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Remaking New York

Primitive Globalization and the Politics of Urban Community

William Sites

Globalization and Community / Volume 12
University of Minnesota Press
Minneapolis • London

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Building an Urban Neoliberalism

The Long Rebirth of New York

During the year preceding September 11, 2001, New York's status as premier American city seemed firmly set in place. Everyone loved New York. Tourists, immigrants, investors—from all over the world, people and money appeared to be migrating to a city once seen as declining, dangerous, and ungovernable. Even Americans, who long had shunned the place as dirty and deviant, were flocking there: for the year 2000, the city claimed a ranking behind only Orlando, Florida, the home of Disney World, as the nation's most visited destination.[1] Of course, the tragedy of the following year elicited extraordinary sympathies from observers everywhere, regardless of their connection to New York. Yet even before this widespread empathy, a quarter-century-long process of urban revival—part economic, part symbolic—had already produced a city with which so many Americans, remarkably, now identified.

It is important to recall how profoundly conditions had changed since the dark days of the mid-1970s. At that time, confronted by the threat of municipal default, New York was hemorrhaging jobs, investment, tax revenues, residents, and large amounts of civic pride. By the end of the 1990s, the city was enjoying a booming local economy, near-record annual employment gains, a thriving real-estate market, a growing population, falling crime rates, and a budget surplus of nearly $3 billion. It was hardly surprising that Mayor Rudolph Giuliani chose to give his State of the City Address for the year 2000 in front of an enormous photograph of Times Square in full millennial celebration.[2] More than a success story, New York's famous crossroads of the world had become a model of the new city: safe, clean, and prosperous, a place of opportunity where middle-class visitors could feel at home.

Even at this moment of triumph, a number of facts belied these rosy images. The 1.4 million New York City residents living in poverty in 1979 had grown to nearly 2 million by 1995. Income earnings had become significantly more unequal. The local economy was now more dependent than ever on Wall Street, and spending by the financial sector's high earners was fueling record-high housing prices.[3] At the other end of the labor market, workers in fast-growing occupations—from personal and home-care aides, medical assistants, human service workers, and physical therapy assistants to paralegals, data equipment repairers, and teachers—were being paid below-median wages that failed to keep pace with housing costs. By the end of the 1990s, as moderate- and middle-income earners priced out of Manhattan were leaving the city or pushing up housing costs in the city's outer-borough neighborhoods, public officials were forced to respond to fears that the city would be facing a permanent disappearance of affordable housing for all but the affluent.[4]

Scholars have given considerable attention to this growing economic bifurcation of the city. Saskia Sassen's pioneering study, along with theoretical work advanced by John Friedmann and others, first set out the argument that new structures of global capitalism were behind the late-twentieth-century transformation of New York.[5] Contending that major shifts in the world economy have endowed certain cities with international functions of coordination and control, such writers also proposed that these translocal responsibilities tended to detach this kind of "global city" from its national and local economy. New York, then, along with a number of other urban nodes in the new international system, was seen as a "command point" for cross-border corporate networks as well as a major production site for the business and financial services needed to support this role. These functions, in turn, shaped processes of urban redevelopment within the city itself, as intensive gentrification of core areas to accommodate managerial elites was complemented by a clustering of large numbers of low-wage supporting industries, often staffed by immigrants, along the margins of the global metropolis. In this perspective, if globalization was the driving force in New York's *fin-de-millénaire* revival, then the city's economic and social characteristics, such as strong but uneven growth coupled with disturbing levels of inequality, may be viewed as the consequences—perhaps regrettable but more or less inevitable—of enhanced international integration.

Other analysts of New York contend, however, that local politics has played an important role in the city's rebirth. John Mollenkopf, for instance, sought to explain the revival of New York in terms of the rise of a newly dominant political coalition led by Mayor Edward Koch.[6] While recognizing

that postindustrial economic imperatives may shape the terrain for cities, Mollenkopf proposed that a certain level of "autonomy" enables local political forces, especially in New York where governmental capacities and public-sector leadership historically have been strong, to influence the kinds of policies that a city actually pursues. Public-sector interests, political coalitions, and electoral constituencies, then, account for governmental initiatives and spending patterns that often are assumed to result simply from economic forces. Koch, in particular, is seen not only as a shrewd and successful coalition leader but also as a persuasive example of how, quite frequently, "politics counted more than economics." More recent commentators attribute a similar impact to Mayor Rudolph Giuliani.[7] In this kind of analysis, then, local actors and political forces bear a significant responsibility for the kinds of socioeconomic changes experienced by the city, including its polarizing tendencies.

Although globalist and localist analyses both have led to perceptive observations, each approach is limited in what it is able to explain about New York's revival. It is indisputable that recent economic changes in New York are linked to key components of a restructuring international economy. Furthermore, at certain historical moments (as we will see later in this chapter) broader economic stagnation contributed to severe local pressures on city finances. Yet a number of global-city contentions have not been well supported, and it is not always clear that New York's international linkages per se have made its current social and spatial conditions different in kind from those of most major U.S. cities. Even setting these criticisms aside, it is important to recognize that New York has been a global city ever since its earliest days as a New World seaport vital to the Dutch and British empires. The long-standing importance of the city's translocal connections has not prevented government and political actors from having a heavy hand in shaping its development.[8] It would not be surprising if politics has also influenced more recent bouts of change. Localist approaches, for their part, correctly apprehend that public-sector actors, even in an age of enhanced capital mobility, can and do exert influence on developers and other nongovernmental actors who rebuild the urban landscape. These kinds of explanations, however, do not effectively explain the relative continuity of policies across different New York City administrations since the 1970s. Nor do they fully account for why New York has tended to produce elite-dominated and exclusionary coalitions. These recurring political patterns suggest that the concept of autonomy may be an inherently limited approach to understanding the basis and direction of local action.

What is needed is a repositioning of urban redevelopment in relation

to *national* responses to economic globalization. Several recent analyses of New York have broken new ground in this direction, situating the city's development within an international context while also focusing on U.S. politics and policies. Janet Abu-Lughod's work on global cities, for example, pays heed to local as well as national political factors, although the macro-historical scale of her analysis does not permit a detailed look at New York's recent evolution.[9] Susan Fainstein, in a comparative study of London and New York, takes an approach to urban politics that is more closely scaled to contemporary concerns. Fainstein's analysis shows perceptively how the politics of real-estate "deal-making" in these cities has often followed similar paths, while also being mediated by contrasting governmental structures. Yet the nature of her two cases—both embedded in privatizing national systems—sometimes makes it unclear whether their striking commonalities result from globalization or neoliberal politics.[10] This question continues to be important, with implications for how even deal-making development may constitute a broader public strategy.

This chapter takes a somewhat different approach to investigating the politics of redevelopment in New York during the final three decades of the twentieth century. Seeking in its own fashion to move beyond globalist and localist approaches to urban change, my historical account attempts, within the scope of a single narrative, to comprehend decisive moments in the evolution of the city by examining their emergence within the national economic and political environment of the United States. By tracking changes in New York's development strategy in tandem with shifting governmental initiatives at the national and local levels, it becomes possible to understand the structuring impacts of new national policies on the city while also identifying moments when local forces emerge to exert significant influence over urban redevelopment. My analysis, building on the conception of primitive globalization elaborated in the preceding chapter, focuses on the often destructive use of public policies to establish the institutional foundations for neoliberal development. In doing so, this approach locates a recurring political logic—a reliance on state power to stimulate "market" development and displace the poor—that becomes central, as well, to the emergence of a national urban regime.[11] By tracing over the course of a quarter century the considerable impacts of such a regime even on a "global city," the following account draws attention to the ways in which political and governmental action, beyond the effects of economic forces themselves, has tended to exacerbate long-term problems of urban inequality, fiscal instability, and political fragmentation.

The emergence of this neoliberal approach, and its role in New York's

late-twentieth-century revival, is examined by focusing on three key historical moments. First, in response to the city's mid-1970s fiscal troubles, crisis-resolution measures established a new relationship between government and economic development based on market stimulus and popular austerity. As this New York solution "went national," it became a constitutive feature of an emerging U.S. neoliberalism that established a more short-term-oriented environment for American cities. Second, local instabilities threatened this narrow approach during the second half of the 1980s, when a host of new challenges spurred New York policies that went beyond earlier neoliberal nostrums. By the early 1990s, however, economic pressures and political failures reined in this halting movement toward more balanced forms of development, and in its place local leaders began to call for new strategies. Third, the politics of the mid-1990s set in motion a major retooling of American neoliberalism, with important consequences for New York and its lower-income residents. From free trade and financial-sector stimulus to new efforts to reform welfare and public housing, national policies encouraged a pioneering local agenda to displace populations and to impose a new spatial environment on the city. By decade's end, growth and prosperity had climbed skyward—atop a shrinking economic base and an increasingly polarized income structure. Even before the attacks of September 11, then, the debilitating consequences of these kinds of strategies were becoming strikingly apparent.

The following account locates New York's uneven renaissance within an evolving U.S. political response to economic challenges. By tracing the fluid interplay between national and local development, this analysis attempts to illuminate the emergence of public strategies to remake a city and a shaky urban order. In the process, the New York story clarifies key political steps in the rise of neoliberal globalization.

Rebirthing New York

The late twentieth century produced a surprising resurrection of the city. During the post–World War II era, urban America had become the dark underbelly of national economic prosperity. A series of measures devised to engineer its recovery, from urban renewal to the War on Poverty, were gradually jettisoned one by one. By the 1970s, New York was the crucible that turned the nation's economic problems into crisis, resulting in a desperate fiscal emergency that took the city to the brink of bankruptcy. Yet this debacle also led, more quickly than one might have expected, to a new kind of growth and economic development. Within the span of a handful of years, in fact, New York was being hailed as the pioneer of a dramatic urban renaissance

Unraveling the tangled roots—global? local?—of this sudden revival is not an easy task. Certainly, a globalist interpretation can be made credible: New York experienced crisis and transformation amid a profound restructuring of the world's economies. The city's importance as a global center of finance and business services was also enlarged by how its crisis was resolved. On the other hand, plenty of local culprits lurked behind this budgetary collapse, one in a long series of financial breakdowns peculiar to New York.[12] What seems increasingly important, however, as the episodic details recede into history, are the national/local political dynamics of the construction of crisis and recovery. The seriousness of New York's financial condition, along with the economic importance of the city itself, meant that the shock waves of this "local" crisis soon reverberated beyond the Hudson River and upward through the U.S. federal system. In response, an ad hoc coalition of leaders developed a new approach for New York City government—and shortly thereafter for national government—to rejuvenate and transform the metropolis, the first steps in what would eventually become a new U.S. urbanism for the global era. At the core of this approach would be new kinds of public-sector action in the service of downtown-centered revival.

Localizing the Crisis

For New York, the 1970s were a decade of profound economic change. More than simply a gradual process of structural transition, however, the city's evolution was also shaped by a traumatic political event. Neoliberal New York was birthed by fiscal crisis.

The roots of such a generative event lay in broader patterns of national economic development that emerged during the several decades after World War II. This "golden age" of capitalism was marked by strong growth rates and parallel rises in incomes, leading to a period of sustained prosperity and expansion in the United States as well as in most other developed capitalist countries.[13] Even during these halcyon days, however, the U.S. model tended to concentrate growing numbers of social problems—poverty, joblessness, a decayed and shrinking housing stock—in the nation's cities. Disinvestment or "blight," as it was quaintly called, plagued the inner areas of older cities throughout the 1950s, and already by early in the following decade New York City was experiencing housing losses owing to owner abandonment on the order of fifteen thousand units per year.[14] Throughout the period, public priorities tended to favor suburban over urban expansion, but government did launch a series of important initiatives to rebuild downtown areas. Beginning with Title I of the 1949 Housing

Act, urban renewal, sometimes portrayed as the "federal bulldozer," was actually a set of national/local partnerships facilitated by a key congressional provision (the federal write-down) that subsidized the costs of acquiring and clearing central-city land. This intergovernmental cooperative arrangement did not make these programs any less destructive. In New York and in other cities, inner-city rebuilding displaced large numbers of lower-income residents, thereby earning urban renewal the more pointed name of "Negro removal."[15] Prodded into a more inclusive mode by the political mobilizations of the 1960s, officials in liberal New York combined market-stimulus policies, such as downtown zoning incentives, with the community-oriented programs supported by new federal antipoverty agencies. Urban crisis, understood as physical and economic decay, was briefly defined in ways that also focused on racial exclusion, social inequality, and community disintegration.

This liberal understanding soon changed. The national economies of all the major developed countries began to contract sharply in the 1970s, but in the United States it was cities that bore the brunt of economic decline.[16] Growing numbers of employers, owners, and middle-class residents fled from central-city areas, and new waves of economic disinvestment left inner-city land markets, and often municipal tax coffers, in difficult straits. In the face of these extreme economic pressures, low federal subsidies to cities (relative to most European countries) coupled with a highly decentralized system of service provision became a ready recipe for local fiscal strain.[17] As municipal tax revenues diminished, a number of cities were forced to rely on borrowing to fund their basic services. New York's government leaders, in particular, became extraordinarily inventive in the use of questionable accounting practices to hide the full extent of municipal indebtedness.[18] By 1975, when the financial pressures on local government had become serious enough in New York to raise the specter of municipal default, the definition of urban crisis throughout the country had come to mean urban *fiscal* crisis.

The immediate circumstances leading to New York's moment of acute crisis were complicated and, like subsequent events, remain open to a number of interpretations.[19] Beyond dispute is that in April 1975 the city of New York was unable to sell its short-term securities in the bond market, and soon found itself dependent on New York State to provide funds to pay its outstanding obligations to investors and to stave off municipal default. It was not only the public sector that was in trouble; at one point the "big eleven" clearinghouse banks (including Bankers Trust, Chase, and Citibank) apparently stood to lose upwards of $35 billion if the city of New York

had defaulted on its obligations.[20] In the ensuing scramble, a series of improvisatory "rescue plans" were devised, as the apparent seriousness of the financial crisis deepened and as the effort to address it moved up the U.S. federal system. First, a group of banking executives and New York State elected officials created the Municipal Assistance Corporation (MAC), a state agency that guaranteed repayment to investors with secured tax revenues earmarked for bonds issued by MAC. When this agency was unable to sell sufficient bonds and enforce painful spending cuts, the New York State legislature created an Emergency Financial Control Board—composed of the governor, mayor, state and city comptrollers, and three corporate officials—to control disbursement of city funds and to enforce austerity budgets. After the efforts of MAC and the control board failed to restore investor confidence, city and state sought national help. The spirit of President Ford's initial reaction to these appeals was captured in the now-famous New York *Daily News* headline, FORD TO CITY: DROP DEAD.[21] Yet the Ford administration and the U.S. Congress did eventually approve a three-year package of loan guarantees. The financial terms of this assistance were intended, as U.S. Secretary of the Treasury William Simon had urged, to be "so punitive" and "so painful" that "no city, no political subdivision would ever be tempted to go down the same road."[22] Despite these measures, further rounds of negotiations in New York City, Albany, and Washington would prove necessary—each episode involving a large cast of governmental, corporate, and emergency-agency leaders—to patch together the combination of wage and employment cuts, service deferments, accounting practices, and repayment guarantees to carry New York's finances through the end of the decade.

More than a turning point in local history, the New York fiscal crisis became an early, pivotal proving ground in which the United States responded politically to the new economic challenges of the period. This could be seen in the remarkable series of emergency coalitions—spanning public and private sectors as well as national, state, and local levels—that were pieced together to rescue the city. The broader political significance of the crisis also became visible in the public debates surrounding it; from issues of welfare spending and pension funds to banking practices and the behavior of government officials, the major components of the U.S. social contract were subject to searching (and often scathing) national review within the unfolding theater of the New York crisis. Inevitably, a shifting collection of points of view emerged at different moments in the drama, yet over time a dominant perspective took center stage to guide the political and policy solutions.

The strategy to resolve the New York fiscal crisis came to be undergirded by the thesis that the city's budgetary burdens were driven by the excessive demands of poor people, municipal workers, racial minorities, and community groups—and by the liberal politicians who supported them. New York's public officials encountered fierce criticism, most of it richly deserved, for their repeated attempts to soft-pedal the severity of fiscal shortfalls. Much less blame accrued to developers who had overbuilt, financial institutions that encouraged and profited from irresponsible municipal borrowing, or planners who disregarded secular industrial decline, let alone the corporate decisions and federal policies that long favored suburbanization at the expense of older urban centers. And in the decades following the crisis, extensive analyses have questioned whether New York was indeed much more generous than other cities.[23] Regardless of the merits of that case, however, what is notable in the present context is that this apportionment of blame tended to resurrect time-honored themes in U.S. politics—the unworthy and dependent poor, the misguided generosity of social reformers, the unreasonable demands of racial minorities, the irresponsibility of free-spending politicians—a number of years before Ronald Reagan rode these themes to a presidential election victory.

In fact, it was this kind of *political* accountancy that proved so important in New York. Along with the very real fiscal reckoning confronting the city, the public consensus on blame helped justify retrenchment of municipal services (transportation, housing, hospitals, community colleges) most relied upon by working people and the poor. The necessity of triage was given an invidious twist by New York City housing commissioner Roger Starr's advocacy of "planned shrinkage." Blaming housing abandonment on poor residents themselves, Starr argued that "destructive elements" within the lower-income population were making many such neighborhoods unsalvageable. Rather than concentrating significant local resources on the worst areas of the city, as had been advocated in the 1960s, New York City government should therefore

> recognize that every city has had a permanent slum, and we . . . [can] simply withdraw all housing construction effort from certain sections where the disorderly and disorganized families concentrate, where there is a critical mass of very, very difficult people.[24]

By targeting resources to more salvageable areas, Starr claimed, government could facilitate the creation of a smaller, wealthier city more conducive to market standards of economic viability. "Better a thriving city of five million," he concluded, "than a Calcutta of seven."[25] Starr's penchant for

openly championing this urban vision soon made him a political liability for the administration of Mayor Abraham Beame, and the commissioner was asked to resign. Yet the logic of triage retained its appeal, as longtime civic leaders such as financier Felix Rohatyn—whose role as head of the fiscal-emergency agencies would eventually gain him the title of the "man who saved New York"—were wont to invoke this perspective when it was convenient to do so.[26]

In view of this definition of the crisis, the measures to address it sought to do more than simply reestablish fiscal solvency. Crisis-resolution efforts worked to reorient local policy around a flexible, ad hoc transformation of the city to promote and sustain corporate expansion.[27] As a philosophy of public action, this neoliberal approach hinged on the argument that market-stimulus policies to help core business areas would lead eventually to the city's revival and distribute its long-term benefits broadly. This trickle-down (or trickle-out) approach, pioneered in New York, would henceforth guide government efforts to favor market actors: mobile, financial and service-sector corporations, real-estate developers, and professional/managerial workers in the central business districts as well as property owners, developers, and gentrifiers in accessible residential areas. It was a strategy that relied heavily on tax subsidies, incentive zoning, and deregulation, rather than on reinvestment in public services, human capital, and neighborhood stabilization. These policy parameters were enforced by the newly created, elite-dominated monitoring agencies. MAC, as well as the (no longer Emergency) Financial Control Board, would eventually withdraw from active roles in policy formation, but not before institutional mechanisms were in place that would automatically trigger fiscal-agency intervention in the event of future budget imbalances.

Guided by principles of triage and planned shrinkage, New York City government in the mid-1970s reduced expenditures on public services, closing down firehouses and shedding much of its earlier commitment to community development.[28] Spending on "noncommon" (such as libraries, utilities, and education) and "public-welfare" functions (welfare, health, and hospitals) was especially hard hit, as the politically weakest groups suffered the greatest losses. This period also saw a flurry of new or expanded tax-incentive programs oriented toward central-city businesses and the core land market. The Industrial and Commercial Incentives Board, created in 1976 (and later renamed the Industrial and Commercial Incentives Program, or ICIP), began offering tax abatements to major corporations and builders for development projects primarily in the Manhattan business districts. Amendments to a tax-subsidy program called 421a, which had been

income housing, instead stimulated luxury residential construction. State regulations governing cooperative conversion were loosened. Tax abatements for residential rehabilitation—especially the J-51 program, which had been enacted in the 1950s to upgrade cold-water flats—were retailored to stimulate privately financed condominiums, cooperatives, and residential conversions. In addition, a series of major Manhattan redevelopment projects (a South Street Seaport tourist zone, the Battery Park City financial-sector residential project, and the Javits Convention Center) was launched or sustained by a combination of public (federal, state, and local) and private developers, despite free-market rhetoric and apparent fiscal constraints.[29] None of these initiatives wrenched New York out of its economic doldrums. Over time, however, they would help give shape to the city's future expansion.

The fiscal-crisis period set in place new urban norms. Enacted in ad hoc fashion amid an often chaotic political climate, the combination of triage, incentives, and elite intervention firmly oriented public-sector activity around short-term market stimulus. It would be difficult to interpret these changes simply as government-led policy innovations to induce economic activity from otherwise passive or disorganized market actors; the prominent role of corporate leaders in guiding the recovery plan clearly suggests a different story. On the other hand, the new policy measures represented more than simply the heavy hand of globalization, a kind of bankers' "coup" in which international financial elites simply imposed their will on an ailing U.S. city.[30] From the vantage point of today, when the New York solution has become the accepted wisdom of city governance, what is most striking about the new measures is not whether they were imposed or induced but that they constituted an early national response to broader economic and political crisis in the localized form in which it appeared. From this perspective, as important as the measures themselves was the political process through which the crisis was constructed and resolved. In this sense, the New York City fiscal crisis of the 1970s not only became a watershed in the redirection of local policy and urban growth, but would contribute to reshaping the nation's understanding of the appropriate relationship between government and economic development in the new global environment.

Nationalizing the Solution

New York's crisis fused two perceived problems with the American city: it was not attentive to business, and its poor people were obstacles to economic development. By generating the need for a dramatic national rescue,

malaise. And in fact, by the late 1970s and early 1980s, the "local" solution to crisis had become a national one. After the late Carter administration began to cut direct assistance to cities and to refocus federal urban policy on stimulating private investment, Reagan policies went considerably further. Enacting sweeping tax cuts, deregulation measures, and decreases in federal aid to cities, national policy makers helped create an economic environment that reinforced the need for cities to cater to investors, developers, and mobile corporations.

In terms of federal retrenchment toward cities, Reaganism began before Reagan.[31] Early in the term of President Jimmy Carter (1976–80), this Democratic administration rewarded urban voters with more generous federal aid—such as revenue-sharing and employment-training monies for distressed cities—as well as Urban Development Action Grants that helped pay for a first generation of festival malls. Following a visit to New York's devastated South Bronx in 1977, the president also seemed to embrace community-development initiatives as an antidote to urban decline.[32] But during his final two years in office, Carter's urban policies brought about sharp reductions in spending to help the inner-city poor. Along with the real pressures of prolonged economic stagnation, the growing influence and political success of "fiscal conservatism" in key areas of the country—not just New York but California, which launched a tax revolt with the passage of Proposition 13 in 1978—now raised the profile of fiscal retrenchment at the national level. Business also mobilized politically, as new interest alliances, lobbying groups, and pressure tactics emerged from the U.S. corporate community to register new levels of influence over national economic policies.[33] Federal aid, as a percentage of New York City's revenues, began to decline during the final years of the decade. By 1980, the Presidential Commission on the National Agenda for the Eighties, appointed by Carter, was urging that the national government stop helping cities. For U.S. national policy this perspective marked, as Dennis Judd and Todd Swanstrom have noted, the first time since the advent of the New Deal that cities were not judged to be valuable cultural, social, or economic entities except to the degree to which they contributed to a healthy national economy.[34] Otherwise, presumably, they should be allowed simply to wither away.

Under President Reagan, antiurbanism took the form of a more ambitious agenda. Echoing Nixon's call for a "new federalism," the administration sought to withdraw the federal government from education, health, and social-service spending, and, in an early version of urban enterprise zones, pressed for a tax-incentive approach to reviving cities. Although much of Reagan's first-term restructuring program was rejected by Congress, sharp reductions in eligibility shrank the rolls of Aid to Families with Dependent Children (AFDC) and Medicaid, food stamps, and unemployment programs. The administration slashed appropriations for the Department of Housing and Urban Development, ending the Section 8 New Construction program and initiating a voucher system of rental subsidies. New priorities also reduced public housing starts, terminated self-help housing development grants, cut mass-transit funds, and trimmed Community Development Block Grants for low- and moderate-income households.[35] Not surprisingly, federal aid as a percentage of municipalities' total revenues decreased sharply, in New York falling to 15 percent by 1984. Even certain federal programs oriented directly toward business, such as small-business assistance and regional development initiatives, were scaled back.[36] By the same token, central-city-oriented tax initiatives enjoyed strong support. In addition to the federal exemptions on industrial revenue bonds that helped finance special city projects like convention centers and sports arenas, the Tax Act of 1981 provided generous benefits for real-estate investment in core central-city land markets.[37]

These federal policies provided a new set of carrots and sticks for cities seeking to right themselves. Reinforcing vulnerability to market forces, such measures reduced most national urban commitments and actively spurred the mobility of footloose corporations. Such measures encouraged U.S. cities to pursue growth through business subsidy and popular austerity, even if they were not already forced to do so by a fiscal-stabilization program. Not that the immediate political impacts of federal policies were uniform; and over time, certain cities strove to formulate alternative local-policy responses to the emerging order. Chicago, for example, in a historic contest in 1983, elected Harold Washington to be its first African-American mayor on a platform of neighborhood-based economic development. In Boston, Mayor Raymond Flynn, a supporter of tenant rights and neighborhood housing, pushed an unusually progressive development program during much of his tenure in office.[38] Yet in cities otherwise as different as Philadelphia, Detroit, Houston, Baltimore, Atlanta, and Dallas—not to mention New York—policy in the 1980s would come to center on the flexible use of public incentives and subsidies to encourage downtown business-district expansion.

Neither these growth strategies, nor the kinds of urban partnerships that emerged to pursue them, were entirely new to U.S. cities. As we saw earlier, the postwar history of urban renewal had been replete with public–private alliances to redevelop central-city land. In 1950s New York, public agencies led by administrator Robert Moses played a central role in a broader

coalition—from private developers and banks to labor unions and community organizations—that built bridges, highways, and housing developments for the poor and the middle class.[39] Yet the 1980s versions of these alliances were novel in crucial respects, not only because of the direct effects of federal retrenchment but because of a newly sharpened reliance on interlocal competition. Charged with pursuing urban expansion while also forced to manage its politics, city leaders were expected to accomplish both feats without exerting direct control over development or incurring undue public-sector costs. Not surprisingly, these pressures pitted localities against one another, as the new public entrepreneurs sought to lure mobile businesses with ad hoc inducements. Offering competing arrays of tax benefits and off-budget subsidies, cities engaged in development competitions that (from the vantage point of national economic growth) would often turn out to be zero-sum bidding wars, if their true costs and benefits even could be calculated at all.[40] In such competitions, state governments also repositioned themselves as sponsors of economic development, setting up new public authorities to float bonds for specific projects. Like local programs, these initiatives permitted businesses to draw on public revenues without providing much accountability in decision making or outcome. As use of these development tools became routine, and as federal priorities appeared unlikely to face a quick reversal, the new short-term competitiveness itself took on the appearance of an emerging economic structure. Embracing this approach promised certain local leaders political rewards as well.

Bringing the Solution Back Home

Operating on such a terrain, New York's growth coalition came to be headed, first rather tentatively and then more forcefully, by Mayor Ed Koch (1977–89). In most respects, this ruling coalition exemplified the kind of growth alliance typical of early 1980s U.S. cities. It united the economic interests of business and its prominent organizations—the downtown corporations, large developers and their supporters, and, in a key subsidiary role, municipal labor leaders—in a general program of fiscal parsimony and central-business-district growth.[41] The mayor's primary importance consisted in his ability to fashion a stable electoral base to support and carry out the development strategies. His ability to "sell" austerity and business subsidy also proved to be an important political asset. Certain kinds of community resistance emerged in response to the narrow policy focus on the core Manhattan business precincts, yet in the immediate aftermath of the fiscal crisis New York's neighborhood-based groups would struggle to exert much influence.

Given the full weight of national political restructuring, first embodied in the fiscal-stabilization program and then in the policy shifts of the early Reagan years, the emergence of a business-dominated coalition in early 1980s New York was hardly surprising. But neither was its political success guaranteed in advance. For one reason, the imposition of austerity during the fiscal crisis had served to exacerbate the city's housing crisis. Retrenchment of services, from housing-code enforcement to basic services such as fire and sanitation, only hastened the disinvestment and abandonment of declining neighborhoods. Although the initial impacts of fiscal-emergency policies were to relegate the urban crisis to lower-income areas of the city, public officials would not be able to insulate themselves entirely from the political repercussions of neighborhood collapse. Already by 1978, New York City government, which was obligated by law to take title to properties that had been abandoned by their owners, was confronted by the need to provide management and services for an estimated three thousand occupied buildings (containing more than thirty thousand apartments) that it could no longer sell at auction. Many communities reacted angrily to the growing crisis, and the Koch administration, making use of block-grant funding from Washington, soon launched an ambitious array of community-based housing rehabilitation programs.[42] Organized under the aegis of a newly created Division of Alternative Management Programs (DAMP), these programs would become a community-oriented backup policy to the administration's market solutions for New York's housing problems.

Yet the scale and funding levels of these community-development programs were slow to expand. Fiscal constraints and limited community capacities were part of the reason, but it was also because the city administration preferred to sell off properties when market and political conditions permitted. Activists who had hoped that DAMP might become a beachhead from which to expand community influence over development and housing policy were soon disappointed.[43] Instead, city-planning mechanisms were retooled by the administration to facilitate a Manhattan-centered approach to business development. The newly streamlined planning process involved privatizing the initiation of development projects and coordinating planning directly through the mayor's office. Traditional city planning agencies such as the Department of City Planning and the City Planning Commission (CPC), rather than being concerned with overall land-use planning, began to confine themselves to studies of specific zoning changes and project impacts.[44] The commission, which had been stripped of its control over New York's capital budget (and of much of its influence) during the fiscal crisis, now voted simply to approve or disapprove projects assembled

elsewhere. Critics accused the commission of being a rubber stamp for the mayor's office; the planning department was assailed for its coziness with developers. As one former CPC planner wrote:

> The fiscal crisis bred a management crisis inside the city planning department. For years directors rose and fell like tenpins. . . . Too many chiefs turning over meant it was harder to mind the store. [As a result] some city planners feel closer to some of the biggest real estate lawyers in town than to their own bosses.[45]

For planners and political officials alike, the major challenge was to shepherd developer-initiated projects through New York's complicated land-use disposition process. Meanwhile, the broader social purposes of policy and development, or the sorts of trade-offs that the city might be confronted with, were rarely articulated or debated.

Mayor Koch himself emerged as the prototype of a new kind of big-city leader. Shortly after taking office in 1977, Koch had endeared himself to New York's fiscal monitors by a willingness to embrace fiscal austerity. His ability to distance himself politically from the consequent decline in public services was first put to the test in the mayoral election of 1981. Koch's economic development approach gained him substantial financial rewards in the form of campaign contributions from real-estate developers, as well as ringing endorsements from other business leaders.[46] Buoyed by a Manhattan-led economic recovery, and by his effectiveness in selling the inevitability of business subsidy and service retrenchment, Koch won reelection by an overwhelming margin against a weak opponent. This victory seemed to clearly demonstrate that the emerging vision of the economic city could survive electoral review.

Political dominance by the mayor also enabled potentially divisive growth issues to be negotiated and settled outside the political arena. In their place, the Koch administration presented its development strategy as one in which the "natural forces" of the market were allowed to do what they did best, with the principal role of government being "to get out of the way." In practice, fostering natural forces involved quite a lot of government activity, selectively applied—from tax incentives and capital-funding subsidies to development planning and the political management of community opposition. This kind of alliance between government and business flourished not by subordinating politics to a new economic reality but, rather, by shaping that reality in ways that also furthered the administration's own political agenda. To business, the city was presented as a place where growth was assured, without the burden of rising demands from the populace that

often accompanied growth.[47] To the broader public, on the other hand, the administration tended to paint a future that could be thrown into jeopardy by the least sign of corporate relocation plans or by any more than minimal benefits or funding restorations for severely deteriorated lower-income neighborhoods and public services. Efforts by community advocates to bring the two worlds together—as in a policy proposing "linkage" between development projects and community benefits—failed to make political headway.[48]

Koch won a third term as mayor in 1985. New York, its Manhattan-centered economy booming, seemed to have become a model of the reviving U.S. city. In fact, many areas failed to experience much reinvestment, and in the poorest districts rates of joblessness, infant mortality, and drug-related violence grew more pronounced. In this sense, much of the city's revival did not so much relieve economic stagnation as push it away from the center.[49] Yet, in political terms, the success of the New York renaissance appeared well-nigh incontrovertible. The mid-1970s fiscal crisis had set in motion a new relationship between government and economic development guided by policies of market stimulus and popular austerity. As this New York solution was replayed in a national arena, its key themes became core components of an emerging American neoliberalism. By withdrawing urban assistance and intensifying intercity competition, national policy helped construct a new playing field for U.S. cities, one that strongly favored growth coalitions tilted toward big business and higher-income groups. In New York, ten years after near bankruptcy, the political dominance of such an alliance—and Koch's leadership over it—seemed assured for many years to come.

Challenging Urban Neoliberalism

Without explicit design, then, the American response to the crisis of the 1970s put in place the rudiments of a new national/local order. Its early ingredients were fairly simple: Washington retrenched on urban assistance while stimulating the movement of mobile capital; local governing coalitions created new tools to compete with one another and to fuel the nascent booms in downtown land. New York's economic success, in turn, appeared to validate this kind of regime.[50] Yet serious threats to the municipal growth strategy, and potentially to the broader regime, emerged during the second half of the 1980s. First housing problems, then the severe impacts of a stock-market crash on real-estate values, revealed the narrow economic base on which the city's recovery was perched. These weaknesses, along with the social and racial conflicts that roiled up in [illegible]

neighborhoods, set in motion political challenges to the postcrisis developmental order.

Shifting Foundations?

Over the course of his first two terms in office, Mayor Koch had built for himself a reputation as the nation's preeminent market-oriented mayor. Yet he began his third term in 1986 by unveiling a housing plan that promised $4 billion to $5 billion in spending from the city's capital budget. The proposal envisioned building or rehabilitating 250,000 apartments over ten years. An audacious endeavor, the plan was labeled by observers the most ambitious housing initiative ever undertaken by any municipality in the country.

What prompted this sudden departure from the neoliberal norm? The city's economic recovery had seemed to vindicate the post-fiscal-crisis strategy, but by the mid-1980s revival itself was shifting the public agenda onto new ground. One reason was that austerity became an increasingly hard sell in an era of budget surpluses. Apparently this point was emphasized to the mayor by his advisers in the wake of his 1985 reelection victory.[51] Another reason was that the uneven pattern of the recovery—sociospatially but also sectorally—became a political issue in its own right. Despite all the commercial development changing the Manhattan skyline, there was a growing consensus that, in the words of one economic observer, "the strongest real-estate market maybe in the world can't deliver more than a handful of housing units."[52] This housing crisis meant different things to different groups. Community advocates focused criticism on growing homelessness and the shrinking supply of lower-income housing. Business analysts, on the other hand, feared that inflated land values and housing shortages among the upper-middle class might short-circuit the city's economic machine.[53] After a coalition of community-based nonprofit groups unveiled its own housing proposal for the city in early 1986, the Koch administration countered with a press conference announcing the first sketchy version of a Ten-Year Housing Plan.[54]

As the plan took shape over the course of Koch's third term, corporate calls for additional housing for higher-level professional workers, as well as the administration's own political priorities, kept pressure on the plan to target upper-income beneficiaries. One study by a community advocate concluded that, by 1989, Koch's last year in office, roughly two-thirds of the housing slated for production under the plan was targeted toward market-rate and upper-middle-income housing consumers, with the remainder earmarked for the poor.[55] There were also questions, which resurfaced through the initiative's implementation, as to whether the administration's

numbers on housing units created tended to overstate the reality on the ground. Nevertheless, in its efforts to address the housing problem, the Koch administration made new overtures to the city's neighborhood-based housing groups. The housing department's community- and resident-oriented DAMP initiatives saw new growth over the remainder of the decade, though much more of that expansion involved a new private-ownership and management program than partnerships with longtime not-for-profit community-based providers.[56]

Ushering in a significantly expanded public role in the production of housing, then, the initiatives of the third Koch term marked a major departure from the rigidly neoliberal orientation of the city's development approach during the decade after the fiscal crisis. The Ten-Year Plan's use of capital-budget spending, in particular, to develop subsidized housing for the poor represented a genuine advance beyond the prior decade's combination of neglect and outright displacement. Although this plan was configured in such a way as to direct substantial benefits to upper-income groups, there is little evidence that the business community, in spite of its concern for the housing needs of professionals, actively pressured public officials to create a housing program of the magnitude of the Ten-Year Plan. Obviously, economic conditions played a role in the new approach as well as its limits: On the one hand, strong local growth opened new space for policy innovation; on the other hand, policy reform driven by a disparate set of demands by growth leaders and community activists did not depart decisively from preexisting growth priorities or beneficiaries. Yet the development of this initiative clearly represented a moment in which public officials and their strategic political designs (the kinds of factors traditionally accentuated by localist analyses) reemerged as a significant force in policy change. Harking back to earlier periods of New York history—such as when, under the leadership of Robert Moses, the city had placed ambitious housing initiatives at the heart of central-city renewal—the Ten-Year Plan even raised the question as to whether it might become a harbinger of a more corporatist-like local state, one that would more actively guide urban redevelopment and seek to manage its economic and social costs.

A more pressing challenge, however, soon overtook the new focus on housing. The Wall Street "meltdown" of October 1987 sent immediate shock waves throughout the city's real-estate economy. By early the following year, corporate retrenchment in the financial sector led to weakening office demand in Manhattan. Office-building construction fell off sharply, co-op sales plummeted, and residential markets in "transitional areas" showed signs of serious weakness.[57] The Koch administration responded

by redoubling efforts to spur its "big-ticket" development projects, such as Worldwide Plaza, a new office complex west of Midtown, and Riverwalk, a Manhattan residential complex that was supposed to be constructed on a platform floating atop the East River. The city's tax-incentive programs, such as ICIP and J-51, expanded disbursements dramatically, and frantic deal making between the administration and developers ensued to push long-simmering projects into action.[58]

No longer was urban crisis so easily compartmentalized. By the final two years (1988–89) of Koch's third term in office, concerns about forgotten neighborhoods yielded to the more threatening image of a city divided. New economic uncertainties heightened a recognition that the city's decade-long economic recovery, and its spatial patterns of development, had produced increases in poverty, inequality, and racial segregation as well as a persistent decline in city services. A series of brutal, racially motivated attacks in outer-borough areas such as Brooklyn and Queens now drew sustained public outcry. In black and Latino neighborhoods, conflicts between police and residents, exacerbated by the mayor's many insensitive remarks on race issues, seemed to crystallize minority-group political opposition. Resentments by working-class whites in Brooklyn and Queens, many of whom also felt left behind by the Manhattan-centered revival, posed a further challenge to the mayor. The administration's Ten-Year Housing Plan seemed too little too late, as a citywide march in December 1988 drew tens of thousands of demonstrators demanding further public action against homelessness.[59]

The following year, David Dinkins was elected New York's first African-American mayor. Bringing together a voting bloc consisting of blacks, Hispanics, and liberal whites, the Dinkins victory was attributable in no small measure to strong support from community groups and the city's more progressive municipal employees' unions. Dinkins was not an insurgent figure in the mold of Chicago's Mayor Washington, who had brought to power a group of development planners strongly committed to an equity-centered and neighborhood-oriented agenda. As city clerk and Manhattan borough president, Dinkins had built a reputation as a moderately liberal establishment politician, sympathetic to lower-income and minority concerns but with a cautious personal style. Dinkins's campaign chest had been well stocked by many of the developer contributions long associated with Koch, and among the new mayor's advisers were many policy moderates and former Koch aides.[60] Yet, as a candidate, Dinkins had promised to end the racial and political divisiveness of the Koch years, and in the beginning months of the new administration policy makers

sought to strike a greater balance between market development and community needs.

Expectations ran high for a new relationship between city hall and the neighborhoods. The new mayor's first moves appeared to bear out these hopes. Early in his term, Dinkins modified New York's Ten-Year Housing Plan in ways that promised to increase affordability and economic integration, to benefit more homeless individuals, and to rely more on community-based nonprofit housing providers. The mayor's housing commissioner, Felice Michetti, envisioned "a tremendous and growing commitment" to community-based housing, noting that "you can't expect the not-for-profits to assume the burden without also understanding that you have to create a financial foundation for them."[61] Many community activists responded with enthusiasm, as slow-moving plans to produce lower-income housing from abandoned properties began to quicken. Despite its caution, the Dinkins administration offered promise of the emergence of local "progressivism." Beginning with the Koch-initiated housing plan, in fact, New York appeared to be moving gradually away from early 1980s-style neoliberalism, which now was clearly overmatched by the problems of the city. Even in Washington, where Republican Party dominance continued, the aggressive confidence of Reaganite antiurbanism seemed to ebb. As early as 1988, *The President's National Urban Policy Report* had conceded that U.S. economic recovery and reduced federal urban spending would not necessarily help cities with mounting problems. Federal grants-in-aid to state and local governments began to rise after 1990, and, although the major urban emphasis of President George H. Bush and housing secretary Jack Kemp was to revive the Reagan-era idea of enterprise zones, gradual increases in housing-agency spending signaled a partial reversal of retrenchment.[62] Nationally, as well as locally, the political tide looked to be moving in a new direction.

Searching for a Fix

Instead, the early 1990s ushered in a period of uncertainty and crisis. The urban regime that had emerged out of fiscal crisis, like the Reagan "revolution," foundered against the limits of its narrow economic and political base. Elites soon responded with new doses of old medicine—harsh fiscal austerity and expanded developmental incentives—that did little to address New York's underlying problems or to develop a broader vision of the road to long-term stability. Out of the city's debilitating neighborhood conflicts, meanwhile, emerged a growing Nimby (not in my backyard) sentiment, one that provided a certain popular base for a reconstructed neoliberal politics. First under Dinkins, then under Mayor Rudolph Giuliani

local leaders relaunched neoliberal growth mechanisms along with an increasingly aggressive set of measures to regulate social behavior and movement in the city. Although these measures did little to lift the city out of market stagnation, they would help prepare the ground for New York's economic boom during the second half of the 1990s.

This path to "Giulianism" first began under Giuliani's predecessor. Mayor Dinkins, who had taken office in 1990, inherited a declining local economy that would only worsen as the country slid into recession. If Dinkins's first year began with expanded support for housing and neighborhood-based providers, the following year's severe budgetary pressures reactivated fiscal monitoring agencies as direct arbiters of local spending and policy. After squabbling with Felix Rohatyn, who remained head of the Municipal Assistance Corporation, and with the leaders of the bond-rating agencies, Dinkins submitted to the Financial Control Board's dictates on large-scale spending reductions in exchange for emergency financial assistance.[63]

During this time, the mayor also began to waver on his campaign promise to reform or eliminate the ICIP tax-incentive program.[64] Mounting evidence suggested that these subsidies for development—in the form of property-tax exemptions and abatements that were mostly for Manhattan office buildings—did not serve as useful inducements, either because they were targeted in areas of strong growth or because the firms that took advantage of the incentives had good reasons to locate there anyway. Yet the city's developers, led by the Real Estate Board of New York, announced that the Dinkins administration's position on ICIPs would be viewed as a litmus test of the mayor's attitudes toward the market and, correspondingly, his future relationship with business. In response, the ICIP program was renewed in early 1992, with the number of projects granted benefits climbing yet again. A freeze on corporate taxes was also declared.[65] Meanwhile, severe funding cuts stalled community-based projects and estranged the mayor from crucial sectors of his electoral base. Housing and community-development spending was reduced, and publicly sponsored housing starts in 1993 fell to almost half their number in 1989, Koch's final year in office.[66]

Under such conditions, a determinedly progressive administration would have faced an uphill task in retaining its ambitions. From its inception, however, the Dinkins coalition had mobilized a community base behind a leadership core that was heavy with former Koch aides, advised by policy centrists, and funded by a campaign chest well stocked by developer contributions. The candidate's campaign message of "racial healing" was short-term relief to a divided city, but the coalition had not articulated an

alternative vision of development and community renewal. Early on, the mayor's political response to deteriorating economic conditions and to the accompanying interest-group pressures from the financial and development sectors was, therefore, in the words of one ambivalent supporter, to "demobiliz[e] the coalition that elected him."[67] Standing for reelection in 1993, Dinkins was unable to generate the grassroots enthusiasm that had carried him to victory four years earlier, and he was defeated. By that time, the community-oriented elements of New York's development strategy had already been curtailed.

Political alternatives had been turned aside, but the city's economic problems were not so easily handled. New York's recession of the early 1990s (the longest and deepest since World War II) provided ample time to ponder the shortcomings of the 1980s recovery. Most glaring was the city's dependence on a real-estate economy linked directly to the financial markets. Vacancy rates in Manhattan office space jumped from roughly 12 percent in 1987 to well over 20 percent in 1992; at the other end of the city's spatial economy, communities such as Central Harlem and East Brooklyn, which had been bypassed by the boom, now experienced new surges in housing abandonment.[68] Beyond New York's dependence on a finance and real-estate roller coaster, the city's broader service economy also made it susceptible to underlying, long-term weakness. Aggregate growth in the city's economy, for example, had been smaller than in the United States as a whole (3.8 percent versus 4.1 percent), even during the local boom years (1983–88). New York's unemployment rate, reaching 11 percent by 1992, now also diverged significantly from the national level (8 percent). Perhaps most disturbing, shares of income gains among local residents were becoming markedly skewed, even in relation to U.S. trends that were moving in similar directions.[69]

This trajectory was shaped, in certain respects, by the needs of the new international economy, which now reinforced the value of New York's historic business functions. As Sassen and others have shown, the growing importance of financial institutions and "advanced producer services" after the 1970s tended to enable traditional centers of banking, securities, and corporate headquarters to become coordinating nodes in the international economy. The most visible manifestation of these functions in New York was the new army of higher-level white-collar employees, working in the city's business districts in securities, banking, law, and advertising.[70] Yet there were also economic shifts that did not fit with New York's enhanced image as global city. New York's share of corporate headquarters, for example, which had long seemed to be a primary measure of globalization,

was in decline.[71] Furthermore, although the absolute numbers of the city's managers and professionals did grow, its *share* of the nation's advanced services employment actually declined between 1978 and 1993—in financial services (from 10.3 to 9.1 percent), in legal services (from 9.5 to 7.6 percent), and in accounting (from 8.5 to 5.0 percent).[72] Evidence indicated, then, that a relative decentralization of headquarters and business-services activities to other areas of the United States may have been eroding New York's dominance within the very sector that theorists saw as key to global-city status. A number of major U.S. cities, in fact, now exhibited international linkages, though these were often highly specialized. This tendency suggested that globalization was having effects on local economies in many places, but this dispersal of functions also raised questions as to whether its impact in any one location—even in a world city like New York—might be too easily overstated.[73]

In the face of New York's daunting economic challenges, the city's corporate leaders struggled unsuccessfully to articulate a vision for the early 1990s that went beyond the austerity and tax-incentive prescriptions of prior decades. The New York City Partnership, a business group founded by David Rockefeller during the earlier fiscal-crisis period (and whose members included the top executives of 150 of the city's largest companies), stepped up to issue a number of policy proposals to move the city forward again. Most prominent was a report that criticized the local planning process, which, as noted earlier, had been devised to facilitate deal making between the mayor's office and developers. Yet projects increasingly experienced lengthy delays because of poor planning (or because of shrewdly targeted resistance from excluded community groups), and the Partnership report suggested scuttling the city's land-use review process entirely.[74] Another proposal issued by the Partnership, this time jointly with the New York Chamber of Commerce and Industry, expressed the hope that the city's fiscal problems "may be creating a more receptive climate for privatization"; the report recommended a number of steps to hasten this process along.[75] The Partnership also set up a $100 million private investment fund, to be used for "predevelopment costs," such as promoting the pet projects of top business leaders, including a proposed new Central Park restaurant.[76] The common thread in these recommendations was enhanced private-sector control over development. Yet it was difficult to see how further movement in this direction would correct the short-term-oriented nexus between government and land developers, which had already oversaturated the Manhattan office district and deepened the city's economic stagnation. In fact, even when viewed from a sympathetic perspective, these proposals were discouragingly stale. They failed to address any of the city's central long-term problems: the chronic underfunding of basic city services; the inadequacies of tax-incentive programs and other policies to guide a balanced process of urban or regional redevelopment; and the tendency of growing economic inequality and instability to exacerbate the city's social conflicts. Meanwhile, even as New York disbursed hundreds of millions of dollars per year in tax breaks to companies, this global city continued to lose employers to neighboring New Jersey and Connecticut. And, as one urban planner noted at the time, "when firms ultimately do leave, their parting words are that the streets are filthy and the schools are bad."[77]

If the corporate community responded with tired solutions to the city's economic problems, there was confusion about what, in political terms, might energize a new electoral agenda for the 1990s. To a surprising extent, the answer came out of New York's neighborhoods. The same developmental order that had served to "localize" the city's economic problems also shifted conflicts over land use to the neighborhood level. Community fragmentation, in turn, now propelled an increasingly desperate search for the recipe to "neighborhood stability."[78] By the early 1990s, major attention was directed toward the siting of facilities that were unwanted or challenged by segments of the local community. These so-called Nimby conflicts ranged from residential facilities such as jails, shelters, and group homes to sites for waste management, transportation, and equipment. In response to neighborhood resistance, New York in 1991 adopted so-called Fair Share Criteria requiring city agencies to balance service-delivery goals with a more equitable spatial distribution of facilities. In the ensuing implementation, a key provision intended to initiate and support consensus on particularly controversial sitings was rarely invoked, and subsequent assessments questioned whether the measure much altered the locational patterns of undesirable sites.[79] Consequently, the perceived failure of Fair Share tended to heighten the defensiveness of neighborhoods.

These fears found a voice in the mayoral campaign of Rudolph Giuliani. The Republican standard-bearer, a former federal prosecutor, had first run for mayor in 1989, when intemperate language got him labeled too strident for cosmopolitan New York. Four years later, he competed against Dinkins with a refurbished law-and-order platform that also emphasized middle-class "quality-of-life" issues. Yet his rhetoric remained pungent. During this 1993 campaign, Giuliani depicted a city where children and police officers were being "slaughtered," the streets were "overwhelmed by drug dealers," and criminals "roam unhindered by arrest." Linking together street crime, panhandling, welfare dependence, and poorly run homeless

shelters, Giuliani contended that the presence of aggressive homeless people on the streets epitomized a loss of "control" over the city. New Yorkers, he contended, should not be "required to be assaulted by menacing individuals." Giuliani promised to put more police on the streets and boost arrests, build more prisons, restrict access to homeless shelters, and require more welfare recipients to work. As Dinkins struggled to energize his own electoral base, Giuliani's message seemed to resonate with swing voters.[80] There was little campaign discussion of the city's economic problems. In a bitter contest, in which racially tinged rhetoric played an increasing role in the final weeks, Giuliani defeated Dinkins by a slim margin (about fifty thousand votes) to become New York's first Republican mayor in two decades.[81]

It soon became clear that the city's economic-development policies, as well as its political rhetoric, would become more aggressive. The Giuliani campaign had not highlighted a broader vision of development, and in addition to public safety the new mayor promised to focus on budget issues and improving city services. Local government under Giuliani nonetheless was marked, from its inception, by efforts to subsidize redevelopment in the Manhattan business districts. This pursuit of land-value escalation in the city core was shorn of some of the secondary concessions to community interests that had been doled out during the late Koch and early Dinkins years (roughly between 1987 and 1991). From the beginning, in fact, the new mayor's planning director went out of his way to signal a clear development agenda: "No one is looking to unravel necessary and appropriate community protections, but there is no question that this is an administration that is sympathetic to the role of development in the economy."[82] The administration moved quickly to expand the city's tax-subsidy development programs, giving out a record $348 million in property-tax breaks alone over Giuliani's first eighteen months in office. To assist developers who had overbuilt in the Lower Manhattan financial district, the mayor also proposed an estimated $230 million in exemptions from property and commercial rent taxes in 1994.[83] Other development projects began to move forward with significant public subsidies, including a revival of the Times Square area that would eventually make the old red-light district the new center of an expanded Midtown Manhattan business district.

The ad hoc subsidy approach, then, was back in full force. Economic recovery and political opportunity had once served to couple this incentive-centered strategy with an ambitious decade-long housing plan, not to mention the tentative expansion of city–community partnerships to further enhance the production of lower-income housing. Now, even by the end of Giuliani's first year in office (1994), New York policies reverted more single-mindedly to incentives that furnished public benefits to central-city businesses and upper-income groups, even as the Ten-Year Plan was winding down. Whether this narrowed approach would drive a sustained economic revival was still uncertain. But a new local administration willing to pursue it was firmly in place.

Reinventing Urban Neoliberalism

The remaining years of the decade would see a major reformulation of U.S. neoliberalism. National response to economic crisis reestablished, as it had during late 1970s and early 1980s, the conditions for an urban regime centered on corporate-led revival of central-city areas. Yet as national policies in the 1990s spurred capital mobility, and with it another round of interlocal competition for development, the focus this time was on entertainment, tourism, and retail consumption. Federal urban and social policies also played an important role, providing big-city officials with new incentives and tools with which to manage local obstacles to central-city transformation (such as poor people) and granting greater flexibility over how these mechanisms might be used. In this context, New York reemerged as a model city, its local government moving aggressively to meld 1980s-style corporate subsidies and 1990s-style social regulation into a formidable redevelopment machine. Underscoring again the crucial role of government in urban transformation, this most recent phase in New York's renaissance—its extraordinary economic success as well as its failure to address the deepening housing crisis—would highlight in vivid terms the national/local political forces intensifying the polarization of U.S. cities.

Public Initiative and the American City

National policies set many of the terms for end-of-century urban revival. With Bill Clinton's victory in 1992, economic expansion based on deficit reduction came to be the nation's guiding macroeconomic principle. This strategy soon shaped an array of U.S. policy approaches, from budget, trade, and finance to unemployment, wages, labor markets, and cities.[84] Premised on the leading role of Wall Street, the antideficit strategy was coupled with a strong push for free trade that resulted in NAFTA, Clinton's major first-term legislative victory. Slowly, as the stock market lifted and the economy pulled out of recession, growth returned to many parts of the country, and, over time, a more robust expansion would even begin to improve the welfare of many lower-income workers and the poor.[85] In the meantime, however, urban spending remained anemic. Budget authority for the Department of Housing and Urban Development (HUD) saw only a modest increase during Clinton's first two years in office.[86] Yet urban areas that already enjoyed

economic advantages—in the form of dense concentrations of producer services (New York, Washington, D.C., San Francisco), high-technology functions (San Jose, Boston), or export-oriented manufacturing activities (Los Angeles)—did gain early local benefits from the administration's economic agenda to promote finance, trade, and flexible labor markets.

Over the course of Clinton's first term, the direct impacts of national policy priorities on cities grew more pronounced. Even before the onset of a new Republican "revolution," Congress passed the Violent Crime Control and Law Enforcement Act of 1994, which provided $39.3 billion to state and local governments over six years, primarily to support prison building and policing. At the end of that year, following the congressional midterm elections, the Republicans' Contract with America, introduced by House Speaker Newt Gingrich, set up a flag of "devolution" under which a dramatic round of federal retrenchment was enacted.[87] Although not always urban policy changes per se, a number of further initiatives targeted primarily at the poor furnished city governments with flexible new powers with which to manage their lower-income populations and deteriorated public spaces. The shift from Aid to Families with Dependent Children to the Temporary Assistance for Needy Families (TANF) block grant in 1996, ending the entitlement status of poor relief, mandated work requirements while giving states and localities broad discretion over eligibility, assistance methods, and benefit levels.[88] In terms of housing, the survival of a number of federal programs, and even of the federal housing department itself, was soon put on the block. Faced with these threats, the Clinton administration sought to "reinvent" the agency, developing national/local blueprints to transform public housing through the demolition of low-income projects and the conversion of federal assistance into rental and homeowner subsidies for market housing.[89] Although this reinvention saved HUD, it did not protect the agency from severe budget cuts; authorizations decreased from $26.3 billion in 1994 to $16.1 billion by 1997.[90] When Congress also froze the issuing of new Section 8 vouchers, a key rental subsidy, federal housing policy set the stage for a ragged displacement of inner-city residents under the antiseptic banner of "deconcentrating the poor."

Cities entered the mid-1990s competitions for mobile actors and assets saddled with expensive social problems and local tax bases still depleted by recession. While increased competition seemed to become a watchword of entrepreneurial localities in many parts of the world, the distinctively American character of interlocal rivalries was especially vivid in the race to cultivate or attract entertainment-related developments, such as casinos, tourist attractions, and sports franchises. Teams and stadiums, now at the center of most local growth strategies, were fed sizable state and local subsidies despite their minuscule economic contributions to employment growth or public revenues.[91] Unquestioned pursuit of these downtown "anchors" tended, in turn, to crowd out other development options, as cities found themselves head-to-head in a rivalry to become increasingly generic tourist, convention, and entertainment destinations. To compete for visitors, each U.S. city seemed compelled to offer a similar package of amenities that became, over time, the city itself.

New York's ability to thrive in this economic environment was predestined in part by simple good fortune. The growing centrality of financial markets, enhanced by Clintonomics, would make Wall Street a spectacular engine of late-1990s growth. But New York also competed effectively in the race to become, as political scientist Larry Bennett has put it, the "ascendant city of leisure."[92] Enlisting entertainment companies such as Disney to remake the central city as a site of middle-class consumption, local officials learned to cultivate as a development tool their new government capacities to regulate public life. Turning away from ambitious housing efforts, and building on the key Clinton/Gingrich initiatives, the Giuliani administration's innovation would be to funnel its authority through a handful of policy areas—crime, welfare, homelessness—in which the imposition of social control would itself help fuel the development of an economically and racially divided city.

Generous tax subsidies for the Manhattan business districts were the main thrust of Giuliani's first development moves. Beyond the Wall Street area, a prime new territory for business growth surrounded Times Square on Manhattan's West Side. Unfulfilled plans from the 1980s had envisioned replacing the decaying entertainment district with office towers, but redevelopment efforts in the fallow economy of the early 1990s became more modest. Local officials, led by public-sector entities such as the Forty-Second Street Redevelopment Project (a subsidiary of the state of New York's Empire State Development Corporation), proceeded with an "interim plan." Seeking to piece together a retail redevelopment strategy, this project moved incrementally to renovate theaters and storefront commercial spaces for music stores and clothing outlets. Major corporations began to show interest in the area as economic growth resumed. Spurred by a series of "partnerships" between public subsidies and entertainment outlets owned by corporate giants—the Disney Corporation alone received $26 million in low-interest loan subsidies simply to redevelop a single theater—the Times Square/Forty-Second Street district soon turned into the fastest-growing and most visited area of the city. By the late 1990s, in fact, area land became so valuable that it permitted only office-tower projects after all.[93] Among these structures were flagship buildings for some of the era's

largest media and entertainment empires. The West Side also became the focus of New York's unusual sports-franchise competitions with itself, culminating in an unsuccessful effort to lure the Yankees from the Bronx.[94]

The economic success of projects like Times Square did not rest only on tax incentives, subsidies, and ad hoc partnerships. Over time, new forms of social regulation became key components of the city's growth strategy. At the center of this approach was the administration's aggressive effort to combat crime. Between 1993 and 1997, New York reported a 60 percent drop in murder and nonnegligent homicide, as well as dramatic declines in robbery, burglary, and overall felony complaints. There was considerable debate over which elements (if any) of New York's policing approach were actually responsible for the decreases, particularly as these rates began to fall in other cities.[95] Whether high numbers of civil-rights violations were an acceptable price for aggressive crime busting was also an ongoing concern, fueled by the mayor's penchant for ridiculing even mild criticisms of police performance. Less often recognized was the extent to which policing and public safety in New York had become an integral component of the city's economic development strategy. "Reclaiming the open spaces of New York" was the centerpiece of the administration's "zero-tolerance" policing campaign, one that relied on new information technologies (the so-called CompStat system), as well as highly aggressive street-level policing, especially mass arrests for minor legal infractions.[96] Through a prohibition of panhandling and certain kinds of idling in parks, subways, and streets, city authorities (as well as the private security forces operated by business-financed "partnership" organizations) made retailers feel more secure, reduced the social inconveniences of daily life for many residents and shoppers, and helped cultivate the reassuring image of a city under control. These actions also tended to push the poor and the homeless (as well as the unlicensed and the merely unconventional) out of the urban places and corridors occupied by wealthy and middle-class groups. Other measures, such as the prohibition of political rallies and "unauthorized" press conferences near City Hall, made public protest more difficult.

The city's welfare program became another useful tool in this broader pursuit of development, though it did not start out that way. Beginning as a triage-like effort to purge the welfare rolls, the city's workfare initiative, called the Work Experience Program (WEP), evolved into a government program for the provision and regulation of low-wage, flexible laborers. Given new fuel by federal welfare reform, New York trimmed its caseload nearly in half, from 1.16 million in 1995 to six hundred thousand in the year 2000.[97] Evidence suggested that workfare for most clients was not leading to full-

time jobs in the private sector, but the welfare department's Business Link program did provide significant short-term benefits to businesses: those that hired a welfare recipient for at least three months qualified for thousands of dollars in wage subsidies and tax credits. A number of New York's largest firms took advantage of the program.[98] Because of TANF's flexibility, New York was able to rely on punitive sanctions to shrink its public-assistance pool; neither college enrollment nor a lack of child care freed recipients from the work requirement. Over time, the city built a veritable army of minimum- and subminimum-wage WEP workers to clean up the city's reclaimed streets and parks. Community nonprofit organizations with city government contracts protested the low wages of WEP workers, but when the mayor's office threatened to cut off their funding, the protest fizzled.[99] Only unfavorable rulings by the courts restrained the city of New York from mandating near-universal workfare participation for welfare recipients (well in excess of the numbers required by federal law), including homeless-shelter residents as well as the physically and mentally disabled.

As development successes mounted, many of New York's challenges began to take on a different shape. This was particularly so in the area of housing, where the problems were daunting and the local strategy of response more complicated. The strong revival of New York's real-estate market eased the city's recurrent plagues of housing abandonment, yet intensified in the process its long-standing problems with affordability. Despite the fears of neighborhood advocates, the arrival of the Giuliani administration had brought no immediate dismantling of the city's community-based housing programs.[100] Yet capital spending on housing fell during each year of Giuliani's first term in office, and the end of the city's ten-year program in 1996 left behind a major gap.[101] As land values climbed, and as a series of actions by state and city government weakened New York's rent regulations, growing numbers of neighborhoods were upscaled and longtime residents found themselves priced out. New York's substantial nonmarket housing system also experienced strain. For public housing as well as the city's own extensive stock of owner-abandoned housing, federal reductions in subsidies greatly increased operating expenses and, consequently, the need for self-financing. Now that upscale development was butting up against deteriorated slum areas containing high concentrations of public housing, these federal measures provided local authorities with incentives for privatization and demolition. Yet the relatively decent quality of much of New York's public housing stock, as well as the strength of tenant pressure, put the brakes on such efforts.[102] Tenant pressure also fought off efforts to repeal the city's

system of rent regulation. But in the face of powerful economic and policy pressures, housing costs in much of the city escalated at a rapid pace.

Revival of the city in the 1990s, therefore, rested on an expanded role for public authorities. Partnerships with market investors were not only to build projects but to reconstruct the city itself—its reputation and reality—as a safe, profitable, and heavily patrolled space for redevelopment. Central to this endeavor were coercive and displacing actions by governmental agencies toward urban residents, particularly those who were poor. Through policy initiatives in policing, welfare, and housing, New York subordinated entire areas of government activity to the task of clearing away the social obstacles to the most immediately profitable forms of economic growth. Mayor Giuliani earned much of the credit for these innovations, not merely because of local economic prosperity but because politics and government, indeed, had played an important role in so thoroughly transforming the city's public image. Republican Senator John McCain paid political tribute to the mayor during a 1998 visit:

> I think that there's tens of millions of Americans who visit New York every year, and the overwhelming majority of them are impressed at the dramatic changes that have taken place under his stewardship. It's hard for them to believe they can walk through Central Park, that there's no squeegee people and that practically everywhere you look, there's the presence of law enforcement.[103]

Of course, this symbolic rehabilitation of mayor and metropolis alike would reach epic proportions following the terror attacks of 2001. Yet its basic contours were firmly established well before that moment of crisis. By reputation unruly and cosmopolitan to a fault, New York—perhaps the least American of U.S. cities—already had become in image a model American city.

Surveying Prosperity, Watching the Numbers

A final look at New York's socioeconomic profile may help characterize the city's broader balance sheet. It may also clarify, after a volatile quarter century of gains and reversals, the role of a neoliberal urban regime in reshaping the "state of the city."

As record numbers of people ushered in the year 2000 in Times Square (and many millions more watched the scene on TV), New York seemed to bask in the warm glow of its booming economy, white-hot real-estate market, and record local-government surpluses. In many respects, conditions in the city could not have been more different now from the dif-

ficult days of the mid-1970s. Growth rates in the city's economy were projected to climb as high as 6 percent, the largest in decades.[104] Soaring employment growth in the service sector, fueled by job increases in business services, was finally helping to diminish the city's high unemployment rate to its lowest level since the 1980s. Wall Street enjoyed profits of $16.3 billion in 1999, up more than one third from the record of $12.2 billion registered two years earlier.[105] The commercial real-estate market was also operating at record levels, driven in part by leasing activity from the high-flying Internet, new-media, and high-technology firms in the business-service sector. All this market activity, meanwhile, pointed to a city of New York budget surplus that was projected to be almost $3 billion for fiscal year 2000.[106] In terms of population growth, New York also looked much healthier than during the decade of 1970s, when the city had lost more than 10 percent of its residents. After a 3.5 percent increase during the 1980s, census data showed a much larger gain of 9.4 percent over the course of the 1990s (though a portion of this increase seems to have been the result of a more thorough count).[107] Most of the population influx was composed of immigrants.

Yet New York's moment of economic success also masked a host of problems. Certain prospects for cities, including global cities, had not changed over the course of the quarter century or, indeed, had grown more troubling. In important ways, these prospects were related not to international tendencies per se but to governmental and political responses to broader economic challenges. The debilitating conditions faced by U.S. cities—high vulnerability to the exit of mobile actors, low levels of federal assistance, heavy dependence on revenues generated by the land economy—continued to encourage short-term-oriented growth strategies that narrowed the economic base of cities. New York reached the end of the 1990s, in fact, much more dependent on Wall Street than it had been even ten years earlier. Representing only 5 percent of city employment, the securities industry accounted remarkably for more than half (56 percent) of the increase in aggregate real earnings between 1992 and 1997.[108] After 1997, business services also posted significant wage gains, though subsequent downturns in computer-related industries were likely to make those gains short-lived.[109] As Wall Street entered a bear market at the end of the decade, economic signs for the city began to grow much more ominous.

Overall, the New York economy of the 1990s became less diversified than its 1980s version, itself hardly a model of balanced growth. Globally oriented analyses tended to focus, with considerable justification, on the alarming divergence between New York's "export" sector—which generated

a disproportionate share of aggregate earnings (but relatively few jobs)—and its "local" sector full of lower-paying jobs.[110] It was also apparent, however, that the job and earnings base of the economy was narrowing within both of these sectors. The city was losing positions in higher-wage and lower-wage categories, as well as in employment categories in between, suggesting a local economic strategy that was not only favoring already-advantaged groups but that was also generally ineffective over the long term. Given these trends in employment and income, it was hardly surprising that economic inequality in New York City grew dramatically during the 1990s.[111] What may be more disturbing is that the reinforcing impacts of national and local government policies were partly to blame. Clinton-era federal policies, as we saw earlier, spurred the financial economy and intercity rivalries while bringing federal expenditures down in most areas, including education, income security, and housing. New York initiatives intensified many of the impacts of those federal measures. Implementation of "work first" welfare policies actively discouraged employment strategies oriented around education and training. Failure to bring stability or significant reinvestment to the city's neglected public schools also made it difficult to raise the skill levels of younger New Yorkers at the bottom of the widening income gap. Municipal budget surpluses were diverted into tax cuts rather than into badly needed infrastructure projects that might have generated useful employment and workforce development. And local tax policies also made their mark more directly. After 1994, the local tax burden of the working poor actually increased, even as low-income taxpayers saw their income shares decline. In fact, because of the city's tax code, nearly a hundred thousand households who were poor enough to have had no state or federal income-tax liability at all nevertheless were forced to pay income taxes to the city of New York.[112]

Housing, more than ever, was New York's biggest Achilles' heel. Shifts in the city's income structure, coupled with the booming land economy, created growing affordability problems for New York's lower-income residents. Based on the Census Bureau's Housing and Vacancy Surveys, more than five hundred thousand households (nearly one-fifth of all city households) were now paying more than half of their incomes for housing; another four hundred thousand households paid rents in excess of 30 percent of their incomes.[113] The vast majority of households experiencing cost pressures lived in rent-regulated housing in the market sector. Many of the city's poorest households, who lived in nonmarket structures (public housing, *in rem* housing, or community-based housing), generally experienced lower housing costs. Yet the threats to this sector also made the circumstances for

residents increasingly insecure. In fact, housing affordability was not simply a problem for the poor but, increasingly, for working-class and moderate-income families as well. Even for two-earner households, the wages of the fastest-growing occupations now were too low (under $40,000) to be able to provide for housing access to the New York City region.[114] Meanwhile, New York was losing "middle-class" households (those earning between 85 and 200 percent of size-adjusted area median income, that is, between $42,000 and $100,000 per year), who were attracted by more affordable housing in the metropolitan suburbs. Would the suburbanizing middle class soon be taking their jobs with them?[115] And as the city's housing prices continued to climb and immigrant enclaves expanded in other U.S. metropolitan areas, would New York also lose its immigrants, the recent engine of its population growth?

By the end of the year 2000, then, unprecedented growth and prosperity coexisted uneasily with economic fragility and housing crisis. Even barring the unexpected, long-term challenges loomed on the horizon. Perhaps more disturbing than the housing crisis faced by New York was the slowness of governmental authorities to address it. Researchers and community organizations continued to call for a new capital-budget housing-production plan; one broadly supported proposal called for $10 billion in capital spending over ten years, and specified potential sources of funding.[116] In response, Mayor Giuliani finally announced, in early 2001, a proposal to spend $600 million over four years to produce low- and moderate-income housing, a much smaller commitment and a fraction of the amount that had been devoted to Koch's Ten-Year Plan.[117] Even at the time, it was unclear whether this proposal would get off the ground as New York's economy, and tax revenues, began to falter. But the more fundamental obstacles were not simply fiscal but political. Despite a combination of federal and municipal budget surpluses that presented a multiyear window of opportunity for significantly expanded government support, priorities in late-1990s Washington and New York were directed elsewhere.

Taken as a whole, then, the various elements of New York's second rebirth in as many decades reflected the ebb and flow of larger economic forces as well as patterns of action by national and local government. International economic integration over the final quarter of the twentieth century created a new economic centrality for financial markets, for information technologies, and for the networks of trade and capital flows that crossed traditional borders. The broad outlines of a new economic order with certain common trends (corporate concentration, decentralized production, flexible labor markets) became clearly visible, and their impact

economy with strong international linkages—from Wall Street to new immigrants—were considerable. Yet government power continued to mediate those forces in important respects, and we have seen this to be the case even in a global city like New York. Initiated in response to a stagnating national economy, Clinton-era economic and social policies played a key role in establishing new conditions for urban redevelopment. A Wall Street–oriented economic strategy spurred a financialized central-city revival. New domestic initiatives encouraged punitive strategies of social regulation. Both national and local strategies tended to accentuate remarkable economic gains: core areas revived, businesses thrived, and urban populations grew. These strategies also displaced older, poorer communities that lay in the paths of redevelopment, often marginalizing the populations that were so successfully dispersed. If economic circumstances often set the conditions for development, government itself weakened public capacities to manage change in constructive ways.

National/Local New York

New York, like many U.S. cities today, is more prosperous than it was twenty-five years ago. It is also more unequal. These patterns remain true even in the wake of the attacks of September 11. Probably more directly than in most American cities, longer-term changes in New York reflect the impacts of an international economy that prizes the city's financial and business-services sector, along with a host of flexible low-wage supporting functions. It is increasingly clear, however, that New York's global role does not fully account for recent city trends. Key indicators of inequality and poverty, as well as the ways in which forms of disadvantage are spatialized within the metropolis, resemble patterns in other major U.S. cities more than those in Paris, Amsterdam, or Tokyo.[118] Beyond the evidence based on economic and spatial outcomes, *processes* of urban redevelopment in U.S. cities have often differed from those in Continental Europe and Japan, where state agencies do not disregard social welfare or stable development in pursuit of short-term economic stimulus.[119] How cities pursue economic and social well-being, in other words, is related to historic paths of development, as well as to the different responses that countries fashioned to post-1960s shifts in the international economy. This range of response suggests that the notion of a neoliberal national environment—one that is constructed by policies that promote zero-sum interlocal competition, ad hoc public subsidy for upper-income development projects, and highly constricted economic opportunity for the poor—remains central to understanding the problems of cities in the United States. These cities, even global cities such

as New York, reflect the singular tendencies of American politics and the economic impacts of international integration.

This account has pitched itself against a strict globalist interpretation of the late-twentieth-century revival of New York by emphasizing the role of public policy at both national and local levels. Without dismissing the significance of New York's international linkages, I have argued that, at key moments in time, governmental response to crisis and opportunity exerted important influence over how the city changed. As part of this response, the relationship between national and local policies established certain institutional foundations for the development of neoliberal globalization; in the process, this relationship also accentuated inequality and economic hardship for many New York City residents. Urban neoliberalism first emerged out of the New York fiscal crisis of the mid-1970s, a pivotal moment that helped to shape a national response to the deepening economic problems of the city. Reaganism, in turn, reinforced a narrow New York growth strategy, often pitting local government against the city's lower-income residents. Despite the widespread dominance of this regime in 1980s urban America, its inability to generate broadly shared economic benefits prodded New York (and a number of cities) to press beyond trickle-down, trickle-out prescriptions. This departure proved to be short-lived, however, no match for a corporate-dominated politics unable to move beyond deregulation and short-term stimulus. It was also no match for a Nimby upsurge whose political themes (such as the need for coercive social control) would become central to a reconstructed neoliberalism. Following the advent of Clintonomics and Republican-inspired domestic policy measures, the national elements of a refurbished regime were resolutely in place. Such a regime, developed in heightened form in Giuliani's New York, fused economic deregulation and social control to guide a partial remaking of the city for the affluent. In this way, a sequence of national and local developments over the course of a quarter century suggests how policies and political processes come to shape a global city.

If globalist approaches can overemphasize the unmediated impacts of the international economy on cities, localist frameworks often fail to address the dynamic interplay between national and local politics. Focusing directly on this fluid relationship clarifies how, at certain moments, national and local actors may become (for better or for worse) agents of urban innovation. By the same token, an examination of this interplay over the span of several decades makes visible a certain reinforcing continuity—a debilitating logic—to the way that U.S. governmental policies relate to the city. In this sense, studies that imply distinct local and national

(such as Paul Peterson's *City Limits*) are also somewhat misguided.[120] Overemphasis on local policies and coalitions, or on separate local and national arenas, elides a fundamental political reality: urban regimes—the durable patterns of interaction between government and economic actors that shape urban development—are not local but national/local in nature.

This point begins to suggest the scope of change that might be needed to reclaim the city. Discussion of constructive national/local strategies is deferred to chapter 5. In the meantime, the next two chapters investigate political response to economic change at quite different urban scales, shifting the focus of this study to often hidden public and community actors.

3

Public Action

Gentrification and the Lower East Side

In the course of New York's late-twentieth-century economic ascent, nothing was more dramatic than the changes experienced by so many of its neighborhoods. From the 1970s revival of Manhattan's faded middle-class areas to the more recent upscaling of working-class districts in Brooklyn and Queens, neighborhood gentrification was no longer seen as anomalous or uncertain but as a core dynamic of urban life, practically inevitable.

Manhattan's Lower East Side stands as an especially striking example of gentrification, both in the startling character of its onset and in the dramatic transformation that ensued. For most of the century, this once storied immigrant ghetto had been an area in decline. In 1973, urban planners Harry Schwartz and Peter Abeles proclaimed (in their generally insightful community study *Planning for the Lower East Side*) that the "Lower East Side is the only Manhattan neighborhood below East Harlem that is committed to housing the poor. It has played this role for the last century, and strong trends indicate that it will continue to do so."[1] Within a decade of the study's publication, the sales prices of many crumbling Lower East Side tenement buildings had jumped from tens of thousands to hundreds of thousands of dollars, and by the end of the 1990s transactions in the millions were becoming commonplace. As land values and rents climbed upward, the area's working-class and lower-income residents—Puerto Ricans, Chinese-Americans, aging European immigrants, and African-Americans—seemed to be increasingly replaced by young singles and professionals. Neighborhood ways of life based on immigrant social ties gave way, first, to an edgy alternative-community scene and then, increasingly, to a trendy extension of the Manhattan entertainment economy geared toward consumption activities for the young and affluent. By the year 2000, much of