

CLOSING ADDRESS

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I will raise three issues which have remained in the background throughout this colloquium. First, I will discuss how state and local governments redistribute the effects of economic upswings and downturns. Second, I will describe how industrial sectors influence the direction of economic development policy and determine the crisis-oriented way in which that policy is made. I argue that the public should have a larger role in setting development policy. Finally, I will comment on the issue of race and economic development.

State and local economic development policy is limited by economic trends and circumstances that are to a large extent out of the control of state and local governments. State and local economic development policy is formed by economic trends in the region, which are caused by economic trends in the nation, which are ultimately caused by economic trends in the global economy. These forces necessarily constrain the power of state and local economic development policy. Given these constraints, state and local governments must attempt to react to the opportunities they face: first, they must attempt to extract and maximize benefits from economic circumstances that are out of their control;¹ and second, at the same time, they must minimize costs that are associated with cyclical and structural economic changes.²

Those two tasks raise important questions about the distribution of economic benefits and burdens. If left to their own devices, local economies do not necessarily distribute the benefits of economic growth to all the people who reside in the locality. State and local governments have an obvious political incentive to recut the economic pie if, by doing so, they can increase the number of people who enjoy prosperity. Redistribution is relatively painless under conditions of prosperity, and state and local governments often engage in it.

State and local governments less frequently redistribute economic burdens. But redistribution is no less important during economic downturns. Governments have to have some sense of how sacrifices are going to be distributed throughout their localities. They must determine who will bear the burden within their respective jurisdictions. It is this form of redistribution — the sharing of sacrifices during economic crises — that informs my understanding of the theme of the colloquium. Economic crisis provides governments with

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1. See Netzer, *Federal Tax Reform and State-Local Economic Development Policy*, 15 N.Y.U. REV. L. & SOC. CHANGE 147 (1987).

2. See Hornack & Lynd, *The Steel Valley Authority*, 15 N.Y.U. REV. L. & SOC. CHANGE 113 (1987).

the opportunity, as well as the obligation, to redistribute economic burdens. The process is not painless under conditions of crisis, as it is during times of prosperity. But the need is even greater.

The redistribution of economic burdens has become a political question on the state and local level. The issue became politicized as a result of the 1975 recession and the two recessions that coincided with President Reagan's first administration. The people harmed by those recessions have asked why their number is always up when it's time to suffer sacrifices, but very rarely up when it's time to get benefits.

The industrial policy debate that occurred in the late 1970s grew out of the complaints of a particular sector of the economy and a particular group of workers who suffered as a result of the 1975 recession. The manufacturing sector and white male union workers had not traditionally been asked to bear sacrifices. When they were, a national debate on industrial policy resulted, with the focus on the decline in productivity. In some cases, this debate even pointed the blame for the nation's economic troubles at the manufacturing sector and white male union workers. Meanwhile, the debate brought the issues of protectionism and industrial redevelopment to the national agenda; both of these responses were moves to redistribute sacrifices from the manufacturing sector and workers to taxpayers. The industrial policy debate, which became a national issue during the late seventies, continues to inform state and local economic policy.

I mentioned before that certain sectors of the economy have complained about always bearing burdens and never enjoying benefits. The distribution of sacrifices is related to the distribution of benefits in the following way. An individual who bears increasingly large sacrifices for a long period of time, will, in the event that benefits arise, find it difficult to take advantage of those benefits. First, the individual may not be in a position to recognize that there are benefits in which she should have a share. Second, even if she recognizes that they are coming up, she may not be in a position politically to take advantage of them because her previous position has been one of constant sacrifice. The same effect is true of industrial sectors: the distribution of past economic sacrifices is inversely related to ability to demand future economic benefits.

A major issue with respect to the role of state and local development policy is the way industrial sectors within states and localities jockey for position to be able to determine who will enjoy or bear what proportion of economic benefits or burdens. Industrial sectors must be viewed as constituents of state and local governments. They vie for the attention and the aid of state and local government. They influence not only the direction of state and local economic development policy, but also the character of that policy. Very often their attempts to influence policy give rise to crisis management in state and local economic development policy. Crisis management occurs when the issue of the day becomes a matter of concern for the executive office, distinct from any planning strategy.

The issue of the day depends on the results of competition between varying sectors to influence development policy. At any one time, one sector has a dominant political position; that sector is able, therefore, to make demands on government. There is even competition within sectors, as industries compete with each other; and within industries, as firms vie with each other. This is not the smoothly operating economic competition described in textbooks, but the chaotic political competition encountered in real life. All these levels of competition to influence state and local development policy prevent any kind of long-range planning. Governments respond to whatever crises arise through this inter- and intra-constituent competition.

People are now beginning to talk about a way to move away from crisis-oriented management in public policy, and specifically in state and local development policy. There is a real need to eliminate crisis management in order to come to grips with economic problems in a more rational and democratic way. One of the reasons that people are concerned about the nature and character of public investment is because they feel that whenever public monies are used for economic development purposes, the public should have some say about how the money is used.

I agree with that argument, but it does not go far enough. Even when public monies are not used for economic development purposes, the public should nevertheless be consulted on how investment and, especially, disinvestment, takes place. Public ownership of capital is not the only basis of a public claim to control of that capital. There is also a social and democratic claim that the public should have some control over privately owned capital which affects the public. If people feel the impact of investment or disinvestment of privately owned capital, they have a right to intervene in the decision to invest or disinvest. To me, the debate about state and local development policy is an issue about the extent to which localities and their constituents can have some say about how private investment decisions are made. That is the larger picture.

A final issue underlying many of the presentations is the issue of race in cities. New York City is a good example of the complexity of this issue. The employment of commuters versus city residents being employed is discussed in many cities;³ likewise, development projects are commonly discussed in terms of whether or not commuters or city residents are employed because of those development projects. These are very important matters, and clearly they should be discussed. City residents should benefit from city development.

But to the extent that this commuter-versus-city resident discussion becomes a code word for race, in terms of city residents, we have to start dealing with the issue of race. The question in New York City is not whether or not commuters versus City residents benefit from City policy. Rather, the question is, Which City residents are benefitting from City policy? Talking about

3. See Dinkins, *Keynote Address*, 15 N.Y.U. REV. L. & SOC. CHANGE 3 (1987).

commuters versus City residents obscures thinking about City residents of different races. We should be serious enough and sophisticated enough to raise issues about race.

We can only hope to find solutions if we are able to identify problems. This is true in the case of race in New York City, and it is also true in the case of the public claim to privately owned capital which affects the public. Likewise, we can only hope to bring about a more rational approach to economic development if we view industrial sectors, industries, and firms as constituents which governments attempt to serve. The critical view I have taken with respect to the politics of state and local economic development is characteristic of this colloquium as a whole. I hope that our attempt to address the nature of economic crisis will help create the opportunity to find solutions.