

Big Ideas for Local Government at the Dawn of the 21st Century

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Mildred E. Warner

Professor, Dept. of City and Regional Planning

Cornell University

Ithaca, NY

Mew15@cornell.edu

<http://restructuringlocalgovernment.org>

The 21st century is bringing new challenges to local government. *Environmental sustainability challenges us to think long term.* Climate change and energy conservation will cause us to remake the urban landscape, changing the way we work, travel and our approaches to planning. We cannot imagine what the new urban landscape will look like – it will build from the old, but incorporate the new. Distributed energy production, distributed work (more telecommuting), less automotive travel and denser development are likely. Cities will need to review their current planning codes and think of new forms that allow more mixed use, promote quicker market response to changing conditions but still preserve long term goals of community well being.

In the closing decades of the 20th century we embarked on a bold experiment with privatization, competition and other forms of more market-based consumer oriented government. That experiment has shown potential for private market solutions to public goods provision, but it has also shown its limits. Research now confirms that privatization alone does not result in cost savings (see Warner 2009). Why? Competition is rarely present in local government service markets and private contracts often substitute a private monopoly for a public one. Local governments now recognize the need to manage their markets for service delivery. One cannot contract out and walk away. Private firms' primary objective is profit, while governments' primary objective is the public good. These are not the same. Care must be taken in structuring contracts to ensure the public good is secured. Public Private Partnerships can help blend public and private objectives to mutual gain, but without careful attention to accountability and a long term perspective these PPPs can result in collusion and privileging of private interests over the public good. The recent example of Chicago selling off its parking meters is a good example of a short sighted approach. Why would you contract out parking meters for 75 years for only \$32,000 per meter and prevent future generations from using the lane nearest the sidewalk for more sustainable transit uses? (See Sclar 2009).

Local governments must pay more attention to managing the market. This involves monitoring, benchmarking, and careful consideration of public objectives. Enthusiasm for market approaches has blinded some to the necessary requirements for effective contracting. These include 1) clear property rights between public and private parties (who is in charge of what), 2) a fair bargaining and contract procedure, 3) clear articulation of public good objectives in plans and regulations to guide contracting, and 4) access to public courts when bargaining arrangements fall apart. The new free trade agreements, beginning with NAFTA and including the currently debated General Agreement on Trade in Services (GATS – which opens up many local services to foreign competition) rest on governance rules which privilege foreign investors over local government, substitute private tribunals for the public courts system, and limit the public goals that can be included in local government legislation. These governance provisions undermine the very

potential for free trade in local government services because they undermine the ability to maintain public values (see Gerbasi and Warner 2004).

Local innovation shows how private market innovations can combine public objectives and private initiative. Business Improvement Districts, Transfer of Development Rights, Common Interest Developments are all examples of efforts to use market mechanisms to promote more investment in public goods. These approaches are catching on like wildfire across the nation and the world. They provide for flexibility, differentiate interests within the urban area, and promote increased private investment in public goods. These special districts and private governments outnumber multi-purpose public government by a factor of ten or more! By offering private solutions to public problems they encourage and empower neighborhood interests to solve their own problems. However, they also further fragment the metropolitan region and may make regional cooperation more difficult. It is this balance between fragmentation/diversity and the need for regional cooperation that multi-purpose local governments must keep in mind.

The final challenge I want to highlight is the need for inclusion. While these new market approaches promote diversity and fragmentation, they also privilege property owners and those already present in the community. But these are not the only stakeholders. Newcomers contribute to the vitality of our communities. Demographic projections show an increasingly diverse constituency especially among the younger generation. We need to ensure inclusion of these new citizens and new voices in our urban fabric. This is the foundation for our democracy and our joint economic future. In addition, technological and environmental change require a longer term perspective. In fragmented, private governance systems (like BIDs, CIDs and TDRs) we run the risk of locking in the past and limiting our ability to respond to the future. Public multi-purpose government must keep its eye on the long term, our collective future, and the critical role that public infrastructure systems play in promoting sustainability and equity. Private market solutions rarely take such a long term view.

Local government is at the forefront in addressing these challenges. Devolution has increased our responsibility for economic development, environmental management and community well being. Local government is the foundation for a democratic society. Public debate over public services at the local level is where we practice citizenship, learn to constructively engage across our differences and build community. Local government is also the source of innovation. This is the promise as we move into the 21st century.

For additional reading see Professor Warner's website <http://restructuringlocalgovernment.org>

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