



# Understanding Privatization: A Roundtable Discussion

**Gregory D. Morrow**

On February 13, 2006, seven Los Angeles academics and practitioners came together to debate and better understand the greater participation of the private sector in urban affairs -- what we are calling the "privatization of cities". The event took place at the UCLA School of Public Affairs and was moderated by Gregory D. Morrow, Managing Editor of *Critical Planning*. Deirdre Pfeiffer, Office Manager for *Critical Planning* and MA student in the UCLA Department of Urban Planning transcribed the event. Participants were:

**Anastasia Loukaitou-Sideris;** Chair, UCLA Department of Urban Planning

**Charisma Acey;** Doctorate Student, UCLA Department of Urban Planning

**Gilda Haas;** Executive Director, SAJE & Lecturer, UCLA Urban Planning

**Gregory D. Morrow;** Managing Editor, *Critical Planning*

**John Given;** Principal, CIM Group

**Peter Gordon;** Professor, USC School of Policy, Planning and Development

**Ted Balaker;** Jacobs Fellow, Reason Public Policy Institute

**Morrow:** It is clear that over the past two decades, we have witnessed an increased participation of the private sector in of "public goods" in cities, whether it is subsidized housing, water, infrastructure, social services, or even public space. We've brought together a diverse group, representing many different viewpoints, in order to debate this trend -- what we've called the "privatization of cities." I'd like to start off by asking: what do you think are the key factors that have led to this trend? Is it just the general political climate? Is it an efficiency argument? Is it a scarcity of public funds?

**Loukaitou-Sideris:** First of all this is not a recent trend. It really started thirty years ago. We really have to go back to the days of Reagan and Thatcher. I think some have called it a crisis of public authority, especially from what was called the "new conservatism ideology", a kind of attack on the welfare state and on liberalism. This attack against "big government," was perceived as the failure of the welfare state. And then we have to think about a number of things -- the Vietnam War crisis, the Contra government, Iran... So it was certainly political. Then, in the 1970s, there was also attacks based on inefficiency. The conservatives were concerned about the inefficiency of the public sector, the inefficiency of the big government. There was dilapidating infrastructure in certain urban areas, cities like New York. And the third thing that

we also have to remember is that in the late 1970s and early 1980s there was also an economic depression. So I think all these combined to bring about what you're calling the "trend of privatization." This is the political context. There are other things that have happened since then.

**Balaker:** I think it also depends on who you ask. There was a recent survey that asked budgetary people, "why do you privatize?" and their number one reason was cost savings. And they asked the same question to agency heads, and cost savings usually around three or four. Their primary reason was better quality, better access to expertise and things like that. So as you were saying, there's kind of a confluence of reasons, I think.

**Gordon:** Anastasia chose a thirty year window, but we can take a sixty year window, a hundred year

window... especially the tip off, your word "liberalism." Liberalism a hundred years ago was very different. There is a phrase I like, I wish I would have invented it, by this fellow Brink Lindsey, who's an economic historian. He writes about the "industrial counter-revolution". Everyone knows the industrial revolution, but he said the industrial counter-revolution was when people were reacting to the radical changes in their lives, and they embraced all the twentieth-century "isms." In Europe there was Socialism, there was Fascism. In America there was Progressivism. It was part of the same historical theme: that there is help available, there is solace available in top-down, technocratic, so-called scientific planning solutions. So I think that was kind of a hundred year hiatus from the other liberalism. And the pendulum never stops in the middle, right? So even if you enter no judgments into this,



it's almost inevitable that it had to go the other way. There is maybe a recognition these days that was missing thirty years ago, fifty years ago, in the power of spontaneous orders. And my objection to what most of planning discourse is these days at my university, your university, I think, is that the importance of spontaneous order is overlooked, or is given short shrift, because we're stuck, some of us are stuck, in the "isms" of a hundred years ago where we have an attachment to top-down remedies and approaches.

**Morrow:** But wouldn't you say that the trend since the early 1970s, responding to the perceived failures of top-down planning -- urban renewal, public housing, federal highway programs, etc. -- has been away from top-down planning and more to bottom-up planning processes, at least in the U.S. context? Cities have moved away from comprehensive master plans, to more strategic plans. And cities certainly don't do urban design themselves. Nearly all urban design is done privately, by consultants, who work with neighborhood groups and other interested parties.

**Gordon:** Well there's a lot of rhetoric at least about taking things upstairs -- regional land use planning or state-level land use planning. So all kind of currents are going up. And I would love it if we had a better understanding of how the top-down and the bottom-up interact.

**Acey:** I think the trend of privatization has been top-down and has been driven by, as Anastasia said,

the recent rise of neo-conservatives. Water and sanitation was provided privately in the nineteenth century. But it was a recognition of public health and this desire for universal service that led to it being seen as something that needed to be provided by the government. But following the rise of neoliberalism in the North, there was through the IMF and World Bank, some of the international institutions, this same ideology that came from the North was translated into the international scene through loans, aid, provisions to increase private sector participation and service delivery. And it's been driven by donors -- very top down. And you see reactions to this from the ground to this imposition of privatization.

**Morrow:** I wonder how specific that is to international development. It seems that what we're seeing today at the local level, the growth of privatization in terms of urban development, I would say is actually not being concentrated from the top, but it's rather private organizations, whether it's homeowners associations or providing infrastructure through contracting out ...

**Haas:** But isn't that the punch line? There are different kinds of ways to frame privatization depending on what your goal is and so Thatcher and Reagan really represented a dismantling of the public sector, because the public sector was a waste of the public's money and we really had to have a market driven economy, yada, yada, yada. And if that's your policy goal and if you also run a country where the whole notion of private property and

private initiative is ideologically core, then shit happens. That's what I'm interested in ...

**Gordon:** What do you mean "shit happens"? What does it mean? Because I can say quite honestly that if I take away private property, shit happens.

**Haas:** The debates that happened did so in certain kinds of frames. You can start moving towards contracting out without examining what efficiency means. For example, I can just talk about my block -- where they took down my tree by accident. There are day laborers being hired by city contractors working on my block. Is it OK to pay people \$6 an hour? Is it OK to pay people \$8 an hour? Is it better for the city that people make poor wages? Where's the quality control? Who do I get to call when the person cut down my tree? Etc. The debate isn't whether we'd be better off with a private

company or if we'd be better off with the city doing it, etc. There is no debate -- we're just going to contract this out. But that's one level of shit happening. Because that's actually what does happen, the cities start to contract out to the lowest bidder. That's one thing...

**Gordon:** But wait a second. Excuse me for interrupting. If the city opts to pay more, is that a free lunch? Where does it come from? See what worries me is that all of these little anecdotes, all these little solutions...

**Haas:** I wasn't offering solutions. But do you have to pay for participation? Do you have to pay for people having decent wages and benefits? Yes. Somebody has to pay for that. Is it appropriate for taxpayers, for example, to benefit from the exploitation of other workers in the city?



**Gordon:** But when you say “exploitation,” you say it as though we know what that means.

**Haas:** Oh, I know exactly what it means. Name one person that you know that can live off of seven dollars an hour. Name one person that you know who can do well without having health insurance, especially when people in this city, particularly enormous portions of this city’s public sector workers are people of color and don’t have stable jobs.

**Gordon:** OK, that’s a personal definition of exploitation, and we should go on. But there are people around the world starving because property rights are taken away from them, that’s all.

**Haas:** Oh really? What I was actually trying to say is that real policy activities happen. Contracting out was an *example*. The other kind of *example* is that, you were pointing out too, is that the private sector, meaning the populous, comes in to fill gaps, for example, BIDs or homeowner associations. For certain kinds of activities in my neighborhood association, there is a quiet consensus that if we want to get something done, we’ll have to do it ourselves. And these are class-based things as well. BIDs aren’t the only kinds of grassroots activities. At the organization that I run, which is a membership organization, a coalition organization -- we do an enormous amount of work to fill the gaps for people. We have to raise our own money for that, and we have volunteers for that, and we’re just as

enterprising as entirely property-based organizations. The thing that concerns me the most about privatization is not those things actually. It’s privatization as a new way of *being*. It’s privatization as a phenomenon, where you can look at the results of government and more importantly a society that has been stripped bare of social infrastructure, so that you can actually turn on your television and see what everybody saw when Hurricane Katrina happened. To me, that is the most phenomenally troubling aspect to an ideologically-driven discussion about privatization, rather one that’s looking at the merits of whether this is something that the private sector can do better, or if it’s something that the public sector can do better, whether it’s actually the idea of privatization, the largest policy initiative in the world, and it has been for decades. So, that is the point that I was trying to make. In Los Angeles, there are other kinds of activities going on which are less stark, but they’re activities that are going on that act as *though* the Hurricane had demolished certain neighborhoods, and that it is incumbent upon the private sector to save what is unsatisfactory to the general public.

**Morrow:** The key point Gilda is making is that if the argument for privatization hinges on the one hand efficiencies arguments, that there are consequences of that. One of the consequences of framing the argument only in terms of lowest-cost, is that the people who are actually doing the labor are not going to be paid as much. So the question is, who pays? When you’re evaluating things project

by project, then you say, of course, then it's more efficient. But Gilda is saying that there's a larger social cost to that. That somebody has to pay ultimately, if contracting out results in low-pay jobs.

**Loukaitou-Sideris:** The idea is that public goods are being offered to everyone because quite often it is not profitable enough for the private sector or because there is a larger good, a public good. Sometimes with privatization, what might happen is that it is profitable for the private sector to invest in specific neighborhoods and not in others, where there is a market for certain services. So there is a discrepancy. We're now talking about issues of equity. You see that in playgrounds and open spaces where they're allocated by the private sector versus a public agency. Not always, but when you have a public agency -- actually I have looked into the planning department and other planning departments, the parks and recreations department in Los Angeles -- you find discrepancies if you look into the inner city parks and the valley parks. You still have discrepancies. The valley parks are much better maintained. But at least there is the expectation, and there is some level of possibility that these services are allocated in a more equitable way. When things are privatized, quite often you find concentrations of services, concentrations of activities, concentrations of goods where the market can afford them. Because it is really the ability to pay that defines where the service is going to be given. That's another issue that I think we have to discuss.

**Morrow:** This is at the *core* of the typical debate -- what we're calling "efficiency," or the delivery of public goods in a more market-driven way, versus the equity issues that come out of that. Are these things really at odds with one another?

**Given:** It's not either/or. And it seems to me that government-delivered services can be just as inequitable, or just as poorly done, or leave so many people behind as privately-delivered. Equity is a choice. And if you set equity up as a choice, if that's a high value, then you can choose to decide whether to fund the delivery of a service through the taxpayers through public employees or funded through the taxpayers through private enterprise, because there's more vehicles through private enterprise to distribute services than through the public. So to me, the debate is arcane. The real question is why is it that it gets screwed up, and why is it that when it gets screwed up, it's hard to fix. The government is really terrible at dealing with complexity...because they're one size fits all! And equity almost dictates that one size fits all, which makes government even worse in some cases since it feeds the lowest common denominator for everybody and it doesn't lift anything up.

**Haas:** But I really think that it makes a difference if scarcity is what's driving the discussion about efficiency. There just isn't enough money, we have to get stuff cheaper...

**Given:** But scarcity is a decision that an economy that has no private sector would also face. At some



point there's scarcity. I think that the scarcity we have is the unwillingness to fund public services, whether funded through private or public.

**Haas:** But there's objectively speaking less money, because we have less taxes...

**Given:** But that's not the fault of privatization of service delivery...

**Haas:** No, but what we're talking about is contextualizing privatization as well, and where do these debates and choices come from.

**Given:** Set aside for a minute the essential role of government in assuring adequacy, equity and redistributive aspects in the ongoing maintenance and expansion of public infrastructure. If individually and collectively people do not feel they have a stake in the good of the whole we have a big problem. Privatization of policy making and allocation runs the risk of separating classes of people from the common view of the good of the whole. I am more comfortable if we focus discussion on privatization of how public service products are developed and delivered. This includes brick and mortar as well as basic public safety, health, education, housing and transportation. This may be less ideologically interesting, but it could be more powerful in that the level of delivery is disaggregated to one where individual enterprise and creativity is not stifled by homogeneous bureaucratic and centralized systems.

**Haas:** Right. You have a self-fulfilling prophecy that is not going to work.

**Given:** That's a scarier scenario for me. One last thought I have, that goes to the heart of who we are as people, not about systems of belief ...

**Haas:** About values.

**Given:** ... it's about who we are as people -- do we still have a stake in the well being of the commonwealth?

**Morrow:** Rather than have this nebulous single public out there, it seems that privatization hinges on recognizing that there are actually multiple publics. And that you can have smaller entities through which you normally deliver services. Isn't part of the debate about the scale at which services are delivered?

**Gordon:** When you say "normally," do you mean over the last thirty years, last fifty years, last hundred years? This is a federal system. And the division of responsibilities in a federal system is very considerable over the years. And I think what we have now is that we have a new layer in the federal system which includes private communities -- homeowners associations. But what's interesting is that people are voting with their feet! So this is not anything that's imposed by some evil genius, it's fifty million people voting with their feet to say service delivery is better here than it is in the other. I think that, I said "spontaneous orders" originally....



**Haas:** But spontaneous orders where you have to pay for them yourselves are somewhat restrictive. We've had discussions in my own homeowner's association about, whether we should have restrictive parking, and whether we should do this or that. But I'm very, very cautious about it ... just personally, as an illustration, my husband's black and I am white. When we looked for a neighborhood to live in after living in South Central for years where I was the only white person in my neighborhood, in the terms of having kids, there was actually a neighborhood in Los Angeles that was half black and half white. It's a fantastic neighborhood, and I've lived there for twenty years. But recently, as the property values have gone up, and the way things are economically skewed in Los Angeles and everything's becoming increasingly white, increasingly white, increasingly white, and increasingly, I could never afford to live in my neighborhood. So what's the problem with that? The problem is that people start to think about how to try to make things more restrictive. My son was four months old when we moved there. He was an adorable little boy, no one was afraid of him. Now he's six foot three, and he's a young African American man, and the police stop him in front of our house. The police come because people who are new to the neighborhood saw a couple of young black men standing around on the sidewalk, in front of their house! They didn't know that, but...

**Given:** What's that got to do with...

**Haas:** It has to do with what Peter is talking about -- the spontaneous dexterity and democracy. He's talking about how these homeowners' associations are a new layer of government, and I'm talking about the tyranny of the majority as things move into those kinds of situations. I was just giving an example of how that is not necessarily the case.

**Gordon:** The response that I would give you is that I would want your neighborhood and all neighborhoods to have the option to secede.

**Haas:** To secede from the city? And have their own government? And pay their own taxes?

**Gordon:** Yes exactly. And to have their own police and all that stuff. I think that the idea that the majority can overrule the locals when they choose to secede is bizarre. That's a real cartel. And I think that if the locals have the option to secede, if state law gave them that option, then I think neighborhoods such as yours would be much more vocal and much more powerful.

**Loukaitou-Sideris:** But that's a little bit of a romantic idea ...

**Morrow:** This is an argument that Robert Nelson makes in his new book, *Private Neighborhoods*. The question that usually comes up in response is: how would poor neighborhoods be able to raise enough tax revenue to provide services? What would the city look like if you had a series of small independent neighborhoods? How would South Central function on its own tax base?

**Gordon:** Very well.

**Loukaitou-Sideris:** I disagree though, respectfully, because it is kind of a romantic idea to think that we have these neighborhoods, and there is this true democracy that people can achieve. But cities have to have some kind of larger order of things, and they're not completely independent.

**Gordon:** They have to have?

**Loukaitou-Sideris:** Yes they do! You're an economist, so you know this stuff much better than I do, but associations and neighborhoods produce externalities, *negative* things that may be *bad* for the neighboring association, so if you don't have the larger ... maybe I'm the romantic here ... but if you don't have the larger good of the city in mind, and little fiefdoms of neighborhoods do their own thing ... I think you will have much more environmental pollution and much more of all the things we don't like...

**Gordon:** You're the romantic.

**Loukaitou-Sideris:** I probably am, but the other thing that I'm worried about is that John mentioned that sometimes the public sector is horrible, and I grant you that, and I think that Katrina showed that sometimes we have tremendous failures. There are always neighborhoods and communities and people that are falling through the cracks. It may be wonderful for some neighborhoods that have the means and the wealth to provide the ser-

vices, to have the BIDs, but there are going to be parts of the town that are going to fall through the cracks. If you don't have some safety valve, something to keep them, then...

**Given:** In the end, we're going back to absolutes. The economic theory is that everyone can break down to the smallest entity of common interest, that trading back and forth everything will balance out and everybody will be made happy. It's a perfectly good theory and it makes sense. But it doesn't always happen.

**Haas:** It's interesting to me to think about what would happen if South Central seceded. Roxbury tried to secede from Boston and the Dudley Street Initiative actually came out of that movement. But I do think it's quite historical, so what reparations would be required to pay the new City of South Central for the fact that there had been massive disinvestment for thirty, fifty, seventy years, that there had been restrictive covenants in the rest of the city that concentrated the poorest people. That there had been financial disinvestment and red lining, etc...

**Given:** To make it work, you have to do all the things you do if you don't secede. You have to come to terms with the fact that there has to be some sort of equitable distribution and the system needs to work better.

**Haas:** But it doesn't mean that you can't have a highly decentralized, participatory thing. It doesn't

mean you can't have different city neighborhoods. I find the Brazilian participatory budget process a fascinating example of how the people, the poorest of the poor, are able to participate in something that's meaningful, that has economic content, and that does have a diversity of needs. But you have to bring it together into some sort of reconciliation that people have to deal with. We don't have structures for that, because we don't have structures for any kind of democratic, economic discussion where there's some kind of depth and equality of purpose.

**Gordon:** If the three hundred cities of the region were independent entities, or many more, if neighborhoods seceded, they wouldn't be islands off to themselves. They would pick up the phone and would cooperate. City managers I know love joint powers agreements that they make ad hoc over the phone. And they chafe at the scags of the world that they find get in the way.

**Loukaitou-Sideris:** But don't you think that sometimes what may be good for one city might not be good for its neighbor? One little pocket may want to close down their streets because they don't want traffic going through ... that might not be good for the rest.

**Gordon:** It's a longer discussion we'll have, but it's about bargaining.

**Acey:** It's hard for me to wrap my head around the discussion of what's happening in the U.S. because

in developing countries it's different. I think about Lagos in the face of government not providing adequate services, for example in water and sanitation you do have neighborhoods banding together to provide their own services to the areas. Some of these are legacies of the colonial system government, residential estates. But new kind of private estates are being set up around the metropolitan area. For the residents who live in these areas, you do have efficient sanitation, waste water collected, but then where is it dumped? It's dumped in places where it's unregulated. It's dumped in poor neighborhoods where they aren't able to pull the resources together to provide the services. Or in some cases in water delivery, wealthier neighborhoods were able to afford to buy borewells and will provide water to the surrounding area. So it's not necessarily an argument against privatization generally, I think this is where we have to get into, not the dichotomy of private versus public, but forms of privatization. This is where regulation and enforcement would come in. So you could have private entities delivering sanitation services and water services like they do, but if they're regulated...

**Balaker:** Do you find a problem with a lack of property rights then? Because you couldn't just dump the waste on a poor person's property, if they have rights to that property.

**Acey:** To some extent that is what's going on. You have people migrating from rural areas into urban areas and becoming the urban poor. Many countries don't have secure land tenure. That becomes

an issue for the larger-scale privatization of the water sector. Who do you provide water to? They can exclude people who don't have secure land tenure on that scale. But on a smaller scale, people who don't have secure land tenure are vulnerable to a lot of things.

**Loukaitou-Sideris:** Charisma brings up a good point that you need to distinguish between the privatization of the provision of services versus the production of services. The provision of services meaning who decides about how they're going to provide it, regulates them, finances them, and subsidizes them. The production, which is much more about the operation, the day to day maintenance, which I think there are different consequences of the one versus the other. I think that some people may have an easier time accepting privatization of the production. If a private company collects your trash, or if a public company...it's not a big difference...but the regulation aspect, however, is more involved. I think a lot of people who may be opposing privatization may have more difficulty with the privatization of the provision.

**Gordon:** Well, we have a lot of half baked privatization where essentially the state is handing over monopoly rights to a crony and then calling it privatization. I want the individuals to have land tenure rights, to have clear property rights, and I want to let them negotiate with whoever is out there. To have it as a top-down negotiation, for example in Mexico, where a single private telecom provider replaces what the government did before,

that's not privatization.

**Haas:** But property rights are great if you have property. We're a city where the majority of the people are tenants. And this is something that's actually causing a great deal of anguish in people's lives as rents rise and as property values rise, people are being pressed to the bottom and it's really hard for them to have a lot of choices.

**Gordon:** Where you have rent controls, you have more people sleeping under the stars than under roofs. In other words, when you take away property rights, bad things happen for poor people.

**Given:** In theory, I agree. If we can roll all the way back and everybody starts the monopoly game with the same chips then we could see how things go and start all over, but what do you mean as of today?

**Gordon:** Where are we talking about? Are we talking about here in Los Angeles or are we talking about? For example, eminent domain is used against people who are, to use your words, powerless. If those people controlled their own neighborhood, then they could say, "Mr. Developer, you want to come in? Then we're going to band together and you can buy our property from us, you needn't go through city hall on our terms." And the status quo that involves city hall does not help poor people. And I think that's something I rebel against, that City Hall is on the side of the poor, it's not!

**Morrow:** Well I'm not convinced that neighborhoods would hold that much power over developers. To give an illustration -- look at Toronto, which was the first regional government in North America in 1951. By the mid-70s, the city had reached its boundaries. They had to decide whether to expand or create multiple governments. They choose the latter - creating five entities that over the next twenty years competed with each other for the same jobs and housing developments. It was a race to the bottom. So when you suggest that South Central can negotiate with the developer, I'm skeptical. I suspect you would get a situation like in Toronto, where whichever entity threw up the least barriers or provided the most incentives -- free land, no property taxes, etc -- would attract the most. You end up with the lowest quality of housing and development. So competition has both a positive and negative side.

**Loukaitou-Sideris:** Or the other thing that often happens, which also happened in the City of Industry, is that municipalities are so strapped for cash that they would much rather have commercial developments, the big boxes, which is fine, but they don't want housing ...so there is this push outside of the border. If everybody does this then...

**Haas:** Obviously we come from different perspectives, and we think differently which is obviously why we're sitting here, but I wanted to go back to what John and I were talking about, where he was bringing it back to values. I do think that a lot of these discussions, if you're coming from totally

different values, then you're going to have totally different conclusions and totally different things... but I also think that I'm hearing certain kinds of values that if you put them together, that perhaps we could reinvent this discussion of privatization. For me, I have a bug about inclusion and equity. As long as your solution - call it what you want -- has this in it, it will work for me.

**Balaker:** That's a good point. Because maybe that's what we're not addressing head on. I don't think it's a distinction of public versus private anymore. Privatization is more of a spectrum of choices than one or the other. So you can have something where you can use the innovation and the creativity of the private sector, but you can still have the public sector say, these are the guidelines, you must meet these guidelines, so if you have a hospital, you must serve everybody.

**Gordon:** Well I don't know about that. Talk about inequity. The worst inequity that we have in Los Angeles in my view is that we condemn the poorest people to the worst schools. If there was going to be an economic remedy or a social remedy, we would not shovel the poorest people into the worst schools where they get education and diplomas and training that makes them worthless for life. So why is there the notion at all that the powers that be, the centralization that be, the public service that be, does any good at all? What I want to do is to purge the romantic notion that the top down status quo does *anything* for the poor. I want to get rid of the idea that there is some kind of equity--efficiency

trade off because we have lots of both.

**Given:** Again, my question is how to strengthen our shared sense of well being. If the tax burden shifts from the top to the middle and if government services are only for one class of people, there is the risk that others will divest and we end up with three groups who are not working along the same political continuum. For example, after the Northridge earthquake, FEMA made money available to everyone. Sometimes it was disgusting that people with many resources got money. But if the government wasn't working for everybody, then it would only be working for a few and the others wouldn't support it. I sort of rationalized, well I could get the money, everybody could take a little money, and you could say, well really, I don't have to. But if it's only for somebody else and not for me, then why should I support it? So that's sort of this great concept of the middle class, as long as everybody is able to partake in the middle class in some way, the system works. When we become separate classes of people, the system, whether it's public or private, whether it's privatization or not, ain't gonna work. I think that's the scary thing about what's happened in this country and it's scary because it isn't about people being able to come out of the classification that we've gotten into. Because it doesn't matter...you're not going to be able to redistribute resources unless everybody realizes that we're going to have to figure out a way to come up with a better distribution of resources before we just cut ourselves off.

**Gordon:** But the New Deal and Great Society programs have *not* redistributed resources.

**Given:** Well there's been an acceleration of concentrations of wealth...

**Gordon:** No there's not. You see, if we take the immigrants out of the picture, what's the distribution now in LA County over 20 years ago? Once I take out the immigrants, and I look at what's the distribution today versus yesterday, it's a different picture. The most important aspect in my view, is what are the odds that you move up? Most immigrants, given enough time, move up. If I take the lowest quintile, most people gradually get out of the lowest quintile. The bottom five percent do not. The problem is the people who are stuck year after year after year in the lowest quintile. That's five percent. And when we have a system which goes back, you can call it regionalism, you can call it turtle soup, where we say that, you know, LAUSD [editors note: Los Angeles United School District] or the state or whatever it is ought to maintain the custodianship of these people, and we condemn the poorest people to the worst schools, there is no hope of *any* redistribution. Or any mobility. And that's problem number one. And I think it goes back to, I think that first of all there's a lobby that wins year after year after year, it's the educational establishment. The educational establishment is facilitated by those of us who say that it's gotta be top down, it's gotta be regional, it's gotta be status quo, it's gotta be big. Those things don't work.

**Accey:** If we want to take away the romantic side of the public sector being so pro-poor, we also have to take away the idea that the private sector is always efficient. Because the private sector can also mask inefficiencies and put that in their prices in terms of services...

**Loukaitou-Sideris:** But education is a good point to make in terms of private and public and who benefits. Because if you look into the private high schools, they cost \$35,000. You look into the private universities, they cost \$40-\$45,000. Yeah, granted, they give some scholarships and there are some kids that get scholarships, but if you really look into the percentage of the kids that have these scholarships in the private schools, and who is wealthy in private schools and who is poor, it's very low percentages of poor people in private schools.

**Given:** I find what's difficult is the question that has to be asked is what allows people to participate in the system and not opt out of the system. Many government and large private institutions struggle with policies formation and program administration that is reactive to problems that arise at the lowest common denominator, i.e. fixing the bad apples instead of freeing the good. People opt out because it doesn't serve them on both ends. What allows people to participate is if the system serves you. I started as a city planner and worked mostly in public development bureaucracies and have been working in private development for the last nine years. I am struck by how an entrepreneurial organization remains more adaptive. The thing that large organi-

zations, whether they're public or private, do worse is assimilate change and assimilate new ideas. The public sector especially tends to organize complex policy making around issues that are no longer in existence. But the rules are still on the books, and the mentality is still on the books, and the public has been educated to be responsible to and hold others accountable to those old rules that have little efficacy in the face of current realities. This creates barriers to entry for private, community and social enterprise that are as frustrating to those trying to break into the middle class as it is to those that have resources. Now everybody who's coming in trying to do the right thing has to prove that they're doing the right thing in order to get past the rules. This is sort of in the trivia of land use and zoning relative to what you are all talking about. Human nature is such that at all levels of economic circumstance there are people who want to do and be driven to create stuff and organize. They are going to keep finding a way to do it. To the extent that we create systems which are not capable of responding to the creative and enterprising spirit, business and social entrepreneurs in all communities, including the most disadvantaged will opt out.

**Haas:** But part of the underlying problem is public scarcity... I teach people in this graduate school who have never, *ever*, experienced a robust public sector. They don't know what it looks like. They don't know that when I lived in New York, we had immigrants coming up the wazoo and my family was one of them, and the school system func-



tioned, and stuff like that. There was segregation, and the segregated school system in South Central in 1970s, functioned *better* than the segregated school system of today! Now what's really different, is when little baby Gilda was born in 1950, Eisenhower was president, a Republican, a General, who had the highest marginal income tax pegged at 91%. What's the highest marginal income tax now, 35%? I think I pay the same marginal income tax as Bill Gates. Now you're gonna have scarcity when you don't collect money from people who have it! That's just a fact. I mean there's been an 80% percent reduction in federal support of urban programs. So the fact is that the schools are going to hell in a hand basket, the fact is that we waited ten years before we said, "oh my God, are we going to close down the schools," or are going to do something about it.

**Balaker:** We're spending a lot more on education than we used to and we're not getting the results...

**Morrow:** You are spending more, but isn't it really about matching the scale of a given problem with the scale of the solution? The first question is at what scale is a given public good best provided? Then you can decide whether to look to the private sector or not. More money at the wrong scale doesn't necessarily improve outcomes, as education here demonstrates.

**Haas:** But doesn't it matter what you're trying to do? Doesn't it matter upon what the principles of what you're trying to do? So for example, the Ten-

nessee Valley Authority was a large unit that provided electricity to Appalachia, where there wasn't any. And if they'd done it in smaller units, it might not have been possible.

**Acey:** Scale matters when it comes to public infrastructure.

**Given:** At that moment in time the entrepreneurial spirit was at the federal level and there was no infrastructure from which to small private and communal associations could grow. Perhaps, had the infrastructure and Appalachia been set up to distribute equal units of choice among all consumers, there would have evolved a highly diversified energy and water management market in which smaller units would have formed associations to handle issues of scale. The natural conclusion may have been that smaller units will continue to buy up to effectively what the Tennessee Valley Authority ended up being and doing. So I would suggest that centralized or disaggregated service delivery is not an ideological choice but one that needs to match the situation. Both are appropriate, it's just a question of which gets you to the right solution the quickest and it leaves everybody feeling like they got there.

**Loukaitou-Sideris:** I don't think we should say that big is necessarily bad or small is good. There are efficiencies of scale and inefficiencies of scale, and I think things have to be very much contextualized to know what is good and what is bad. I have recently studied planning in France which is much

more centralized and in terms of transit security, they are doing a much better job than what the Americans are doing where the right hand doesn't know what the left hand is doing. Because everything's so decentralized and each transportation authority is doing their own thing so they don't have the same standards, even in an emergency situation. What happened in London as well, it was quite impressive that they even able to have the system running almost immediately. So there are certain things that you can say centralized planning or large organizations may be running more efficiently and other times that, such as we have the L.A. Unified School District, this is not working as efficiently.

**Given:** We have so many things that are being created -- private school systems, private districts like the Grove providing open space and services -- that are replacing systems that have been underinvested. I think there is an inadequacy of choice because of underinvestment in the central public infrastructure, whether that investment occurs privately or publicly. On the other hand, I can tell you, because I've worked through it, there has been a tremendous public investment in the area that stretches from Downtown out to Hollywood. People are following that, there has been a tremendous amount of public enterprise that has followed it, small enterprise, various kinds... The rail system, the public and private deals. And now with schools getting built, it isn't comprehensive enough, but there has been a tremendous amount of concerted investment in that crescent that runs

from Downtown out to Hollywood. It is, from the standpoint of people voting with their feet, you talk to anybody who's in their twenties, who's making their new life in L.A., who's moving in or starting out, most likely they're living, working and socializing somewhere in that crescent... And part of it is lifestyle and culture and the emergence of an appreciation of that kind of diversity. But part of it is that it's working.

**Haas:** But it's working for who? Just so you know what I do for a living is I represent the people who've been pushed out... who've been evicted illegally, who are being pushed out of the bottom in favor of the Pegasuses, but that's because there isn't a public infrastructure for them... But I don't see the twenty year-olds as the enemy, what I see as the enemy is the deconstruction of the public sector, of the stripping away of civil rights and civil society so that there's nothing left but private property. I find that naked...

**Given:** But Gilda, you're going to have to be representing those people that are being pushed around... forever. They're going to continue to be pushed around, and they're going to continue to need to be represented...

**Haas:** But when I started doing this in 1975, there were 10,000 people in Skid Row. And we had solutions, we were going to implement them. Never in my wildest dreams, and it is precisely because of what I'm talking about, that you can count 100,000 people there. This phenomenon is occurring where

you can have... and if I weren't so morally offended, I would find it intellectually fascinating .... such stagnant wages together with phenomenal increases in real estate values. Now how does that work?

**Morrow:** Certainly, there are no easy answers to these questions. We've had a good exchange here today, hopefully the first of many that try to understand the dynamic behind what we've been calling, for the lack of a better term, the "privatization of cities". As Anastasia pointed out, political ideology is obviously a factor. As Ted pointed out, we are trying to squeeze more value for money spent and looking for more ways to do that. As Gilda rightly mentioned, public sector scarcity plays a role, as a result of choices we make as to appropriate levels of taxation. Charisma's experience with African development suggests that we need to move beyond simple either/or debates. Peter rightly points out that the public sector isn't always on the side of the poor. And Gilda has shown us that as the public sector recedes, we are counting more and more on the market to provide essential services. More often than not, that's not happening, which leads to the polarities that she sees everyday at SAJE. I'm glad we talked about values, because it often gets left out of debates such as this. It is clear, we need equity and efficiency - perhaps we need efficiency to ensure equity and vice versa. Hopefully, we've shed some light on some the issues here today and we can come away with a better understanding of opposing positions. Thanks to everyone for a lively conversation.