

A Reassessment of Urban Renewal:
Policy Failure or Market Success?

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**A REASSESSMENT OF URBAN RENEWAL:
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Urban Renewal land is available for apartments, both low income and luxury; for shopping centers; for department stores; for downtown parking; for office buildings; for hotels and motels; for sports stadiums; for retail stores; and for medical buildings and hospitals. . . . you will see for yourself how others have come to these downtown blighted sites and have found in them a bonanza. . . . Remember, you need only build one successful job in your lifetime to find retirement income for yourself and an estate for your heirs (Berman, 1969).

Introduction

To alleviate the problem of inadequate low income housing and central city decay, the federal government proposed a series of programs, generally identified as urban renewal, which would create market incentives by controlling or altering unreasonably high costs associated with housing construction thereby restoring the cities' housing stock. This legislation provided for the subsidization of land acquisition costs and the provision of public funds to entice private developers to undertake the task of reconstructing and transforming the cities' worst neighborhoods.

The cause of the deterioration of the housing stock and the absence of new construction and renovation was clearly identified as a failure of the private sector to address social needs. The most depressed areas in the city were concentrated in its central sections, with three consequences: a) the housing stock in these areas tended to be among the oldest in the city, and its bad condition was as much due to its age as to poor maintenance (Rothenberg, 1967); b) the center of the city had been abandoned as the historical changes in the locational patterns of capitalist production constantly altered the face of the city (Gordon, 1977); c) property taxes

tended to remain high in these neighborhoods in spite of their decline, undermining a willingness on the part of owners to invest in renovations (Cohn, 1970). Market conditions were so out of balance with socially desired ends that active neglect of property represented a rational program for individuals owning land, even as the same individuals suffered collectively from the neglect (Davis and Whinston, 1966; Rothenberg, 1967).

But was the policy which emerged from the national dialogue appropriate? Barnekov and Rich (1977) maintained that by focusing on the market, urban renewal legislation allowed local business groups to dominate the form of the renewal projects to reflect business interests. They argued that a philosophy of privatism permeates policy formation to the detriment of the intended low income beneficiaries. This tradition of privatism legitimates private initiatives to promote public welfare. Consequently, local development agencies are the instruments of local business and as such are constrained by the welfare of these interests rather than those of the community as a whole. The failure of redevelopment programs is due to an unjustified expectation of benefits from this private initiative. MacGregor (1977), speaking for the business community as a whole, responded by pointing out that usually, what is good for business directly or indirectly is good for the society as a whole. The general welfare cannot be maximized unless business welfare is maximized at the same time.

Urban renewal was a national program in scope, but was to be administered locally. Differences in the local administration of renewal may be explained by: the ability of community leaders to innovate (Aiken and Alford, 1970); the extent to which local politics are characterized as controlled by a political machine or more reform minded politicians (Greenstone and Peterson, 1968); the form of the interlocking nature of local business and a planning agency (McDougall, 1981;

Mollenkopf and Pynoos, 1972); the ability of the planning agency to develop independent of political and economic interests (Kaplan, 1982); and the extent to which local community groups can maintain some input into or control over the redevelopment process (Goering, Robison and Hoover, 1977; May, 1971).

Each community dealt with questions of social demands, urban administrative responses, and jurisdictional problems of overlapping agencies and authorities (Meltzer, 1968). However, to be more effective, maintained Meltzer, urban policy should have reflected a broader metropolitan view of the region representing a wide range of interests and concerns. What is clear, then, is that the implementation of urban renewal policy varied across communities; but is there some common thread that links all these experiences?

Defining social problems and their solutions within the context of the market limits the kinds of potential outcomes. This analysis is an attempt to understand how market solutions constrain possible policy outcomes and negate policy objectives. This paper will briefly review renewal experiences as reported in numerous community studies, outline the basic criticisms of renewal which indicate how renewal is viewed as a failure and examine recent research on the selection of neighborhoods for renewal projects. The remainder of the paper will argue that contrary to the view that urban renewal failed as a program, it worked in accordance with the constraints imposed upon it by the requirement that renewal be undertaken within the context of market incentives to producers of the urban infrastructure. Rather than criticize the implementation of programs like urban renewal, we must begin to reexamine the reliance on market mechanisms to achieve policy objectives.

Renewal in Communities

Renewal experiences indicate a clear pattern of demolishing low income housing, much of it substandard, in favor of projects which did not provide many benefits to the original residents of the community. Small local businesses suffered and whole sections of the population were forced to move away. As Mayer, writing for city planners, aptly described renewal, "In terms of commerce and the attractiveness of downtown, there seems to be no question that urban renewal has been a benefit to the cities. . . . In terms of housing and the overall livabilities of the cities, however, urban renewal was a disaster" (1980:119). A quick review of some case studies demonstrates that while investigators may argue over the process, they all describe the same outcome.

Renewal and private development have often been used interchangeably. Private developers utilized public administrators to bypass or confront community reaction to renewal projects which do not take local interests, even when voiced, into account in Atlanta's planning process (Stone, 1976). Stone goes further, arguing that the organization of local government, at least in the case of Atlanta, facilitated its utilization by private interests against the people it is suppose to serve. Worthy (1976) chronicles a series of neighborhoods in New York, Boston, Bethesda and Oklahoma ravaged by hospitals or universities whose only interests are expansion, in the face of futile community opposition, of their physical plant. Much has been written about New Haven (Dahl, 1961; Domhoff, 1978; Powledge, 1970) on how local decisions come to pass and the nature of politics. Most accounts, however, implicitly agree on a description of downtown development which removed blighted neighborhoods in favor of capital construction related to commercial buildings and the interests of Yale University (cf. Stone, 1973 for an account of a New Haven city planner turned community activists during this period).

The classic study by Gans (1962) described in detail the cost of renewal to one Boston community, the West End. Gans pointed out that "slum" and "low income" neighborhood are labels which are assigned on the basis of renewal goals for the area. Boston was characterized by political machinations over the determination of both renewal sites and the selection of developer (McQuade, 1966; cf. Keyes, 1970; Levi, 1964 for a general discussion of renewal, and the role of institutions and municipal administrators in Boston). Similarly, Newark had a renewal bureaucracy well tuned for acquiring federal funds (Kaplan, 1963, 1967). Projects were defined according to the need to ensure developer's willingness to sponsor the programs. As a result, substandard neighborhoods were often bypassed in favor of more desirable sites which could be developed for middle and upper income families.

A look at Philadelphia (Adde, 1969; Petshek, 1973; McDougall, 1981) uncovered a city whose central business district development was tailored to the interests of banking, insurance, administrative and educational institution needs. San Francisco development, in the area known as Yerba Buena, reproduced the same pattern (Little, 1966; Brewer, 1973; Hartman, et al 1974; Wirt, 1974) while across the bay in Oakland, local opposition to renewal split the community over the question of local government. In a cross sectional study of renewal in nine cities, Adde (1969) compared Philadelphia, Newark, Dallas, Peoria, Midland Texas, Pittsfield Massachusetts, Denver, St Louis and Detroit and in each case he described a downtown renewed by a civic center, hospital expansion, better parking facilities, a university extension, commercial office space, or simply making the area a nice place where people could come to when shopping downtown. Across the United States experience with renewal during this period generally repeats a pattern of low income displacement and replacement by either upper and middle income families, commercial construction, institutional expansion, or civic development -- and often a combination of all four (Clay, 1979; Holcomb and Beauregard, 1981).

Criticisms of Renewal

The evaluation of the urban renewal program usually hinged on which of the underlying assumption informed the analysts' understanding of the purpose of urban renewal: a) to improve the housing and living conditions of the urban poor or b) to enhance the economic, social and cultural vitality of the city by improving its physical plant, improve the central business district, attract new businesses, expand its tax base and encourage the return of more affluent residents (cf. Wilson, 1966; Bellush and Hausknecht, 1966 for a general review of the debates over the assessment of urban renewal). In some cases, criticism of urban renewal was leveled on the grounds that: 1) the purpose was the former, but the outcome was the latter (Abrams, 1965); 2) the poor, requiring net outlays in social services, were systematically replaced by affluent, net contributors to the fiscal purse (Alonso, 1963); 3) the widespread implementation of renewal programs was fueled by bureaucrats exercising eminent domain in order to enhance their own power (Anderson, 1964); 4) the legislation was inappropriately drafted (Anderson, 1966).

Anderson's critique (1964) was the most far reaching. He charged that slum dwellers (Black families in particular) and small businessmen suffered as a result of the displacement arising from the use of eminent domain powers while supply of low rent housing and affordable business locations declined. Claiming that the private sector would have built half the number of renewal sponsored building anyway, he saw the entire renewal program as an excess of bureaucratic power. Gans (1968) disagreed, stating that federally subsidized mortgages and mortgage insurance were crucial to inducing private developers, and argued instead that the program should have been transformed into a program of urban rehousing rather than slum clearance and rehabilitation.

Housing, or lack of it, remained a focus of many writers on urban renewal. Rehabilitation was unprofitable for the slum owner (Sternlieb, 1966) and so subsidies, coupled with selective code enforcement measures, remained the only way to encourage renovation. Similarly, slum elimination was an expensive proposition which, if undertaken privately, would have generated insurmountable costs to owners (Schaaf, 1960). Unless rents were to be drastically raised to finance private renewal, Federal subsidies were the best, albeit imperfect, way to adjust market conditions. Similarly, without a program of rehabilitation or renewal, a decline of the neighborhood and loss of confidence in the future of the city would have resulted in greater levels of housing abandonment (Sternlieb, 1970).

One of the major problems with the urban renewal program was its failure to relocate the people displaced by slum clearance. Contrary to a generally positive view held by HUD (Slayton, 1966), critics charged that: a) relocation had negative psychological effects on those forced to move (Fried, 1963); b) slums were simply displaced to less central areas of the city (Marris, 1962); c) low income families generally had to pay more for lower quality housing (Anderson, 1966); and d) the supply of low income units actually decreased as a result of urban renewal, putting even more pressure on the supply of low income housing and exacerbating the problem of urban blight (Rothenberg, 1967). Small businesses, relying on low rents stemming from long term occupancy in many designated areas, were unable to absorb the cost of relocation, the higher rents, and the disruption of normal business operation due to their loss of an established clientele (Zimmer, 1964).

Finally, urban renewal was criticized from the standpoint of the efficacy of any federal program trying to address social problems. At times, this line of reasoning suggested that policy is completely misdirected and problems are not really problems. Banfield (1970) pointed to what he called positive indicators showing that

cities were in fact thriving, and that persistence of poverty among Blacks and other urban minorities stemmed from what he called an economic class-culture. Therefore more often than not, government policies only exacerbated urban conditions, and created more problems than they solved. Urban social systems are insensitive to policy tools, and traditional ways of thinking about cities are not useful for analyzing the situation (Forrester, 1969). Rather, short term social problems generate self correcting mechanisms which adjust for distributional problems in order to maintain a self regulating and self perpetuating social system.

On the other hand, Jencks (1972) pointed out that policy in general was misdirected when it tried to address social problems in an indirect manner (e.g. educational policy to correct for income inequality). Charging that such programs are half hearted, Jencks called for an even larger and more concerted government effort to come to grips with social problems. Meltzer (1968) pointed out that the urban renewal legislation allowed the people most affected the least opportunity to express their choice of policies. In a similar vein, many critics have proposed that the government's approach is inappropriate. In its place, the government should provide income or housing transfers which would have an effect on the demand side for housing rather than the supply side (Rothenberg, 1967). Some supply side programs would still be appropriate, like tax and interest subsidies, as long as they facilitated the closing of the supply lag as low income families begin to demand better quality housing (Wehner, 1975; Myers, 1975). These subsidies would insure that the increase in demand did not result in an increase in the general level of rents, to the detriment of unsubsidized families.

The problem with urban renewal legislation is that it failed to offer clear priorities for action since it had no underlying theory of slum causation and central business district decline (Greer, 1965). As a consequence, law makers could do no

more than rely on programs for change developed and monitored by local agencies but implemented by private developers. Urban renewal appeared to be fixated on some vague notion of "standard" housing. A suitable neighborhood for poor people is then defined simply as a neighborhood with good housing (Marcuse, 1971). Yet Marcuse went on to point out that the use of this apparently straightforward measure leading to specific policies is a "mistake and, indeed, (these policies) conceal the problem of housing; that the present definition of these goals is circular and only accidentally relate to a public purpose in housing; that the way these goals are formulated helps some groups and hurts others, while any reformulation will change the composition of the groups benefited and those harmed . . ." (Marcuse, 1971:197). This vagueness is what led to urban renewal excesses.

Urban renewal directed the provision of standard housing but failed to stipulate how this purpose was to be achieved. Land was to be condemned, sites were to be cleared and improved, and then the land was to be sold to private developers at a subsidized rate. Public purpose, however, must be distinguished from public use (Anderson, 1967). As the law was written, Anderson maintained, public use is only an accident since the development is predicated on private investment and hence, will result not surprisingly in private use. For example, in her report on the outcome of urban renewal in New York Lowe (1966) pointed out that renewal programs suffered from a conflict between physical and fiscal goals. The benefit derived from private use development often conflicted with the cost incurred in the provision of adequate housing for the poor.

The two decades which highlighted the original urban renewal program saw few additions to the stock of low income dwelling units, while cities used Federal grants to try to revitalize their central business districts, to expand their tax bases, and to induce upper income residents to return to the rejuvenated city centers. Quoting

Marcuse, much work remains in defining the results of urban renewal "in other than physical terms, but the job is tremendously important. Without it we are in danger of shaping our national policy to achieve measurable goals solely because they are measurable while ignoring the much more important if less measurable goals of decent, social, economic, esthetic and human environment that we really want" (1971:216).

Recent Research

White (1980) tried to understand what kinds of communities were selected for redevelopment by relying upon housing, economic and social indicators found in census tract data for the four census years between 1940 and 1970 as explanatory variables in predicting urban renewal site location. Employing cross sectional and longitudinal techniques, White reconstructed urban renewal in Chicago, Detroit, Cleveland and St. Louis.

The use of both cross section and longitudinal analysis enabled White to evaluate claims by both supporters and critics of urban renewal. Cross sectional analysis of census tract data permitted White to determine the effects of geographic location (with economic, sociological and ecological correlates) on site characteristics, and then to evaluate renewal sites pre- and post-renewal to ascertain any significant deviations from expected values for his measures. The longitudinal analysis, however, relying primarily on regression techniques, used 1970 values for a wide range of housing characteristics and socioeconomic indicators as dependent variables regressed on the same indicators for the three prior censuses. This ambitious and largely successful project enabled White both to examine factors which characterize renewal sites prior to selection and to isolate any affects of urban renewal on those sites.

Findings of the cross sectional study (White, 1980:59-71) indicated that

renewal sites tended to have lower than expected levels of income, although these were not significant differences for any city but Chicago. The range for Chicago is \$3000 less than its geographic location would predict prior to renewal, and \$2658 more after renewal (White, 1980:59). More generally significant across all cities are differences in density (30 percent more dense pre-renewal, anywhere from 20-90 percent less dense post-renewal), Black concentrations (greater pre-renewal, lower post-renewal) and crowding (again, as again). These results, White warned, may incorporate some bias since they were generally restricted to residential communities, but they still give a good indication of the tract characteristics of renewal tracts.

The results of the longitudinal study allow for similar generalizations (White, 1980:150-159). Demographically, urban renewal meant higher educational attainment, lower male unemployment, lower service and clerical employment, greater concentrations of middle class households and lower concentrations of non-white families than would otherwise have been expected in the census tracts. Surprisingly, White found that housing characteristics were not always changed in ways expected. There was little net change in densities (of buildings), and crowding declined only slightly. Both the number of large households and physical defects were lower for renewal areas, but little if any, spillover (positive effects on neighboring communities) could be detected. Furthermore, he found that housing characteristics tended to be insignificant, while labor and social indicators were significant variables in explaining the variation in renewal tracts. Specifically, greater concentrations of managers and white collar workers, more Blacks, tenants, children and people with low educational attainment, and higher population densities accounted for the greater part of the variation (White, 1980:161).

White applied discriminant regression analysis by separating census tracts into

those without any renewal activity and those with activity of any kind to test the assumption that renewal tracts are significantly different than other tracts. Once again he found that housing characteristics were not significant variables while closeness to the central business district, degree of crowding, and high concentration of non-whites, children and professionals accounted for most of the variation (White, 1980:167).

The general results of his analysis led White to conclude that renewal sites significantly deviated from locational expectations significantly on socioeconomic variables (lower pre-renewal, higher post-renewal) and less on housing characteristics, most notably tenancy and crowding (higher pre-, lower post-renewal). Housing improvements coincided with other social and economic changes associated with redirecting the course of tract development: lower population and housing densities; lower concentrations of non-whites (especially in Chicago); lower unemployment; greater concentration of professional and white collar workers; higher income and educational levels. To quote White at length,

While renewal began to meet some of its goals of improved housing quality, the coincident costs seemed to be the creation of some vacant, unproductive land and the displacement of lower status residents. The increase in quality of the housing stock does not appear to have benefited an area's long time residents, but rather to have attracted a new segment of the housing market (1980:192).

In general, renewal had resulted in making census tracts appear more middle class in character.

Although White's study confirms many of the notions and claims about the effects of urban renewal, it leaves unresolved the questions of whether or not urban renewal succeeded. Critics charge that renewal failed because of an inability to address the needs of most people while proponents argue that renewal succeeded since it upgraded the neighborhood's physical environment. White ultimately was not

concerned with understanding what happened in the course of implementing urban renewal and why. Rather, his analysis was primarily a test of zonal and sectoral models of spatial development, and negative exponential models of land rent; his primary goal was in describing the socio-spatial structure of a city.

Perhaps the most telling aspect of White's analysis is its ultimate failure to understand and explain an apparently anomalous importance of high concentrations of professional and managerial workers, in addition to Blacks and children, in predicting renewal site selection. If renewal was purely a program to benefit low income families, then many deserving neighborhoods were bypassed in the process. How are we to understand this inconsistency? By looking at the form of policy implementation, to wit the reliance on market mechanisms, we can begin to understand how renewal generated the results which have become associated with that program.

Urban Renewal Implementation

In a manner of speaking, urban renewal legislation was an attempt to provide local communities an opportunity to create a community development plan which would address the problems of inadequate housing and spreading urban deterioration. Further, renewal programs would provide essentially "free" money to the local planning and renewal agencies (communities could meet their financial contribution requirement by making infrastructural improvements) in order to implement this redevelopment program, and to subsidize developers and institutions (through low interest funds and land writedowns) in order to stimulate the private sector. Fainstein and Fainstein (1983) pointed out that the key to renewal legislation was its separation of public expenditure (public housing) from private subsidies. Ideological biases prevented the development of a coherent national program which would plan housing construction directed at the needs of low income families. In its

place, renewal programs located planning control in local communities and left investment decision making in the hands of the private sector.

Planning and renewal were usually separated into political and economic decisions (Meyerson and Banfield, 1967). Yet May (1971) argued that communities often had to fight with local authorities over control of the renewal process since the local government and the community have different objectives in renewal: communities view growth in terms of preservation while governments view growth in purely economic terms (cf. Shipnuck, Keating and Morgan, 1974 for an analysis of the community's role in renewal and a procedural manual for mobilizing opposition to renewal). Lowe (1966) described this as the difference between fiscal and physical goals. Recent discussions about the role of planning and the relationship between planner and community (Newman, 1980; Kaplan, 1982) tried to bring these two goals together. The problem still rests with the need for local governments to expand their fiscal base, and low income constituents can offer little toward that goal.

A survey of developers (Baskin, 1962) pointed out a number of important considerations developers made before engaging in a renewal project. Most important, however, was the project's potential profitability, when compared to all other available projects, since the developer could only engage in so many projects at once and only the most profitable would be undertaken.

The position of the investor and developer is best illustrated in two articles discussing the needs of Alcoa Aluminum, a financial backer of many major projects (e.g., Century City in Los Angeles and the United Nations Plaza in New York) and a major investor in large developers (e.g., Webb and Knapp, an important national developer used on many renewal projects). These articles both stated that Alcoa must be concerned with its financial obligations to its stock holders and must make the most profitable investments available, keeping in mind that renewal projects are a

"social obligation" within reasonable limits (Kay, 1966; Hickman, 1977). This concern was summed up by Hickman description of Alcoa's three main beliefs: "1) Participation in redevelopment is good for Alcoa. . . . 2) Our second conviction is that Alcoa is good for redevelopment. . . . 3) The third thing we have learned is that we ought to assume direct responsibility for the planning, construction and management of our projects" (1967:267-268).

The quote at the beginning of the paper is from the introduction to a real estate industry primer on urban renewal. From the developer's point of view, urban renewal was an opportunity to generate large profits. Commercial interests have been able to upgrade the central business district while local governments have expanded their tax rolls. The only ones who managed to let the opportunity to improve their housing condition slip through their fingers were low income families with substandard housing. Mayer pointed out that between 1949 and 1968 "some 425,000 units of housing, nearly all of them home to low income households, were torn down by urban renewal projects, and only about 125,000 new housing units were built on the sites--well over half of them homes for the rich and upper middle class" (1980:120). The 1970 Annual Report of the Housing and Urban Development noted sharp increases in abandonment of housing in large cities because there was: little financial incentive to reinvest in the building; problematic tenant landlord relationships; tax delinquency; deteriorated community services; urban vandalism and crime. Twenty years after it was created to solve the cities' problem of blight, renewal had made little impact on the quality of housing for their low income residents.

Producers, Consumers and the Market

Two important assumptions were implicitly part of the housing acts which defined the urban renewal program: a) the best way to provide reasonable housing was

to induce market behavior to conform to social policy objectives since public housing failed to address these problems; b) the only way redevelopment on a scale necessary to affect significant change could come about was to empower local agencies with a range of programs and powers (most importantly eminent domain) which would enable them to assemble large areas and then allow them to turn the land over to private developers at a subsidized price. In other words, the market was still the best way to provide goods and services since it ensured efficiency, while the state was to overcome market obstacles preventing the market from moving in the desired direction.

There are two primary positions within the market; the producer and the consumer. Since the market is ruled by a combination of willingness and ability to pay for the products offered on the market by consumers and the capacities to sell output of different costs and qualities by producers, producers and consumers have different market powers both within and between groups. Some markets experience an oversupply, others an overdemand. In the former, consumers have greater relative control whereas in the latter it is the producer. These relative positions determine, to a large extent, market prices, profits and ultimately the level of investment. Central to understanding the role of markets is the fact that profits cannot be realized by producers until the goods are exchanged on the marketplace.

The importance of market considerations in urban development was highlighted in a recent article by Feagin (1982) in which he maintains that theories of urban planning and urban ecology ignore the purposeful ways producers, with their monopoly on social wealth, act to manipulate urban development patterns. Theories rooted in the idea that consumers act within a free market for goods and services are unable to adequately account for the experiences of more than a few historically and geographically specific cities. Rather, producers dictate urban development through

their control over land and capital resources, and their ability to speculate in large land holdings. The market is not made up of many small holders of land competing openly to maximize their personal gain. It is comprised, instead, of a small number of wealthy land owners and industrial capitalists who "can and do shape the rules of the market place" (Feagin, 1982:40). Feagin states the case too strongly. Disproportionate control over resources enable producers to benefit from market interactions without requiring that they also consciously "shape the rules" of these interactions. It is important to note, however, that taken historically the sum of market outcomes in favor of some producers help to consolidate this control over resources which they enjoy, and to create conditions which further the interests of a small number of producers over consumers.

The distinction between worker and consumer is critical. Katznelson (1981) partly attributed patterns of conflict within working class communities to this separation. Workers who are able to form a strong and united position against an employer (for example steel workers in Gary, Indiana) based on a common relationship to production will nevertheless return to highly fragmented and segregated communities and struggle with each other as consumers. They fail to understand that relations between capital and labor determined at work will also constrain the level and form of social goods available in the community. It is the lack of solidarity as consumers which undermines many of the gains made as workers. Similarly, social programs are earmarked for individuals as either worker or consumer, never both; programs target forms of collective consumption (food stamps, subsidized housing, levels of police and fire protection, parks and recreational services, etc) or conditions of work (health and safety requirements, minimum wage laws) separately.

Housing has been characterized as a collective consumption good (Castells, 1977; Harloe, 1981). Public housing was provided as a service for families unable to

find adequate shelter, but in a manner which clearly labeled these consumers as recipients of public welfare and reminded them that they benefited as a result of the rest of society's good will. However, public housing was both inadequate (e.g., public housing never came close to meeting the needs of New York's housing shortage) and poorly conceived (e.g., the Pruitt-Igoe Public Housing Project in St. Louis comprising 33 eleven storey buildings on one site which had to be demolished within 20 years because of the social problems they fostered and the high vacancy rates they experienced). When national legislation defined the housing problem as a market problem, it changed the nature of the provision of adequate housing from a collective consumption good to a production decision. Legislation mandated a concern for housing as a goal, but left the market to take care of these concerns with help from federal subsidies.

As a collective consumption problem, the state determines: a) the levels of funding which will be used for the provision of the collective goods; b) the targetted population to be served; and c) the means to allocate these collective goods according to policy objectives. When the provision of standard housing for low income families was posed as a market problem, the locus of concern on the part of the state shifted from the distribution of collective goods to the inducement of the private sector; there was a shift from a concern over consumption to a concern over production.

Social (i.e., implicitly consumption) criteria were used to identify areas in greatest need of housing rehabilitation. However, in order to induce private developers, a level of profits comparable to other projects had to be ensured. The housing acts provided for a number of subsidies which lowered production costs considerably (e.g., direct and indirect costs of acquisition, financing costs, social infrastructure costs). Recall, however, that profits are measured by accounting

differences in input and output prices, but are only realized through market transactions. Consequently, developers had to be assured of marketability as well as cost subsidies before a project would be undertaken.

How Market Mechanisms Affect Renewal Outcomes

The regulations for designation as an urban renewal target community (HUD, 1960) demonstrate the ambiguous and contradictory nature of social goals pursued within the context of market operations. Concern for the quality and condition of housing was reflected by the requirement that at least twenty percent of all buildings were deficient (a technical criteria) in any number of concrete areas (age, deterioration not reversible through rehabilitation, improper usage). However, a building could have been classified as deficient if that building warranted clearance, or contained other equally (and unlisted) significant deficiencies, both of which were very vague criteria.

Finally, if the area managed to fail this very broadly defined test, it could have still been designated a renewal site if its inclusion was necessary to the overall renewal program in the community, so long as the project reflects the beneficial influence of other private and public projects or activities in the area or city. Under the broadest interpretation of these regulations, a local community planning agency was empowered to designate any neighborhood a renewal site if it fit into a redevelopment program not necessarily motivated by housing objectives. Reliance on market incentives often resulted in the selection of neighborhoods on the basis of a project's overall marketability rather than its impact on the problem of unsatisfactory housing for the urban poor.

In the case of institutions (i.e., hospitals and universities) or local government (i.e., civic centers and public halls) marketability was not an issue

since the developer was also the end user. The end use was not geared toward housing but toward improving or expanding physical plants, or in constructing new structures which altered land use from (albeit low quality and low cost) housing to administrative offices, convention centers or class room buildings. It was still a question of markets, but in this case it was a lowering of costs to facilitate a pattern of expansion which had become increasingly more expensive.

Real estate and commercial developers were rarely, if ever, their own end users; buildings not sold outright were leased to other users. Markets for the final product were as much, if not more, important than cost subsidies. Construction in a rapidly expanding region may provide higher profits, in spite of high production costs, than a subsidized project if the former was quickly sold at a high price while the latter went unclaimed. The decision matrix of producers included a concern about the market (i.e., the consumers) for which they were targeting their projects. Consequently, there were a number of alternatives from the developers point of view: a) rising demand for downtown locations and an expansion of administrative control functions by larger corporations meant marketable commercial construction projects; b) rising demand for good quality homes and apartments by middle income families who were finding their jobs returning to the cities meant a market for upper income luxury housing and middle income real estate development projects. Rarely, if ever, were developers considering low cost housing for low income families. Developers could indeed construct low income housing if the local development agency would have been willing to purchase or lease the buildings, thereby securing a profit for the developer. But this would effectively mean that development agencies were once again engaging in public housing construction.

Local governments were faced with a situation of either expanding public housing construction, reentering by the back door, or modifying their renewal

objectives in order to accommodate the market requirements of private developers. Changes in the housing legislation gradually increased the amount of a renewal project allowable for nonresidential use from ten to fifty percent over a ten year period. In addition, the legislation reflected a dual purpose: housing and downtown redevelopment. This meant that sites could be selected so long as they resulted in clearing an area which predominantly contained substandard housing, and projects could be approved even though they primarily resulted in commercial office buildings and middle or upper income housing. This was the pattern exhibited by the New York Planning Commission in selecting both sites and projects. Similarly, Kaplan (1966) pointed out that Newark's renewal experience was highlighted in its early period by modification of renewal site designation because developers were unsure about the demand for housing constructed too near the city's slum areas. Social goals of renewal were modified to reflect market objectives of salability.

What ultimately distinguishes these renewal outcomes as the product of market mechanisms, then, is the redistribution of resources away from the community and toward capital, and the construction of projects geared to the demands of consumers rather than the needs of the community at large. It is not uncommon for policies to affect a redistribution of resources. Food stamps, rent subsidies, and welfare programs of all sorts transfer resources to low income persons. Similarly, depletion allowances, tax benefits, and farm price supports are among a number of resource transfers to producers. In all cases, these policies redistribute resources by design (although the extent or degree of transfer can vary depending on the effectiveness of the policy). What is distinctive in the case of urban renewal, and typical of all programs which rely on markets to affect outcomes, is that redistribution occurred in a direction opposite from the one intended by the legislation.

Conclusion

Urban renewal was to improve the quality of housing for low income families and to improve their neighborhoods. Implicitly this meant improving the level of resources consumed in the form of the quality of the housing stock. Social resources represented in federal funds were to be used to facilitate this resource transfer much the same way federal funds underwrite the food stamp program. But unlike the food stamp program which redistributes resources directly (in the form of a voucher for a dollar amount of food reimbursed by the state), urban renewal relied on the market. The market, however, reinforces existing resource endowments. Consequently market operations meant that resource transfers went from the community to capital. Existing low income capital stock was transformed into middle and upper income housing and commercial development projects.

We can now return to the paradoxical observation of White's (1980) cross sectional and longitudinal analysis of renewal neighborhoods: why were high concentrations of managerial and professional workers indicators of likely renewal sites along with high concentrations of nonwhites and children? Recall that renewal legislation mandated at least nominal selection of a renewal site on the basis of the status of the housing stock while market criteria required that the site also show promise for exchange. High concentrations of nonwhites usually indicated lower economic status (and its correlated attributes), high concentrations of children indicated residential and family housing while high concentration of professionals indicated fringe neighborhoods which were either a) close to hospitals or schools or b) in neighborhoods which would most easily be converted into the "upscaled" communities from which capital would benefit most. The first two indicators reflected the need for site selection to conform to some degree with urban renewal policy objectives. The last reflected the constraints placed on the site selection

process by having to adhere to market criteria. High concentrations of managerial and professional residents also foreshadowed the ultimate form (and meaning) of neighborhood redevelopment under renewal programs. White's analysis only identified neighborhood characteristics of selected sites. An examination of the effect of situating renewal in terms of the market lends insight into why those neighborhoods were most desirable.

The market operates in a way which benefits producers over consumers because of producers' greater command over social resources. Profits are not realized until the commodities produced are exchanged in the market place. But the monopoly which producers have over resources enable them to determine terms of exchange which are most favorable to producers. These successive favorable outcomes enhance the ability of producers to continue to dominate market interactions.

Setting social goals and public policy in terms of market conditions constrains the range of policy outcomes. Outcomes will conform to the needs of producers rather than consumers, and social goals will be met only if the matrix of market decision making coincides with policy objectives. Whatever the stated objectives of any program, once the market place is selected as the means to achieve the ends then the locus of outcomes shifts from one informed by requirements of collective consumption and social policy objectives to one informed by profit maximization and realization through subsidized production for a different set of consumers.

Social policy goals are aimed at redistributing resources to affect a more equitable balance. Renewal was designed to improve the quality of low income families' housing. By relying on market mechanism, renewal did produce a transfer of resources, but not in the direction it had planned. Rather, markets take factor endowments as given and reproduce or exaggerate resource inequalities in favor of producers (capital) over consumers (community). It is apparent that rather than

viewing urban renewal as a program which failed, we should understand renewal as a program which achieved its objectives, not as stated in its legislative form but as required by its method of implementation. Market incentives to producers of the urban infrastructure did not result in production designed to meet the needs of the urban poor.

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