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The Implication of Capital Restructuring on Urban Development : Chicago Politics as the Local Contingent Factor for Urban Restructuring

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The starting point of the research is the relation between capital restructuring and urban restructuring. The economic restructuring, which has been caused by the economic crisis in the early 1970s in the United States has brought a spatial restructuring at different geographic scales. The degree of the success of urban restructuring is contingent to the local economic and political environments. The local contingent factor such as local politics should not be neglected for investigating the restructuring process. Through the case study of Chicago, the research provides two inconsistencies in applying the structural approach to the local level : first, the lack of the theoretical link between crisis and restructuring ; and second, the crucial importance of local politics in shaping urban development.

Key Words: capital restructuring, urban restructuring, economic crisis, contingency, local politics, local policies, machine politics.

1. Background of Capital Restructuring and Urban Restructuring

Restructuring implies a "shift towards a significantly different order and configuration of social, economic, and political life" (Soja, 1989, p.159). Restructuring thus evokes a destruction of established system and a creation or reconstruction of new system. The restructuring process is theoretically made up of structural crises in the global capitalist system (Beauregard, 1987 ; Harvey, 1978, 1985 ; Harvey and Scott, 1989). Structural crisis, regulationists argue, is "a dysfunction of the specific institutions and social processes forming a given regime of accumulation"(De Vroey, 1984, p.53). Capital restructuring (e.g., from Fordism to post-Fordism) is the consequence of a structural crisis and at the same time a cause of a cyclical crisis.[1]

The meaning of capital restructuring is not always clearly articulated. One refers to employment change across industrial sectors. The other refers to a broader set of change in the nature of economy, not only in the employment structure but also in the

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social relations of production (e.g., unionization), the means of production (e.g., robotics), and the forces of production (e.g., profit requirements, market demand). Capital restructuring subsumes industrial restructuring and the terms are used interchangeably. Capital restructuring, which is rooted in major economic crisis (i.e., structural crisis), is achieved through the new international division of labor and organizational changes along with technological development.

Capital restructuring is a "profoundly spatial ... phenomenon"(Beauregard, 1989a, p. 235). Capital restructuring, thus, gives a region specific changes such as employment shift, industrial restructuring, local crisis, local restructuring, etc. Capital restructuring leads not only to the local growth but also to the local crisis such as urban crisis. Urban crisis by capital restructuring necessitates urban restructuring. Urban restructuring, the subject of the paper, generally results from two factors; capital restructuring and local contingencies.

Soja *et al.* (1983) show the necessary relationship between capital restructuring and urban restructuring. It is explicit that "periodic crises within capitalism bring about new phases of urban restructuring" (Beauregard, 1991, p. 93). The consequence of a crisis and of capital restructuring is a new urban form. For example, as the crisis of the Fordist mass production system has given rise to the "flexible accumulation" system, the old manufacturing cities based upon the Fordism have been transformed to the new type of urban form built upon burgeoning employment in financial services, real estate, personal services, high-tech industries and the related businesses, etc.

Localities (or local characteristics) provide a more direct background for urban restructuring. The local governments of the older industrial areas have been uncapable of providing the necessary infrastructure to meet the requirements of social and economic change. This deficiency, due to the inadequate use of social capital and to social expenses, results in increased taxes and debts, lowered bond ratings, etc. This in turn leads to a potential fiscal crisis at the local and state level. These local governments have to deal with the threat of crisis by adopting growth-oriented policies in order to lure private investments. Older industrial areas have tried to transform their economic bases towards post-Fordism, post-modernism, or post-industrialism in order to compete with other regions (especially with newly growing regions). These have prompted urban restructuring hoping to alleviate urban problems such as urban economic and fiscal crisis and to match the national trend toward a post-fordist society. The local governments thus provide the background for urban restructuring. The urban policies often vary among localities, so the degree of the success of urban restructuring is contingent to the local economic and political environments.

It is generally argued that capital restructuring and local policies which local governments adopt responding to devaluation, deindustrialization, and decentralization provide the structural setting for urban restructuring. "The particularities of place are structural in one sense and spatially contingent in another" (Beauregard, 1989b, p. 273). Contingencies such as local politics, local economies, local social and cultural environments, etc. must be considered in order to comprehend urban restructuring process. Local characteristics, particularly local politics provide the means for urban restructuring and perform agency for portraying structural change.

The purpose of the paper is to provide an empirical analysis of construction activity in the downtown Chicago in order to document how the capital restructuring influence urban restructuring. The paper also documents the importance of local contingent factors in urban restructuring. For this,

Chicago's political environment is reviewed.

2. Two Different Perspectives on Urban Restructuring : Top-down and Bottom-up

Much of the recent literature on urban spatial restructuring has focused on the necessity of urban restructuring imposed on cities by the national and international economic setting (Harvey, 1985; Beauregard, 1984, 1989; Smith, 1984). Generally, these literatures can be characterized by a 'top-down' perspective on urban restructuring. On the other hand, a 'bottom-up' perspective on urban restructuring focuses on the role of local governments and on their policies in order to increase local competitiveness (Mollenkopf, 1978; Molotch, 1976; Leitner, 1990).

1) Top-Down Perspective

During the 1960s and 1970s, average profit rates and the profit share of national income in the developed countries declined and average unemployment and inflation rates increased (Castells, 1984). Bowles *et al* (1986, p. 132) argue that corporate profitability began to decline during this period in the United States,[2] contributing to a growing crisis in the U.S. economy. The falling rate of profit during the 1970s in the United States led to the restructuring of capital through a new international division of labor and organizational changes along with technological development.

The solution to the crisis of the 1970s was twofold. On the one hand, development of new technologies and/or reorganization of work were needed to create the conditions for a new round of economic expansion. The capital restructuring in the 1970s was sector-specific (particularly in the manufacturing sector based on the Fordist mass production). The sector-specific capital restructuring was manifested in geographic regions which were based on certain economic sectors. The "sectoral crisis" by the uneven rate of development among economic sectors resulted in 'spatial crisis' in places such as the older industrial cities in developed societies (O'Connor, 1981).

As "the uneven development of capitalism manifests itself in an uneven spatial pattern" (Beauregard, 1989a, p. 217), the restructuring of capital at the national and international level possibly leads to crisis through uneven regional development (Harvey, 1982). The annihilation of space with time by technological development makes capitals free to move to where the production costs are lower and social/political environments are favorable to capitalists (for example, to the Third World, to Sunbelt, or to non-metropolitan areas). As a result, "the assets accumulated in the previously privileged regions are destroyed and the value absorbed in their creation is thereby lost" (Harvey, 1982, p. 403). This leads to a crisis through uneven geographical development at regional levels.

Urban restructuring is linked to changes in the mode of production (Beauregard, 1984). Post-Fordist mode of production (i. e., "flexibilism") makes regions built upon the Fordism less important and requires new spaces. New mode of production does not rise "Phoenix-like from the ashes of the old" (Hall, 1986). This inhabits "new industrial spaces" (Scott, 1989) and restructured spaces. Capital restructuring through the new international division of labor, deindustrialization, and decentralization led to capital flexibility in "a see-saw fashion from a developed to an underdeveloped area, then at a later point back to the first area which is by now underdeveloped" (Smith, 1984, pp. 148-9). This provides the 'cycle' of regional development such as the developement of suburban areas and newer cities, the underdevelopment of the inner cities, and the redevelopment of the older industrial cities.

2) Bottom-up Perspective

In addition to the impacts of national and international economic changes on local areas, urban restructuring often occurs because of the local political and social environment. Local governments have traditionally been involved in many economic development programs, including manpower training, promotion of industrial growth, international trade development, and minority business development. With the decline and the changing nature of federal assistance (from demand-side to supply-side policies) since the 1980s, local governments have had to play an even greater role in the development of policies to alleviate local economic distress. Particularly, urban land development is one of the most influential effects on local economic growth. Beyond its traditional activities of land-use planning and the provision of public services, the local state has moved to become a major player in urban land development by providing new variety of financial incentives to developers and business leaders such as tax abatements, low-interest loans, equity-financing, etc. (Leitner, 1990). State-administered programs to encourage private investment also increased dramatically during the latter half of the 1970s. Urban restructuring is facilitated by the active intervention of the city government through pro-growth policies (Mollenkopf, 1978; Molotch, 1976; Pickvance, 1985). Local governments can be seen as an entrepreneur and at the same time as an agent for local economic growth and urban development.

In summary, the top-down perspective centers on the importance of structural conception, i.e., urban restructuring, as explained by the national economic restructuring, occurred by economic crisis and by the consequence of the internationalization of capital. According to this perspective, the older cities restructure their built environments as the national and international economy moves to a post-industrial society (Storper and Scott, 1989). The top-down perspective, however, neglects the 'bottom-up' pressures from cities, regions, etc. such as urban and regional competitiveness (Pickvance, 1985) and local political environment. The bottom-up perspective emphasizes the role of local governments in the pursuit of an economic growth agenda and the local political economic context for urban restructuring. Urban politics and policies that urban governments adopt for their economic growth and urban planning vary from place to place.

Capital restructuring at structural level was leading to the decline of old central cities as they lost the competition for new industry sites on suburban areas, small towns, and nonmetropolitan areas (Pickvance, 1985). However, it is hard to capture from the structural perspective the explanation of why some cities experience restructuring successfully and others continue to decline despite many efforts by their local governments to recover their economies. Such regional differentiation can be explained by different regional attributes and potentials, not simply by a structural adjustment. Local contingencies such as local politics and policies should not be neglected in the study of urban restructuring process.

This paper now proceeds to a discussion of the extent of the capital and urban restructuring in Chicago. In order to investigate capital and urban restructuring, the employment change and construction activity are analyzed. And the restructuring of Chicago is viewed in terms of local characteristics, particularly the relationship between local politicians and local capitalists.

3. The Restructuring of Capital in Chicago

According to Cohen's (1981) "multinational index" for cities, used to quantify the present status of different U.S. cities,[3]

Chicago is a 'national' center. Based on his "multinational banking index", Chicago moves up to become a 'global city.' According to Friedland's (1983) measurement of corporate and union power,[4] Chicago possesses high corporate power and high union power. Downtown Chicago is viewed as "a prime site for corporate service activities solidifying the city's position as a node for national and international business" (Weiss and Metzger, 1989, p. 133).

Figure 1 shows changes in total employment for the Chicago SMSA,[5] for the city of Chicago, and for downtown Chicago.[6] Whereas employment both in the Chicago SMSA and in the city of Chicago has decreased since 1975, employment in downtown Chicago has not changed significantly since 1970. But the proportion of employment in downtown Chicago to that in the city of Chicago has increased from 39.3% in 1970 to 42.4% in 1985. These numbers represent general figures of employment in Chicago, but do not give any information on structural change in the economy.

Figure 2 shows that while the employ-

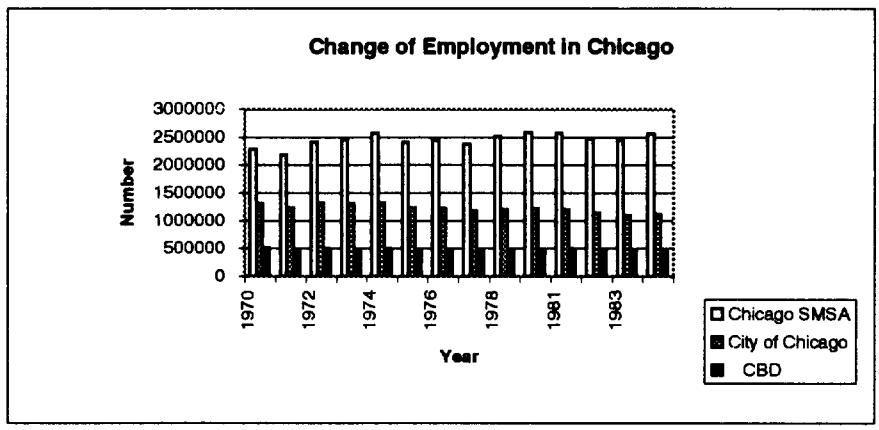

Figure 1. Change of employment in Chicago.
Source : Where workers work, various years, *The City of Chicago.*

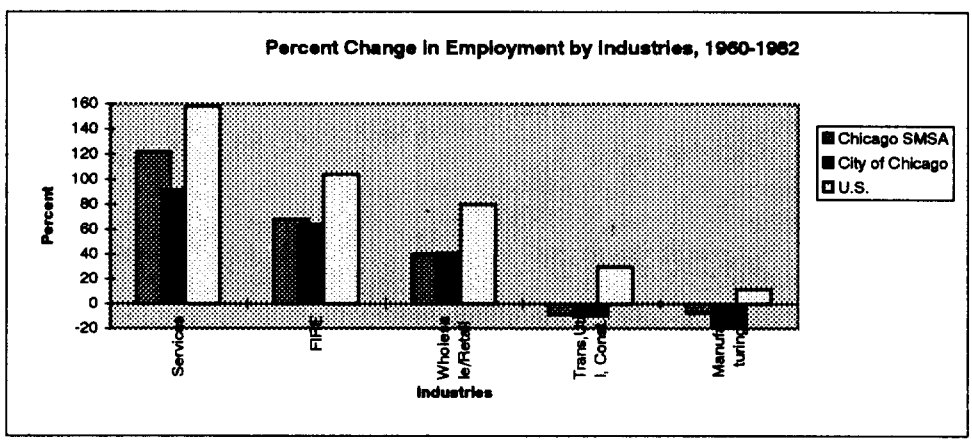

Figure 2. Percent change in employment by industries, 1960–1982.
Source : The Commercial Club of Chicago, 1984, Make no little plans : Jobs for metropolitan Chicago. *County Business Patterns,* US Department of Commerce, Bureau of Census.

ment of manufacturing industries has decreased by 8% in the Chicago SMSA between 1962 and 1982 and by 20% between 1960 and 1982 in the city of Chicago (Chicago lost the largest portion of its manufacturing sector in the 1970s, see Beauregard, 1989b), the number employed in other industries, such as services, FIRE (finance, insurance, and real estate), wholesale, and retail trade has increased. In the Chicago SMSA, whereas the employment of manufacturing industries has decreased by 16% between 1962 and 1988, the employment of non-manufacturing industries (services, FIRE, wholesale, and retail trade) has increased by 107% during the same period of time. These changes explain the transformation of the Chicago economy, from an industrial to a post-industrial economy.

The percent change in employment by industries in the downtown area presents a similar picture. I divided the downtown area into the Loop and the Outer Business Ring.[7] Because these two areas possess different economic functions. The economic function of the Loop has been dominated especially by finance, insurance, real estate, and other services. However, in the Outer Business Ring area, manufacturing industries were very important. The employment in manufacturing industries has declined between 1962 and 1984 in both the Loop (7.5 % to 3.8%) and Outer Business Ring area (34.7% to 22.1%). More than 39,000 manufacturing jobs moved to the suburbs of Chicago or other cities between 1979 and 1985 (Crain's Chicago Business, June 2, 1986). The employment in non-manufacturing industries has increased between 1962 and 1984 in both the Loop (92.5% to 96.2%) and Outer Business Ring area (65.3% to 77.9%) (The City of Chicago, "Where workers work," annual report).

Figure 3 indicates that total number of companies of the Fortune 500 located in the city of Chicago declined from 60 to 40 between 1972 and 1977. Twenty companies left in just five years. The exit of these companies from the city may be partly explained by the economic recession of 1973-75. Fifteen companies out of those twenty have been left out from the rankings of the Fortune 500 because of loss of revenues and loss of assets and five companies relocated. Since the late 1970s, however, the total number of companies has not changed

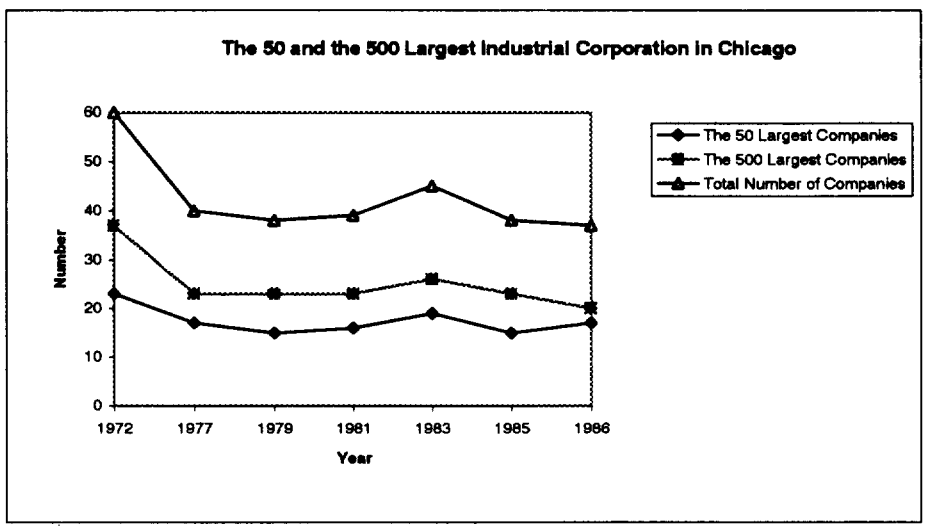

Figure 3. The 50 and the 500 largest industrial corporation in Chicago.
Sources : *Fortune Magazine*, various years.

much (it increased in 1982-83, then decreased slightly in 1984-85). Even though employment in those corporations has decreased by 13 percent during 1972-77, the leading private firms which are not included in Fortune 500 generated employees and contributed the economic development in Chicago (Crain's Chicago Business, Feb, 1988).

Whereas the economies of cities in the Sunbelt have grown with an expansion of the manufacturing sector, the economies of cities in the Midwest and the Northeast in the U.S. have shifted from the manufacturing to the service sector (Soja *et al*, 1983, Soja, 1987, Beauregard, 1991). The decline of employment in the manufacturing industries does not necessarily mean economic recession or crisis. Employment decline can take place during times of economic growth given vigorous technological transformation and also during times of economic transition (Knudsen and Koh, 1994). Chicago experienced decline in manufacturing industries, but simultaneously recovered by increasing employment in non-manufacturing industries. The employment structure of Chicago reflects the national capital restructuring toward a post-Fordist era.

4. The U2rban Restructuring Process in Chicago

During the period of 1979-1986, the downtown Chicago experienced its greatest building boom since that following the Great Fire of 1871 (Ludgin & Masotti, 1985). The net effect of eight years (1979-1986) of record construction was enough to reverse the economic and physical decline of the central area and to transform the economic functions of downtown Chicago. Table 1 explains this.

During 1979-1984, 167 projects were completed and close to $4.5 billion was invested (in completed projects and those in progress at that time) (Ludgin and Masotti, 1985). During 1985-1986, $2.2. billion was invested in 148 new adaptive re-use or renovation projects that were completed within an expanding downtown (to the north, west, and south of the Loop). This "Super-Loop"(Ludgin and Masotti, 1986) had 28 projects under construction with completion dates after January 1, 1987 (investment value of $1.5 billion). An additional 83 projects (investment value of $8 billion) were announced for the area in 1988 (Ludgin and Masotti, 1986).

Table 1. Investment by Category of Use, 1979-1986

(unit : millions of dollars)

Category	New	Adaptive-Re-Use	Renovation	Total	% to Total
Office	$2,009	$165	$247	$2,420	42.4%
Mixed-Use	833	293	85	1,212	21.2
Residential Condo	162	10	0.6	173	3
Residential Rental	673	64	11	748	13.1
Education & Institution	64	0	13	77	1.4
Government	485	0	0	485	8.5
Hotel	70	26	281	377	6.6
Industrial	180	0	0	180	3.2
Recreation & Retail	24	5	7	36	0.6
Total	4,498	564	645	5,707	100

Source : Ludgin & Masotti, 1986, ***Downtown Development : Chicago 1985-86***, Evanston : Center for Urban Affairs and Policy Research, Northwestern University.

With the transformation of the economic function to non-manufacturing industries, such as finances, insurance, real estate, administrative offices, business, and service industries, the spatial structure of Chicago has also been transformed to contain such functions, especially office-space. The Chicago Loop has emerged as one of the "hottest" real estate development locations in the nation (Weiss and Metzger, 1989, p. 135). Office-space in downtown Chicago has rapidly increased since the early 1970s (see Figure 4). Almost six million sq.ft. were added by new construction in the city of Chicago during 1950-62 and 6.4 million sq. ft. during 1963-75. The average annual square footage of office space built in the city of Chicago during 1970-79 was 2.1 million (but no available data in 1976, 1978, and 1979). The construction in the city has increased greatly with 46 million sq. ft. just between 1980-85. The office construction in downtown area during the same year (1980-85) was 18 million sq.ft., about 40 percent of the total construction in the city of Chicago. Figure 4 shows that the construction of office space in the downtown has continued without interruption, even during the national economic recession period of 1973-75. Thirty-six percent of existing office space in downtown Chicago was built between 1979 and 1986 (Ludgin & Masotti, 1986). Forty-two percent of total investment during 1979-86 was office space (see Table 1).

One notable characteristic of redevelopment in downtown Chicago was the increasing number of projects of mixed-use (of office, hotel, condominiums, and retail), including 21.2 percent of all investment for 1979-1986 and one-third of all investment in 1985-1986 (see Table 1).

The downtown Chicago underwent a tremendous surge of apartment construction (including condominium and residential rental apt.) in 1984-85 (Crain's Chicago Business, Nov. 3, 1986). The number of condominiums since 1979 has increased in downtown Chicago, particularly in the River West (e.g., Presidential Towers), the South Loop (e.g., Printing House Row and Printer's Square), and the River North (a combination of converted lofts and high-rises). Investment in condominiums and in residential rental was 3 percent and 13.1 percent each of all investment in 1979-86

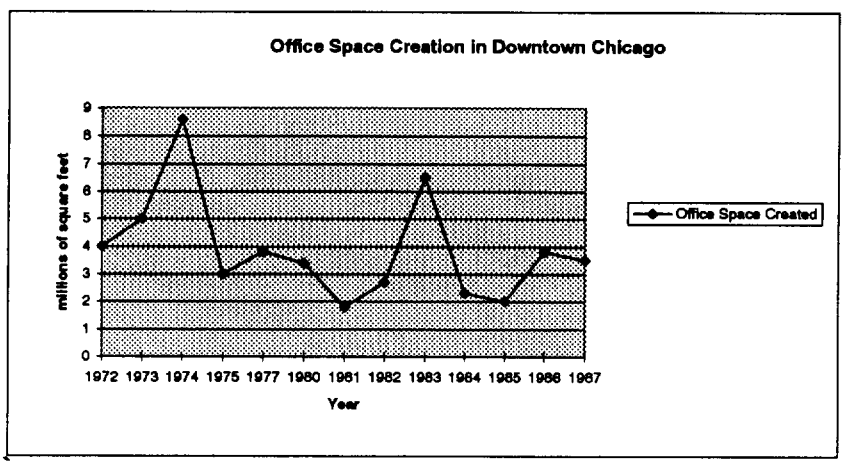

Figure 4. Office space creation in downtown Chicago.
Sources: Economic Analysis of Housing and Commercial Property-Markets in the City of Chicago, 1960-75, by Real Estate Research Corporation: Masotti & Ludgin, *Downtown Development in Chicago.*

(see Table 1). These were characterized as mixed-use districts. The redevelopment of the South Loop, the River West, and the River North was related to residential gentrification. These areas have also experienced commercial gentrification as shop and restaurants came in with the influx of affluent urban residents. In effect, mixed-use districts adjacent to the CBD (namely, the zone of transition) have been transformed with the active redevelopment of the CBD. It has become the "zone of reinvestment" (Beauregard, 1989b, p. 254).

Once a center for manufacturing, warehousing and related industrial activities, the area immediately surrounding the Loop (i.e., the Outer Business Ring area) tended to be the locus of service-oriented firms and, to some extent, housing. The industrial space has been rehabilitated and turned into fancy apartments and modern office space (Crain' s Chicago Business, Nov. 3, 1986). Though a few industries existed in the CBD, production of new space or renovation of existing space for industrial use has been extremely limited. For 1979-84, only two industrial projects were built in the CBD. Industrial investment during 1979-86 accounts for only 3.2 percent of all investment (see Table 1).

Through the empirical data on employment and construction activity in downtown Chicago, the urban restructuring is rooted in capital restructuring, but not directly in economic crisis. The restructuring of downtown Chicago is a reflection both of the restructuring of the Chicago SMSA and of national capital restructuring. The decline of manufacturing employment in the Chicago SMSA during 1973-88 (36% to 23%) has been compensated by the increase of non-manufacturing employment during the same period (53% to 66%). Downtown Chicago showed the similar trend to the Chicago SMSA (refer to Figure 1 and Figure 2). Even though the number of employed in manufacturing industries has decreased, this did not impact on and threatened the Chicago economy. Simultaneously there has been reinvestment in services and FIRE sectors.

The construction activity in the Chicago SMSA is not investigated in this paper. The activity in the downtown area was analyzed in detail and displayed the urban restructuring process which was found in other cities such as Los Angeles and New York. Without having economic downturn or econmic crisis, Chicago experienced spatial restructuring. During the period from 1977 to 1988, the United States experienced the largest real estate boom in its postwar history. Similar to the restructuring of the Los Angeles region and the New York area, the restructuring of the downtown Chicago is part of a "worldwide process of structural change" (Soja *et al*, 1983, p. 196). The restructuring of Chicago is related to the national trend of capital restructuring (i.e., rapid growth of service sector, increasing demand for new office space and downtown commercial space, and concentration of finance capital etc.). One dissimilarity in the process of urban restructuring of Chicago from other global cities, has an origin in its political peculiarity, that is, the existence of machine politics which strongly influenced Chicago economy and private investment in downtown until the early 1980s at the time reform politics just began. To gain an insight into this issue I wish to examine the political characteristics of Chicago and their impact on economic development planning in Chicago.

5. The Local Contingency : Chicago Politics

1) The Fiscal Situation of the City Government

With the international and national economic fluctuations of the mid-1970s, economic and fiscal strains were a dominant phenomenon particularly in the older indus-

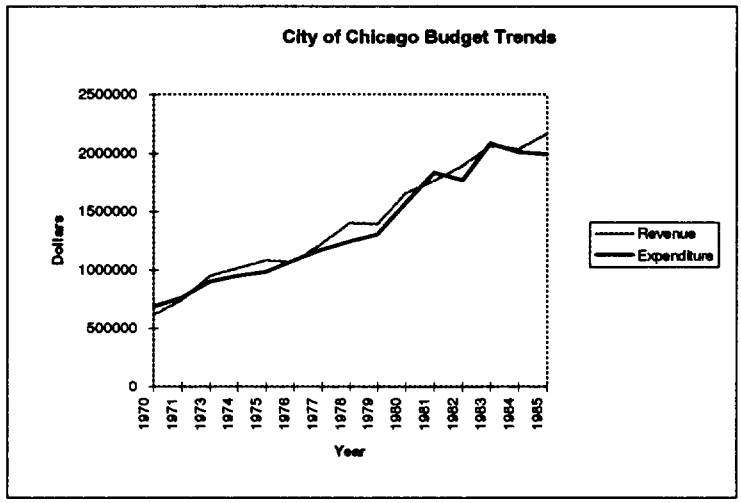

Figure 5. City of Chicago budget trends.
Sources: City Government Finances, *U.S. Department of Commerce*, various years

trial cities. The fiscal crisis of New York City first became a prominent national issue when the city faced possible bankruptcy with the closing of the municipal bond markets to its short-term notes and long-term bonds in 1973-75.

Figure 5 shows budget deficits in Chicago in the fiscal years of 1970, 1971, 1976, 1981 and 1983 (no data in 1972 by some reasons). Interestingly, there was no fiscal deficit during 1973 to 1975 which was a period of national economic crisis. The fiscal condition of the city of Chicago has been steady and stable compared to that of other older central cities.

How, then, did the city government maintain such a stable fiscal condition? There are several possible explanations for this. The first explanation may be federal funding such as ARFA (Anti-Recession Federal Assistance) and general revenue sharing during the Carter Administration. These funds were high, and would have offset decreasing property taxes.[8)]

Second, Chicago benefitted from growing revenues from taxes tied to economic activity and inflation: (1) the municipal retailers' occupational tax (state sales tax), which returns revenue to a local government based on retail sales; (2) the state income tax (one twelfth of the state income tax collected within its boundaries goes to the city government), and (3) the taxes paid by public utilities based on their gross receipts (City of Chicago Appropriation Ordinance, Annual Report).

Third, Chicago took advantage of new "home-rule" taxing powers granted in 1972 (whereby local governments are permitted to set their own property tax rates without state legislative permission or local referenda) to use other kinds of revenues (i.e., taxes on parking garages, car rentals, cigarettes, etc.) (Orlebeke, 1980).

And fourth, the actual details of the city budget at least until 1983 (i.e., for the periods of machine politics) remain elusive. The official budget provides only a partial picture. The first problem is federal grants. There are no specific details of the appropriation of federal funds. The second broad area of obscurity is capital improvement. There is no separate capital improvement budget in the official budget document (Orlebeke, 1980).

2) Political Transition and Economic Development Planning

Chicago's political transition since the 1950s can be divided into the following four periods: R.J. Daley's machine politics (1955-1976), the Bilandic (1977-1979) and Byrne period (1979-1983), Washington's reform politics (1983-1987), and R.M. Daley's (son of Richard J. Daley) recapture of white democratic politics (1989-present). I would like to focus on the machine politics and on the reform politics.

Because of its own political characteristics, the economic development and downtown redevelopment of Chicago are closely related to politics. The machine politicians of Chicago have had outstanding relations with big local businessmen. Local economic development has been congruent with the ideology of machine politics; that is, the growth ideology of machine politics focused on the city balanced budget and on downtown development and redevelopment using federal funds. This explains why the city had no big budget deficit until 1981 and why downtown development was so active during machine politics. The ploitical machine of Chicago successfully managed economic development and fiscal balance. The mechanism of downtown development during the machine politics era was a pro-growth coalition between economic development agencies at City Hall and Chicago businessmen connected with the machine politicians. The growth ideology of the Daley machine put much emphasis on downtown development and redevelopment and neglected neighborhood development.

After Daley's death in 1976, machine politics began to collapse. Mayor Bilandic (1977-1979) and Mayor Jane Byrne (1979-1983) led weak administrations and failed to follow traditional machine-style politics. Simultaneously, the national economy felt the full impact of the 1973-75 economic recession. Changed national policies in response to the national economy (shifting from Carter's demand-side to Reagan's supply-side policies) threatened disinvestment from the older central cities, and led to cutbacks in federal funds to localities (Koh, 1994). Also, during the 1979-1980 recession the Midwest experienced the largest regional downswing. The second period of economic recession coincided with the period of unstable political situation of Chicago. This context exacerbated the Chicago economic and political situations and thus a fiscal imbalance began to appear (particularly in 1981, see Figure 5).

Whereas the Daley machine managed the fiscal and economic situations very well even during the economic recession period of 1973-75, the Byrne administration mismanaged the 1979-80 recession. Downtown development stagnated (downtown office construction activity was much lower in 1981 than that in 1974 which was the first economic recession period, refer to Figure 4), revenues from the downtown area fell, budget deficits increased, and mismanagement and increasing misuse of federal funds allocated for neighborhoods were covered up. This increased citizens' dissatisfaction with the city government. Harold Washington, who was supported by many Chicago community activist groups, mentioned during his election campaign in 1983 the big budget deficit of Jane Byrne's administration. After the 1983 election, Mayor Washington presented the real data of the city budget to show a big deficit ($ 140 million deficit in 1979-80 which was not shown in Figure 5). This suggests that the budget deficit was concealed, at least, in part. It does not mean, however, that the city government was in a 'crisis.' Indeed employment data and construction activities showed the city to have been in a better condition in comparison with other older central cities.

Downtown development planning until 1982 continued to largely ignore the

"blighted" inner city. The emergence of a powerful movement of neighborhood-based advocacy groups (constituted by blacks, Hispanics, and lower-income white ethnics and development organizations forced a change in economic planning and downtown development plans.[9] These community-based groups, particularly those in the Outer Business Ring area, represent the people who were left out by downtown redevelopment plans and who fear gentrification and displacement and who lack access to the private planning process (Weiss and Metzger, 1989). Mayor Washington's election in 1983 and reelection in 1987 led to an alternative course in city planning and economic development, and represented a strong commitment to "balanced growth," and economic development policies designed to promote better jobs and housing for transition zones such as the Outer Business Ring (City of Chicago, 1984).

Washington's reform politics emphasized more efficient and open government, an end to patronage, a redistribution of power and benefits away from downtown to the neighborhoods (i.e., public housing for moderate and low income households), and job-oriented economic development.

The redevelopment of the CBD has been, however, refocused in reform politics since 1983. Washington had to deal with drastic cuts in federal aid to cities (a loss of nearly $400 million since the Reagan Administration), continued damaging economic trends, and a $168 million deficit inherited from Byrne (Reader, Feb.20, 1987). Unlike his election campaign, the objectives of urban development programs of Washington's reform administration were more explicitly directed at economic development (i.e., tax base expansion and job creation) than at social aspects such as the eradication of blight and the erection of middle-income housing.

3) Chicago Politics and Downtown Redevelopment

Statistics for the redevelopment projects do not indicate the political configuration of Chicago, but give us a picture of active downtown spatial restructuring. There are two distinct patterns of downtown redevelopment in Chicago. First, the Daley-Bilandic-Byrne phase generally emphasized a "pro-growth coalition" for downtown development, defined as a ruling class alliance between individuals, groups, factions, and classes working together to implement an economic growth strategy, led by the local state (Mollenkopf, 1983). The coalition, particularly of businessmen, established private sector development organizations representing the interests of the business community in downtown redevelopment, in an attempt to maintain and attract investment into the downtown area (e.g., The Chicago Central Area Committee and the Commercial Club). The coalition, which helped maintain Chicago as an economic power among American cities, led to the reorganization of its spatial structure.

Second, the reform government focused on two basic policies: (1) expanding and improving the CBD and (2) pursuing a conservative fiscal policy (monetarism on a local level). However, the basic principles of these policies changed, largely due to the protests from minority communities. Redevelopment objectives in Washington's reform administration generally encouraged the participation of minorities and women, ensured a sound relationship between various public and private sector development projects, and encouraged residential development for low-and moderate-income households.

The example of the North Loop Redevelopment project reflects the political characteristics of Chicago very well (for the details of the project, see Squires, *et al.*, 1987). With the onset of fiscal stringency in the 1970s (even without the fiscal crisis), as

basic city services declined and the city's housing stock aged, large tax breaks for a downtown commercial project, the North Loop redevelopment, were proposed.

The Daley-Bilandic-Byrne period of North Loop planning carried through a style of redevelopment planning and implementation that was characteristic of post-World War II Chicago. The redevelopment initiative originated in the private sector, and once a plan was formulated, public officials and agencies worked to implement the project. Downtown development and city government, especially the political machine in Chicago, which had been intimately related to business community, were inseparable (Squires, *et al*, 1987).

The Washington administration anchored its planning and economic development program in a different set of values: balanced growth, equity, and democratic participation. At the same time, the active neighborhood mobilization during the 1980s has altered the public-private downtown coalition to such an extent that any public spending for CBD development must include the city's low-and moderate-income residents in the form of partnership (Weiss and Metzger, 1989). The Washington administration redirected the city government based on issues such as linked development, neighborhood reinvestment, and plant closing (Bennett, *et al*, 1987). The North Loop project was redirected so as to be committed to the ideology of reform politics.

6. Conclusion

Capital restructuring, globalization, deindustrialization, and decentralization since the 1970s have produced a post-industrial society and demanded a new industrial space and geographical restructuring. Urban restructuring has been researched by several urban geographers. They generally emphasized urban restructuring in terms of capital restructuring which was caused by structural crisis and overlooked local contingencies which provide the profound background of urban restructuring. The national trend of capital restructuring give local areas different pictures. Part of the reason is that each region has its own particularity and thus the same cause brings out different consequences. In that sense, it is hard to generalize the effects of national capital restructuring on different regions.

In structuralist theory, local politics direct urban restructuring in an effort to adapt to national economic and political changes and to resolve urban fiscal and economic decline. In the case study of Chicago, I have found two significant inconsistencies in applying this structural approach to the local level: the crucial importance of local politics in shaping urban development; and the lack of the hypothesized link between crisis and restructuring.

First of all, economic and fiscal conditions in Chicago have been influenced not only by the international and national context, but also by regional characteristics. Recognizing national urban and economic policies is, of course, crucial in understanding Chicago. Yet the strong and rather peculiar political situation of Chicago, with its machine and reform politics, plays a very important role setting in political and economic developments in Chicago.

And second, an important question raised throughout this paper concerns the relationship between crisis and restructuring. If a relationship necessarily exists between crisis and restructuring (as many Marxists argue), then urban restructuring should be caused by capital restructuring and urban crisis. There has been active restructuring in downtown Chicago, which was not in response to urban crisis, but occurred out of political necessity. Downtown development and redevelopment were critical throughout the era of Chicago machine politics. They were also important in Washing-

ton's reform administration, because the downtown area is a crucial source of revenue (for example, property taxes). Thus state support for downtown redevelopment in Chicago can be explained as political necessity rather than as the capital restructuring seen as the consequence of economic crisis.

This study provides that the downtown restructuring of Chicago has resulted from a combination of political necessity in machine politics and of changing political regulations in the Washington Administration responding to community requirements and, at the same time, to the national trend toward capital restructuring responding to economic crisis. Downtown restructuring was the growth ideology of machine politics as it was an ideology of Washington's reform politics. As Beauregard argues (1989b, p. 273). "the particulatities of place are structural in one sense and spatially contingent in another." Chicago explains this.

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Notes

1) Cyclical crisis refers to "a particular phase of the capitalist economic cycle, manifesting itself in the reverse of a set of business indicatiors, such as employment, production, the stock market, etc..."(De Vroey, 1980, p. 53).
2) The 1973-75 recession was the outcome of a typical phase of decline of the rate of profit. Refer to the figure of the rate of profit in The Second Slump, written by Ernest Mandel, 1978, p.22.
3) the Urban Distribution of Fortune 500 Firms' Total Sales and Foreign Sales in 1974 -selected SMSAs.

SMSA	Fortune firms (1)	Percentage of total sales(2)	Percentage of foreign sales(3)	Multinational Index (3)/(2)
New York	107	30.3	40.5	1.34
Los Angeles	21	4.6	3.8	.83
Chicago	48	7.3	4.6	.83
Philadelphia	15	1.6	1.0	.77
Detroit	12	9.1	8.8	.97
San Francisco	12	3.2	5.4	1.69

Sources : *Fortune Magazine* (May 1975) ; Corporate annual reports, Wall Street.
Transcript, and Securities and Exchange Commission Prospectuses : Also see Cohen R.B. (1981).

4) The number of corporate headquaters of the largest 1,000 industrial corporations located within the central city was used to measure the local power of national corporations. Also the number of national labor unions in the central city was used to measure the local power of national unions.
5) The Chicago SMSA includes six counties : Lake, McHenry, Cook, Du Page, Kane, and Will.
6) The downtown Chicago encompasses the built-up area of eight sub-areas : Near North, River North, Streeterville, Loop, South Loop, Near South, Near West and River West (Ludgin and Masotti, 1986). The boundary delimited by Masotti and Ludgin closely conforms to U.S. census tract boundaries and to the three community areas which are a division of the city into 75 communities. Comparing with the downtown defined by Masotti and Ludgin, the Community Area 8 conforms to Near North, River North, and Streeterville, the Community Area 32 to Loop and South Loop, and Community Area 33 to Near South. Near West and River West are not included in this analysis.
7) The Outer Business Ring conforms to the five sub-areas of the downtown excluding the Loop, Near West, and River West (refer to Note 6).
8) The total assessed value of all property in the city of Chicago was $13,857 million in 1970, $9,725 million in 1975, and $6,768 million in 1985. The property tax has steadily decreased since 1970. See Moody's Municipal and Government Manual.
9) For details of the relation between neighborhood movements and Chicago politics, see Chapter 9 of the unpublished dissertation by Koh, T.K., 1989, "The Political

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자본재구조화가 도시발달에 미치는 영향 : 시카고 정치와 재개발사업을 사례로

고 태 경*

본 논문의 출발점은 조절이론을 비롯하여 특히 공간정치경제에서 주요 쟁점 가운데 하나인 위기와 재구조화와의 관련성에 두고 있다. 이 가운데 특히 자본의 재구조화와 도시재구조화는 인과관계를 갖고 서로에 영향을 주고 있다는 것을 가정으로 내세우고 있다. 1970년대 초기의 경제위기는 경제재구조화 혹은 자본재구조화를 일으켰고, 자본의 재구조화는 여러 규모의 지리적 차원에서 공간재구조화를 야기시켰다. 이를테면, 지역적 차원에서 자본과 인구의 분산, 국가적 차원에서의 탈산업화, 그리고 국제적 차원에서 신국제적 노동분업 등은 서로 유기적인 관계를 맺으면서 한 지역사회를 설명해 준다.

자본과 인구의 분산, 탈산업화, 신국제적 노동분업 등으로 인한 자본과 산업재구조화는 과거의 산업에 기반을 두었던 지역경제에 적지 않은 타격을 주었다. 예를들면, 포드식의 대량생산에 입각하였던 제조산업들이 새로운 다른 지역(즉, 미국의 경우 남서부 지역으로, 그리고 국제적으로는 신흥공업국 혹은 아세안국들로)으로 분산되어 감에 따라 포드주의가 우세하였던 대도시 중심의 제조산업지대는 도시경제위기를 경험하게 되었고, 자본과 인구가 다른 지역으로 이탈해 감으로써 세금기반이 약화됨에 따라 그 지역 도시정부에 재정위기와 지역사회문제를 야기시켰다. 이러한 맥락에서 도시의 경제와 재정의 위기를 타결하기 위한 방안으로 도시정부와 민간자본이 결합하여 1970년대 말기부터 도시중심부를 비롯한 도시공간재구조화 사업이 활발히 진행되어 왔다.

지역 사회, 경제, 정치 그리고 도시개발 및 재개발 등은 자본주의라는 구조적 관점에서 일반적으로 설명된다. 그러나 지역경제위기, 더욱 구체적으로는 도시경제위기를 극복하기 위하여 공-사 협조하에 진행되는 도시공간재구조화 혹은 도시재개발사업은 지역에 따라 매우 다른 형태로 나타나고 있다. 이는 거시적인 관점에서 보았을 때, 경제위기로 인한 자본재구조화나 산업재구조화로 설명이 되지만, 도시공간재구조화는 반드시 위기로 인한 결과적인 현상이라기 보다는 도시에 따른 지역적 상황, 이를테면, 각 지역의 정치적 분위기나 사회환경, 혹은 지역 자본가들의 필요성에 따라 이루어질 수 있다. 또한 국가적 경제위기로 인하여 이루어지는 재구조화 사업이 모두 성공적이지는 못하다. 도시재구조화의 성공여부는 지역의 경제적, 정치적 환경에 좌우된다. 즉, 실제론에서 논의되고 있는 소위 '우연적'인 요인들이 재구조화와 같은 도시내부구조를 설명하는데 있어서 중요한 분석틀을 제공해주고 있다.

본 연구에서는 시카고를 사례로, 구조적 접근을 지역적 차원에 적용시켜 보았다. 시카고는 제조산업지대에 있는 다른 대도시지역들과 비교하여 볼때 심각한 경제 및 재정위기를 경험하지 않았다. 1962-1984년 동안 시카고는 제조업고용에서 약간의 감소를 보여주었으나, 동시에 비제조산업에서(주로 서비스산업)에서 고용이 상당히 증가한 것과 같이 도시경제위기를 경험하였다고 보기 힘들고, 또한 machine politics라는 특수한 도시정치체제를 유지함에 따라 연방정부자금을 도시재

정위기를 극복하는데 사용하여 온 것과 같이 시재정위기를 모면하여 왔다. 시카고시에서 활발히 전개되어온 도심재개발사업은 도시경제 및 재정위기를 해결하기 위한 자본이나 산업의 재구조화 과정이라기 보다는, machine 정치가들과 지방자본가들간의 밀접한 유기적 관계로 인한 정치적 필연성에서 비롯된 것으로서 특수한 지역성이 보다 중요하게 작용하였다는 것을 사례연구를 통하여 살펴보았다.

결과적으로 본 연구에서 제시하고자 하는 것은, 첫째, 적어도 시카고의 경우에 있어서, 위기와 재구조화간에 이론적인 연결고리가 약하다는 것과, 그리고 둘째로는, 도시발달에 있어서 그 지역정치가 매우 중요하게 역할을 한다는 것이다. 자본주의 사회의 도시공간을 파악하기 위해서는 자본주의 체제에 대한 전반적인 이해 뿐만 아니라, 각 지역에 따라 달리 나타나는 지역성 혹은 지역적 특수성을 감안하여 구조적 관점과 지역적 관점을 동시에 고려해야 한다는 것을 강조하고자 한다.

主要語 : 자본재구조화, 도시재개발, 경제위기, 지역정치, 지역정책

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