ways to redefine the city and to project a vision of a better future. Economic development coalitions often are at the center of these efforts.

These studies suggest a second proposition about the relationship between coalition structure and strategic action in response to economic decline:

> **Proposition two:** If local coalitions form or change *after* economic decline sets in, then the coalition will seek to respond strategically to economic decline rather than to serve only the interest of maintaining existing power structures as they existed before deindustrialization.

Proposition Three

Those who praise the advantages of decentralization for rational policymaking make assumptions about the process of decisionmaking at the local level, namely, national aid might make local actors more prone to the problems that affect decisionmaking on the national level, such as those identified by Mancur Olson. Local governments function in an intergovernmental context that, according to Peterson, might at times spoil the purported rationality advantage of local governments. Peterson (1995: 24) suspects that intergovernmental aid can block strategic action locally, especially when aid levels are very high. The availability of state and national aid may make local leaders insensitive to market signals, the consideration of which is a prerequisite for strategic action. German federalism scholars would concur, as they go so far as to assert that the interaction of government actors in a federal state is nearly exclusively determined by the distribution of financial resources and the stream of revenue (Fürst, Hesse, and Richter 1984: 21). Thus the German federalism scholarship also implies that what local officials do depends in great deal on the aid offered by higher level governments.

Empirical studies based on urban regime theory have been reaching the same conclusions, albeit independently of federalism theory. Those few scholars who have studied regime change have found that when local decisionmakers are reorienting themselves to new goals or trying to respond to changed economic circumstances, higher-level governments exercise a significant influence—and probably a higher than usual influence (Ward 1997; Lauria 1994; Buss 1993; Pecorella 1987). Their influence stems in part from the fact that when a city is undergoing economic decline, it especially needs the resources that state and national governments can provide. Nonetheless, for urban regime theorists there is no reason to believe that the influence of higher-level government actors on coalition decisionmaking will necessarily eclipse the influence of private actors and market signals within local coalitions to make local regimes less likely to act strategically when pursuing the goal of growth.

From their different perspectives, federalism theorists and scholars of urban governance have reached a similar conclusion: when higher-level governments cooperate with local officials in economic development, this cooperation changes the structure of local decisionmaking. Although it is as yet unproven that higher-level governmental aid blocks local strategic responses, proposition three is formulated so as to reflect Peterson's expectations:

> **Proposition three:** The participation of higher-level governmental officials in local decisionmaking and the presence of intergovernmental aid will make local leaders less likely to formulate a strategic response to economic decline.

Proposition Four

A fourth and final proposition emerges out of the theoretical discourse regarding the unintended side effects of decisionmaking sequences in policymaking. Urban regime theorists have long suspected that policies adopted by a set of decisionmakers at one point in time impact the consensus, goals, incentives, and opportunities of the same decisionmakers later on. In Clarence Stone's terms: "the line between change and continuity in a regime is . . . not sharply defined. Adaptations serve stability, but they also modify the original relationship" (Stone 1989: 181).

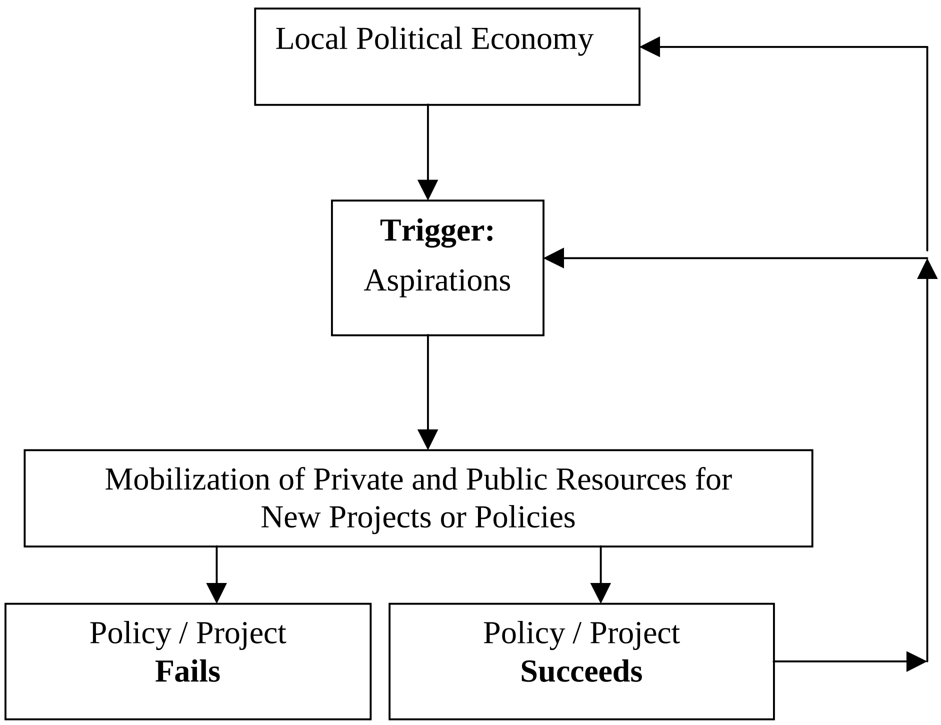
The sequential dynamics of coalitional decisionmaking have received too little attention in the empirical literature, given the wide acceptance of the theoretical assertion that the decisions of governance coalitions are structured by their own earlier decisions. Krauss and Pierre (1993: 185), for example, also observe such dynamics in state-level policymaking. At first, actors have to generate a consensus about what to do in economic development. If this exists, policy ideas are taken up and translated into "institutions" and policy instruments. However, the "relationships among ideas, institutions, and instruments are not one way; policies adopted affect institutions, and instruments and institutions feed back into consensus."

Sequential dynamics are related to a much wider literature on organizational "learning." Pagano and Bowman (1995: 26), who look at learning processes in cities, note that cities learn because they "continually adapt to their constantly changing environments. External and internal stimuli, catalysts, and impulses are ingested and translated into programs and policies by key city officials." Pagano and Bowman suggest that there are two particular "trigger mechanisms" causing cities to want to learn how to implement new programs and policies. Following Tiebout (1956), they argue that whenever revenue is no longer adequate to meet the costs of service provision, cities have to find some way to bring the two back into equilibrium. Another trigger mechanism is subjective or "perceptual." Local officials have *perceptions* and *aspirations* that are related to the sphere of cities in which their city competes. They may become more active in economic development when they think their city is falling behind other cities.

The model of learning in figure 1.2, adapted from Pagano and Bowman (1998), illustrates one simple course of learning in economic development. At the beginning of a learning cycle stands a perceptual trigger to mobilize resources for doing something about economic development. Once city leaders begin to mobilize resources for a new policy or project idea, they must also learn how to use new kinds of policies or direct old policies to new goals. This is risky and may fail, but if cities experience success with new economic development policy efforts, it puts a sequential dynamic into motion. In extraordinary cases, the policy actually improves the tax base, which might eliminate worries about decline. More often, however, policy has much bigger effects on the initiators of the policy than it does on the economy. Successful policies and projects can feed back to bolster the aspirations of those who were responsible for the policy, encouraging them to risk more and to concentrate subsequent effort on the area of original success. The interaction among consensus, policy, and environment can be called a learning process so long as actors continually adapt local policy to changes in the environment,

just as the continual reassessment of the viability of a development policy is a prerequisite of strategic planning. When networks "learn," previous experiences with policy-making positively structure later policy choices so that later choices build upon but are not limited by earlier policy successes. As illustrated in Figure 1.1, aspirations are impacted both by previous policy successes, *but also* by news about changes in the political economy. In this case, later choices of governance coalitions are made in reaction to new information, opportunities, or problems that may have superannuated earlier policies.

Decisionmaking dynamics may serve also to block learning. Earlier decisions create unintended incentives for actors to continue supporting policies or goals set in the past. These incentives may cause policymakers to neglect reassessing current policy. In this case, new needs and opportunities will not inform later policy choices. In fact, early ur-



Source: Adapted from Pagano and Bowman 1995: 27

Figure 1.2: The Learning Model of Decisionmaking in Local Economic Development

ban regime studies expected the decisions of urban coalitions to tend to block rather than to encourage "learning" (Stone 1989; Stone and Sanders 1987). In their interpretation, the choices made by regime members structure policy, and these resulting polices serve to reinforce the consensus that brought the network together in the first place. Stone used this argument to explain why urban networks can actually achieve very high stability or "regime" status. Regime theorists assert that this is not an unintended "policies make politics" process but is rather a quite intentional line of action for coalition members, who stand to benefit from the continuation of the existing consensus. However, there is no reason to believe that the process may also be unintentional: networks may try a number of policies and then go with the ones that have the most success. Cities moving into new policy areas to address deindustrialization—where there is perhaps no strong consensus about what to do—will certainly see that their early choices, successes, and failures in economic development policy have a great influence on later choices. Success in one area may crystallize a consensus that more should be done in this area. This can also have the effect of mobilizing the support of more actors than supported the policy originally. As the Germans say, "success has many fathers," i.e., success generates its own bandwagon. Failure, consequently, is a bastard with less impact on the network.

Theory strongly implies that the sequence of coalitional decisionmaking can have unintended consequences that increase or decrease the strategic potential of local government responses to decline, but this is an understudied area of inquiry. Studies are needed that ask whether particular patterns in sequential dynamics crop up in different circumstances, also asking whether such particular patterns are associated with learning cities or non non-learning cities. Such patterns may yield clues about whether cities can learn to be strategic or, indeed, whether this can be un-learned. These questions suggest a final proposition that is more exploratory in nature than the previous three.

> **Proposition four:** Policy choices made early on in a city's attempt to address economic decline will have unintended effects on decisionmakers' long-term ability to maintain a strategic response.

The current literature does not offer any information about what kinds of patterns in decisionmaking are likely to crop up, so such patterns must be discovered first. It may be that every city has a different experience with decisionmaking sequencing, for example.

Should common patterns be in evidence, the next questions are whether they have a particular impact on strategic responses over time and whether this impact is positive or negative. The hypothesis would have to be rejected if the same kind of sequencing pattern were associated with strategic responses in some cases but not in others.

CHAPTER 2

RESEARCH DESIGN

Current studies motivated by federalism theory and the urban governance approach point to four propositions regarding factors that help local governments to make strategic policy choices. These are propositions that can be tested in research. However, more information about the process of policy adoption at the local level is needed in order to facilitate an evaluation of these proposed relationships, and the study described below is designed to provide this information.

Logic of Comparison

Scholars using federalism theory and the urban regime approach aspire to develop a tested set of hypotheses relevant for a wide range of situations. This study, too, is designed to serve the interests of theory building. Thus, a main goal of this study is to see whether the four propositions about factors associated with strategic responses are generalizable to cases in different national contexts. Given the high theoretical aspirations of many scholars, it is surprising that the existing literature is overly dependent on a narrow range of cases. Federalism studies are dominated by the American experience, leaving a gap in our knowledge about the possible effects of institutions and cultures that are rare in the United States and overestimating the influence of conditions prevalent only in American situations. For their part, urban regime scholars have applied their approach to cities outside the United States, finding some important similarities. However, the best comparative urban regime studies are dominated by British and French cases, and it is not clear why these two highly centralized systems have been repeatedly chosen as appropriate for comparisons with the United States. Studies of cities in different federal systems are rare, so cross-national comparison of cities in federal states can serve to fill an important gap in both federalism theory and the urban regime approach. In fact, the demands of theory building necessitate more such comparisons.

The comparative study described in this chapter is modeled on Przeworski and Teune's (1970) "most different systems" comparative method. The "most different systems" method takes as its starting point the observance of variation in behavior at a lower level than the political system, which is usually conceived of in national terms. A primary goal of this approach is to determine the level of analysis at which explanatory independent variables are most likely to be relevant. The initial assumption is that individual cases across political systems are drawn from the same population; i.e., that national systemic variables do not play any role in explaining the observed behavior. Further investigation consists of testing this assumption through cross-systemic research, whereby systems are chosen that are dissimilar so as to increase the likely impact of systemic variables. Testing consists of asking whether subgroups drawn from different systems differ with regard to dependent variable. If not, then it is assumed that systemic variables do not matter. As long as the assumption is not rejected, then the relevant independent variables are sought also at the sub-systemic level.

The label "most different systems" can be misleading, but for this study it means that cases are chosen for comparison that responded similarly to decline but are located in different federal systems. American cities, about which there is a great deal of knowledge, are compared with cities in a non-U.S. federal system. Do non-U.S. cities react similarly to American cities in terms of their ability to respond strategically to decline? Can their responses be explained using the same variables? Answering these questions is an important theory-building step in more general modern theory of federalism.

A contrasting comparative strategy is the "most similar systems" design. Here, the chosen level of analysis is the political "system," whereby one system contains the dependent variable and one system does not. Cases are chosen so as to be alike in as many other ways as possible. Different characteristics of the cases are considered as part of an explanation of their different behavior patterns. Although the most similar systems design is probably more common, it presents problems for this study, since there is a great deal of variation in the dependent variable—strategic responses to decline—within national systems. This suggests strongly that the cause of variation lies at the local level, a premise that is best tested using the most different systems approach.

National institutional or cultural variables are not in themselves sufficient for explaining why some cities act more strategically than others so long as cities in the same country vary in their ability to respond strategically. Ye, some studies treat federalism as a national institution that impacts all local systems in the same way. Variation in strategic capacity, however, suggests rather that federalism works more like a framework, allowing a variety of different local responses. Indeed, some federalism theorists and the urban regime approach suggest that strategic policymaking is linked to local factors, and all four of the causal hypotheses or "propositions" guiding this research are tied to subnational processes. Using the most different systems method, this study first assumes that these subnational factors, and not national institutions, are principally determining local responses to decline. However, the purpose of empirical research is to "test" this assumption by comparing processes of policy adoption in strategic and nonstrategic cities in different systems. If these factors also hold for large cities in non-U.S. federal systems, then the assertion is viable that all such cities belong to the same set of cases, which is to say that national institutions play a subordinate explanatory role.

The research proceeds by identifying cities in different federal systems with similarly strategic responses to similar processes of decline. Once these are selected, an investigation is undertaken to identify whether the four factors underscored by the literature were present in all cases where strategic responses emerged. If, in all strategic cities, some or all of the four factors suggested by the literature were indeed present, then the generalizing statement is justified that these common factors are necessary for promoting strategic responses to decline among cities in different kinds of federal systems.

The examination of strategic cities is the main concern of this study. One could argue that any of the four factors that were present in both of these cities make strategic action easier for all cities in federal systems. However, looking only at strategic cities cannot provide sufficient grounds for the argument that such factors are universally important. One cannot know if any factors found to be common to strategic cities are not also common in cities that did *not* respond strategically to decline unless one also looks at decisionmaking processes of nonstrategic cities. To allow for such a control, the study also includes one German and one American city—Augsburg and Louisville—that experienced economic problems similar to those of the strategic cities of Dortmund and Providence but that did *not* respond strategically in the 1980s.

The study outlined below is designed to test propositions from the literature, but the standard of proof for qualitative approaches like the one used here differs from the standard of proof for quantitative approaches, much like civil cases differ from criminal cases in an American court of law. The criminal case must be proven beyond reasonable doubt and has to be approved unanimously by the jury, while civil cases require only a preponderance of evidence and require only majority approval. The study outlined here requires the use of reason, logic, and interpretive findings as opposed to the more black and white standard of hard data. Thus, the case that will be presented here is like a civil case.

Operationalization of the Dependent and Independent Variables

The study's dependent variable is the degree to which a city adopted growth policies strategically in response to economic decline. Four factors are hypothesized to have an impact on strategic action. The proposed positive relationship between each of these independent variables and the dependent variable is put in terms of four "propositions."

The dependent and independent variables of interest in this study do not lend themselves to quantitative operationalization. Rather, the research is qualitative and case-study based. Dependent and independent variables are operationalized consistently among the different cases, allowing comparisons of cases *relative to each other* in terms of the dependent and independent variables. This standard of operationalization will not support the argment that any city acted strategically in any absolute sense, but it does allows us to say that one city was relatively more strategic than another.

Dependent Variable

Adopting growth policies strategically in response to economic decline involves the pursuit of a particular policy or project after weighing the costs and benefits of policy alternatives in consideration of particular local problems, market opportunities, and resources. The scope of this research is limited to those policies that take a pro-growth orientation. The degree of "strategic-ness" is evaluated using measures of capacity as well as of actual action. A policy counts as strategic only if it emerged from a policy system characterized by relatively high complexity. Conversely, a complex policy system counts as strategic only if it actually did something; i.e., only if actors implemented a policy they themselves consider to have been successful.

The dependent variable used in the study is a composite measure consisting of four separate components: the number of areas of activity in which the city is involved, the complexity of its organizational structure, its ability to set particular targets, and the degree to which the city's economic development organizations coordinate their activities. The dependent variable can take on four different values, as shown in table 2.1, ranging from easy to very hard. This reflects the fact that responses to decline vary in terms of how difficult they are to put together and implement. Some responses are "easy" in the sense of being low cost, low risk, and common to many cities in many different situations. Easy responses can be conducted "automatically," requiring virtually no investment of political or financial capital, no new actors with new resources, and no new forms of cooperation among actors. "Hard" or difficult responses, on the other hand, encompass new areas of activity for the city, result in the successful completion several new projects, have a greater targeting specificity, and involve a greater number of organizations, and the increased coordination among organizations' activities. "Hard" responses are more likely to have been adopted strategically.

The creation of the coding scheme in table 2.1 is an imprecise exercise guided by rules of thumb. One rule is that mutual exclusiveness and exhaustiveness should be guaranteed. Mutual exclusiveness means that each observation can be placed in only one category; exhaustiveness means that sufficient categories exist for all observations to be placed in some category (Bohrnstedt and Knoke 1988: 16). Further, because the research necessitates only positioning cases relative to each other in terms of how strategically they reacted to decline, it is senseless to create more categories than cases. After evaluating the possible range of variation on the indicators used, four categories were judged to be appropriate. Assignment to one category or the other is a judgement call, but the information by which each assignment decision was made is laid out in the case studies.

TABLE 2.1: Criteria for Assessing a City's Response to Deindustrialization

	Easy	Moderate	Hard	Very Hard
Areas of Activity	1-2 areas	2-3 areas	3-4 areas	4-5 areas
Targeting	General orientations such as "growth" or "diversification"	Broadly defined sectoral targets such as "office jobs" or "high-tech"	Specific sectoral targeting	Specific sectoral targeting with a concrete plan of implementation
Organizations	Only organizations founded before 1980 exist, and these have not been reorganized.	Some new organizations are formed and/or reforms are made in old organizations. Public-private partnerships either fail or are intended to be temporary.	New organizations are formed and include at least 1 permanent public-private partnership.	Public-private cooperation is institutionalized in many organizations. A dominant organization emerges with new authorities, linking a broad range of public and private development interests.
Degree of Coordination	"No communication" Organizations do not need to communicate in order to accomplish their separate tasks.	"Communication" Individual leaders talk regularly about needs and goals. Cooperation occurs but is rare and dependent on particular personalities No explicit division of labor between organizations.	"Cooperation" Regular communication among. organizations occurs. Many forms of cooperation are known and some are institutionalized. Coordination of activities in a division of labor occurs but is seldom.	"Coordination" There is a functional division of labor among most organizations, guided by a development plan. Organizations not ordinarily linked explicitly to economic development issues are included.
Characteristic Activities	Traditional tools like industrial parks, abatements, and Small downtown projects	A conventional infrastructure project financed mainly by the public sector; small public-private partnerships for the management of single projects.	A large, risky project financed jointly by several levels of government and by the private sector	The linkage of local businesses to the provision of public goods. Creation of a single public-private partnership to create and implement a development plan.

Areas of Activity

The more areas of activity in which a city is involved, the more policy alternatives it creates for itself and the more ways it can respond to actual market problems and opportunities. It is harder for a city to implement policies in many areas of activity than in just one or two. The policy field of economic development includes a large number of different activities that can be grouped into five general areas: physical infrastructure, "soft" infrastructure, business acquisition, taking care of existing businesses, and aid for entrepreneurs or small businesses.

Physical infrastructure improvement is the oldest kind of public-sector economic development activity. Although every city provides physical and social infrastructure, many cities only recently have linked these activities explicitly to the goals of "economic development." Physical infrastructure activities include concepts for improving retail turnover, the creation or improvement of tourist attractions downtown, the older activity of brownfield reactivation, and transportation infrastructure improvements. The provision of "soft" infrastructure was an innovation of the 1980s and was the result of an increasingly wide definition of "public infrastructure." Soft infrastructure includes such things as worker training, broad educational programs, parks and recreation, and the arts. New businesses acquisition and taking care of existing businesses are two other areas of traditional local economic development efforts. Acquisition involves many kinds of specific activities, including the brokering of property, ads and other forms of marketing, and the creation of industrial parks. Taking care of existing local businesses can involve helping firms survive bankruptcy proceedings, assisting local businesses in production expansion, or assisting in product and process innovation. A more recent area of activity for local governments is the provision of aid for small businesses and entrepreneurs. Examples include the provision of advice and business services. Venture capital funds and business incubators also fall into this category.

Targeting

Targeting involves setting priorities on particular sectors such as manufacturing or retail, or on particular branches such as biomedical technology or distribution. Setting particular targets involves making a choice about which areas of public aid are most likely to produce payoffs. While setting broad targets like "growth" is a very easy task, targeting specific areas is quite difficult. It is politically risky and requires the acquisition of sophisticated information about which kinds of firms are likely to prosper locally. The easiest thing for a city to do is to set no targets, giving aid on a first-come, first-served basis that leaves little room for strategy. Most difficult is to set targets and then actually follow up on these targeting priorities with a specific plan of action that sets out how targeted industries are to be given privileged access to economic development aid.

Organizational Complexity

Scholars looking at differences in policy systems note the benefits of complex decisionmaking structures. "Complexity is a good thing," write Savitch and Vogel (2000a: 164), because it maximizes the available range of choices and allows a close approximation of an "organic" structure; i.e., one that more closely corresponds to the diversity of interests in the city. Complex organizations with broad organizational bases are also more likely to give more points of entry for information from market actors, a prerequisite of strategic decisionmaking in economic development policy.

Of course, it is harder for a city to create a complex organizational structure involving many separate organizations than it is to rely on traditional structures such as a city department of economic development or a mayor's office of economic development. Newer, more complex organizational structures involve many organizations alongside or in place of a city department. There is a broad range of new organizational types. They include new or expanded bureaucratic offices within the city bureaucracy or mayor's office. New organizations may also arise out of chambers of commerce, which may create a private organization to promote economic development, organize an informal "campaign," create its own dedicated office for economic development, or cooperate with the public sector in creating a new partnership for economic development. The most complex organizational structures are those which include a large number of private and public bodies, all of which are responsible for some part of the overall local development effort. The most complex organizational form emerges when a large number of new organizations exist that are active in economic development even as a single, directing organization prevents an overlapping of effort or competition among the many public and private economic development organizations.

Coordination

Coordination is directly related to organizational structure and solves a problem that higher complexity brings. Very little coordination is needed under a simple organizational structure in which a single department is given full authority over a limited number of economic development tasks. As the number of tasks increases, and the number of organizations doing economic development grows, the need for coordination increases (McGovern 1997: 195). A moderate level of coordination involves regularized communication among the different organizations doing economic development. This is almost always possible—communication is easier than cooperation. A harder task for local leaders is to develop a consensus under which a number of different organizations cooperate in carrying out particular projects or policies. Even more difficult is true coordination, which requires an explicit division of labor among various organizations in a city's economic development effort that lasts longer than single projects. In coordinated systems, cooperation of many different organizations is a regular occurrence. Coordination is accomplished if all of the organizations involved in economic development are integrated into a plan so that they function like components of a single organization. Such a functional division of labor allows some organizations to specialize in particular areas. Note that the larger the number of organizations in a city, the greater its capacity for doing things in a larger number of areas of activity, but the more difficult it is to coordinate these activities. An especially difficult task, then, is increasing both the number of organizations doing economic development and the coordination of their activities.

Independent Variables

The Structure of Local Decisionmaking Networks

The first independent variable, contained in proposition one, covers the existence of a governance coalition. Urban regime theory strongly suggests that the presence of a working coalition should increase the ability of cities to do something in economic development, but how do you know a coalition when you see it? The central quality of regimes is informal cooperation among individuals who represent key local public and private institutions. Identifying this kind of cooperation is not difficult. In fact, anywhere anyone has ever looked for such cooperation, they have found it. However, governance coalitions in the sense of urban regime theory involve more than just cooperation between public and private sector actors. For Clarence Stone (1989: 6), identifying coalitions necessitates more detailed information about the "who" and "how" of coalitions: who are the coalition's members and how do they come together?

Typical Characteristics of Urban Governance Coalitions

A central characteristic of urban governance coalitions is that they link both public and private actors in common action. In this way, they solve a problem common to modern federal democratic systems. In these systems, both private and public resources are needed to get things done, yet the holders of assets are fragmented institutionally and geographically. Different asset holders also have different interests. Public-sector assets are shared between elected officials and bureaucrats. While the power of political consensus building is held by elected politicians, the resources necessary to put a political consensus into action are often controlled by bureaucrats. Federalism complicates matters in that it divides elected officials and bureaucrats into different levels of government. For their part, private actors control the financial resources needed to promote local growth and to co-finance newer forms of economic development policies, but they too are divided by diverse interests.

To get things done in a city, coalitions need to have key representatives of political, bureaucratic, and business bases. "Key" actors are those who also have sufficient authority to link resources from that base to the common goals of the coalition. Not every form of cooperation across public and private institutions is a governance coalition. For example, it is common practice for a group of middle-level bureaucrats to work together with a particular firm on a wide range of economic development projects. Yet this is only a public-private network, not a coalition in the sense of urban regime theory, because its members cannot themselves generate the political consensus and financial resources necessary to make and carry out policies.

The actual membership of local coalitions is an empirical question, for the institutional power base of "key" actors varies from city to city. However, Elkin (1987) and others investigating how coalition building works in American cities argue that certain kinds of actors are pushed into urban coalitions by the nature of institutional constraints in the American federal system. Typical members of decisionmaking networks are elected officials, bureaucrats, business association representatives, individual business executives, the press, utility company executives, and university officials (Elkin 1987; Logan and Molotch 1987). The probability that these "usual suspects" interact intensively and cooperatively in cities and regions is high in the United States.

Similar coalitions exist outside the United States, although there are differences in the relative influence of public and private actors (John and Cole 1998; Ward 1997; Kantor, Savitch, and Haddock 1997). Most generally, those looking at networks in Europe consistently underscore the need for examining the impact on local networks of higher-level governmental officials (Ward 1997; Wong 1998). It is not surprising, then, that federalism is a critical variable in the research on the membership of local governance coalitions. In Britain, it has been noted, private businesses tend not to be well organized at the local level because public authority is concentrated in London (Wong 1998). Similarly, local authorities have traditionally sought partnership with central government actors rather than local private businesses (DiGaetano and Klemanski 1993). It is not clear whether in the United States the impact of higher-level governments in governance coalitions is actually less than in centralized systems or whether their role has been downplayed in the urban regime literature. The latter seems to be the case, for some scholars have shown that higher-level governments can influence the formation and transformation of local regimes (Lauria 1994; Pecorella 1987).

The question of "how" networks come together depends on the distribution of influence among network members. Cooperation between public and private actors is a necessary condition for the emergence of a coalition; however, its members also must cooperate reiteratively. A governance coalition is not a one-time affair, but rather directs the course of many projects and policies. Indeed, one of the unique characteristics of local decisionmaking is the fact that public and private sector actors from a wide range of power bases are well known to each other and are used to working with each other. Personal acquaintance and actors' knowledge that they are likely to interact with one another again in the future are qualities that encourage informal cooperation across time and among different kinds of projects.

The Reputational Ranking Technique

The way in which influence is distributed among the members of a coalition and the stability of particular patterns of influence vary from city to city. A weakness of urban regime research is that no attempt has been made to find ways to compare different governing coalitions systematically. Earlier research tended to describe local coalitions in the full bloom of their uniqueness. More recent research has begun to correct this lack of comparative studies, but it focuses on comparisons based on typologies of coalitions. Clarence Stone (1993), for example, offers a typology based on typical regime tasks or goals—status quo maintenance, development, and middle-class or lower-class social policy. Using typologies is a step forward, but the focus on tasks downplays the essential characteristics of governance coalitions, namely the "who and how" of coalitions.

Comparing coalitions in terms of their "who and how" means identifying the members of governance networks and revealing how influence is distributed among them. For doing so, a method was used that builds on the examples of Floyd Hunter and those of regime scholars. Information about the members of local economic decisionmaking networks and the relative influence of each on the outcomes of the policy process was gathered using a modified "snowballing" or reputational method. This technique, pioneered by Hunter (1953) in his classic study of Atlanta's elite, was developed as a way to identify those who wield power behind the scenes. Influence was measured indirectly by asking key decisionmakers the question of who, in their opinion, exercises influence over the decisionmaking process. As many as possible of those individuals identified as influential were interviewed and were asked to identify other influential individuals. As the interview process continued, the patterns of influence in each city became clearer and clearer as particular individuals were mentioned more often than others.

A governance coalition is more than a group of influential actors. Coalition members must also know each other and work together repeatedly, because reiterative cooperation and personal interaction are necessary for a functioning coalition. Thus, interviewees were also asked to identify the individuals with whom they spent most of their time dealing with economic development issues in order to make sure that those who were identified as most important actually knew each other and worked together.

The snowballing technique generates a list of decisionmakers considered influential in an economic development network. From this list a "reputational ranking" can be compiled, which is a ranking based on how frequently each actor was mentioned. A common sense way of calculating such a ranking would be to tally the number of times a particular person was mentioned by all interviewees. This is a "vote tally," whereby a "vote" is an instance in which an actor was identified by an interviewee as important. However, some interviewees may identify a large number of individuals while some may identify only a small number. This could skew the results of a simple vote tally, for the amount of "importance" ascribed to an individual who was mentioned as one of perhaps three important persons is clearly higher than that ascribed to an individual mentioned as one of ten or more important persons. Thus, each vote given by a particular interviewee to a particular person was "weighted" by dividing it by the total number of actors identified as important by that particular interviewee. These weighted votes were used for tallying the rank order. In the actual case studies, only in exceptional cases did the weighting method change the order of important individuals, and in no case did it change the ranking of the top three individuals.

Such reputational rankings have qualities that can be compared: the absolute number of individuals identified as important, the kinds of institutional bases represented by these individuals, and the distribution of influence among them. These qualities also allow a more systematic comparison of network structures across cities.

Before comparing the reputational rankings, imposing some statistical regularity on the data is necessary. One very simple descriptive statistical technique is the setting of percentile markers. One form of this technique is familiar to everyone who has ever taken a college entrance exam. Any particular person who receives a test score better than 80% of all test takers is said to have made it into the 80th percentile. For test scores, percentiles are used to standardize results, making sure that test scores are evenly distributed. However, markers can also be used to describe particular distributions. This is done by keeping a running tally of the percentage of "votes" allocated to each individual on the ranking, from the top down. For the reputational rankings in this study, percentile markers are set at 80%, 50%, and 20%. These actual values are insignificant in themselves. One may set markers at any point as long as they are the same for each case. The distribution of influence is thus described by noting how many actors "made it" into the eightieth, the fiftieth, and the twentieth percentile brackets.

The percentile markers for the reputational rankings allow the researcher to see the way in which influence, reputationally measured, is distributed among decisionmakers in a city. The way in which these markers work is illustrated below using a reputational ranking from the case of Dortmund. The ranking of Dortmund actors is provided in table 2.2, without actors' names. Each line represents a single individual. The person who was most often identified as important in decisionmaking received 7.99% of the total "votes" given by all interviewees. The next actor in the ranking received 6.87%, the next actor 6.49%, and so on. Thus in Dortmund, it required only three individuals to comprise the eightieth percentile. Rounding is done either up or down so as to minimize rounding effects. Nine actors made it into the fiftieth percentile, and 21 made it into the twentieth percentile. A total of 47 actors were mentioned at least once as "important." However, only those who make it into the twentieth percentile are to be considered for the purpose of comparing the actual size of local networks, because in every case, there were a number of individuals identified as important by only one interviewee. Using a percentile cutoff removes the least frequently mentioned individuals in a way that is standardized across cases.

By setting percentile markers, the ranking yields information about the distribution and concentration of influence in the network in a way that reveals characteristic differences among economic development networks. It is easy to comprehend intuitively that in cities with highly hierarchical power structures, the reputational ranking should be quite different from the reputational ranking in cities with highly democratic power structures. In cities with political machines run by a boss, influence is hierarchically concentrated. The boss will surely have allies who also wield influence, but their number will be relatively small compared to a highly democratic city. In highly "pluralistic" cit-

Table 2.2: A Reputational Ranking of Economic Development Actors

Actor	Vote Share	Cumulative Total
1	7.99%	7.99%
2	6.87%	14.9%
3	6.49%	21.4%
Eightieth Percentile Cutoff		
4	5.16%	26.5%
5	4.85%	31.4%
6	4.73%	36.1%
7	4.57%	40.7%
8	4.17%	44.8%
9	4.09%	48.9%
Fiftieth Percentile Cutoff		
10	3.77%	52.7%
11	3.55%	56.2%
12	3.48%	59.7%
13	3.45%	63.2%
14	3.18%	66.4%
15	2.84%	69.2%
16	2.40%	71.6%
17	1.98%	73.6%
18	1.87%	75.4%
19	1.64%	77.1%
20	1.50%	78.6%
21	1.50%	80.1%
Twentieth Percentile Cutoff		
22	1.40%	81.5%
23	1.31%	82.8%
24	1.26%	84.0%
25	1.13%	85.2%
26	1.10%	86.3%
27	1.09%	87.4%
28	1.03%	88.4%
29	0.93%	89.3%
30	0.90%	90.2%
31	0.85%	91.1%
32	0.80%	91.9%
33	0.80%	92.7%
34	0.79%	93.5%
35	0.79%	94.3%
36	0.79%	95.0%
37	0.65%	95.7%
38	0.55%	96.2%
39	0.45%	96.7%
40	0.45%	97.1%
41	0.45%	97.6%
42	0.45%	98.0%
43	0.42%	98.5%
44	0.42%	98.9%
45	0.38%	99.2%
46	0.38%	99.6%
47	0.38%	**100.0%**
	100.0%	

ies, one would expect to find many actors involved in decisionmaking, none of whom exercises a high degree of influence.

In summary, reputational rankings are used for identifying and comparing the composition of governance coalitions. Cities have an "urban coalition" when its ranking includes "key" public and private actors, meaning those with the authority to use their institution's resources to support the goals of the coalition. Members of the ranking must be known to each other, and most of the individuals who make it into the twentieth percentile or higher should have worked with one another on economic development projects at one time or another.

Change in the Network Structure after Economic Decline

The second independent variable, contained in proposition two, is the transformation of the existing governance coalition after the onset of economic decline. The reputational ranking, described above, cannot provide this information on its own because it is not chronologically differentiated.

To determine whether the network changed over time, more information is needed to complement the reputational rankings. First, the time point at which economic decline set in must be determined. This is in part a matter of reviewing local economic data to obtain an objective picture of the course of decline, but economic decline has a subjective component also. Indeed, more important for the motivations of coalition members is not the objective time point at which the local economy turned downward but, rather, a time point at which the economy started to become perceived as a major problem. Information about the subjective impressions of actors can only be obtained by asking the actors themselves. Further, one needs to know *when* each actor was influential in order to create the chronology of a decisionmaking network. These data were obtained by asking actors to identify the years during which particular actors were influential. By combining this information with additional data about the careers of local decisionmakers, changes in the structure of influence over time were identified.

Influence of Higher-Level Governmental Actors

Proposition three asserts that when local leaders try to formulate a response to decline, the amount of aid available from higher-level governments will partially determine coalition goals. To determine the influence of higher-level governmental officials, information is needed about the development activities undertaken in a city after economic decline. If the initial idea behind such activities or their implementation depended on the funding of higher-level governments, then coalitional goals will have been oriented around the policy goals of higher levels of government, and it is justified to assert that higher-level government aid was "important."

Determining the importance of higher-level governments depends on identifying the activities which were particularly important or central to the development effort in a city. This is problematic, for given that a large number of economic development activities are likely to have occurred in any major city over ten or more years, creating a complete catalog of activities is nearly impossible. Further, it is difficult for an outsider to assess which projects and activities were the most important, for again, the importance of particular projects is a matter of how these projects were perceived by the actors themselves. The researcher must rely on the opinions of local actors themselves about which projects were important. Objective information can be used to complement perceptions, such as the amount of money spent on their completion, who contributed to their financing, and the extent to which they were reported in the local media. Whether higher-level governments were involved in "successful" projects can be assessed through interviews with higher governmental officials themselves, newspaper reports, and official documents. If higher-level government actors were important, then they should have been involved in the initiation or the financing of important projects, and they should be identified as influential actors by other actors.

The importance of higher governmental actors in each case is determined relative to other cities. For this purpose, each case city is compared with other cities in the same federal state. One sees that in all federal systems, vertical networks linking a state's local jurisdictions with the state government face a similar problem stemming from the incongruent interest positions of state and local officials. State officials, who are dependent on the support of voters throughout the state, have an interest in spreading aid to more than one city. Local governments, however, are interested in getting more than their "fair" share of state aid. In this situation, some cities get their fair share or less, while others may enjoy a privileged relationship with higher-level governments.

State officials are obligated to distribute aid fairly, but a privileged relationship between local governmental officials and their state-level colleagues may arise for many different reasons, including party ties and personal friendship. A privileged city may get substantially more aid than other cities in the same state, but the politics of privilege involves more than just money. Privileged cities also have better access to national governmental officials through their state representatives. If this is the case, then the vertical networks linking levels of government in economic development policymaking may well bind local, state, and national leaders to similar goals and projects. What is done locally is then even more dependent on interaction with higher levels of government. Consultation between privileged cities and higher levels of government also may be more common, giving state and national officials more input into local policy adoption, which may in turn create a greater interest and commitment to local development projects.

The Dynamics of Coalition Decisionmaking

Networks desiring to respond to economic changes have to set new goals and use new kinds of policies. This process is "dynamic" because the particular policy choices made by a network at an early time point influence the network's later decisions. Consequently, the very earliest policy choices made by a city responding to decline—and the experience of success or failure with these policies—can have an influence on later decisions that is greater than expected, given their perhaps minor actual economic impact.

When the sequential dynamics of decisionmaking increases the ability of the network to respond to new information and changed conditions, one speaks of "learning." When the influence of earlier actions tends rather to close the network to alternatives in spite of changed conditions, learning is blocked. For referring to both kinds of processes, the term "decisionmaking dynamics" is used.

For assessing the importance of local decisionmaking dynamics in a particular city, it is necessary to acquire information about how decisionmakers arrived at decisions to respond to economic decline and about why they decided to implement particular policies. Of particular importance is the pattern of project completion. The case studies will ask which new projects were successful, and whether later efforts focus on the same areas, building on past success in some way. Were feedback mechanisms in place whereby particular decisionmakers were able to take credit for successful projects, contributing to their aspiration to do more? How stark is the continuity linking earliest projects and later policies in terms of the actual individuals supporting the policies and their goals? Is the organizational structure of the city closely linked with a particular policy goal? These questions were answered for each case using interviews, newspaper articles, and the secondary literature to obtain an overview of the history of the policies and projects initiated in each city after the onset of economic decline.

Case Selection

Given the high degree of detail needed for assessing the dependent and independent variables, a case study approach was unavoidable. Given resource limitations, the number of cases used also had to be kept very small. The minimum number of cases possible is four, one strategic and one non-strategic city from two different national systems. However, after the cases were selected and investigated, it was found that three of them underwent significant changes in their responses to decline. Thus, the decision was made to extend comparison to cover the twenty to twenty-five years after the onset of decline in each city. By doing so, and in light of the changes in the cities' responses, the number of cases was effectively increased to eight. This allowed a much more fruitful inquiry into the question of why policy responses and regimes do or do not change over time.

The demands of the "most different systems" strategy call for the use of cases from different federal systems. Using cases in different systems allows us to see if the assumption holds that similar kinds of factors are associated with higher strategic response to economic decline in different kinds of institutional environments. A further criterion guiding the selection of cases from different nations is the goal of correcting the overreliance on American cases in existing federalism research. Considering the fact that federalism theorists aspire to develop propositions that hold for federal systems outside of the United States, it is surprising that their theoretical expositions rely almost exclusively on American cases. Other federal systems offer a wealth of experience with different institutional arrangements, and their experiences should be used to uncover those factors associated with strategic policymaking by local government in federal systems generally.

Motivating this research is the question of what kinds of factors contribute to strategic policy choices in response to economic decline. The research is generalizable only to the set of cities which actively tried to adopt policies in response to changed economic circumstances. Thus, cities are needed for comparison that are similar on the following two dimensions. They should have undergone a similar kind of economic change during the same period of time, and they should have made the attempt to adopt new, growth-oriented, economic development policies in response to economic change.

Given that it is important to find cities that have had roughly similar experiences with economic growth and decline over the past thirty years, the range of other federal systems that come into question. This restricts the selection to Austria, Australia, Belgium, Canada, Germany, Switzerland, and the United States, among perhaps a few others. With 56 German cities of 100,000 or more population in 1970, the United States and Germany together have the largest number of metropolitan areas of more than 100,000 population that have had problems with economic decline over roughly the same time period. By choosing Germany and the U.S., then, the range of potential case study cities is maximized, which allows for the selection of cities based on experiences with decline and on their policy responses. Of all possible pairs of federal systems, the U.S. and Germany also are a good match in terms of the similarity of their institutions of federalism.

Current research into the political economy of local economic development shows that large cities undergoing economic decline are among the most likely kinds of cities to have formulated new economic development policy over the past three decades. Further, deindustrialization is a form of decline that has been very widespread on cities in all of the advanced industrial countries. It is important to consider only the set of cities that have undergone similar kinds of economic problems, for there is no reason to believe that cities with growing economies will have had to create a new economic development policy at all. Similarly, in comparing cities' policymaking histories, it is important to examine cities that have had similarly difficult problems to solve. Thus, the choice has been made to restrict the possible cases to deindustrializing cities.

A final criterion of case selection is a city's response to decline. Two cases are sought that responded relatively strategically to decline, and two cases are sought that responded relatively nonstrategically to decline. Case selection proceeds by first identifying deindustrializing cities and then identifying strategic and nonstrategic cities.

Identifying Deindustrializing Cities in the United States and Germany[1]

Larger cities are of special interest for understanding responses to decline because they typically have a higher administrative capacity and are usually more active in economic development (Fleischmann, Green, and Kwong 1992; Wrobel 1979: 70; Hollbach-Grömig 1996: 26). There were 58 large German cities in 1970, excluding the federal "city states" of Hamburg, West Berlin, and Bremen-Bremerhaven. In the United States, there were 105 large metropolitan areas in 1967 for which sufficient data are available. Only cities with populations of more than 100,000 in Germany and American metropolitan areas with populations of more than 250,000 (from census data as close to 1970 as possible) were selected. The use of cities in Germany and metro areas in the United States is necessitated by the fact that comparable data are reported at these differing levels. This dictates also the inclusion of smaller-sized German cities into the set of potential cases.

The next step in case selection involved identifying those large cities in the U.S. and Germany that underwent similar processes of economic decline over a roughly similar

[1] German data for 1970 are from the *Arbeitsstättenzahlung 1970* (Deutscher Städtetag 1973: 219ff), which counts jobs in workplaces. The German 1984 data were derived from tax statistics and thus do not include workers who do not pay into the social security system. The 1984 data may underestimate employment compared to the 1970 data, but bias will be the same for all cities. National employment data for Germany are drawn from Statistisches Bundesamt 1996. Employment data for U.S. metropolitan areas in both 1967 and 1982 were taken from U.S. Bureau of Labor Statistics 1984. National employment data and additional local data are from U.S. Bureau of Labor Statistics 1999a.

period of time. Deindustrialization is one process in particular that has affected most of the advanced industrial nations in similar ways and during a similar time span, so deindustrializing cities in both countries were used.

To identify the "deindustrialized" cities in both the U.S. and Germany, it was first necessary to delimit a particular time period. The exact dimensions of industrial decline varied between Germany and the United States, but the basic time period of decline was similar. The peak year for German manufacturing employment was 1971, when the country reached its all-time high of 10.35 million jobs in the manufacturing sector. Employment data are available for the local level only for 1970, so this year was selected as the beginning time point in Germany. By 1984, manufacturing employment had reached a low of 8.56 million. Local data are available for this year, so 1984 was used as the end point for the purposes of selecting a set of deindustrializing cities in Germany. In the U.S., manufacturing employment increased continuously from 1950 to 1969. Manufacturing jobs grew at a rate of 0.71% per year on average in the United States from 1952 to 1972 (Stull and Madden 1990: 12). During the 1970s and into the early 1980s, manufacturing job creation stagnated for the first time since the Great Depression, experiencing ups and downs, but yielding no long-term growth. In retrospect, then, the golden years of slow, steady growth in American industrial employment ended in 1969. The all-time peak of over 21 million manufacturing jobs manufacturing was reached in 1979, after several dramatic ups and downs in the 1970s. The U.S. then experienced a somewhat dramatic plunge in manufacturing employment from 1980 to 1983. Data availability did not correspond exactly to these years. Local employment data are put out by the Department of Labor and are available for 1967, 1972, 1977, 1982, and 1987. Given these data restrictions and the timing of national industrial decline, the years 1967 and

1982 were selected as the two time points of "deindustrialization" for the purpose of selecting the set of deindustrializing cities in the United States. An alternative would have been to use 1972 or 1987 as endpoints; Negrey and Zickel (1994) use the 1972 to 1987 period in their analysis of deindustrializing cities, but they arrive at quite similar results as those reported below.

To be defined as deindustrializing in a strict sense, a city would have to fulfill all of the following criteria. Manufacturing employment in the city must have declined over a period lasting more than one business cycle; the city's share of national industrial employment must have shrunk; and industrial job decline in the city must not have been compensated by employment growth in other sectors of the regional economy (Hill and Negrey 1987). However, for the purpose of finding comparable cities in Germany and the U.S., these criteria are too restrictive because American cities undergoing manufacturing decline have typically seen both population growth and at least some growth in nonmanufacturing sectors. The real problem was that their employment growth in nonmanufacturing sectors was low relative to other American cities (Bluestone and Harrison 1982). For this reason, cutoffs in employment change for the purpose of defining deindustrializing cities in the analysis below are not set absolutely but, rather, relative to the national average over time.

The selection process is also limited by differences in the typical industrial structure of German and American cities. One important difference among industrial cities in both countries is that in Germany, coal mining has been a traditional part of urban industrialization. Most of the large coal mines in Germany were located within or near the jurisdictions of large cities, while U.S. mines are more typically located in remote locations or in small cities. Thus mining employment and its decline is a topic of greater importance in the German discourse on deindustrialization. For this reason, mining and manufacturing employment are combined for Germany but for the U.S. The end effect of doing so is that four German cities are included which otherwise would have been disqualified as "underindustrialized": Dortmund, Gelsenkirchen, Herne, and Recklingshausen. These cities are actually famously deindustrialized cities and stand at the center of the German discussion of structural change.

From the group of large cities, those were selected in which the manufacturing sector's share of total employment was at or above the national average around the year 1970, depending on data availability. For identifying those cities whose economies were dominated by manufacturing, a simple location quotient (LQ) measurement was used, defined as "the ratio between the regional and national proportions of output or employment attributable to a particular industrial sector" (Flegg, Webber, and Elliot 1995: 549):

$$\frac{\text{Manufacturing Jobs in City / Total Jobs in City}}{\text{Manufacturing Jobs in Nation / Total Jobs in Nation}}$$

For Germany, manufacturing and mining were used together in the LQ. For the measure of total jobs, only private employment was used. A manufacturing LQ greater than 1.0 indicates that manufacturing is overrepresented in the local job market relative to the national average. In 1967, manufacturing LQs in the United States ranged from 1.5 (Flint) to 0.1 (Las Vegas). There is no consensus about how high a city's LQ has to be for it to rank as an industrialized city. Heuer (1975) used a cutoff of 1.2 in describing city specializations in Germany. For the study that follows, however, a more liberal cutoff of 1.0 was set in order to maximize the number of eligible cases. Those cities with a manufacturing LQ of 1.0 or higher in the late 1960s were considered eligible cases. For identifying manufacturing sector location quotients, the year closest to 1970 was chosen for which data were available.

Of the 58 large German cities, 26 had a manufacturing/mining LQ of 1.0 or higher in 1970. Of the 105 large metro areas in the U.S., 36 had a manufacturing LQ of 1.0 or higher in 1967. Most of those cities has long traditions in manufacturing and were dominated by traditional industrial firms with big factories and large numbers of blue-collar employees. When deindustrialization hits, it is likely to be a matter of particular concern for this kind of city.

Employment trends in the group of industrialized cities over the period between 1970 and 1985 (varying according to data availability) were analyzed in order to identify those cities that experienced similar problems with deindustrialization. Two measures were used for assessing employment change. A good measure is shift in private employment per capita between two time points. This measure does not reflect the whole range of complexities involved in a process of decline, but it has the advantage of ready comprehensibility and good availability (Ladd and Yinger 1989: 17-21). However, using this measure to compare processes of decline in different cities presents a practical problem: if a city lost population and jobs (a common problem for declining cities) then this measure will not register its decline. The use of total private jobs per capita is more problematic for U.S. cities, as the metro area definitions used by the U.S. Bureau of the Census (necessary for getting population statistics) and the Department of Labor (necessary for getting city-level employment statistics broken down by sector) are not unitary over this time period. Further, and in contrast to Germany, annexations in the U.S. can have a significant impact on the sectoral employment mix. There is a good possibility that per capita employment in some cities may have changed simply due to annexation or technical redefinitions, not economic trends. Due to these data restrictions, a second measure of employment decline was used: change in employment from 1970 to 1984 as a percentage of 1970 employment (actual dates varied according to data availability). In the German case, this measure was used to test the robustness of the other measure of job change (shifts in private employment per capita), but it was the only measure used for the American cases due to data restrictions.

Using measures of employment decline, American and German industrialized cities that faired worse than their respective national averages in manufacturing and total employment change were identified. Twenty-two cities in Germany and 33 in the United States fit this pattern (see table 2.3).

Table 2.3: Deindustrialized Cities in the United States and Germany

United States: 1967-1982		**Germany: 1970-1984**	
Akron	Lancaster	Augsburg	Mühlheim/R
Allentown-Bethlehem	Louisville	Bielefeld	Neuss
Binghamton	Milwaukee	Bochum	Nürnberg
Bridgeport	Peoria	Dortmund	Oberhausen
Buffalo	Pittsburgh	Duisburg	Offenbach
Canton	Providence	Gelsenkirchen	Recklingshausen
Chattanooga	Reading	Hagen	Remscheid
Cincinnati	Rockford	Heilbronn	Solingen
Cleveland	Springfield, Ma.	Krefeld	Stuttgart
Davenport-Rock Is.-Moline	Toledo	Leverkusen	Wuppertal
Dayton	Utica-Rome	Mannheim	Mönchengladbach
Detroit	Wichita		
Erie	Wilmington		**N = 22**
Flint	Worcester		
Gary-Hammond	York, Pa		
Hartford	Youngstown-Warren		
Jersey City			
	N = 33		

Some irregularities crop up in the German analysis that were clearly related to the method of measuring employment change and that required correction. In the manufacturing-per-capita analysis for Germany, the famously deindustrialized cities of Gelsenkirchen and Mühlheim appear to have bettered the national average. This is due only to the fact that both of these cities lost a significant portion of their population in the 1970s, and thus these two cities are included above in the list of deindustrialized cities. The same analysis also indicated that Bielefeld, Mönchengladbach, Leverkusen, Duisburg, and Neuss appear to have gained manufacturing jobs per capita; but this is due to their annexation of industrialized suburbs in the 1970s. Of Germany's cities which were large manufacturing centers in 1970, only Ludwigshafen, Herne, Salzgitter, and Witten lost fewer manufacturing jobs than the national average. These cities actually gained total jobs; consequently, they were removed from the final pool of deindustrializing centers.

The U.S. cities identified by this analysis are, with three exceptions, identical to those identified by Negrey and Zickel (1994) as "classic deindustrializing centers," which lost both manufacturing jobs and population, or as "stable centers in transition," which lost manufacturing jobs but grew modestly in population. Three cities in this analysis do not appear in Negrey and Zickel's list—Hartford, Wichita, and York—all of which experienced manufacturing job or population growth spurts from 1982 to 1987. Three of Negrey and Zickel's cities—Johnstown, New York City, and Newark—were excluded because they were not among America's most industrialized in 1967.

Identifying Strategic and Nonstrategic Cities in the U.S. and Germany

Having identified the set of German and American cities that experienced similar problems of economic decline from the late 1960s through the mid-1980s, the next step in the case selection process involved identifying cities that developed similarly strategic capacities for responding to decline. Acquiring these data involved making inquiries to a local development official in all 55 cities in both countries, requesting information about the level of economic development activity and targeting priorities in the 1980s and 1990s. All inquires involved a written questionnaire, but whenever possible, additional telephone inquires were made. An official from prospective case cities was interviewed before making the final selection.

Most contact addresses could be identified from the internet home pages of the 55 cities or their respective states. An inquiry was sent to an appropriate official with the request to forward the inquiry to an official most likely to have experience or knowledge of local economic development activities in the 1980s and 1990s. Preferred contact partners were, in order of priority, the economic development director, the community development director, the director of the city's economic development corporation, the city planner, the city administrator, and the mayor. Thirteen of 22 German cities and 22 of 33 U.S. cities provided sufficient answers to all three questions. Most responses were filled out by employees or directors of city departments of development or of city economic development corporations.

Respondents were asked three questions about the nature of their economic development activity since the 1980s. These questions were designed to provide information about the difficulty of a city's response to decline, which is an indirect measure of a strategic response. The questions were kept simple and few in number in order to maximize the response rate.

Respondents were first requested to rank the relative importance of each of the four kinds of broad goals in their cities during the 1980s:

a) "Sustaining Existing Firms," – taking care of existing businesses.
b) "Sustaining Acquisition," – attracting outside businesses or supporting startups in branches that are a traditional and proven part of the city's economy
c) "Transformative Acquisition," – attracting outside businesses or supporting start ups with the goal of diversifying the local economy
d) "Non-targeted Acquisition," – attracting outside businesses or supporting startups without a particular emphasis on any particular branch of business

For each area of activity, the contact person had the choice of answering "not important," "somewhat important," or "most important." Multiple "most important" answers were allowed but not common.

The second and third questions were not restricted to the 1980s, and officials were free to reflect on activities that also typified activity in the 1990s. Officials were asked whether their city had set economic targets in their development activities. Targeting involves focusing public aid on particular branches (automobiles, software, mining technology, etc.) or particular sectors (typically either manufacturing or services). Finally, contacts were asked to rank their city's level of activity in terms of personnel and financial resources in economic development relative to other similar cities. They could answer, "somewhat LESS active," "about the SAME," or "MORE active" than others. The results of the survey are summarized in the tables below.

In table 2.4, information is reported for 21 American cities and 21 German cities. Response "a" was selected most often as the most important goal in both the U.S. and Germany. Response "c" was selected second most often. These data are congruent with large-N studies of the broad goals of urban areas in both countries showing that most cities try to help existing firms while attracting new firms. Yet, the findings here show that 12 cities place a high importance on attracting firms that fit into the existing industrial mix, showing diversification is not always a high priority in deindustrializing cities.

Those cities that identified transformative acquisition as a top priority and explicitly noted that other goals were a moderate or low priority were considered candidates for the "strategic" city cases. Cities that placed a high priority on "helping existing firms" or "sustaining acquisition" were considered candidates for nonstrategic city cases. The goal of transformative acquisition is not in itself strategic, just as the goal of sustaining acquisition is not in itself nonstrategic. However, given that it is more difficult politically to

Table 2.4: Survey Question One Answers

Question: rank the relative importance of each of the four kinds of broad goals during the 1980s	**MOST important**		**SOMEWHAT Important**		**NOT Important**	
	GER.	**USA**	**GER.**	**USA**	**GER.**	**USA**
a) Helping Existing Firms	18	12	3	7	0	2
b) Sustaining Acquisition	5	7	12	8	4	5
c) Transforming Acquisition	13	10	6	7	2	3
d) Nontargeted Acquisition	4	5	13	12	3	2

Responses: 21 for both USA and BRD
Cities were allowed to identify more than one kind of goal as most important .
Not every goal was checked by every respondent.

set a clear priority on transformative acquisition, this is taken as one sign of the successful implementation of a "hard" response and strategic action. However, only those cities that also had identified specific sector or branch targets were considered eligible cases. Setting a broad goal of acquiring new industries is easier than actually setting specific targets that necessitates spending public funds on new kinds of firms. Following the same logic, only those cities that targeted manufacturing or which had no particular target at all were considered candidates for nonstrategic cases.

Respondents indicated that most U.S. but less than half of German deindustrializing cities had set some kind of particular target for economic development activity by the 1990s (table 2.5). Even clearer differences emerged when respondents were asked about the specific targets they set (table 2.6). Remarkably, not a single target was shared by cities in Germany and America. Moreover, those targets commonly identified in Germany— environmental protection technology and "new media" (which can include information technology, but also refers to film and TV production and among other things)—are both areas that have been heavily promoted at the state level. German cities seem to leave branch level targeting up to state developmental authorities.

Table 2.5: Survey Question Two (a) Answers

Question: "Sometimes economic development officials will identify specific economic branches (automobiles, software, mining technology, etc.) or particular sectors (typically either manufacturing or services) as especially desirable for the city. Did your city target any particular branches or sectors in the 1980s or later?"	**BRD**	**USA**
Yes	5	17
No	6	3
Responses: BRD = 11, USA = 20		

Table 2.6: Survey Question 2b Answers—Specific Branches Targeted

USA	**BRD**
Air freight / distribution / logistics (4)	Environmental protection technology (4)
Automotive and transportation (3)	New media (3)
Biomedical technology (3)	New materials
Tourism / entertainment (2)	
Medical-related industries (2)	
Call Centers	
Flexible manufacturing	
Food processing	
Information technology / robotics	
Metals (fabrication, machining)	
Plastics	
Polymer technology	
Technology-based services	
Telecommunications	
Tool and machining	
Waterfront development	

[1]Exact number of multiple mentions noted in parentheses.
Note: Not every city specified a target; multiple specific targets common in USA.
Responses: BRD = 11, USA = 20

The final question relates to the level of activity of their city relative to other cities of similar size. This question was used to help identify those cities that have tried harder to implement a response to economic decline. Only those cities were considered eligible cases that had a level of effort that was about the same or higher than other cities. The pattern of answers to this question, summarized in table 2.7, was very similar in the U.S. and Germany.

Table 2.7: Survey Question 3 Answers

Question: How does the level of effort in the area of local economic development in your city (in terms of personnel and financial support) compare to cities of similar size?	**BRD**	**USA**
More Effort	3	2
Less Effort	3	7
About the Same	5	11
Notes: Responses: BRD = 11, USA = 20		

Final Case Selection

The case selection process yielded 55 large cities, 22 in Germany and 33 in the United States, that had roughly similar economic backgrounds and experiences with deindustrialization. Presumably knowledgeable officials from each of these cities were asked to comment on their city's economic development activities in the 1980s and 1990s. Cities that placed a priority on "transforming acquisition," that targeted particular sectors or branches for aid, and that expended more or about the same level of effort on economic development were considered as candidates to represent those cities that put together strategic responses to economic decline. Likewise, cities that placed a priority on "sustaining existing firms" or "sustaining acquisition" while targeting manufacturing or with no particular target at all qualified as potential nonstrategic cases. Here too, only cities were considered that had expended more or about the same level of effort on economic development.

Several cities in both countries could have been chosen for both categories. The final cut was made after longer telephone conversations with local officials in candidate cities, after discussions with knowledgeable academics, and lastly after consideration of the logistics of research. Dortmund and Providence were chosen to represent those cities that responded relatively strategically to decline in the 1980s; Augsburg and Louisville represent those that responded relatively less strategically in the 1980s.

Data Collection

Data for evaluating dependent and independent variables were collected using a variety of techniques. To gather information on decisionmaking networks, a "reputational ranking" was created. This involved interviews with key actors in a snowballing process. One of the dangers inherent in the snowballing approach is its subjectivity: the results of the snowballing process depend completely on who is interviewed. One cannot know ahead of time who is important, so the researcher is compelled to interview all of the actors who may potentially be relevant. Hunter (1953) and others using the technique (Stone 1989; Trounstine and Christensen 1982) thus wind up interviewing a very large number of individuals. This makes the technique costly to use in studies of more than one city. The technique used here thus follows the reputational method developed by John and Cole (1998). Time is saved at the beginning of research with the assistance of two local experts, who compile a list of key decisionmakers in economic development. Interviews are requested with all of the individuals on the lists thus compiled. These interviewees are asked to identify the important power holders, and interviews were requested with those individuals identified by at least two interviewees as important.

Although local academic observers made their help available in the two American cities, finding similar kinds of experts in Germany was more difficult. In Dortmund, a professor of planning active in local politics offered assistance, as did his former student who had written a master's thesis on economic development in Dortmund and now works in the city's development bureaucracy. In Augsburg, two long-time local politicians from opposing parties volunteered their assistance.

Interviews with actors identified as important were structured by a questionnaire (see appendix A) that was identical in form for all four cities. The questionnaire was centered around questions about actors, organizations, activities, financing, problems encountered, and perceived competition with other cities. Three questions concerned actors. First, interviewees were asked to compile a list of the "important" actors in economic development in the city. "Important actors" are defined in the questionnaire as those who were, and are, responsible for setting economic development targets, for making decisions regarding the allocation of public resources in the pursuit of these targets, and for deciding which kinds of tools to use. This information allowed the creation of reputational rankings for each city. Interviewees were also asked to rank the three most important actors, but many interviewees preferred not to answer this question. To verify that the actors so identified actually knew and worked with each other, interviewees were asked to indicate those actors with whom they spent most of their personal time. For creating a chronology of the network, interviewees were asked to split their tenure into two time points, beginning and ending times, and to identify which actors were important early in their careers and later in their careers accordingly. This, coupled with bibliographic data assembled in interviews and from outside literature, enabled the tracing of a chronology of the entry of new actors and of the resulting changes in the network power structure.

Important for assessing the influence of higher-level governments was the history of policy responses after decline. Similarly, interviewee views on the important organizations in the city were needed for evaluating the dependent variable and for assessing the processes of learning in the city. Interviewees were thus asked to identify the important organizations and activities of the city since the 1980s. Important organizations were defined in the questionnaire as those which "shape economic development decisions by influencing the flow of decisionmaking." Interviewees were asked to identify both the most innovative and most successful activities. Innovative activities were defined as those "which embody new goals, bring in actors previously not involved in economic development, and/or initiate new organizational forms." Successful activities were defined as "those which had a definite impact and enjoyed public recognition." Organizations considered important by 50% of the actors are noted as "important" in the study. A problematic pattern emerged in respondents' comments about activities. The typical interviewee considered all of the projects or activities with which they were personally associated as "innovative," even if these were not successful. Thus, those activities noted as "important" in the case study are those that were considered "successful" by at least two actors.

Data gathering was conducted over the fifteen month period from May 1999 through July 2000. Fourteen individuals were interviewed in Dortmund, 10 each in Providence and Augsburg, and 11 in Louisville. In all cases, most of the interviewees were individuals recognized as important by other actors and who were involved in their city's economic development effort in the 1980s or earlier. Three individuals who were not themselves recognized as important individuals were interviewed because of their expert knowledge. Each was a valuable informant and each held a position in an institution that was generally recognized as important. The number of interviews was limited by time and financial constraints, outright refusals by prospective interviewees, and the deaths of some important actors. The majority of interviews were conducted in person, but several interviews were conducted by telephone. In exceptional cases where an actor refused a personal or telephone interview, written responses to the questionnaire were accepted. Newspaper articles, official documents, talks with academic experts and journalists, and interviews with higher governmental officials about their policy goals and local involvement were used to verify information provided by interviewees and to provide additional information. Secondary literature was available for Dortmund, Providence, and Louisville. Comprehensive, indexed newspaper archives were available in Dortmund, Providence, and Louisville, but not in Augsburg. The *Augsburger Allgemeine,* the city's only newspaper, maintains a small archive of past articles on economic issues, but the contents of the archive suggest that the newspaper's economic reporting focused overwhelmingly on state-wide issues rather than local problems throughout the 1970s and 1980s. An issue-by-issue survey of backissues confirmed the impression that the paper's coverage of economic development issues was sparse in the 1980s.

CHAPTER 3
THE CONTEXTS OF DECISIONMAKING IN DORTMUND, AUGSBURG, PROVIDENCE, AND LOUISVILLE

Critics of comparative urban studies raise two common objections. Some say that local politics is *overdetermined* by national institutions so that local leaders are not free to make policy choices. Others argue that local politics is *underdetermined*—that political decisions are unique from city to city, being highly multicausal and influenced by local factors that depend on particular local circumstances. These criticisms are self-contradictory, but if either is correct, then international urban studies are senseless. In the first case, local policy adoption can be explained by national institutional factors. In the second case, local policy adoption cannot be explained in general terms at all.

The argument that local politics is overdetermined by national institutions is contradicted by the bulk of the case research and by large-N studies of policy adoption in the U.S. and Germany. As shown in chapter one, empirical studies document variation in activism and in the policy tools used among all U.S. cities. Furthermore, the case selection process outlined in chapter two produced new data showing that the responses taken by both American and German deindustrializing cities not only has varied from city to city, but also has varied in similar ways in both countries such that the pattern of policy variation observed is much wider within each country than is the variation between them. All of these data together strongly suggest that neither German nor American national institutions determine their cities' choices.

While it is certainly true that local decisionmaking is multicausal and impacted by conditions that are unique from city to city, the conclusion drawn by some that local decision processes are underdetermined is misleading. Neither the available literature nor the data produced by the case selection process for this study support this line of argument. Very different American and German cities show intriguing similarities along dimensions suggested by the literature as being causally related with strategic policymaking. When cities face similar problems, such as deindustrialization, it is more consistent with the available data to claim that they react in similar ways in terms of their targets, policy tools, and organizations. This chapter documents these similarities.

Local politics are neither overdetermined nor underdetermined. Rather, there are common patterns of decisionmaking in different countries, and these links have become more commonplace because the problems they face and the tools at their disposal have become more similar. Nonetheless, finding common patterns requires understanding where differences lie and when they matter. Thus, this chapter provides information about the national and local contexts of local economic development decisionmaking in the United States and Germany.

The first section below discusses national institutions, addressing the following questions. How do institutions impact the choices of local economic development networks in Germany and the United States? What kinds of systematic institutional differences separate the two countries? The analysis finds that the most significant national institutional differences are related to financing, taxation, and budgeting.

The second part of this chapter includes descriptions of the unique local conditions that shaped policymaking over the past two decades in all four case study cities. Among the most important such conditions are local economic circumstances, the presence of charismatic leaders, party competition at the local level, party connections to higher levels of government, electoral results, the relative fractionalization of metropolitan area jurisdictions, and competitive pressures from other cities.

Institutional Differences

Traditionally, "institution" refers to formal legal systems and formal organizations such as laws, election rules, political parties, and governmental agencies. "New institutionalist" scholarship stretches the definition of institutions to unwritten rules, compliance procedures, common practice, and other informal but stable structures (Weaver and Rockman 1993: 8; Thelen and Steinmo 1992). All institutions affect the behavior of individuals by offering incentives for compliance or sanctions for noncompliance. Institutions are also stable over long periods of time.

Urban regime scholars contrast *institutions* with governance *networks*. Institutions determine the membership of local networks and affect the decisions made by the members of governance networks once they are formed. At the same time, local coalitions solve a governance problem created by institutionalization. The way in which institutions divide power and resources makes it impossible for single institutional leaders to solve problems alone; this burdens governance. Coalitions solve this problem by fashioning informal bonds of cooperation among those actors who can deliver the resources of various institutions (Stone 1989: 5). Institutions are also important for network decisionmaking insofar as they can encourage or sanction certain kinds of behaviors of network actors. The institutions relevant for decisionmaking in economic development policy in the U.S. and Germany are reviewed below. Table 3.1 provides an preview of the important institutions for local government in the U.S. and Germany. It shows that these institutional systems, although different, thrust similar kinds of individuals with control over roughly similar kinds of resources into decisionmaking. Table 3.1 provides an preview of the important institutions for local government in the U.S. and Germany. It shows that these institutional systems, although different, thrust similar kinds of individuals with control over roughly similar kinds of resources into decisionmaking.

Table 3.1: Relevant Actors for Economic Development in the U.S. and Germany

UNITED STATES	**Government**	**Non-Government**
International	None	International Firms
National	U.S. Representatives U.S. Senators HUD Officials	None
State	Governor State Government Reps. Commerce Secretary Transportation Secretary Economic Dev. Agency Director	Utility Company Executives
City	Mayor Economic Dev. Dept. Director	Chamber of Commerce Individual Business Executives Public-Private Partnership Execs. Local Press

GERMANY	**Government**	**Non-Government**
International	EU Structural Funds Officials Local EU Representative	International Firms
National	National Parliament Reps. Regional Dev. Fund Officials Office for Labor Market Programs	None
State	Minister Präsident State Government Reps. Ministers for Economic, Urban Transportation and Social Issues Property Development Agencies	None
City	Mayor Majority Party Leader (North) Economic Dev. Dept. Director City Manager (North) *Referenten* and *Dezernenten* for Economics, Finance, Planning, and Dev. Issues	Business Chambers Unions *Stadtsparkasse* Executives Public-Private Partnerships

Relevant International Institutions

International institutions are relevant only for German cities. The European Union (EU) provides resources for subnational governments in the form of "structural funds." These include the regional development fund (EFRE), the social fund (ESF), and the agricultural and fisheries funds (EAGL and FIAF). In general, the European Union targets its structural funds to particularly needy "target regions." Some target regions were, or are, inside Germany. Cities located in target regions have easier access to aid than do other cities, although other cities are eligible for a portion of structural fund assistance as well as the small amount of funding set aside from the European Regional Development Fund (EFRE) for pilot projects.

Through 1993, 12% of structural fund aid was set aside for joint projects in cooperation with subnational governments (9% after 1993). Since 1988, one percent of the EFRE was set aside for pilot projects. These experimental funds are small but are especially interesting for local governments because they can be acquired directly, circumventing state and national authorities. Finally, financing is often made available to local governments from other agencies of the EU government. This financing is usually targeted to small pilot initiatives and research projects (Schultze 1997: 52-53).

To win aid, German local governments must initiate an application, and they must gain the support of their regional neighbors and state authorities. Thus, they must lobby not only in Brussels but at the state and national levels as well. All aid except the one percent of the EFRE aid targeted for pilot projects must be approved by state-level authorities. This commonly leads to conflicts between local and state governments (Schultze 1997: 53).

The EU also impacts local government in Germany in other ways that are beyond the scope of this short survey. Key areas include the new requirement that cities solicit bids for large local infrastructure contracts on a Europe-wide basis and local suffrage for resident aliens from other EU countries (Schultze 1997: 52-53).

Relevant National Institutions

The national institutions most relevant for this study are the institutions of federalism. Both the United States and Germany share six characteristics typical of all modern federal systems (Watts 1991). They have at least two levels of government with constitutionally anchored protections of sovereignty. Each level of government is also assigned specific tasks by the constitution, and because overlapping jurisdictions are unavoidable, there are also provisions for shared rule. The constitution cannot be amended by one level of government alone, and there is always an umpire to settle disputes among governmental levels. The decisionmaking rules of central legislative institutions always make provisions for territorial or minority representation.

Important Differences

Several clear differences that matter distinguish American and German federalism. First of all, each country divides legislative and executive authority in different ways. Whereas in the U.S., state governments are given broad legislative and executive powers, in Germany, legislative authority is centralized while implementation is decentralized. Thus, German laws are much more unitary from state to state, but their implementation is a matter for state and local governments. This is just one form of the interweaving of governmental levels that is typical for German federalism. Scholars lament that German governments have been increasingly integrated into standardized national systems of legislation, administration, taxing, and spending. Local governments in Germany thus find themselves embedded in a system that grants them significant symbolic freedoms but which constrains them financially (Abromeit 1992). Not surprisingly, then, scholarship on German federalism concentrates on the flow of intergovernmental transfers and how these transfers impact policymaking (Fürst, Hesse, and Richter 1984). Interestingly, the same trend is observable in American federalism and urban regime studies. Both federalism discourses are in consensus that the practical constraints on local autonomy mean that local autonomy is limited to those cases where local governments can gain sufficient resources, either through intergovernmental transfers or through public-private partnership, to finance innovative policies.

Another significant difference between the two systems is that in Germany, parliamentary government coincides with federalism so that on each level of government, parliamentary arrangements create strong legislative-executive ties, whereas these powers of government are always strictly separated in the United States.

A unique German institution is the *Bundesrat* (federal council), or the upper house of the German parliament. Its members are the state *Minister Präsidenten* (governors). Legislation requiring the cooperation of state governments requires *Bundesrat* approval, a provision that draws the *Minister Präsident* into national policymaking. Article 28 of Germany's Basic Law guarantees the sovereignty of local governments "to manage all local affairs." The American constitution makes no such provision; American courts, following what is known as Dillon's Rule, have further limited claims to local sovereignty. In practice, German cities have less autonomy than suggested by Article 28, while American cities have widely varying degrees of autonomy. As a rule of thumb, larger cities are given greater freedom of home rule in both countries.

German scholars tend to criticize their own federal system. One criticism is that policy is so homogenized from state to state that local autonomy has been eradicated everywhere but in the constitution. One reason motivating homogenization is the centralizing tendencies of the German party system (Abromeit 1992). Fritz Scharpf criticizes not centralizaton but rather the "interwovenness" of the system, which forces German officials to make decisions consensually. This immobilizes local reformers (Scharpf, Reissert, and Schnabel 1976). American observers are more generous. Katzenstein (1987) praises local governments as centers of innovation in the 1970s and 1980s, when they acted as doorways for new social movements into policymaking.

Differences in national urban policy separate the two countries. German aid was more narrowly targeted on decaying industrial areas since about 1980, but now the main focus lies on the new eastern states. Standing out in a complex system of aid programs that encompasses welfare, job creation, healthcare, and other policy areas is the regional development fund called *Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur."* This fund is used to finance projects in national target regions, defined according to a formula loosely based on social and economic indicators. Regional targets are updated periodically. Dortmund was in a target region in the 1980s, but Augsburg never was. Another major national player in local development programs is the Federal Office for Labor Market Programs, which is a national parapublic institution but is independently managed. It provides funds for assisting local governments in dealing with major layoffs and other problems of economic restructuring.

The American national urban policy system is equally as complicated as its German counterpart. Eisinger (1988: 87-89) lists 31 different transfer programs. Indeed, federal economic development grants to state and local governments dwarfed the direct state expenditures on economic development in 1983: $5.6 billion vs. $280 million. The most important national programs include the Department of Housing and Urban Development's Community Development Block Grants and Urban Development Action Grants, although the latter was ended under Reagan.

Myths of Difference

Some institutional differences that are often mentioned by scholars comparing the United States and Europe do not matter in Germany as much as might be expected. Tax sharing arrangements, for example, clearly differ between the two systems, but they do not fix local government problems as Americans might assume. Germany regulates tax income and revenue sharing unitarily for all cities, and its system provides more financial stability for German cities. Yet, economic decline still irritates German city leaders because it creates incalculable fluctuations on the revenue side of the budgeting process. This reduces the ability of cities to engage in advanced planning—in infrastructure investment, for example—and thus represents a de facto reduction of local autonomy that local officials seek to avoid (Junkernheinrich 1991). A significant minority of German cities even views increasing local tax revenue capacity as the main goal of local economic development (Heuer 1985: 29).

Another area where differences are less than assumed lies in the centralization tendencies of European planning and development institutions. While Germany's planning institutions were more centralized than in the United States at one time, this does not hold true any more. After the early 1970s, there has been a loss of confidence in planning and a trend toward decentralization of economic development policy (Fürst, Hesse, and Richter 1984).

Relevant State Institutions

Economic development varies from state to state in the degree of activism and the policy focus in both the United States and Germany. The states under comparison are Rhode Island, Kentucky, North Rhine Westphalia (NRW), and Bavaria. The quantity of state-level funding in the U.S. and Germany is not easily calculable, and it also varies over the two decades of this study (1975-1995). Instead of making an attempt to compare the general level of effort of the four states, only those instances will be taken into consideration where state aid was important from the perspective of the four cities under study. This information was gathered through interviews with each city's economic development policy makers.

North Rhine Westphalia has been a German leader in economic development, and this is reflected in the importance of state aid in Dortmund. Since the early 1980s, NRW has tried to use development assistance to encourage economic restructuring in the Ruhr Valley's coal and steel regions, emphasizing public-private partnership, innovation, and the attraction of "sunrise" industries. The state coaxed funds from, and cooperated more intensively with, the national government, creating a special program for steel regions within the national government's regional development fund. Bavaria, in contrast, has been less activist. The state's postwar economic policy was traditionally focused on public ownership of key state firms, including Lufthansa and BMW. However, in the early 1990s the state sold off its shares in private firms and is now using the proceeds of the sale to finance an investment program for infrastructure and local economic development activities. Recently, the state of Bavaria become involved in financing local economic development activities on a scale similar to that in NRW.

No data are available that allow a comparison of the actual expenditures on economic development by Kentucky and Rhode Island, but they have policy mixes that are not widely divergent from other American states (Clarke and Saiz 1996: 529-535). In 1991, both states were among those with policy mixes dominated by locational incentives, and both used "entrepreneurial" policies to a similarly moderate extent. However, Kentucky did offer more kinds of incentives to local governments and businesses to encourage the construction of infrastructure.

Local economic development efforts are embedded in different state institutional environments in Germany and the U.S., but each institutional environment serves similar functions. In Germany, important state institutions include the office of the governor (*MinisterPräsident*) and the ministries responsible for urban development, economic development, research and technology promotion, and social welfare issues. In NRW, a state rich in contaminated brownfield sites, there also exists a state land development authority and two privately funded land development agencies of the coal and steel industries. These land development authorities commonly participate in local public-private brownfield redevelopment partnerships (Heinz and Scholz 1996).

American state institutions for economic development are similar to their German counterparts in many ways. In the U.S., as in Germany, governors share responsibility in economic development with various state departments (for transportation, economic development, etc.). Recently, states in both countries have made more frequent use of public-private partnerships for economic development.

The institutional powers of U.S. governors vary widely from state to state (Beyle 1996: 237-8), while the powers of all the German *Minister Präsidenten* are quite similar (Hesse and Ellwein 1992: 283-87; Andersen and Woyke 1995). Because U.S. governors are more independent of party organizations than are *Minister Präsidenten*, their influence depends in greater measure on their personal qualities. American governors increase their personal influence through policy entrepreneurialism (Beyle 1996: 221, 239). For example, both Kentucky and Rhode Island governors have about the same degree of institutional power (Beyle 1996: 237), but there has been considerable variation in both states on the degree to which particular governors created a profile for themselves in economic development. As a result, activist governors such as Kentucky's John Brown, Jr. were more likely to be recognized by the local leaders interviewed in this study as influential on local economic development policy. This kind of variation in activism in economic development policy is characteristic of *Minister Präsidenten* as well, but their entrepreneurialism is limited by the power of their parties to set political issue agendas.

Relevant Local Institutions

Some factors give U.S. city council members more power than their German counterparts. While Louisville currently has 12 aldermen, Dortmund has about 83 council members and the city of Augsburg about 60 (varying due to electoral rules). American councilmen are also invested with a clear, personal mandate from the voting public. Irrespective of whether city council elections are partisan or nonpartisan, citizens typically vote for particular individuals rather than for the party list, as in Germany.

Despite the greater influence of American council members, executive power in American city government often tends to flow to the mayor, although the degree to which power is concentrated differs by the type of city charter used. The "strong mayor" model, used by both Providence and Louisville, centralizes power in the hands of the mayor to the widest extent possible. In practice, this model allows the mayor to direct the business of the city either alone or with trusted advisors, without the close supervision of the council. The mayor is the chief administrator, and all the departments of the city operate under his or her aegis. Moreover, the mayor is popularly elected in the strong mayor system, and this public mandate makes it easier for the mayor to push through his or her own policy ideas against council opposition. The mayor must make an accounting of his or her actions and plans on a regular basis to the council, but the system often works so that the mayor must do so only once per year, when the mayor submits a budget to the council for approval. In areas of high consensus, such as economic development in the cases of Louisville and Providence, the power of the council is diminished even further.

As long as the mayor's policies do not provoke controversies—extensive land condemnation and neighborhood relocation can do so, for example—council members in the two cities have tended to give the mayor their full support.

German city councils activate five kinds of elected officials. These include regular council members, politically selected "advisors" or committee chairs in the council (*Referenten*), the politically appointed overseers of bureaucratic departments (*Dezernenten*), the mayor, and a German form of "city director" who heads the bureaucracy but shares power with a mayor.

Lawyers, bureaucrats, and parties dominate the local decisionmaking process to such an extent that the complaint is commonly heard that elected council members rarely play a role in policymaking. Because German councils are organized along party lines and regular council members are dependent on party resources, non-elected party officials have influence over the policy process. Bureaucrats, by virtue of their professional status and their permanence, are also quite influential because they are able to block political initiatives. Finally, because the processes of legislative and executive decisionmaking are starkly embedded in legalisms, legal specialists dominate all parts of the policy discourse. As a result, lawyers and bureaucrats are often incorporated into the early stages of the policymaking process, quite commonly giving them more influence over the process than city council members. German city council members are structurally disadvantaged in comparison to their American colleagues due to a number of additional factors. Council members serve on a volunteer basis even in large cities so that they do not have the time or staff resources to sustain informed policy debates with those officials who receive financial compensation, including the mayor, the *Referenten,* the *Dezernenten,* the bureaucracy, and the city director. As Germans place a high value on professionalism in decisionmaking, the nonprofessional council members are disadvantaged in policy debates. Council members are also nearly wholly dependent on their party's leadership in policy debates.

Referenten act as committee chairs in the city council (finance, economic development, culture, sport, transportation, etc.) and are responsible for making policy recommendations. Economic development is rarely given a single-purpose committee; it is more commonly combined with other issue areas such as transportation, for which a single *Referent* is responsible. *Referenten* are selected by the city council.

The powers of the mayor also vary according to the particular type of charter the city uses. Until recent reforms created a number of mixed forms, local charters used to be divided into South German and North German models (Bundeszentrale für politische Bildung 1994: 17-22). The northern model was influenced by the British occupying forces and their penchant for placing power in the hands of a parliamentary majority. The southern model was influenced by the American forces, who placed a higher value on an independent and powerful executive. The southern model, which is used in Augsburg, is thus known for concentrating power into the hands of a popularly elected mayor (*Oberbürgermeister*), who heads the parliament, represents the city in legal contracts, and directs the bureaucracy. In the policymaking process, however, the mayor does have to cooperate with the council's committee chairs (*Referenten*). Because the southern model gives so much authority to the mayor, it tends to reduce the influence of parties over local politics, especially in smaller cities where mayors can afford to run for office without getting the support of a major party.

The northern charter model, which was used by Dortmund until recently, gives more power to the city council. The mayor is not popularly elected but is rather appointed by a majority of council members. Thus the mayor has no separate popular mandate and is typically a loyal and respected member of the same party as the majority of the council.

Whereas the mayors of southern cities also head the local bureaucracy, northern German mayors have to yield this power to a "city director," who serves at the behest of the council and directs the entire city bureaucratic apparatus. In both southern and northern models, the council elects the political heads of various bureaucratic departments (*Dezernenten*) and its own committee chairs (*Referenten*). In practice, the northern charter model results in a separation of power among a troika: the mayor, the city director, and the council's majority fraction leader. All three members of the troika depend on the favor of their party for their positions, thus the northern charter model strengthens the power of the majority party. The most important individual in this troika is usually the head of the council's majority party. Indeed, the man who held this position in Dortmund was known as "Little Stalin" because of the degree of control he could exercise over the details of decisionmaking in the city. However, actors' relative influence depends on their respective personalities and on how particular decisionmaking situations played to their individual strengths.

In both the U.S. and Germany, very similar kinds of local administrative departments of economic development or public-private partnerships are used to manage the city's economic development effort. In both countries, directors of economic development departments are politically appointed. The main task of these political functionaries is to ensure that the bureaucracy carries out the mayor's political agenda. Both U.S. and German cities have increasingly relied upon public-private partnerships in economic development.

A small but important institutional difference among American and German cities is the more frequent use of term limits in American cities. In Louisville, for example, a one-term limit was set on the mayorship and governorship until 1986. Term limits for mayors and governors limit their ability to build professional expertise in economic development, both personally and among their staff. Term limits probably also limit the elected officials' aspirations in economic development and may also tend to limit their policy focus to short-term projects.

Metro areas in both the U.S. and Germany are jurisdictionally fractionalized. However, the extent of balkanization is less in Germany than in the U.S. due to a thorough a consolidation process led by states that ended in the 1970s. Germans also tend to travel shorter distances to work and to move less frequency. The lower mobility of Germans and the more thorough consolidation of local jurisdictions tend to make German cities territorially more congruent with their respective labor market areas. However, inter-jurisdictional competition for firm acquisition and residents is still a problem for German local governments. Suburbanization fuels competition. The chronic shortage of land for development in large German cities puts them at a disadvantage vis-a-vis the less densely populated suburban towns.

Relevant Nongovernmental Institutions

Parties

A major institutional difference between the U.S. and Germany lies in strength and influence of political parties in Germany. In Germany, the party system is well anchored in all three tiers of government. Political careers are often dependent on local bases of power, such that "members of federal and state parliaments are permanently involved in local politics," including the politics of economic development (Hennings and Kunzmann 1993: 40). The careers of American state and national politicians only rarely begin in city politics, and their home districts are much larger than is the case for their German colleagues.

Parties make a difference in intergovernmental relations in both countries in similar ways. If the same party is in power on both the local and state levels, lobbying and other forms of coordination are eased. The same-party bonus is stronger in Germany due to the greater strength of parties there. Some big cities in the United States get an intergovernmental relations bonus simply for being the only large city in the state; Providence is a good example.

Election campaigns on all levels of German government are publicly financed, guaranteeing the financial independence of political parties from lobby groups. This is a stark contrast to the dependence of American local officials on private donations for election campaigns (Elkin 1987).

Policy differences that polarize the parties on the national level do split local parties. However, party politics on the local level are more pragmatic than ideological, and differences among party organizations on the local level generally tend to be blurred (Häußermann 1991; Grüner, Jaedicke, and Ruhland 1988). Moreover, a general pro-growth consensus links all of the German parties, even though each party defines desirable growth in a way that conforms with its ideological orientation (Hennings and Kunzmann 1993: 40). There is a traditional split in the philosophies of the Social Democratic Party (SPD) that differentiates it from that of the "bourgeois" parties, which include the Christian Democratic Union (CDU), the Bavarian regional party Christian Social Union (CSU), and the classical-liberal Free Democratic Party (FDP). Especially in the industrial regions of Germany, the SPD has tended to support an activist and state-led development agenda. The SPD also has tended to side with big industrial businesses. The CDU, its sister party CSU, and the FDP are generally more laissez faire in their approach to economic development issues, especially in the South. Yet, each of these parties has economic development traditions. The CDU, as well as the economically liberal FDP, have always frowned on aid for ailing traditional industries, but they have championed assistance for small companies and trades businesses. The Greens regularly protest new roads, downtown parking decks, and airport expansions, but they rarely try to block other forms of economic development assistance. Like the "bourgeois" parties, the Greens see their economic development constituency in small and medium-sized enterprises, not large industries.

Party ideology makes little difference for local economic development in American cities also. American politicians, regardless of party affiliation, typically cooperate between local politicians and business groups in pro-growth coalitions (Peterson 1981; Elkin 1987; Molotch 1976). Neither Democrats nor Republicans harbor consistent anti-growth tendencies, although anti-growth coalitions may use party organizations as a platform for gaining power.

The impact of parties on economic development is greater when party competition is high and whenever the local majority party is in the opposition at the state level. In the rule, however, party competition is low in German cities. Rather than competing over issues, German parties at the local level tend rather to stake out their own specialized issue areas, hoping to attract voters who consider that area most important and relying on scandals or new popular personalities to shift the majority in their favor. Voters in Stuttgart, for example, tend to associate economic development issues with the Christian Democrats (CDU) and the liberal Free Democrats (FDP). Social Democrats are seen as the most competent in social welfare issues, and the Greens are viewed as most competent to handle environmental issues (Gabriel, Brettschneider, and Vetter 1997). In some cities, as in Dortmund, party competition was hardly relevant at all due to the dominance of a single party. Augsburg, however, is a city known for high party competition and factionalization. Changes in power between the SPD and the CSU have occurred several times in the past three decades.

<u>Business and Labor Organizations</u>

Business interests are organized within chambers of commerce in most U.S. cities, but other business organizations are common, especially public-private partnerships. German business interests are organized within *Industrie- und Handelskammer* (hereafter identified as IHKs) and *Handwerkskammer*. The IHK organizes manufacturing and retail businesses, the *Handwerkskammer* organizes the traditional trades. Both were important in Dortmund and Augsburg, but the IHK dominated in both cities. Leadership in the IHK is separated into a professionalized management (CEO) and the voluntary membership council, which is headed by a president. Both the president and the CEO are typically important for economic development.

Membership in German chambers is compulsory, extending to them a much higher legitimacy as representatives of the entire business community. The higher degree of institutionalization of local business interests in Germany means also when the chambers become involved in local economic development, they can mobilize greater resources than their U.S. counterparts. At the same time, high institutionalization limits German chambers in ways unknown to their American counterparts. German chambers cannot formally exclude portions of the business community in formulating economic development positions. American chambers can support the goals of a local development network even against the wishes of some of its members by creating a separate organization for economic development with only a segment of the business community as members. This strategy is not an option for German chambers. Further, American business managers are often more involved directly and openly in economic development policymaking to a much greater extent than is legitimate in Germany, where the direct political activism of business managers is frowned upon because of the representative function of the IHK. The "proper" modus of involvement for the German manager or firm owner who wants to promote local economic development is to become active within his or her chamber, not via direct contact with politicians or development corporations, as commonly occurs in the United States.

Another clear difference in the institutions affecting decisionmaking is the much stronger presence of unions in Germany. On the national level, unions rarely are involved in issues of concern to local governments, but at the state and local levels they play an important role in determining the responses of regions and cities to deindustrialization. Industrial unions, such as *IG-Metall*, which organize traditional industry, have always had close ties to the Social Democratic party; together, they have tried typically to push policies that aid existing heavy industries. The German Union Federation (*DGB*) is, in contrast, an umbrella organization that in principle represents all workers in any given region. With its broader membership base, the DGB may be freer to explore and support economic development alternatives that do not privilege existing industries.

Some of the most important institutions in local economic development in the United States include utility companies and the local press (Logan and Molotch 1987). Both kinds of firms are "rising tide beneficiaries," i.e., their businesses stand to benefit from local population growth. Indeed, population growth is the only way that some firms can grow. These firms are typically more active as "boosters" for local development. Utility companies and the press have different roles to play in Germany. Utilities in Germany were until recently provided largely by city-owned but privately managed enterprises. The top management of these enterprises were often loyal ex-politicians, and they did not typically articulate any independent "utility company" interests in the political decisionmaking process. The German press also plays a lesser role than its American counterpart, for the press landscape is much more regionalized and nationalized than in the U.S. The tiny local papers do play a booster role, but they do not have much influence over politicians or public opinion. Yet, the press can be an important player, as was the case in Dortmund. Although the city has no major newspaper of its own, the regional papers that cover the entire Ruhr area were active and supportive of Dortmund's development agenda of the 1980s.

Relevant Legal Structures and Practices

The most outstanding differences in the U.S. and German local economic development systems are policy differences. There are many kinds of policies widely used in the U.S. but unknown in Germany. German practices of debt financing, taxation, and budgeting make many common American policies unnecessary, as explained below. There are also many tools commonly used in Germany but rarely employed in the United States. Most of these are related to job creation and early retirement programs. These activities are funded by the EU and by the Federal Office for Labor Market Programs; similar funds are not commonly available to U.S. cities.

Debt and Financing

American cities commonly acquire debt on the private market by issuing bonds. The better their credit rating, the lower the interest they have to pay to attract capital. For this reason, bond rating agencies exercise a great deal of indirect influence over local policy, and cites must make sure that they are perceived by these agencies as being business-friendly (Elkin 1987).

Although the standardization of EU banking law may change the situation radically, German local governments have not been dependent on the private market for credit. Local governments do borrow, but they commonly take out loans for no more than four years. Cities may take out long-term loans, but these are more difficult to organize in practice due to the five-year planning horizon of most cities. Loans and bonds must be approved by a state's oversight agency (*Aufsichtsbehörde*), but more recently the stringency of oversight has been reduced so that localities are allowed to incur debt as long they are not running a deficit.

German cities have a relationship with the parapublic *Sparkasse* or "savings bank" system that is unlike anything known in the United States. The *Sparkasse* system is organized at the state level, with a central state bank and local affiliates. It serves both municipal and private customers. A representative of the local government must by law sit on the board of the local *Sparkasse*, just as the city is required to ensure the solvency of the *Sparkasse*. The city deposits funds with the *Sparkasse*. While German cities are free to borrow money from any bank they please, most municipal lending (almost two-thirds in February 1999 according to *Bundesbank* figures) is made through a branch of the *Sparkasse*. Since all city debt is ultimately guaranteed by the state, cities need not worry about their credit rating. When the city council makes a loan request and the state's oversight authority makes no objection to it, the loan is as good as preapproved at the *Sparkasse*. Municipal loans are good business for the bank, for these kinds of loans are guaranteed by the state and are thus excluded from the bank's minimum reserve requirement. Although this is one of the German banking practices that raises eyebrows in Brussels, it means that the local *Sparkasse* often issues loans to cities under extraordinarily good terms.

German cities can and do issue bonds on the private market (Munich, Stuttgart, and Leipzig have done so recently), but the federal government has not offered tax exemptions for bonds since 1956. Bonds are thus usually more expensive than loans from the local *Sparkasse*, and German cities are independent of the bond market for their credit needs anyway. More than 95% of city debt is owed to banks, and many cities that have issued bonds have done so only as a form of advertising.

Because of the lesser importance of bonds for German cities, a large number of finance-related development strategies common in the U.S. do not find directly corresponding policies or practices at the local level in Germany. Such instruments include general obligation bonds, revenue bonds, revolving loan funds, or the issuance of bonds to fund specific projects. Linked deposits, whereby a city agrees to deposit its funds with a bank only on the condition that the bank grants special lending conditions for city-sponsored firms or development projects, are not practiced in Germany. The easy availability of bank credit at good conditions makes these superfluous. Publicly sponsored development projects can often get good credit conditions through the local or state *Sparkasse*. Securing private financing for large infrastructure projects is often accomplished through the direct participation of local banks, including fully private banks, either separately or in consortium with the *Sparkasse*. Most importantly, cities do not have to cater to rating agencies in order to get good credit conditions. German cities are typically concerned with maintaining a "business-friendly" image, but this image is less costly to maintain in Germany than in America.

Budgeting and Taxation

Since 1974, local budgeting and accounting has operated under the *Gesamtdeckung* principle, whereby separate city agencies and departments operate under a single budget.

All budgets are covered by a unitary budgeting process so that individual city activities, including local economic development, whenever it is organized under the city bureaucracy, are financed out of one "pot." This allows the city to cross-subsidize departments. For example, city public transportation might be subsidized by parking fines and garbage pick-up fees. In principle, this is not allowed. The city is supposed to deliver services at cost minus the depreciation and interest of invested capital. The actual cost of delivering particular kinds of services must be calculated as a way of justifying the setting of fees for these services, even though all such services are paid for out of the same budget. However, cities commonly work around this restriction by outsourcing services to semi-private service corporations. *Gesamtdeckung* accounting allows the city council to move funds quite freely between agencies and departments. Thus, the German budgeting system makes superfluous an entire spectrum of American budgeting tricks such as earmarking, enterprise funds, and the use of pension funds for development.

In practice, neither German nor American cities have much flexibility in setting the rates of taxes which flow to their own budgets. German local governments have nominal control over two kinds of taxes: the property tax and the business tax (*Gewerbesteuer*). Yet, aside from some anecdotal examples, rates for these taxes are rarely manipulated. Fees for city services are a much more flexible means for raising revenue and are extensively exploited for this purpose in both the U.S. and Germany.

Local Contexts

The following section provides information on the local contexts of the four case studies. Of particular importance are economic circumstances (including the history of local economic decline), the composition and important personalities of local leadership, party competition at the local level, connections to higher levels of government, electoral

Table 3.2: Characteristics of the Four Case Study Cities, ca. 1970

	Population	Workforce in Manufacturing	Manuftg. LQ	Main Industries
Strategic Cities				
Dortmund	640,000	42%	1.03	Metals, Coal, Brewing
Providence	912,000	39%	1.18	Textiles, Jewelry, Shipbuilding
Nonstrategic Cities				
Augsburg	212,000	47%	1.14	Textiles, Machine Tools, Electrical Components
Louisville	827,000	35%	1.00	Farm Machinery, Autos Appliances

Statistics for U.S. cities are for metro areas; employment statistics for German cities include mining and utility employment.; data is given for the year closest to 1970 permitted by data availability.

Sources:
U.S. Department of Labor, Bureau of Labor Statistics. January 1984. *Employment, Hours, and Earnings, States and Areas, 1939-1982*.
U.S. Bureau of the Census. Various Years. *Statistical Abstract of the United States*. Washington: U.S. Govt. Printing Office.

history, and the relative fractionalization of local jurisdictions. Table 3.2 provides a summary of the cities' basic characteristics.

Dortmund

Dortmund was one of only eleven German cities with populations over 500,000 in 1970 and is the Ruhr's second largest urban conglomeration. Dortmund lies at the eastern edge of the Ruhr Valley, the symbolic heart of industrial, blue-collar, urban culture in Germany. Dortmund first emerged as a real urban power in the 19th century, and its size and position in the urban hierarchy climbed on the fortunes of coal, steel, and beer. These three industries, their workers, and the Social Democratic party that supported the interests of both have characterized the political culture of Dortmund from the beginning of the Federal Republic.

Dortmund experienced several periods of deindustrialization. Although it ranked only twenty-fifth among Germany's 56 largest cities in terms manufacturing and mining's share of total local employment, 46% of all privately employed residents worked in manufacturing enterprises or for coal mining firms in 1970. Thus, Dortmund's jobs were exceptionally dependent on declining sectors and industries. The "coal crisis" of the late 1950s hit Dortmund's numerous coal mines particularly hard. By 1966, only four large mines were still in commercial operation. Over the period 1959 to 1972, Dortmund mining employment dropped from 44,000 to 18,000. The last Dortmund mine closed in 1987, as the industry moved to coal fields in the northern Ruhr. Decline in the local coal industry increased the relative importance of the steel forging industries, which then became the dominant sector locally. Dortmund's steel industry first felt the pains of recession during Germany's first postwar national economic slump, from 1966 to 1968. This so-called "cleansing crisis" forced rationalization throughout Germany and the merger of Dortmund's two largest steel makers.

After the city reached an historical apex in terms of population and industrial employment in the early 1970s, population and manufacturing employment declined considerably (Gerszewski and Thull 1998: 119). Between 1970 and 1982, total employment in the city declined by 11%, and manufacturing employment was cut by 27%. Over the period from 1976 to 1986, the city lost 34,000 manufacturing and mining jobs, a drop of 30% (Heinz and Scholz 1996). Job losses in major industries continued through the 1980s and 1990s. After the coal and steel sectors, the brewing industry finally followed, cutting over 1,500 jobs by 1978 (Dortmund Economic Development Department 1999). Growth in services did occur in the 1970s, but performance was poor in comparison to the national average. The early 1980s were even harsher on Dortmunders. By 1984, and in comparison to 16 other large German cities, Dortmund ranked highest in unemployment and twelfth in locally generated tax revenues.

By the mid-1970s, changes in global markets and technologies had finally forced local firms in a wide range of branches to start laying off permanently thousands of blue-collar workers who, in contrast to layoffs in the 1950s and 1960s, could not find jobs elsewhere. The last real battle against deindustrialization was lost in 1981, when the local steel maker Hoesch announced plans to scale back local operations. Hoesch was merged into the firm now known as Krupp-Thyssen. As most of the city's coal mining operations had already entered their last phaseout and the city's brewers had already implemented large layoffs, this was the final blow for those traditionalists hoping to save the city's older industrial mix. In 2001, steel production in Dortmund is scheduled to end. Krupp-Thyssen executives are considering new production sites abroad.

Dortmund, like many other Ruhr cities, was run for decades by political and economic officials with mutually reinforcing power bases. The economic system created two bases of power—the managing boards of large industrial firms and the union representing blue-collar industrial workers. Due to the German system of codetermination, the industrial union was always represented on the managing boards of the city's important industrial firms. Union membership, in turn, overlapped with the membership of the German Social Democratic Party (SPD). Dortmund was always considered a stronghold for the old generation of Social Democrats, for it was the first city in the region to put a SPD majority in the city parliament (in 1923), and the party held the majority in the city council continuously between 1949 and 1999. The political system created a base of power for party members in the city council and the mayor's office. Often, the same individuals served as representatives on the managing boards of important firms, as elected representatives of the city government, and as party leaders. Such key leaders, common in the Ruhr Valley, thus enjoyed overlapping power bases and have been called the Ruhr's "grassroots political multifunctionaries" (Bovermann 1995: 19; Gerszewski and Thull 1998: 68). Dortmund's "political multifunctionaries" were known as *Hoeschianers* because many of them had worked at one time for Hoesch.

The top leaders in Dortmund included Horst Zeidler and Günther Samtlebe. Horst Zeidler was the leader of the SPD majority faction in the city council from 1969 until 1994 and in many ways personified the power of the city council. According to one inside observer, Zeidler kept himself in the background of politics but exercised huge influence precisely because of his reserved style. Yet, Zeidler was also widely known as "Little Stalin" because it was commonly believed that all political decisions, large and small alike, had to meet with his personal approval.

Zeidler's close associate was Günther Samtlebe, the mayor of Dortmund from 1972 to 1999 and a prominent SPD leader. Samtlebe, who at the time of his retirement was the longest-serving mayor in Germany, owes the stability of his career to the high respect he enjoys among his party comrades and to the fact that the SPD has held a majority in the city council since 1949. Samtlebe is a Dortmund personality of historical proportions. He was above all personally and professionally associated with the troika of coal, steel and beer. Samtlebe started his career in 1946 as a worker for Hoesch and was eventually made the director of one of the firm's large production sites in Dortmund. He was majority leader in the city council before becoming mayor in 1972. Samtlebe counted Chancellors Brandt and Schmidt among his circle of intimates and served a term as the president of Germany's national association of cities.

The influence of regular council members is low in the German system, so that the SPD leadership faced no serious challenges from the council as long as the SPD majority leader keeps his fraction disciplined. The CDU and Greens support different development philosophies and often come into conflict with the SPD. The CDU, for example, has long supported the privatization of economic development activity within a private economic development corporation. The CDU and the Greens are critical of the cozy relationship among the local SPD, big industry, and the SPD-led state government, which in the view of the CDU has underwritten megaprojects to the neglect of small business interests. The CDU chair of the city council's economic development committee, Hans Georg Hovermann, has been particularly outspoken in his criticism.

The SPD has been in the majority in Dortmund's state of North Rhine Westphalia since 1980, and strong party ties to the state have characterized Dortmund's response to decline. Intergovernmental relations were personal, created and nurtured among trusted party comrades and friends in constant communication. The state has provided very significant aid for local development projects. Private industry, organized in the city's chamber of commerce (IHK), also enjoys good connections to the state. Because of the connections among state officials, local politicians, and local business leaders, the city developed a widely supported and accepted approach to responding to economic change. This increased the effectiveness of lobbying at the state and European levels during the years when the CDU was in power nationally.

Because aiding declining steel and coal regions has been a top priority of both the national government and the European Union, Dortmund was actually quite successful at attracting aid from these levels of government. Dortmund, along with most of the Ruhr Valley, was located in a European target region in the 1980s. Dortmund was able to make extensive use of EU social fund aid for helping laid off steel workers and coal miners. Dortmund attracted aid from other EU funds as well, for example, nearly 3 million DM in 1994 from the EU Project "EUROFORM."

Dortmund has a unified jurisdiction relative to similar American cities. It also does not share authority with a county government. However, competition for new businesses and residents is stark. City leaders report that their principle competition comes from the other large steelmaking cities of the Ruhr Valley—Essen and Duisburg, but also from suburban townships and counties to the west.

Providence

Providence is one of America's oldest trading and manufacturing centers. In 1900, the booming city had 175,597 residents, making it the nation's twentieth largest city, despite its diminutive territorial size. The local economy at the turn of the century was diverse, but textiles and jewelry manufacturing took prominent positions in the local industrial mix. The city ranked first nationally in the manufacture of jewelry and in the production of woolen and worsted goods. The city's first experience with industrial decline came in the mid-1920s, when textile manufacturing moved to the South. Providence, with its older textile mills, could not compete with the nonunion labor, lower energy and transportation costs, tax incentives, and modern facilities enjoyed by producers in the South. As textiles declined, the local economy became more dependent on jewelry manufacturers, and in 1980, 46% of the manufacturing work force was in this sector (www.providenceri.com/history/). By the 1960s, the local textile industry had completely collapsed, and many small manufacturing firms had moved to more spacious facilities in the suburbs.

Urban decay became evident in the 1960s, but the Providence metro area still had a manufacturing location quotient of 1.18 in 1967, making it nineteenth among America's 105 largest metropolitan areas. The pace of decline soon worsened, however. Between 1967 and 1972, the metro area lost 11% of its manufacturing jobs. Other sectors of the local economy slipped into decline at this time. Retailing was hurt by competition from suburban malls after 1968, and banks began closing downtown branches.

Manufacturing decline statewide and urban decay in downtown Providence intensified sharply in the watershed year of 1973. President Richard Nixon, who had been reelected the year before, announced the closing of Rhode Island's Quonset Point Naval Air Station. At that time, 10% of statewide employment was directly or indirectly funded by the Department of Defense, and the base closing came as a big shock. Urban decay then became a central issue when, at about the same time, the state judicial system made known its plans to relocate a large downtown court complex to a suburban location, and the Allendale Insurance Company decided to relocate its operations out of Providence to a suburban community.

Allendale's move was a particularly visible and damaging example of a series of firm exits that had noticeably reduced the number of retail establishments, insurance firms, and banks located in the city limits of Providence. The loss of manufacturing firms downtown was nothing new for Providence business leaders, but the events of 1973 made it shockingly clear that the city was in danger of losing a large number of its service sector firms and government agencies. This realization served as a wakeup and rallying call for the business elite, especially for firms that had invested capital in property or fixed assets downtown, including the gas company, real estate firms, Fleet Bank, and the major local broadcast media firm.

Mayor Buddy Cianci, Jr. has dominated Providence over the past three decades. The mayor has many detractors, but even these give him credit for being a tireless promoter of downtown redevelopment (Barry 2000: 25; Motte and Weil 2000: 15). Cianci first served as a Republican from 1975 to 1985, but had to leave office after pleading *nolo contendre* to the charge that he assaulted a man he accused of having an affair with his estranged wife. Cianci was returned to office as an Independent in 1988 and is still in office, making him the longest-serving mayor in the city's history. Over the years, Cianci has nursed two main interests: downtown development and maintaining his personal political machine. The two interests often overlap. Cianci is known to use community development funds for patronage (Motte and Weil 2000: 15), and his administration is suspected of using the tax abatement system for the same purpose. As the study was being written, these practices were under investigation in the FBI's "Plunder Dome" investigation (Goldberg 2000). On April 2, 2001, after the research for this study was completed, the FBI succeeded in getting Cianci and two top aides indicted on corruption charges.

Cianci shares power with a 15-member council, each elected from a separate ward. Both the mayor and council members are elected for four-year terms and may succeed themselves. Elections are partisan, and the city council is dominated by Democrats, who generally favor neighborhood programs rather than downtown development. They repeatedly criticize Cianci's downtown focus (Motte and Weil 2000: 15). Yet the Democrats do not have a strong organization in the city, and their opposition to the mayor's focus on downtown has been weak (Motte and Weil 2000: 15).

The ties between the mayor's office and higher levels of government have been very poor at times—one previous governor even refused to talk to the mayor at one point. Further, the partisan composition of the city council has not always mirrored those of the state assembly or of the state's congressional delegation. However, these problems and differences have not hindered intergovernmental cooperation in economic development. Providence has been the beneficiary of enormous financial support from state and national governments.

The greater Providence area is highly balkanized into small city governments. There are no institutions for coordinating the economic region, which crosses state boundaries as well, and so the cities in the Greater Providence area compete with one another for retail customers, industrial acquisition, and tax base. Providence itself is small, so business interests are crowded near downtown, and the redevelopment of downtown has been a common denominator linking business interests in the city.

Competition for businesses and residents is stark but is only regional in scope. In interview responses, Providence leaders measured their city against similar-sized cities in neighboring states, including Worcester and Hartford, as well as small Rhode Island townships. Providence leaders recognize that their city is impacted by the ups and downs of the nearby Boston metropolis, but they have been successful at exploiting the proximity by courting Boston biotech firms and well-salaried Boston professionals.

Augsburg

Deindustrialization in Augsburg is just one chapter in the city's epic saga of decline. The story begins in the fourteenth century, when Augsburg was one of Europe's most important cities. Not only was the city one of the religious power centers of the Holy Roman Empire, it was also home to the House of Fugger and thus an international financial center of the first order. Hints of its decline came in the 19th century, when Napoleon conferred a higher status within his empire to the city of Munich, Augsburg's neighbor and rival. Yet the economic rise of the city continued through the 1960s, and Augsburg became one of Bavaria's few blue-collar cities. Augsburg had developed into a peripheral manufacturing center for firms with headquarters and research facilities located elsewhere. Thus, Augsburg enjoyed a more diversified manufacturing sector than the industrial cities in the Ruhr, although it was somewhat dominated by textiles in the 1950s and 1960s. Important employers included MAN (diesel engines and printing machinery), NCR (cash registers), Messerschmitt (aircraft), Osram (light bulbs), Siemens (electrical components), and Haindl (paper). All of these producers, with the exception of Haindl, were headquartered outside the city, and the dependency of Augsburg on outside firms increased over the course of deindustrialization.

The decline of Augsburg industry began in the 1960s, when stiffer environmental regulation increased the cost of domestic textile manufacturing, and cheap, foreign-made textiles became more readily available. Decline was gradual at first, and was never marked by any kind of economic shock such as those experienced by the Dortmund coal and steel industries. In 1970, Augsburg still ranked eighteenth among Germany's 56 largest cities in the concentration of manufacturing employment relative to the national average (mining employment included). However, the pace of decline increased in the 1970s and early 1980s so that the city lost 23,000 manufacturing jobs between 1970 and 1982 (City of Augsburg 1984a). In the following two years, another 3,300 blue-collar workers were laid off. Between 1970 and 1982, the city gained only 10,000 service sector jobs, as competition with Munich, which is only 35 miles away, put a damper on service sector growth. Most of the manufacturing jobs lost were in the textile sector, which at its height in the 1950s employed 20,000 regionally. Today, no more than 2,000 jobs remain. Augsburg has had chronic difficulties in making land available for industrial use, so further manufacturing jobs were lost in the 1980s as expanding local firms moved to surrounding towns.

As Augsburg experienced all the problems of deindustrialization in the 1970s, its rival Munich grew into a European leader in banking and other services. Yet despite heavy losses of blue-collar jobs from 1970 to 1984, the economy in Augsburg was never very bad relative to other parts of Germany. There was even some moderate job growth in manufacturing from 1985 to 1989, and because of the acquisition of new computer manufacturing facilities at about the same time, some observers pointed to the city as a textbook case of successful adjustment to industrial decline (Poschwatta 1987:3; City of Augsburg 1984a). This praise turned out to be premature.

In the 1990s, the economy fell into recession as a result of the end of the cold war. Many Augsburger manufacturers outsourced to firms or new production facilities in eastern Europe, and the U.S. military closed a nearby base that had employed a large number of German civilians. From 1991 to 1994, employment in all sectors fell by 20%. In the minds of those individuals now involved in local politics, the recession that began at the end of the short unification boom in 1994 overshadows past periods of decline. By 1995, the President of the IHK for Augsburg and Schwaben had called attention repeatedly to the region's problems in urgent terms.

As is typical for the southern German city charter model, council members and the mayor are separately elected. This, combined with partisan elections, resulted in divided government in the city from the late 1970s through 1991. From 1978 to 1984, the SPD's Hans Breuer was mayor while the council was led by a CSU majority. The elections in 1984 returned Breuer to the mayorship, and a splinter group of the CSU joined with the SPD to form a majority council coalition. In 1991, the CSU won the council and sent Peter Menacher to the mayor's office. Menacher has remained in office since that time, and the CSU has kept its hold on the council.

Over the past three decades, party competition has been very high, with power changing hands several times. This competition has played out not only between the SPD and CSU, but has also involved a large number of smaller parties and splinter parties unique to Augsburg. In terms of political turnover, it is fair to say that Augsburg is one of the most democratic cities in Germany.

The high degree of party competition and political conflict in the city has had negative consequences for political consensus building in economic development. Competition has meant that the parties have always stressed differences in their two approaches to economic development. The conservative CSU tended to avoid economic development activities in the 1980s out of the ideologically grounded conviction that it is more appropriate to leave such activities to the private sector. The SPD was activist in economic development. This divisiveness changed in reaction to the economic downturn of the 1990s. By 1997, on the heels of elections in 1996, probusiness economic development issues had become the top priority in political circles for both parties.

Relations between Augsburg and the state government have been clouded by regional and party differences. Augsburg is the symbolic capital of the Bavarian region of Swabia, whereas the seat of the Bavarian government, Munich, also happens to be the symbolic capital of a separate region. These two regions are not institutionalized but they have rivalries that are still reflected in language and culture. Until 1991, regional rivalries were exacerbated by political differences, as the industrial city was a traditional stronghold for the SPD whereas the state government always has been dominated by conservatives. Augsburg leaders cannot quite shake the feeling that they are less privileged in comparison to their colleagues in Munich's city government.

Jurisdictionally, the Augsburg region is split into several cities and counties, and competition among them for business acquisition is fierce. Relations between them can be charged by rhetorical sparring and interparty competition (*Augsburger Allgemeime*. 1992d). Local actors report that competition with the surrounding localities has increased of late, as other towns intensify their development efforts. Augsburgers stress also they have lost out in the competition with Munich for service sector jobs.

Louisville

Louisville has been called the North's southernmost industrial city. It is tied to the South culturally but has an economic structure similar to cities of the Great Lakes or Pennsylvania. Louisville was important originally as a transportation and distribution hub on the Ohio. Manufacturing took root after the Civil War, spurred by local family capital. About 50 families became successful in their manufacturing ventures. These formed the cultural and economic establishment that was still in place in the 1960s.

Manufacturing employment boomed during the Second World War and into 1950s, as large American companies built local branch plants. By the 1950s, the roster of industrial employers in Louisville included GE, Ford, DuPont, B. F. Goodrich, International Harvester, American Tobacco, and Brown & Williamson Tobacco. In 1967, Louisville was industrialized just slightly above the national average, ranking 36th out of the 105 largest U.S. metro areas in terms of manufacturing LQ. However, manufacturing employment in the metro area went on to climb to an historical high of 120,000 in 1974 (*Louisville Courier-Journal* 1982).

The large branch plants that had turned the Louisville area into an industrialized region began to cut back on employment after 1974. Between 1970 and 1983, the city lost 33,000 manufacturing jobs, and the share of manufacturing jobs in the local economy fell dramatically from 42% to 26% (U.S. Bureau of Labor Statistics 1999b). The most publicized layoffs during these years occurred in plants owned by General Electric, Fawcett Printing Corp., Brown & Williamson Tobacco, and International Harvester. Despite steep losses in manufacturing jobs, economic decline in Louisville saw no single, jarring shock. "[Industrial] defections came as separate shocks to the Louisville economy" (*Louisville Courier-Journal* 1984). Indeed, Louisville was still a major manufacturing center in 1980. In that year, 25% of local jobs were in manufacturing compared to the national average of 20%, and surrounding Jefferson County was the 16th most highly industrialized county in the nation (Louisville Area Chamber of Commerce 1981).

The Louisville metropolitan area encompasses a large number of governments and special districts, but the most important governments in this mix are the city of Louisville and Jefferson County. The city of Louisville operates under a strong mayor form of government. The mayor annually develops and recommends the following year's departmental operating and capital budgets, which has to be approved by the Board of Aldermen. Each of the 12 aldermen is elected from a single ward and serves a two-year term with the opportunity to get reelected. Elections are partisan. Jefferson County uses a commissioner form of government known as the Fiscal Court, and the county judge/executive is its chief executive officer.

Louisville's mayors were handicapped by a term limit of four years until 1986. Thereafter, they were allowed to serve a total of 12 consecutive years. Jerry Abramson was the first mayor affected by the new law. Abramson, a Democrat, served from 1986 through 1998 and is the single most well-known public figure involved in Louisville economic development. Abramson presided over a successful reorganization of the Louisville economic development system that turned the city's effort around from a relatively nonstrategic system to one of the better coordinated systems in the country.

City, county, and state governments, as well as the state's congressional delegation, have all been separated by party lines. Abramson and other Louisville mayors were Democrats, whereas the congressional delegation has been dominated by Republicans in recent years. However, as in most American cities, a broad consensus links both parties in economic development issues, and higher governmental aid has been made available for several important projects.

Governmental jurisdictions in the greater Louisville area are highly fractionalized. Jefferson County, which contains 70% of the Louisville area's population, has 126 local governments—95 city governments, one county government, and 30 special purpose districts (Savitch and Vogel 1996: 141). This fractionalization presented serious obstacles to the economic development plans of local leaders before 1986. The fiercest competition for new businesses and residents took place principally between the city and the county. In 1986, after several failed attempts at formal consolidation, the city and county signed a "compact" that, among other measures, introduced tax sharing between the two governments. The new tax sharing arrangement made competition for new businesses superfluous. On formal consolidation was finally approved by referendum on November 7, 2000.

Interview responses show that local leaders consider cities such as Indianapolis, Cincinnati, St. Louis, Memphis, Nashville, Charlotte, Austin, Jacksonville, and Birmingham to be Louisville's main competitors. Louisville actors have learned to think of competition in differentiated terms, looking at particular sectors or markets. This differentiated sensitivity to the particularities of competition is unusual, and can be credited in part to the continuing dialogue on targeting that has taken place in Louisville and to the work of Paul Coomes, an economist at the University of Louisville, who has developed a widely cited database of Louisville economic indicators that facilitates sector-based comparisons with other cities.

Concluding Remarks on Local Contexts of Decisionmaking

Certainly, institutions matter for local politics. Yet they seem to be mattering in similar ways in both Germany and the United States. This is puzzling given the fact that the two countries' respective national institutions are very different. Why are differences in national institutions not reflected in more distinctive national patterns of local responses to decline? One explanation is that the different institutions create similar kinds of structural constraints on local government. Indeed, the broad structural constraints in both countries are identical: local political leaders are bounded by democratic processes on the one hand and the freedom of capital on the other. Regardless of whether a city is located in the United States or Germany, elected officials need to gain the support of local businesses, higher-level government officials, and bureaucrats to do economic development. Further, different kinds of formal institutions thrust similar kinds of individuals into local economic development networks (see table 3.1). Moreover, the relative influence of each kind of actor varies from city to city depending on particular personalities and actor constellations, and this holds true for both countries. Thus, different institutional systems create similar conditions allowing for variation in local responses.

The particularities of each city are legion. Each city has a its own economic and political histories, its own unique business mix, its own particular party system, and its own relationship with higher levels of government and other jurisdictions. These are but a few of the important circumstances that weigh on economic development decisions. Yet, even a cursory comparison of a small number of cities reveals that different cities can be quite similar on any particular dimension. Neither Louisville nor Augsburg had particularly good connections to higher levels of government, while Providence and Dortmund did. Decline in Louisville and Augsburg was gradual, while Dortmund and Providence experienced a singular jolt. Such similarities lead researchers to ask, do these factors help explain why Providence and Dortmund responded more strategically to decline? This is rich soil for speculation, but caution is advised. The sheer number of such possible factors is enormous, as are the relationships between such factors and strategic action. One must rely on the existing theoretical and case study literature to focus our attention on the particular characteristics that are most likely to be significant. Nonetheless, the more one knows about the particularities of cities in western industrialized nations that have experienced similar problems with economic decline, the more such underlying similarities are apparent. This is not surprising, for after all, such cities in the U.S. and Germany face similar decision situations, have a similar basket of policies available for their use, have to organize economic development in similar ways, and face increasingly similar market pressures.

Given that national institutions do not explain domestic variation in local responses and there are too many similarities in the economic development activities of cities in different institutional contexts to believe that every city is absolutely unique, further research into possible general factors explaining local responses to economic decline is justified. The remaining chapters of this study delve into this rich soil of speculation in search of some general rules of the game, guided by the four propositions derived from the larger body of literature on local governance and local economic decline.

CHAPTER 4

STRATEGIC CITIES IN THE 1980s

The policy efforts of Dortmund and Providence in the 1980s and 1990s allow us to test whether the four factors associated with strategic policymaking in theory were actually at work in real situations. Both of these cities had implemented a relatively strategic response to similar processes of economic decline by the 1980s. Any factors at work in both cities may be earmarked tentatively as necessary for strategic policymaking.

In each case, city activities after the onset of decline are evaluated on four separate dimensions: the areas of activity pursued by the city, complexity of its organizational structure, its ability to set particular targets, and the degree to which its economic development organizations coordinated their activities. Based on this evaluation, the dependent variable takes on a "value" of easy, moderate, hard, or very hard. The next task of each case study is to evaluate the influence of the four independent variables on strategic policymaking, as explained in chapter two.

Anticipating the findings of this chapter, both Dortmund and Providence had an "urban coalition" in the sense of urban regime theory, and both change in clearly discernable ways after the onset of economic decline. Further, both Dortmund and Providence are found to have enjoyed a privileged politics with their respective state and national governments. In both Dortmund and Providence, a similar dynamic pattern of decisionmaking was observable. Early responses to decline were successful, which served to build confidence among local actors. However, in both cities, early successes served to reduce strategic decisionmaking after a few years, as economic development efforts became narrowed onto one particular area of success.

Dortmund

The city of coal, steel, and beer put together a response to economic decline that by 1986 was recognized throughout Germany as a model worthy of emulation. The city's response centered on a two-pronged strategy of assisting laid-off steel workers and promoting small and medium-sized enterprises in "high tech" branches. It was supported by a well-coordinated network of private and public-sector actors that enjoyed a high degree of financial support from state and national governments. The successes of the 1980s did not spur further success in the 1990s, however. By then, the city was no longer making policy in a strategic manner. Earlier policy innovations turned into routines. No further organizational or policy innovations were made that are considered important by local actors. Nor did the city embark upon a new economic development planning effort, despite the fact that the simultaneous processes of European and German unification have changed the circumstances of local growth in Dortmund significantly. The successful organizations and ideas of the 1980s remained intact and functioning, but their operation was routine, and their effectiveness was dimmed by new competition from other cities, which created their own business incubators similar to Dortmund's Technology Center.

Economic Development Policy in Dortmund after Decline

The bulk of interview and other data strongly suggest that Hoesch's 1981 announcement to scaleback operations was a turning point in the city's approach to economic development. As coal mining firms were already phasing out their Dortmund mines and brewers had already rationalized most of their production, the Hoesch "crisis" was the final blow for traditionalists hoping to save the city's older industrial mix.

Table 4.1 summarizes the data gathered on Dortmund's response to decline, as explained in the following pages. The data suggest that its effort can be broken into two periods around 1990. For example, all of the "successful" projects in the city were completed in the 1980s (the one successful project completed in the 1990s was initiated earlier). This finding substantiates comments from experts and actors that policymaking was routinized in the 1990s and became less urgent in comparison to the 1980s.

Table 4.1: Dortmund Economic Development Effort

	Existing or new in 1980s	**New in 1990s**
Areas of successful activity	Entrepreneurship Hard infrastructure	Hard infrastructure (brownfield development)
Successful projects[1]	Technology Center Technology Park Venture capital fund Labor market programs River port renovation	Neue Evinger Mitte land reclamation project
Targeting	Broad targets: helping existing industries scale down production Hightech innovation entrepreneurship	Well defined targets exist, but only for Technology Park businesses
Important organizations[2]	SPD fraction in city council Economic Development Committee in city council Department of Economic Development	No new organizations
Coordination	Coordination among elites is common by 1986	Lowered coordination capacity as tasks become routinized
Difficulty level	Hard (3)	Moderately hard (2)

[1] Noted by at least two interviewees as successful
[2] Noted as important by at least 50% of interviewees

Min Activities and Projects

In 1968, Dortmund became one of the first German cities to create a separate department for economic development, and the city always kept it staffed at levels above the national average. In 1995, it had 45 staff members, while the average for similar-sized German cities was seven—with a high standard deviation (Hollbach-Grömig 1995).

The activities of the city's department of economic development through the 1970s were focused on the acquisition of new manufacturing firms, the brokering of property for industrial use, and brownfield development (Amt für Wirtschaftsförderung der Stadt Dortmund 1978). Its expenditures in these years were concentrated on the redevelopment of 23 selected parcels of land for commercial and industrial uses (Gerszewski and Thull 1998: 160). These activities were typical for German economic development officials in the 1970s, especially land brokering (Heuer 1985: 29; Wrobel 1979). In a view shared by officials in other cities, Dortmund leaders considered the lack of suitable land to be the foremost obstacle to local economic development (*Westdeutsche Allgemeine* 1981).

New activities beyond the traditional areas of land brokering, brownfield development, and manufacturing acquisition began in the early 1980s. Immediately after the Hoesch crisis in 1981, Mayor Günther Samtlebe called what became known as the "Hoesch conference." It included all of those actors who were needed to get things done in Dortmund: Mayor Samtlebe; city manager Harald Heinze; the economic experts of the two parties, Hubert Collas (CDU) and Gerhard Kompe (SPD); the NRW Economics Minister Reimut Jochimsen; the director of the Federal Department of Labor's Dortmund office, Ehrenfried Kulozik; both the President and CEO of the IHK (*Industrie- und Handelskammer*, the chamber of commerce representing the region's largest businesses), and university rector Paul Velsinger (Hennings, Kahnert, and Kunzmann 1991: 5; *Dortmunder Bekanntmachungen* 1983). The Hoesch Conference resulted in a new "plan" for the city's future economic development efforts (*Die Zeit* 1985).

The Hoesch conference plan was a signal that spurred activities. These activities were split into three small epicenters, each led by its own group of elites. One informal group based around the IHK was organizing the "Dortmund Technology Center" (TC), an industrial park for hightech businesses and research institutes. Another informal clique based around Hoesch began working on plans to ameliorate conditions for laid-off workers. Meanwhile, the group responsible for the Department of Economic Development was about to embark on a doomed public visioning effort led by a newly appointed director. It was not until 1985, with the appointment of a new director, that the city's bureaucratic apparatus contributed to the process of policy innovation.

The absolute focal point of new economic development in the city was the Dortmund Technology Center (TC), after it became nationally recognized as successful. Even today, the Technology Center is synonymous with Dortmund's general effort to cope with industrial restructuring, but not everyone supported the project at first. Enthusiasm was generated incrementally. It was an initiative of a group of actors that included representatives of the IHK, some members of the SPD in the city government, the state economic affairs ministry, local banks, and the university. Funding the project were the city (40%), the IHK (25%), a consortium of process automation firms (12%), the local *Sparkasse* bank (7%), and private banks (16%). Although the idea is an old one now, when the TC was initiated in 1984, such incubators were still quite new to Germany and thus somewhat more risky. Its financing was complicated and involved the activation of a number of different kinds of actors and the coordination of new funding sources. The TC was located on a greenfield site adjacent to the University of Dortmund and indeed embodied a new effort to increase the cooperation between the university and the city and between the public and private sectors. The TC was able to attract a large number of new companies and research institutes within a few years after opening in 1985. It became widely acknowledged in Germany as a prime example of how local governments can respond successfully to deindustrialization (*Westdeutsche Allgemeine* 1986).

Parallel to the hightech park effort, another group was putting together private capital from Hoesch and public funds from the national and EU governments to finance assistance for laid-off industrial workers. As part of this effort, a large number of projects and policies were developed and implemented by Hoesch, local unions, party officials, and the chambers of industry and trades. This group included all of the elected officials representing Dortmund in state and national government, even including Dortmund's representative to the national parliament, Norbert Blüm, whose CDU party was in opposition locally. Efforts included the provision of management consultants to local firms in financial difficulty, the expansion of local ABM measures (ABM is a national job creation program), and training and professional qualification programs (Hennings, Kahnert, and Kunzmann 1991: 7-8). A central part of the effort was the early retirement programs of Hoesch. The company started its early retirement policy in the 1980s by lowering the normal retirement age to 59. As the 1980s progressed, this age was reduced to 54.5. Benefits were set at 90-93% of wages. To finance these benefits, Hoesch received assistance from the EU, the national government, and the state government. Due to the efforts of this integrated network of government officials and private business leaders, Dortmund can point to a remarkable statistic: none of several thousand laid-off steel workers suffered a steep reduction in income as a result of losing their jobs.

As the two informal efforts among elites were proceeding with speed and success, the city's economic development bureaucracy remained isolated. The department's funding was increased from DM 14.6 million in 1982 to 35.7 million in 1984, and the department worked on the renovation of the river port (*Westdeutche Allgemeine* 1984). However, the director of the department was not able to integrate the department's activities into the broad vision articulated during the Hoesch conferences. This changed in 1985 with the entry of a new director, Burkhard Dreher (see below). Dreher helped in the establishment of a new venture capital fund to complement the Technology Center, supported its physical expansion, and developed a sectoral targeting concept for one of the many brownfield redevelopment sites in the city (*Westfälische Rundschau* 1986).

For determining which of the many activities in the city were most significant, interviewees were asked to identify "successful" new activities in the city since the 1980s (see table 4.1). Although several projects were mentioned by two or more interviewees, the only project accepted by a majority as successful was the Dortmund Technology Center. Twelve of fourteen interviewees noted that the TC was successful. The Technology Park and the venture capital fund, also mentioned by several interviewees, were intended as expansions of the center. Only three other policies or projects—labor market programs, a reclamation project called the *Neue Evinger Mitte*, and river port renovation—were identified as important by at least two individuals. All of these programs were initiated in the 1980s—not a single policy or project initiated after 1990 was considered successful by the local actors involved in economic development. Some interviewees did mention more recent projects as innovative, defined as those "which embody new goals, bring in actors previously not involved in economic development, and/or initiate new organizational forms." These included the "*Stadtkrone Ost*" project with its enormous "U.F.O."-shaped mall and train station and a similar brownfield development known as the "*C.A.M.P.U.S.*" project. However, unlike the *Neue Evinger Mitte* project, which was started in the 1980s, the *Stadtkrone Ost* and *C.A.M.P.U.S.* projects were never completed.

The low level of appreciation for projects started in the 1990s is characteristic of the problems faced by Dortmund economic development. The 1980s, and specifically the years between 1984 and 1988, were a golden era of innovation in the network. Subsequent efforts resemble land brokering and brownfield development policies familiar to Dortmunders from the 1970s. These projects, although of great potential benefit for the city, have been the subject of criticism from some public administrators and opposition politicians. City administrators have been unhappy about the large scope and cost of these projects, which made public-sector leadership a necessity (Heinz and Scholz 1996). This mirrors the criticism of some opposition politicians in Dortmund. One long-standing opposition politician, interviewed for this study, noted that the method by which the Dortmund leadership has conducted economic development policy is typically oriented around public-sector-led projects that served the interests of both SPD members and big industrial firms, implemented only after a high degree of consensus among all of these groups had been established and at a scale that required vast sums of public financing. This style of politics, argue the critics, works to the detriment of small businesses and sustainable growth within existing markets.

Despite the problems and weaknesses of the economic development network, even its critics acknowledge that the 1980s were a period of innovation in the content, if not in the method, of economic development policy. The city expanded activity into the fields of business development and aid for laid-off workers. It continued traditional efforts in brownfield development, as well as other routine activities. By trying to hold onto old goals while pursuing new ones, a precarious union of traditionalist and progressive factions was created in Dortmund after 1980. However, this balancing act was successful and both groups were able to realize ambitious goals. In this way, Dortmund was able to manage to do what in most cities is not possible: supporting traditional industry and the pursuit of a transformation of the local economy simultaneously.

This golden era of innovation and expanding activity did not last beyond the 1980s. Later on, new initiatives for helping laid-off workers were no longer a central activity, as the big waves of layoffs were over. The activities of the Technology Center had also faded to the back stage of economic development, becoming a routine relegated to the Technology Center management. The new activities of the 1990s closely resembled those of the 1970s, being heavily focused on brownfield redevelopment.

Targeting

The first and only plan for a more extensive, modernized, and strategic economic development effort was created by the so called Hoesch conferences. The first plan, published in 1981, was addressed primarily to the existing economic development bureaucracy with the intention to "review, redefine, and change the conservative attitudes of the existing economic development machinery in the city" (Hennings, Kahnert, and Kunzmann 1991: 6). It made several new goals explicit: creating and subsidizing jobs for laid-off steel workers; professional certification programs and retraining for the local workforce; assisting existing Dortmund firms to "innovate," for example, by experimenting with new production processes; targeting acquisition efforts on microelectronics, communication, and biotechnology; underwriting local environmental improvements; helping entrepreneurs and small to medium-sized enterprises, for example, by providing consultant services; increasing efforts to attract state, federal, and European development aid; and using marketing to doctor the city's image (Gerszewski and Thull 1998: 160; Hennings, Kahnert and Kunzmann 1991: 6; *Ruhrnachrichten* 1984a).

The concrete goals of the conferences were not accompanied by an implementation guide, so what remained was an unwritten but effective agreement among elites that something needed to be done in economic development and that new activities should be initiated to help laid-off workers, keep as much of the steel industry alive as possible, and bring hightech firms to the city. This is what Mayor Samtlebe proudly refers to as the "Dortmunder Consensus" (Reichmann 1996).

By the end of the 1980s, the city's economic development effort had branched out into three main areas: labor market programs, acquisition of hightech firms and research institutes, and hard infrastructure programs (including the routine tasks of brownfield redevelopment and the special project of river port renovation). These "targets" were indeed a part of the explicit goals found in the resolutions of the Hoesch Conferences, but they remained very broad. The only institution practicing more precise targeting was the Technology Center management, which used targets as a way to tighten the focus of its acquisition activities. However, as one interviewee notes, the center's targets are quite numerous and include information and communications technology, "new media," construction and building management, logistics, qualification, metals and electrical components, and microstructures and systems technology.

The city itself is still fishing around for the right targets, although many attempts have been made to focus the city's efforts. Franz-Josef Drabig, the former head of the SPD fraction in the city council, was a vociferous supporter of making Dortmund into a center for "new media" activities such as film production. The idea of reorienting the city's economic development effort around this sector was hotly contested by other political actors and was never accepted. University planning professors called on the city to review its economic development activities with the goal of adjusting them to the new exigencies of European and German unification. This initiative, called *Dortmund International*, died without the support of city political leaders. More recently, efforts have emerged to get a dialog going on encouraging sectorally based industrial "clusters." Participating in this dialog are the Department of Economic Development with its new director, Dr. Utz Ingo Küpper, and the DGB union federation. Eberhard Weber of the DGB has recently called for the creation of a "new Dortmund Consensus" about which sectors the city should actively target (*Westdeutsche Allgemeine* 1997). However, all of these targeting efforts were still in their nascent stages at the end of the 1990s.

Organizational Complexity

For assessing changes in the organizational structure in Dortmund, interviewees were asked to identify the organizations that have an important influence over the city's economic development decisionmaking process. A majority of respondents agreed that three organizations are important: the SPD fraction in the city council, the Economic Development Committee within the city council, and the Dortmund Department of Economic Development.

All three of the important organizations were under the control of the Social Democratic Party from 1949 to 1999, giving the party the power to appoint the mayor, the city manager, and the director of the economic development department. The 1999 elections marked the end of this era. In that year, the conservative CDU party won 34 of 82 seats in the council, the same number as the SPD. This was a dramatic fall-off from the large seat margins enjoyed by the SPD in the recent past, which had varied between 19 to 24 seats from 1979 to 1994. The council is now led by a CDU-Greens coalition.

The ranking of important organizations needs to be put in context, for respondents tended to deemphasize the importance of organizations altogether. As one actor noted, "when you have a partner like Harald Heinze, you don't need organizations." Heinze was *Stadtdirektor* of Dortmund, a kind of city manager who shares power with a mayor and the council majority. Another of the central figures in economic development in the 1980s noted that the "organizational form was of secondary importance, and I never concerned myself overly with them as long as they functioned. My focus was project oriented rather than organization oriented." Another central actor said that, in his experience, the good chemistry among individuals made organizations of secondary importance. In this spirit, individuals within the IHK were ranked as among the most important individuals in the local network (see below), but only a minority was of the opinion that the IHK was important as an organization. Organizations bound resources together and thrust particular individuals into bargaining networks, but their usefulness then depended to a large extent on the individuals who ran them and under what conditions these individuals were willing to cooperate with others. When, as in Dortmund in the 1980s, individual leaders of particular organizations cooperate extensively in many areas, the impression is left that organizations are of secondary importance. Organizations become visibly important only when they have negative effects for policy, for example, when they do not deliver the resources expected of them or when leaders use them to block project ideas.

The Dortmund economic development effort is characterized by organizational continuity and the failure of organizational reform attempts. The best known organizational initiatives, the Hoesch conferences, consisted of informal meetings that were oriented toward changing the goals of the existing policy system, not the organizational structure itself. These meetings are best understood in the context of Dortmund's one-party system. In Dortmund, elections did not serve the function of creating a consensus about policy priorities. The SPD in Dortmund knew that their constituency—local blue-collar workers—was interested in seeing something done about the Hoesch crisis in 1980, but the political elite needed to identify a consensus among the actors holding keys to important resources. Once a general consensus crystallized, the conference itself was no longer relevant.

Most reform efforts in economic development were abortive, and many new organizations yielded disappointing results. A long-standing goal of the CDU was the privatization of the city's economic development department and to reorient it around the needs of small and medium-sized businesses. Privatization was realized only very recently and incompletely. Another organizational innovation was made in the 1980s when the city joined the Regional Conference East Ruhr, a regional planning body. This was done partly at the insistence of state actors, who made the distribution of aid under two new assistance programs in the 1980s conditional on the participation in regional planning organizations. The state was hoping to force its cities to think and act regionally and to open local networks to new actors (Heinz and Scholz 1996: 58). Although the regional planning organization still exists, it did not make an impact on the structure of the local actor network or on the way economic development is done in the city. Only two of fourteen interviewees thought that the organization is important.

Other organizational innovations involved the creation of public-private partnerships. In Dortmund, these were most often launched at the instigation of higher levels of government. A good example is the partnership that was created to manage a large brownfield reclamation project known as the *Neue Evinger Mitte*. The organizational form of this particular effort can be attributed to the intention of state ministry officials and the Kohl government's "Ruhr Valley Initiative" to encourage cooperation between private and public-sector actors in economic development. Ruhr Valley Initiative funding was partly conditional on the creation of a local public-private partnership. The *Neue Evinger Mitte* partnership included Hoesch representatives, local bank executives, state ministry representatives, and local government officials (Heinz and Scholz 1996: 70-72). However, these public-private initiatives, like the regional planning organization, did not lead to cooperation outside their original areas of competence. No interviewee mentioned a public-private partnership as being important for economic development generally.

The Dortmund Technology Center's management board is one new organization that has become important. It oversees the routine tasks of "innovation" at the TC. The Dortmund city manager and an IHK representative co-direct the board with the TC's own director. Thus, this organization is under the direct control of previously existing institutions. Its influence is limited to the operation of the TC.

In conclusion, the institutional structures already existing in Dortmund in 1970 were sufficient for generating and implementing a plan for economic development after the crisis of decline in 1980. There was no important, lasting organizational change from 1980 to the present. The Dortmund elite mobilized resources using organizations built during the previous decades of industrial prosperity. These organizations worked well enough for them to be taken for granted, especially in the highly personalized political environment of the 1980s. New organizations that could serve as a power base for new leaders were not created.

Coordination

New activities after the 1981 Hoesch conferences were actually quite successful, but they were guided by small groups who remained uncoordinated for the first years. A major obstacle to greater coordination was the relative isolation of the Department of Economic Development under its appointed director, Ulrich Dorstewitz. His main focus was a public visioning effort intended to generate specific goals for future economic development activities. This effort generated a wide diversity of conflicting recommendations and resulted in an embarrassing, nationally publicized failure. Dorstewitz's reputation was permanently damaged, further hampering his ability to focus the department's activities as intended by the political elite. Dorstewitz was asked to resign after the 1984 city elections.

By 1985, a new team of leaders, Burkhard Dreher and Karl Bockelmann, had finally ended the isolation of the Department of Economic Development. Dreher was a Berlin economic development professional recruited by the SPD leadership in Dortmund. Dreher quickly became a central player in the Dortmund network, working closely with all of the top elites, including city manager Harald Heinze, Mayor Samtlebe, IHK officials, and the executive director of the German Union Federation in Dortmund. Dreher's main contribution was integrating the resources of Dortmund's large Economic Development Department into the broad goals set by the elite in Dortmund, thus turning himself from an outsider into one of the most prominent figures in the network.

Coordination among the group working on the Technology Center and related activities, the group working on assistance for laid-off workers, and the SPD elite was high during the 1980s. Interviewees comment that it was easier to get things done in economic development in those days because everyone involved harmonized well with one another and had a high interest in action.

The central position of the SPD also greatly aided cooperation and coordination. Now that many of the old actors are gone and with the rise of real party competition locally, Dortmund leaders no longer are able coordinate the interests of different organizations, levels of governments, and public and private sector as easily as in the past. The elite itself began to become less unified in the 1990s, as rivalries between the SPD leadership and the other actors who cooperated in the Technology Center emerged. Competition emerged within the SPD—over the creation of distinctive ideas in economic development, for example. Finally, the interest of the SPD in continuing economic development innovation was not as intense in the 1990s, for by that time the worst years of economic decline had been weathered.

The Local Actor Network and its Changes

Using the reputational ranking method described in chapter 2, data from fourteen interviewees were used to compile the ranking presented in table 4.2. In Dortmund, Burkhard Dreher was most commonly mentioned as an important actor. He accumulated about 8% of the total votes cast. Three actors made it into the eightieth percentile, nine were in the fiftieth percentile, and 21 in the twentieth.

Table 4.3 shows the institutional base of the 21 important actors. As dates of actors' participation are known from interviews and newspaper articles, the list reveals that there was a break in the network around 1980, at which point the network opened its ranks to more and new kinds of actors.

Table 4.2: Reputational Ranking of Actors in Dortmund Economic Development

Name	Position	Vote Share	Cumulative Percentage	
Dreher	Economic Development Department	7.99%	7.99%	1
Samtlebe	SPD mayor, 1972-1999	6.87%	14.9%	2
Aden	CEO, IHK	6.49%	21.4%	**3**
Rohwedder	CEO, Hoesch Steel	5.16%	26.5%	4
Günzel	Head of Industry Section, IHK	4.85%	31.4%	5
Zeidler	Leader of SPD in Council, 1976-94	4.73%	36.1%	6
Berlemann	CEO, Chamber of Trades	4.57%	40.7%	7
Weber	DGB Union Federation, 1990-present	4.17%	44.8%	8
Schneider	DGB Union Federation, 1985-1990	4.09%	48.9%	**9**
Bockelmann	Economic Development Department	3.77%	52.7%	10
Baranowski	Dortmund Technology Center	3.55%	56.2%	11
Heinze	SPD *Stadt Direktor* (City Manager)	3.48%	59.7%	12
Kompe	SPD speaker for economic issues	3.45%	63.2%	13
Langemeyer	SPD mayor after 1999	3.18%	66.4%	14
Jochimsen	SPD State Minister for economic issues	2.84%	69.2%	15
Heinemann	SPD State Rep., Labor Minister	2.40%	71.6%	16
Möller	CEO, IG-Metall union in Dortmund	1.98%	73.6%	17
Jünemann	Fraunhofer Techn. Transfer Institute	1.87%	75.4%	18
Voßschulte	President, IHK	1.64%	77.1%	19
Drabig	Leader of SPD in Council, 1994-99	1.50%	78.6%	20
Velsinger	Rector, University of Dortmund	1.50%	80.1%	**21**
Twentieth Percentile Cutoff				
Total Number of Actors Mentioned at Least Once				**47**

<u>The Old Guard</u>

The findings documented here confirm the general wisdom that the elite of Dortmund was dominated by a traditional industrialist elite. The core political elite existing in 1980 consisted in large part of "*Hoeschianers*": Mayor Samtlebe, Council Majority Leader Zeidler, and State Representative Hermann Heinemann. An additional member of the elite with close ties to Hoesch was Klaus Günzel, who was head of the IHK's Industry Section and thus one of the people responsible for managing Hoesch's relationship with the chamber and the city. Notably absent from the network are individual business people, both in the 1980s and later. The exception was Detlef Rohwedder, who was the directing manager of Hoesch brought in by the Deutsche Bank for the purpose of managing the company's decline.

Table 4.3: Important Actors in Dortmund Economic Development

Active Before 1980	**New After 1980**
City Council	
Samtlebe, mayor (SPD)	Drabig, majority leader in council (SPD)
Zeidler, majority leader in council (SPD)	
Kompe, economic issues speaker (SPD)	
Bureaucracy	
Bockelmann, Econ. Development Dept.	Heinze, city manager (SPD)
	Langemeyer, city manager (SPD)
	Dreher, Economic Development Dept. (SPD)
Higher Levels of Government	
Rau, Minister President NRW (SPD)	Jochimsen, minister for economic affairs (SPD)
Heinemann, Dortmund's state rep. (SPD)	
Urbaniak, Dortmund's national rep. (SPD)	
Business	
Günzel, IHK, industry section	Aden, CEO of Dortmund IHK
	Voßschulte, President IHK
	Rohwedder, CEO of Hoesch AG
	Berlemann, CEO, Chamber of Trades
Others	
Velsinger, rector, University of Dortmund	Baranowski, CEO of Technology Center
	Jünemann, Fraunhofer Tech. Transfer Institute
	Möller, IG-Metall union
	Schneider/Weber, CEO, German Union Fed.

Such traditionalist networks as existed in Dortmund are expected to react to deindustrialization by trying to preserve old industries at any cost, proving the long-term "weakness of strong ties" (Grabher 1993). Dortmund actors did focus their first but failed efforts on saving steel, demanding subsidies from the national government for a new Hoesch plant. Then, from 1980 to 1985, the network opened itself surprisingly quickly to new ideas and new actors. The opening of the network clearly predated the city's new policy response, which crystallized with the Technology Center in 1985.

Expansion of the Network

There was a large increase of "important" actors after the first Hoesch Conference in 1980. The addition of new actors follows the pattern of policy adoption and is broken into two groups. One group of actors organized the Technology Center and subsequent additions. Another group organized aid for laid-off workers. As these new groups emerged, the old guard of SPD members retained its influence because it controlled the channels to public resources.

Turning first to the actors responsible for the Technology Center, one sees a mix of established and new actors. Those interviewees who were involved in creating the Technology Center note that the "scene" or informal group of individuals at the beginning of the 1980s orchestrating the project included Alfred Voßschulte, Walter Aden, and Klaus Günzel (all of the IHK); the city manager Harald Heinze; the University of Dortmund's rector, Paul Velsinger; Economic Affairs Minister Reimut Jochimsen; Hoesch boss Detlef Rohwedder; and Helmut Kohls of the Dortmund *Sparkasse* bank. The new actors among these included Aden, Velsinger, Reimut Jochimsen, Jünemann, and Rohwedder. Somewhat later on, city economic development official Burkhard Dreher and TC manager Guido Baranowski became acknowledged as important actors; both of these men were important for the continuing development of the TC.

The TC group included four outsiders: Jochimsen, Rohwedder, Aden, and Velsinger. Jochimsen, as the state's minister for economic affairs, "set the tone" in the words of one interviewee, because he was known for encouraging research and development investment in his speeches. The TC concept fit into Jochimsen's vision. Walter Aden was recruited to the position of CEO of the Dortmund IHK in 1980, making him co-leader of the IHK with Voßschulte. When Aden arrived, many conservatives still did not believe that steel and coal were at an end, and some were insisting on a national bail-out for Hoesch. Aden was an outsider to Dortmund, a CDU member known for his interest in new technology and continuing education. With no loyalty to steel, Aden supported new technologies and small firms. At first, these ideas were "politely" received by traditionalists; their reception warmed after the TC was completed, however.

Outsider Velsinger had been active in Dortmund as university professor for several years before becoming rector in 1978, at which time the university was only 10 years old. The university did not have close contacts with city leaders, and the gap between the SPD elite and professors still suspected of harboring revolutionary ideas from the 1960s was tangible. But when Velsinger stepped in, everyone was ready for closer cooperation, all the more because the state government was emphasizing such cooperation as part of its regional development concept. Velsinger, after all, had a mandate from the state government to increase cooperation between the university and city. The institution for directing this linkage, the University Curatorium, was already in place, and Dortmund Mayor Günther Samtlebe was its chair.

The story of how the Technology Center was born is instructive for what it tells us about the Dortmund actor network and how it was changed by the act of establishing the TC. As the idea of a technology center or business incubator began to be floated around, Walter Aden of the IHK traveled to Cambridge University in 1982 and to MIT in 1983. Both of these cities were cooperating with a local technology center. With these models in mind, the idea of creating a similar technology center in Dortmund was voiced and developed collectively among Aden and other actors. Aden found an ally in Klaus Günzel, the very influential industry section head at the IHK, and another in Paul Velsinger who was looking for a way to cooperate more closely with the city. Reinhart Jünemann of the Fraunhofer Institute, a prestigious research organization that specializes in technology transfer, also offered aid. Helmut Kohls, a local banker especially interested in financing new businesses and institutionally tied to the SPD leadership through the *Sparkasse*, was a member of the original group. The idea also found the support of the state's economic minister, Reimut Jochimsen, for it was exactly the kind of thing his ministry wanted to encourage. City manager Harald Heinze was an early supporter within the city government, and Samtlebe and Zeidler added their support too.

The financing of the Technology Center was a task more complex than any other that had been attempted before in Dortmund. This required a new quality of risk taking and cooperation among local actors, presenting serious obstacles to action. However, these barriers were overcome extremely quickly by German standards, for the project required only 18 months from initial conceptualization to ribbon cutting (*Westdeutche Allgemeine* 1984). Speeding this process was the consensus reached in 1981 and shared by officials from the IHK, the city, the university, and the state. Once these actors agreed that the Technology Center was desirable, getting the necessary resources for the realization of the project was relatively easy. Aiding the process of consensus building were existing party ties among SPD leaders—a fact that does not support theoretical assertions that established ties to special interests should block innovation. Consensus was further aided by a high degree of personalization of members of the network. Many SPD officials were old friends and partners, but Mayor Samtlebe and University Rector Velsinger were also neighbors. The other newcomer, Walter Aden, built a friendship with Velsinger and enjoyed a very high degree of name recognition in the city's social circles. Many interviewees underscored that the culture of decisionmaking was highly personalized and informal during the five years from 1984 to 1988, the time when most of the network's innovations were made.

Contributing to the success of the Technology Center group was the "Dortmund Consensus" that had been established by 1981. The speed at which funding was made available for the TC suggests that this consensus was probably every bit as important as claimed by the mayor (Reichmann 1996). The "Dortmund Consensus" was a clear signal from the established elite that they were ready to invest public funds in new efforts. These symbolic gestures functioned like a start signal to others to begin serious efforts to establish the Technology Center and to help laid-off workers, and this start signal was followed by concrete financial assistance from the city when necessary.

Once the Technology Center was established and recognized as a success, two new actors became important by building on this success—Guido Baranowski and Burkhard Dreher. Baranowski is the director of the center and is the man now institutionally responsible for innovation in the city. Burkhard Dreher emerged as the central figure in economic development after becoming the head of the Department of Economic Development in 1985. Dreher expanded the Technology Center, by helping to create a venture capital fund for businesses located there, for example.

Parallel to the work on the Technology Center was an effort to extend help to laid-off workers. This activity put unions at the center of a social dialog involving all levels of government, including for the first time the European Union. Chamber of Commerce representatives were also involved, as was Hoesch's CEO. This group included several figures present in the reputational ranking: Detlef Rohwedder, Hermann Heinemann, Hans Möller, and Guntram Schneider. Rohwedder was CEO of Hoesch and had been recruited by the Deutsche Bank to deal with the firm's crisis. He was ultimately responsible for the decision to cut local production dramatically and then stayed on to manage the process of decline. He worked closely with unions and government officials to find ways to conduct the layoffs in a "socially responsible" fashion. He eventually won the respect of a large number of key leaders in the city. Hermann Heinemann was a former Hoesch employee and Dortmund's state representative. He was also the state minister for labor issues and the chair of the very important SPD Westphalia party local in the 1980s. He is given credit by one interviewee for starting a "social dialog among the SPD, unions, and Hoesch" about the conditions of the layoffs, and he was certainly influential in mobilizing state resources for training and early retirement programs. City manager Harold Heinze was an important link to the city government for those seeking to help laid-off workers, according to some interviewees. Hans Möller headed the Dortmund chapter of IG-Metall, the German metal workers union, and thus represented Hoesch workers during the layoff period that lasted through 1995. Möller's union was focused on the narrower interests of metal workers and supported aid for large industry and its employees. Guntram Schneider, the Dortmund executive director of the German Union Federation (DGB) from 1985 to 1990, was able to bring the DGB into the economic development dialog. The DBG, as an umbrella organization for all labor unions, could afford to support initiatives that did not target big industry, and now his successor Eberhard Weber is widely recognized as an important actor in economic development decisionmaking.

In sum, the important actors in the local network in Dortmund consisted of a core of "old guard" SPD elites assisted by a group of new actors. The group of new actors was expanding in the early 1980s and even included several outsiders. However, the core elite remained in control of public-sector resources and thus kept a hold on their influence, although they did not control the course of economic development policymaking.

The old guard are those men who occupied the positions in the classic troika of Ruhr local government, consisting of the mayor, the majority faction leader in the council, and the city manager. The men in these positions from the 1980s through the 1990s are all on the list of important actors: Günther Samtlebe, Horst Zeidler, Franz-Josef Drabig, Harold Heinze and Gerhard Langemeyer. This group of actors remained remarkably stable over the course of the past three decades, and it reemerged as even more important in the 1990s, when the network settled back into activities common in the 1970s.

Importance of State and National Governments

Dortmund's intergovernmental relations were personal and friendly, created and nurtured among individuals who were in constant communication with each other and who often interacted on a professional basis over the course of many, many years. Friendships among the relevant actors were not uncommon. Dortmund's strong links to state and national elected officials were strengthened by party ties in this SPD-dominated city. Lobbying for the city at the state, national, and European levels always functioned well through SPD party channels and continued to function well as lobbying for economic development aid increased after 1980.

The speed at which these networks were organized suggests that they were always latent, maintained and fully functional through party ties, albeit never fully mobilized. The SPD was the majority party in the Dortmund city council from 1949 through 1999. At the state level, it has been in the majority since 1980 and was still in power in the first years of the 1980s at the national level. Party ties were especially strong between Dortmund and the state government. Dortmund is an important city for the SPD in the state of North Rhine Westphalia, the symbolic home of the SPD (Bovermann 1995). Dortmund always delivered majorities for SPD candidates in state and national elections. Communication among levels of government was quite regular and took place in the form of talks between Dortmund's local party leaders and the SPD representatives in higher levels of government. Such meetings took place on a weekly basis. National and state elected representatives are also dependent on the good will and support of their local party bases for reelection. Thus, it is somewhat typical of Germany that a large number of elected officials from higher-level governments show up on the list of important actors in the Dortmund network, although Hermann Heinemann and Hans Urbaniak are the only ones who make the twentieth percentile cutoff in the list above (table 4.2).

Dortmund's business interests also enjoyed good relations with the state government. A top-level Dortmund IHK official noted that his own relationship with top politicians "simply worked." As is not uncommon in German cities, IHK representatives regularly met with the state's minister for economic issues to coordinate goals and activities.

After 1980, when the SPD took over the NRW government, cooperation with Dortmund was heightened. One of the goals of the new SPD state government was to help local governments respond to economic restructuring. A central figure in this effort was the minister for economic issues, Reimut Jochimsen, who had had a long-standing interest in local economic development policy. Jochimsen was mentioned by several actors as important in the Dortmund network. One interviewee noted that the city had a special relationship with Jochimsen because Dortmund made itself into a kind of pioneer in targeting economic development aid to hightech firms in the Ruhr. Dortmund was eager to serve as a kind of testing ground for Jochimsen's policy agenda. With the successful completion of the Technology Center, Dortmund delivered the success story that was useful to the ministry in validating its policy initiatives. Thereafter, ministry officials knew that they could trust the competence of Dortmund actors and could rest assured that they all shared the same strategic orientation. This gave Dortmund a high degree of access to ministry officials and made it easier for Dortmund to win state aid.

Vertical ties were also strong because of the extraordinary efforts of the state of North Rhine Westphalia to reach out to its traditional manufacturing cities with aid for laid-off workers and for other economic restructuring programs. *Minister President* Johannes Rau had also established a profile in economic development. An early example of aid under his leadership was the "Action Program Ruhr," originally planned to run over the five-year period from 1980 through 1984. This was a consolidation of a number of existing programs and involved close to seven billion DM over five years (Estermann and Gabriel 1984). From 1980 to 1982, under this program, Dortmund received DM 48 million, more than double the city's own spending on economic development in these years. This money was used to fund the city's river port renovation and for land purchases. The state also offered partial matching funds for capital investment. Two new programs were created in the 1980s: the Initiative for the Future of Coal and Steel Regions (*ZIM*) in 1987 and the Initiative for the Future of Regions in NRW 1991 (*ZIN*). These programs introduced new rules of aid distribution in order to force an activation of regional public-private partnerships and cooperation (Gerszewski and Thull 1998: 98). The national government provided large amounts of financial support for Dortmund's effort to help laid-off workers. By 1982 at the latest, Dortmund was included within the national government's regional development subsidy program (*Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur"*), a resource not available to every declining region. In 1982, the federal and state governments together funded a "Steel Program" worth DM 860 million for subsidizing labor market programs in deindustrializing areas. After the entry of the Kohl government in 1983, Dortmund's CDU representative in Bonn, Norbert Blüm, helped secure funds for state-financed jobs for laid-off workers.

Dortmund also has had success at attracting assistance from Brussels, thanks again to SPD politicians. In addition to Urbaniak, who worked from Bonn, Dortmund's SPD representative in Brussels, Bernhard Rapkay, is also acknowledged as important among those who know Dortmund politics. Dortmund began receiving money from the EU's Social Fund for its jobs programs in 1985 (*Ruhrnachrichten* 1984b).

Dynamics of Coalitional Decisionmaking

Shortly after the Hoesch conference, members of the network began investigating new ideas in economic development. The idea of formalizing cooperation between the city and the university, which had been floating around as a broad policy priority of the state governments, crystallized as the Technology Center. Dortmund actors studied other cities' experiences, made adaptations to these ideas for the Dortmund situation, secured the necessary financing, and built the center within an 18-month period. When the center was completed, it was expanded upon over the course of the next three years by the addition of the "Technology Park" and a venture capital fund. In a process similar to that which led to the Technology Center, a separate group concerned themselves with ameliorating the income loss of laid-off steel workers. This group of actors experienced repeated successes in putting together various programs for helping laid-off workers.

The early successes of the policy network encouraged consensus, action, and energy, for all of the key actors in Dortmund wanted to be associated with success. Whereas winning the support of traditionalists in the unions and the SPD for the Technology Center could not be taken for granted at first, the success of the project increased the willingness of traditionalists in the SPD elite to cooperate with the progressives grouped around the Technology Center. In the words of a Dortmund IHK official, "success has many fathers," which is to say that once the center was recognized as a success, early skeptics turned into supporters. Thus, at least by the time the Technology Center was built, Dortmund had a network characterized by a culture of consensual decisionmaking with a high priority on economic development. The original success with Technology Center also made it easier for the city to approach the state government for financing later expansions, for the center represented an important example of successful state-subsidized economic development. In the efforts to assist laid-off workers, the success in securing higher governmental aid also created a self-propelling dynamic. The network learned about the expectations of higher-level government funders, and became adept at approaching state, national, and EU governments for aid.

Success with early efforts strengthened the institutions that had introduced and supported them: the IHK, the city government, and the top SPD leadership. A circular dynamic was then initiated that swept aside skepticism about the Technology Center and made it easy to expand on that particular project. This process had beneficial consequences at first, as latent resources were mobilized, the network opened itself to new actors, and these new actors reacted to the changed economic circumstances creatively. For these years, the network "learned" how to work in new areas.

The circular dynamic that was beneficial at first turned out to be restrictive later on. When the Technology Center became successful, the place of progressives in the network was secured. However, it did not result in a lasting organizational change in economic development in Dortmund. Early successes fed back into the network so that the status and reputations of the traditional, established institutions of local governance in Dortmund were reinforced. These institutions included the Social Democratic Party, the local economic development bureaucracy, the chamber of commerce, and the German Union Federation. The leaders of these institutions could claim credit for the city's policy successes; they were indeed principally responsible for them. This success stabilized the established institutions of Dortmund economic development instead of creating new institutional or organizational bases for individuals and groups interested in continuing the effort to adjust the city's economic development activities strategically in response to changing economic conditions.

By the end of the 1980s, innovation in Dortmund became directly associated with the routine operation of the Technology Center, obviating the need for new forms of public-private cooperation. As the areas of activity that were new in the 1980s became routine, the main impulse for innovation and action within the economic development network returned to the traditional ideas of brownfield redevelopment. This area reemerged as the focus of Dortmund's economic development activities. The culture of economic development also changed substantially in Dortmund after the late 1980s. In the 1980s, a high degree of personalization of the economic development network, a sense of urgency, and personal identification of key actors with particular projects all served to ease cooperation. Later, economic development settled back to its normal priority level, and the personal identification of key actors with particular projects was less pronounced. The difference was quite noticeable to one interviewee, who noted that while key economic development actors would routinely schedule appointments with each other within a week's time in the 1980s, appointments to discuss economic development issues now may take a month to schedule.

Early success fed back into the network that emerged in the early 1980s to increase the willingness of actors with different interests to cooperate with one another and to encourage a personal identification with common goals. However, this dynamic strengthened existing institutions, with the consequence that no new organizations were fostered that could have made strategic policymaking easier. Once the issue of economic development faded in urgency relative to other issue areas, and once the particular favorable personal constellation weakened due to the attrition of key actors, the ability of the network to cooperate and to operate strategically also waned. The center of policy activity returned to the kind of large-scale brownfield redevelopment project that was pioneered in the region during the 1970s. These kinds of projects, while certainly not without their positive ramifications for the city as a whole, are also commonly criticized. Opposition politicians note that such projects serve the interests of SPD politicians and their business constituencies particularly well. Thus, the 1980s turned out to be a golden era of economic development in Dortmund in terms of strategic decisionmaking.

Dortmund: Conclusion

Although the Hoesch crisis was preceded by many years of decline, once the existing elite decided to do something about decline, there was a market increase of activity in new areas. By 1986, with the advent of new leadership in the city bureaucracy, these efforts had become well coordinated within an unwritten, but consensual, plan to aid laid-off workers, foster the acquisition and growth of hightech firms, and make improvements in infrastructure for existing manufacturers. Between 1986 and 1989, the Technology Center and related projects had turned Dortmund into a nationally recognized example of how to respond strategically to structural change.

The structure of the economic development network clearly changed before the creation and implementation of new policies. A local governance network was in place before the turnaround in 1980, dominated by the Social Democratic Party in a form common to the cities of the Ruhr. This network was organized around, and motivated by, the interests both of big industries like Hoesch, as well as the city's blue-collar workers. Traditionally, both supported aid for the big local industries that employed thousands of Dortmunders, but the purportedly insular network of SPD elites opened itself to nontraditionalists with new ideas for economic development. Thanks to the new membership, their expertise, and their resources, Dortmund's policymaking expanded to include two new areas of activity: high-tech acquisition and new forms of assistance for laid-off workers. The new actors increased the effectiveness and connectedness of public and private sector institutions in Dortmund so that by the mid-1980s, all of the components of Dortmund's economic development effort were working together in a coordinated fashion and had already achieved a nationally recognized policy success in the Dortmund Technology Center.

Higher-level government actors were central players both in determining the course of policy reform and in providing the resources necessary for their success. The good relations between local and state-level elected officials, which were always latent due to party connections within the SPD, were activated for economic development efforts. Dortmund enjoyed a politics of privilege with the state government. This brought a significant amount of financial aid from the state, national, and European governments. It also brought a higher degree of communication among levels of government about which kinds of local projects higher-level governments would finance.

The pattern of policy adoption was characterized by the early formation of a consensus for action, one brilliant and nationally publicized policy success in the form of the TC, and then its successful expansion. By the 1990s, however, these innovative areas had been routinized. Because the successes of the 1980s did not serve to create new institutions, when the strategic-thinking individuals left, strategic policymaking became less common.

One analysis of Dortmund in the 1980s concluded that the consensus that emerged after the Hoesch crisis represented an unusual break in the hegemony of the classic network; once the Technology Center was established, the old hegemonic partners withdrew into their traditional roles (Gerzeswski and Thull 1998: 169). The analysis here suggests that the metaphor of retreat should be used in a different way. The real retreat actually took place in 1981, as the traditionalist network backed away from its control of economic development to allow progressive leaders to set the goals for a few years. These goals were even actively supported by the core leadership. They did not have control over the dynamics of innovation in the 1980s, but by the end of the 1980s, many of the innovators had left the city, and key areas of activity had been routinized. In Dortmund, the network shrunk to its pre-1980 size. Of all the actors identified as important in table 4.2, only five are still active in Dortmund. This pattern was unique to Dortmund.

Reinitiating strategic action in economic development in the future will be more difficult than it was twenty years ago. At the outset of the 1980s, the city's main problem was relatively clear. Now, however, the local economy is more complex. The city also lost its main private business partner, Hoesch. Local business is now much more varied, making it more difficult for the business chambers to mobilize a unitary business constituency for any particular project. Finally, the SPD constituency has also shrunk and become more diversified, making it riskier for party leaders to take clear positions on economic development policies.

Because new activities in new, entrepreneurial fields of economic development were never given an autonomous organizational base, and because strategic-thinking actors did not take the reigns of the core institutions of governance, the impressive efforts to create the Technology Center were not followed by similarly strategic actions in the 1990s.

Providence

The decline of the Providence economy had reached crisis proportions by 1973. Shortly thereafter, private sector actors working from a reorganized Chamber of Commerce began to work more actively on economic development issues and began to cooperate with the administration of a newly elected mayor. By the late 1970s, both public officials and business leaders had already begun to turn around the decay that was threatening the downtown area, using mostly private capital. The network then took a quantum leap in risk and effort in 1978, when the opportunity came to move underground a rail line running through downtown. This was the first step in a long and nationally recognized process of redevelopment that revitalized the downtown. Providence earned its status as a strategic city in these innovative years between 1974 and the mid-1980s.

Although Providence's efforts to stall decline in the 1970s were quite remarkable and innovative for local actors, its response turns out not to have been particularly difficult or strategic when one lengthens the study to include the 1990s. The city's downtown successes were not augmented by efforts in other development policy areas. Indeed, the very success of the downtown development elite has stalled alternative efforts, blocking strategic action later on. This pattern mirrors the experience of Dortmund.

Economic Development Policy in Providence after Decline

The breaking point of decline in Providence has been related to one particular event in the lore of Providence economic development (Castellucci 1989). Several interviewees for this study confirmed the opinion of Kenneth Orenstein, the former executive director of the most important downtown business group in the city, that the decision of the Allendale Insurance company in 1973 to move to the suburbs shocked downtown businesses into action (Motte and Weil 2000: 10). Although industrial firms had been leaving Providence for decades, the fact that the city was also losing major white-collar employers was a shock for the downtown elite.

Providence's activity after 1973 is summarized in table 4.4. The city's efforts are divided into two periods, before and after 1990. This periodization was suggested by one interviewee, who argued that from the late 1970s through about 1990, economic development efforts were expanding and innovative; thereafter, the network remained

Table 4.4: Providence Economic Development Effort

	Existing in 1970s & 1980s	New in 1990s
Areas of successful activity	Hard infrastructure – land development	Hard infrastructure – land development
Successful projects[1]	Capital Center District Projects Rail Relocation (1978-87) River Relocation (1989-94) Providence Place Mall (1986-99)	Convention Center
Targeting	No explicit targets	No explicit targets
Important organizations[2]	Providence Foundation Chamber of Commerce	No new important organizations
Coordination	High coordination among a small number of actors	Sustained high coordination in land development
Difficulty level	Moderately Hard (2)	Moderately Hard (2)

[1] Noted by at least two interviewees as successful
[2] Noted as important by at least 50% of interviewees

quite active but its activities remained fixed on the area of downtown development and became routine. This assessment is supported by the history of the city's efforts.

<u>Main Activities and Projects</u>

Traditionally, Providence politics was not dominated by economic development. Local politicians either were laissez faire or used economic development policy only as a way to satisfy the patronage demands of their clients in the neighborhoods (Motte and Weil 2000: 10). After the crisis year of 1973, however, downtown businesses and the newly elected Mayor Cianci worked together to make halting urban decay a top policy priority.

The economic and demographic changes affecting Providence with increasing severity after World War II had prompted responses from city leaders before 1973, but these responses did not involve public-private cooperation. Milestones include the establishment of the Providence Redevelopment Agency in 1948, the drawing up of a downtown revitalization report in 1960 and a master development plan in 1964, the establishment of the Department of Planning and Urban Development in 1967, and the creation of the Civic Center Authority in 1969. These measures were not especially effective or catalyzing. They followed standard policy trends, and they made little impact in Providence because the official redevelopment effort stalled in the late 1960s and early 1970s. The relatively low impact of urban planning efforts in the 1960s was actually quite fortunate for Providence, for the city was thus spared the gray trail of 1960s-style redevelopment projects that are now regarded as eyesores in other American and European cities. Then, from this somewhat fortuitous start in the early 1970s, a private redevelopment effort began to pick up momentum. In 1973, the city's most important downtown businesses organized their own economic development effort.

According to interviewees, economic development efforts after 1974 can be broken into a period of new ideas and new projects and a period of routinization. The beginnings of innovation lasted from 1974 until about 1978, when moderate and experimental efforts were made by local business people using private capital only. Private sector leadership, centered in the newly created Providence Foundation, completed three small renovation projects in quick succession: the Lowes Theater, the Arcade (touted as "America's oldest shopping mall"), and the historic Biltmore Hotel.

Providence made a major leap in innovation in 1978. Thereafter, development projects increased sharply in cost and public-sector participation became more prominent. This breakthrough occurred with the initiation of the first of a long series of downtown property development projects near the Capital Center District that are at the center of the academic and popular literature. They also seem to be absolutely central in the minds of the most important local actors as well, for those individuals interviewed for this study mentioned only Capital Center District projects as having general importance.

The Capital Center projects were made possible by the relocation of railroad tracks that once separated the capitol building complex from the rest of downtown and blocked downtown land development. Although it had been a long-standing problem, the solution of moving the tracks was finally made possible when the Federal Railroad Administration (FRA) approved the allocation of $15 million for the renovation of the track line. The same group of business leaders who had begun to target downtown redevelopment learned of this plan and wrote a request to federal authorities to use this money to move the tracks underground. It did not take long for public-sector actors to rally behind the idea, and once the tracks were moved, new real estate was created which was then used for the Capital Center District projects. The most important projects following the track relocation included the move of the bed of the river that flows through downtown, a new mall, and a convention center. All of these projects made way for smaller property developments, such as new office buildings and a new Amtrak station.

Few innovative or "entrepreneurial" economic development policies are to be found beyond the Capital Center District. Providence uses standard tools such as enterprise zones, tax abatements, and industrial parks. However, none of these activities was mentioned as important by more than one interviewee. Rather, actors view these tools as moderate applications of state-wide programs not requiring much support at the local level. Moreover, the city's industrial parks have been criticized by outsiders as low in impact; and the tax abatement system has been abused for patronage (Goldberg 2000).

Targeting

Before 1974, the city's economic development network was centered around the Providence Preservation Society (founded 1956) and the Rhode Island Historical Preservation Commission (1968). The efforts of this circle were focused on saving old homes, and their efforts contributed to the development of a grassroots planning community in the city. The efforts of this planning community came to fruition in the *Interface Providence* report, published in 1974. This report stimulated a great deal of discussion in the city about downtown development (Motte and Weil 2000: 11). Its publication may be one reason why economic development was dominated by the discourse about urban decline and downtown redevelopment.

The downtown renewal that began in the 1970s followed no formal plan. *Interface Providence* indeed served mostly as a spur to discussion. It was never implemented and did not call for the track move, which turned out to be the most significant and successful single development project that actually occurred in the city (Motte and Weil 2000: 11). The city created a new comprehensive plan in 1994, called *Providence 2000*, as required by state law. It is characteristic of the city that this plan was dominated by urban development projects (Dykas 1994).

One interviewee claimed that none of the city's plans were significant, being too long term and too broad in scope for practical purposes. In contrast, the projects associated with the Capital Center stimulated a burst of activity exactly because the area was small, its development was incrementalized into small projects, and most of the projects involved undeveloped land "created" by the track and river moves.

Sectoral targeting was briefly practiced in an effort to help jewelry manufacturers, but this idea, too, emerged out of the culture of downtown development planning and thus focused more on the goal of fixing up historical industrial districts, rather than on the real needs of modern jewelry manufacturing. As a result, some manufacturers were lured back into renovated historical factories which were too large and expensive for them.

The state of Rhode Island has been able to conduct economic development strategizing where the city of Providence has not. The governor was able to pursue his policy agenda through the state's own Department of Economic Development (recently privatized as the Rhode Island Economic Development Corporation) or through tax policy. The current governor has placed a noticeably greater priority on economic development, explicitly targeting computer, biotech, and marine technology firms. However, state targeting efforts have no local components in the city of Providence.

The most serious recent targeting attempt is being undertaken by an organization called the Providence Plan. A central targeting priority of the Providence Plan has been the medical industry. This targeting idea echoes similar concepts worked out by the United Way and by the independent consultant, Ira Magaziner, who had tried to influence economic development planning in the state in the 1980s. However, the targeting activities of the Providence Plan have been isolated.

Organizational Complexity

A number of organizations were identified as currently important to economic development, but only two organizations were considered to be important by a majority: the chamber of commerce and its affiliated downtown business group, the Providence Foundation. Other organizations identified as important by at least two individuals included the Providence City Council and the Providence Department of Planning and Development. Also recognized was the Capital Center Commission, a parapublic organization established in 1983 to run the most important downtown development efforts. All of these organizations have close links to downtown interests.

Interviewees concur that the most significant institutional innovation in Providence was the establishment of the Providence Foundation in 1974. One year earlier, downtown business leaders had approached Mayor Doorley about halting downtown decay. These talks:

> resulted in the establishment of the Providence Foundation, a nonprofit . . . affiliate of the Chamber of Commerce with administrative support from the city. The Foundation's goal would be to 'create, plan and facilitate feasible downtown development projects which can then be implemented by others' (Motte and Weil 2000: 10)

The Providence Foundation soon became the voice for the downtown business elite and a permanent organizational link between the public and private sectors. Prominent early members included downtown banks and other major downtown property owners. Given this membership, its mission was clear from the start and has not changed: preserve the value of downtown properties by renovating historical buildings and by improving the general cultural, business, and social environment downtown. The Providence Foundation is still the most important economic development organization in the city.

The city's planning and development activities are combined within the Department of Planning and Development, which had between 80 and 100 employees through the 1980s, but fewer and fewer ever since due to creeping budget cuts (Mingis 1997). The department's leaders have enjoyed the respect of local businesses, and the department is the door to the city for business groups and the main public-sector partner for the Providence Foundation. The key role of the department also means that its director often finds himself trying to smooth relations between the sometimes temperamental Mayor Cianci and private businesses. However, during John Palmieri's tenure as director, which began in 1992, cooperation between the city and the private sector was the rule.

The Department of Planning and Development is another new institution that plays a key role in economic development. It consolidates planning and development functions so that economic development generally tends to be dominated by downtown planning. This has earned the department some criticism. In the early 1980s, when city services fell into disarray and the city nearly went bankrupt, Gary Sasse of the Rhode Island Public Expenditure Council (RIPEC), a kind of private-sector watchdog organization, had been asked to make recommendations for a thorough reform of the city administration. His report included criticism of the city's economic development effort for not being especially business-friendly. Although the city is good at self-promotion, say critics, it does not engage in economic development in a broader sense. Economic development is focused on downtown projects. According to critics, this mirrors a long-standing lack of a clear consensus about the goals and direction of economic development. In some ways, the Department of Planning and Development exemplifies these weaknesses and thus was targeted for reforms by Sasse in 1984. RIPEC's *Creating the Future* report, released in that year, recommended that a single-purpose economic development agency be created in Providence, an idea that resurfaced in 1994 (Mingis 1994). The department's director, John Palmieri, has argued that the costs of setting up a separate department for economic development would be too high (Mingis 1997). However, critics note in interviews that making the economic development function independent of downtown planning is not in the interest of the Cianci administration. A separate department for economic development would be in a more legitimate position to criticize the Mayor's monopolization of development funds. As an example, the mayor had the downtown designated a separate neighborhood eligible for CDGB funds, half of which he reserved for "mayor's priorities," which then were not available for development ideas.

The only successful organizational innovation after the founding of the Providence Foundation was the 1983 creation of the Capital Center Commission by the state of Rhode Island and the city of Providence. It is a single-purpose, public-private partnership used to manage the Capital Center District process. Its members are appointed jointly by the state, the city, and the Providence Foundation. It became an important planning body on its own because of the long-term scope and large scale of the Capital Center projects.

Coordination

Due to the highly stable organizational structure of the economic development network and its institutional bases, the coordination of all of the economic development efforts in the city became routine during the course of the 1980s. Coordination is aided by the fact that it is conducted by a small group of individuals who are well known to one another. Once projects got going, a high frequency of communication among the public and private sectors and among levels of government was guaranteed. Examples include the track move, the river move, and the current plans to move Interstate 95.

In Providence, economic development means downtown development, in a quiet consensus that is actually much stronger than the trumpeted "Dortmund consensus." This strong consensus means that other actors and other ideas are easily excluded from the coordination process; indeed, the exclusivity of the network is one condition for the high degree of coordination that takes place within it.

The Providence Plan was the only significant organizational innovation in the city in the 1990s, and it represented a chance for the city to expand the scope of economic development. It experienced some successes, but it is not considered an influential organization by interviewees and has not contributed to strategic policymaking overall.

The story of the Providence Plan organization and its subsequent relations with the development elite show the limits of coordination in the city. The Plan was created in 1992 in an initiative involving Brown University, Governor Sundlun, and Mayor Cianci. It was given several broad goals centering on jobs, training, and housing. The first executive director of the Providence Plan was Michael Rich, who had previously been on the Brown University faculty. His first task was to drum up support for a new approach among the businesses organized in the chamber and the Providence Plan, and among neighborhood communities. Rich wanted to effect a departure from the downtown focus, but public and private sectors had never cooperated over any other kinds of economic development efforts before. The Providence Plan found itself in a somewhat isolated position vis-a-vis the Providence Foundation and the mayor. Their isolation was rooted in the long-standing rivalry between the interests of big downtown businesses and those of the city's residential neighborhoods. The Providence Plan has been more explicit in its openness to neighborhood interests, even as Cianci always strongly identified himself with the highly successful downtown renovation effort. Thus, if the Providence Plan were to generate successes similar to those of the Providence Foundation, it could develop into a symbolic patron of neighborhood interests in the economic development system. Cianci may perceive the Providence Plan as a competitor, and the Providence Plan is certainly a threat to the way Cianci has balanced neighborhood and downtown interests so far. As a result, the Providence Plan finds itself in competition with the city administration for the support of community groups and for federal funds.

The Local Actor Network and its Changes

Using the reputational ranking method, data provided by nine interviewees were used to compile the ranking presented in table 4.5. In Providence, Buddy Cianci was most commonly mentioned as an important actor. He accumulated 10% of the total votes cast. Because of his strong showing, only two actors made it into the eightieth percentile. Eight individuals were in the fiftieth percentile, and 16 in the twentieth.

Table 4.6 shows the structure of the important actors who fell above the twentieth percentile cutoff. Interestingly, the most influential leaders had entered the network before 1980. Mayor Cianci stands out among this group, being a virtual power base unto

Table 4.5: Reputational Ranking of Actors in Providence Economic Development

Name	Position	Vote Share	Cumulative Percentage	
Cianci	Mayor, 1975-1985, 1988-	10.00%	10.00%	1
Paolino	Mayor, 1985-1988	7.88%	17.9%	**2**
Marsella	Providence Foundation	6.59%	24.5%	3
Sundlun	Chamber of Commerce, Gov.	6.59%	31.1%	4
Baudouin	Providence Foundation	5.93%	37.0%	5
Chafee	U.S. Senator	5.48%	42.5%	6
Metcalfe	Publisher, *Providence Journal*	4.74%	47.2%	7
Deller	Dept. of Planning and Dev.	4.63%	51.8%	**8**
Palmieri	Dept. of Planning and Dev.	4.63%	56.5%	9
Pell	U.S. Senator	3.89%	60.3%	10
Warner	Architect	3.62%	64.0%	11
Sasse	RI Public Expenditure Council	3.52%	67.5%	12
Garrahy	Governor	3.44%	70.9%	13
Valois	State Economic Dev. Corp.	3.33%	74.3%	14
Gregorian	Brown University	2.78%	77.0%	15
Magaziner	Private Consultant	2.78%	79.8%	**16**
Twentieth Percentile Cutoff				
Total Number of Actors Mentioned at Least Once				**33**

himself. Cianci was voted into office in 1974, at the same time that the business community was organizing its public-private partnership. His opponent, incumbent Mayor Doorley, had minimized his administration's support for economic development. Development thus emerged as an issue the entrepreneur Cianci could exploit. The city's political agenda was fixed on downtown development after 1974, despite Cianci's forced absence between 1984 and 1990. Indeed, Joseph Paolino's term as mayor during these years was a continuation of the agenda—his father is a prominent real estate developer.

Bruce Sundlun, a Providence native, is a figure almost as colorful as Cianci. Sundlun managed the city's most important local broadcast media firm for several years after 1976. In 1978, he played a key role in the rail track move as president of the chamber of commerce, and then he was able to assist the Providence downtown development network as Governor of Rhode Island from 1991 to 1995. Senator Claiborne Pell was im-

Table 4.6: Important Actors in Providence Economic Development

City Elected Officials
Cianci, Mayor 1975-1984 (R), 1988-present (I)
Paolino, Mayor 1985-1988 (D)

Bureaucracy
Palmieri, Planning and Development Dept., 1985-present, executive director since 1992
Deller, Assistant Director, Planning and Development Dept. 1992-1999

Higher Levels of Government
Garrahy, Governor 1977- 1985 (D)
Sundlun, Governor 1991-1995 (D)
Chafee, U.S. Senator 1976-present (R)
Pell, U.S. Senator 1961-1996 (R)
Valois, Exec. Director, Rhode Island Economic Dev. Corporation, 1995-1999

Business
Marsella - Director, Providence Foundation
Baudouin - Director, Providence Foundation
Metcalfe - Publisher, *Providence Journal*
Sundlun - President, Chamber of Commerce,

Others
Magaziner – consultant
Sasse – R.I. Public Expenditure Council
Warner – architect
Gregorian – President of Brown University

portant for securing funds for the rail move. Governor Joe Garrahy was similarly instrumental in the track move, and was also important in the 1980s when he was able to help mobilize state funds for Capital Center projects. Ron Marsella, the first executive director of the Providence Foundation, initiated the track relocation effort in 1978. He later started his own estate company to develop the Capital Center projects he had helped to make possible as executive director of the Providence Foundation, and in this capacity continues to be an active member of the network.

Individuals entering the network in the 1980s include John Palmieri and Tom Deller. John Palmieri has worked in the Providence Department of Planning and Development since 1985 and became its executive director in 1992. The interview data strongly suggest that Palmieri has become the most important point of contact between the business community and the Cianci administration, for none of his predecessors inside the city bureaucracy were mentioned as important in the economic development effort. In the Department of Planning and Development, Thomas Deller was deputy director for planning until recently. It is characteristic of priority setting in economic development in Providence that Deller, as head of planning in the Department of Planning and Development, was identified as important several times, while the deputy director for economic development within the same department was mentioned only once.

Several higher-level governmental actors also became important members in the early 1980s. These include U.S. Senator John Chafee and Bruce Sundlun when he became Governor. Their entry is connected with the increasing significance of public-sector funds for local development projects in Providence. Other actors had sporadic influence. Michael Metcalfe, publisher of the *Providence Journal*, made a continuing impact in the 1980s by publicizing the city planning discourse. Ira Magaziner is given credit for spurring a discourse in the mid-1980s over economic development issues statewide. Bill Warner, a local architect, suggested the river move that was begun in 1989. Vartam Gregorian helped get Brown University involved in local economic development in the early 1990s, and Marcel Valois oversaw an increased state economic development effort under recently elected Governor Almond. The remaining two actors in the list are Gary Sasse and Dan Baudouin. Baudouin is a former banker and the current executive director of the Providence Foundation. Gary Sasse directs the R.I. Public Expenditure

Council (RIPEC), a business-sponsored watchdog of public-sector spending. Sasse and RIPEC have been involved in Providence government from time to time, for example through the drafting of a city bureaucracy reorganization plan in 1984.

As table 4.6 makes clear, there is a noteworthy absence in Providence's development network of individual business executives, reflecting in part the leadership role played by the Providence Foundation. Prominent business leaders commonly serve as chairs of the Providence Area Chamber of Commerce, for example Thomas Skala, senior executive vice president of Fleet National Bank. Noteworthy also is the absence in economic development projects of businesses that do not own downtown land assets. Among the more active businesses in the past were the city's three largest banks, who also happened to be among the more important downtown landowners: Fleet National, Old Stone, and Hospital Trust. All three banks had invested in office buildings downtown (www.providenceri.com/history/). Fleet has played a special role, being an important early partner of the Providence Foundation, among other efforts (Davis 1992).

Some changes occurred in the membership structure of the Providence Foundation that are not reflected in the list of important actors shown above. One such change was the gradual disappearance of locally based bankers and businessmen. In the mid-1970s, individuals like John Henderson and Bill Miller of the Textron corporation, or the top management of Fleet National could almost single-handedly mobilize the financing necessary for a small project like the Biltmore renovation. Yet these kinds of firms moved away in the 1980s and 1990s. The fading away of the established business elite has reinforced the dominance of public-sector actors in the local development network.

Importance of State and National Governments

The importance of state and federal funds and actors cannot be overemphasized in the case of Providence, because *all* of the economic development projects that happened in downtown Providence after 1978 were financed in major part by state and federal governments. One interviewee calculated the public investment in Providence at an enormous $1.75 billion. Of this amount, the city has contributed only a very small part.

Interviewees offered several explanations for the heavy investment of the state and federal governments in downtown Providence. First, intergovernmental relations were personalized; friendships increased trust and cooperation across governmental levels. For example, Governor Bruce Sundlun had been in the same Boy Scout troop as U.S. Senator John Chafee. A second factor is the small size of the state. As Providence is the capital of the state and a close neighbor to most other Rhode Island areas, its appearance and welfare have a high priority in state politics. Finally, both of the state's U.S. House districts cover areas in or near greater Providence, so getting the support of the entire delegation for downtown development was easy.

The way in which intergovernmental relations became strengthened by cooperation in the track relocation is highly instructive. In 1978, Ron Marsella, Executive Director of the Providence Foundation, discovered that $15 million had been allocated in the Federal Railway Administration's budget for the renovation of rail bridges in Providence. He went to Bruce Sundlun, then president of the chamber of commerce, to report that the tracks potentially could be put underground for the same amount of money. This was a longtime dream of local planners, but it had never been considered feasible. Sundlun requested $5,000 from the chamber to commission an engineering firm to make a cost estimate. A few weeks later, the engineering firm turned over a study showing that $15 million would be sufficient to make the move. Sundlun and Marsella then immediately went to U.S. Senator Claiborne Pell, who happened to be in his Providence office on that day. Many of Pell's ideas and interests were reflected in the idea to move the tracks, and he immediately gave his support. All three drove together down the street to the Rhode Island capitol building to see Rhode Island Governor Garrahy, who also approved. Providence Mayor Buddy Cianci was next in line, and his office was also a short drive away. When shown the plan, Cianci reportedly proclaimed: "Hey, if the federal government's going to pay for it, let's do it" (Motte and Weil 2000: 13). The Federal Railway Administration and the U.S. Department of Transportation did indeed pay for the track move, as well as a number of other downtown improvements. In an interview, a former Providence Foundation official noted that local planners found an unexpected but important ally in a Department of Transportation official (also with an office in downtown Providence) who helped find ways to use DOT money for unusual and expensive amenities such as landscaped walkways and pedestrian bridges. After this success, which was several years in the making, working relationships in economic development activities between public and private actors on the one hand, and among actors on different levels of government on the other, became routine.

Two state organizations were mentioned by interviewees as important: the General Assembly and the Rhode Island Department of Economic Development (now the Rhode Island Economic Development Corporation). Governors Garrahy and Sundlun were recognized individually. Garrahy was instrumental in the track relocation. When Bruce Sundlun became governor in 1991, the local network had one of its own running the state government. He was helpful in persuading the General Assembly to pass bond issues for Capital Center development projects, some of which were quite controversial.

Rhode Island governors were handicapped by two-year terms until 1994. This certainly prevented the development of long-term thinking and expertise in economic development within the state bureaucracy. This has changed under governor Almond, who was the first governor to be elected to a four-year term and who quickly produced a comprehensive, targeted economic development program.

The private sector had its own contacts with the state government and used them to coordinate private sector and public-sector investment in downtown development. Businesses often cooperated better with the state government than did the city due to the controversial governing style of Mayor Cianci.

Dynamics of Coalitional Decisionmaking

The city government of Providence did not have an especially active economic development network before the 1970s. As decline threatened downtown properties, however, those members of the private sector who stood to lose most from declining downtown property values melded together under the consensus that something had to be done to stop urban decay. The natural starting point for these business actors was the chamber of commerce, but elites created a new and elite organization within the chamber, the Providence Foundation, explicitly for the purpose of organizing a business response to decline and for cooperating with the city on downtown development issues.

The newly elected Mayor Cianci perceived the benefits in cooperating with the private sector, and the Providence Foundation's clear focus on downtown properties provided a good base for cooperation. The new network began to work on small downtown renovation projects. These projects were relatively easy compared to what the network would later accomplish, but as one central actor recalled of this time, "we were lucky to have a group of individual business people who worked well together, who were of like mind," referring particularly to the executives of the four large banks, G. William Miller of Textron, and Michael Metcalfe of the *Providence Journal-Bulletin*. The financing required by the small renovation projects could be covered by this group alone.

Why was the original Providence Foundation group oriented around historical preservation? One interviewee speculated that they were influenced by the planning culture that had been established through the work of the Providence Preservation Society and the Rhode Island Historical Preservation Commission.

Once the first small projects sponsored by the Providence Foundation were completed and successful, actors report that they found it easier to organize people behind later projects. For this reason, individuals responsible for the Capital Center District projects characterize the mid-1970s as a period of consensus building, when public and private actors learned that they could work together. During this time, federal programs of the Great Society era were fading, but no city programs emerged to replace them. The small renovation projects are remembered by interviewees as confidence builders, showing the downtown business community that they could work together and in cooperation with city officials to improve the downtown.

After the completion of several small projects, a public-private network in economic development emerged that was quite confident and in which aspirations were rising. This network was well poised to take advantage of new opportunities, and a major opportunity presented itself with the rail move. The track move represented a quantum leap in terms of the risk and complexity of the financing involved, but it, too, was a success.

Looking back over nearly three decades of economic development in Providence, one notes that almost all of the significant economic development projects in Providence were related to the track relocation in an ad hoc chain of events. More than one interviewee directly suggested that "one thing led to another" in a series of responses to opportunities or particular downtown planning problems. Once the tracks were moved underground, about 60 acres of real estate were opened up for development. This led to ideas about what to build on the property, and in this context a convention center and a new mall were built. Due to a traffic congestion problem nearby, the location of the bed of the river that flows through downtown was altered; this, in turn, created the opportunity to build a new waterfront. Economic development officials in Providence were alert to these opportunities and made best use of them, but their efforts in the 1980s and 1990s were less directed by the consideration of market needs and opportunities than they were responses to opportunities presented by earlier public projects. One interviewee sums it up best: "We had no overall plan. We pursued projects on an ad hoc basis as opportunities presented themselves, but every damn one of them worked." The success of Providence redevelopment lay in its creation of a network of individuals able and willing to seize on opportunities as they presented themselves.

Early successes increased optimism about public-private cooperation, and increased the willingness of the actors to take financial risks. Successes fed back to the few established organizations, including most importantly the Providence Foundation and Mayor Cianci's administration. As these organizations saw their projects to successful completion, they were encouraged to do more.

As a result of its successes, the local economic development network in Providence is quite good at what it does, but what it does well is limited to the one area of downtown development. Although the reforms in the network made strategic action possible in reaction to decline in 1974, the network is not now characterized by strategic action. No other groups exist that experienced successes comparable to the downtown clique. This represents a danger for strategic policymaking, for the development elite has not taken a serious look beyond the projects of downtown to consider other areas of economic development in the city. Ira Magaziner's consultancy group, the United Way, and the Providence Plan were, or are, organizations that have looked for such opportunities, but the grand successes of the Providence Foundation have overshadowed their ideas.

Providence: Conclusion

Providence's response to decline was the earliest of the four cities under study, coming in 1974. From that year forward, the city began slowly to reconstruct its entire downtown area, turning a blighted industrial center into a new hub for tourism, office complexes, educational institutions, and shopping. This strategic response was made in evaluation of problems, opportunities, and resources present in the 1970s.

The significant increase of development activity that occurred in the 1970s and early 1980s was clearly linked to two early changes in the network structure: the creation of the Providence Foundation and the establishment of a working, informal public-private partnership between it and the new Cianci machine. Based on this, a local governance network developed before the transformation of the city's economic development policy. The network became more ambitious and more public-sector dominated due to the large amounts of aid being transferred from state and national governments.

Higher-level governmental officials and the resources they were able to bring have played a prominent, if not central, role in Providence since the 1980s. Bipartisan cooperation was the norm in this effort. An array of governors, U.S. representatives, and U.S. senators all were involved at one time or another in securing funds for downtown redevelopment in Providence, irrespective of party affiliation. Together, they secured a significant amount of funding for Providence, without which the city's characteristic successes would not have been possible. The dynamics of decisionmaking in Providence were characterized by swift and increasing success, which was aided by a very narrow focus on downtown development. As a result, the decaying downtown was transformed to a glowing example of an American "renaissance" (Larrabee 1996). NBC even created a "feel-good drama" based in Providence and named after the city (Barry 2000: 25). Yet the blooming downtown cityscape covers over an important weakness in the city's economic development system: the system's narrow focus and the very successes experienced by development elites in the past made it harder to adopt policies strategically later on. Success in Providence was clear and it came early, but it remained limited as actors concentrated efforts and resources on downtown development, the area in which they had experienced such success earlier. In this way, successes in downtown development make it difficult for other, untested ideas in economic development to receive broad support, and the number of current viable policy alternatives is low.

Findings: Strategic Cities in the 1980s

Upon closer examination, it was found that the responses of neither Dortmund nor Providence were very hard in the 1980s, and both responses were only moderately hard in the 1990s. Despite these limitations, Dortmund and Providence's reputation as cities that dealt successfully with economic decline is deserved. Both cities distinguished themselves by a very quick response to decline based on local needs, opportunities, and resources. Each city set clear goals early on in their process of responding to economic decline and achieved lasting success in one area of policy that was new to them.

The comparison shows that all hypothesized factors were at work in similar ways in both strategic cities. This justifies a tentative argument that these factors are generally important for helping cities react strategically to decline. However, a puzzle emerges upon examining Dortmund and Providence in the 1990s, for they did not continue making policy choices strategically. Later projects and goals remained focused on ideas set in the 1980s. Although some members of the local network in both cities attempted to take stock and evaluate policy alternatives, the networks did not go on to adopt a strategic policy agenda adapted to new conditions. Later actions were more reactive than strategic. The explanation for this pattern is reserved for the final chapter.

Responses

Both Dortmund and Providence had, or created, effective organizations for economic development. As they began to plan and implement policies, the complexity of organizational structures in both cities increased. However, with the exception of the Technology Center governing board, organizational innovation in Dortmund was an informal and temporary rallying of latent resources of public and private sector actors, of all levels of government, and their focus onto new areas of activity. In Providence, the reorganization of the chamber of commerce through the creation of a new organization, the Providence Foundation, was the first task that actors set for themselves.

The level of coordination among newly activated or created organizations in both Dortmund and Providence was very high. In Dortmund, coordination could be orchestrated informally among established groups, but while Dortmund actors were orchestrating, Providence actors were institutionalizing cooperation. A new political leadership in the city quickly aligned itself with the new business organization to create a new governance network to do economic development in new areas with a previously unknown degree of consensus about goals and tools.

Urban Governance Coalitions and their Transformation

Both cities had a functioning public-private coalition in the sense expected by urban regime theory. Indeed, these coalitions were quite similar in structure, as measured by the number of actors, the institutional bases of the members, and the concentration of influence within the network. Power was somewhat less concentrated in Dortmund. In Dortmund, 21 individuals made it into the twentieth percentile, compared to 16 in Providence. Thus, influence was in the hands of a smaller number of actors in Providence, despite the fact that the time period of change in Providence was somewhat longer than in Dortmund. However, given the variation in the years studied, the number of interviewees, and the cases themselves, there is an astounding degree of similarity in the distribution of influence in the networks. In both cities, only about three actors make it into the eightieth percentile, and eight or nine actors reach the fiftieth percentile. In both networks, the mayor, a chamber of commerce official, and a top bureaucratic official constitute the three most influential individuals in the network. This is the exact constellation predicted by Elkin (1987) and other regime theorists, and is more remarkable upon considering the large differences in the national institutional contexts of these two cities.

Coalitions in Dortmund and Providence were formed or transformed *before* the initiation of new, successful responses to economic decline. New policies were not implemented by the same old actors working under the same conditions. In both cases, a consensus was established among network members about new goals to be pursued in the response to economic decline. Also, both cities' coalitions were transformed by the entry of new actors with new institutional resources.

Higher-Level Governmental Aid

Both cities enjoyed a similarly privileged relationship with higher levels of government. Although in Paul Peterson's interpretation, higher-level government aid should have had a negative impact on strategic action, the experiences of Dortmund and Providence alone suggest that its impact is positive. The positive, or at least neutral, effect of intergovernmental aid on the strategic quality of local responses in Dortmund and Providence may stem from the fact that aid was significantly increased only after local actors began responding to economic decline. Nonetheless, higher-level government officials also worked as members of the governance coalitions in both cities, being in continuous contact with locally based actors about economic development activities. In Dortmund, the effect of intergovernmental relations seem to be most clearly positive. State officials encouraged the local network in Dortmund to disengage from the goal of preserving traditional industries from an early point in time onward. In Providence, state and national government actors were not closely involved in the new network that emerged in the 1970s, but when state and national government officials became involved, the massive resources they brought increased permanently the aspirations and the risk tolerance of the local network. Thus, higher level governments served in a supporting role to local actors.

Dynamics of Coalition Decisionmaking

Dortmund and Providence had surprisingly similar experiences with the dynamics of coalitional decisionmaking. Both cities had long histories of creeping industrial decline that was rudely accelerated by a "shock." In both cases, the crisis served to galvanize the opinions of elites in two ways: first, many key actors quickly came to agreement that something should be done, and second, the crisis itself provided ideas about what exactly should be done. In Dortmund, the consensus centered around taking care of laid-off steel workers and finding replacement jobs in sunshine industries. In Providence, the crisis that spurred action was clearly related to urban decay, suggesting that action should be directed toward downtown redevelopment.

Several other elements in the sequence of decisionmaking were shared by Dortmund and Providence. Both cities responded to decline by expanding economic development efforts in one area, and these earliest efforts were successful. Indeed, their narrow policy focus and moderate goals probably made success more likely. Moreover, success started a snowballing process, whereby early successes boosted the confidence and aspirations of project initiators, which in turn encouraged them to do more in that one particular area of success. Further, success made activities in the same area much easier, for the following reasons. First, the original supporters of new policies found it easier to persuade more members of the local network to join later efforts in the same area. Second, success also made it easier to persuade higher-level governmental officials to support similar, subsequent efforts. In effect, then, the success of relatively small, narrowly focused early projects reinforced the early consensus—which had been sparked by a crisis—that something should be done in that one particular area. Most subsequent policies considered to be successful by local actors themselves were focused on the same area as the early success. Through all of these mechanisms, the impact of initial policy decisions on later decisionmaking was much greater than their actual economic significance.

CHAPTER 5

NONSTRATEGIC CITIES IN THE 1980S

The primary subject of this study is the strategic cities of Dortmund and Providence, and their comparison shows that they shared all four characteristics hypothesized to have an impact on strategic policymaking. However, the presence of common factors linking Dortmund and Augsburg is insufficient evidence that these factors are necessary conditions of strategic policy choice. One cannot know if these factors are not also common in cities that did *not* respond strategically, unless one also looks at decision-making processes in nonstrategic cities. To allow for such a control, this chapter presents studies of one German and one American city—Augsburg and Louisville—that experienced economic problems similar to those of Dortmund and Providence but did *not* respond strategically in the 1980s.

Augsburg

Augsburg responded to local economic decline with organizational reforms and increased economic development activity, but its overall effort has been characterized by a low level of coordination, simple and traditional organizational structures, and broad targeting orientations. The city's economic development effort is evaluated at the "easy" level both in the 1980s and 1990s.

There has been no public-private governance coalition in Augsburg in the sense described by regime theorists. The organizations and actors of economic development are split into public and private camps centered around the two venerable institutions of the city council and the IHK (*Industrie- und Handelskammer*, the chamber of commerce representing the region's largest businesses). Both groups have overseen successful projects. Yet, they are independent of one other. Each has its own, independent channels to higher levels of government. Consequently, the economic development is more hierarchical than networked and the most important decisions are made within traditional institutions, rather than between them.

Given its fractionalized structure, the local actor network is not practiced at setting collective goals in economic development. The IHK is the clear leader in economic development. At the same time, much of the innovation in local economic development was the responsibility of state actors or was dependent on state funding. This makes the state of Bavaria appear to be more important than justified by the amount of aid it has given to the city, for the state has not made as much funding available for Augsburg as did North Rhine Westphalia for Dortmund or as did Rhode Island for Providence.

Augsburg began more intensive attempts to reform and reorganize its economic development system in the 1990s, after recession once again seriously threatened the stability of the local economy. These efforts include organizational innovations and new projects. The city also engaged in explicit targeting for the first time. Again, however, the state government played the role of initiator and funder, and the attempted organizational reforms have not met expectations.

Economic Development Policy in Augsburg after Decline

The timing of decline in Augsburg is more complicated than in Dortmund or Providence. No signal crisis stands out in the memory of the individuals who were involved in economic development during the 1970s. Newspaper coverage and official city reports suggest that local leaders were optimistic about the economy in the 1980s, despite severe losses in textile and other manufacturing jobs through 1984 (Amt für Wirtschafts-förderung der Stadt Augsburg, Various Years). Indeed, the local economy actually underwent a mild recovery in the mid-1980s, but this came to an end after 1991, when the economic boom caused by German unification dissipated. In contrast to Dortmund, which was not any the worse for the post-unification recession, Augsburg was hit quite hard by the fall of the Iron Curtain, as local manufacturers began to outsource production to eastern Europe. A new discussion of how to respond to economic decline then followed, and local economic development activities increased soon thereafter.

Table 5.1 summarizes the response of Augsburg actors to decline, as explained in detail below. The split before and after 1990 is made to ease comparison with the other cases, but it is also justified in Augsburg because the impact of recession in the early 1990s made the issue of economic development much more salient politically.

Table 5.1: Augsburg Economic Development Effort

	Existing or new in 1980s	New in 1990s
Areas of successful activity	Acquisition Hard infrastructure	Acquisition Hard infrastructure Entrepreneurship
Successful projects[1]	Convention Center Private venture capital fund	Airport investment Business incubator (*UTG*) Physics institute
Targeting	No targets	Environmental protection technology
Important organizations[2]	IHK City Dept. of Economic Development	No change
Coordination	No regular coordination among important organizations	Still no regular coordination
Difficulty level	Easy (1)	Easy (1)

[1] Noted by at least two interviewees as successful.
[2] Noted as successful by at least 50% of interviewees.

Main Activities and Projects

In the 1970s, the city's reaction to economic restructuring included assisting existing textile firms in the mechanization and modernization of their production processes and funding marketing efforts geared toward the acquisition of new, large manufacturing plants. Economic development policy activity in the 1980s also centered on the attraction of manufacturing facilities using routine and low-risk tools.

Those projects and activities that Augsburg actors themselves identify as important include two private sector initiatives (a venture capital fund, airport expansion) and two public-sector initiatives (a convention center and acquisition of the Institute for Electro-magnetic Correlation and Magnetism). Finally, a recently opened business incubator serves as a rare example of public-private cooperation. However, over 80% of its funding was footed by state and local government.

Private sector efforts have focused on aid for entrepreneurs and the expansion of transportation infrastructure. Entrepreneurship programs existed in the 1980s but became more significant in the 1990s. The venture capital fund was identified by several interviewees as important, although one person reported that it was not very successful at its outset in the 1980s. The venture capital program lacked sufficient provision of supporting services for new businesses, but this weakness was corrected later. Airport expansion, also spurred by the IHK, was a central private sector activity in the 1990s and figured prominently in local newspaper accounts of economic development efforts during those years, but it was slowed by the opposition of adjacent residents.

One interviewee noted that the city's department of economic development was on "automatic pilot" from its inception through the mid-1990s. Its efforts were focused on low risk, routine tasks of acquisition and taking care of existing businesses. Its principal routine activities from 1984 to 1994 were advertising and marketing, serving as an ombudsman between businesses and the city bureaucracy, and assisting in the brokering of property for firms looking to expand in the city (Amt für Wirtschaftsförderung der Stadt Augsburg, Various Years). However, advertising and marketing efforts did not go beyond basic activities such as the publication of brochures and posters. The department could do little in the area of property brokering except to make requests on behalf of businesses to officials within another city department who carried the actual responsibility for real estate transactions (City of Augsburg, Various Years (A and B)).

Despite its modest capacity, the public-sector economic development network was able to book some important successes in the 1980s, namely the acquisition of a Siemens computer and electronic manufacturing facility and the establishment of MAN's aerospace subsidiary in the city. The acquisition of these facilities, especially the Siemens plant, was a central goal of the Department of Economic Development's first director, Hannes Buss. Thus, city bureaucracy was able to point to a successful effort, although its staffing and other expenditures were low relative to other cities.

A second important public-sector activity was the 1982 construction and 1988 expansion of the convention center. The convention center was identified as important more often than any other project in the city. Yet the convention center was a relatively low-risk, low-complexity task funded mostly by the Bavarian government. The public sector has completed no other major hard infrastructure programs. Actors are still deliberating over plans for the redevelopment of the blighted textile quarter and the operation of a local trucking hub facility.

The city's economic development bureaucracy was involved in more risky efforts in the 1980s, including the bailout of SWA, a large textile firm, in 1983 and the attempt at creating a hightech business incubator in 1988. However, for different reasons, both of these efforts failed. The recapitalization of the SWA was intended to bring the firm out of a long bankruptcy procedure that had begun in 1976. It involved a DM 2.7 million state "investment subsidy," an exceptionally large loan guarantee from the city, the purchase by the city of one of the firm's buildings for DM 10 million, and a grant from the National Labor Bureau (*BfA*) for the rehiring of laid-off workers (Poth-Mögele 1986: 89). Critical for the completion of this intergovernmental effort were, at different times, Augsburg Mayor Hans Breuer (SPD) and the state's minister for economic issues, Anton Jaumann (Poth-Mögele 1986: 82-83,88). Unfortunately, the newly capitalized SWA could not withstand the continually sinking demand for domestic textiles and went bankrupt for a second and final time a few years later.

In 1988, plans were made to convert the "Glass Palast," an historical factory building located in the city's textile district, into a business incubator like those located in many other German cities. This project never advanced beyond the planning stages, a problem that has plagued other aspects of Augsburg's long effort to redevelop the textile district and its general land-use plan, which was also issued in 1988. A recurring problem has been the lack of consensus balancing the interests of residents with those of existing and potential businesses in the district. Residents have resisted transportation and other infrastructure improvements that would attract businesses but would increase noise pollution and reduce the amount of park acreage in the area. The city's political leadership has also been split despite the party ties binding them. Greens, meanwhile, organized citizen participation in the planning process (*Augsburger Allgemeine* 1992a; *Augsburger Allgemeine* 1992b). The result has been a very democratic but conflictual planning process that meets with the disapproval of business leaders.

Spurred by a recession that began in 1991 and continuing low growth rates throughout Germany, economic development activity in the city increased. New economic development efforts have also enjoyed more funding from the state government. A large number of new efforts have focused on strengthening the cluster of research institutes and businesses that impart to Augsburg an environmental protection technology "profile." Collectively, this continuing economic development effort and the already completed projects are known as the "Environmental Protection Competency Center" of Augsburg and Swab, abbreviated "KUMAS" in German. The KUMAS has no physical center but is, rather, a bundle of separate projects, most of which were funded partially or completely by the state of Bavaria. Milestones for KUMAS include the acquisition of the Bavarian Institute for Refuse Research and a new physics building at the University of Augsburg (http://www.bayern.de/BayernOnline/ErsteBilanz). The state of Bavaria also relocated the Bavarian Environmental Protection Agency to Augsburg in 1996, a decision that, according to some interviewees, was highly influenced by the good showing of the SPD opposition in the polls during that election year.

In 1997, as part of the KUMAS idea, Augsburg created its first business incubator, ten years after the failed Glass Palast project. The incubator, known as the *Umwelttechnologisches Gründerzentrum* (UTG), gave a substantial boost to the city's overall aid for entrepreneurs. The UTG was a public-private effort, initiated by the IHK but funded mostly by the state of Bavaria. The incubator cost DM 10 million, of which the state government alone provided 75%. The remaining costs were covered by the city and the IHK. Its board of owners consists of state, city, and IHK representatives. In contrast to similar business incubators in Germany, no bank financing or other complex agreements among many actors was necessary. As with most of the KUMAS projects, the heavy initial investment of the state government made local public-private partnership less crucial than was the case in Dortmund.

Targeting

Augsburg did not embark on sectoral targeting in the 1980s. The city's modest marketing efforts in that decade were conservatively focused on the unwritten goal of attracting large manufacturing facilities. This followed standard economic development practice in Germany at the time (Hennicke and Tengler 1985: 1). Augsburgers hoped that electronics and machine tools would compensate losses in textiles. Indeed, these two sectors were performing well in the late 1970s, and the hopes for a comeback in manufacturing were partially realized thanks to location decisions by Siemens and MAN.

Targeting was first attempted in the late 1990s and was done by the IHK, at the prompting of the state of Bavaria and its "*Offensive Zukünft Bayern*" program. The IHK created the KUMAS, which amounts to an environmental protection technology targeting profile. The idea grew out of projects that were already in place by 1994, including the city's 1988 partnership with the local firm MBB for projects related to environmental protection and the construction of a modern facility for trash incineration. Due to the stepwise addition of various projects in the spirit of KUMAS, Augsburg finally has a focus for its economic development activity. However, the profile is less a targeting plan than a set of thematically related, but separate, projects, some of which were defined retrospectively as belonging to KUMAS.

Organizational Complexity

Actors in Augsburg economic development are split into business and political nodes centered around the city council and the IHK. There is no organization—either formal or informal—which brings the two groups together.

Decisionmaking in the political camp is made by city council leaders and the mayor—these actors individually, and not the organizations of the city council, were considered important by interviewees. Key decisionmakers on the business side are those individuals who hold the top IHK functions, and the IHK itself is indeed regarded by Augsburg actors as important. As both the council and the IHK are traditional institutions, their decision structures tend to be formal, hierarchical, closed to outsiders, and separated from each other. Other than the venerable institution of the IHK, the only organization considered important by interviewees was the Department of Economic Development. Created in 1979, the department has focused on routine tasks. Its staff size varied between three and five until 1997, making it smaller than the current German average of 6.6 for similar sized cities (Hollbach-Grömig 1996: 26). The city now funds seven staff positions. Throughout its history, the department has been caught in an organizational bind. Its name and mission evoke high expectations among businesses in the city, but it has had few resources and little authority to meet these expectations. Accordingly, its reputation among businesses has been low.

The IHK is acknowledged by all sides as the leading policy innovator and goal setter. Its leaders are more interested in economic development, it garners more respect among business leaders, it has a broader expertise in economic issues than does the city, and it is better staffed than the Department of Economic Development.

The consensus among interviewees over which are the most important organizations for economic development activities in the city reflects the organizational fractionalization of the city. Almost everyone agreed that the Department of Economic Development and the IHK are important, and there was near unanimous agreement that the mayor as an individual plays an important role (see table 5.2). However, only politicians consider policymaking organizations within the city council, including the majority leadership and the committee for economic development issues, to be significant. Because no one in the business community mentioned such party or council institutions as important, these do not appear on the list of important organizations in table 5.1. Indeed, some business people stress that the Department of Economic Development and the city council were "important" in the past only because they have *not* met the expectations of the business community—in the minds of these actors, the city government and bureaucracy actually present hurdles to economic development.

Several forums and organizations were established that could have bridged public and private sector camps. University professors, union leaders, and city officials came together in 1981 and again in 1987 in "Labor Market Workshops." The goal of the workshops was the alleviation of unemployment in the Augsburg area; their initiator was Martin Pfaff, faculty member of the University of Augsburg and later an SPD Bundestag representative for Augsburg. In 1989, Pfaff organized another forum, called the "Visions from the Future Workshop," after it became known that the neighboring state of Baden-Württemberg was planning some major investments in the research and development infrastructure of the nearby city of Ulm. Participants were similar to those in earlier roundtables (*Augsburger Allgemeime* 1989b). In early 1992, another roundtable discussion was organized to address the likely impact of EU's single market policy on the

Augsburg region, this time with conservative Mayor Menacher as sponsor (*Augsburger Allgemeime* 1992c). However, none of these initiatives led to a permanent organization to bridge the public-private divide, specified goals or targets, or resulted in a plan of common action for all the city's parties and organizations.

In 1993, the mayors, economic development officials, and business associations of Munich, Augsburg, and Ingolstadt created the formal regional economic development agency, the eponomously nomered "M.A.I." During its first two years, the organization scored some recognized successes, mostly in the area of publicity and marketing (Deutsches Institut für Urbanistik 1995: 20). However, Augsburg actors do not underscore the organization as an important new focal point for coordination either among the cities or within Augsburg alone. Part of its problem was its very success, which led many of the other cities located within the three-cities triangle to demand representation in the organization. As a result, a more inclusive regional organization, the "Southern Bavaria Economic Region," was created (Hollbach-Grömig 1996). However, the addition of new actors has increased the difficulty of reaching agreements and coordinating activity, and the new organization was also handicapped by the lack of specific goals other than the representation of more cities. Now, the early optimism has diminished, making it even harder to spur common action (Deutsches Institut für Urbanistik 1995: 20; confirmed in interviews conducted in 1999).

The most recent attempt at organizational innovation is a roundtable called the *Aktivkreis Arbeit*. It was intended to bring public and private institutions together to discuss the general context of employment problems and is one of the very few places where public and private sector actors regularly meet. The forum was created in part at the state's instigation, however, so that while the forum "is a good place to talk," as one participant noted with a touch of irony, it has not made an impression on local actors as an important organization. One problem is that the institutional representatives participating in the roundtable do not include those who control resources. The roundtable has as yet to settle on a plan of action.

Coordination

Economic development efforts in Augsburg were either private or public, but never truly both. Many private sector initiatives required no public aid. When public aid was necessary, IHK leaders made their own contacts with state and federal government officials. Business leaders were also very disappointed with the level of support local politicians generated for airport expansion. The support of the political elite was hindered by neighborhood-based opposition.

The public sector, for its part, did not turn to the private sector for help with its projects and activities. Their most important initiatives, including the convention center, research institutes, and government offices could be funded by state funds alone.

The lack of coordination does not mean that private and public-sector leaders do not communicate or cooperate. The new business incubator is a good recent example of cooperation between the city and the IHK. However, public-private cooperation has been more frequent between the IHK and state governmental officials, leaving local elected officials out of the loop. Indeed, this may be a more efficient path of action in Augsburg, for the contacts of the president and the CEO of the IHK in the 1980s and early 1990s with state and national elected officials were at least as good as, if not better than, those connecting local and state public-sector officials. The most prominent examples of cooperation between the IHK and the state government involved the University of Augsburg.

Such cooperation was, as in Dortmund, aided by the institution of the university curatorium, which provided a ready-made and venerated forum for discussing connections between the university and the region. Theo Waigel, who served as Finance Minister in the Kohl government, was a member of Augsburg University's curatorium. Minister Waigel met regularly with Münker and Haibel and worked with state politicians on various projects relevant to Augsburg, for example, in winning more state funds to secure a physics professorship at the university.

Links between SPD Mayor Breuer and state and national politicians were hampered by party divisions during the 1980s. The CSU (the Christian Social Union, the conservative sister party of the Christian Democratic Union) controlled the state parliament and were part of the coalition controlling the national government. When Peter Menacher (CSU) became mayor, this line of conflict dissolved. However, political relations between local and state government have continued to be vulnerable to regional animosities that traditionally separate Augsburg's region of Swabia from the rest of Bavaria.

The Local Actor Network and its Changes

Using the reputational ranking method described in chapter two, data from ten interviewees were used to compile the ranking presented in table 5.2. In Augsburg, Hannes Buss was most commonly mentioned as an important actor. He accumulated 8.6% of the total votes cast. Three actors made it into the eightieth percentile, eight were in the fiftieth percentile, and 16 in the twentieth.

Table 5.3 shows the structure of the important actors who fell above the eightieth percentile cutoff. The dates of political actors' participation in the network correspond with electoral cycles; thus the political actors are presented in three columns. Changes of

Table 5.2: Reputational Ranking of Actors in Augsburg Economic Development

Name	Position	Vote Share	Cumulative Total	
Buss	Director, Economic Dev. Department	8.59%	8.59%	1
Breuer	Mayor (SPD), 1972-1990	7.67%	16.3%	2
Haibel	President, IHK	7.28%	23.5%	**3**
Münker	CEO, IHK	7.28%	30.8%	4
Stärker	Business executive, Zeuna-Stärker, Inc.	5.75%	36.6%	5
Kirchmaier	Deutsche Bank in Augsburg	5.38%	42.0%	6
Menacher	Mayor, 1991-present	5.32%	47.3%	7
Hintersberger	*Referent* für economic dev. (CSU)	4.89%	52.2%	**8**
Fergg	*Referent* für economic dev. (SPD)	4.28%	56.4%	9
Wiesheu	State minister for economic issues	3.90%	60.3%	10
Berlin	Majority leader, city council (CSM[1])	3.79%	64.1%	11
Liebich	CEO of NCR	3.61%	67.7%	12
Kotter	Deputy mayor (SPD)	3.22%	71.0%	13
Kränzle	Kränzle, Augsburg's state representative	3.01%	74.0%	14
Scholz	Business executive, Haindl Papier, Inc.	2.85%	76.8%	15
Jaumann	State minister for economic issues	2.53%	79.3%	**16**
Twentieth Percentile Cutoff				
Total Number of Actors Mentioned at Least Once				**36**

[1]Christian Social Middle, a splinter party of the CSU

majorities in the city council or of the independently elected mayor occurred in 1978, 1985, and 1991. The same business actors have been active continuously since the early 1980s, and they are presented in a separate row that crosses all three electoral configurations from 1978 to the present.

The city council has been dominated by the more laissez faire CSU since the 1980s. Even under the more activist SPD mayor, Hans Breuer, the economic development interests of the city council were, according to one knowledgeable interviewee, oriented around the moderate course of keeping taxes low, brokering properties for development, and maintaining a positive business climate.

Most of the individuals identified as important in the network are leaders in the city government or the IHK. Public-sector leaders are the mayor and those city council

Table 5.3: Important Actors in Augsburg Economic Development

BREUER MAYOR CSU COUNCIL MAJORITY (1978-1984)	BREUER MAYOR CSM[1]/SPD COUNCIL MAJORITY (1985-1990)	MENACHER MAYOR CSU COUNCIL MAJOR-ITY (1991-PRESENT)
City Council		
Breuer, mayor (SPD) Kotter, deputy mayor (CSU)	Breuer, mayor (SPD) Kotter, deputy mayor (CSU) Fergg, *Referent* (SPD) for economic dev. issues, 1984-1990 Berlin, majority leader, city council (CSM[1])	Menacher, mayor (CSU) Kotter, deputy mayor (CSU) Hintersberger, *Referent* (CSU) for economic dev. issues, 1991-present
Bureaucracy		
Buss, Department of Economic Development	Buss, Department of Economic Development	None
Higher Levels of Government		
Jaumann, state minister for economic issues	Jaumann, state minister for economic issues	Wiesheu, state minister for economic issues Kränzle, Augsburg's state representative
Business		
Haibel, IHK president Münker, IHK CEO Liebich, CEO of NCR Stärker, business executive, Zeuna Stärker, Inc. Scholz, business executive, Haindl Papier, Inc. Kirchmaier, Deutsche Bank in Augsburg		

[1]Christian Social Middle, a splinter party of the CSU

officials with institutional responsibilities, including the *Referent* for economic development issues and the leader of the majority fraction. These actors are split into Social Democratic and "bourgeois" camps and there have been real shifts in power between the two major parties over the past three decades. In Augsburg more than in Dortmund, the influence of particular politicians depended on the last local elections. Political leadership in Augsburg has been very discontinuous, with the exception of Ludwig Kotter of the CSU, who became the city's first *Referent* for economic development issues in 1968 and served as deputy mayor under both Breuer (SPD) and Menacher (CSU). Kotter was known for his efforts to improve canal infrastructure.

Elections spurred changes in economic development even when the incumbent leaders were returned to office because election rhetoric and campaigning sometimes caused a shift in the importance of economic development relative to other issues. The elections of 1989 and 1997 serve as good examples of this process. In 1989, mayoral candidate Peter Menacher called for a redoubling of the city's promotion and marketing efforts (*Augsburger Allgemeine* 1989a). He recommended increased coordination among the various city organizations involved in marketing and tourism. After winning election, he renamed the Department of Economic Development the "Department of Economic Development and City Marketing," yet this change remained largely symbolic during his first term. Menacher was opposed in the 1997 elections by SPD candidate Karl-Heinz Schneider, who used economic development as a central campaign issue. Schneider promised to give the Department of Economic Development more responsibility and authority; to target business services, small to medium-sized enterprises, and the trades; to use city resources to take better care of existing businesses; to aid innovation and entrepreneurship; to intensify the pursuit of higher-level governmental aid; to increase marketing; to reduce some business fees; and to subsidize employment for laid-off workers. Schneider lost the election, but several interviewees believe that his campaign made CSU candidate Menacher take economic development issues more seriously. In 1996, during the election campaign, the Bavarian government decided to move the state's Environmental Protection Agency to Augsburg, giving the city's KUMAS profile an important boost. After Menacher's reelection in 1997, staff and budget resources in the Department of Economic Development were also increased.

The high degree of party competition in the city undermines cooperation between public and private actors in economic development. Competition has meant that the parties stress the differences in their economic development approaches. The CSU has tended to shun economic development, out of the ideologically grounded conviction that it is more appropriate to leave such activities to the private sector. The SPD was quite willing to take up economic development activities, but at the same time it also wanted to regain some of the control of economic development from the business elite in the IHK. As a result, when the CSU was in control, the city did not try to develop expertise in economic development and thus earned little respect in these matters from the IHK. The SPD's approach, on the other hand, undermined the trust of business leaders.

Party competition and electoral cycles brought in new actors, but new actors were based in the same institutions as their predecessors. More thorough changes in the network are just now starting to emerge, but these changes too have taken place through a change of mentality. Many actors interviewed noted that political elites became more sensitive to economic development issues after the recession in 1992. The network has indeed been more active, especially since 1997, but it still operates within the same organizational framework.

One noticeable change in the network occurred when the first director of the Office of Economic Development, Hannes Buss, left to work in Leipzig. Buss was apparently a unifying figure in the city, the only actor acknowledged as important not only by members of both parties but also by business leaders. After he left Augsburg in the early 1990s, no one at the Department of Economic Development enjoyed the same degree of recognition. A new director was sought and finally found in the person of Martina Hartmann in 1993. Outside experts comment favorably on her tenure, noting that the department has become more relevant since her hiring. The department under Hartmann has benefited from the increased sensitivity among top politicians to development issues and an increased budget since 1997.

While discontinuity was the norm among political actors, the business side of the network has been remarkably stable since 1980. The core leaders on the business side in Augsburg are all IHK officials: Hans Haibel, Dieter Münker, Rainer Liebich, and Dieter Kirchmaier. Haibel was IHK president from 1978 to 1994; Münker has been its board chairman since 1980. Liebich was the CEO of National Cash Register, Inc., which had a large factory in the city until recently. Kirchmaier is the director of the Deutsche Bank in Augsburg. Both Liebich and Kirchmaier have served as chairman of the IHK's Industry and Trade Committee (IHG) for Augsburg since 1992, making them the IHK's strategists for downtown economic development programs. Augsburg actors single out Haibel, Münker, and Kirchmaier especially as the motivating forces behind the IHK's dynamism and leadership in local economic development.

A weakness of the business leadership is that it comes across as arrogant in the perception of some politicians. This perception is grounded in truth. Interviewees attested that some individual business leaders believe that the city has blocked innovation and progress in economic development, flatly stating that politicians in the past have acted in the interests of expediency. Business leaders tend to overlook the fact that the political elite in economic development face well-organized ecological parties and neighborhood associations that have opposed growth efforts. Augsburg's neighborhood groups are better organized than in Dortmund and they are much more greatly empowered by planning law than similar groups in the United States. Protest has flared up in the past over the new comprehensive plan of 1988, airport expansion, and the redevelopment of the textile district. Political "expediency" may have been the only response possible in view of the demands of influential neighborhood groups, given that national law requires politicians to integrate citizen groups into the planning process. Nevertheless, there is a lack of sympathy of business leaders for the problems arising from the high degree of political conflict in Augsburg.

In contrast to Dortmund and Providence, there are several independent businessmen of importance in Augsburg, including Dieter Kirchmaier, Rainer Liebich, Hubert Stärker, and Manfred Scholz. Stärker and Scholz are very highly respected local businessmen, but they have concentrated their energies on state-wide organizational efforts for business associations. From 1985 to 1997, Stärker was the president and then honorary president of the Bavarian Employers' Association; he was also a member of the Bavarian Senate after 1994. Scholz was the CEO of Haindl Papier, a large and important local family business. He was also president of the Association of Bavarian Industries.

Importance of State and National Governments

Although the city has not received more aid than is normal for cities in Bavaria, the state government in Munich has played a major, if not decisive, role in almost every project and innovation that has been undertaken in Augsburg. Both local elected officials and IHK leaders have had regular and productive connections to state and national governmental officials. All of the projects of the 1980s and the 1990s were made possible in large part due to state funding. Moreover, the state government bankrolls university and other research facilities that are now located in the city, not to mention the state Environmental Protection Agency's new Augsburg headquarters. State government influence became even more central to the planning of economic development efforts through its

"*Offensive Zukünft Bayern*" program, which after 1995 began distributing DM 4.4 billion statewide. Funding for this program was made conditional on cities' creating a specialized profile, which then spurred the IHK to develop the KUMAS idea and its targeting profile.

Augsburg's state representative, Bernd Kränzle (CSU), is ranked as one the most important actors in Augsburg economic development. Kränzle served as Bavaria's minister for cultural and educational issues after 1993. However, the most important contact in the state government is the Bavarian minister for economic affairs, regardless who occupies the position. The past two Bavarian economics ministers were Anton Jaumann and Otto Wiesheu. Interviewees suggest that former minister Jaumann had a better personal rapport with Augsburg officials, but he did not head an activist ministry. His assistance for Augsburg was limited to a state-wide loan program for small businesses and entrepreneurs and to a state contribution to the recapitalization of the failing SWA textile firm. The state loan program distributed DM 75 million in loans and DM 6 million in subsidies to Augsburg businesses from 1990 to 1999.

Wiesheu's ministry has become more activist in response to a general downturn in the Bavarian economy after 1992. According to information obtained from journalists of the *Augsburger Allgemeine* and the office of Otto Wiesheu in December of 1999, the state continued to be a major partner in the construction and expansion of Augsburg's convention center from 1988 to 2000, spending a total of DM 28 million. Wiesheu also delivered a DM 400 million package for the local tram net, and he recently intervened for Augsburg in the successful effort to provide incentives for the firm Haindl to build a new paper factory in Augsburg instead of Dortmund.

Augsburg's relations with the national and EU governments were handicapped because its decline was always *relatively* mild. Problems in the Ruhr Valley were worse in the 1970s and worse in eastern Germany in the 1990s. Augsburg was never taken up in the national government's regional development assistance program, nor did it ever qualify as a European structural fund target region. National and EU assistance to Augsburg was less and came later than was the case for other deindustrializing cities. This partly explains the central importance of the Bavarian government, which played a role in Augsburg economic development even though it had a more fiscally conservative regional development program than many other German states.

Dynamics of Coalitional Decisionmaking

The economic development network is divided into a private sector and a public-sector camp. Each group has its own decisionmaking dynamic, experiences with success and failure, and motivations for continuing efforts in economic development.

Public Sector

The public sector has been characterized by relatively frequent turnover in personnel and relatively high variation in the attention paid to development issues. The institutional arrangement that allows for divided government at the local level, coupled with high party competition, is the source of this dynamism.

Of all the important decisions made by public-sector actors since the creation of the Department of Economic Development in 1978, only the construction and expansion of the convention center was explicitly regarded as a success by a majority of interviewees.

Both the convention center and the later Siemens and MAN acquisitions required very little public-private cooperation or complex financing. The SWA bailout, in contrast, involved a broad coalition, including a key industrial employer, state and national government officials, local bureaucrats and politicians. Their goal was to rescue a traditional but declining industry—exactly the kind of response of an established, local network in deindustrializing cities that some network theorists expect to find. Indeed, the SWA bailout was the most prominent piece of evidence that city actors in the 1970s and 1980s were oriented around the goal of preserving the city's existing industries.

The positive economic impact of the Siemens and MAN served to lower aspirations among public-sector actors, who felt no pressure to prioritize economic development policy, much less pursue riskier ventures in economic development. Economic development activity was calmed. The failed attempt at creating a business incubator in 1988 was a casualty of these lowered aspirations. Spurred by the final failure of the SWA, which also came in the 1980s, the goal of sustaining traditional industries was finally put to rest. It became clear that the textile industry would never again support high employment levels.

When the public sector's orientation around sustaining traditional industry faded, no other goal rose to replace it. The public sector, led by the CSU, maintained a laissez faire position in economic development, explicitly underscoring that the job of economic development should lay in the hands of business representatives. Public-sector efforts thereafter concentrated on low risk and ad hoc projects designed to attract state-funded, white-collar jobs to the city. Only recent economic problems have reawakened public-sector interest in economic development, but as yet there have been no major policy successes that could have served to increase actors' aspirations.

In sum, the successes experienced by the public sector were in smaller, less complex tasks that it completed alone or in cooperation with state government officials. The one outstanding example of cooperation with a private sector firm—the SWA bailout—failed, which served only to reduce the legitimacy of similar kinds of cooperation. When the more neoliberal CSU replaced the long time SPD mayor in 1991, the change to a more laissez faire policy was institutionally anchored. Now that the CSU and other public actors have become more interested in doing more in economic development, it finds that the actors involved are handicapped by the absence of a track record of success.

Private Sector and Public-Private Efforts

The IHK enjoyed many small successes in the 1980s, and the more success it experienced, the greater was the split between the public and private sector. Its earliest educational infrastructure projects were successful, and these helped to impart to the IHK its widely respected reputation for competence in economic development. The IHK was also able to claim credit for the Siemens acquisition. Although the Department of Economic Development courted Siemens, the IHK had led the construction of training facilities that had impressed Siemens.

Although both public and private sector groups completed several successful projects separately, they never experienced a clear and lasting success in their cooperative activities. Augsburg actors, partially at the instigation of the state, have been trying to combine public and private sector efforts within bridging organizations, but their early efforts have met with disappointments. The very success of M.A.I., for example, led to its current lethargy. The successful completion of projects by the group did not increase the aspirations of the responsible actors. Rather, they elicited the demands of other cities to be included in the organization. Success, then, radically altered the composition of the organization, and diluted the influence of the actors responsible for the original successes. Nor has *Aktivkreis Arbeit* experienced a clear success that would raise the aspirations and enthusiasm of its members.

Augsburg: Conclusion

Augsburg stepped up its economic development activity beginning in the late 1970s, but the prominent activities of the city were concentrated in traditional areas related to acquisition and hard infrastructure development. Public and private activities remained uncoordinated, the organizational complexity of the system remained low, and the city had the misfortune of experiencing policy failures.

Development efforts in the 1990s, especially after 1997, were intensified and have been rewarded with more prominent successes. However, the overall effort is still characterized by low coordination, low organizational complexity, and broad targeting.

Due to dynamism in the electoral process, the high degree of competition among parties in the city, and the mobilization of neighborhood groups, the elite found it difficult to weave a pro-growth coalition. This explains in part the city's difficulty with strategic policymaking. Political competition undermined trust between public and private sector leaders, which then prevented a functioning public-private governance regime, the absence of which was of greater import.

There was a public-private governance coalition in Augsburg in the sense described by regime theorists, but its members rarely cooperated on projects in economic development. The network's actors are split into public and private camps centered around the two venerable institutions of the city council and the IHK. The public-sector network is centered around the city council, the mayor, and by the Department of Economic Development. The private sector network is centered around the IHK. Both groups have overseen several successful projects. Yet both groups remain independent of each other in goal setting and resource management, have independent connections to state and national government officials, and have separately benefited from state funds for local projects. In sum, the organization of economic development is separated into public and private sector institutions, more hierarchical than networked, dominated by formal institutions of government rather than informal practices of governance, and characterized by a dual integration with higher-level governments. Augsburg has an urban coalition according to the measures used in this study, but it is not vital.

Given the difficulties of organizing public-private cooperation, it comes as a surprise for regime theory that the city can present a long list of successful projects and activities in economic development. These include not just traditional acquisition efforts, but also hard infrastructure projects and assistance for entrepreneurs. The reason why the fragmented Augsburg network can get things done in economic development lies in the vertical integration of its two camps. Each is well tied to the state government and its economic development activities, and the state government provides sufficient resources to allow local actors to complete their projects. Much of the innovation in local economic development effort was dependent on the initiative of or funding from the state of Bavaria. The riskier, the more innovative, and the more expensive a project was, the more it depended on state aid. Given this constellation, things can get done with a minimum of communication and cooperation between local public and private actors, and a strong governing coalition that links public and private sectors is not necessary.

The dynamics of decisionmaking reinforced the institutional boundaries separating private and public sectors, because credit for successes never fed back into a collective network. The lack of a successful common track record, however, is an obstacle to strategic action in responding to recent changes and problems in the regional economy. The dual vertical integration of public and private sector camps means that Augsburg actors are better able to respond to signals given by state economic development officials than they are to each other's needs.

Louisville

Louisville was once on the losing side of globalization. For many years, the city's public officials and business leaders struggled unsuccessfully to find and implement a strategic response to decline. Today, however, Louisville's economic development effort compares very favorably to the previously more strategic cities of Dortmund and Providence. Policies and projects in Louisville are carried out by a diverse, but well coordinated, set of organizations. All of the actors work under a single, professionally designed, and comprehensive regional plan. The tools used, projects started, and ongoing activities in Louisville are so numerous that a full accounting of them all is difficult.

The history of economic development in Louisville is first and foremost the story of how, over the course of 20 years, a high degree of organizational fractionalization was overcome and replaced by a well-coordinated, public-private economic development network. At the outset of economic decline, organizational disunity in the Greater Louisville area was identified by most of the important actors as a central obstacle to action. In a repeatedly frustrated effort that bore fruit in the late 1980s, first public-sector actors and then private sector leaders consolidated their respective organizational structures. In

1998, private and public sectors were linked within Greater Louisville, Inc. (GLI), a public-private chamber of commerce that takes on many responsibilities that were once reserved for the public bureaucracy.

Because of the organizational transformation in Louisville, the city's leaders are poised to help turn the city into one of the winners of global economic change. It is already a major motor of job growth for Kentucky and Indiana. Louisville is the only city of the four studied with a detailed plan and implementation guide, and the only city with a truly regional approach to economic growth. Louisville's economic development activities are broad in scope, not confined to land development.

The current strengths of the Louisville economic development system present an intriguing puzzle for this research, for the same network was beset with serious difficulties in the 1980s. The region lost 33,000 manufacturing jobs between 1970 and 1983 (U.S. Bureau of Labor Statistics 1999b), in 1982 one of the city's main economic development projects was loudly pronounced a failure in the local press, in 1985 a former director of the economic development bureaucracy was under criminal investigation, the city faced relentless competition from the surrounding county for new business growth, and the local business elite kept splitting and reconsolidating itself. That this network would follow a meandering path to its current, enviable position could not have been predicted before 1986. The case study below describes this path.

Economic Development Policy in Louisville after Decline

Decline in Louisville was gradual, punctuated by several plant closings but not characterized by a single shock. Table 5.4 summarizes the response of the Louisville economic development system to decline in the 1980s and 1990s, as explained in detail

Table 5.4 : Louisville Economic Development Effort

	Before 1986	After 1986
Areas of successful activity	-Taking care of local businesses - Hard infrastructure	- Acquisition - Taking care of local businesses - Hard infrastructure - Soft Infrastructure + Public Goods
Successful projects[1]	None identified	Waterfront Development (begun 1985) Presbyterian HQ Airport expansion Bucks for Brains Metropolitan College Project
Targeting	Broad consensual targets: "office jobs" and "high-tech"	Targets narrowly focused, including logistics, distribution, and biotechnology
Important organizations[2]	None identified	Greater Louisville, Inc.
Coordination	Little cooperation among various organizations. Joint projects between public and private sector are exceptions.	A professionally designed comprehensive plan is widely accepted by many local organizations. One central public-private partnership unites all relevant public and private sector institutions and coordinates a large diversity of local economic development organizations. Regional public sector (city-county) cooperation is institutionalized.
Difficulty level	Easy (1)	Very hard (4)

[1] Noted by at least two interviewees as successful.
[2] Noted as important by at least 50% of interviewees

below. The history of the city's efforts shows a clear break coinciding with the beginning of Jerry Abramson's first term as mayor in 1986.

Main Activities and Projects

Economic development in Louisville came out of the 1960s and 1970s with a set of tools that were common for American cities. City activities were oriented around sustaining the local manufacturing base using industrial parks, industrial bonds, and "soft" efforts to improve communications between the city and existing firms. Modest financial aid programs for small and minority-owned businesses were also in existence. Local development projects were ad hoc, low in risk, and did not require the cooperation of the private sector. Whenever the city took the lead in economic development initiatives, its goal was retaining or attracting manufacturing enterprises. Private sector development initiatives were small and typically handled by a single developer.

Interviewees were asked to identify those activities and projects of the past two decades that have been "successful." Those so labeled by at least two persons were, in chronological order, waterfront development (with beginnings in 1985); the acquisition of the headquarters of Presbyterian Church (USA) in 1987; the expansion of the airport for UPS in 1988; the Metropolitan College Project, which is an effort designed to allow UPS to use college students for its late night shifts; and a program referred to as "Bucks for Brains," by which private businesses finance university professorships. Of interest is that not a single project completed before the beginning of the first term of Mayor Jerry Abramson in 1986 is considered by the pool of interviewees as successful.

The first big economic development project of the region, the Jefferson County Riverport industrial park, is one the largest projects *not* viewed by interviewees as successful, and indeed it was beset by many problems. The idea grew out of the city and county's 1965 purchase of a large plot of land on the Ohio River. By 1982, $60 million had been raised from all levels of government in order to develop the park. Although the Riverport required extensive cooperation between city and county governments and among several levels of government, it was ridiculed as a "multimillion-dollar cornfield" (Brinkley 1982). Not a single firm moved to the site until 1984.

The Legacy of Sloane and Stansbury

The city's development efforts in the 1970s and early 1980s were driven forward by two Louisville mayors, Harvey Sloane and William Stansbury. Sloane's two terms (1974-1978, 1982-1986) sandwiched Stansbury's, a product of the 4-year term limit that was then still in effect. Interviewees remember Sloane as more active and innovative than Stansbury, although his focus was on the conservation of traditional manufacturing. His administration created the city's economic development office in 1975. One of its central functions was serve as an "industrial ombudsman" to help firms with problems dealing with the city. Sloane also created the City of Louisville Industrial Development Authority in 1977 to "provide the tool to develop industrial parks" (Crowdus 1977).

Stansbury's administration was plagued by political infighting (Portz 1990: 43-44). However, he extended the city's industrial conservation effort by creating an industrial revenue bond program in 1978. He also presided over the growing involvement of the city in downtown development projects, an important example being the Louisville Galleria, an office and retail complex (Shafer 1980; Portz 1990: 37).

After Kentucky passed its Enterprise Zone Act in 1982, Sloane's administration created an enterprise zone near downtown. Louisville's enterprise zone now extends into Jefferson County. In spite (or perhaps because) of the fact that it is one of the largest in the country, it is not viewed as particularly effective by local economic development actors. Mayor Sloane also involved the city in several downtown development projects during his second term: the Kentucky Center for the Arts, a football stadium, and the Broadway Project. He also laid the groundwork for later riverfront development when he directed the city to buy brownfield land on the river and then began its conversion into a public park (Savitch and Vogel 1996: 138; Shafer 1986). However, riverfront development is an ongoing project, most of which was finished later.

Sloane and Stansbury's efforts were considerable, but they followed national trends and were ad hoc. In effect, they had supervised an effort concentrated on the two areas of industrial conservation and real estate development projects located mostly downtown.

Louisville enjoys a long history of public-private cooperation. Private sector development activities in the 1970s and 1980s served to augment public-sector efforts. Private efforts through the end of Sloane's first term were also focused on industrial conservation and downtown development, but the city's earliest public-private partnership, Project 2000, also raised $250,000 for a business information center, the Kentucky Center for the Arts, and a downtown redevelopment project. The Humana Corporation, which owned property near the riverfront, has supported the riverfront redevelopment effort. At the same time, the Louisville business community had certainly recognized the inevitable decline of manufacturing in the area and had given thought to ways to promote the growth of white-collar jobs. Humana Chairman David Jones, Sr., for example, speculated in the 1980s about how to create a permanent exhibition hall for medical equipment in a blighted part of downtown. However, public-private cooperation was beset by organizational discontinuity and did not lead to projects that were recognized as successful by interviewees until later in the 1980s.

Halfway through the 1980s, both public and private leaders were doing things in economic development, but neither had a vision for responding strategically to local economic decline. Many efforts had been undertaken, but without a clear success. The Riverport was languishing, the downtown riverfront was still a brownfield underneath a big expressway, and the city had not attracted a significant new corporate headquarters.

The Turnaround

A gradual turnaround of economic development efforts began in 1986, when Jerry Abramson became mayor. In the same year, business leaders informed Abramson about the possibility of acquiring the headquarters of the Presbyterian Church (USA). Abramson was able to negotiate the deal successfully, beating other cities' offers. David Jones, Sr., chairman of Humana, donated a building, and the city invested $3 million to improve nearby streets and sidewalks (Vogel 1990: 108).

Exactly one year later, the city embarked upon a much larger and "harder" project—the airport expansion. The airport is the only project identified by almost every interviewee as a success, although all acknowledge the mixed feelings Louisville residents have about the way in which airport expansion was conducted. An interviewee who was at the center of the effort recalls that the effort was instigated by local developer J.D. Nichols, who brought to the attention of city leaders that United Parcel Service (UPS) was considering abandoning Louisville's Sandiford Field facility for lack of space. Mayor Abramson was eager to avoid the loss of this important local employer, and so began a hushed planning process to expand the airport. The effort was led by Joe Corradino, a Louisville-based developer who was an associate and supporter of Harvey Sloane. In 1988, Corradino unveiled the airport project as a $300 million fait accompli. Neighborhood groups, astonished that the expansion called for the relocation of 1,400 households (Vogel 1990: 109), organized a bitter but unsuccessful protest action. The city and county underwrote a $50 million bond for the expansion. The city was also involved through land leases and controversial land condemnations. To date, Louisville elites consider this to have been one of the most successful economic development projects in the city because it kept UPS in Louisville. Keeping the company in Louisville turned out to be even more significant than claimed by the supporters of the airport expansion. UPS now employs over 330,000 world-wide and has made Louisville one of its largest hubs. With more than 15,000 workers, the company is now the largest private employer in the state. The company's boom is being fueled in part by increased internet shopping, a development that places Louisville on the winning side of global economic innovation.

Organizational Complexity

Organizational restructuring always preceded the evolution of targeting activities in Louisville. Thus, the treatment of its organizational structure is presented here before the discussion of its targeting activities. Louisville has been a hothouse for economic development organizations, and Table 5.5 provides an overview of the most important changes. Shaded boxes indicate organizations that no longer exist.

The history of organizational change in the city is the story of the changing formal relations among the four core groups that have a stake in the area's economic development activities. The important public-sector actors are the city of Louisville and Jefferson County. The key private sector actors consist of small and medium-sized businesses on the one hand and the elite group of large firms that tend to benefit indirectly from local economic growth. All four groups were fractionalized to varying extremes through 1985, despite the repeated attempts of the business and political elite to unify and coordinate their economic development organizations. Their efforts began to pay off in 1986 and reached their current, most complete, stage of institutional unity in 1998 with the creation of GLI. This organization unites business interests, and it has many functions—

Table 5.5: Organizational Innovation in Louisville

Name	Sector	Founded
Louisville Economic Development Committee First private sector initiative in response to economic decline	private	early 1970s
Louisville Office of Economic Development Created by Mayor Sloane as a department in the city's Community Development Cabinet	public	1975
Project 2000 Spun off from the chamber of commerce Focused effort on failed city-county consolidation legislation in 1983	public-private	1981
Forward Louisville Initiated by Governor Brown to address economic decline in Louisville	public	1982
Reconsolidation of chamber of commerce Project 2000 and Forward Louisville merge back into the chamber	private	1983
Office of Economic Development of Louisville and Jefferson County This merger of city and county offices of economic development was made possible by the "Louisville/ Jefferson County Compact"	public	1986
Greater Louisville Economic Dev. Partnership Spun off from the chamber of commerce	public-private	1988
Greater Louisville, Inc. (GLI) A reconsolidated chamber of commerce with extensive public-sector participation and responsibilities.	public-private	1998

such as minority business promotion, job placement, and acquisition—that in other cities are performed by local government bureaucracies.

Even today, after the consolidation of the four key groups has been accomplished, the Louisville area is populated with a great number and variety of organizations doing economic development. GLI's website lists no fewer than 33 relevant organizational "players" in the regional economic development effort, not including many government agencies, regulatory authorities, or the large number of organizations that are now extinct (http://www.greaterlouisville.com/economic/ec_orglist.htm).

A majority of interviewees agreed that GLI and its immediate predecessor, the Greater Louisville Economic Development Partnership, were important. There was also agreement that the Board of Aldermen and County Fiscal Court are *not* influential organizations. Given the city's strong-mayor form of government, the aldermen come into play really only once per year, when the mayor presents his budget. Louisville's aldermen were usually cooperative over economic development budget items during Mayor Abramson's terms, according to interviewees associated with Abramson. In sum, the members of the Louisville network perceive the public sector's influence as flowing through the persons of the mayor and the county judge-executive, even as they appreciate the binding and unifying effect on the business community achieved by GLI.

The evolution of the now-centralized organizational structure is a long, remarkable story. Before 1975, economic development was not even an important policy issue. The only relevant institutions in economic development were the tradition-minded Louisville Area chamber of commerce and the Louisville Central Area, a chamber of downtown businesses founded in the 1950s. The long organizational evolution to its current, centralized form began in the early 1970s and took separate public and private paths.

Public-Sector Reorganization

The jurisdictional split between city and county government is a common situation in American metropolitan areas. This can lead to competition for new residents and businesses, and indeed such competition was a central point of conflict between Louisville and surrounding Jefferson County through the late 1980s.

Mayor Harvey Sloane's first term of office marks the beginning of the city's effort to modernize its economic development organizations. He created the city's first economic development bureaucracy, situated within the city's Community Development Cabinet.

By 1980, its budget had been increased to $1 million and its staff increased to 12 (*Louisville Courier-Journal* 1980).

Kentucky Governor John Y. Brown, Jr. spurred a public-sector initiative in 1982 called "Forward Louisville." This organization was cosponsored by Jefferson County Judge-Executive Mitch McConnell and newly reelected Louisville Mayor Harvey Sloane "as an important ingredient in plans to help the area's ailing economy" (*Louisville Courier-Journal* 1983). However, Forward Louisville received little public money in its first year, spent even less, and never developed a specific plan of action (Stewart 1983). It was abandoned in December of 1983 (Vogel 1990: 103).

In 1983, the city was once again scouting for a workable economic development plan. The city's Office of Economic Development commissioned a professionally managed study for $30,000. The study's recommendations would be ignored, for the city's efforts were preempted by the reentry of Forward Louisville's members into the chamber of commerce. When this happened, Mayor Sloane made his view public that the chamber should be responsible for goal-setting in economic development, thus nullifying the planning efforts of his department (Luecke 1984).

In 1985, the city's Office of Economic Development fell into disarray, in part due to the indictment of a former director. Mayor Sloane asked businessman Charles Buddeke to repair the damage, and Buddeke dismantled the office by giving its tasks and personnel to other city administrative offices and by contracting with the chamber to handle acquisition. This initiated a substantial yearly transfer of city funds to the chamber and a major shift of responsibility from the public sector to the private sector. The city's economic development office was supposed to concentrate on retention and expansion of local businesses, areas in which the office had been active since its inception in 1975

(Vogel 1990: 104). Later on, however, the private sector would take over these tasks as well.

Elections in the fall of 1985 placed former mayor Sloane into the office of Judge-Executive of Jefferson County while his party associate and friend, Jerry Abramson, became mayor of Louisville. Sloane and Abramson were both interested in efficient economic development. Within months of taking office, they had successfully negotiated the "Louisville/Jefferson County Compact," a comprehensive plan of cooperation between the two most important governments of the region. The keystone of the Compact was a tax sharing arrangement that laid to rest the city's aggressive annexation attempts and the competition for businesses that had prevented greater cooperation in many areas, including economic development (Savitch and Vogel 1996: 142).

Consolidation was rejected by public referenda in 1982 and 1983, but the compact gave merger supporters much of what they wanted. As part of the compact, city and county offices of economic development were merged and an economic development professional was hired to run the organization. This is now the Office for Business Services, but most of its duties have been outsourced to the private sector. In November 2000, voters finally approved formal consolidation of the city and county.

Private sector reorganization

Until the 1990s, the business community was organizationally split between small and medium-sized businesses on the one hand, and the elite group of large firms on the other. Tension between large and small firms is commonplace in the United States. Smaller firms are typically less interested in economic development issues. Large firms and other "rising tide beneficiaries," which stand to benefit indirectly from all forms of economic growth in the region, are more interested in long-term regional growth. In Louisville, "rising tide beneficiaries" include several local banks; development companies like NTS, Corradino Group Engineering Consultants, or Aegon Capital Holding; and the local media conglomerate owned by Barry Bingham. Other firms, like the Humana Corporation and Kentucky Fried Chicken, have been important because of the personal interest of their CEOs in the development of Louisville.

Small and large businesses in Louisville have clashed over the best use of business associations. Small firms preferred to see the chamber of commerce function as a lobby organization for common interests at the local and state level. They were content to receive certain standard services from the chamber, such as the sponsorship of parades and festivals (Vogel 1990: 102). Big firms were more interested in active, potentially expensive economic development efforts. This has meant that large firms repeatedly spun themselves off from the chamber of commerce to create their own, more exclusive organizations focused more clearly on growth promotion.

In the early 1970s, a large number of local business leaders created the Louisville Economic Development Committee with the goal of raising funds for marketing. However, the marketing campaign was poorly received, and the organization fizzled out (Vogel 1990: 102). A decade later, the chamber of commerce turned to newspaper publisher George Gill to chair a new effort called the "Louisville Economic Inventory." Gill noted in his introduction that Louisville had reasons for concern over its economy's health and that the time for "taking stock" had come (Louisville Area Chamber of Commerce 1981).

As the chamber was taking stock, a small group of the local business elite was going about creating a new private sector organization for economic development called "Project 2000." This was turned into a forum for public-private cooperation when the founders offered board positions to public-sector actors. One observer comments that the effort reflected the dissatisfaction of Louisville's largest firms with the work of the chamber of commerce, whose economic development policy was small in scale and traditional (Vogel 1990: 102). Project 2000 raised $250,000 for a business information center and then shifted its efforts to a campaign for city-county consolidation. One of the individuals who led the merger effort noted in an interview that many business leaders supported the city-county consolidation out of frustration over the lack of a clear public-sector partner in economic development. The interviewee also noted that the arguments presented to the public by supporters of the consolidation effort, which took place in the early 1980s, centered on the purported boost it would give to regional economic growth. Yet, this argument was too abstract, and studies done to show that consolidation would make public services more efficient did not hold water. After merger was rejected twice by voters, the leadership of Project 2000 folded up the organization and channeled their efforts back into the chamber of commerce (Vogel 1990: 103).

The return of the business elite in 1983 revitalized the chamber. That same year, it recruited a top economic development executive, James Roberson, to the position of chamber president. Roberson was known for his skills in acquisition. Roberson became the central figure in the city's effort in 1985, when the city contracted with the chamber to take over tasks from the city bureaucracy. The reorganized chamber seemed on its way to winning the respect of the business elite (Vogel 1990: 104).

In 1986, the city was putting its bureaucracy into order again. The city and the county had negotiated the Compact, clearing the way for a real consolidation of the region's economic development effort. The path to greater public-private cooperation thus also seemed clear. Just at this point, however, the chamber of commerce splintered again. James Roberson had yet to attract a major firm to the city and was losing the confidence of the business community. Roberson departed in 1988, which opened the door to another elite spinoff. Already in 1986, the leaders of the area's larger firms had created the Campaign for Greater Louisville, intending it to be a fundraising campaign within the chamber. When Roberson bowed out, the campaign was turned into a new public-private partnership called the Greater Louisville Economic Development Partnership (the "Partnership"). Publisher George Gill stepped in as its first director. Charles Buddeke was then hired to head the hollowed-out chamber of commerce. Under this arrangement, the chamber was clearly integrated under the Partnership and the activities of both organizations were better coordinated. Equally importantly, the organization received steady public funding. Mayor Abramson and Jefferson County Judge-Executive Harvey Sloane were also on the Partnership's board. Their participation ensured the coordination of Partnership activities and those of the newly consolidated Office of Economic Development of Louisville and Jefferson County.

The Partnership endured for 10 years before merging back with the chamber of commerce in 1998. The process that led up to the reconsolidation is rooted in the Partnership's own effort to develop a comprehensive regional development plan. It came out with the "Regional Economic Development Strategy" (REDS) in 1993. This report recommended a reconsolidation of the Partnership and the chamber of commerce for the purpose of coordinating the implementation of the regional economic strategy. However, this recommendation touched a sore nerve in the business community, and there was some hesitation to reconsolidate the two business organizations. The business community's first reaction was to commission consultant Ross Boyle to write another study. Boyle's report, completed in 1996, confirmed the earlier recommendation to consolidate the Partnership and the chamber of commerce. In a meeting with local leaders, Boyle presented his report in the form of a challenge to business leaders to target more narrowly and better coordinate their efforts in order to become better than "average." Encouraged explicitly by David Jones, Sr., business leaders accepted the conclusions of the Boyle report. The Partnership merged with the chamber of commerce in 1998 to form Greater Louisville, Inc. (GLI). The city and county governments stayed on as formal partners within this public-private partnership. GLI became the first organization in Louisville formally to unite all four important players in economic development: both city and county governments, and both smaller and larger businesses.

GLI combines public and private interests so well that both insiders and outsiders comment that the organization has evolved into a virtual shadow government. Indeed, GLI is invested with a great deal of de facto authority to shape the future of the Louisville region, but it is free from the corresponding restraints of public accountability and democratic representation. The granting of so much public responsibility to private actors does come with some benefits, however, as local businesses in Louisville have been willing to carry part of the burden of providing public goods. For example, businesses are important supporters of the area's public schools. As long as private businesses maintain their image as patrons of the public welfare, and as long as their activities are seen as restricted to economic development policy, most Louisville voters will be disinclined to break the alliance embodied in Greater Louisville, Inc.

Targeting

Over the past three decades, Louisville elites have created many economic development plans with targeting ideas. Indeed, the propensity of Louisville actors to conduct studies has been a common point of criticism over the years, and the planning effort did not result in a general targeting consensus until the 1990s. Table 5.6 lists the more prominent efforts.

Table 5.6: Economic Development Plans in Louisville

DATE	SPONSOR	TITLE
1978	Louisville and Jefferson Co.	Overall Economic Development Plan
1981/86	Chamber of Commerce	Louisville Economic Inventory + update
1986	Louisville and Jefferson Co.	The Comprehensive Plan
1987	Chamber of Commerce	Forecast Louisville
1991	Chamber of Commerce	Regional Economic Dev. Strategy
1997	Chamber of Commerce and Louisville Economic Dev. Partnership	REDS Implementation Plan

In the 1970s, Louisville leaders, like many in large American cities, were concentrating on the broad goals of attracting white-collar jobs and retail business downtown in an effort to replace lost blue-collar jobs and residents. No consensus was reached on specific targets. Through 1987, economic development efforts "continued to be ad hoc, driven by individual agendas and emphasizing [manufacturing] business attraction and infrastructure projects" (Savitch and Vogel 1996: 138). Policy was reactive and oriented toward sustaining the existing base of firms. The airport expansion, although it involved the kinds of financial and political risk-taking that clearly distinguishes entrepreneurial efforts from traditional economic development policy, was reactive and likewise oriented toward industrial conservation. The lack of a precise targeting orientation would be corrected in the 1990s.

The four groups involved in economic development that had been so fractionalized in the 1980s finally came together in 1988 under a unified organizational structure led by the Greater Louisville Economic Development Partnership. An organization finally emerged that was in a position to create a single targeting plan. It immediately set about completing the expensive *Forecast Louisville* plan, which had been initiated by Jim Roberson and Don Swain of the chamber of commerce prior to the formation of the Partnership. The *Forecast Louisville* plan turned out to be a disappointment to business leaders and was rejected amid allegations of improper use of study funds (Vogel 1990: 104).

After the failure of the *Forecast Louisville* plan, the Partnership focused much effort on creating a practicable, consensual comprehensive plan between 1991 and 1997. In 1993, a widely accepted comprehensive plan was created after a two-year planning process organized by the mayor of Louisville, the Jefferson county judge-executive, the Greater Louisville Economic Development Partnership, and the chamber of commerce. This "Regional Economic Development Strategy" (REDS) planning process also included 250 civic leaders, volunteers, and planning professionals. The REDS plan made specific sectoral targeting recommendations that were also supported by the Boyle report.

A major innovation in the planning process was initiated after the publication of the REDS plan. Knowing that consensus building was handicapped by the lack of sufficient data on trends in the local economy, the Partnership had allocated funds for the development of statistical aids for the strategic planning process after the publication of the REDS report. Partnership leaders worked together with the dean of the University of Louisville's business school and university faculty member Paul Coomes to develop statistical tools for the planning process. Using Partnership funds, Coomes developed a local economic monitor that provides data useful for economic development planning. This monitor is still in use (http://www.monitor.cbpa.louisville.edu).

An Implementation Plan Review Committee was formed in 1993 for the REDS report. It was the first study to benefit from the statistical tools developed by Paul Coomes, and this allowed some strengthened and more precise arguments in favor of the particular sectoral targets identified in earlier reports: logistics, distribution, biomedical technology. It recommended aid for entrepreneurs, stressed the need to take care of existing businesses through expansion programs and technology transfer, and explicitly supported workforce development and infrastructure. Finally, the committee stressed the necessity of continuing economic monitoring for accountability purposes. This plan has more recent versions, but the targets it set have remained essentially the same.

Coordination

In 1986, when Sloane left office to become Jefferson County judge-executive, economic development efforts in the region were being conducted by at least a dozen organizations in an uncoordinated fashion (Shafer 1986). Coordination of activity was radically improved after the REDS report was released in 1993. In contrast to earlier plans, business leaders followed up on the release of the report with the creation of the Implementation Plan Review Committee to "translate the *Implementation Plan* into operational terms." (Joint Partnership-Chamber Implementation Plan Review Committee 1993: 3). Likewise, a "Visioning Task Force" was created to develop an implementation of the complementary Boyle Report in 1996.

In Louisville in the 1990s—and continuing today—a large number of organizations carried responsibility for some aspect of economic development. The Visioning Task

Force went about rounding up existing or planned organizations in order to find ways to coordinate their activities under the new REDS vision. Its final report recommended the creation of one organization to coordinate the numerous other small organizations involved in economic development. GLI emerged as this organization. Over the course of a few years, the "Visioning Task Force Report" plan has won formal recognition among most organizations in the region as the guiding blueprint of the region's development effort. It has become the blueprint for coordination. The city of Louisville and Jefferson County even adopted the plan by ordinance as their official economic development policy. The current version of the implementation plan is so widely accepted that one interviewee half jokingly called it the region's "new mantra."

With the "new mantra" of the Visioning Task Force Report, and with GLI carrying the responsibility for overall coordination of efforts, economic development in Greater Louisville is now coordinated to a degree that surpasses even the formally planned efforts of European countries. A hallmark of high coordination is the ability of local actors to mobilize business interests behind general improvements in social welfare such as public education and retraining. Getting businesses to help pay for such public goods is the most difficult task in economic development. In Louisville, this link has been made in several areas. One good example is the participation of Malcom Chancey and other important business leaders on the Louisville/Jefferson County Workforce Investment Board, created under the U.S. Workforce Investment Act of 1998. The vision of the board is to build "[a] skilled workforce that supports business attraction, retention and expansion in a community that promotes self sufficiency, economic opportunity and lifelong learning for its workers" (http://www.greaterlouisville.com).

The Local Actor Network and its Changes

A 1971 newspaper study of economic development decisionmaking "concluded that 'nobody really runs Louisville' and that the 'power' structure was broad and fragmented" (quoted in Vogel 1990: 102). Interviewees, looking back over the 1980s and 1990s, identified the actors in table 5.7 as important for economic development. That network resembles those in the other three cities included in this study and suggests that by the 1990s, at least, there was indeed an elite group of actors "running" Louisville.

Using the reputational ranking method described in chapter two, data from 11 interviewees were used to compile the ranking presented in table 5.7. Mayor Abramson accumulated over 9% of the total votes cast. Three actors made it into the eightieth percentile, ten were in the fiftieth percentile, and 22 in the twentieth. The simple ranking glosses over institutional bases of economic development actors (see table 5.8). The data from Louisville revealed no clear chronological structure, as was the case in other cities.

The actor list reflects a few basic long-term characteristics of economic development in Louisville. Generally, the actor network can be described as a small group of prominent public-sector actors who cooperated with a large and broad group of business people. Business associations like GLI were also of periodic importance for thrusting new leaders into the network, today more so than ever.

Public-sector actors were few in number but stable in their configuration. Louisville's mayor was always an important figure, and interviewees recognized Mayor Abramson as important more frequently than any other individual. Actors with a power base solely in county government do not show up on the list of important individuals. Although the county as an organization played an important role in negotiations with the city over the structure of cooperation in economic development, the county's economic

Table 5.7: Reputational Ranking of Actors in Louisville Economic Development

Name	Position	Vote Share	Cumulative Total	
Abramson	Mayor (D)	9.35%	9.35%	1
Chancey	CEO, Liberty Bank	7.43%	16.8%	2
Jones, Sr.	CEO, Humana Corporation	5.94%	22.7%	**3**
Sloane	Mayor, Judge-Executive (D)	5.49%	28.2%	4
Roberson	President, chamber of commerce	4.13%	32.3%	5
Taylor	Dean, business school, U. of Louisville	4.09%	36.4%	6
Wagner	President, Jewish Hospital	4.08%	40.5%	7
Buddeke	Buddeke Industries, chamber of commerce	3.55%	44.1%	8
Corradino	Corradino Group Engineering Consultants	3.28%	47.3%	9
Dashner	Superintendent of schools	3.13%	50.5%	**10**
Gill	Publisher, *Louisville Courier Journal*	3.12%	53.6%	11
Cobb	Louisville Economic Dev. Partnership	2.95%	56.5%	12
Shumaker	President, University of Louisville	2.88%	59.4%	13
Lunsford	Kentucky secretary of commerce	2.76%	62.2%	14
Hale	Chairman, Louisville Gas and Electric	2.59%	64.8%	15
Jones, Jr.	Humana Corporation	2.59%	67.4%	16
Riehm	Deputy Mayor (appointed)	2.21%	69.6%	17
Swain	President, University of Louisville	2.21%	71.8%	18
Nichols	NTS Development Corporation	2.14%	73.9%	19
Bingham	Owner, *Courier Journal* and other media	2.10%	76.0%	20
Harden	Chairman, 1st National Bank	2.10%	78.1%	21
Brown	Governor of Kentucky	1.87%	80.0%	**22**
Twentieth Percentile Cutoff				
Total Number of Actors Mentioned at Least Once				**36**

development effort was always small relative to the city's. The county does not give the judge-executive control over the kind of resources that would push him/her forward into the list of important actors in regional economic development. The one county actor who shows up on the list, Harvey Sloane, had been mayor of Louisville and active in economic development before becoming county judge-executive.

Louisville is the only city of the four studied in which not a single public administrator appears in the reputational ranking. This underscores the degree to which the traditional tasks of the public sector have been "outsourced" to the private sector organizations associated with the chamber of commerce. The only non-elected public official on the

Table 5.8: Important Actors in Louisville Economic Development

Elected Officials

Mayor

Harvey Sloane (1974-1977, 1982-1985, also Judge-Executive of Jefferson County)

Jerry Abramson (1986-1998)

Joan Riehm, Assistant to Abramson

Bureaucrats

None

Higher Levels of Government

Governor

John Y. Brown, Jr. (1979 – 1983)

Kentucky Secretary of commerce

Bruce Lunsford (in the Brown Administration)

Business Leaders

Individual Executives

David Jones, Sr., Humana

Hank Wagner, Jewish Hospital

Malcom Chancey, Liberty Bank

Roger Hale, Louisville Gas and Electric

Barry Bingham, *Lou. Journal Courier*

J.D. Nichols, NTS development corp.

David Jones, Jr., Humana

Joe Corradino, Corradino Engineering, Airport Authority

George Gill, *Louisville Journal Courier*

Leonard Harden, 1st National Bank

Organizational Leaders

Donald Swain , chamber of commerce

James Roberson, chamber of commerce

Charles Buddeke, chamber of commerce

Doug Cobb, G.L. Econ. Dev. Partnership

Others

University of Louisville

Donald Swain, President (also chamber of commerce)

John Shumaker, President

Robert Taylor, Dean of Business School

Public Schools

S. Dashner, Superintendent of Schools, Louisville

ranking is Joan Riehm, but she was deputy mayor under Jerry Abramson and served as coordinator of economic development issues in his administration. She enjoys the reputation among some interviewees of having been the "brains" behind the economic development strategy of Abramson's administration, complementing Abramson's skills as mediator and motivator. She is also, incidentally, the *only* woman in the twentieth percentile of a reputational ranking in any of the four cities under study.

A clear and important change in the network was the rise of Mayor Jerry Abramson after 1986 to become its most important actor, but he did not single-handedly change economic development in the city. His administration was the first to benefit from the state's decision to lengthen local term limits in that year, and the lengthening of term limits probably represents a crucial change in economic development politics in Louisville. Abramson served from 1986 to 1999. This kind of continuity was not possible in Louisville before term limit reform, and which gave Abramson's economic development staff the time it needed to become as equally expert and connected as their private sector colleagues. Increased professionalization is observable in other areas as well. It is an established practice among top Louisville leaders, for example, to use several offices (mayor, city alderman, county judge, and judge-executive) as stepping stones in political careers. This also increases continuity.

The business community has always dominated Louisville's economic development network in terms of numbers, and the particular individuals involved in the network changed remarkably little from the late 1970s into the 1990s. A small group of top business people, including Malcom Chancey and David Jones, Sr., was active over a very long period of time. Perhaps surprisingly, no single clique of business leaders can be said to have dominated economic development planning in Louisville. On the contrary, the interest and activity of particular individuals waxed and waned. Rather than a tight clique of elites, in Louisville there was a pool of business leaders who were willing to step in and take on particular projects and then step back again. This explains, in part, the remarkable number of private business actors who appear in the reputational ranking.

This actor structure clearly influenced the way in which Louisville actors went about identifying and completing projects. All of the projects identified by interviewees as successful were relatively small and each was managed by a different group of actors, usually consisting of Mayor Abramson and several private sector leaders. At times, the venerable dons of the private sector initiated the projects (Jones, Sr. and Chancey are well known examples). At other times, they were recruited into a project by the mayor (Corradino and Buddeke are examples).

Unique to Louisville also is the position of both recent presidents of the University of Louisville and the long tradition of cooperation between city leaders and the university. Don Swain was president of both the university and, in 1987, of the chamber of commerce. Current president Shumaker has the reputation among interviewees of having improved on Swain's record of cooperation. Interviewees note also that cooperation has improved between the university and the state of Kentucky and the state's Congressional delegation during Shumaker's term of office. With Robert Taylor, dean of the business school, Louisville has three university officials in its reputational ranking, more than any other city studied. Louisville has the best university-city relations of all four cities.

Several business actors interviewed for the study maintain that the business community in Louisville has become much more diffuse over the past decades as some influential members exited without being replaced by others. Mike Harreld, the former chair of PNC Bank of Kentucky, is known for making the argument that these personnel changes reflect a long-term transformation in the business leadership in the Louisville area. The traditional Louisville business elite consisted of 50 to 60 wealthy local families who had built up manufacturing in the city after the Civil War. These families prospered until the 1970s, at which time they started selling off their businesses. This created a significant shift of local ownership, so that local families became shareholders rather than owners. This had a big impact on the political and economic culture of the city, for the group of business leaders who could have come together to "run" an economic development program in the city were losing their power bases.

A related change is typified by Doug Cobb, the last chairman of the Louisville Economic Partnership before it became GLI. Cobb represents the new generation of business leadership in Louisville because he is an individual who built influence in economic development from within a strong business-interest group (the Partnership) rather than from within a large private firm. In the 1980s, when the organizational landscape was in flux, this worked the other way around. Established elites created new organizations. Now, established organizations are helping to create new members of the elite. Some interviewees perceive this to be a weakness in the network, as the younger business leaders do not have the stature or resources of individuals like Chancey or Jones, Sr. However, the waning strength of old elites has its positive side, for it has created the conditions allowing for the entry of new business leadership. Through the 1990s at least, there was thus a very large pool of individual business executives and leaders of business organizations who were active in economic development.

Importance of State and National Governments

Higher governmental actors do not occupy prominent positions in Louisville's reputational ranking in comparison to the other cities. The only two state or national government officials that appear in the reputational ranking are Governor John Y. Brown, Jr. and his Commerce Secretary Bruce Lunsford. Brown was a Louisville-based businessman of historical importance. He is given credit for initiating the "Forward Louisville" organization in 1982 and wanting to do something about the area's sagging economy (Vogel 1990: 102). Lunsford sat on the board of "Forward Louisville." It is remarkable, however, that Brown and Lunsford were in office before most of the successful projects in Louisville were undertaken. This suggests that state and national government officials were not responsible for strategic policy choice in Louisville.

Institutional reform has made a difference in the relations between Louisville and the state government, increasing the state's institutional capacity and potential local impact. Just as in Louisville, the one-term limit that once applied to the governor was recently lengthened to two terms. This reform has lent more continuity to the governor's office. One interviewee claims also that this has led to more long-term thinking and greater expertise in economic development at the state level in comparison to the 1980s. Yet, the institutional reform of longer term limits has not yet made a noticed impact on the importance of state actors for Louisville economic development.

City, county, state, and federal actors have cooperated in economic development, as noted above. Moreover, all levels of government made resources available for the funding of the airport expansion, and several levels of government cooperated in funding riverfront development projects. Thus, Louisville always benefited from state and national government funding, but the amounts the city received were not particularly large in comparison to other Kentucky cities. Nor were particular state or national governmental officials regarded as influential after John Y. Brown left office.

One interviewee opined that party politics cleaves the levels of government. Louisville is still dominated by "Dixiecrat" (conservative Democrats) politicians, whereas the state assembly and the state's U.S. House and Senate delegation are dominated by Republicans. This has strained intergovernmental relations in the past.

Dynamics of Coalitional Decisionmaking

There was little change in the individuals working in economic development from the early 1980s to the 1990s, with the exception of Abramson and the newest clutch of business association leaders. However, their activities suddenly became much more strategic in the later 1980s. How was this possible, and why did the transformation of the Louisville economic development network occur when it did?

One important change occurred with the entry of Jerry Abramson to the office of mayor in 1986. Indeed, Abramson is considered the most important single actor involved in economic development over the past fifteen years, and his tenure coincides with the period of heightened activity and strategic choice. Yet, he alone is not responsible for these successes. Abramson did not know how successful his administration was going to be in economic development, and, unlike Buddy Cianci in Providence, the changes that he helped to direct later were not on his election campaign agenda in 1985.

The election of Abramson also coincided with the extension of term limits and the completion of the Louisville/Jefferson County Compact. These institutional reforms laid the groundwork for better coordination among public-sector actors; they also made public-sector participation in public-private partnerships more effective.

Despite the significance of these changes in personnel and institutional structures around 1986, they were not on their own sufficient for spurring the strategic choices made later on. The timing of transformation was dependent on a number of factors that underscore the importance of decisionmaking dynamics.

Interviewees stress the trepidation with which they approached economic development projects in the early 1980s, even after the de facto consolidation of city-county government. The confidence of network actors increased only gradually, beginning after the acquisition of the headquarters of the Presbyterian Church USA. This was the city's first acquisition of a major "corporate" headquarters and the first time the city won a head-to-head competition with other cities. Several of the central actors in the city point to it as a spirit-builder for the economic development community, a turning point in their self-confidence. Exactly one year later, Abramson and the business community began implementation of the airport expansion project. This was another spirit-building victory for elites, although it involved a bitter political fight. In the words of one interviewee, the airport expansion was the kind of expensive, controversial, "hard" project that Louisville public-sector actors had not been able to pull off up to then, indicating that airport expansion was a watershed event. It transformed the "rookie" Abramson into the position of an established leader. Interviewees report that he found it easier to mobilize support for economic development activities thereafter.

Looking at the chronology of "successful" activities and projects, we see that they all followed the acquisition of the headquarters of Presbyterian Church (USA): the expansion of the airport for UPS in 1988, the Metropolitan College Project, and the "Bucks for Brains" project. A possible exception was waterfront development, which began with the city's purchase of riverfront brownfield property in 1985, although the design and construction of this project occurred later. This pattern confirms the actors' own analysis that early successes built confidence and increased aspirations to do more.

Another characteristic pattern of decisionmaking is that public-sector actors took advantage of opportunities identified by private sector leaders using solutions suggested by private actors or worked out as deals between public and private actors. In a pattern to be repeated, David Jones, Sr. approached the mayor about the opportunity to acquire the Presbyterian Church USA headquarters, suggesting that the church be offered a building owned by Humana Corporation. With this offer in hand, Abramson sealed the deal. Reportedly, the airport expansion was similarly initiated, when private sector leaders approached the mayor's office with information that UPS was in need of a larger airport facility and was considering leaving Louisville. Mayor Abramson then sat down with private sector leaders to plan the expansion needed by UPS.

This pattern is interesting because it confirms Paul Peterson's expectations that local governments can receive information from the "marketplace" about the effectiveness of public policy (Peterson 1995: 25). Louisville shows that this exchange of information can be effectively made on a personal level. The repeated cases in which market actors called attention to market opportunities lends a great deal of credence to this assumption and the related argument that local government can be more efficient in setting economic development policy. Quite in keeping with Peterson's theory, we can conclude that market actors are most useful for aiding strategic action when they provide public-sector actors with information about market *opportunities*.

Louisville: Conclusion

Although economic development activities have always been commonplace in Louisville, none of the activities completed before 1986 are currently recognized as successful by local actors themselves, even those who were active in the early 1980s. Among interviewees, there is a consensus that the city's economic development effort really started with Mayor Abramson's first term in office in 1986. Before then, the economic development system was handicapped by organizational fractionalization and a lack of specific targeting goals.

It cannot be said that a change in the personnel of the local economic development network necessarily made strategic policymaking more likely in Louisville in the 1990s. Actors in economic development did not change much. Rather, they finally arrived at a consensus over goals in economic development at the end of the 1980s. The process of creating a unitary public-private partnership in economic development made an agreement on goals in economic development possible for the first time, resulting in an effective transformation of the network. Finally, after the 1986 Louisville/Jefferson County Compact, the political and business leadership became quite stable and was able to become more and more sophisticated in its economic development skills.

Although intergovernmental aid was essential for some projects, it cannot be said that the increase of economic development activity or the transformation of the governance network's targeting goals after 1986 is explained by the impact of state or national governments. Kentucky granted relatively little money to Louisville's projects, and state or national officials did not influence the city's targeting decisions.

For explaining changes in Louisville, the dynamics of decisionmaking seem to be most important. Beginning in 1986, the city put together a long string of successful projects starting with the acquisition of the Presbyterian (USA) headquarters and airport expansion. These activities gave the existing public-private network confidence in its ability to compete on the national scene. Most remarkably, aspirations to do more were channeled into both new projects and into a regional planning effort. Although the subsequent planning process was beset with setbacks, Louisville actors were finally able to draft what would become a widely accepted comprehensive plan. Thus, the planning process itself spurred further, more detailed planning that culminated in the creation of Greater Louisville Inc. and a regional development plan that is accepted as a "new mantra" by the many organizations doing economic development in the city. Due to the way in which it reached its current consensus, Louisville now not only has a large number of actors and organizations working in economic development, but the activities of each are explicitly coordinated under a single planning document. This puts Louisville leaders in the uniquely advantageous position of being able to direct a large variety of activities, steering the efforts of a large number of people who are dedicated to, and interested in, local economic development. This structure can be explained only as the product of a long series of decisions, each of which built on the results of previous activities, and which began to build positive momentum after the city's first successful major acquisition effort in 1986.

Findings: Lessons from the Nonstrategic Cities

Economic development efforts in both Louisville and Augsburg were moderate and oriented around traditional tools and targets in the 1970s and 1980s. Neither city responded to deindustrialization strategically. Yet in each city, worries about deindustrialization among business and public-sector leaders were in evidence. Why did these worries not turn into strategic action?

Whereas the comparison of the strategic cities of Dortmund and Providence alone tended to confirm expectations about the importance of the four factors thought to have an impact on strategic choice, the control cases of Augsburg and Louisville challenged the expectations of the literature. A puzzle was also presented by the striking transformation of Louisville in the 1990s. Understanding this transformation necessitated an extension of the period of comparison, which then revealed further puzzles about the interdependence of the four factors.

Urban Governance Coalitions and their Transformation

A first puzzling finding from the control studies is that a functioning coalition of public and private actors was present not only in the strategic cases of Dortmund and Providence, but also in Louisville in the 1980s, when that city had *not* put together a strategic response to decline. Indeed, coalitions in all four cities shared similar characteristics. Prominent representatives of public and private institutions were prevalent in all of the reputational rankings, and good working relations between these public and private actors were evidenced by their own testimony. All of the cities had about the same number of actors in their networks, and the distribution of influence among actors was also about the same in all cases. Among these four cases, then, urban governance coalitions were ubiquitous, strongly suggesting that they serve to make strategic action easier only under certain conditions.

Louisville shows that good relations among public and private actors is not enough to create an effective governance coalition in economic development. Rather, continuity of leadership, consensus over goals, and expertise are also necessary. All four of these qualities characterized Dortmund and Providence very early on; in Louisville, they emerged gradually. And only after they began to characterize the Louisville governance coalition was this group of actors able to carry out projects and policies that are recognized today as successful. This pattern provides further evidence that the existence of a working public-private governance coalition is necessary for strategic policymaking in declining cities, and it also confirms the hypothesis that networks are more likely to be strategic when they transform themselves after the onset of economic decline locally.

One factor corresponding with strategic policy choice was correctly hypothesized in the second proposition: those cities are more strategic in which the preexisting economic development coalition was transformed after decline. In all cases where strategic responses emerged (Providence in the 1970s, Dortmund in the 1980s, and Louisville in the 1990s), the network created a new policy agenda before new activity was completed.

Higher-Level Governmental Aid

In the cases of Dortmund and Providence, higher-level government aid seemed to aid strategic policymaking. In those cities, actors acknowledge their privileged relationships with state and national government actors and the degree to which local projects were dependent on the funding support of higher-level governments. At the same time, it is clear that Louisville and Augsburg received amounts of higher-level governmental support that were simply normal for other cities in their respective states. This *suggests* that intergovernmental aid makes it easier for local governments to act strategically in federal systems, contradicting the expectations of Paul Peterson. However, extending the timeframe of comparison for all four cases reveals that the privileged relationship with state government enjoyed by Dortmund and Providence did prevent a reduction in the degree to which policy was made strategically in the 1990s, even as Louisville did not enjoy a privileged relationship with state or national government actors when it began to make strategic choices in the 1990s. Further, Augsburg is still relatively nonstrategic, although it has benefited from the greater activism of state-level actors since the early 1990s. Moreover, although relations among local and higher-level governmental officials were more personalized in Dortmund and Providence, and both of these cities received high amounts of intergovernmental aid, higher-level government officials are present in the reputational rankings in all of the cases and all cities received some kind of aid. Thus, one cannot conclude that higher-level governments determined strategic action. This leaves some important questions: is a privileged intergovernmental relationship itself conditioned by other factors, and under what conditions does this relationship actually make strategic choices more likely?

Dynamics of Coalition Decisionmaking

The study of strategic cities suggested that several key elements in the dynamics of coalitional decisionmaking are important: an initial crisis situation that galvanizes elite opinion and the way that policy success feeds back into the coalition to boost the aspirations and confidence of the coalition. However, the control studies show that this connection is not straightforward. Augsburg public officials and private sector representatives were successful in some of their earliest efforts, yet their network did not subsequently become especially strategic. Moreover, Louisville's first efforts to increase economic development activity in the 1970s and 1980s produced results that were widely criticized in the press. Thus, the control studies show that early success cannot on its own explain why some cities act more strategically than others.

CHAPTER 6

FINDINGS AND IMPLICATIONS

Comparing only those German and American cities that responded strategically to deindustrialization confirmed the expectations gathered from the literature. Cities that made strategic policy decisions also had working coalitions in the sense of the urban regime approach, and the transformation of these coalitions' goals occurred before new policy directions were taken. Higher-level government aid was high in the strategic cities. Finally, both strategic cities were characterized by similar patterns of decisionmaking dynamics. However, the experiences of the nonstrategic, "control" cases presented some surprises and challenges to existing expectations. The biggest surprise was a remarkable transformation of Louisville's economic development system, which over the course of the late 1980s and early 1990s began adopting policies more strategically than any other case. This transformation may serve as a model for other cities seeking to improve their economic development systems, but understanding it necessitated extending the period of comparison for all four cases from the end of the 1980s into the 1990s.

Policymaking in the strategic cities of the 1980s—Dortmund and Providence—became less strategic in the 1990s. This presents a further puzzle, suggesting that the structures identified produce strategic outcomes only under certain circumstances.

This chapter offers a general explanation of why some cities are more strategic than others in responding to economic change, why strategic action occurs when it does, and what factors in strategic cities serve to undermine their ability to act strategically over time. A comparison of both strategic and nonstrategic cities shows that most important for making strategic choices easier are indeed the structural elements of coalitions and intergovernmental relations. Strategic action requires a coalition of private and public actors who transform their goal agenda after decline and who receive higher governmental aid. Yet this begs the question of why and when coalitions are likely to transform their goal agenda, and the timing of change is closely related to the patterns related to the sequence of decisionmaking: crisis, early success, and positive feedback. These elements influence also the maintenance of strategic decisionmaking capacity over time.

The study's findings have important implications for federalism theory, urban regime studies, using aggregate data in investigations of local policy adoption, the practice of local economic development, and international comparisons of local government. These are explained below. Concluding reflections follow on the relationship between economic development and equity in the city.

Propositions

Do Urban Governance Coalitions Matter?

The first proposition was that a working public-private governance coalition—key public and private actors who are well known to each other and who cooperate repeatedly on different policies and projects—makes strategic action possible. The study showed that governance coalitions indeed were necessary for strategic responses to decline but that they make a significant impact only in conjunction with other factors.

<u>Governance Coalitions are Ubiquitous</u>

As expected by the urban regime approach, all of the activities that are considered successful by local actors were completed by coalitions of actors cooperating across institutional boundaries. These coalitions repeatedly cooperated on different projects and usually involved the four key actors identified by local governance studies: private business representatives, local elected officials, bureaucrats, and state or national government officials. However, there is no necessary connection between public-private governance coalitions and strategic action. All of the cities had coalitions, whether they acted strategically or not, and all coalitions were similar in structure.

The fact that the four cases' decisionmaking networks in economic development were very similar on all measurable structural dimensions was quite surprising, given variation in the national context of policymaking, the number and kinds of people interviewed, and the relevant time period of policymaking in all four cities. One might even speculate that size, demographics, and economic base make little impact on network structures. In all of the networks, key business and political leaders were referenced in the reputational rankings as important actors, and in every city, it was very clear either from interview data or newspaper reports that the most influential individuals had worked with each other on a regular basis on different economic development projects and policies. Many of the same kinds of basic institutions were represented in all four networks: mayors' offices, business association leaders, individual business executives, and higher-level government officials. Further, about the same number of actors made it into the eightieth and fiftieth percentiles, indicating that influence was concentrated similarly in all cases.

Figure 6.1 shows the distribution of influence in all four networks. The fictional cases of the hierarchical "Boss Town" and the plural "Democracy Town" aid in interpreting these data. In Boss Town, it is imagined that a total of twelve individuals were mentioned as important, while just one person accumulated most of the "votes" cast by all interviewees. Thus, only the "boss" comprised the eightieth and fiftieth percentiles. A

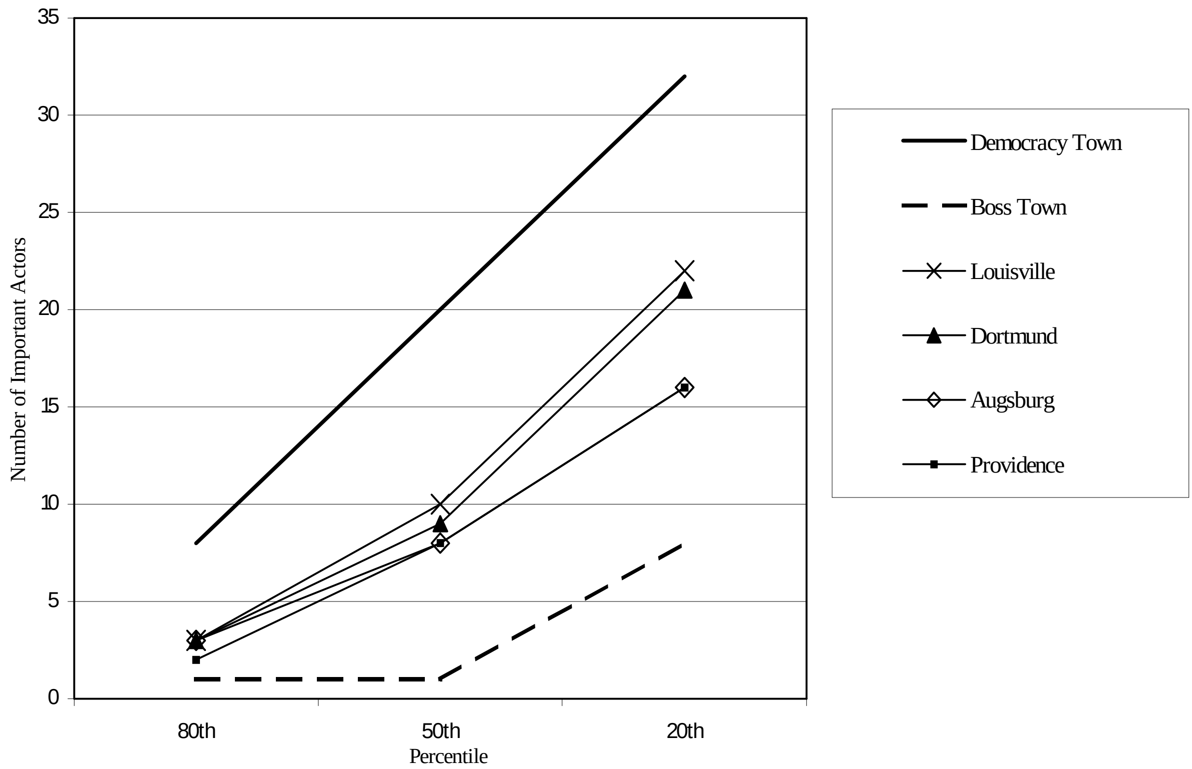


Figure 6.1: Networks Compared

total of eight individuals made it into the twentieth percentile. In Democracy Town, it is imagined that a total of 40 individuals were mentioned as important. The "votes" cast were perfectly evenly distributed so the distribution of influence is perfectly even—eight individuals can be placed into the each percentile category. The illustration of network influence in figure 6.1 shows the two ways in which network influence structures can vary. First of all, the more pluralistic the network, the more members it will have at all percentile levels. Thus, their "curves" are higher on the y-axis. Second, the more pluralistic the network, the more people comprise the eightieth and fiftieth percentiles relative to the larger group of those in the twentieth percentile.

Looking at the data from the actual cases, the distribution of influence was remarkably similar in all four cases. They all fall close together between the two extreme, fictional cases. One difference separates them, however. The number of individuals who comprise the twentieth percentile on Dortmund and Louisville's reputational rankings is relatively large, compared to Augsburg and Providence. This implies that Dortmund and Louisville's networks were more egalitarian in the sense that a greater diversity of influential actors was active in these two cities.

The one distinguishing element these cities shared was the presence of university personnel in their networks. Louisville's network was augmented further by a large number of individual business executives, while Dortmund's network was enlarged by individuals based in established institutions: the city council, the public bureaucracy, the chamber of commerce, and the unions. In Augsburg, these same institutions were represented in the network (excepting unions), but each institution put forward fewer "influential" individuals. The small size of Providence's network reflects the extraordinary continuity of political and business leaders over the past twenty-five years. Despite these differences, however, the number of actors involved in each city, and the way in which influence was distributed among them, is remarkably similar.

Factors Conditioning the Impact of Governance Coalitions on Strategic Action

Both strategic and nonstrategic cities had "governance coalitions." Yet for some reason, the members of coalitions in the strategic cities found it easier to cooperate across institutional boundaries, gaining market information and making strategic choices over longer periods of time. What factors eased this process in the strategic cities but which were absent in the others? This study points out several, including unitary public and private institutions, continuous mayoral leadership, and elements of decisionmaking dynamics including a symbolic economic crisis and the success of early responses.

Party Competition, Mayoral Leadership, and Private Sector Unity

The cases here suggest that the cooperation within governance coalitions works best when party competition is low, when mayoral leadership is continuous, and when private sector institutions are unitary. These are factors that are directly relevant to regime functioning but that have been overlooked by regime theorists.

A study of Leipzig's economic development system in the early 1990s concluded that the lack of interest of the city council in what the economic development network was doing made innovative and strategic policymaking easier (McGovern 1997: 196). The cases here support a similar conclusion: party competition impedes strategic policymaking, for party competition was neutralized in all cases except Augsburg. Party competition divided Augsburg's political actors ideologically, indirectly prevented the growth of a culture of cooperation between the public and private sectors, and resulted in the discontinuity of mayoral leadership. None of the strategic cities had similar problems. Discontinuity in mayoral leadership was also characteristic of Louisville, but only until 1986, when term limits were extended. Providence and Dortmund had mayors who were among the longest serving in their countries' modern histories.

A clear institutional difference between the American and German cities is the highly unified nature of business representation in Germany. The private sector in Dortmund and Augsburg was highly unified early on. Business leaders in Providence also arrived at an early, stable institutional solution to their organizational problems. Private sector leaders were most factious in Louisville, and efforts in that city were not strategic until the business community finally arrived at a functioning agreement over the structure of business representation in economic development in 1988.

Although private sector unity, low party competition, and mayoral continuity seem to be necessary aids to strategic policymaking, these factors did not make for strategic policy on their own. Rather, these factors are important because without them, the success of public-private governance coalitions is blocked. It was always the coalition that got things done, not mayors or individual institutions working on their own.

The Importance of Decisionmaking Dynamics on Coalition Building

Decisionmaking dynamics significantly influence the ability of coalitions to act strategically. They also filtered the effects of intergovernmental relations on strategic action, but this effect and the general observations about the importance of decisionmaking dynamics are discussed separately below.

The experiences of the cities studied here suggest that the goals of coalition members must be first galvanized and then encouraged to further action by particular elements of decisionmaking dynamics. First, both strategic cities experienced a specific crisis that galvanized elite opinion around particular goals and targets. Second, both had the good luck of experiencing an early success with their policy responses to decline. Success meant that early decisions in Dortmund and Providence had a "feedback" effect, which in these cases served to increase the aspirations and confidence of the public-private coalition that had sponsored early projects.

Judging from the comparison of the strategic cities of Dortmund and Providence, the occurrence of a particular crisis event can contribute to rapid, strategic policy choices. Such a crisis need not objectively threaten fiscal stability. The shocks experienced in Dortmund and Providence served to rally elite opinion despite the fact that neither event implied a significant threat of fiscal crisis. Whereas most studies of coalitional change focus on the hypothesis that local coalitions transform themselves in reaction to fiscal crisis rather than job loss per se (Pagano and Bowman 1995: 26; Pecorella 1987), this study suggests that elites actually may be more sensitive to events that symbolize the negative effects of economic decline, rather than those long-term trends that actually cause decline.

At the same time, the control cases of Augsburg and Louisville demonstrate two important lessons about economic shock. In neither Augsburg nor Louisville did coalition members report that their actions were motivated by an economic "shock," as did actors in Dortmund and Providence. As a result, elite opinion regarding what to do about economic decline was not quickly galvanized during the first years of economic decline. The experiences of Augsburg and Louisville show that particular crisis events like plant closings may also be simply ignored by elites, and Louisville shows that coalitions can transform themselves and agree on targets for responding to industrial decline without being spurred by a singular crisis.

While the control cases show us that responses do not necessarily follow from crisis, the studies uncovered an underappreciated effect of crisis when it does. When crisis catalyzed responses in Dortmund and Providence, ideas about policy alternatives became focused on narrow targets and goals that were related to the crisis itself. In Dortmund, the steel crisis focused goal-setting on layoffs and attracting jobs in sunshine industries. In Providence, urban decay focused attention on downtown redevelopment.

Another element of decisionmaking dynamics that had an impact on the governance coalitions in the strategic cities was the success of their first policy reactions to decline. In Dortmund and Providence, early success initiated a snowballing process that served to aid strategic action in the 1980s. Early successes strongly impacted the course of decisionmaking in Dortmund and Providence by making later action in the same policy area much easier. Early successes boosted the confidence and aspirations of emerging actors in the network who had initiated the new projects and encouraged them to try to do more in that one particular area. Success also made it easier for these original supporters to persuade more members of the local network to join similar, subsequent efforts. In the case of Providence and, later, Louisville, success also served to increase the respect paid to newly established organizations, thus securing their permanence. This served to increase the overall organizational capacity and complexity in both cities, which are important elements for aiding strategic action. Early success also made it easier for local actors to persuade higher-level officials to support similar, subsequent efforts.

Although early success seems to be important, it cannot alone be part of an explanation of the emergence of strategic policymaking in all cities. Louisville experienced a very similar snowballing dynamic in the late 1980s, despite its policy failures in the early 1980s, and Augsburg's system failed to become more strategic despite some early policy successes. The control cases of Augsburg and Louisville instruct us about why success of early policies sometimes aids and sometimes blocks strategic action. They suggest that the impact of success is simple: it reinforces the aspirations and confidence of those individuals who originally supported the policy. Augsburg's coalition enjoyed some success in its response to decline in the 1980s. The feedback from these successes, however, did not encourage more activism because the policy successes were realized by two different public and private factions working independently of each other. As a result, both groups could claim credit for successful policies so that the feedback effect of success reinforced the existing institutional boundaries separating private and public sectors.

This is why success in Augsburg did not have the reinforcing effect on development activity that it had in Dortmund and Providence in the early 1980s and in Louisville later.

The experience of Louisville reinforces the implication of the Augsburg case that feedback contributes to boosting public-private cooperation and makes strategic decisionmaking easier only if a renewed public-private coalition can claim credit for successful projects. In Louisville, early efforts were not particularly successful. So, the positive feedback effect of economic development projects was lacking. This changed in the 1980s, however. Louisville actors report that successful projects after about 1986 had the effect of building confidence within the economic development network. It is remarkable that two crucial changes in the governance coalition had taken place just prior to that: the formal regulation of city-county cooperation and the extension of the mayor's term limits. Projects after these reforms were, for the first time, initiated by the same constellation of key actors that conducted policy into the 1990s. Dortmund and Providence had similar experiences: networks were formed or "re-formed," public and private sector institutions consolidated, continuity in mayoral leadership was established, and then successes made strategic decisionmaking easier later.

The finding that the sequence of decisionmaking effects the ability of local coalitions to act strategically sheds new light on the Olson and Hirschman debates on the ability of organizations to cope with decline. The economic development organizations studied in this research fluctuated between the sclerotic state condemned by Olson, in which new "voices" are not sought, and a state in which new voices for reform are actively mobilized and empowered. What is most surprising is that the very ability of an organization to mobilize voice at an early time point may make it sclerotic at a later time point. Whereas crisis opened coalitions to new ideas, success was the single most dangerous barrier to accessibility and innovation in the long term.

Must Coalitions be Transformed After the Onset of Decline?

The proposition that coalitional goals must be transformed in response to decline as a condition of strategic action is borne out clearly by the cases studied. It is clear that strategic action requires economic development networks to set new goals in response to economic change, but it was not clear from the literature whether urban regimes can do so. The early regime literature suggests that regime collapse is the only mechanism of regime change. However, in all of the cities studied here that put together a strategic response to decline, the local coalition renewed itself beforehand. These transformations were always reflected in a change in the consensual policy goals of the coalition, whether or not the transformation included changes in the actual members of the governing coalition. This finding underscores the importance of coalitions because none of the cities responded strategically to change until after their existing coalitions had agreed to particular goals. This confirms the assertion of urban regime theory that getting things done in cities requires cooperation of a large number of actors, but it also demonstrates that coalitional change can be made incrementally.

The study showed also that dynamic processes can make the process of setting new goals easier. Early successes in implementing parts of a new policy agenda—even economically insignificant successes—can transform a risky new agenda into a stable consensus about what should be done. This is an aid to strategic decisionmaking. Here, the dynamics of decisionmaking make strategic choice easier by exaggerating the beneficial effects of coalitional transformation.

The studies allow for a more precise formulation of the second proposition. Those cities will be more strategic whose coalitions change or form after the onset of decline, but only when these coalitions then go on to experience a quick success in their first responses to economic decline. This finding is consistent with a recent study of Corby and Youngstown, which concluded that cities in decline have a small window of opportunity to put together successful responses to decline (Buss 1993: 165). If policy responses go on without success, the chances of attaining the consensus necessary for attracting capital (either public or private) for later policies are reduced. Louisville shows that the window of opportunity is related to the forming of a new coalition or the coalition's setting new goals, rather than the timing of decline. A turnaround and response to economic change can be achieved after the starkest years of decline.

Does Higher-Level Government Aid Matter?

The third proposition was that intergovernmental aid has a negative effect on the ability of cities to respond strategically to economic decline. At first glance, this study contradicts this expectation, suggesting rather that higher-level governments help local officials make strategic choices, since only in strategic cities did local officials have a privileged and personalized relationship with state and national government officials. Indeed, higher-level government funding and ideas made possible new kinds of local projects and activities that would not have been possible otherwise and that were not tied to the interests of existing local firms. However, the creation of a privileged relationship among officials on different governmental levels is itself conditioned by the outcome of early attempts at cooperation across governmental levels. Intergovernmental relations in both nonstrategic cities were dominated by projects that were labeled as expensive failures in the early 1980s. In contrast, the strategic cities of Dortmund and Providence successfully completed their ambitious intergovernmental projects. This pattern suggests that higher-level governments help local actors to act strategically in federal systems but that the groundwork for this role is local: the positive influence of higher-level officials stems from an early example of successful intergovernmental cooperation.

Funding from higher levels of government was necessary for almost all of the projects that are considered successful in the four cases, so in this sense state, national or European aid made most of the significant policy responses possible. However, closer examination of the timing of higher-level government participation in the strategic cities shows that neither the financial aid nor the personal involvement of state and national government officials necessarily aided strategic decisionmaking, because only in the German cases were state officials involved in determining the content and targets of local activities, and only in Dortmund was the involvement of higher-level officials associated with a system that was making choices strategically.

The actual influence of higher-level governments was substantially different in every case. In Dortmund, the agenda of the then newly elected SPD state government directly influenced the targets chosen by Dortmund leaders, encouraged the entry of new actors such as the university rector into the previously existing network, and supported the creation of several new organizations for local economic development. Not only were local leaders well aware of the kinds of policies which would be welcomed by their party colleagues in the state government, local leaders personally consulted with their party comrades and friends in the state government as they began to look for particular policy responses. In Augsburg, too, state policy influenced the kinds of projects chosen. When the state had no particularly aggressive regional economic development policy, little was accomplished in Augsburg, relative to the other cases studied. In the 1990s, when the state beefed up its economic development spending, Augsburg actors became more involved in economic development and focused their projects to fit the requirements of state development programs. In contrast to Dortmund, state assistance did not serve to reinforce cooperation between the public and private sectors locally. Each sector had its own, separate channel into state government funding and did not need other local actors to realize policy goals. State and national government officials had comparatively little influence on local actors' targets and goals in the American cities. In Providence, support from higher-level governments came only after the local coalition had already attained a track record of successful cooperation in economic development and had itself settled on urban development as its targeting priority. In Louisville, state and national funding has been used for many projects, but this funding has been increasing only lately and had no impact on the coalitional structure.

In both of the strategic cities of the 1980s, leaders found it easier to attract further state and national aid after they experienced successes. Here again, early success created the conditions for later success because funding tended to follow coalitions with a reputation for success. This mirrors a related finding that cities with successful economic development track records are more likely to attract intergovernmental aid because higher-level authorities need success stories to justify their programs (Buss 1993: 165).

While personalized and privileged intergovernmental relations speed policy responses, they clearly are not a necessary condition of strategic choice. Louisville leaders, whose political members were dominated by Democrats, went on to make strategic choices without a significant increase of intergovernmental aid and without particularly close ties to state and national government officials, who were mostly Republicans in the

1980s and 1990s. Moreover, Augsburg did not begin to make strategic choices even after benefiting from increased aid from the state of Bavaria, and both Dortmund and Providence began to act less strategically despite their previous privileged relations with higher-level governments. Nonetheless, Dortmund and Providence provide evidence that state and national-level government support encourages local leaders to aspire to take on larger projects than they would have attempted otherwise, to move into new policy areas swiftly, to establish new economic development organizations, and to target new kinds of industry. All of these elements serve to help local actors make strategic choices, as long as they are coupled with the right sequence of decisionmaking—early success in intergovernmental partnerships and the feedback effects of this success within the network.

Does the Sequence of Decisionmaking Matter?

The fourth proposition centered on elements of decisionmaking. Urban regime scholars has observed that decisionmaking within local coalitions is sequential in nature, but this process has been observed only very rarely because most studies have looked at regimes at particular points in time to the neglect of studying regimes in transformation. This study, which examined four cities over a period of twenty to twenty-five years, was able to identify common patterns in their decisionmaking sequences related to the experience of a singular initial crisis and early success in new policy areas.

The strategic cities showed that previous decisions made it easier for local leaders to make strategic choices during the years immediately after their first responses. However, the effects of decisionmaking dynamics are ambivalent because they always work through the existing structures of governance coalitions and intergovernmental relations. Decisionmaking dynamics work to exaggerate the effect of these structures, which is more immediately related to policy output. In other words, policies were always adopted and maintained by coalitions, and success and failure always impacted policy via its effect on the coalition.

Crisis

The experience of a singular crisis which motivates actors to respond occurred in both Dortmund and Providence. Its impact on strategic action is ambivalent, however. The effect of the singular shocks in Dortmund and Providence were at first positive because they brought elites together under a consensus about what should be done. As noted above, these crises also had the effect of focusing elite opinion on narrow targets and goals that were related to the crisis itself. Narrow, consensual targets made strategic action easier because they made the success of the first policy efforts of a renewed governance coalition all the more likely. This success had its own dynamic. Success reinforced the new local governance coalitions, their new targets, and their new policies and projects. In this way, a sequential pattern made the strategic policy choices more widely accepted and viable. This, in turn, produced new kinds of policy alternatives that were related to the original policy choice.

Once new strategic policy choices and the new alternatives they opened had been fully exploited, the same dynamic that had aided strategic choice early served to close both networks to different options by the 1990s. This meant that making strategic choices became more difficult in the 1990s.

Early Success and Feedback

The very first policies designed to address decline can have unintended consequences on the ability of a coalition to create, and then to maintain, a strategic response to decline. When a networks experiences success with its attempts at responding to decline, this tended to allay the barriers to subsequent strategic action in the cities studied. Uncertainty and ambiguity of the environment in which local officials operate increase political risk for those attempting to do something new. This is a serious barrier to those attempting to react strategically to decline by adopting new policy goals. Yet, a successful new policy can dissipate the impression of uncertainty. This also serves to reverse quickly the risk situation. Suddenly, it may become politically risky *not* to support a new policy direction that has proven successful. Further, success often increases the aspirations of actors responsible for the policy success; it makes them want to do more of the same. This is why success influences later policymaking and explains how early policy choices have an impact on later choices that is disproportional to their actual economic impact.

Policy success does not serve to allay barriers to strategic action in the long term; in fact, early success can be a trap, actually making networks less likely to maintain strategic responses over the long term. Since success tends to reduce uncertainty and risk for those actors who can take credit for the policy, the meaning of success for strategic responses depends on the kind of local policy system that produces a particular policy and what policies were used. Not all new policies are strategic, of course.

Local officials making policy face uncertainty and risk, and they use several kinds of strategies to deal with these problems: adopting decisionmaking routines or developing policies out of established, accepted solution sets (Wolman 1996: 129). Policymakers in declining cities may also at first try anything and everything they can, under the motto "shoot anything that moves." Following the claims of federalism theory, a shoot-anything-that-moves strategy should not work as effectively as strategically chosen policies, given that local economic problems and opportunities are highly unique and context specific. Similarly, the success of routine policies is less likely to make strategic choices easier later than when the successful policies were adopted in consideration of actual local needs and opportunities. The way this process works can be seen in the examples of Dortmund, Providence, Augsburg, and Louisville.

In Dortmund, the success of the Technology Center served to bolster an informal clique of progressives who had sought ways to promote new, sunrise-industry firms. Progressives gained respect from the entire network only after the early success of the project, which then made it easier for actors to do more in this area of activity. In Providence, the ones doing the learning and taking credit for policy successes were the business leaders newly organized in the Providence Foundation; later, credit was taken by a larger public-private network working on downtown development projects. With each new success, this group gained confidence, and its aspirations grew to do more in the same area. In Augsburg, both public and private sector actors could claim credit for policy successes, but many of these policies—such as the civic center—were part of a standard policy solution set and were conducted by public or private sector groups working independently of one another. Thus, policy success tended to reinforce existing structures, not policy innovators, and also tended to reinforce the institutional divisions separating public and private sectors. In Louisville, when successes finally began to accumulate, there was no direct feedback loop into a single organization. When the first successes were realized, business organizations were still in disarray. Continual turnover in business leadership, combined with the purposeful strategy of Mayor Abramson to call on different leaders for different projects, meant that credit for successes was distributed among a rather large group of actors, building confidence and increasing aspiration among many more people. This made for an increasingly large, but decentralized, network of actors who aspired to accomplish something in economic development policy.

A general rule from the four cases studied here is that success in early policy efforts makes later strategic action easier only when the organizational structures and coalitional membership had been newly formed or rejuvenated previously with the goal of responding to decline. This is why the transformation of the local governance network after deindustrialization is important, as hypothesized in proposition two. Only when policies are supported by a transformed network or, as in Dortmund, by a new faction within the governance network, does success serve to support coalitions that are more likely to consist of actors whose interests are not tied to the preservation of declining industries in traditionally industrial cities. If, as in Augsburg, the existing coalition is not transformed after economic decline, policy success bolsters structures that are not aiding strategic action.

The cases of Providence and Dortmund show how success with early responses to decline may ease strategic action in the first years after the success but can have unintended negative consequences over the long haul. Both Dortmund and Providence responded to decline by expanding economic development efforts in one and only one area—downtown development in the case of Providence and hightech acquisition in the case of Dortmund. Their early successes created incentives for local networks to continue supporting the original policies and goals, even after local economic circumstances had changed and after their original policy responses had become routine and part of standard national solution sets, as was the case for Dortmund's Technology Center. This made strategic action harder for both cities in the 1990s. In sum, both "learned" early to do economic development in one particular area, both increased the scope of their activities in that area over time, and both built up a privileged relationship with higher-level governments based on cooperation in that area. Thus, both Dortmund and Providence experienced a golden age before the end of the 1980s in which new ideas and new policies were adopted quickly and aspirations were widened. As this process continued over time, efforts in the one area of success became increasingly easy to organize, while efforts in other areas remained difficult. This, however, had an unintended result: economic development activity remained focused on the one area where it had its original success, even though activities in newer areas might have been more effective economically due to changes in global and regional markets. Efforts to expand the scope of activity in Providence and Dortmund to different areas failed to gather the support of enough actors in the local decisionmaking network. Providence and Dortmund show that if a network experiences quick success in one area of development, it runs the risk of focusing too much attention on that one area to the neglect of other areas that might later be more important for promoting growth. The cases of Dortmund and Providence show that feedback effects can also have negative consequences later, even when their first effects were positive.

The findings regarding how early decisions create incentives for actors to continue supporting old policies illustrate a point made by Clarence Stone (1993: 12):

> The ready availability of means . . . may explain what is pursued and why . . . .If people are purposive, but purposive in the sense of wanting to be involved in achievable goals, and if some goals are more readily achieved than others, then people will tend toward those goals that are achievable.

The four cases in this study underscore the suspicion that coalition members do orient themselves around achievable goals and that their perception of what is achievable depends in large part on what policies have already been successfully implemented. Thus, local networks tend toward adopting goals that are closely related to those that have already been reached. This is a barrier to strategic policymaking if continued for too long, because it means that successful networks—even those which had earlier transformed themselves in response to economic changes—create incentives for themselves to shut out information about later changes in the local economy.

Implications

The most significant finding of the study is that cities can, and do, act strategically when adopting economic development policy, an assumption upon which the purported advantages of federalism depend. Yet the study finds that when and if a city can respond strategically depends less on the structural incentives arising from institutions of federalism, such as competition among cities or intergovernmental aid programs, than it does on the nature of local decisionmaking. The importance of local coalitions for the realization of the potential benefits of federalism, and the significance of coalitional decisionmaking dynamics in particular, have several theoretical and policy implications.

Implications for Federalism Theory

Paul Peterson argues that federalism creates a pattern of incentives and constraints that structure decisionmaking for local governments advantageously. His argument is that *small is smarter*, or that local authorities have a kind of rationality advantage over big governments in microeconomic policy because local officials are more attuned to market signals and can more quickly respond to them. It was argued in this study, however, that the rationality advantage of small governments is wholly dependent on whether local governments can actually adopt policies strategically, after evaluating alternatives in consideration of local needs and opportunities. If cities cannot act strategically, then they cannot respond effectively or consistently to market signals and they cannot realize the potential advantages of federalism.

Peterson is well aware of the limits on local decisionmaking. He identifies factors that may prevent local governments from adopting economic development policies strategically. However, he concentrates on those barriers to strategic action which stem from federalism itself: competition among cities and the influence of intergovernmental aid programs, which are seen as a kind of corrupting influence on the natural propensity of local officials to listen to market actors. Thus, theorists have tended to think in national-institutional terms about the effects of federalism on local policy adoption.

The findings of this study indicate that Peterson was right in expecting local governments to respond strategically, but the conditions under which governance coalitions form and cooperate are more significant for strategic action than are the framing conditions of federalism. There is no such thing as one single "federalism." Rather, there are a multitude of situations that can potentially arise within a federal system, some of which are positive for local governments and others of which are negative. Because the potential advantages of federalism depend on local conditions, the direction for future research in federalism theory lies in understanding the local conditions that must be present in order for federal institutions to work.

While the critics of urban regime theory have argued that it needs to pay more attention to the influence of state and national governments on local decisions (Wong 1998;

Ward 1997; Harding 1994), this study shows that federalism theory needs to incorporate the findings of regime studies.

Implications for Urban Regime Studies

A first implication of the study is quite troublesome for the urban regime approach. The study showed that the coalitions in economic development in the four cities were astoundingly similar in their structure, which suggests that governance coalitions in the sense of urban regime theory are nearly ubiquitous. If regimes are everywhere, their mere existence cannot serve to explain anything. Accordingly, not the existence of an urban regime but variation in regimes themselves should become the dominant topic for regime studies.

Urban regime theory has been criticized as overly localist, ignoring the structuring constraints of the officials and institutions of intergovernmental relations. In every case included in this study, state or national government aid was crucial for the completion of projects that local actors themselves consider significant. Perhaps more importantly, state and national government officials were found to be present in the list of influential actors in every city. Yet, at the same time, the study showed that the activity of state and national governments cannot explain variation in the degree to which cities responded strategically. The impact of state and national government officials was actually different in every case; moreover, their positive impact depended on what local governments did first. Thus, it is more accurate to say that local responses are determined in part by the interaction of local and extra-local government officials and that these relations are themselves determined by the structure of local governance coalitions and the sequence of their decisionmaking. As much as regime theory needs to look at intergovernmental relations, those trying to understand intergovernmental relations need to look at the processes of local governance. This is one area where urban regime theory will continue to make a large contribution.

In the past, urban regime studies were criticized for paying too much attention to growth politics in particular and economic development policy in general. This may be one reason why regime theorists have felt pushed to create typologies of regime types differentiated, at least in part, by the kind of policy output each tends to generate (Stoker and Mossberger 1994; Stone 1993; DiGaetano and Klemanksi 1993). These typologies suggest that particular regimes are locked into particular policy preferences; indeed this was the implication of much of the early work on coalitions. Yet, this study has found that the kinds of policies a particular regime supports is probably much more fluid that the coalition itself. In other words, coalitions can change more easily than has been assumed. Moreover, there is no reason to believe that the findings of this study apply only to economic development. Rather, they are applicable to cities experiencing any kind of change in its political and economic environment that necessitates a strategic response from the existing coalition, including desegregation, explosive growth, natural disasters, etc.

The ubiquity of regimes and the relative ease at which regimes can change their tack suggests that policy output of regimes is not the most interesting dimension of local governance to study. This study focused instead on explanations of differences in *how* local coalitions decide, and specifically on how coalitions overcome barriers to *strategic* governance. The potential that not all coalitions decide in the same fashion has been overlooked in the rush to identify different kinds of typical policy preferences of coalitions. Yet, what difference does a regime's policy preference make when it cannot make good decisions anyway? The ability of regimes to make strategic decisions is a more essential, and more interesting, dimension of variation in regime types. Existing research suggests strongly that some kind of coalition in the sense of urban regime theory is bound to exist in cities. The more interesting questions, however, probe into why some coalitions are more open to outside input and why some coalitions are more resistant to change.

As noted by Lauria (1994), a central weakness of the regime approach is that we know very little about why regimes decline or change. Currently, regime studies tend to suggest that regimes change only by collapse, and there are only two explanatory models of change (both of which are based on single American cases). Pecorella (1987) suggests a model based on fiscal crisis. When cities face bankruptcy, state government officials and financial elites pressure local authorities to transform the local governance coalition. Lauria (1994: 517) suggests a second, similar mechanism of regime change. Under conditions of economic decline and fiscal strain, national or state officials, "operating primarily through party connections, can manipulate local political dependencies to forge governing coalition fragmentation and a regime transition" in a direction favored by state or national actors. Pecorella and Lauria see this as a sabotaging and conflictual process, but this view stems from their choice of cases where intergovernmental relations were marred by party competition.

This study suggests that regimes may actually in the rule tend to transform themselves in response to change, gradually, and motivated by economic decline into building a consensus about how to respond to decline. At first, only a minority of local leaders may actually support a new policy course, but if their first efforts are successful, then these progresses within the coalition and their goals will likely serve as a new point of orientation for a transformed coalition. Even if state and national government actors are not actual members of the original progressive faction in the local network, as in Dortmund, progressive elements of governance coalitions find it easier to attract state and national government support for their policies and projects after their first successes, as in Providence. This positive mechanism of change and reform actually happened at some point in Dortmund, Providence, and Louisville, although the speed of reform was much slower in Louisville, probably because it experienced no crisis that in other cities served to galvanize progressive opinion.

The discovery that coalitions are flexible in their choice of policies and are quite able to transform themselves gradually is directly linked the methodology of the study; namely, to its inclusion of a several cases under high pressure to "do something" and its tracing of responses over a long period of time. This shows that the results of regime studies are sensitive to the kinds of cases chosen: yet another argument for using as many cases as possible and for carefully delimiting claims about the generalizability of any one study. At any rate, studies using several cases are likely to reach conclusions other than those dominating the current literature, which is overwhelmingly dominated by studies of just one or two cases.

Finally, this study argued that the ability of urban regimes to make strategic choices depends in part on the dynamics set in motion by previous decisions. This is not a surprising finding. Urban regime theorists have theorized that local decisionmaking is sequential and self-reinforcing. Yet this study breaks new ground by suggesting that these dynamics are predictable to a certain extent, as occurred in similar patterns in different cities. This study confirms the intuition of urban regime theorists and points out that the regular patterns that emerge in the dynamics of decisionmaking represent a relevant new dimension for cross-national urban research. Because dynamics of decisionmaking are of central importance, then researchers should start thinking about institutions and other fixed structural constraints on local autonomy in terms of the way their effect is exaggerated or modified by reiterative decisionmaking in coalitions.

Implications for Using Aggregate Data in the Study of Local Policy Adoption

Both critics and proponents of cross-national local politics studies are aware that policy choices are extraordinarily difficult to predict, or even to describe, in terms of general regularities because they are multicausal, dependent on a multitude of local conditions, and—as this study affirms—influenced by previous local decisions. Critics draw the conclusion that this precludes the discovery of general explanations for local policy adoption processes. Yet, this study actually finds that local diversity does not mean that the relevant characteristics of urban contexts are not infinitely diverse—they can be subsumed into more general categories such as was done in this study using the concept of decision-making dynamics. The particular elements of decisionmaking dynamics identified here—crisis, early success, and feedback—tend to affect institutions and structures in the same way in different places.

The discovery of particular patterns in the way local contexts impact decisionmaking shows that local studies using a few cases can usefully augment studies using aggregate data. Indeed, scholars studying policy adoption in economic development using aggregate data and a large number of cases suggest that policy does not result from political, demographic, and economic structures in predictable ways. Policy use depends, rather, both on cities' *need* to respond and their *ability* to do so. At first glance, this suggests that general explanations of policy responses are not possible because the same combination of structural factors that yields a particular response in one city will likely yield a different response in another city with different needs and abilities. At the same time, studies using aggregate data point to a way out of this methodological problem. Clingermayer and Feiock (1990) found that variables explicitly designed to capture network processes are significant, and Fleischmann and colleagues conclude that future research needs to look more closely at processes of "local decisionmaking about economic development, especially the nature of coalitions associated with the adoption of policies and the assignment of programs to local organizations" (1991: 694). National statistical studies thus underscore the need to incorporate variables that capture the workings of urban coalitions. The urban governance approach, as demonstrated by this study, can offer such variables. Thus, this approach harbors a powerful, but still unused, potential for explaining economic development activities in simple terms that augment studies relying on aggregate data.

Implications for Practitioners: The Optimal Organizational Structure

Generalizing from the experiences of the three cities that developed strategic responses either in the 1980s or 1990s—Dortmund, Providence, and Louisville—two different models of local network structure emerge. Dortmund and Providence used a "hierarchical" model characterized by the existence of a small number of institutions and organizations involved in local economic development and by a consensus tightly focused on one policy area of response. Both Dortmund and Providence had a coalition of individuals with power bases in a small number of stable institutions operating under a tightly focused consensus about appropriate development targets. Their experiences suggest that this kind of network is very efficient and speedy at mobilizing resources for economic development in the short term. However, neither city became effective in policy areas other than those upon which they embarked early. In this sense, their first policies over-structured their later choices, making it more difficult to make strategic policy choices later.

Louisville, in contrast, used a "plural" model characterized by a coordinated multiplicity of numerous organizations and individuals active in economic development. Louisville's experiences in the 1990s suggest that this model, in which coalitions consist of a coordinated multiplicity of individual actors representing a diverse base of institutions and organizations, is closer to the optimal economic development system over the long term. In such a system, a large number of organizations share the responsibility for innovation and action. If they can be coordinated, functional specialization can develop within the development system, theoretically allowing more individuals to get involved in economic development locally and allowing individuals with particularized expertise to emerge. Specialized individuals bring advantages, for example, giving the city a competitive advantage over other cities in acquisition attempts. Once Louisville had created a number of different organizations to do economic development, it no longer needed a nationally recognized, but expensive, acquisition specialist like James Roberson. Specialists are useful also for policy innovation. Louisville, for example, has been able to develop special training and educational programs to serve the rapidly developing and changing needs of UPS, the area's largest employer. Arguably, these kinds of programs, although they are small, were important in persuading the company to expand locally.

The existence of functional differentiation and a multiplicity of organizations should also prevent the situation whereby the path taken by the network early on in its response to decline becomes the *only* path the network ever takes. As a product of such an organizational structure, many public and private economic development organizations exist side by side, policy entrepreneurship is more common, and a number of response paths can be taken simultaneously or in series. Because Louisville has developed this kind of structure, it also stands a good chance of reacting strategically to the next major crisis—massive layoffs at UPS, for example.

Of course, plural networks harbor a potential pitfall: coordinating many autonomous organizations under a single development plan is a time consuming process and is also prone to failure. Also, wherever a multiplicity of autonomous organizations emerges, they may find themselves in competition with one another for state or national funds and bragging rights. This situation characterized Louisville in the early 1980s.

Given the threats to coordination in a network consisting of numerous individual and collective actors, one is returned to the importance of governance coalitions of influential individual actors and coalition structures. The cases selected for this study suggest that such governance coalitions make their strongest contribution to strategic choices when they coordinate the economic development activities of other organizations. Coalitions are most strategic when they are bound within a system of goals and targets that includes all organizations doing economic development. Louisville, just like Dortmund and Providence, had a public-private coalition of influential actors. Unlike Dortmund and Providence, however, Louisville network leaders drew on the resources of more individuals and organizations interested in local economic development and established a single institution, GLI, to coordinate them. The most important function of the top leaders of the Louisville coalition was to prevent the organizational multiplicity in the city from degenerating due to organizational competition. In other words, they unintentionally created the preconditions of functional specialization that allowed a lot of individuals and organizations to get involved in economic development rather than carrying out the projects themselves, as was more the case in Dortmund and Providence.

The way in which coalitions of individual actors best contribute to strategic responses can be more precisely defined as creating the framing conditions for functional specialization in economic development policymaking. One requirement for functional specialization is agreement on specific targets. Another requirement is the continual flow of information about market conditions; this is more likely when coalitions are forced to enlist the help of many actors (assuming they can accomplish this task) than when they consist of a few people who on their own can get things done. In other words, coalitions are more strategic when they steer, for example by setting sectoral targets as in Louisville, not when they row, as in Providence and Dortmund. Yet any kind of coalition is always better than no coalition. When, as in Augsburg, neither a weak nor a strong coalition unites public and private sectors, creating a strategic economic development system is much more difficult.

A "coordinated multiplicity of individual and collective actors" at the local level probably was not the optimal structure for economic development coalitions even 30 years ago. Yet the way in which global markets impact local economies has changed substantially over the past three decades. Market activity is now characterized by rapid change, and the conditions for regional economic prosperity are also becoming increasingly similar in diverse parts of the world. This implies that new opportunities for success in global markets are distributed across the world's regions in an increasingly random way. The most successful coalitions in this new environment will be those that are able to identify unexpected opportunities and generate the resources necessary to exploit them at very short notice. This is exactly the advantage that organizationally diverse governance coalitions bring. Their more diverse organizational bases expand the market information flowing into the network, even as their coalitions are able to link resources from both public and private sectors necessary to respond to this information.

Implications for Institutional Comparisons of the U.S. and Germany

New institutionalism grew up in the 1980s as a critical response to behavioralism. Whereas behavioralists tend to explain political outcomes in terms of individual and group choices, institutionalists assert that such choices are structured by institutions in the first place so that the first task of empirical research is to identify whether and how "institutions matter" (Thelen and Steinmo 1992). Although not indebted to the behavioralist tradition, urban regime theory is not much impressed by the impact of institutions. Local politics is seen, rather, as the practical art of getting around resource shortages and other institutional constraints.

This study affirms urban regime theory's skepticism about the impact of institutions by showing that local politics is remarkably similar in terms of process and outcome in the two different institutional contexts of Germany and the United States. Nonetheless, this comparison of cities in Germany and the United States uncovered relevant points of institutional difference that probably influence the ability of actors to maintain strategic responses to decline over the long term. Institutions mattered, but in ways which have been relatively underappreciated.

The comparison of two relatively strategic cities in two different institutional contexts revealed that local leaders had to take different paths to get to the same kind of outcome. In short, the existing, existing national institutions provided Dortmund, not Providence with sufficient resources to respond to decline. This is the disadvantage of the

American system and the problem that American actors had to resolve first. At the same time, the traditional institutions in Germany were more difficult to change than was the case in Providence. Thus, German actors' responses were structured by the institutional rigidity of their system; they could not have created an organization comparable to the Providence Foundation even had they wished to do so.

Organizations of economic development in Germany are more highly "institutionalized." The venerable institutions of local government, such as parties and chambers of commerce, were also quite stable in Dortmund and Augsburg. No new important organizations were created in either Dortmund or Augsburg, while the policy systems of Providence and Louisville are now based on organizations that did not exist before deindustrialization. Scholars expect high institutionalization to make informal cooperation and coordination more difficult (McGovern 1997: 195), leading to the expectation that German networks are less able to make strategic policy choices. This is not necessarily the case, however, because rigid institutions bring one advantage to balance out high institutionalization. They provide German local development networks with a degree of resources that is rarely available in American cities and that makes coordination and strategic action easier.

Differences in the responses of Dortmund and Augsburg, which worked in a similar institutional context, show that German institutions alone do not automatically generate the resources German cities need to respond to economic change, a fact that further relativizes the impact of institutions. Institutions in these two cases had to be activated by the individual participants of local coalitions. At the same time, however, the structuring influence of German institutions increased in proportion to the degree they become activated. Public and private actors in Germany, it seems, find it very difficult to raise resources independently of the traditional institutions of politics and business, so that without activating these institutions, very little can happen in economic development. However, activating the venerable institutions for doing economic development carries considerable risk for the learning process because it means that these traditional institutions take all of the credit for economic development successes. The positive feedback generated by success flows back not to reinforce the aspirations and reputations of political entrepreneurs or new organizations. Rather, feedback flows back to strengthen the authority of existing institutions, which in turn are in large measure influenced by actors and ideas that are centralized and homogenized across the whole country. Generalizing, the German institutions that organize political and economic interests at the local level provide coordination advantages when activated, but activating them precludes the formation of a multiplicity of local organizations and individuals in local economic development. This suggests that German cities find it easier to organize a *quick* strategic response to decline but that the lifespan of their strategic capability is likely to be shorter.

The exact opposite holds for the United States. The organizations of private sector governance in America are less highly institutionalized than in Germany. Thus, the form of business organization and the way the private sector is linked to the public sector are constantly under negotiation. This negotiation process, however, is an opportunity for learning. As in the case of Providence, the negotiation process may create institutions that closely mirror their German counterparts in terms of the resources they can mobilize and their tendency to create incentives for network actors to remain blindly loyal to early policy choices, cutting off voice at a later point in time. Alternatively, Louisville shows that negotiations can create a more open organizational structure that aids strategic decisionmaking in the long term.

The study's most surprising implication for students of new institutionalism is that the constraining relationship between individuals and institutions was mutual, being mediated through coalitions, and was in permanent fluctuation. Institutions constrained local coalitions, but local coalitions were able to circumvent institutional restraints. Coalitions accomplished this in Germany by reorienting existing venerable institutions; American coalitions, in contrast, created new institutions. This is an important difference because once the immediate problem of decline was successfully addressed, old institutions could reassert their traditional structural constraints in Germany, whereas in the United States, the old institutions were simply gone. Of course, this means that in Germany, there is always an institutional base ready with resources in reserve for responding to change. Yet, since the success of such responses reinforces traditional institutions, one could say that German governance coalitions are institutionally predisposed to closing themselves to "voice" in the long term.

In short, neither the American nor the German system is more likely to generate optimal network structures locally. German federalism encourages coordination but sets significant barriers on organizational multiplicity. The American system does the opposite. It encourages organizational multiplicity but handicaps coordination.

Concluding Remarks

This study measured success partly in terms of the ability of actors to promote growth in conditions of economic adversity. Yet, who is to say that growth is good? Were the members of governance coalitions in Dortmund, Providence, Augsburg, and Louisville "good guys"? Did they make their cities better places to live?

In all four cities, there are thoughtful individuals and groups who would claim that the development elite are bad guys. The FBI certainly suspects Buddy Cianci of wrong-doing (Barry 2000), and residents of neighborhoods near the airports in Louisville and Augsburg are quite bitter in their criticism. One member of the Louisville elite even noted that he received a death threat from an opponent of the airport expansion.

Scholars, too, claim that equity suffers when economic development dominates local agendas. "The principal effect of growth machines is to bend the policy priorities of localities toward developmental, rather than redistributional, goals." Further, growth's "privileged status should be understood as an accomplishment for those groups whose mobilization into politics is grounded in their place-based interests" (Logan, Whaley, and Crowder 1997: 605, 622). Urban coalitions pursuing growth are expected by some to be dominated by developers and others who profit directly or indirectly from land development projects (Elkin 1987; Logan and Molotch 1987). These authors might be inclined to interpret the responses of the cases studied here as the creation and maintenance of a public-private political machine of actors interested only in enriching themselves in an unstable economic environment. They might argue that the important question is not whether cities can respond strategically to decline but, rather, which city best balanced social and economic concerns arising from deindustrialization in a fashion that addressed the needs of a broad set of citizens. They might ask, Who was the arbiter of equity in these cities and how effective were they?

Critics of urban growth coalitions will find much material in this study to support their line of argumentation. A central argument was that the art of local governance is all about getting around formal, institutional constraints. Moreover, public-private governance coalitions were found in all four cities that were quite effective at circumventing national institutions. Does this not also imply that they circumvented institutionalized democratic controls as well?

Coalitions certainly were able to skirt the restraining hand of city councils, the only institution that is supposed to voice the broad public interest. This study suggests that city councils exercised virtually no influence on economic development agendas in deindustrializing cities either in the United States or Germany. Moreover, city councils were not an effective check on mayors, for mayors' policy agendas were always closer to that of the development coalition than to the city council. Judging by the influence of city councils on economic development policymaking in the four case studies, policymaking was rarely blocked by anti-growth groups with other policy priorities

Unquestionably, local development coalitions in the four cases created power and used it to change the local economy. Of greater concern, however, is the suggestion of this study that the ability of networks to pursue growth *strategically* is similarly conditioned on networks being able to create power and use it without being disturbed by the necessity to placate other kinds of political demands. As argued above, cooperation within governance coalitions is easiest when public and private sector institutions are unitary and when mayoral leadership is strong and continuous. Political wrangling prevents the emergence of a strong, continuous, and unitary economic development structure, as illustrated by the case of the least strategic city, Augsburg.

If strong, pro-growth economic development coalitions are predicated on inequity, then is it coincidental that the least strategic city is also the study's most democratic one, at least in terms of political turnover?. The Augsburg city council also has the highest degree of institutional power. The council has even been led by a party opposing the mayor at time, and in general the city has been characterized by high party competition and discontinuous mayoral leadership. This stands in contrast to Cianci's Providence, Louisville and its public-private team spirit, and the virtual one-party system in Dortmund. Anti-growth groups were in a better position in Augsburg because of the city's more democratic structures, and this meant that Augsburg neighborhood groups were able to slow airport expansion while Louisville neighborhoods were bulldozed.

Without a doubt, there is a necessary trade-off between the ability to get things done in economic development and democracy. Yet does this also necessarily mean that successful economic development benefits elites exclusively? After all, Paul Peterson (1981) and others argue that growth is indeed good because it benefits all residents indirectly. Peterson even suggests that market mechanisms force cities to spend money wisely on economic development in such a way as to maximize the benefits for firms and citizens alike.

This study suggests that Peterson is too optimistic about the market, but Molotch (1976) is too cynical about the links between local land owners and politicians. Even though economic development coalitions do exclude interests, in three of four of the cases studied here, they pursued goals other than land development.

This study suggests that not all pro-growth coalitions are equal in their effects on equity. Some scholarship has already noted this. The OECD (1993), for example, does not hesitate to assert that the most successful economic development growth policies are adopted by complex organizations: by as many groups as possible and in consideration of social goods *other than growth*, such as education and environmental protection. In the study of regional policy, Savitch and Vogel (2000a: 164) also conclude that "complexity is a good thing." This study, because it measured the extent to which policies were adopted by a relatively complex set of organizations, reinforces these impressions, finding that that the city with the most complex organizational structures—Dortmund and Providence—also happened to be the cities that pursued economic development policies with the largest benefits for non-land owning interests. In Dortmund, elites provided extra benefits to laid-off steel workers; in Louisville, elites organized a large amount of private-sector support for the public education system. It may not be coincidental that Louisville and Dortmund also happen to have had the largest policy networks (Figure 6.1). These findings suggest a synthesis between of the black and white picture of pro-growth policy characterizing the current literature. The assertion is viable that those cities that include a broader diversity of groups in the process of formulating growth policies are more likely to adopt policies strategically and, as a result, elites in those cities are more likely to pursue a version of growth that approximates the collective good ideal. The accumulation of power in economic development networks is less than democratic but it presents the least threat to equity when elites make policy within complex policy systems. Such "plural" networks are elitist, no doubt, because they are not under democratic control, but they are at least more likely to pursue economic ideas other than land development and thus more likely to dispense with what Robert Kuttner (1984) calls the "economic illusion," or the belief that social equity is bad for business. To bring it to a point: growth coalitions injure the ideals of democracy, but growth coalitions that act strategically probably do the least amount of damage to equity.

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Appendix A

Questionnaire: Economic Development Policy in
[City Name]

Please return to : Scott Gissendanner
Potsdamer Str. 82
15711 Königs Wusterhausen
GERMANY

Fax: 011-49-371-531-4451
Email: gissendanner@t-online.de

1) Your **name** and job **title** (Anonymous answers are also welcome):

2) In your opinion, how important were the following areas of activity in your city **during the 1980s**?

Type of Activity	Relative Importance		
	NOT important	***SOMEWHAT*** important	***MOST*** important
a) Taking care of the needs of existi local firms.			
b) Attracting new firms or encouraging new start-ups in economic branches that were traditional in the city, <u>with the goal of strengthening traditional manufacturing locally</u>.			
c) Attracting new firms or encouraging new start-ups <u>with the goal of diversifying the mix of economic branches represented in the city</u>.			
d) Attracting new firms or encouraging new start-ups <u>without a special emphasis on a particular economic branch</u>.			

3) Sometime economic development officials will identify specific economic branches (automobiles, software, mining technology, etc.) or particular sectors (typically either manufacturing or services) as especially desirable for the city. Did your city target any particular branches or sectors in the 1980s or later?

BRANCH(ES): SECTOR:

4) If your city targeted particular branches or sectors, was the setting of these targets a politically contested issue?

No

Yes, but debate was carried out only internally without press coverage.

Yes, and debate was also a public issue.

5) How would you rank your city's level of activity (in terms of personnel and financial resources) in economic development relative to other similar cities?

Somewhat LESS active.

About the SAME.

MORE active than others.

Comments:

MANY THANKS FOR YOUR PARTICIPATION!

This research is overseen by the Institutional Review Board of the University of Georgia. Questions or problems may addressed Julia Alexander, Institutional Review Board, Office of the VP for Research, University of Georgia, 606A Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542 6514; e-Mail Address JDA@ovpr.uga.edu.

Appendix B

Scott Gissendanner, University of Georgia
Questionnaire for the Dissertation Project
"Responses of German and U.S. Cities to Deindustrialization"

Interview with [Actor Name]

Your answers will be held confidential.

Personal Information

1. Time period of your active involvement in economic development in the [City name] area:

From __________________ to _________________________.

Actors

2. Please indicate with an "X" those persons who, in your opinion, were among the MOST important persons in economic development in the [City name] area. Please distinguish between the earlier and later years of your active involvement.

"Important" individuals are those who help determine the targets of economic development aid, arrange for financing, and activate other influential persons.

	Important?	
Name	**Yes, EARLIER**	**Yes, LATER**
Actor Name from Expert Lists		
Actor Name from Expert Lists		
Actor Name from Expert Lists		
Actor Name from Expert Lists		
Actor Name from Expert Lists		
Actor Name from Expert Lists		
Actor Name from Expert Lists		
Actor Name from Expert Lists		
Actor Name from Expert Lists		

Other important individuals (including state or national-level actors)

Name	Important in the earlier or later years of your activity?

3. If possible, please identify and rank the three most important individuals.

Rank	**Important in Early Years**	**Important in Later Years**
1st		
2nd		
3rd		

4. In consulting about and deciding on development issues, with whom did/do you spend most of your time?

Rank	**Early Years**	**Later Years**
1st		
2nd		
3rd		

Organizations

5. Of the organizations noted below, which were/are the most important for economic development decision making ?

"Important organizations" shape economic development decisions by influencing the flow of decision making.

Organization	**important early**	**important later**
[Well Known Organization in City]		
[Well Known Organization in City]		
[Well Known Organization in City]		
[Well Known Organization in City]		
[Well Known Organization in City]		
[Well Known Organization in City]		

Other organizations that should be mentioned:

	important early	important later

Economic Development Activities

6. Which activities of economic development in [City name] were INNOVATIVE? "Innovative" activities are those which embody new goals, bring in actors previously not involved in economic development, and/or initiate new organizational forms.

	X = INNOVATIVE
[Well Known Activity in City]	
[Well Known Activity in City]	
[Well Known Activity in City]	
[Well Known Activity in City]	
[Well Known Activity in City]	
[Well Known Activity in City]	
[Well Known Activity in City]	
[Well Known Activity in City]	

Other innovative activities

7. Please rank the projects or activities mentioned above in terms of their SUCCESS. "Successful" means those which had a definite impact and enjoyed public recognition.

Rank	**SUCCESSFUL Projects or Activities**
1	
2	
3	

Finances

8. Which forms of financing were crucial to the completion of the important activities or projects mentioned above?

Crucial for which activity or project?

City Budget	
State Budget	
Federal Grants	
Private Businesses	
Private Banks	

Other financial sources:	Crucial for which activity or project?

Problems and Difficulties

9. Can you identify a particular kind of problem or difficulty that prevented the realization of new ideas or projects in more than one case?

Relationship to Other Cities

10. What cities does [City Name] compete against regionally and nationally?

11. What city would you like [City Name] to emulate? Does it emulate that city adequately?