Rebuilding Inner Cities Must Make Economic Sense

ENR; New York; December 1, 1997;

Volume: 239
Issue: 22
Start Page: 74
ISSN: 08919526
Subject Terms: Urban renewal
Editorials
Capitalism
Construction industry
Classification Codes: 9190: US
1200: Social policy
8370: Construction & related industries
9000: Short article
Geographic Names: US

Abstract:
Nothing short of an economic hurricane is going to turn some of America's older industrial inner cities around. The only remaining way is through old-fashioned capitalism, coupled with wider use of enterprise zones to spur construction.

Full Text:
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Nothing short of an economic hurricane is going to turn some of America's older industrial inner cities around. Physically defined by an infrastructure wasteland, crippled by pockets of pervasive unemployment and persistent poverty, many inner cities function today only because of public largesse. But that alphabet soup of socially driven urban aid programs generally has not worked and is drying up. The only remaining way out is through old-fashioned capitalism, coupled with wider use of enterprise zones to spur construction.

Inner cities can shed their economic dinosaur skins and slip into something sleek through well-defined, market-oriented, competitive strategies that build on their strengths and engage the private sector. That is how Harvard University Business School Professor Michael Porter sees it. His back-to-basics approach makes good economic sense to us. At a recent gathering at Harvard of The Mayors Institute on City Design, Porter detailed how inner cities can be places of opportunity.

"Our programs and policies have fallen into the trap of redistributing wealth," said Porter. "The real need, the real opportunity, is to create wealth." This starts with leveraging the true competitive advantages of inner cities; most notably strategic location, unmet local demand and human resources. Inner cities occupy valuable land situated near to high-rent business centers, entertainment complexes, transportation and communication centers, Porter argues. Today's just-in-time, service-oriented economy makes industrial building in inner cities near downtown markets attractive.

Porter's research also suggests that the consumer market of inner-city residents represents the most immediate opportunity for inner-city entrepreneurs and businesses. At a time when suburban markets are saturated, inner-city markets remain poorly served. This forces inner-city residents to patronize already flourishing suburban enterprises.

Too often, investment initiatives that promise to benefit many in inner cities are given short shrift in favor of programs that promise social or political capital for the few. We think that enterprise zones are a great way of jump-starting private economic development in cities that have a hard time cranking up. The approach is proven, but underutilized.

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