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I am submitting herewith a dissertation written by Ola Johansson entitled "Changing Governance, Business Elites, and Local Regulation in Nashville." I have examined the final paper copy of this dissertation for form and content and recommended that it be accepted in partial fulfillment of the requirements for the degree Doctor of Philosophy, with a major in Geography.

R. Foresta

Ronald Foresta, Major Professor

We have read this dissertation and recommended its acceptance:

Charles S. Aiken

Thomas L Bell

Asafa Jalata

Acceptance for the Council:

Vice Provost and Dean of Graduate Studies

CHANGING GOVERNANCE, BUSINESS ELITES, AND LOCAL REGULATION IN NASHVILLE

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Abstract

In this dissertation, I explore how power and governance in Nashville is related to economic and institutional change on a national and global scale—the transition from Fordism to post-Fordism. By investigating the political and social institutions of the city, it is my objective to understand how the elites are operating to control and direct development. The study is an in-depth look at the activities of local business and how they decide to respond in a situation of change and uncertainty. Here I stress the importance of collective action among the business elite, which is equally meaningful to explore as the notion of capitalism driven by competition. The period of analysis stretches from the 1980s to the late 1990s: but the early 1990s was a particularly crucial time period in Nashville when a new local regime emerged as a catalyst for the local post-Fordist mode of regulation. New forms of governance, which reached maturation stage during the 1990s, have evolved in Nashville affecting both political and business institutions. Governance is increasingly based on power diffusion, transparency and inclusiveness in decision-making, yet dominated by business-friendly policies, which should be viewed in the context of urban competition and the need to position the city to take advantage of economic restructuring. To comprehend the interaction between local development and the national regime, I have studied three relevant policy areas that can exemplify the nature of competitive governance: image and city promotion; airport development; and emerging engagement of business interests in social policy as exemplified by education. The first two areas conform to the idea of the city driven by entrepreneurial considerations, while the latter concerns social reproduction. All cases, however, depend on the capacity of business to pursue its goals through collective action.

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1. INTRODUCTION

1.1 Statement of the problem

Most everyone in Nashville agrees that the city today is a very different place than it was just 10 to 15 years ago. There are some directly observable signs of this change: a reborn downtown, increased economic and spatial growth, the presence of major league sports, and demographic changes. A dynamic mayor has played a vital role, but on a more fundamental level, a transformation of local governance has allowed these changes to take place. My aim is to explore how this new configuration of power and governance in Nashville is related to paradigmatic changes in the economic and institutional organization of the United States, and even globally. Some of the interrelated local trends include the organization and activities of business interests, the nature of city politics and power distribution, the changing economic character and industrial base, demographic trends, and the influx of new people in an increasingly integrated economy. These trends are reflective of the city's efforts to take advantage of Sunbelt growth and the opportunities of a post-industrial economy. The goal is to investigate how economic development strategies are formed in this context. The remaking of Nashville as a business-friendly, nationally competitive location has been initiated and led by a local business elite, although this elite by no means holds absolute power. Therefore, its activities and influence in the policy-making process receive the most attention in my analysis. Some have even praised these changes in Nashville as a model development of sorts and a microcosm of contemporary urban America. Recently, the neo-conservative *The American Enterprise* (1998, March/April) dedicated an entire issue to Nashville as a successful city of the 1990s that embodied many of the values they touted: an

entrepreneurial spirit, a business approach to government, and, ostensibly, family and religion-oriented. Regardless of whether the report entirely reflected local realities, the central ideological message in this portrayal of Nashville is that local communities are better off guiding their own fates rather than following centralized edicts from the federal government (Casse, 1998, March 19).

This local independence occurs at a time when, most observers concede, the world economy has entered a new era in which service production is increasingly dominant in the developed world, while manufacturing has been reorganized along the lines of flexible specialization, producing new economic spaces. Economic integration is taking place on a global scale, and many cities are shedding their old function while searching for a new role, regionally as well as globally. New economic trends will inevitably affect the path of localities and there is a necessary dynamic between economic and political restructuring on a local and a global scale. Clearly, non-local events have a profound impact on urban change. Even if much has been said about the diminishing importance—the "hollowing out"—of the nation-state, it should be noted that local development in the U.S. is still strongly affected by federal policy.

On a theoretical level, my understanding of local change is inspired by the regulation school's conceptualization of societal change—the transition from Fordism to post-Fordism. In an effort to comprehend the dynamic relationship between the two geographic scales, several writers have investigated the commensurability of regulation theory and various approaches grounded in local experiences, especially urban regime theory. Urban regime theory describes political coalition-building in the local arena, while regulation theory outlines ways of organizing the economy on the national level

and the supportive institutional framework that must be in place for a successful macroeconomic performance (see Chapters 2 and 3 for an in-depth discussion of the theories). Some suggestions on this theoretical merger have been made, especially in Lauria's *Reconstructing urban regime theory* (1997), but the empirical work to support it is still accumulating, and far from all aspects of the theories' interrelatedness have been empirically investigated. In this study I will focus on the idea that regulation plays out differently at different geographical levels, and to what extent local strategies are complementary to those enacted on the federal level (rather than simply being followers of decisions taken on a higher level). Essentially, the dismantling of the activist liberal state model that was triggered by globalization and the hyperaccumulation needs of U.S. corporations has left cities in a situation where they must form an appropriate response. This response may include not only policies that directly promote economic growth, but also encourage the investment of social capital; and even, to some extent, social stability-enhancing redistributive policies.

The Nashville economy has been a success story in the 1990s as the city joined the ranks of rapidly growing Sunbelt cities. Economic growth has been accompanied by population increase, and the Nashville metropolitan area now has over 1.2 million inhabitants. As Figure 1.1 indicates, Nashville is among the top 15 growing major cities in the country, all located in the South and the West. Important growth industries of the new Nashville economy include health care, music and tourism, as well as traditional sectors of the local economy such as finance and higher education. The service sector is now the dominant part of the local economy, employing over 40 percent of the workforce (U.S. Bureau of the Census, 1996).

1. Las Vegas	6. Orlando	11. Portland
2. Austin	7. West Palm Beach	12. Houston
3. Phoenix	8. Denver	**13. Nashville**
4. Atlanta	9. Dallas	14. Salt Lake City
5. Raleigh-Durham	10. Charlotte	15. Miami

Source: U.S. Bureau of the Census (2001). *MSAs over 1 million.

Figure 1.1 Top 15 fastest growing (by percentage) large* MSAs in the U.S. 1990-2000.

Nashville follows urbanization patterns observed in other places with a renewed vitality of the central city, as well as continued and even accelerating urban sprawl. Accompanying spatial changes include a newly dynamic downtown and rapid peripheral growth in the metropolitan area, especially in the suburbs to the south and the east where both population and employment have boomed. The 2000 Census data indicate a population growth of 11.6 percent in Nashville-Davidson County to approximately 570,000. As expected, the suburban ring counties surpass Nashville in growth, ranging from 23 to 56 percent, with the most rapid pace to the south in Williamson and Rutherford counties. Most new development in Williamson County is contiguous with Nashville's urbanized area, and the county's residents depend to a great extent on employment in Nashville. Urban development is not limited to these counties; a growing ring of small cities and exurbanization in middle Tennessee has created an increasingly dispersed urban region (Figure 1.2). Nashville knows it cannot compete with suburban counties for population growth, but it has been able to maintain and strengthen the city's role as a dynamic employment center.

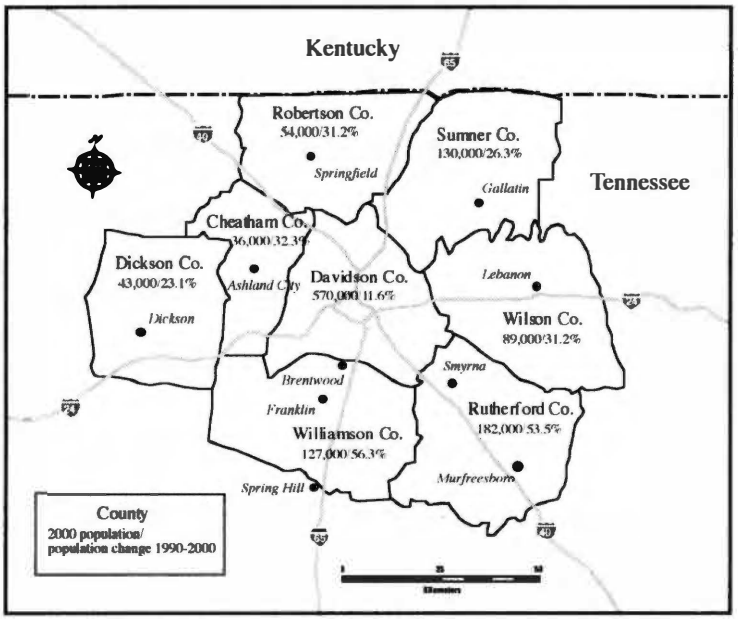


Figure 1.2 Growth patterns in the eight-county Nashville metropolitan area.

Demographically, the city is increasingly diverse. The white population dropped from 75 to 67 percent in the 1990s. Not only has the black population increased, but a wide range of ethnicities and immigrant groups are now represented. The Hispanic population, for example, is officially 26,000 in the 2000 census, but may actually be 50 percent higher than that (Moody, 2001).

Even if Nashville is more ethnically diverse than ever, it has not developed as a poverty-afflicted core surrounded by affluent suburbs. Nashville has grown more affluent in both absolute and relative terms. Compared to several peer cities[1], the Nashville MSA

[1] Throughout the study, I will compare the socio-economic development of Nashville with ten "peer cities"—Birmingham, Charlotte, Columbus (OH), Indianapolis, Jacksonville, Louisville, Memphis, New Orleans, Oklahoma City, and Raleigh-Durham. They have been selected on basis of proximity (mostly in the Southeast) and size (MSAs of similar size to Nashville).

is relatively affluent. Figure 1.3 indicates that Nashville is currently second to high-tech Raleigh-Durham in personal income among the peer group. Income in Nashville did not compare favorably in the 1970s, improved considerably in the 1980s, and after a slump in the late 1980s, the 1990s were an outstanding period of rapid growth for Nashville. In fact, during the 1990s the city's boosters reached the goal of increasing personal income by $1,200-1,300 annually (Harris, 2000). This growth in affluence is especially noticeable compared to the national average income. Also when adjusted for geographic differences in cost of living, Nashville retains its position as one of the most affluent cities in the region (Partnership 2000, 1996)[2].

There are several reasons why I will use Nashville as the case study to investigate the impact of broad economic change as outlined by the regulation theory on the local political economy. The current growth in Nashville has resulted in changes, not only in the city's economy and spatial structure, but also its political decision-making process, which makes Nashville a good research object using the regime/regulationist perspective. Unlike many cities studied in the literature, Nashville is not the prototypical industrial city transforming itself into a service economy. Industrial data reveal, however, that Nashville also has experienced a significant shift from 33 percent of the workforce employed in manufacturing in 1966 to only 11 percent in 1996 (U.S. Bureau of the Census, 1966; 1996). Quantitative decline is also accompanied with qualitative change: apparel and shoe manufacturing are declining in favor of high-tech employment, as

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[2] As measured by Effective Buying Income (EBI). Using a different, but similar, pool of cities, the Nashville Chamber of Commerce reports that Nashville's EBI is second in a group of 12, only surpassed by Dallas.

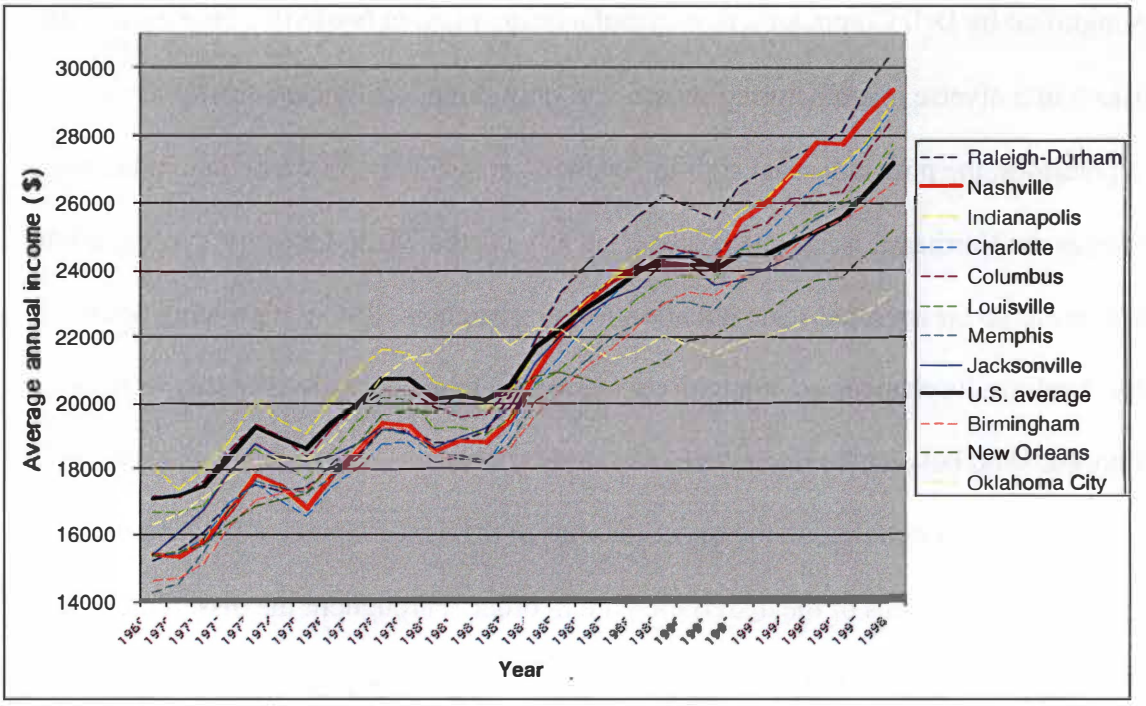


Figure 1.3 Per capita income in Nashville and peer cities 1969-1998. (Adjusted for inflation in 1998 dollars. In the legend, cities are listed in order of affluence, from the top, in 1998. Source: U.S. Bureau of the Census, various years.)

exemplified by Dell Computer's new manufacturing plant in Nashville. However, with a history of a diverse manufacturing sector with only some locally headquartered corporations, the post-industrial shift in Nashville is distinctly different than industrial cities in the Northeast. Nashville is also relatively unstudied, and the city's recent urban change has so far attracted scant attention from researchers. But, as a growing Southern city, I believe its changes are not entirely unique, and the conclusions of this work are, it is hoped, valid beyond the immediate case study.

Before elaborating on the major theories in the next chapters, a few comments on the philosophical basis of the dissertation are in order. Throughout the dissertation, urban politics will be emphasized as the arena where urban space is shaped. Using a dichotomy from political science, I will employ an elite perspective rather than a pluralistic perspective on urban politics[3]. A local elite, by definition, is a powerful minority group whose control predominantly emanates from financial, corporate or private resources, and is generally accompanied by a group-consciousness of social superiority. If cities are shaped by powerful groups of people operating in a capitalist economy, political action and its outcome in the urban environment can benefit from an analysis using a political economy perspective[4]. Politics and economy cannot be treated as belonging to separate spheres; rather, the two are inextricably linked. The economy is not a neutral system for the allocation of resources; conversely, political decisions and their consequences are not

[3] My view of the American city as elite-dominated has undoubtedly emerged from my experience with Scandinavian cities and their strong party-system, corporatist local state organization, and financial dependency on the central government.

[4] In contemporary human geography, political economy often denotes a neo-Marxist approach; however, I use the term in a more general sense. On the other hand, that does not mean that I reject Marxian ideas outright, but rather aim to incorporate some of their insights into a broader theoretical framework.

simply direct outcomes of majority votes in popular elections and city councils. Instead, a small group of people can muster a disproportional amount of influence on decision-making. Particularly business interests hold extraordinary powers over public policy simply because any city's dependency on private capital for its economic well-being is strong and the rational self-interest of the local state is, therefore, likely to result in policy concessions to business interests (Lindblom, 1977). The acknowledgment of power outside traditional political institutions has led to the broad concept of governance replacing the narrower focus on government in urban studies. By exploring the political and social institutions of the city, it is my objective to understand how the elites are operating to control and direct development. The interest of business is often construed as homogenous and conforming to the "logic of capitalism," or simple agents of capitalism. While not dismissive of the power of economic structures on societal development, my contribution is an in-depth look at the behavior of local business, individually and collectively, and how they decide to respond in situations of change and uncertainty. Here I stress the importance of collective action among the business elite, which is equally meaningful to explore as the standard conceptualization of capitalism as driven by competition. For example, the loosening of ties of corporations to local places is now almost taken for granted. General assumptions of what this means are usually embedded in the idea of global power holding authority over local places. I will look into the mechanics of this process, the changing relationship of corporations and industries with places, even if the dependency of capital mobility on most U.S. cities and their economic development strategies might be limited to national flows rather than international.

The emphasis on Nashville's business elite in the dissertation is taking place at the expense of other social groups, such as the working class and minorities. This is indeed a limitation, but perhaps a necessary one to keep the scope of the study reasonably narrow. But the research cannot be said to capture all aspects of Nashville, and it is very possible that important social and economic trends have eluded me given these parameters. On the other hand, the elite emphasis does not imply that other groups are powerless or that their impact will be omitted completely. As will be evident later, working class neighborhoods have played important roles in Nashville's local politics, and, as in virtually all Souhern cities, the precence of a substantial African-American population has influenced the development process in several important ways. Especially the politics of education will receive substantial treatment.

How then exactly is Nashville affected by the ongoing national and global reorganization of the economy? What institutions and decision-makers constitute the new Nashville regime, making the city distinctly post-Fordist? Building on earlier theoretical and empirical work, Figure 1.4 shows how I envision the interaction between the abstract, general level and how it takes specific shape in Nashville. The most important connection in my analysis is the intensification of urban competition, which has initiated a local process of change resulting in new policies, institutions, and strategies. The period of analysis stretches from the 1980s to the late 1990s[5], but I hypothesize that particularly the early 1990s was a crucial time period in Nashville when a new local regime emerged as a

[5] A logical endpoint is the conclusion of Phil Bredesen's mayoral tenure in 1999, although relevant developments beyond that point will be discussed.

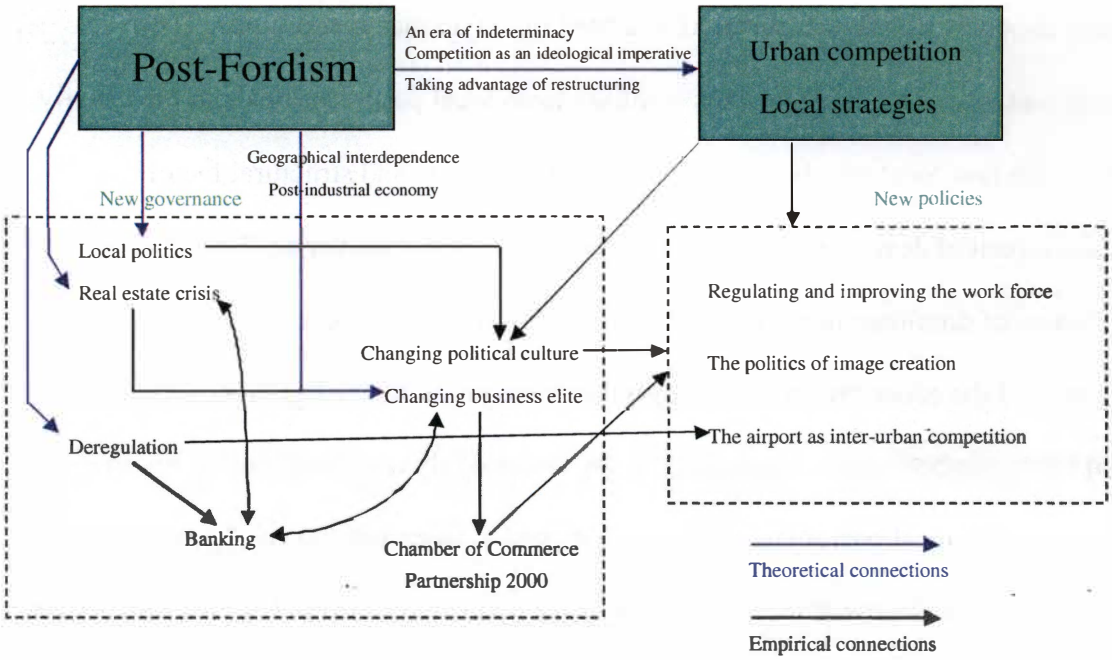


Figure 1.4 A theoretical framework developed for Nashville to show local/non-local interaction.

catalyst for the local post-Fordist mode of regulation. The central issues that must be addressed are summarized in the following hypothesis:

• A new form of governance has evolved in Nashville, affecting both political and business institutions, which reached maturation stage during the 1990s. Governance is increasingly based on power diffusion, transparency and inclusiveness in decision-making, yet systematically biased towards business-friendly policies, which should be viewed in the context of urban competition and increased awareness, positioning the city to take advantage of economic restructuring.

• This shift is strongly influenced by outside political and economic forces—"post-Fordism." Analytically, I distinguish between catalytic factors and underlying, structural factors. The former includes the economic recession around 1990 and the

mayoral period of Bill Boner, which discredited old-style machine politics. These catalytic factors can be unique events resulting from local particularities, but are usually embedded in non-local trends. The blend between catalytic and structural factors produces a path of development that is both place-based and universal. The latter include: 1. A decline of dominant industries in Nashville; 2. New geographic organization and integration of the economy, in part triggered by deregulation; 3. Migration of people and capital to the Sunbelt, which together with the increasingly interconnected economy, rendered the old local power structure obsolete; and 4. State devolution. These issues, outlined as the "new governance" box in Figure 1.4, are discussed in Chapter 4, a review of some of the implications of post-Fordism on cities; Chapter 5, a history of Nashville, as any recent changes must be understood as a response, not only to external forces, but also to local historically contingent structures; Chapter 6, a focus on the business cycle and economic recession circa 1990 as catalytic factors triggering changes in local governance; and Chapter 7, the cultural and institutional transformation of the business elite.

• The strategies that have emerged can be situated in an intra-urban competitive context. To fully comprehend the outcome of the interaction between local development and national regimes is a formidable task that requires in-depth knowledge not only of a particular city, but also exhaustive comprehension of U.S. urban development over a long time period. I will therefore limit myself to study only a few relevant examples (the "new policies" box in Figure 1.4). Three areas can exemplify the nature of competitive governance: image and city promotion (Chapter 8); airport development as a competitive tool (Chapter 9); and a new type of engagement of business interests in social policy as

exemplified by education (Chapter 10). The first two areas conform to the idea of the city as driven by entrepreneurial considerations, while the latter concerns social reproduction. All cases, however, depend on the capacity of business to pursue its goals through collective action, and I will try to resolve the fundamental question of how these divergent strategies relate to each other.

1.2 A note on research methods

The methodological approach of this study corresponds to what textbooks call a historical/comparative analysis (Babbie, 1995). As the unit of analysis is the city, the research is context-based and must acknowledge that a particular city's development is path dependent. The events influencing the new local regime of the 1990s are described using a narrative structure, but more theoretically focused, where the strategies and policies are treated in an analytical fashion, and less idiographically than traditional historical research.

My research was conducted in two distinct phases: the exploratory phase and the field phase. The exploratory phase involved a close reading of written sources. Newspapers and local periodicals are invaluable for recapturing the pattern of events that shaped the city's political and urban discourse over the last decade. The goal is to identify key events and developments that are relevant to my arguments. The role of the theories underpinning the research is to guide my interpretation of local events and make sense of innumerable occurrences, distilling a complex process to a few manageable ideas. This procedure is necessary as the theories can only suggest some areas of research, and a specific set of research objectives must be developed for each case study. The exploratory

research will build a framework of knowledge that is not comprehensive, but will provide a foundation from which it is possible to continue. The goal of the subsequent field phase is to add data to the constructed framework and to corroborate and expand on the general ideas that have emerged during the exploratory phase—to fill in missing facts. Two research activities are dominant here: collecting and analyzing secondary data (including policy documents, statistical material, and news articles) and conducting interviews with key actors, an essential research tool to interpret the factual events.

There are certain problems to be aware of when conducting predominantly interview-based qualitative research. Each informant will provide a personal interpretation of historical or ongoing events and processes. Assuming that the informants are truthful, statements are still limited by memory. An answer should also be interpreted based on the question asked and the context in which it was presented. While a question is often posed so the answer will illuminate the validity of the researcher's hypothesis, it must be remembered that the person interviewed is not necessary familiar with these assumptions. Therefore, as a researcher I must be wary of assigning a meaning beyond the immediate, concrete event discussed. When logical deductions from the material are made, they should be identifiable as the researcher's own. Moreover, interview material does not only constitute a personal response. In most cases, the individual interviewed also represents a particular group or interest in society. Thus, interviewees' answers naturally conform to a certain viewpoint or to a more-or-less identifiable agenda. The goal has been to accumulate enough information, qualitative or quantitative, that can contextualize and balance the offered viewpoint, so that all accumulated statements can be adequately analyzed within the theoretical framework that is used.

2. THE POST-FORDIST SOCIETY

2.1 Introduction to the theory

Current societal trends, although confusing and contradictory at times, can be interpreted as following a particular model. Government policy and decision-making firmly embrace a handful of broad propositions: national and urban policy operate under the axiom that the era of big government is over, decentralization brings responsive government closer to the people, and competition and free market principles should be applied as often as possible. At the same time, it is sometimes assumed that policy formation on the local level is guided by practical concerns far removed from ideological considerations. While it is certainly true that many mundane activities of governing a city have no broader implications, the strategies and decision-making arrangements that guide the path of individual cities are not conceived in a vacuum, but are indeed influenced by non-local forces. The term post-Fordism is often used to describe the current urban condition, as well as society in general. Although the term originated as a label of industrial organization, it is now widely used in a variety of contexts and each author appears to ascribe his or her own meaning to the term. Therefore, it would then be wise to retreat for a minute and reflect on the intellectual roots of the post-Fordist idea, in order to comprehend its broad contemporary framing and geographical implications.

The French regulation school of the 1970s grew out of a critique of orthodox Marxist political economy and is based on ideas developed in Michel Aglietta's seminal book, *A Theory of Capitalist Regulation* (1979). Regulation theory also differs from neoclassical equilibrium models in its interest to understand fundamental economic changes in a proper historical context (Jessop, 1995). After the tumultuous end of the

1960s with social upheaval and growing economic uncertainties, the capitalist economy appeared weaker than at any point since the Great Depression. Corporate productivity and profitability had eroded; unemployment skyrocketed in the core industries of the Western economies, which were facing stiffer global competition than before. However, a decade later it was clear that capitalism would not disintegrate due to its inherent contradictions as Marxist dogma insisted; in fact, it proved to be quite resilient. Facing an economic and political crisis, capitalism was capable of "reinventing" itself relying on new industrial organization, new global strategies and a rethinking of state economic policies. This reinvention process involved a change in the *regime of accumulation*—the transition from Fordism to post-Fordism. A regime of accumulation represents a stable relationship between consumption and production. It outlines the basic economic relationships in society, such as the conditions of production, private and public consumption, savings and investment, and the general scope and proper role of government. The regime is then "materialized in the shape of norms, habits, laws and regulating networks...which guarantee that its agents conform more or less to the schema of reproduction in their day-to-day behavior" (Lipietz, 1987, p. 14). These social and economic institutions, cultural norms, and major government policies that must be in place and work together in a coherent fashion to support the regime are collectively referred to as a *mode of regulation* (Lauria, 1997). The mode of regulation "establishes a set of procedures and individual and collective behaviour patterns which must simultaneously reproduce social relations" (Boyer & Saillard, 2002, p. 41) within a particular regime and its institutional forms. These ideas in regulation theory draw, at least implicitly, on the concept of a social contract that emphasizes the idea of underlying

informal agreements in society, providing common rules for cooperative behavior between groups and individuals. As a mode of regulation is an outcome of collective action, political decisions, and various semi-independent variables, such as technological change, it therefore involves constant adjustment of the procedures and institutions. Regulation theory thus allows for individual action and the uncertainty of history to influence societal development, making it, in a broad epistemological sense, compatible with a variety of approaches that aim at integrating and overcoming the division of structure and agency (Giddens, 1984; Collier, 1994). With that said, one must also be wary of attempts to seek full explanatory power of all events in one grand theory.

2.2 Fordism and its demise

Regulation theory developed from an understanding of how capitalism was organized after World War II and how large societal institutions were crucial for the particular regime of accumulation called Fordism. On the production side, the Fordist regime was associated with assembly-line style mass production. During the early 20th century, the increasing output of productive forces was not matched by a corresponding rise in consumptive capacity. This imbalance is generally considered one of the causes for the Great Depression. Just as Henry Ford's story tells us that his company paid his workers above the industrial wage at the time so that they could purchase the automobiles they produced, it became the goal of the state to institute a consumption norm for the good of the overall economy. Raising the wages and living standard for the working classes became not only a moral, but also an economic, imperative. The consumption norm that developed during the Fordist regime was mainly a demand-led approach to generate a

market for new products and services. During Fordism, consumption was underpinned by a mode of regulation that included high union-negotiated wages, the welfare state, Social Security, and government loan guarantees, all ensuring high levels of consumption (Lipietz, 1992).

The intellectual basis for these policies was Keynesian economic theory, which allowed for increasing government activities to intervene and stabilize the economy. Not only did it preach demand-side management through minimum wages and the welfare programs of the redistributive state, which supported the mass consumption imperative, but also controlled the cyclical swings endemic to capitalism, a goal that could not be over-emphasized in the post-Depression economy. The government, it was felt, must spend during downturns in order to balance the opposing forces of unemployment and inflation. Spending was enhanced by progressive taxation, which was not only defended by the equity argument, but also as rational as low-income individuals have a higher level of marginal consumption of income. Moreover, in a system where stable and predictable growth was the goal, competition had to take a step back in favor of planned management of the economy. The profit level was a function of wage increases and inflation, which led to an important role for the predictive capacities of economic experts. Keynesian stabilization policy was merely fine-tuning of economic growth, amounting to little more that a technical problem of how to manipulate demand to smooth out business cycles and achieve predicable, stable growth. Productivity increases, consumption, and corporate profits were, if not determined a priori, at least planned, by institutions such as the wage negotiation system. Even if disagreements between management and labor occurred frequently, a relatively peaceful labor market translated into stable profits and growth.

This economic system elevated labor unions to an unprecedented role in society. A grand compromise existed in a tripartite power structure: business, labor, and the government.

These tendencies of the Fordist regime did, to some extent, depoliticize society. The prevailing belief at the time was that ideology was a concept of the past and did not play a role in modern society. The continuous prosperity of working-class Americans through "comfortable proletarianization" would in itself defeat communism, the only ideologically-based model of society still remaining. The United States had become a society of jobholders (Bazelon, 1969). The mysteries of economic progress had more or less been solved and the "tweaking" was to be left in the hands of experts. This optimism and predictability of the economy resulted in a forward-looking society with a modernist mindset. Similar trends emerged in the private sector. Corporate managerialism where the notions of classic capitalism—free enterprise, ownership and private property—had to be rethought. The goal of corporation was to grow bigger as much as maximizing profits. Business planning emphasized long-term stability and growth (Schonfield, 1965). Extending the reasoning from macroeconomic stability to social stability, Galbraith (1976) argued that individuals tend to undervalue public goods; and if society fails to supply public services at the same rate as private production capacity grows, the result is social disorder. Such arguments provided the necessary intellectual support for an expansive state in the social sector.

The model and its ideological underpinnings as described here were, of course, not identical in all countries or even regions. The mass consumption model was best developed in the United States, while the labor relations model was taken further in Western Europe. The Fordist social contact in most European countries was deeper and

more comprehensive than in the United States. The role of labor unions was more institutionalized into a corporative political system where wages were determined by negotiations on a national level. Even the political decision-making system integrated the different participants of the labor market. Although under pressure, the model remains important in much of Western Europe today. In the United States, the right to unionize was established by federal law in the 1930s, but the U.S. labor movement was content with acquiring purchasing power increases, rather than amassing political power. By moving labor negotiations up the geographical scale to the national level, labor gained negotiating power, while capital gained a higher degree of labor market tranquility. While these relations were formalized with the Wagner Act and the Taft-Hartley Act in the 1930s and 1940s, it also allowed for the development of "peripheral Fordism" through right-to-work provisions adopted by some, mostly Southern, states. The term peripheral Fordism originally referred to the labor intensive economies of southern Europe, but has similarly been used to describe the American South as a region not quite ready, politically and economically, to fully embrace the emerging mass consumption model and accompanying social relations. The institutions of Fordism were national in scope, which increased the role of the federal government and its involvement in shaping local development. This created not only a new relationship between cities and the federal state (see Chapter 3), but also had implications for regional development. Regional policy in the United States is in the strict sense of the term almost non-existent. Instead, allocations are made to regions through the political system where, for example, military spending has become important (Markusen et al., 1999). Logically, government programs had the greatest relative impact in poor regions. Infrastructure development such as the interstate

system and military expenditure, which brought a federal wage norm to new places, attracted investment and increased living standards in many places. The income level in the South moved closer to the national average during this period (Figure 2.1). The expanding Fordist government became a geographic equalizer.

In the late 1960s, the economies of the Western world suffered a slowdown. The profit margin for the large corporations was rapidly shrinking, and the system suddenly no longer seemed effective. Productivity was a problem as corporations faced dynamic competition in the emerging world economy. Compared to the onset of the Great Depression, which was a crisis of over-production, this was a crisis of profitability (Lipietz, 1987). It was not a simple economic crisis caused by the latest business cycle or other dynamics solely within the economic realm. The relationship between political regulation and accumulation was out of sync, leading to a more fundamental, or "secular"

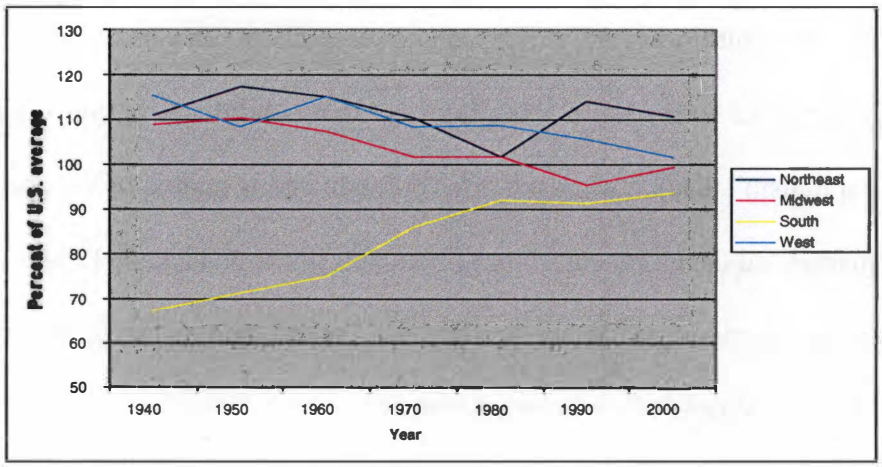


Figure 2.1 Per capita income convergence of U.S. regions.
Note: Measured as median income until 1960, and mean income from 1970. Midwest region called North Central until 1990. Source: U.S. Bureau of the Census. Characteristics of the population (various years), except 2000 data taken from Summary File 3 from Census online FactFinder.

in the words of Esser and Hirsch (1989), crisis. The contradictions of the Fordist model became more and more evident. The rigidly negotiated wages accepted in the name of expanded consumption became counterproductive, creating a major rift in the labor-management compromise. As gains in wages and influence are not easily surrendered, labor conflicts compounded existing problems. Stagflation triggered economic rethinking, as did the external shock of the oil crisis. Economic decline created a search for new forms of institutions and policies best exemplified by the conservative revolutions of Ronald Reagan and Margaret Thatcher.

2.3 The nature of post-Fordism

Fordism is generally considered to have been replaced by a new emerging regime most commonly referred to as post-Fordism, which was set in place to create and sustain increasing profits. Its nature is not fully realized and researchers often stress the unpredictability of regime formation. Some prefer not to proclaim it a regime, only "disorganized capitalism" that has emerged after Fordism and is guided by few principles other than the market-led development of neo-liberalism (Peck & Tickell, 1994). Nevertheless, some common threads can be identified that are relevant to the discussion of post-Fordism in the context of urban development.

Although fundamental changes in the way production is organized have occurred, one single coherent system has not emerged in the industrial sector. Flexible specialization provides a clear alternative to Fordism with its craft style, small batch production localized in certain industrial districts; northern Italy is a ubiquitous example

in the literature (Sabel, 1994). However, it has not become the all-encompassing principle of industrial organization. Neither has the Japanese system of just-in-time lean production, nor European industrial organization, which has retained much of its character with strong collective agreements. The European system has instead moved towards workgroups and reskilling of workers, which represents a move away from Taylorism more than Fordism. No single trend has emerged, which has led to valid concerns about the viability of post-Fordism as a concept in industrial geography. Large companies remain important, albeit in a new form; they are more flexible and decentralized with a renewed focus on their core business (Belussi & Garibaldo, 1996). With the fast pace of change in technology and new products, producers have moved to a network system where larger companies remain in the center, while smaller companies supply cutting-edge technology and know-how in a system of vertical disintegration and subcontractor-based production networks. Production is emphasizing product differentiation and price competition, while economies of scale play a lesser role than in the past. Demand is more unstable in a differentiated, fluid market. There is, therefore, a need for production to be more flexible and responsive to those changes.

Where innovation thrives, new industrial districts emerge, placing an emphasis on regional economies (Storper, 1997). If competitiveness is based on local or regional conditions, economic regulation must also be local. From this dynamic perspective on spatial development under capitalism, Post-Fordism brings good times to some regions, possibly leading to new types of geographic unevenness. In any case, if a process of economic nationalization took place under Fordism, the reemergence of regional economies is now underway, leaving more power in the hands of local or regional actors.

On the other hand, equilibrium models of mainstream economics logically assume diminishing regional differences in a market-based, open economy with powerful global forces, which may diminish the capacity for local action.

Economic globalization is that force which undermines the de facto sovereignty and regulating power of states. Production is more oriented towards worldwide demand. This integration has been enabled by advances in technology, of both the production-oriented and communication type, and by expanding free trade governed and enforced by global institutions such as the World Trade Organization and the International Monetary Fund. The new international division of labor leaves routinized, labor-intensive production to developing countries, while advanced capitalist countries must shift their emphasis to R&D and knowledge-based production and services. In an era of global, dynamic capitalism, the old national Fordist institutions are less appropriate. It is instead in the interest of capital to promote the virtues of neo-liberal free trade, thus reinforcing the idea of flexibility to discipline workers with the relocation threat. State and local action is restricted as globalization functions as a giant prisoner's dilemma: if you do not know how others will act regarding wages, work rules, and other regulatory mechanisms, implementing change is difficult. But the caricature of globalization as a process that allows capital to locate anywhere does not provide a comprehensive picture. Producer networks, just-in-time, and local skills are precisely the factors that make capital *less* footloose and responsive to more than the lowest bidder of labor cost. For example, a significant share of U.S. foreign investment is directed at Europe with its high wages, strong unions, long vacations, and "cumbersome" labor regulations (Dicken, 2003). In the United States, spatial differences in labor relations have influenced the post-Fordist

geography, e.g. the Sunbelt shift. Overall, the demise of unionism is both a product of economic restructuring and public and corporate policy. Industrial decline, capital mobility and globalization, and reorganization of work places with increasing flexibility and instability have chipped away the ability of unions to maintain power. At the same time, unions have failed to make significant inroads in the growing service-economy.

The role of unions has weakened along with the shift in the role of government to encourage supply rather than demand. This includes less provision of welfare services, as the ideal of universal rights is less widely held. On the supply side, the state has responded with economic policies that include the retraction of the public sector through privatization and deregulation. The result is a "Schumpeterian[6] workfare state" where social policy is subordinated to economic growth incentives based on competitiveness and innovation that requires a flexible workforce (Jessop, 1994). The transition to post-Fordism has found support in monetarist/supply-side policies in the wake of an economic crisis that the old macro-economic model—Keynesianism—could not predict, explain, or cope with. The new economic thinking stated that increasing demand will only create inflation. The role of fiscal policy is solely to combat inflation by limiting money supply. High levels of wealth accumulation (savings) instead of consumption lead to investment and growth in the economy. Adjusting the deficiencies of the market should be done by encouraging supply instead of demand by lowering taxes, decreasing regulation, reducing inflation, and curbing government spending. These things combined also encouraged globalization of the economy. A tight monetary policy led to fluctuating interest rates,

[6] From the Austrian economist Joseph Schumpeter, who viewed the economy driven by technological paradigms that occasionally are transformed by periods of "creative destruction."

volatility in exchange rates and investment flows between countries. The tax cut, on the other hand, induced a deficit that necessitated borrowing and drove up interest rates, which in turn attracted foreign capital to the United States. Economic policy thus became increasingly aligned with the new emerging logic of capitalism.

The 1981 Economic Recovery Tax Act played an especially important part of the shift towards stimulating supply and investment as opposed to Keynesian taxation encouraging consumption. It was nothing less than a paradigmatic change in the accumulation strategy of the state, a drastic shift in the burden of taxation away from corporate taxes. Earlier tax structures had benefited capital-intensive production, but taxation policy now also turned towards encouragement of human resource development. Hence, with capital mobility increasing, taxation was shifted towards less mobile factors, such as labor and fixed assets (Martin, 1991).

Economic policies had the intended effect of increasing profits. Corporate management views it as their overwhelming responsibility to accumulate profit for their shareholders, and not necessarily to adhere to a pattern of sustainable growth. The new capitalism of hyper-accumulation may then, at first glance, be less concerned with long-term goals, and more interested in instant monetary gratification. Moderating effects must, however, exist to some extent (some that I will investigate further in the Nashville case study). Boyer (2000) suggests that new financial norms—especially the preeminence of shareholder value—may be the most important mechanism to influence trends in corporate strategies, labor markets, and government policy. As rates of return converge and competition shifts from production to finance markets, similar management techniques and labor arrangements are adopted. While the short-term drive for profit

must be accompanied by labor market flexibility at the expense of workers, Boyer argues that as households gain influence as pension fund investors/stock-owners, their objectives are more long-term, and some regime-like stability may be achieved.

Not all individuals are stockholders of course. One effect of the post-Fordist society, and maybe the most derided, is the drift towards social polarization, including the stagnation of wages and the retreat from poverty reduction. A clear shift from the income compression between rich and poor during the Fordist days has taken place in the post-Fordist era. Since 1970, median family income has been stagnant, the gap between rich and poor has been growing, and those without a college education have an increasingly hard time finding good jobs (O'Loughlin, 1997). Adjusted for inflation, the average American household has only seen an income increase of five percent from 1973-1997, and the poor have seen even less (Henwood, 1999, March 29). The reasons are multiple and include: globalization, the decline of manufacturing, growth in low-end service jobs, immigration, low minimum wages, weak unions, strong gains in investment income (dividends, capital gains), changing family structure, deregulation, weakening social safety net, less progressive taxation. Public policy has played its role, shifting the tax burden towards lower corporate taxes to combat the profitability squeeze. Moreover, the real minimum wage is the same as 30 years ago, while virtually all wealth created in the post-Fordist era has accrued to the affluent half of the population. To increase the consumption potential of the poor is no longer an objective; in fact, from a crude macro-economic perspective of a predominantly affluent society, it might not be strictly necessary, and perhaps even counterproductive. Rather than the economy at large following the lead of key industries, wages and consumption are more fragmented. The

conclusion is that working-class consumption does not have to be as actively supported as during Fordism. Despite the strong economy, income disparities continued to increase during the 1990s[7] (Bernstein et al., 2000). Worker productivity is increasing, but it is not showing up in the wallets of a large segment of the population. Instead, post-Fordism has been successful in its main objective—to increase corporate profits. The informational economy rewards a new, well-educated workforce, while deindustrialization and deunionization under globalization apply wage pressure downward on manufacturing jobs. The income disparities also have a geographical dimension on the urban level. Nashville, for example, has experienced a post-Fordist income divergence between neighborhoods. The coefficient of variation that measures the inequality of income by census tract in Davidson County increased from 0.39 in 1970 to 0.47 in 2000 (based on my calculation of census data).

The rethinking of the role of government also includes a change in the scope of the state. The so-called "hollowing out" of the state on the national level leaves, relatively speaking at least, more power in global, regional, and local hands, which are sometimes prone to find new territorial modes of regulation that may take a local, international, or interregional character (Church & Reid, 1995). The responsibility for accumulation supporting functions (ideological, reproductive, or production-oriented) is particularly divested to the local level. The process of devolution tilts power, more often than not,

[7] Regionally, the South continues to be one of the most unequal areas in the country, although to a lesser degree than in the past. Tennessee, however, is in a slightly different position with average income inequalities, and only one of three states in the U.S.—the other two being oil dependent Alaska and Louisiana—where income inequalities showed a statistically significant decrease during the 1990s (Bernstein et al., 2000). However, this pre-tax analysis does not incorporate Tennessee's regressive tax system.

toward business interests. Capital operates on a geographical scale that rarely can be matched by other local interests. Devolution is therefore a process that has the capacity to diminish other interests' use of the state as an instrument to increase their political leverage. If power devolves, the federal government has less capacity to implement the policies that characterized the Fordist regime. From an urban perspective, federal support to cities for social programs is not an imperative of the post-Fordist state, and consequently federal funds for urban problems have diminished. Instead, there is a role for the state in building new institutions to support education, infrastructure, and public-private policy interaction that, perhaps, represent emerging local modes of regulation.

With these socio-economic trends prevailing, will the regime be stable? Will not an unregulated economy lead to crisis due to the "inherent contradictions" of post-Fordism? It appears, however, that macroeconomic policies, an accompanying mode of regulation, and an ideology to support it have been in place for a longer period of time, and the regime appears to be performing well in terms of overall growth rates and corporate profits during most of the 1990s. So far, social disorder has not been overwhelming or even increasing despite the documented tendencies toward polarization. National politics, and what has been seen as a Democratic adoption of many Republican positions, exemplifies possible long-term stability in the national regime.

2.4 Critique of the theory

Over time, empirical and theoretical work based on the regulation school has altered and extended the original propositions. Aglietta's hypothesis of what comes after Fordism was perhaps as good as anyone's at the time, but in retrospect, was not particularly

accurate. In the light of 25 years of economic change, a series of valid concerns regarding the approach has emerged. Many have rightfully pointed out that the theory was too focused on the manufacturing economy, and especially workplace relations. This is, of course, not peculiar considering the theory's intellectual and temporal origin. The emerging post-industrial economy makes it necessary to rethink the mode of regulation concept. The central tenants of the regime argument can be, and has been, detached from the manufacturing floor.

One of the most important critiques highlights the tendency to compartmentalize economic development into discrete time periods. Regimes are processes constantly challenged and undergoing change, which means that they are not necessarily coherent with sharp, detectable breaks as regulation theory might imply. It has been suggested that a stable mode of regulation is the exception rather than the rule; and instead, regulatory failure and crisis is the norm (Goodwin & Painter, 1996). Moreover, assuming temporally distinct regimes may have a tendency to reify the theory. Should, then, recent developments perhaps be interpreted as an uncoordinated system, rather than as a new, stable regime of accumulation? Lake (1997) views restructuring and deregulation in favor of business interests as stopgap, short-term fixes that are contradictory and unsustainable. This interpretation touches on an important issue regarding periodization, but elicits some additional comments. First, it is doubtful whether the current and the old societal paradigms should be judged by the same yardstick. It might be irrelevant that post-Fordism does not conform to the standards handed down by the earlier regime (if, indeed, Fordism was, in hindsight, as monolithic and stable as a societal paradigm as portrayed). As Martin (1991, p. 17) states, regimes should "be considered ideal types rather than

empirical absolutes" as policy is always complex, incoherent, and fragmented. If more power is placed in the "invisible hand" of the market, the same level of coordination is simply not possible. In fact, change itself is a fundamental part in contemporary society. Society has embraced, even institutionalized perpetual change, which is fundamentally different that the Fordist preoccupation with stability (Rubin, 1996). Moreover, the neo-Marxist perspective has a natural tendency to over-emphasize crisis, and to stress the problems and contradictions of any capitalist regime. Even if the critique on the sharp periodization of economic history is relevant, I am inclined to view current society as distinctly different from the past to render post-Fordism a useful concept.

An additional critical comment issued by geographers is that the spatial scale of analysis is neglected. This criticism is pertinent to the original proposition, but much work has emerged recently. Whereas the nation-state was originally stressed as the locus for formation of various modes of regulation, place-sensitive analysis has been growing. Lipietz's (1987) notion of peripheral Fordism added a necessary international dimension to the theory, but for the purpose of this research, the most important debate concerns the effect on localities after deindustrialization and inter-regional shifts within United States. It has been acknowledged that each region has its own regime that is based on particular conflicts and compromises (Boyer & Saillard, 2002). While orthodox regulation theory has begun to incorporate a local dimension, it remains a production-oriented macroeconomic theory where the actor perspective, so fundamental in understanding localities and even geographic differences in regulation, is still subordinate (Gilly & Pecqueur, 2002). On the other hand, scholars from disciplines other than economics, as we will see in Chapter 3, have been more active in exploring local implications of the

theory. Here, geography has a lot to offer as the problems of post-Fordist development, such as social polarization tendencies, are increasingly mediated on the local level. Therefore, these criticisms point out opportunities in furthering the research agenda. Applying the theory on the local level can tie my research to current endeavors of broadening the work influenced by regulation theory.

3. URBAN POLITICS: FROM MACHINE TO REGIME (AND BEYOND)

In order to understand the implications of the current societal regime on the local level, it is first necessary to discuss urban political dynamics. Strategies of urban development are affected by the local context; every city is a unique place, and forces operate in the local environment that must be accounted for and they do not immediately correspond to an evolving national regime. Scholars of urban politics have created several concepts that aim to explain how cities are governed. In this chapter, I will discuss the findings in the literature and connect local politics to the changing imperative of the national political economy.

The origin of modern city politics can be traced back to the emergence of an active and service-providing city from 1870-1920 (Monkkonen, 1988). In the progressive spirit, the city began to provide services beyond the absolute minimum, resulting in investment in infrastructure, schools and beautification projects both to support and to counteract the haphazard urban development of laissez-faire industrialism. This business activism was tied to the emergence of a corporate class that exercised direct personal control and ownership of its companies and civic power through its own fraternal clubs (e.g., the country club, Freemasons, Rotary), which emerged as vehicles for social, political, and economic control. The corporate leaders also developed strong ties to commercial and banking interests locally (Roy, 1991). Cities also adopted ideas from the business world. Debt financing became a necessary tool for financing expanded government services for growing cities. The nature of local politics has in many ways been determined by progressivism, and on the other hand, coalitions and power arrangements such as urban machines. Although usually understood as opposing forces,

Monkkonen stresses the similarities between machines and the progressives. In his view, machine politics expanded the role of government and were a necessity for the new active city that professionalized local politics. Although mostly associated with large urban centers in the Northeast, machine politics thrived in the stable environment of small and medium-sized cities elsewhere as well, Nashville included.

At the center of the political struggle between these two forces was the structure of local government. The non-partisan, at-large elections and the council-manager government generally encourage a political process supportive of the growth agenda of the business elite. It does not foster a strong political leadership that can present alternative visions to the elite's agenda. It is often idealized as a "clean" machine; an efficient, non-corrupt government that is attractive for new investment. The existence of at-large systems in cities today is often a remnant from the progressive era. Dallas is generally regarded as an archetype of a city with such a system (Elkin, 1987b). The power of business-led progressivism, as well as machines, depends to no small extent on voter apathy and dismal voter turnout often characteristic of local elections. The spatial expansion of cities has historically been another strategy for progressive business interests to dilute the power of other groups, for example ward-based politicians whose natural constituency was race- or class-based. Unified government between city and county is the ultimate strategy of this kind. While it provides efficiency gains and equitable distribution of resources, it can have adverse effects on the political process. This can make it possible to build a more top-down style of government where public-private coalitions actively manage its growth agenda (see for example McNulty [1996] on Indianapolis).

In the South, conventional wisdom suggests that commercial-civic elites established hegemony during the progressive era and have dominated since. The local electoral structure tends to be based on non-partisan elections, at-large districts, and city manager form of government. Often smaller in size than their Northern counterparts, Southern cities were easier to assert control over. Moreover, the lack of the ethnic diversity and labor unions provided for few other alternative power arrangements. The disenfranchisement of the black population resulted in a fragmented working-class population, further solidifying business dominance. The traditional culture in social as well as economic relations promoted business relations based on personal and family connections. This social structure coexisted uneasily with entrepreneurial capitalism, which in its ideal form is transparent, merit-based, and inclusive. A restrictive vision of the government's role in society has led to a limited commitment to expenditure on social programs, and an individualistic philosophy has led to a lower level of citizen activism and organization to push for such measures. Taxation per capital in Southern cities also tends to be among the lowest in the nation. In part, the low level of public spending is a remnant of segregation, race relations, and unwillingness to support services for the African-American population. Although this rationale may be gone, low funding levels, for example for public schools, still persists in many places. Although probably a reasonable generalization, some scholars object to this description of Sunbelt urban politics and contend that it was always more conflictual and pluralistic that the characterization above would lead us to believe (Kerstein, 1995). Furthermore, post-WWII regional convergence with entrepreneurial governance and increasing minority and neighborhood participation in the political system where political and economic

elites must take more time to build coalitions has further eroded Southern exceptionalism in city politics.

3.1 Urban regime theory

The dominant current approach to local politics stresses the durability of governing coalitions on the local level. It also emphasizes governance, i.e. the inclusion of various civic groups, especially business elites, in these governing coalitions. Governance is the coordinated effort, situated between the state and the market, to manage political and economic issues.

The concept of urban regimes postulates that certain goals and policies dominate in a city over a long period of time. At this point, it should be stressed that urban regimes are not directly related to either regulation theory or regimes of accumulation. Some commonalties will be discussed later in this chapter, however. The urban regime idea was proposed by political scientist Clarence Stone and developed in his 1989 book *Regime Politics: Governing Atlanta, 1946-1988*. Regimes can remain in place largely unaffected by changes in the local political administration and go beyond mere ad hoc coalition formation. A power balance between major actors, such as business interests, politicians, labor representatives, public authorities, planning commissions, and grassroots and neighborhood interests, can be maintained over time. Summarized by Dowding et al. (1999), a regime's core characteristics are: 1. The existence of a distinctive policy agenda, 2. Longevity, 3. A coalition of interests not specified in formal institutional structures, 4. Broad-based and boundary crossing between sectors or institutions. In addition, the policies of a regime generally: 1. Transcend changes in leadership make-up

and political successions, reflecting an ideological agreement over fundamental values of regime members 2. Involve mobilization of external resources with synergistic effects 3. Is led by strong, entrepreneurial leadership with a singular political vision 4. Operate through public-private partnerships, which may bridge diverse local institutions and community interests. To this, I would also add that the motivations of the actors involved lies in the fact that they are tied to place through fixed assets and unique local social relations.

In the tradition of political science, several efforts have been made to create urban regime typologies. Feinstein and Feinstein (1983) see three general urban regimes in the post-war United States. The directive regime involves a coalition focused on government-sponsored large-scale development. The concessionary regime was extended to participants stressing social justice. The third, and currently predominant, conserving regime is again focused on business interests, but without large-scale direct involvement of the government. Elkin (1987a) also identifies three similar regimes: federal, pluralist and entrepreneurial. Elkin's types are not only temporal but also geographical. The currently dominating regime—the entrepreneurial—is highly associated with the South and the West, but has also penetrated most regions of the United States. Some critics have seen the division of regimes into discrete time periods as an oversimplification. For example, Stone (1987) prefers three non-temporal regimes: the corporate, the progressive, and the caretaker regime. However, typological distinctions like temporal urban regimes can be useful generalizations. In the context of the post-Fordist transformation, the evolution from a federal to an entrepreneurial—using Elkin's labels—regime situates urban change in a wider context, which makes temporal regimes

a relevant concept. The conserving or entrepreneurial urban regimes with their public-private partnerships, pro-business policies, and reliance on local resources are a logical response to broader post-Fordist developments.

A smoothly running political regime, such as Stone observed in Atlanta, is far from always the case. Regime theory is less equipped to deal with unstable and changing conditions (DiGaetano, 1997). There are several studies showing cities with fragmented elites (Perry, 1990), or elites unable to create a regime (Keil, 1988). Common interests may not always exist, and protecting the interests of its members and attempts to create a local economy with higher paying jobs may at times be contradictory. Cities with a low skilled manufacturing base may struggle whether to take the factor cost-driven or innovation-driven approach to local competitiveness (Wu, 1996). The former contains relatively crude strategies that can easily be copied, such as tax breaks, while the latter involves the establishment of creative environments, a process that is harder to achieve. Innovation relies on social mobilization and local productive environments—the opposite of Fordist scale economics (Jessop, 1998). Stress from outside forces related to the global economy can also be detrimental to stable regime formation. A declining local economy and corporate exodus can lead to increased dependency of outside forces, or conversely, trigger an economic restructuring process paving the way for a "rebirth" of an old, declining city. Perry (1990) asserts that elites are more visible and organized today, while Kantor (1995) and Ross and Levine (1996) conclude that there is a trend toward pluralism in American cities, thus implying decreasing elite power. Even if those conclusions appear to be contradictory, what we might see today can be a struggle over regime formation where business elites have to be more active to ensure their dominance,

even by mobilizing other sectors of local society for their own agenda. The generalization of local politics as moving from elite domination to pluralism, I believe, is missing some subtle points about the transformation of power. A power shift is not a transfer of a set number of capacities. The devolutionary trend allows for local power as a reaction against the diffusion of the global marketplace. At the same time, this diffusion enhances the position of business elites without them controlling power nominally.

Recent paths of urban regime work have attempted to connect the politics of urban regimes with the sweeping changes of the economy. DiGaetano (1997) and Leo (1995) explore the global-local connection in different urban settings from an urban regime perspective, but they do not directly address the theoretical connection between general economic restructuring and local change where the regulationist framework can offer some insight. In a more comprehensive manner, DiGaetano and Klemanski (1999) add the restructuring of the state and post-industrial economy to an analytical framework that allows for coalitions and strategies not as strong as the regime model. The city's position in the larger political economy, the local political culture, and individual leadership are three levels that together form what they dub a local mode of governance. But even if they tie urban regime theory closer to non-local matters, DiGaetano and Klemanski's emphasis is still on local politics, and their connection between the two geographical levels is not theoretically deep; instead, they treat outside forces as a background to city affairs.

3.2 The position of business and the imperative of growth

There are good reasons why the role of local capital remains strong in U.S. cities. The cooperation between business and government exists because government cannot accumulate capital on its own, and business needs public goods that only a government can provide. Despite pluralist tendencies, business interests often maintain a privileged position in their relationship with governments, whether on national or local levels (Lindblom, 1977). Several features of the political economy explain the dominance of business in local politics. First, most of the population is dependent on private industry for its income and prosperity, which gives business a certain clout in local affairs. The city also relies on private investment for its financial well-being. Revenues for most cities are financed by property taxes, so the city is dependent on local sources for their revenue and local economic growth, as increasing property values follow economic growth. Local government is therefore eager to cooperate with business interests and promote policies beneficial for growth. In the U.S. system, the separation between business and government on the local level is not always distinct. In many cities there is a flow of individuals between the political realm and the local business elite, which reinforces the idea that city affairs are most efficiently handled as a business enterprise.

The imperative for economic growth has led some scholars to talk about cities as "growth machines" where local government and business are the two main allies (Molotch, 1976; Logan & Molotch, 1987). It should be noted, however, that the pressure from a "growth machine" is not a universal phenomenon. In states where land use is regulated nationally and local economic dependency on the national government is stronger, the necessary political structure for growth machine development does not exist.

Vicari and Molotch (1990) found scant evidence of a local growth machine in Italy, which probably holds true for the rest of Europe as well. Moreover, major institutions in American cities, such as banks and utilities, have been dependent on the local markets instead of being publicly owned or part of a national network with less dependency on their local base. In Europe, local government is perceived more as an independent and powerful actor embodying the public interest. Capital often forges relationships at a higher geographical level, and provincial elites are less important. The planning framework is tighter and allows local planners less control, which can reduce the influence of local capital.

Returning to the U.S. city, it is in the interest of place-based capital to make substantial investments in the human and physical infrastructure of the locality. Place-based capital includes traditional elements identified as the growth machine: any activity associated with real estate or capital that is dependent on local markets, but also interests that have forged complex cultural and personal connections to localities which may be less obvious from rational self-interest perspective. They often support subsidies like relocation tax breaks that are positive for the "business climate," and public investment in professional sports to enhance the local image, while for example welfare payments are perceived as an additional tax burden without public benefits. However, business interests may at times promote socially responsible policies. The reproduction of the local labor force is often a main concern and the importance of education can serve as a useful example here. Leading business groups, such as the local Chamber of Commerce, are often ardent supporters of public education. Sometimes their willingness to be taxed for the common good of education is greater than the general electorate's. Similarly, this is

often true concerning other taxes designed to improve a community's livability, such as those levied to support parks and recreation. These leading business groups can even be in the forefront as policymakers and legislative supporters for an increase in the local tax rate. This is especially true if a strong institutional structure is in place to promote a general business agenda. As individuals, the members of the elite may have their children in private schools and oppose such tax increases, while their collective behavior can result in another outcome if sufficient structures permit it.

3.3 Local dependency or local autonomy: The city's place in the economy

As discussed earlier, there are different perspectives on the degree of independence for cities in the post-Fordist era. At one end of the opinion scale there is the notion of the autonomous city, and at the other there is the dependent city. In the dichotomy of the global and the local, it is implicit that the researcher stresses one explanation over another to understand urban processes when choosing one of the two levels of analysis. If the global level is stressed, macroeconomic or macrocultural forces are assigned the most explanatory power. Peterson (1981) argues that the economic realities of a globalized economy determine local political action regardless of ideological convictions of the city's decision-makers. Esser and Hirsch (1989) doubt that an independent local economic policy can emerge under post-Fordism, as cities must passively adapt themselves to world market conditions. Of importance locally, they predict, is an increase in political conflict and social movements, especially the reproductive sphere. After globalization accelerated during the 1980s, the tendency was to assume helplessness on the part of localities. Now a local response has emerged, and from a theoretical

perspective, a more balanced picture on the autonomy of cities where the power over development has been localized, but mediated by a national context (Ettlinger, 1994). In contrast to the dependency argument, localists stress structures internal to the city as the major determinants of urban change. The urban regime approach has in the past been overwhelmingly concerned with local politics. Both views, which are not really contradictory but rather two opinions at different sides of a spectrum, have their strengths and drawbacks. Staking out a middle ground, it is often the interplay between macroeconomic developments and local decision-making that shapes the urban environment. We cannot a priori make the assumption that one scale dominates over the other, and sometimes even the two levels can not be adequately distinguished from each other. Capital is dependent on local social relations such as knowledge, labor skills, and proximity to supplier and markets. These factors (which can be influenced by local policy) are "spatially nonsubstitutable" for many, maybe a majority, of corporations (Cox, 1993). The question of mobility versus immobility is reformulated by Cox as one in which dependency is occurring at a certain scale that may be local, regional, or national for different companies or industries. Local actors in a city can have economic interests and connection on levels above the city, and they can also have non-local ideological reference points that influence their behavior locally. This dependency can be changed, and change scale, if the regulatory environment changes.

Not only are there problems and possibilities of combining approaches of different philosophical origin, but also spatial scale interaction must be taken into account. Some considerations must be addressed when an attempt is made to work simultaneously with dual or even multiple geographical levels. Beauregard (1995)

challenges the assumption that the global and the local are two separate spheres, and that local outcome is only a matter of different degrees of resistance towards more powerful global actors. Instead, he proposes a theory where actors on the local level have different geographical reach, thus blurring the rigid distinction between the global and the local. Not only is there a mix of spatial levels operating in the same place where actors have multi-leveled interests, but a constant flux of the actors in place gives us a dynamic picture of the global-local relationship. In essence, Beauregard challenges the "purity" of global and local forces and points out that "after mediation the local is no longer purely local" (1995, p. 241). Beauregard's insights are important to keep in mind when conducting locality studies and can fill an important function bridging regulation and urban regime theory.

If we assume that cities have some autonomy, "it is by securing its institutional base that the city gains power and control over its own destiny" (Knight, 1989, p. 328). Or expressed slightly differently, the local capacity to develop within the global economy is linked to its institutional "thickness" (Amin & Thrift, 1995). Institutional capacity takes time to build and may lag behind rapid economic shifts and tendencies toward new national regime formation. Nevertheless, institutional reform is important to the survival of a regime. The necessity for this reform is often economic restructuring on a scale that is beyond the scope of local institutions. With fewer cities tied to their natural resource base and constricted by their relative geographical location, it has been argued that cities have a greater chance of controlling their own destiny. Naturally, in a post-industrial economy, it is human skills, and therefore the social structures that promote them, that override the importance of natural resource endowments of places. Cities have a chance

to affect emerging locational factors such as amenities, information flows, and education level to improve the city's position in the urban system. Many of these factors are labeled quality of life issues and of growing importance in local economic development (Segedy, 1997).

But the global economy can also leave cities with a fractured economy. If less local linkage exists, local power might be less coherent, which leaves the city in a position as described by the dependency hypothesis. The dependence on global capital and less on local resources has shattered the urban system and the traditional core and peripheries within it (Kantor, 1995). However, as I use urban regime theory as an integral part of my theoretical base, the assumption is that local politics and their capacity to influence local development indeed matters. Conversely, by applying the post-Fordist term to the urban condition, I also set the limits for local autonomy. Here it should be noted that American cities may be less integrated in the global economy than their European counterparts, or most large cities around the world for that matter. The increasingly important service economy has less global linkages in U.S. cities, which may be related to concentration in New York and a handful of other large U.S. cities, and the large domestic market, which discourages global strategies (Taylor, 2003, March).

Stone's work, as well as most urban regime theories originating in political science, is heavily focused on the internal dynamics of regime construction. Some of the factors not accounted for in regime theory are technological changes, ideology, local industrial history, and the locality's place in the spatial division of labor (Feldman, 1997). Today there is a growing body of research that accentuates the influence of non-local forces on regime formation. The appeal of regulation theory lies in its conceptual overlap

with urban regimes; both use institutionally oriented politico-economic systems as models of societal progress. The scope of the regulation approach is broad, as it examines not only traditional economic, but also extra-economic mechanisms, including a variety of institutional factors and social forces (Jessop, 1997). A major difference is that urban regime theory is rational choice-based (Lauria & Whelan, 1995), while regulationists reject a narrow focus on individual action governed by self-interest, which it deems inadequate to explain complex socio-economic relations. There is also the difference in geographic emphasis. Feldman (1997) points out that "regime theory inadequately theorizes connections between local agents and their wider institutional context, whereas regulation theory underestimates the importance of local actors and institutions" (p. 31). Regulation theory originally neglected agency, but a concern with local regulation has necessitated connections with other theories, such as Bourdieu's habitus and Stone's regimes (Painter, 1997). As a classic structure-agency problem, these differences can be bridged by treating urban regimes as socially created entities that amount to more than the sum of their parts.

A spatially informed regulation theory could then be the complementary theory that holds the capacity to not only contextualize local politics within a larger political-economic framework, but also aid in the development of a theory that treats local development as an integral part of a national, albeit increasingly decentralized, regulatory system. The post-Fordist shift has only been contextualized on a local level; so far, no explanations of the development of the local state have been offered, says Jessop (1995), who calls for investigations into how governance failures are perceived by local actors and how those perceptions are translated into new policies and regulation. It is therefore

important to investigate how local governance and regulation interplay, and how they become coupled and intertwined. From this perspective, public-private partnerships, institutional changes, and entrepreneurial governance are expressions of a re-regulation in a period of crisis. Some argue that even if institutional innovation takes place locally, the power of the local is seriously circumscribed in a globalizing world, making an emerging local mode of regulation toothless (Peck & Tickell, 1994), while others see a coherent framework of urban governance as an integral part of a new societal model (Mayer, 1994). In the local post-Fordist economy, there is still a role for government to play, as well as other types of private or non-profit institutions beyond the market itself. Cities "are more significant as nodes and vectors in organizing economic, political and social life than they were during the period of Atlantic Fordism" (Jessop, 1998, p. 79). However, Jessop also adds that no particular spatial scale is favored in the current regime as the nation-state was during Fordism.

3.4 The Fordist urban experience

In order to comprehend the impact of the current national regime on cities, it can be valuable to first revisit Fordist urban development as a geographic expression of a societal paradigm. During that period, the dominant and interrelated spatial trends were suburbanization and urban renewal. Suburbanization and housing were closely connected to Fordism as a new form of mass consumption that could absorb the productivity increases in industry (Walker, 1981). The spatial expansion of suburbs was facilitated by housing and road construction and extended consumption opportunities (Florida & Feldman, 1988). Initially, consumption was held back by the lack of credit availability for

the consumers due to prohibitive interest rates in a high-risk environment. One of the most important innovations in the credit system was insurance for lending institutions in the housing markets. With federal home mortgage insurance in 1934, the government created conditions for a credit market that enabled large segments of the population to obtain home mortgages. The "GI Bill" created demand by putting enough purchasing power in the hands of new households so they could buy new, inexpensive homes in mass-produced Levittowns across America. Federal funding for the interstate system also spurred suburbanization. Transportation became financially favored with gasoline taxes earmarked for highway construction and improvement (Ibid.).

The reverse side of suburbanization was of course the deterioration of the central city. Urban policy became more and more important as a response to some of the weaknesses of this particular path of urban development. Urban revitalization attempts started in the 1940s when cities attempted to be more like suburbs through accessibility (interstates) and physical modernization (urban renewal) (Teaford, 1990). A fundamental part of urban renewal was public housing, which intervened in an area where private investment had failed. It co-existed somewhat uneasily with the suburbanization push created by the mortgage availability and found only limited political support. The Public Housing Act passed in 1937, but only a portion of housing demolished during urban renewal was replaced with new units. Instead, more emphasis was placed on the necessity of redeveloping centrally located business property, which was achieved by the Urban Renewal Acts of 1949 and 1954 (Bauman, 1988). In both cases, city building was one component of Keynesian consumption (Justement, 1946). The economic paradigm supported the planning ideas of the time: to impose rational order on the urban landscape

that speculative capitalism was incapable of through rational planning, regulation, social engineering, and even to control the entire urban hierarchy by creating new cities and regional development. The old laissez-faire city was viewed as inappropriate for modern needs. These ideas underpinned the positions of utopians (Gutkind, 1962) as well as political pragmatists (Udall, 1962).

One question that emerged was who should be in charge of urban development. Intervention from the federal government posed a great challenge to the local power elite. This challenge came in various ways: federal New Deal work programs diminished the role of existing local modes of regulation, disrupted local hiring practices, usurped city and state authority, and drove wage standards higher than the old system was willing to pay. At the same time, federal credits challenged the role of local financial capital. On the other hand, when faced with resistance by local political and economic elites, federal agencies often adjusted their practices, and compromised and incorporated the entrenched local system so as not to upset the status quo. Nevertheless, it was the beginning of a new role for the federal government and local institutions eventually had to adjust to be economically successful. During the 1950s and 1960s, urban political machines incorporated federal financial aid to gain support from a variety of local interests (Wilson, 2000b).

Persistently favorable economic conditions in the nation during the 1950s and 1960s did not eliminate poverty. This realization created an incentive to direct funds to the most needy, triggering a shift away from the comprehensive "social democratic" tendencies in the New Deal, to targeted programs such as the Community Action Programs and the Model Cities program (Florida & Jonas, 1991). Federal aid empowered

marginalized groups, while sometimes alienating other constituents and political players. As an example, early federal anti-poverty support was designed to bypass Southern urban leadership that would actively work against black empowerment. However, the federal government also accommodated critique from local leaders, and less power was left in the hands of neighborhood groups and more at the mayor's office in later programs.

Even if compromises were reached and regimes were formed on the national level, local adoption was not automatic. Not everybody embraced the new social paradigm in the early post-war period at the same rate. Here, a brief case study can be illustrative. Beauregard (1997) shows that in Philadelphia, it was not until financial problems and an image of incompetence, corruption and outdated machine politics plagued the old system that change occurred. Instrumental in the eventual victory of the progressive reformers were the local institutions, especially the planning commission with the power to propose and regulate, and the redevelopment authority in charge of implementation. With the operation of these agencies, "a new mode of social regulation was solidified locally" (Beauregard, 1997, p. 172). The regime was not formed as a governing strategy per se, but to eradicate corruption and urban decline. The logic behind this goal was economic; to compete for prosperity with the suburbs, the city center must be rejuvenated. Not surprisingly, the system declined in the 1970s with less federal support, opposition to large-scale urban renewal, and a new mayor supporting "law and order" in the increasingly racially polarized city. With the system's demise, the local regime in Philadelphia also declined. Urban regimes follow in the footsteps of the national regulatory system, and Beauregard also suggests that this local solidification around the country was necessary for the existence of the national regime.

4. IMPLICATIONS FOR CITIES: NEW STRATEGIES, NEW GOVERNANCE

A wide range of researchers who are not necessarily associated directly with regulation theory have also used the notion of a post-Fordist city to situate economic change, urban exclusion, and new socio-spatial patterns (e.g. Marcuse, 1997); however, it is not always clear how these urban trends are associated with a new post-Fordist regime. The segmentation and polarization in the city—gated communities, homelessness, and so on—may be interpreted as a spatial expression of fragmentation beyond mass consumption, but I believe it is important to distinguish between, on one hand, implications for cities that are spatial expressions of post-Fordism, and the mechanisms and structures that are regime-supporting in a more fundamental way.

Urban patterns of growth and decline can be sorted in the spatial patterns category. During an era of economic reconstruction, such as the transition of Fordism to post-Fordism, it is logical that also the urban hierarchy would be in flux. The emergence of new industries is a spatially uneven process. The consequence for cities is also uneven; some experience rapid population growth, while others find themselves in decline. Currently, a set of second-tier cities are the most expansive growth poles at the moment, resulting in a "flattening" of the U.S. urban system (Markusen et al., 1999). Successful cities usually have one or more of the following economic characteristics: a cluster of innovative industries (especially high-tech); strong government investments; an abundance of headquarters and control centers; strong educational institutions (especially with a research focus); a favorable position in the spatial division of labor; or a diversified economy with a favorable mix of growth industries.

Cities successfully following the transition pattern from an industrial to a post-industrial economy often have a non-industrial base to build on. Perhaps the best example is Pittsburgh, where non-profit sectors such as health care and higher education have been the growth industries and bridge builders to a post-industrial economy together with emerging high-tech industries (Sbragia, 1990). The ability to draw research grants, government contracts, patients and students has become a "city forming" activity for the city's economic base. Pittsburgh also had the institutional thickness that could shape its successful economic development strategy (Lubove, 1996).

Flourishing cities are also attracting people, not just industries (Wolf, 1999). Growing urban regions are often perceived as having a good quality of life. Contemporary urban development, therefore, emphasizes a range of improvements aimed at enhancing the livability of cities. Major components include pedestrianism, new urbanist-inspired planning, historic preservation, museums and the arts, waterfront development, festival marketplaces, sport stadiums, and entertainment districts (Robertson, 1995; Miranda & Rosdil, 1995; Frieden & Sagalyn, 1989). The contemporary style of urban redevelopment is a spatial expression of post-Fordism, not only via middle and upper-class consumption (although consumption not being fundamentally regime-defining as under Fordism), but also through the changing economy. With deindustrialization and increasing mobility, urban redevelopment is supporting a more flexible economic system with livability and quality of life, which is crucial in both attracting business and a well-educated workforce.

It is in this context that the post-Fordist paradigm must be understood on the urban level. Basically, all cities and local governments respond to similar forces; they

operate in the same economy, experience the same need to be perceived as livable, and obey the rules of the same national state. As a new set of policies, institutions and conventions should be at the core of the study of a post-Fordist city. In this chapter, I will outline several interrelated elements of urban governance that are of particular significance for the following empirical study and also crucial elements of a local mode of regulation.

4.1 Competition, entrepreneurialism, and selling the city

The booster spirit has always been a defining attribute of the American city. Since the frontier days, luring investors and residents through image-making or substantial incentives has been the imperative of local independence. Likewise, the incentive for growth has existed since the formation of the earliest American cities. For example, the westward expansion was largely a real estate venture promoted by land speculators with local interests aided by embryonic local governments. The urban system of the 19th century, developed in conjunction with the westward movement of people and the railroads, was inherently speculative; growth was a leitmotif among the local boosters at least as much as today. Einhorn (1991) argues that city interests were unified in the early commercial city, but with continued growth and expansion, interests became increasingly fragmented and the "modern" conflicts arose. Today, a reaction against this fragmentation is evident among the elite, who operate as neo-boosters in a new era of indeterminacy.

After a period of federal involvement in urban development, the tide has again shifted in favor of localism. It is embedded in the logic of post-Fordist ideology to let

cities compete, much like capitalist enterprises, for private as well as public funds. Competition is intensified by the growth of new industries that have not yet developed a strong attachment to the places in which they operate, and by the free flow of capital that makes them unable to do so. The inescapable outcome of urban competition is then to emulate corporate strategies and intensify marketing strategies of cities to attract capital and people (Gold & Ward, 1994; Philo & Kearns, 1993). Cities engage in urban marketing not only through direct advertising but a wide variety of image-making policies. Nevertheless, one should not view this as a wide-open field of competition. Cities progress differently based on historical circumstances; they are path-dependent, i.e. products of irreversible historical processes that make decisions at any point in time constrained by social and economic structures emerging from past decisions. Different places, despite similar educational and socio-economic characteristics, have specialized economies, and future trajectories must always be understood and observed from a particular point of departure.

The increase in inter-urban competition affects cities' development strategies and even the nature of governance. This has forced cities into a new style of governance, which Harvey (1989b) recognizes as a shift from a managerial to an entrepreneurial form of urban governance. The term "New Urban Politics" has also been used to capture a local policy that is growth-oriented, business-friendly, and entrepreneurial in character and that tries to create an environment of local embeddedness. Although first noticeable in Rustbelt cities, there is now "an edgy insecurity at all levels of the urban hierarchy" (Hubbard & Hall, 1998, p. 6) that leads most cities into a similar policy path. This rapprochement of local government and business has often undermined the foundation

for working-class influence in local politics, through political machines or other means. Cities have to negotiate with controllers of capital and provide them with the best locational deal; at the same time, the money flow from the central government to the cities has largely disappeared. The resulting intra-urban competition is largely national in scope. Because of the enormous domestic U.S. market and the fact that global capital (omitting cost-sensitive manufacturing, which tends to be small-town and rural in its locational preference) is mainly investing in a few high-profile American cities, capital flows in the service industries of most U.S. cities is domestic in origin. Entrepreneurial cities, however, should not be viewed as passive players in the contemporary space economy, but the cogs that make it work (Wood, 1998). Urban entrepreneurialism has had a facilitative role in the transformation away from Fordism by making capital more mobile (Harvey, 1989b).

The dictionary definition (*The Oxford American college dictionary*, 2002) of an entrepreneur is a person who assumes the financial risk of organizing and operating business or enterprise. If the enterprise is the city, the risk involved in urban development has shifted towards local government. Common development projects that have private benefits and public multiplier effects include stadiums and convention centers. Such projects become city forming; they attract visitors and act as image-makers. These undertakings are especially potent if they entail competing for a limited good due to regulation and monopolies; two relevant examples, as we will encounter later, are international flights and professional sports teams.

The philosophy behind the logic of urban entrepreneurialism is the idea of market-like competition transposed onto the urban system. This approach has its

problems and limitations. Cities are not equivalent to firms, because resources, human and otherwise, are place-based. A city does not have shareholders with clearly defined, quantifiable stakes, but citizens engaged in a social process. Even if local government can, on rare occasions, go bankrupt, cities cannot cease to exist. What people can do, however, is to migrate. America is a country of movers as a result of the dynamic geographic patterns of growth and decline that are, in essence, encouraged by a laissez-faire approach to urban and regional development.

The emphasis on competition increases the flexibility of competitive places, while the opposite is true for the less competitive. The usual solution for the latter is to be more competitive, conform to market demands. Because of the strong bargaining position of business, cities are forced into a policy of appeasement when there is a widespread fear, justified or not, among the population that jobs are about to leave town. But cities have developed distinct local conditions that are not easily altered. When structures that fit the local social order also must be made compatible with the needs of global capital, it is not unusual that conflicts over development strategies occur. To further reinforce the idea that competition does not automatically lead to one policy, Painter (1998) argues that entrepreneurial governance is heterogeneous and complex in its nature. The resulting policy and development are not in the hands of single individuals or even institutions. Painter stresses the political socialization process in understanding regime formation. Entrepreneurial regimes do not arise spontaneously, but through an "active disciplinary process" (1998, p. 268). Participation in regimes is not simply rational self-interest as assumed in traditional urban regime theory because actors have complex, multiple rationalities for action. Some rationalities may be contradictory, and individuals are

affected by discourses and institutions promoting entrepreneurial governance; as Painter states—"entrepreneurs are made, not born."

One major concern is that entrepreneurial development strategies run the risk of being a zero sum game if solely based on inter-city competition. One city's gain is another's loss, or even detrimental to all municipalities involved if the cost involved in attracting investment is draining city coffers and benefits are speculative at best. In the end, the taxpayers absorb a significant financial risk. Moreover, each city is dependent on other cities not to initiate the same strategy. When the practices of entrepreneurial polices diffuse and are adopted by most cities alike, the marginal benefit of such behavior is diminishing (Leitner & Sheppard, 1998). It is the leaders and not the followers of new urban policy that will reap the benefits.

It has been argued that harmful inter-city competition should be discouraged because it drains local resources and systematically de-emphasizes social equity concerns. Even from a market-based perspective there are imperfections in the entrepreneurial model. Potential success of local growth machines and inter-urban competition leads to a distortion of the spatial economy with investment not being optimally located. Ways to diminish the competition incentive could include national standards on education and welfare spending combined with federal tax equalization. However, such policies would violate the growing localist agenda, which promotes self-control, and implicitly, inter-urban competition.

4.2 State devolution

With the national Fordist institutions less important, local institutions gain relative importance. A changing relationship between the national and local level of regulation is taking place through the processes of state devolution—the transfer of government functions and capacities from a higher to a lower geographical level (Kodras, 1997). An argument for devolution is that power should be located as close to the citizens as possible. Higher-level government functions are considered less responsive.

There are several direct and indirect forms of devolution. First, the size of the federal government itself is reduced in relation to state and local government. Programs that target the local level are reduced or eliminated. The share of municipal revenue from federal sources has dropped from 15.9 percent in 1977 to 4.7 percent in 1992 (Eisinger, 1998). Second, the powers of the federal government are also circumvented by the dismantling of regulations. Market-oriented policies enacted on the federal level can then heighten the tendency towards competition. For example, a little-explored connection exists between deregulation and local urban governance. Third, devolutionary trends between the national government and cities in practice include an emphasis on flexibility. The proper level of government control is increasingly on a lower level. Since the New Deal era, cities have received aid from the federal government, often in the form of grants, that come with various degree of strings attached to bypass state legislatures, which are perceived by cities as rural-biased and indifferent to urban problems. Earlier programs were redistributive in nature and supportive of an expanding consumption norm. Starting in the early 1970s under the Nixon administration, cities were to a greater extent free to use federal aid as they saw fit (DiGaetano & Klemanski, 1999). Community

Development Block Grants became a major instrument in this so-called New Federalism program allowing for more control by local political decision-makers, thus making the local regime more important. The New Federalism aimed at increasing local control with the intent that funds would be redirected from redistributive to economic development activities (Kantor, 1995). This policy was continued under the Reagan and George H. W. Bush administrations and coupled with less federal spending—the withdrawal period of federal government. If the initial trend under Nixon was devolutionary, later administrations, especially Reagan expanded the trend by decreasing funding levels. During the 1980s, federal grants as a share of GDP declined from 3.6 to 2.5 percent (Kantor, 1995). Eisinger (1998) sees a connection between fiscal devolution and the changing emphasis on urban politics away from social reform and redistribution and towards fiscal conservatism and privatization.

Not all places have the financial resources to actively meet the challenge. The stress on low-income municipalities is obvious. Even relatively wealthy, low-tax localities could face fiscal problems and subsequent political turmoil as pressure to finance entrepreneurial development necessitates new regulation on the local level, along with a need to rethink taxation and spending priorities. Government programs are ideally complemented by efforts made by private or non-profit organizations, which are invariably less comprehensive than their government counterparts. As the state withdraws, civic resources should then emerge. Volunteerism is the favored redistributive mechanism and rests on the assumption that local community is real and substantive and adequate resources can be readily mobilized. In order for local institutions to be effective, they must have the capacity to mobilize monetary, political, infrastructural, and

knowledge-based resources. Non-profit organizations are especially important, but such groups are, taken together, rather fragmented and lack the capacity for planning that goes beyond their own institutions. Furthermore, they are non-comprehensive, susceptible to economic swings, geographically uneven, and financially limited (Wolpert, 1997).

Beyond different devolutionary categories, Staehli et al. (1997) see three broader themes in state devolution. The first one related to the relationship between state, capital, and civil society. National policy is realigned with the ideologies of states' rights, government non-intervention, and the preeminence of private property over the public good. The second element is discursive. Lake (1997) contends that business interests have been particularly successful in imposing their policy agenda as the solution to economic problems and "discursively manipulate the meaning of structural crisis to their political advantage" (p. 5). Because the U.S. government only has a moderate influence on citizens' daily lives, its legitimacy is more easily challenged in a time of change. The political right has effectively portrayed the state as the root of societal problems to the extent that such a presumption is commonly accepted in public discourse. Crisis is a condition for debate and realignment, often creating the notion of interest convergence on the local level. Competition pits places against each other, and inevitably local interests will search for commonalties that persist beyond crises. A third and final theme is that the local context becomes paramount in policy formation. Devolving regulation enables policy to take shape on the local level, which has created a new type of high-profile mayor that operates under these circumstances, including Indianapolis' Stephen Goldsmith and Milwaukee's John Norquist. Ostensibly, they make decisions based on efficiency and not ideology with the rationalism of a municipal CEO. Nashville's Phil

Bredesen fits the mold very well—he was even a CEO before elected mayor. When *The Wall Street Journal* (1995, December 8) editorialized on the advantages of devolution, Bredesen was its selection for quotation. Although noted, the impact of charismatic individuals on the development of entrepreneurial cities is, so far, under-researched in scholarly studies (Hall, 1998).

Policies shaped in individual cities can even affect national policy, albeit incrementally. Goldsmith (1999) developed policies as city mayor from a local level pragmatic-conservative perspective—"what works." His ideas were also shaped by interactions with other city leaders who were confronted with similar problems and developed similar solutions. Goldsmith is a good example of policy transmission between geographic scales: he has acted as an advisor to President George W. Bush on urban issues, particularly developing a national policy on so-called faith-based solutions to reform replace public welfare, which took shape from his local experience.

Even if there is a need for new mayors and local government in general to develop closer ties with local business interests, grassroots initiatives become more important as a counterveiling force. Despite the tendency toward fragmentation and elite dominance, the American political system holds opportunities for grassroots political participation because it is less rigid than countries with strong central governments, which tend to discourage local citizen involvement (Leo, 1997). These groups are using place-based strategies to advance the interests of workers, neighborhoods, and other social movements. The new emphasis on locality and neighborhood power appeals to both the anti-statist right and postmodern left, each trying to fashion this local participation into their version of the post-Fordist city. Giving power to micro-local

interests is part of creating regime balance, much like the labor-business accord during the Fordist period. Localism and less government involvement serve the regime and the economic growth objective of the business elite, but at the same time, this philosophy gives rise to another source of power—the neighborhood movement. Political struggles are now taking place in new arenas and locations. While modernism relied on experts, i.e. the professionalization of planning, the trend today is to involve local residents and neighborhood organizations in the process. Process, dialogue, and action combined make up a new model for planning where planners interact with the public and interest groups and negotiate solutions, rather than implementing a traditional top-down approach (Wilson, 2000b). Citizen participation in local politics has expanded from a few cities, such as San Francisco (DeLeon, 1991) and Seattle (Gordon et al., 1991) to those classified as having an entrepreneurial regime. Grassroots groups are especially important political actors in cities that have experienced diminishing elite involvement, a corresponding presence of other types of community leadership, and favorable economic local conditions that have diminished the growth policy imperative but nevertheless result in uneven local development and social equity concerns. Nickel (1995), for example, views Minneapolis as such a city.

4.3 The private-public partnership

Even if citizen participation is increasing, the relationship between government and business is as intimate as ever. However, their interaction is taking new shapes, primarily through the public-private partnership. Partnerships emerged as early as the immediate post-World War II period, but at that time seeking federal money for redevelopment as a

response to urban disinvestment caused by suburbanization (Teaford, 1990). The post-Fordist partnership is a more self-reliant coalition for economic growth or social reform. These partnerships address a wide spectrum of issues that to various degrees are part of a local growth agenda, including housing, neighborhood improvement, waterfront development, the construction of stadiums and arenas, and school reform.

The mutual interest and interdependency between public institutions and other interests in local society must be strong for a partnership to be formed. Each participant must bring unique capacities to the new organization, which will create synergistic effects otherwise unobtainable. The institutional approach to urban development stresses that structural and organizatorial aspects of society are as least as influential over decision-making as individuals (Peters, 1998). Similarly, Stone (1989) was also rethinking power when he posed the question of who has the capacity to act, focusing on the structures that enable agents with the power to do something.

Broadly, a partnership offers legitimacy for business actors and flexibility to the public. The local government can use its financial resources flexibly outside its normal obligations and professional expertise can more easily be sought outside the public sphere. Partnerships are less coercive, which is important in a place or time when government intervention is politically difficult. Also, it is in the interests of local governments to "localize" mobile capital by making it more place-bound through partnerships. Business, on the other hand, can benefit from the regulatory powers of government. In redevelopment partnerships, eminent domain is especially valuable. In a partnership, business can also more easily extract favorable treatment from local government in taxation or other policy fields. As a general rule, the business elite is more

often than not the initiator of a partnership in expanding cities, while government has to play a more active part in declining cities (Keating, 1998). As an example, Sbragia (1990) argues that part of Pittsburgh's success lies in its ability to build a strong public sector in its partnerships with private interests.

As such, Pittsburgh might be an exception rather than the rule for development in American cities. Following the argument made earlier by Lindblom (1977), the partnership is part of the favoritism of business locally. The ideological underpinning is the belief that privatism, the preeminance of private capital accumulation, is central in urban development (Squires, 1991). This explains the junior status of the public component in the partnership and the continued ability of corporations to sustain public subsidies. It also suggests that public policy should serve private interests. This is justified with the assumption that cities are internally undifferentiated and everybody reaps the benefits of growth in a more or less equal manner. When the reality of fragmented interests is strong, the solution, from the perspective of the elite, to overcome fragmentation is to manipulate symbols to create cohesiveness among public and private actors as well as the electorate. Civic pride becomes a vehicle for consensus. Development is portrayed as a technical rather than a political issue and is therefore best handled by the private sector. Cox and Mair (1988) stress the discourse of economic development directed towards the local populace in order to entice favorable growth policies. This also moderates entrepreneurialism and opens up possibilities for local compromise between different interests. For growth advocates, a balance must be struck between pursuing the strongest possible entrepreneurial strategy or aiming for credible arguments that keep possible policy opponents inactive, which projects favorable local

relations to the outside world. This can be termed many things: civic pride, community spirit, local patriotism, but it is in essence an ideological device and can be situated as a part of a larger post-Fordist value system.

There is an ongoing debate in the literature to what extent low-income people also benefit from contemporary urban redevelopment. Economic growth does not automatically mean increased welfare for a majority of the citizens (Logan & Molotch, 1987). Some argue that downtown development has a positive impact on surrounding neighborhoods. Successful rebuilding of low-income neighborhoods in the public-private partnership mold in cities like Savannah, Chattanooga and Cleveland (Gratz, 1989; Johnson, 1995; Suchman et al. 1990) provides some positive examples. But despite some success with non-profit housing networks, a way out of inner-city poverty has not generally been forthcoming. The uneven development between downtown and urban neighborhoods puts the focus on the limited positive spread effects of downtown investment (Keating, 1997). Even if the causes of poverty many times are economic forces and policies beyond the control of individual cities, the role of local actors is increasingly to take some level of responsibility for them. As social policy is becoming localized, the question is what kind of capacities will emerge. Critical voices have suggested that serious social issues, such as democracy, linkage policies, housing for the poor, and neighborhood concerns, are too low on the partnership agendas. Nevertheless, post-Fordist devolution allows business elites to act collectively both out of benevolence and self-interest as they are dependent on social tranquility and reproduction. In conclusion, therefore, the partnership is both a vehicle for the post-Fordist local mode of regulation as well as a central part of many urban regimes.

4.4 Changing elites in the post-Fordist city

So far I have largely treated local business interests as both homogenous and static. That is rarely the case. It is inevitable that leadership changes from time to time. For historic reasons, the members of a power elite are often part of the same generation. If nothing else, retirement and mortality will always take its toll. Such a shift may not, in itself, result in any fundamental changes of the power structure, but simply an intergenerational transference of elite privilege and power that preserves the status quo. More drastic changes are likely if individual member changes are compounded by the rise and fall of industries, a change of the very economic base of a city that ultimately is inevitable in entrepreneurial capitalism. This may be especially dramatic when it happens in conjunction with a broader societal regime shift. The result is likely to be a struggle to reshape governance, rejuvenate the local economy, and a rethinking of the means and objectives of economic development and, from a larger philosophical perspective, the city's relationship with the world around it. New industries and new elites, or at least old elites reformulating their own role in the local economic-political structure, are key features in the local post-Fordist economy.

What is the nature of contemporary elite involvement? A newly diversified economy could potentially lead to segmentation of interests, supporting the argument that urban elite strategies are generally less coherent now. In Buffalo, a city plagued by industrial decline, a more coherent corporate effort to achieve redevelopment took place with the creation of the "Group of 18," which was informal. A vote was never taken, nor a political candidate endorsed (Koritz, 1991; Perry 1990). This was a response to a traditionally fragmented structure without clear corporate leadership, as the city only had

few corporate headquarters and relied on ties to outside instead of local financial capital. This type of business group—more or less official, but often with substantial local power—is frequently cited in the literature. Such institutions include: the Citizen's Charter Association in Dallas, the Phoenix 40 in Phoenix, the Suite 8F crowd in Houston, and the Good Government League in San Antonio (Kantor, 1995; Parker & Feagin, 1990). While these groups represent status quo, business agendas may also demand a top-down approach with direct involvement on the top CEO level where resources can be committed directly. An example would be the 1980s Cleveland Tomorrow, which was made up of the city's top 50 CEOs and played a part in the city's revival (Magnet, 1989, March 27).

In a comparative perspective, a highly concentrated elite group can more easily direct redevelopment efforts. This is one reason why Pittsburgh has been more successful than other old industrial cities with its Allegheny Conference, organized in 1943 under the leadership of Richard Mellon, which spearheaded Renaissance projects and neighborhood efforts (Lubove, 1996). A coherent development strategy can be tied to one-industry dependence, which ironically presents a formidable economic restructuring challenge, but at the same time might provide a solid institutional structure on which to build. The existence of corporate headquarters correlates with the possibilities of elite power over development issues. Industrial ownership regulations, especially important for headquarters development in the financial realm, placed limits on geographical expansion of many corporations, which forced Pittsburgh's Mellon empire, essentially a financial one, to stay in Pittsburgh and invest in the city's future (Koritz, 1991). While

historically important economic development institutions in Pittsburgh were dominated by a few industrialists, today's elite is more heterogeneous.

This change is very much evident more recently in Philadelphia where a relatively small, homogenous clique constituted both the social and economic elite. The business of the city operated with personal ties, and the local financial institutions were squarely placed in the economic center and the elite neighborhoods, boards and institutions as social centers. In Lemann's (2000, June 5) view, it is not an economic bust forcing social change, but instead "the good times are killing off America's local elites" (p. 42). While still prosperous, the power of Philadelphia's elite is severely circumscribed in a time of mergers and diffusion of financial control. Lemann also suggests that coherent elites are only emerging in a few new centers—such as information technology-dense Austin and Seattle—but not in most places. Post-Fordist business leadership is culturally and ideologically different with less attachment to corporate liberalism, which has been reported in places like Boston and Silicon Valley (Jonas, 1996a). High-tech industries with many small firms may be less inclined to form participatory institutions, but that may change as those clusters mature over time.

Finally, the internal spatial structure of cities must be taken into account in this context. Rapid expansion is taking place in the urban periphery, in edge cities and growing suburbs, where commercial development as well as new housing is constructed. Governance and coherent strategies are increasingly difficult in the multi-centered, multi-powered metropolis (Lewis, 1996). In some cases, the region has supplanted the city as the main local territorial unit with expanding infrastructure, fast-paced suburbanization, and the relocation of some important economic activities, including manufacturing, to the

hinterland. Decision-making institutions, both in the political and business realm, are trying to adapt to this regionalization. Local governments are, however, reluctant to give up existing powers, while urban chambers of commerce are often suffering from a legitimacy problem in expansion efforts, as they traditionally represent downtown interests. Regional governance bodies are also hampered by resistance to new levels of government action. If no new, more geographically diverse institutions emerge, power will indeed be more diffuse than in the past.

5. A BRIEF HISTORY OF POLITICS AND ECONOMY IN NASHVILLE

Post-Fordism is situated and understood in direct relation to the earlier regime of accumulation, so as an introduction to the empirical study I will present a history of Nashville with a particular focus on its relationship with the national regime and development of local politics. As with all places, the city's political culture and economic development is a result of both socio-economic practices of the times and historical circumstances that are particular to Nashville. Here, I will cover events and trends that have bearing on the issues discussed in later chapters: the emergence of local institutions; political structures of the city, both formal and informal; and an overview of recent economic trends. The chapter ends with an analysis of a crucial period during the late 1980s when Bill Boner was mayor—the "catalytic" factor of change in the analytical framework introduced in Chapter 1. As such it ties directly to Chapter 6, which expands on another similar element—the business cycle; and also to Chapter 7, which in more detail elaborates on the process of governance change in Nashville with a particular emphasis on the business elite. Figure 5.1 is a reference map of Nashville to which the reader is encouraged to refer during all the subsequent chapters.

5.1 The formative stage: Nashville's place in the South

Two hundred years ago Nashville was a small town, almost frontier-like in character. On the banks of the Cumberland River, it was an outpost economically dominated by land speculators and merchants, as in many other places in the westward expanding nation. The Nashville Basin was well situated with regards to water transportation, and the Cumberland was easily navigable to the Ohio-Mississippi system, which together with

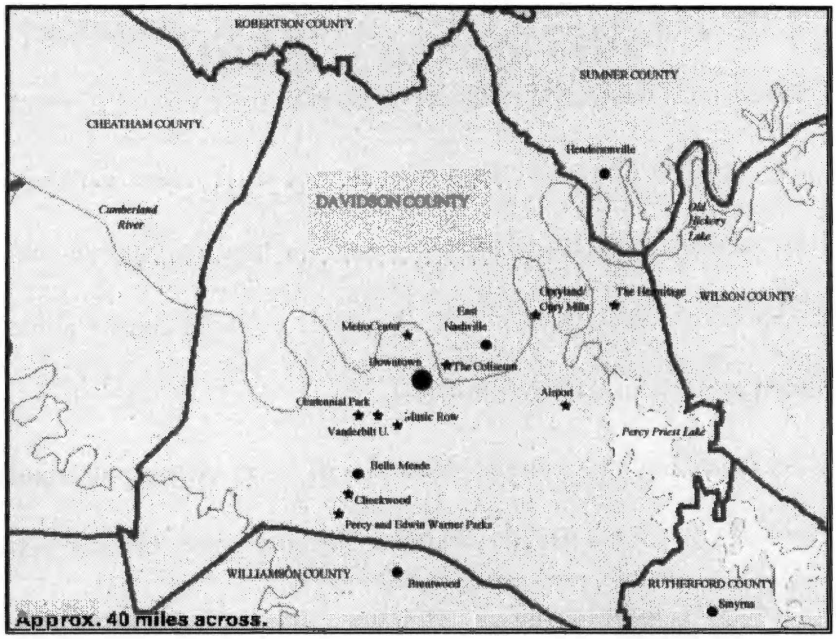


Figure 5.1 Reference map of Davidson County and its surroundings. Basemap: Mapquest (http://www.mapquest.com).

the Natchez Trace and trading rights with New Orleans in 1795, established linkages southward (Corlew, 1990). Around 1800, the region was agricultural, with industry limited to products such as flour milling, lumber and other hardwood products.

The good location made it the eighth largest city in the South by 1860, but the population was only 17,000, an indication of the underdeveloped urban system in the South; Nashville was not among the 50 largest cities in the country (Figure 5.2). The agricultural system of Tennessee and the South in the second half of the 19th century did not spur the development of industrial cities. The South was operating under a different regime than the national model (Wilson, 2000a, 2000b). Wages were suppressed, in part because of the use of black labor, which made the regime less "intense" and mechanizedthan northern industrialization. The planters' support for industrialization was limited, yet overlapping interests in preserving the racially stratified society existed. In

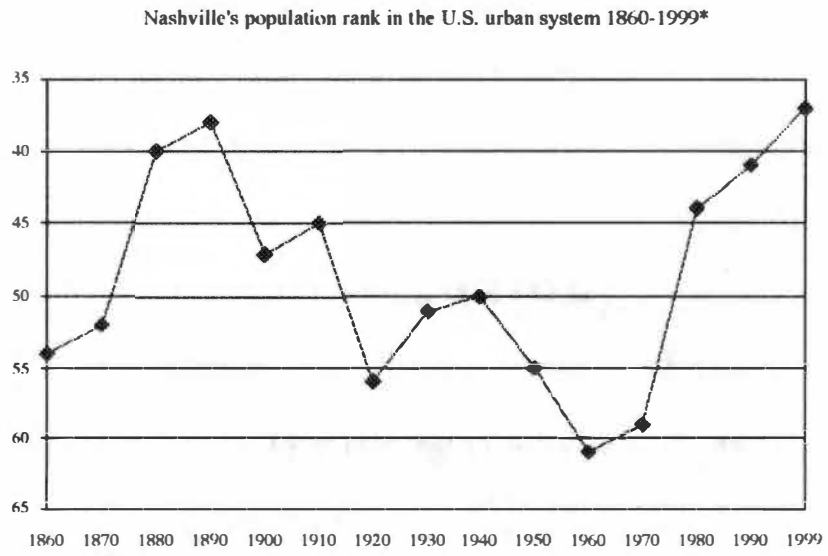


Figure 5.2 Nashville in the national urban system 1860-1999. * Measured by city size 1860-1940 and metropolitan area 1950-1999. Sources: Gibson (1998) and U.S. Bureau of the Census (1950-2000).

this system, consumption was low and sharecropping and yeoman farming were relatively self-sufficient. The result was a lack of a proper urban rank-size hierarchy; instead, many similarly sized cities emerged, each with its own hinterland.

Nashville was such a regional center. New enterprises flourished that would later form the basis of local industry and society. The formation of the Bank of Nashville was the beginning of the city's financial importance in the late 19th century. The Southern Methodist Publishing House spurred an industry that became an important segment of the local economy. Nashville became a wholesale city serving an area from northern Alabama up to southern Kentucky, and early manufacturing produced various consumer goods that mostly served the population in the mid-South region. Agricultural and forest products were refined for local or regional consumption.

While the Nashville Basin originally encompassed both plantations and small farming, after the Civil War the region was less attached to the cotton economy of the South. Pro-union sentiment was not uncommon among the elite in Nashville (Doyle, 1990) and this relatively neutral attitude during the Civil War made contacts with Northern capital immediate and enthusiastic after the war. In the spirit of the New South, Nashville was eager to attract outside capital, industrial development and people.

By 1880, the city was in a midst of a prosperous period and population had almost tripled in 20 years (Figure 5.2). One-fifth of the city's population was foreign-born, with Irish and German as the dominant ethnic minorities. Most of the Irish population worked as manual labor and remained an underclass for a long time, while the Germans were assimilated faster into the middle class, although they retained their separate institutions, such as churches and neighborhoods. Northern industrialists took advantage of cheap labor and a favorable location and established manufacturing plants, often in the textile and apparel business, and distribution facilities in the city. Even if textile production played an important role in the emerging branch plant economy, Nashville never became a one-industry town, and its role as an industrial center always remained moderate. Parallel with outside investment, a local elite emerged in control of the city's financial and political institutions. An investigation into the post-Civil War elite in Nashville (1860-1880) portrays it as more open to newcomers and made up of younger individuals whose residence in the city was of recent vintage compared to more traditional Southern cities, such as Charleston and Mobile. In that respect, Nashville was more similar to Atlanta. The Nashville elite boasted to be self-made men from humble origin. Pedigree

was not as highly valued as in Deep South cities, and business associations rather than exclusive social clubs were at the civic core of the city (Doyle, 1982).

The growth of the city led to some problems. The public finances of the city were extraordinarily bad, both as a result of the Civil War and the issuing of railroad bonds. The city actually went bankrupt on one occasion. Stubbornly low taxes compounded the problem, and city services remained very rudimentary. First Avenue facing the river was dominated by cargo traffic and warehouses, while Second Avenue was commercial. Industrial, residential, and commercial development took place in a haphazard way around the civic core. Rings of slums emerged around downtown; the area south of downtown was known as Black Bottom, and Hell's Half Acre grew to the north, embarrassingly near the state capitol. Affluent Nashvillians were suburbanizing already in the 1870s as a response to the squalid conditions in the center. Both political life and retail trade were originally focused around Public Square and Second Avenue, but with growing suburbanization, mainly westward, commerce was pulled in that direction. East-west oriented Church Street eventually became the main commercial street (Marshall, 1975). Westward expansion produced high-end residential areas centered along West End Avenue.

Perhaps the first serious entrepreneurial effort on the part of the local government was to invest in a private railroad enterprise that connected the city with Chattanooga. It was clear that this new mode of transportation had the power to shape the emerging urban system in the United States, and Nashville was eventually well endowed with connecting railroads, including the Louisville and Nashville (L&N) railroad. The railroad connections helped develop Nashville as an expanding wholesale, distribution, and

manufacturing center. The city continued to grow with the railroad in the 1880s. The L&N, one the most important railroad companies in the South, held a commanding presence in Nashville, both as the monopoly operator of several railroad lines, but also as a political actor with significant clout in the era when railroads were a driving force of the economy (Carey, 2000). Although the L&N was originally a Louisville-owned company, control of the company dispersed after the economic crisis of 1873. By the 1880s, it was in the hands of Northern financiers, as investment capital for railroad expansion was not available in the South.

After a few decades of solid growth, Nashville was struggling to keep up. During the industrial expansion of the 1890s, Nashville's overall position was slipping (Figure 5.2). Its early foundries were not in a position to expand because of the lack of raw materials. Other types of production, such as the hardwood lumber that dominated the east side waterfront, was not enough. Nashville's emphasis on publishing, education, government, food production and distribution was good, but not in sync with the main growth engine of the time. The city did not have natural resource-based heavy industry like Birmingham; neither did it have outstanding river and rail communication like Memphis and Louisville. As the Nashville elite focused on other endeavors—many of the city's banking and finance institutions were established then—heavy manufacturing was not pursued with full force. It has been suggested that the Nashville elite did not focus on industrialization as it was a threat to their hegemony (Hanson, 1960).

When the industrial New South failed to live up to its promise, the city turned to self-promotion—the 1897 Tennessee centennial celebration. Successful expositions had been held in other cities, most notably Chicago, and Nashville was eager to show itself

off as an ambitious Southern city. The centennial exposition was largely an attempt to keep up with competing cities such as Atlanta (Doyle, 1982). The celebration was largely financed by the Louisville & Nashville railroad, which was wrestling with a problematic local image as an arrogant monopolist, creating a need for a favorable public opinion climate to ensure regulatory favors from local policymakers (Coleman, 1990; Egerton, 1979). The Centennial was successful and drew more than one million people. The exhibition centerpiece was a replica of the Parthenon of ancient Greece; the last thing the city wanted to project was a folk theme with "log cabins and coon hats" (Davis, 1967).

It is doubtful that the Centennial itself left a lasting impact beyond a nice city park; however, several institutions had been established that ensured Nashville regional primacy. Nashville in 1900 was an economically diverse city, featuring finance, railroads, manufacturing, and wholesale. This, over time, solidified into one coherent elite drawn from different sectors of the economy. Nashville's elite struggled to live up to the image as the "Athens of the South," which had been firmly rooted in the public imagination at least since the Centennial[8]. By the 1920s, the local elite led by Maxwell House coffee mogul Joel Cheek had achieved a position strong enough to establish the Nashville symphony orchestra and a new music conservatory (Doyle, 1985b). Nashville experienced a cultural renaissance of sorts in the 1920s, much of it tied to its universities. Next to prominent Vanderbilt University, several medical, teacher, and black schools

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[8] Nashville's claim to be the "Athens of the South" was more a reflection of the collection of colleges in the city rather than an outstanding cultural-civic life, although some variations on the origin of the slogan exist. The phrase has been attributed to the president of the University of Nashville (or possibly his biographer), although in the 1820s it was actually coined as Athens of the West (Davis, 1967). It may even go back to native Andrew Jackson who brought some notoriety to the city, and according to some interpretations, "Athens of the South" is a reference to Jacksonian democratic ideals.

existed, including Peabody College, Fisk University, Belmont College, Meharry Medical College, David Lipscomb University, and Tennessee A&I, most of which still exist as relatively small institutions. In two cases, the intellectual environment at Vanderbilt University in the 1920s did have a nationwide impact. The so-called Fugitives championed a style of literary analysis that became known as New Criticism, which made an impression far beyond Nashville and the South. Equally famous, but perhaps less influential, were the Agrarians, an anti-modernist reaction against the societal changes of industrialism and urbanization. The booster culture of the economic elite and the grim urban conditions of Nashville were lambasted[9], idealizing instead the old Southern rural lifestyle. However, both movements had little support in Nashville society or even at Vanderbilt outside a small circle of group members, even if one Fugitive was a member of the owning family of the National Life Insurance Company (Howell, 1988).

Part of the 1920s success was financial: Nashville firms controlled capital throughout the region. Two insurance companies, National Life and Life & Casualty, were established in the first years of the 20th century and later moved on to control assets far beyond Nashville into the Deep South, as well as in Texas and the Midwest (Carey, 2000). The local insurance industry reached its peak after World War II, and the most important institution was probably the financial firm Caldwell and Company. The company's fortune was based on issuing bonds at a time when such financing was rare in

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[9] Nashville's widespread slums, especially near the Capitol, and social disorder gave Nashville the third highest murder rate in the country in the mid-1920s (Wolfe, 1999). Poor living conditions were obviously a long-standing trend in Nashville, which had the highest mortality rate of any city in the United States already in the late 19th century (Summerville, 1996).

the South and owed its success to the unwillingness of Northern corporations to penetrate the region. Caldwell's bond business exploded as urbanization and government infrastructure, Florida real estate, and agriculture expanded in the 1920s (Carey, 2000). The owner, Roger Caldwell, was allied with the *Tennessean*'s[10] editor Luke Lea both in business and politics, usually against the city's machine Mayor Hilary Howse and the *Nashville Banner's* editor Jimmy Stahlman. Caldwell largely financed the local building boom of the 1920s, including the first skyscrapers in Nashville. The downfall of the Caldwell empire was one of the most spectacular in the South; it left Roger Caldwell ruined and his companion Luke Lea in jail for financial irregularities, and brought the Depression to Nashville, which took its toll on the elite. Both the symphony and the music conservatory folded.

After the collapse of Caldwell and Company, which spread to other financial firms in the city, three banks came to dominate the local financial scene in the post-Depression era: American National (later First American), Third National, and Commerce Union. The city's leading financial institutions were intertwined. Third National, especially, had close ties with National Life, including a joint president and largely overlapping board membership. Caldwell's business as a leading bond house was continued locally by Equitable. With a diverse economy, the city came out of the Depression in decent shape. After the New Deal, Nashville's political and economic structures had molded into a power structure with a small group of individuals that

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[10] Called the *Nashville Tennessean* until 1972, when the name was simplified to the *Tennessean*.

controlled local capital and reigned unchallenged for decades, as Nashville's economy was characterized by industrial stability and relatively slow growth well into the 1970s.

5.2 Goo-Goos v. the machine: The politics of urban development in a one-party town

The political history of Nashville is best described as a struggle between two opposing types of forces: the populist-machine and the business-progressive movement. The city's early political leadership grew out of the wealthy segment of the community, yet it was also always dependent on ward-based politics, much like in other cities. But power had its limits—you had to be white, male, and Protestant. Informal organizations, like the American Protective Association, made sure that Catholics and foreigners were excluded from political power (Waller, 1970). Modest industrialization and immigration did not radicalize the local political culture. However, the Irish, with a preference for clannish politics, laid the foundation for the importance of the political machine. The traditionally ward-based politics with Republican control of Nashville that governed with the support of the black population was challenged by a business-led effort in the 1890s (Doyle, 1985a). With at-large districts and voting laws and a poll tax that discouraged both blacks and poor whites from voting, Republican power fizzled. Eventually Nashville got its own "boss:" Hilary Howse, mayor from 1909-1915 and again from 1923-1938. Like many machines, it was based on neighborhood wards that received favors in exchange for votes. Howse controlled a "welfare fund" that could be dispensed to acquire support from key groups in the city. The machine coalition included working-class whites, city employees, blacks, and the important bootleggers and speakeasy owners, as Howse was

first elected on a anti-prohibition platform (Ibid.). Even if political decision-making was not always guided by public interests, public services such as health, schools, and parks expanded for the first time. In the absence of unions with political aspirations, working-class participation in a governing coalition was solicited through, and limited by, machine politics.

Opposing Howse was the white middle-class and parts of the business elite. Inspired by the progressive ideal of the era, they wanted good, "clean" government run by professionals and businessmen that could offer better public services, including education, but that could also deal with social problems[11]. Most of the time, however, the business elite could usually forge a coalition with the machine to ensure that policies did not threaten its economic power. Reformists managed to reintroduce an at-large commission system of government in 1913 to break Howse's ward-based political base. Even though the plan backfired as Howse-supporters won and occupied the majority of the commission seats, the machine collapsed shortly thereafter in the wake of a scandal involving the city's bookkeeping (Doyle, 1985a). The following years were characterized by several administrations, which despite the promises of progress, did not manage to control the political system and run the city efficiently. The fledgling reform movement stalled as inefficient city administrations quickly succeeded each other, and political fragmentation resulted from commissioners guarding their own territory, and an inability to fulfill the promise to control bootlegging and vice. This enabled Howse to come back as mayor in 1923, a position he held for 15 more years. The West End elite was still his

[11] As in other places, good government proponents in Nashville are often referred to as "goo-goos." Unlike some locals believe, the term is not connected to Nashville's sweet treat with the same name.

main opponent, but many business people viewed favorably his capacity to govern after the failed reform years. One indication of the emerging coalition between Howse and the forces of business progressivism was the establishment of comprehensive planning and zoning regulations under a commission influenced by both Howse and business leaders.

The last five years of Howse's mayoral period experienced a new radical outside component in local politics—the New Deal. The Work Progress Administration (WPA) was greeted with political suspicion as it could potentially upset the existing patronage system. It did not help either that the Crump machine of Memphis was the main ally of President Franklin D. Roosevelt and WPA in Tennessee (Burran, 1975). A famous incident was the building of useless malaria preventive storm drainage systems, because under WPA control, money could not be spent as political favors and no worthwhile project could be found that benefited the patronage system. But soon, "WPA learned to work within the existing political structure rather than reform it, and local politicians learned that the flow of federal dollars could bolster rather than erode their political power" (Doyle, 1985b, p. 89). The emerging Fordist state also affected the relationship between business and labor. National legislation strengthened collective bargaining, and the intervention in local affairs by the New Deal state brought a heightened importance to unions in Nashville. National labor policies forced wages up in the South, integrating it in the national economy.

The response to the New Deal from Nashville business interests was mixed. Some within the Chamber of Commerce accepted the new order and praised uniform wage setting and consistent hiring practices, while others, especially local manufacturing interests, were strongly opposed to any expanded labor rights. Good connections in

Congress and the Roosevelt administration made Tennessee a recipient of New Deal funds. The Chamber of Commerce managed to get funding for a new airport and was generally quite supportive of New Deal policies. Franklin D. Roosevelt won overwhelming victories in Davidson County during his presidential races, which also indicates general public support of his policies. The New Deal had further imprints on the Nashville landscape: public parks were improved, especially in wealthy suburban southwest Nashville, which included a new steeplechase track; new high school buildings were partially financed with federal money, something that was necessary as Nashville ranked 16 out of 17 Southern cities in expenditure per pupil (Summerville, 1996); the Public Works Administration built a series of new government buildings downtown Nashville to accommodate the increasing number of public officials; and Tennessee Valley Authority power improved the economy and the local environment as the coal smog in Nashville subsided.

If the New Deal changed the relationship between the local and federal government, World War II brought continued cooperation. Spinney (1998) argues that World War II was a watershed moment for the South. Government military investment and homogenization of the population transformed Southern culture and economy. The Vultee aircraft manufacturer, which was located in Nashville during the war, was a major boost to the local economy. In Nashville, the elite also started to embrace government action when it could improve conditions in the city without eroding its power. The latter was possible as neither blacks or unions were in a position to use government to challenge local elite hegemony. Spinney argues that the 1940s were more fundamental in this regard than the New Deal period. Urban boosterism could continue hand in hand

with expanded local government. Mayor Thomas Cummings, a lawyer and believer in business progressivism, had replaced the Howse machine. Initially backed by the Chamber and the *Tennessean*, he pledged to bring efficiency to local government. In a fragmented government organization, Cummings tried to amass more power in the mayor's office, which earned him the ire of good government forces. These types of realignments and shifts on the machine-progressive scale have been common in Nashville politics throughout much of the 20th century.

The following decades of urban growth and need for services legitimized progressive, efficient government, especially as the belief in scale economics pointed towards the positive aspects of metropolitan government. Like all cities, Nashville changed rapidly after World War II. Development began to occur outside the city limits as infrastructure hitherto only available to urban residents became readily available. The leadership of Nashville began to discuss consolidation of city and county government to better control development. The risk was that local government would become increasingly fragmented, as in the more urbanized Northeast. Wealthy Belle Meade had incorporated in 1938, and in the 1950s a couple other small Davidson County middle-class suburbs did the same. A city commission, including professional planners and Vanderbilt public policy experts, produced a detailed plan for unification in 1956 that called for two taxing districts: the general services district, which covered the county outside existing city limits, and the urban services district with additional services, like fire protection and garbage collection. The entire civic establishment was in favor of the proposal: Mayor Ben West, the county judge (the highest executive officer at the county level), the sheriff, both newspapers, the Chamber of Commerce, the teachers, the League

of Women Voters, and the unions. The 1958 referendum passed in the city, but failed in the county. County voters disapproved for the usual reasons: fear of domination of the city's political structure and tax increases, and rural areas did not perceive consolidation as necessary. Especially middle-income suburbs and rural parts of the county voted heavily against the proposal. Belle Meade and the city of Nashville voted for the proposal, even if some resistance existed in the black community.

The black population had increased in the city of Nashville from 28 percent in 1940 to 43 percent in 1960, and a countywide government would undoubtedly dilute power of the black community. Municipal boundary-making in the South often takes racial overtones (Aiken, 1987), and unification movements and liberal annexation policies in the South may be interpreted as a way to disenfranchise the black voter. Racial politics was rarely part of the public discourse during the unification period in Nashville. But the prospect of a black-majority city was probably a consideration among the white power elite, especially as emerging civil rights legislation would enable the black community to seize the political influence to which they were entitled. (Local census geography has changed since 1960. However, an overlay of census tracts indicates that in 1990, the area defined as Nashville in the pre-unification era would have a black population of approximately 51 percent and a white population of 47 percent.)

After the failed referendum, Mayor West pushed to annex a large area, 80,000 people and 42 square miles, at one time. But the city did not have a plan to provide new services, and suburbs would pay higher taxes with no additional services in the foreseeable future. Furthermore, the city also imposed a tax on suburban motorists using the city street system. These unpopular measures directly influenced a second referendum

for a new consolidated charter almost identical to the failed one. The *Banner* and Mayor West, a sure loser in a countywide election, decided to oppose the plan. This policy pitted West against unification forces in the second referendum, where he tried to rally machine-style support from government workers and blacks, but pro-unification forces were better organized the second time. The driving forces behind the winning Metro campaign were the *Tennessean* and its editor Silliman Evans, and the middle-class dominated Citizen's Committee for Better Government. Unification passed both inside and outside the city limits with the least support in poor city wards, but new district redrawing assured some black influence in the future. As a bait to suburban voters, property in the general services district was taxed lower than property in the urban services district, but both areas shared the same fire and police departments, zoning, and school system. The new consolidated government is controlled by a council of 35 districts and five at-large elected members.

Nashville was one of the first cities to vote for a consolidated form of government, along with Jacksonville and Indianapolis. Unified government brought Nashville to national attention as a model for efficient government. The elite feels that it enhanced the city's reputation, aided in corporate recruitment, and the ability to organize growth and provide services as efficiently as possible. Future mayor Richard Fulton (2000) says he "would not have come back from Congress...had it not been for the consolidated form of government. It allowed the mayor to have a very strong position in helping economic development." However, Hawkins (1966) concludes that the election outcome was the result of several place-specific events more than a progressive spirit. Consolidation passed because suburbanites were unhappy with current services and

because they did not anticipate tax increases in a consolidated city. The annexation threat, however, may have been the determining factor in the consolidation vote (Coomer & Tyer, 1974). Post consolidation surveys indicate that citizens had a relatively positive opinion of the performance of the new form of government (Rogers & Lipsey, 1974).

In the politics of unification, the rival newspapers were very important opinion-makers. Nashville had a vigorous public debate between its two newspapers, with the *Tennessean* regarded as more liberal than the now-defunct *Nashville Banner*. After the Coldwell collapse and former *Tennessean* editor Luke Lea's prison sentence, the outsider Silliman Evans bought the bankrupt paper with federal financial support—a common practice during the New Deal. Not surprisingly then, the *Tennessean* became a supporter of the New Deal, TVA, public planning and progress. The *Tennessean* supported good government candidates, but complex interpersonal alliances made counterintuitive endorsements and positions common. One thing was certain though—the antagonistic relationship between the newspapers led to opposing positions on virtually all social and political issues, as when the ultra-conservative *Banner* supported Mayor Ben West, one of the proponents of desegregation. Evans was succeeded as editor by John Seigenthaler, who despite the newspaper's progressive stance became an ally of the dominant figure in local politics—Sheriff Fate Thomas, the consummate machine politician. Coming from the U.S. justice department under attorney general Robert Kennedy at the height of the civil rights era, Seigenthaler served as editor, publisher and CEO of the *Tennessean* until 1992.

With an increasingly active black student body, Nashville became a center for the sit-in movement during the early 1960s. Resistance occurred from some of the downtown

merchants supported by reactionary, but powerful publisher Jimmy Stahlman of the *Banner*, who provided the wanted media attention (Halberstam, 1998). But black political rights at that point had progressed faster in Nashville than in many other parts of the South with the election of black city councilmen, a mayor sympathetic to reform (Ben West) and a newspaper actively advocating civil rights (*The Tennessean*). Nashville gained a reputation as a city with reasonable race relations by Southern standards, especially after Mayor West embraced the black students' demands. Even if segregation was of a milder form than in the Deep South, Nashville was and remained distinctly racially, socially, and geographically segregated. There have been other high-profile disturbances over the years including the bombing of an integrated school and a controversial busing program (see Chapter 10).

Politically, Nashville voters are now willing to elect black candidates occasionally. Nashville has recently had both a black chief of police and an at-large councilman elected countywide. The white elite stress this as proof of healthy local race relations. The black educational institutions are also highlighted as contributors to opportunities for blacks to advance in society. They say the average black Nashvillian is more affluent than the average black in other cities. A comparison with Memphis has been especially common during interviews with the elite. Memphis and some other peer cities like Birmingham are characterized as having an "Old South mentality." The interviewed make the direct connection between economic growth, a local entrepreneurial pro-business spirit, and racial harmony. It is true that growth politics have

not been intertwined and hampered by overt racial politics, at least since the coming of the interstate, which carved up the heart of black North Nashville[12].

The elite is probably correct on the importance of good race relations. During the civil rights era, investment avoided places of racial antagonism. Cities like New Orleans and Birmingham became synonymous with racial strife, and it has been documented that Montgomery and Little Rock lost investments due to a negative image (Larsen, 1990). The civil rights movement was helped by geographical extension of Fordism, which triggered a filtering down of regime change from the national to the local level. Finding a compromise is in the interest of the local regime. The civil rights forced business interests to choose between segregation and economic progress (Jacoway & Colburn, 1982). The degree to which they did choose reform varied, but over time they all had to. Business leadership could become a driving force for less racially discriminatory practices, as noted by Wilson (2000b) in the case of Birmingham, even if business leaders did not necessarily harbor strong personal convictions of racial equality. Instead, it lies in the nature of a regime to transcend the personal preferences of the individuals involved. The support for the segregated system was intact within the business elite before the civil rights movement, but eroding support for segregation was caused by worldwide negative

[12] Census data paint a slightly different picture than the elite does. First of all, the income gap between black and white is still enormous. The black Nashvillian's income is only 53 percent of his white counterpart and poverty rates are more than three times as high. True, the black population in Nashville is better off than the black citizens of Memphis in many categories—income, income equality, poverty, and poverty equality—but how does Nashville compare to the peer city group? Nashville ranks as number four out of ten (data for Columbus, OH missing) in black income, sixth in income equality between black and white, third lowest in poverty rates for blacks, and fifth lowest in poverty ratio between black and white. Thus, Nashville appears to be only average in its peer group regarding racial economic equality. Source: Summary File 3 in FactFinder (income data for 2000) and Social and Economic Characteristics (poverty data for 1990). All data are for entire counties.

reaction to the events in the American South (Ibid.). Commercial and industrial leaders were the first ones willing to forge a compromise with civil rights organizations, and eventually were successful in creating a more inclusive local political system. A reasonable parallel is the political machine in Nashville, which encouraged black voter participation, not because of a moral sense of what was right, but as a tool to control power.

After World War II, Nashville was ready to accept the new relationship between local and federal government in other ways as well. Nashville was an early participant of federally supported urban renewal programs. The redevelopment of the Capitol Hill area once known as Hell's Half Acre was the first grant to be submitted after the passage of the Housing Act of 1949. The Metropolitan Development and Housing Authority (MDHA), a quasi-independent authority that operates with federal funding for most of its $50 million annual budget and is responsible for public housing and urban renewal projects, oversaw the cleaning up of the shanties and the development of a parkway encircling the northern edge of downtown using public and private money.

The first mayor in the unified Nashville-Davidson County, Beverly Briley, took office with the support of the *Tennessean*. Briley became a champion of expanding government services, downtown redevelopment, and good relations with the federal Fordist government. Nashville congressman Richard Fulton was a young Kennedy liberal that supported these urban improvement efforts, and John Seigenthaler was a behind-the-scenes member of the Kennedy family's Camelot political circle. Nashville received federal funds at a level well above larger cities (Doyle, 1985b). During the Great Society era, Nashville continued aggressively to seek federal grants and was a first-round Model

City, although the process between courthouse, HUD, and citizen committees of black North Nashville was not smooth (Gates et al., 1975). Downtown was reshaped during the 1960s and 1970s with new skyscrapers. The local financial institutions wielded strong influence in the urban renewal reshaping of downtown Nashville (Nelson, 2001). With the help of the city's condemnation powers, private interests could consolidate entire city blocks to build hotels, office buildings, and bank headquarters, such as First American (1971) and Commerce Union (1979). The corporate headquarters built during the era of urban renewal were often financed by the insurance companies, who also spent extravagantly for themselves; the Life & Casualty tower was the tallest building in the South.

The electoral system sets the parameters for development policies in a city. Nashville has a strong mayor system with significant budget and appointment powers. The mayor appoints most committees and commissions. Metro government has a civil service tradition where eight executive department heads are ostensibly appointed on a non-political basis. Only the finance director and legal director are automatically reappointed when a new mayor is elected. In addition, there are semi-independent boards, such as the Board of Education, the MDHA, and the Metropolitan Nashville Airport Authority (MNAA). The mayor proposes a budget and the council responds to it. If the council cannot agree on a different budget within a month, the mayor's proposal automatically goes into effect as the budget. However, the 40-member council that governs Metropolitan Nashville-Davidson County, one of the largest in United States, is

seen by many as too big and unwieldy[13]. It takes strong parliamentary skills on the mayor's side to maneuver such a large political body. Different mayors have shown varying degrees of aptitude for doing so. Neither can the mayor rely on stable coalitions in the council to simplify negotiations. Coalitions tend to be ad hoc, and they have been shaped and reshaped constantly. Alignments on issues arise, but no black caucus or steady affiliations with business or unions beyond individual council members have existed (Scobey, 2000). Recent term limits have also reduced the capacity for durable legislative coalitions. There have been no significant moves to reduce the size of the council. A Chamber-sponsored study reviewed the charter to see if a reduction would enhance efficiency, but the consensus was that the advantages of small districts—door-to-door campaigning and the closeness between the citizens and their government officials—outweighed the negative aspects (Cate, 2001). District councilmen are interested in their own constituency, so they trade support for pet projects. This type of informal trading has been institutionalized to the extent that the council defers to the wishes of the councilman whose district is affected by a certain development proposal. This is referred to "councilmanic courtesy" and under that system, councilmen introduce zoning changes themselves, which are virtually guaranteed to pass. Obviously, such an arrangement makes proper urban planning problematic and the system prone to corruption, which has been alleged from time to time (Scobey, 2000). Real estate and construction interests can especially benefit from having individual councilmen on their side. Outside the council, there are various political organizations that endorse and

[13] Mayor Beverly Briley, in a politically incorrect manner, once described the council as "forty jealous whores" (Dobie, 1990c).

sponsor candidates: the black community (Davidson Independent Political Council), business (Chamber of Commerce), labor (various unions, among which the Metropolitan Nashville Education Association has a reputation as a power broker), to name but a few. The mayor and council are elected to four-year terms in nonpartisan elections, as the metro government was established without primaries and party alignments. Nevertheless, most leading politicians are affiliated with the Democratic Party. The string of Democratic mayors exemplifies this better than anything else (Table 5.1). Nashville has also retained its Democratic leanings in national politics. Davidson County has tended to vote more Democratic than the U.S. average in all presidential elections since 1972.

Aspiring local politicians align themselves with the Democratic party to be electable, but they do not have to commit themselves strongly to partisan politics, which enables them to solicit support from conservative, well-moneyed, Republican groups (Cate, 2001). The one-party system originally designed to exclude blacks from the political process has outlived its original purpose. Yet it persists; partly because of

Table 5.1 Important Nashville mayors in the twentieth century.

Mayor	Mayoral period
Hilary Howse (D)	1909-1915, 1923-1938
Thomas Cummings (D)	1938-1951
Ben West (D)	1951-1963
Beverly Briley (D)	1963-1975
Richard Fulton (D)	1975-1987
Bill Boner (D)	1987-1991
Phil Bredesen (D)	1991-1999
Bill Purcell (D)	1999- present

institutional inertia, but also because Nashville leans towards the Democratic Party demographically (a combination of minorities, urban white middle-class liberals, young singles, union employees, and public employees). Encouraging Democratic Party dominance is also the fact that Nashville has become a one-newspaper city, which is, generally speaking, liberal-Democratic. The accommodation between the Republican business elite and the Democratic political establishment has been made rather well without much hostility or open disputes[14].

Nobody exemplifies the balance of local politics better than Richard Fulton. As one of only three Southern Congressmen to vote for the Civil Rights Act of 1964, he formed a strong relationship with the black community in Nashville. Fulton also took other un-Southernlike stances when he opposed the Vietnam War and voted for Medicare. As a pragmatic politician the Chamber made him an ex officio member of the board when he became mayor, with a representative from the Mayor's Office attending. His close ties with the union movement helped maintain a three-part political balance: the "silk-stockings" of West Nashville, his natural East Nashville working-class constituency, and the city's black population. Fulton could be a "Kennedy liberal" in Congress and then a more centrist mayor because of the different roles, rather than changes in personal ideology (Fulton, 2000). This balance represented the state of being

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[14] The confessions of a pragmatic Nashville politician, George Cate: "I ran as a vice-mayor with the support of the *Tennessean*. I would regard myself as rather middle-of-the-road politically. It has helped me to campaign pretty aggressively within Republican circles although they knew I voted in the Democratic primary. But I have not held an office as a Democrat. But they probably felt reasonably comfortable with me and I with them, and I preferred it that way. For example, my campaign manager was openly active in the Republican Party. So you see, alignments like that are taking place in campaign committees and organizations. But I always voted in the Democratic primary, partially because if I wanted to have a voice in local government; and in those elections that are governed politically, I vote where my vote matters" (Cate, 2001).

in Nashville for a long time, where West Nashville has not been very successful in electing their own candidates, not that they have tried very often. Until Northern-born Phil Bredesen was elected in 1991, all mayors in the Metro era had been native Nashvillians with East Nashville roots.

5.3 The post-industrial local economy

Nashville is often characterized as a commercial rather than industrial city. This perception is common as Nashville is not dominated by any large industry, and it is not a city with large industrial headquarters. Furthermore, Nashville's manufacturing sector is not based on steel and metals industry. Instead, some of its prominent 20th century manufacturers include: Genesco (shoes), DuPont (chemicals), Vultee (aircraft), May's (hosiery), Aladdin (thermos), and Werthan (packaging). As an industrial cluster, printing and publishing was probably the most important aspect of Nashville manufacturing. Most of these companies grew during the 1920s manufacturing boom, and some were established by northern management and capital bringing unionization and higher pay, which moved the city closer to the national norm. Before the post-industrial transition, a third of the Nashville workforce was employed in manufacturing, down to approximately one in ten today (Table 5.2). Instead, business services, health care, and retail have become major employers. The post-industrial shift is mirrored in most of Nashville's peer cities, as County Business Patterns data indicate. Louisville and Indianapolis have been the most manufacturing-oriented cities in the group for several decades, but even so, their employment in manufacturing is only 15-16 percent today. New Orleans has consistently

Table 5.2 Employment trends in Nashville-Davidson County 1966-1996.

	1966	1976	1986	1996
Construction	**8.2**	**7.0**	**7.2**	**5.1**
Manufacturing	**33.0**	**23.8**	**17.0**	**11.0**
Printing & Publishing	*4.5*	*3.9*	*3.7*	*2.8*
Transportation	**5.7**	**7.6**	**6.1**	**7.3**
Wholesale	**8.5**	**9.6**	**8.6**	**7.8**
Retail	**16.7**	**18.6**	**18.8**	**20.5**
FIRE	**7.9**	**7.9**	**9.0**	**7.3**
Insurance	*3.6*	*2.6*	*2.0*	*1.8*
Banking	*2.1*	*2.0*	*1.7*	*1.9*
Services	**19.2**	**25.0**	**31.8**	**40.5**
Business services	*1.6*	*4.3*	*6.0*	*7.1*
Health care: hospital	*2.3*	*3.7*	*4.9*	*6.4*
Health care: other	*1.2*	*3.9*	*3.4*	*4.8*
Education: college	*4.2*	*2.7*	*2.3*	*3.0*
Education: non-college	*0.6*	*0.7*	*0.6*	*0.8*

Source: U.S. Bureau of the Census. County Business Patterns (various years).

been least dependent on manufacturing, while a couple of cities, Oklahoma City and Raleigh-Durham, are not distinctly less industrial than they were in the 1960s.

Many of Nashville's old manufacturing companies still exist, even if their contribution to the local economy is modest. Instead, a new group of corporations has emerged since the 1980s. Bridgestone/Firestone, the world's largest manufacturer of tires, has its U.S. headquarters in Nashville, lured from Akron, Ohio in 1992. Nashville's central location with respect to other company operations—two Tennessee manufacturing plants—as well as a new airline hub were cited as reasons for Bridgestone/Firestone to choose Nashville. MagneTek, a Fortune 500 manufacturing corporation of electrical equipment, relocated its corporate headquarters to Nashville from Los Angeles (one of the few choosing a downtown location instead of a suburban "corporate campus"). Dell computers took advantage of a tax subsidy offered by Nashville and the state to establish a major manufacturing plant in Davidson County in the late 1990s. The automotive industry is important in the MSA with a Nissan plant in Smyrna, Saturn in Spring Hill, and truck manufacturer Peterbilt in Dickson. Several auto suppliers exist in and around Nashville. The recent trend has been that Davidson County is the leading job creator in the MSA, but several surrounding counties attract more new manufacturing industries than Nashville both in absolute and relative employment terms.

Traditionally, banking and insurance has occupied a powerful position locally, but the number of employees in those industries has diminished. The presence of locally owned banks, insurance companies and investment banking houses helped finance many growing local companies. The 1960s saw the birth of important companies, including Kentucky Fried Chicken, Service Merchandise, Shoney's, Ingram Books, and Hospital

Corporation of America (HCA), the largest private hospital management company in the world. As these companies matured (and in some cases declined or relocated) they contributed to Nashville's growth in the 1980s and 1990s. Especially the size and scope of HCA (about 200,000 employees worldwide in mid-1990s) is unparalleled in Nashville's corporate history. HCA and Vanderbilt's medical school have been instrumental in the emergence of an important and innovative health care cluster in Nashville. More recently, money from venture capitalists Massey-Burch started Correction Corporation of America (CCA), another Nashville enterprise that, like HCA, is pursuing profits in an area previously controlled by non-profits or the government. Other large corporations of recent prominence include Dollar General Stores and Central Parking (the latter has gone international, like HCA and CCA, with 17,000 employees worldwide). The CEOs Cal Turner and Monroe Carell are leading corporate givers today, and Dollar General is developing a training center near a housing project in a black South Nashville neighborhood.

One of the corporations that has benefited from ample financing opportunities in Nashville is Ingram Industries, a conglomerate with a traditional emphasis on wholesale book distribution. The Ingram Book Group division is the world's largest distributor of general interest books. If Ingram is secular in nature, most of the printing and publishing business in Nashville is not. Nashville can claim to be the "buckle of the Bible belt" as a center of religious publishing, including the world's leading Bible publisher Thomas Nelson Publishers (Longino, 1984), and the wide range of religious organizations headquartered in the city. LifeWay (formerly The Baptist Sunday School Board), the Gideons, and the United Methodists Publishing House offer a wide range of Christian

books and publishing material. Denominational headquarters include the United Methodists Church, Southern Baptist Convention, and Presbyterian Board of World Missions. Church-sponsored colleges, including the prestigious Vanderbilt Divinity School, and smaller colleges, including Belmont College, also contribute to Nashville's role as a religious center. The Chamber likes to portray Nashville as a strong university region with over 80,000 students. Their definition of the Nashville region is rather liberal though, and four-year universities within the MSA have a student body of approximately 46,000.

Today, the city is widely known for its music industry. The industry cannot readily be measured according to standardized classifications, but information from the Chamber tells us that the entertainment industry employs 25,000 people in Nashville, of which 5,500 are union musicians. The music industry is integrated into a music, entertainment, and tourism complex, which is a fundamental part of Nashville's economy. First and foremost is the Grand Ole Opry, which was developed by National Life as a vehicle for advertising (see Chapter 8). In 1983, National Life's entertainment properties were purchased by the Oklahoma-based Gaylord Entertainment, now a focal point in the music industry as well as in corporate Nashville. It is not directly involved in recording, but through ownership of the suburban Opryland complex (including shopping mall, hotel and conference center, and the Grand Ole Opry), The Nashville Network cable television, Country Music Television cable channel, it is the giant of the country

music-oriented tourist industry[15]. It is the second largest employer in Nashville, behind Vanderbilt (Table 5.3). Gaylord Entertainment has added downtown investments such as the Wildhorse Saloon and has part ownership of the National Hockey League's Nashville Predators.

The emergent mix of industries documented above started to affect Nashville's growth pattern in the early 1980s. Nashville employment growth shows a dramatic shift from the 1970s to the 1980s (Table 5.4). During the period 1976-1980 Nashville's growth ranked low in comparison to 60 other MSAs. Especially downtown had a hard time

Table 5.3 Ten largest Nashville non-government employers in 1999.

Employer	Local employment
1. Vanderbilt University and Medical Center*	10,417
2. Gaylord Entertainment*	6,602
3. Kroger	5,199
4. St Thomas Health Services*	4,943
5. BellSouth	3,203
6. First American Bank (now AmSouth)	3,121
7. Baptist Hospital*	3,007
8. The Aerostructures Corp. (formerly Vultee)*	2,875
9. Ingram Industries*	2,562
10. Bridgestone/Firestone**	2,538

Source: Nashville Business Journal (1999).
* Corporate headquarters in Nashville. ** U.S. headquarters in Nashville.

[15] Gaylord Entertainment has recently endured what can best be described as an identity crisis with frequent buying and selling of various assets. Several of the dominant corporations in the city also had problems of different kinds: HCA, mired in Medicare fraud allegations, had to negotiate a settlement with the U.S. justice department; Correction Corporation of America was less profitable than expected and charges of mismanagement also surfaced; and Bridgestone/Firestone suffered after faulty tires caused several accidents. Overall, Nashville's fast-paced development of the 1990s has recently been severely cut back.

Table 5.4 Nashville's employment growth rank of the 60 largest U. S. metropolitan areas.

	1976-1980 rank	1980-1986 rank
Nashville MSA	45	6
Nashville-Davidson Co.	44	10
CBD	55	5
Nashville-Davidson outside CBD	29	16
Suburban counties	29	8

Adapted from Linneman and Summers (1993).

creating jobs and economic activity. The figures for the 1980-1986 period, which represent a new business cycle, show a stark contrast. Now, the CBD is the driving force of the local economy. Other areas of the metropolitan region are also performing well. For both time periods, however, jobs were suburbanizing in Nashville at a higher ratethan the national average (Linneman & Summers, 1993). This means that a common geographical urban pattern was developing in Nashville: strong downtown development, less dynamic picture for the rest of the central city, and booming suburbs.

Economic success coupled with greater cultural acceptance of country music nationwide created a newfound confidence in Nashville. The city's optimism was boundless. Nashville even made a bid to host the 1996 Olympics (which was later awarded to Atlanta). With strong population and economic growth figures, Nashville was on the threshold of becoming a major city. But as some of the problems of growth became more apparent, a sense of urgency developed and it was assumed that decisions that are taken now would determine the future direction of the city. Its economic success

aside, Atlanta was considered the anti-model. Crime, traffic, and the obliteration of history were features of the feared Atlanta-style of development. In 1985, Bill Boner, then Nashville's representative in Congress, said: "over the next eight or 10 years you will see Nashville grow at a more rapid rate than it has ever grown, and that means we are at a crossroads of whether we are another Atlanta that winds up being another hodgepodge that has not been properly planned" (Paine, 1985, p. 21). In truth, Nashville never made any serious attempt at controlling sprawl beyond rhetoric during the 1980s, and only modest progress has been made since. The institutional capacity to address such issues is low. What has happened, though, is a thorough restructuring of governance to manage economic development. But before that could take place, there was Bill Boner.

5.4 Bill Boner: A name rarely spoken out loud

After 12 mostly successful years, Richard Fulton left the mayor's office in 1987. His successor Bill Boner was typical mayoral material—from humble East Nashville background and with a populist approach to politics. And like Fulton, Boner came from the U.S. House of Representatives to the mayor's office. Many of his aides also came with him from Washington. Boner's mayoral run was largely supported by the old business establishment, as he represented continuity and status quo within the local political system. His opponent, Phil Bredesen, was not only an outsider, but also independently wealthy, without any direct connection with the local establishment, and considered a "wild card," a potential disruption who might purse his own strategy independent of the existing political structures. One anonymous prominent Belle Meader

was quoted as saying: "we decided to vote for [Boner] because he would be easier to control than someone with money" (Rogers, 1990b, p. 50).

Boner arrived as mayor with a questionable ethical reputation after his time in Congress. His four mayoral years came to be characterized by political impasse and tainted by personal controversy. In his defense, he came into the mayor's position exactly at the wrong moment; real estate hit crisis mode and the overall economy was shaky after Wall Street took a dive in October 1987, only months after Boner's electoral victory. The Metro government's finances—dependent on sales taxes and property taxes—were vulnerable to recessions and faced sudden problems in tax collection and budget balancing. The 1988-1989 budget saw a deficit of $4.3 million. The citizenry was upset as the necessary property tax increase was 89 cents, the largest in Metro history. It is also common practice for a mayor to engage in frivolous spending towards the end of the last term, so it did not help that Mayor Fulton's last budget was in part financed by a reserve fund (Rylan, 1989). Fulton also gave a significant pay increase to city employees phased in over three years, leaving his successor with the question how to finance most of it. If faulty revenue predictions[16] were not Boner's doing, his expansion of the public sector—the number of city employees increased 6.5 percent during Boner's first year—was probably timed poorly.

At the same time, the nature of local politics started to change. The citizens became more emboldened and capable of asserting their views in local decision-making.

[16] The city's Board of Equalization oversees property tax assessments and negotiates with property owners who want to adjust property value. The board makes a projection about tax revenue and reports it to the budget committee. Especially in a time of economic decline, the board is under pressure to lower the assessed value, which was one cause of the fiscal deficit of 1988-1989.

The conflicts of growth that became obvious during the 1980s fragmented the council and city politics. Especially the antagonism among neighborhoods and development interests became more politicized than in the past, and the once obscure councilmanic courtesy was suddenly derided as the leading obstacle to proper growth control (Smith, 1989, March 7). These conflicts thrived as Boner was unable to maintain control in the relatively open political system where the balance between the large council and the mayor is not automatically given. The city council's newly expressed preference for independent-mindedness meant that "the members are more interested...in getting their way and having empires and little fiefdoms than it used to be" (Honick, 1990, p. 36). Political insiders noted that Boner was not as good as earlier mayors in dealing with the council and forging compromises with individuals or small groups of council members as necessary in the existing political system (Cate, 2001). As various political issues remained unsolved, most people grew restless with Boner and local politics. In a citizens survey, the Metro government's performance decreased from a 2.2 rating (on a four-point scale) in 1989 to 1.5 in 1990. The inability of the mayor and the city council to cooperate was frequently cited. Those who gave Mayor Boner a "poor" rating increased from 16.7 percent in 1988 to 37.5 percent in 1990 (Saponar, 1990, July 16).

Boner had allies within the economic elite whose idea of governance was shaped by decades of political practice. But, eventually, the business community en masse came to perceive Boner as a liability. The concerns of business interests in Nashville are listed in Figure 5.3, which is based on a 1990 survey of more than 100 business leaders. In addition to local political leadership as the number one problem for the city, 50 percent also agreed that the lack of leadership extended into the business realm. As discussed in

1. Local political leadership
2. Banking environment*
3. General economic slump
4. Availability of qualified labor
5. Education
6. Environment**
7. Rising cost of doing business
8. Depressed real estate market
9. Need for better attitude and image for city
10. Growth planning/attracting business

Figure 5.3 Most pressing issues facing Nashville businesses in 1990.
Source: Nashville Business and Lifestyles (1990a).
* Including tight credit, high interest rates, instability and uncertainty, and difficult relationships with banks. ** Mostly referring to a landfill issue, controversial at the time.

the next chapters, Nashville was experiencing a fundamental crisis of governance. Figure 5.3 is a good guide to the issues that converged at the time and produced a response from the business elite.

Politics was not the only source of dissatisfaction with Boner. After tax increases, landfill problems, real estate crisis, and a national recession, Boner's approval ratings were already abysmal when the mayor's personal life became an all too public topic[17]. When Bill Boner decided not to run for a second term, a collective sigh of relief could be heard from the business elite. The fact that the city was going to have a new mayor

[17] The following story has to be retold to understand the reaction that followed. Boner, who was still married to his third wife, announced his engagement to nightclub singer Traci Peel, who subsequently in an interview with the *Banner* discussed the couple's sex life in detail. The highlight was the October 16, 1990 episode of the nationally syndicated *Phil Donahue Show,* where the couple debated Nashville media representatives. As a grand finale to the show, Boner accompanied Peel on the harmonica as she sang "Rocky Top." The *Banner* called for the mayor's resignation. The possibility of mayoral recall was raised but, as it turned out, constitutionally impossible. National media could not resist the story, which was dubbed a "Grand Ole Soap Opry" (*Time*, 1990, October 29). See Pinkston (2001) for an analysis of the events.

seemed more important than who it actually was. The radical break in style offered by health care CEO Phil Bredesen, who was elected over former councilwoman and neighborhood activist Betty Nixon, was viewed favorably, however.

In interviews with several members of the business elite, five themes emerged in the assessment of the Boner period. First, Boner offered no leadership in a time period when the city needed it. He was a politician whose main goal was to be elected, but when in office, he could not clearly articulate a comprehensive political strategy. Boner had been socialized politically in an environment where the goal was to help people in a very direct manner, either by providing them with employment in the public sector or steering them through the city's bureaucracy. This political style was increasingly obsolete and resulted in a power vacuum on the public side of governance. Second, it led to discord and fragmentation in the city. A rise in political pluralism (or divisiveness, depending on one's perspective) was not for the good of the city, at least in the minds of business interests. The cohesiveness of the community, as they see it, was crumbling. Different political agendas of business, various segments of local government, neighborhood activists, and the general public were voiced frequently in the public debate and de facto encouraged by Boner's lack of unifying leadership. He had even driven a wedge into the business community between Boner supporters and opponents. The general feeling of the direction of the city was one of malaise, which was in fact the word choice of more than one interviewee. Third, the Boner period still exerts a powerful influence on the Nashville self-perception. What was an embarrassment at the time has become an unfortunate episode, which yet had catalytic qualities to it. During the interviews I conducted, interviewees generally avoided saying the Boner name, as if speaking it could

be a curse, a jinx to the current success of Nashville and best avoided. He was instead referred to as "the mayor at the time," or even, "the not-so-good mayor," leaving the obvious deductive identification to the listener. Perhaps it reveals an uncertainty about the political maturity of Nashville and the fear that a new Boner could come along. In any case, it is the duty of the local elite to suppress anything that hints to an outsider that Nashville is a peculiar, tacky place that cannot be taken seriously, which is the essence of the fourth theme—image. In the competing notions of what Nashville ought to be, the Boner experience was a clash in the intersection of political culture and economic development: Boner "had his own style, his own way of doing things. It was not the optimum style for projecting Nashville to the world as a competitive business center" (Hunt, 2000). Finally, Boner had become an obstacle for the city and its economic progress. Sometimes the political friction during the period is translated as having a negative influence on Nashville's economic progress. Resources could not be pooled efficiently, and urban boosters could not overcome the impression of Nashville as a politically inept city when the imperative for local economic prosperity was public-private cooperation. Therefore, not only Bill Boner, but also the politico-economic order that he represented, had to be discarded. The period became a break point; political praxis that bore strong semblance to classic urban machine politics was viewed as, if not entirely corrupt, inefficient and inappropriate for new times that demanded a new relationship between city government and local business. The city's elite was ready to open up culturally and embrace change; "the way we've always done it" is not necessarily best in a changing economy. Boner represents the political side of catalyst argument. I will continue next with the economic.

6. BUSINESS CYCLES AND THE URBAN REGIME

6.1 Introduction

The goal of this chapter is to show how the economic downturn of the late 1980s and early 1990s created an impulse for economic and political changes in Nashville. First I will investigate the character of the recession and link national economic cycles with local urban change, both in Nashville and other places. Second, I will examine the response of the elite to economic crisis. Particular attention is paid to the involvement of the elite in real estate, because the failed real estate economy of the 1980s was a product of overinvestment in the emerging infrastructure of the post-Fordist service economy, particularly office construction. I hypothesize that the entrepreneurial regime that developed in Nashville is a response to the real estate losses that reverberated through the Nashville economy in the post-1987 economic downturn. This suggests that Nashville needed a long-term growth strategy and to establish an institutional framework to guide it in the new economic environment, something that was not in place in the 1980s.

The periodical nature of the economy is a distinct feature of capitalism. With some regularity, investment, profits and employment move in long cycles over several decades and in shorter cycles spanning only years—the business cycle. The U.S. economy expanded from 1983-1990 and then again from 1992-2000, the two latest business cycles (Figure 6.1). In general, a local business cycle will correspond to national trends, but sometimes significant differences between cities are detectable. Inter-urban divergences are largely dependent on the differences in the economic base, and economic forces specific to each industry. The time lag of the business cycle over space can be crucial for investment patterns in specific cities.

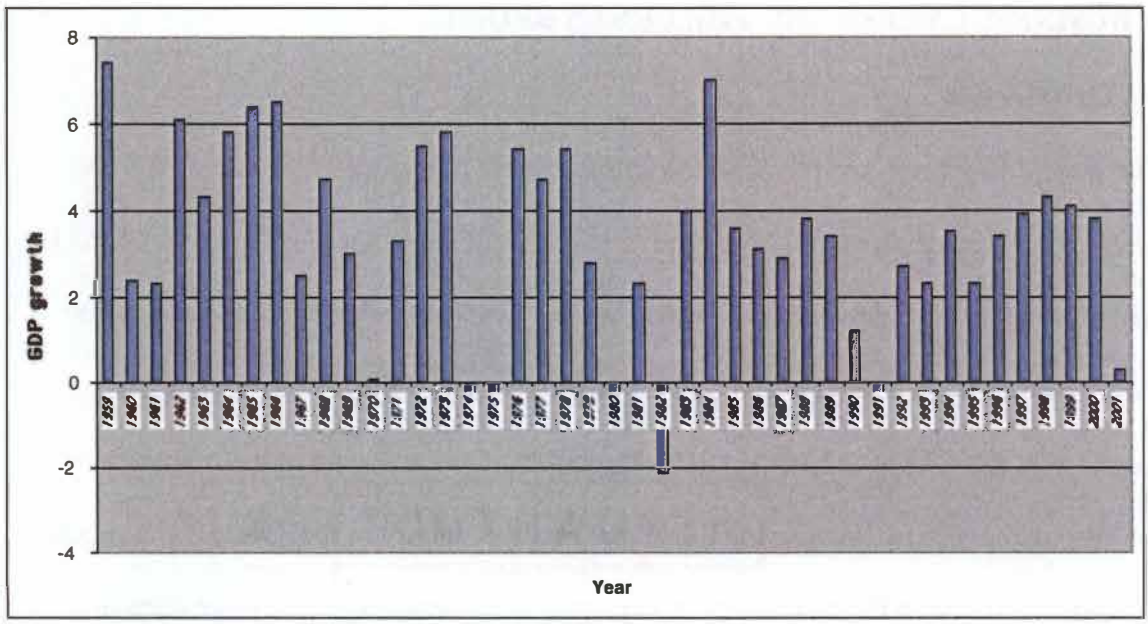


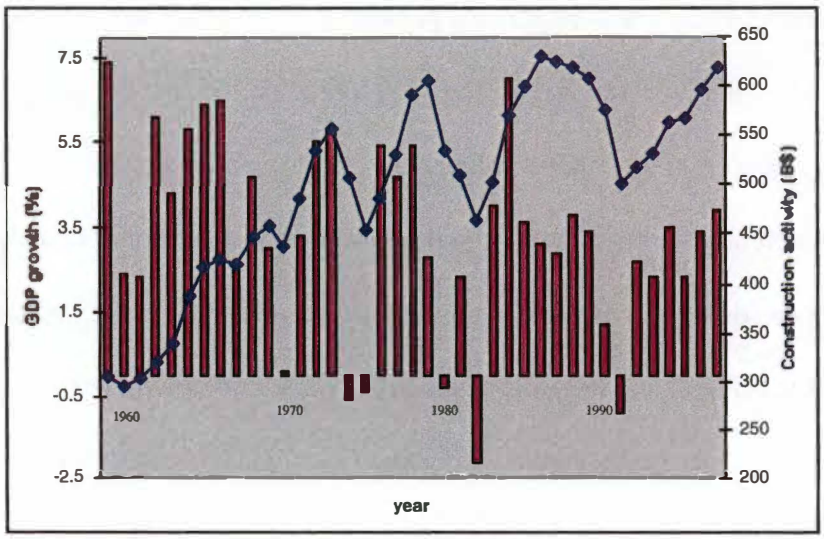
Figure 6.1 GDP growth (%) in the United States 1959-2001. Source: *Economic Report of the President* (2003).

The spatial configuration of cities is affected by the rhythm of economic activity. Some residential or commercial areas experience dramatic changes during a business cycle while others are left untouched. The business cycle not only changes the overall morphology of a city, but short-term business cycles can also have important implications for cities and their strategies of growth and change. Pierre (1998) argues that local partnerships between government and business keep a low profile during a recession, because their immediate concern is beyond the scope of local authorities. The economic pressures of a downturn can, on the other hand, provide the impetus for substantial changes in the political economy of the city. A poor performance of the city can convince the economic elite that "something has to be done." If problems are deemed at least partially local, strategies for renewed growth often are formed in these times of crisis. The institutional shape of local capitalism can take new forms as new coalitions and

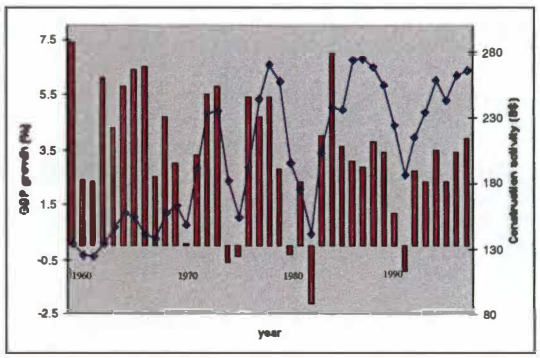
organizations are born. In a recession, the economy becomes the overriding concern in the public discourse, and growth-promoting policies tend to dominate. If power relations in the city can take on new dynamics during such a time period, the economic elites have an extraordinary opportunity to shape policies to reflect their broad interests.

One core element for understanding the local political economy is real estate, which is important for elite involvement in urban affairs. High levels of capital and personal mobility, both on an intra- and inter-city level, coupled with permissive land planning have made real estate a potent component of the U.S. economy and an integral part of the urban growth machine. The swings in the performance of the general economy are especially noticeable in real estate. However, investment in the physical infrastructure does not necessarily exhibit the same temporal pattern as the general economy. Building activity can continue after other economic activities decline due to the duration of the planning and completion of construction projects. Building can even be countercyclical if investment capital is redirected from other economic activities, or if government is engaged in Keynesian demand practices (Whitehand, 1987). Moreover, different building activities do not necessarily coincide; instead, the logical pattern of investment is first an increase in office construction as a response to economic growth, followed by a home-building phase to serve new immigration, which in turn, spurs demand for expanded retail facilities. Nationally, real estate investment rose during the late 1960s and early 1970s as investment in manufacturing declined following the decline of productivity and rate of return throughout Western industrial economies (Figure 6.2). A downswing in the manufacturing sector led to a search for other investment opportunities. Conversely, the service economy was rising, and demand for office space, both in downtown and

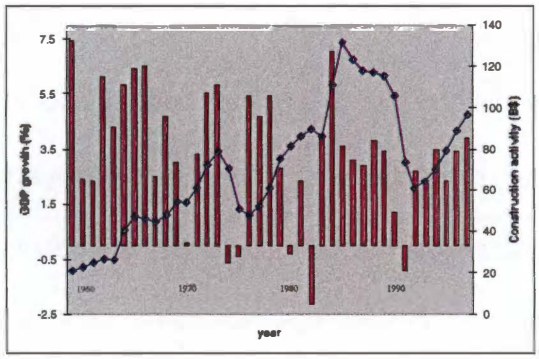
Total construction activity



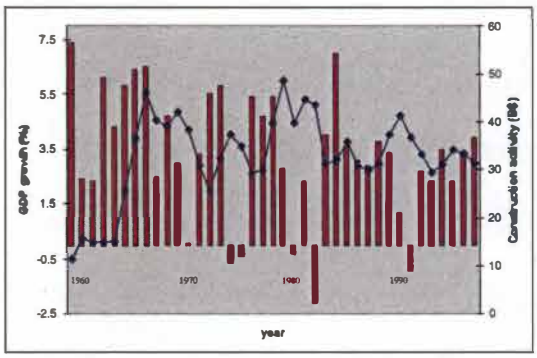
Residential construction activity



Commercial construction activity



Industrial construction activity



Public construction activity

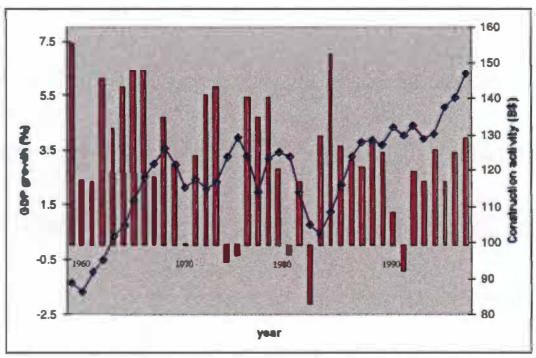


Figure 6.2 U.S. real estate cycles 1959-1997 (in billion dollars). Source: *Economic Report of the President* (1999).

suburban locations, created an increase in property prices and new development (Short, 1996). Real estate could absorb large amounts of capital, but with the industry's propensity for overproduction, the market was saturated by the mid-1970s. Empty office space became an increasingly common feature of the urban environment.

As seen in Figure 6.2, different segments of the real estate industry have different characteristics. Residential development fluctuates dramatically, but the general trend is increasing. Industrial investment is more stable, but has a countercyclical tendency compared to economic growth, and exhibits a modest decreasing trend over time. Public investment is less predictable with a boost in the late 1990s. During the 1980s, capital flowed into the real estate business, not necessarily because of its inherent profitability, but rather for tax planning purposes. This is particularly noticeable in the commercial sector. The result was an oversupply of commercial real estate that was driven by two important public policy trends in the early 1980s: financial deregulation and supply-side tax reform. First, savings and loan institutions (S&L) were allowed to expand their activities from residential to commercial real estate. The S&L industry nationwide had easy access to capital and was overextended into these real estate markets at the time of recession and overbuilding, causing it to collapse under the weight of bad loans. The faltering oil economy took an especially heavy toll on the S&L industry in Texas (Warf & Cox, 1996), but the crisis was national and affected Nashville strongly as well. Geographical differences in economic growth resulted in the shuffling of investment capital from one region to another in search of a "spatial fix." Second, the Economic Recovery Tax Act of 1981 made it possible to use real estate investments as a tax shelter. This was an incentive of the Reagan administration to direct investment into the post-

industrial economy. The reversal of this taxation policy in 1986 suddenly pulled significant investment capital from the industry and halted new construction. However, an oversupply situation was already in effect and developers and their financiers suffered enormous losses.

6.2 Experiences in other cities

The immobile character of real estate is a factor that gives the industry a very special position in the fortune of cities. Some cities have experienced a trend towards non-local property ownership. While international ownership is rare in most mid-sized American cities, non-local owners—such as Real Estate Investment Trusts (REITs)—are increasingly important actors. Yet investment in real estate is often controlled locally, so changes also reflect the local power structure. Even if ownership lies with outsiders, local interests such as developers and banks are dependent on local real estate. But following this argument, one must avoid viewing the relationship between ownership, vested interest, and social action too directly and simplistically. The strategy is to create an attractive environment in the long run where impacts on property values take an indirect, albeit crucial, position.

Then, what about real estate, business cycles and the elite? The forces of recessions on local governance have been noted by several scholars. Yet that connection has only been explored in a piecemeal fashion. I want, therefore, to focus attention on this connection and place it in a lager context of urban change. At the end of the current business cycle, it is appropriate to assess the durability of governance structures that were

born out of the previous recession. First, I will consider the connections that already have been established in earlier studies.

To begin with, the real estate crisis was global, even if not ubiquitous and uniform in character. Development projects from London's Docklands to Nashville's Maryland Farms were mired in financial disaster, yet they remain important parts of the urban landscape today. These events amounted to nothing less than the biggest depression in building and real estate in the post-World War II era (Leitner & Garner, 1993). From interviewing developers, Feinstein (1994) comes to the conclusion that a "herd instinct" mentality exists in the industry. Not that developers were solely to blame. Other actors, such as the banks whose lending practices were far too liberal, also contributed to oversupply. Depending on local market differences and political cultures, some cities, such as San Francisco, could afford to restrict development, while most places were eager to assist, rather than hinder, the real estate boom. With high profit rates expected, readily available capital, a deregulated financial sector, and tax incentives, the ingredients for a real estate collapse were assembled.

The effect on relationships between actors and interests on the local level is not necessarily the same across space. One outcome is disruption. In London and New York, the real estate cycle was causing "the break-up of established patterns of patronage; business and residential communities dissolved and cannot be reconstituted" (Feinstein, 1994, p. 74). Even Atlanta, the archetype of stable urban regimes, experienced changes in the political landscape. Rutheiser (1997) found a breakdown in the coalition between black politicians and white businessmen during the time period. The city's growth machine "had been driven straight into the ground" (Ibid., p. 24). Another outcome is

continuity. New York's Mayor David Dinkins, elected in 1989 on a social reform agenda, was severely constrained by the economic decline to pursue a political program different than his more conservative predecessor Ed Koch (Sites, 1997). Leitner and Garner (1993) noted similarly that "urban entrepreneurship and private partnership have engendered new institutional structures and staff competencies in local governments that will not be dismantled overnight," (p. 73) but viewed the real estate crisis as a possible starting point of more socially progressive local politics, because property-led booster politics had been discredited. From the early post-crisis perspective, Leitner and Garner point out that local and state governments are less eager to pursue real estate-led development and question the viability of urban entrepreneurialism as the defining characteristic of urban politics. In hindsight, urban entrepreneurialism survived, and even thrived, throughout the 1990s. However, it has searched for new forms to replace the focus on real estate. The underlying logic of entrepreneurialism has been too strong to be discarded.

On an ideological level, Leo (1995) suggests that economic circumstances can alter the discourse in a city. Analyzing the earlier cycle around 1981-1983 in Edmonton, Leo concluded that the late 1970s interventionist tendencies of citizens' groups involved in the development process were halted after the cycle. A no-restrictions approach to development urged by most, but not all, local business interests found a receptive audience in a recession-weary general population. Leo also implies that this had long-term effects as "in the late 1980s and early 1990s, Edmonton had lapsed into a traumatized response to the problem of dealing with developers" (1995, p. 295).

DiGaetano (1997) more explicitly connects cycles and regimes by emphasizing the limits of Stone's regime theory, namely that it fails to explain why changes in

governing regimes take place. He suggests changes in economic restructuring and business cycles are factors with important explanatory powers. "The peaks and troughs of the business cycle...influence local strategic decision-making. That is, expansionary and recessionary periods pose markedly different circumstances for the formulation of local governing strategies" (Ibid., p. 849). DiGeatano's Boston example conforms to Leo's findings in Edmonton several years earlier: a regime emphasizing social reform and growth management with restrictions on development was in place in Boston throughout most of the 1980s, but was replaced with a pro-growth agenda with local business elites playing a greater, but not necessarily dominating, political role. DiGaetano concludes that Boston in the 1990s became focused on strengthening its role as a regional capital through a private-public partnership model that resembles a coalition rather than a regime.

A related study takes a regional perspective discussing state level politics in Massachusetts (Jonas, 1996a). The state's fiscal crisis precipitated a political struggle between two business organizations: the traditional industrial association and a new organization representing high-tech industries with a low-tax, laissez faire agenda. Jonas stresses more the antagonistic relationship between factions of capital that open up in a recession, rather than conflicts between business and labor/community interests. The outcome in Massachusetts was a victory for the traditional forces in the business community, who could present a more convincing development model to politicians and the electorate.

In conclusion, these case studies have established a particular pattern: economic recessions place stress on urban regimes and coalition; they may force realignments of

interests and lead to new lasting policies and discourses. These case studies have, for the most part, only done so in passing and without placing these events in a broader framework.

6.3 Nashville and the 1980s boom

The building boom that lasted from 1982 to 1987 was a golden era for construction and real estate. The high level of building activity was fueled, as discussed earlier, by favorable legislation that promoted speculative real estate ventures. Nashville was as active as any city during this time period. The 3,200 building permits granted in the MSA for residential units in 1981 increased to over 18,000 in 1984. Home sales showed a similar pattern, growing from about 4,000 annually in the early 1980s to in excess of 11,000 in 1986 (*Nashville Business Journal*, 1992, July 27). Everything was selling, and at the highest prices ever. This trend created a new local power elite. Nelson Andrews, Ted Welch, Joe Rodgers, and R.C. Mathews were developers with not only local political clout, but several of them occupied high level positions nationally in the Republican Party. Nashville's construction boom drew real estate investors and contractors in search for a profitable location. Outside developers contributed to the high amount of construction during the period as Nashville outperformed other cities[18]. Encouraged by high-profile industrial expansions in the auto industry and a new airport hub, speculative construction was prolonged. When some other cities appeared to suffer from a slowdown in construction activity, real estate capital continued to congregate in Nashville. Further,

[18] The level of non-local capital is hard to quantify. The Chamber, for example, could not estimate the ratio of local vs. outside developers (Avery, 1987).

the early decline of the markets in Houston and Dallas due to oil economy problems fueled the concentration of capital in Nashville (Carr, 1987).

The investment activity in the built environment was geographically uneven. The airport area, especially after the hub announcement of American Airlines, was a hot spot for commercial and industrial real estate. The West End corridor connecting downtown Nashville with affluent West Nashville experienced a radical transformation. Older apartment buildings and homes gave way to large new office buildings, and the area was beginning to be referred to Midtown Nashville, neither downtown nor suburban in character (Stribling, 1986). The Music Row area close to West End also changed dramatically as national and international investment penetrated the music business. Suburban settings like Brentwood also attracted real estate investors, but the urban changes in many ways transformed Nashville's atmosphere from a provincial, town-like feel to a denser, more urban place with significant business activities outside the limited downtown area. It also signified the growth of two important components of the local economy: the music industry at Music Row and the health care industry, which was a leading tenant and developer in the West End area close to Vanderbilt University and its medical center. Less successful was the Metro Center redevelopment project in predominantly African-American North Nashville. Metro Center was conceived as a self-contained "New Town" that began in 1972 as a partnership between R.C. Mathews, then president of the Chamber, and Victor Johnson of Aladdin Industries. The ambitious project failed to create significant spin-off developments and was scaled back to mostly commercial land-use. The project had problems related to its timing during the business cycle, but it also shows the geographically sensitive nature of development. Early signs

of a downtown revival could also be detected—expansions include the Southern Baptist Convention in 1985, and Life Way in 1990—but the real take-off would have to wait until the next round of investment in the 1990s.

6.4 The collapse

On peculiar effect of the Economic Recovery Tax Act of 1981 was that tax depreciation on real estate investment proceeded at a much faster rate than true economic depreciation, which encouraged investment as loss deductions became more important than the actual feasibility of the project. In Nashville, two companies—Jacques Miller and Freeman Brothers—took advantage of this perverse logic and sold limited partnerships in real estate ventures ranging from apartment complexes and shopping centers to office buildings. A 1986 tax reform repealed the availability of tax credits for real estate losses, and construction plummeted to early 1980s levels. Without the tax shelter, the continuous oversupply of the real estate market was no longer shored up by an artificial economic rationale. With most real estate markets in the country facing deteriorating conditions, Nashville continued to attract some investment. Market participants were still optimistic in February 1987 despite the gloomy national outlook. As one pundit suggested: "Nashville is still one of the best markets in the country...The building boom isn't over yet" (Avery, 1987, p. 38).

Leading indicators, however, showed another picture. Building permits decreased sharply between 1985-1987, as did actual housing starts (Saponar, 1988, June 13; Lusky, 1991). As it turned out, Nashville was not immune from the real estate woes affecting the rest of the country, but it was not until the "Black Monday" stock market crash of

October 1987 that the Nashville market came to a dead halt. According to the Federal Deposit Insurance Corporation, Nashville was the second worst commercial real estate market in the country at the time (Egerton et al., 2001). But even without the external shock of new legislation, the overbuilt market would probably have suffered in the coming lean years. The real estate crisis was geographically indiscriminant: large office parks both in city, the inner-city MetroCenter, and suburban locations (e.g. Brentwood's Maryland Farms) suffered equally.

By 1987, economic reports in Nashville started to appear that presented a less than rosy picture of the local economy beyond real estate. Preliminary numbers from an economic forecasting center at Georgia State University showed a metropolitan area employment decline of more than 7,000 in 1987 (Saponar, 1988, June 13). Later revisions of data showed a small employment gain, but Nashville still lagged the nation and compared unfavorably with other Southern cities (LeDuc, 1989, April 10). The mood was negative and real changes were taking place. Much of the growth in metropolitan Nashville came from outside investment in the manufacturing industry, while the service industry was lagging (Oliver, 1989, December 25). Flat consumer spending curtailed expansion of the retail sector and also created a surplus in retail real estate (LeDuc, 1988, October 17). At this critical juncture, the *Wall Street Journal* published an article in which Nashville was described as a "boom and bust" city (Smith, 1989, March 7). *The Journal* claimed that Nashville had hit hard times with "remarkable swiftness." Citing the Georgia State study, the root of the problem was the building bust that hit with a force "almost hard to believe." In the article, fingers were pointed at the behavior of the real

estate industry and the lack of growth control mechanisms in the councilmanic courtesy system.

The article was not well received locally and still spoken about in harsh language among the business elite. It even precipitated a trip to New York by Irby Simpkins, local booster and owner of the *Nashville Banner*, and a meeting with the *Wall Street Journal* editor to inform him that "your story is wrong and you hurt our city" (Simpkins, 2000). The preliminary data that were used in the *Journal* article were indeed revised later, and the decline of the local economy was not as sharp as first expected (Harper, 2001). "The *Wall Street Journal* has 'tried to depict us as a boom town that couldn't control its growth, and as a bust town falling apart at the seams, and they were wrong both times,'" contended the economic researcher at the Chamber of Commerce (LeDuc, 1989, April 10).

But by then, the impression of a city in trouble was broadly circulated, and to make things worse, a front-page story in the *Wall Street Journal* the following year selected Nashville as the case study of a recession city (Wysocki, 1990, August 24). The article did not stir the blood of the business elite to the same extent perhaps, as Nashville was described as just "a microcosm of what is happening in many cities around the U.S." Nevertheless, the investment climate was described as weak, with lack of capital holding back all parts of the local economy. Especially the banks, the article continues, suffered a hangover after "excessive deal-making" which left the city over-supplied with offices, luxury homes, and apartments alike. Slipping local control over capital and corporations was noted as well, as a possible contributor to overbuilding.

For a short period of time, Nashville's economy performed poorly both in absolute and relative terms. A bank study showed that Nashville was the only metropolitan area in Tennessee that had a negative economic growth from the third quarter in 1987 to the third quarter of 1988 (LeDuc, 1989, January 30). By the first quarter of 1989 Nashville's economy was growing, but at a slower rate than the state's. During this time, Nashville's economic performance was not particularly favorable in comparison with out-of-state cities either. Nashville ranked 14th out of 15 regional cities in job growth (Coffey, 1991, February 4). In 1990, Nashville had a net job loss of 1,000, while peer cities had positive job creation: Birmingham 3,200; Charlotte 7,400; Louisville 12,000; and Memphis 16,100 (Liles-Morris, 1991a). Eventually, a broader stagnation led to a nationwide recession[19] in the last quarter of 1990 and the two first quarters of 1991. The recession was longer for Tennessee than for the nation, extending over a 12-month period (*Nashville Business Journal*, 1992, July 27).

Even if, as I have argued previously, real estate was a dominant factor in the slump, several factors conspired at the same time. Insurance and health care experienced problems in the late 1980s that were not directly associated with the stagnant economy. The insurance industry had invested much of its profits in the real estate industry. The trend in the local high-tech economy took a five-year downward path after 1987 (Button et al., 1999). Even if one had not directly lost investment money, the crisis affected ordinary citizens. Residential real estate appreciation rates dropped from as high as 9 percent annually in affluent neighborhoods like Belle Meade to 0 percent in 1990 (Lusky,

[19] Commonly defined by the National Bureau of Economic Analysis as an economic contraction in at least two consecutive quarters.

1991). With significant drops in interest rates, the real housing cost decreased. A cost of living comparison weighted against all U.S. cities (Figure 6.3) shows how drastically Nashville was affected. A breakdown of the data components reveals that the drop from 1990 to 1991 is mostly related to housing costs, which represents a significant loss of accumulated wealth. The most drastic change was in housing, from 107.7 to 93.1, and the provision of health care, from 90.1 to 73.8. Transportation cost, utilities, and household services declined at a much more modest rate. Nashville has retained a moderate cost of living throughout the 1990s despite high growth. The city is currently ranked six out of nine in the peer city pool, which may be a reflection of sprawling development that limits excessive real estate appreciation.

More than anything, the real estate crisis affected the financial industry. The local S&L industry more or less disappeared. The dominant institution, the Metropolitan

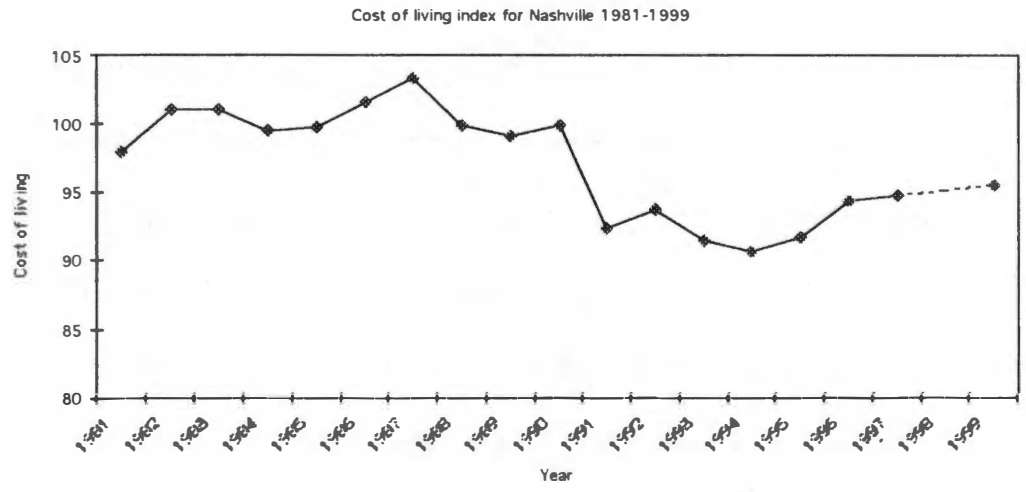


Figure 6.3 Cost of living index for Nashville. Measured at the first quarter every year for mid-management standard of living. The composite index is weighted against all US urban areas. Source: Accra Cost of Living Index (1981-1999).

Federal Savings and Loan, a partner with Freeman on many real estate projects, was declared insolvent and taken over by the federal government in 1991; its assets auctioned off to outside owners. Real estate loans threatened to undermine the health of Nashville banks like nothing experienced since the Great Depression. The largest locally owned institution, First American National Bank, was dragged down by bad loans to the extent that losses reached a record $68 million in 1990. The financial institutions' credit losses halted their ability to lend money and underwrite new projects, which impacted local growth. Before the effects of deregulation dispersed ownership (see Chapter 7), the local dependency between financing, developers, and other agents of urban growth was strong. And, as any banker knows, "if the institutions you serve have trouble, you have trouble." In fact, the values declined between 20 to 50 percent for companies in the construction industry and at least 10 percent for other industries (Oliver, 1990, September 17). Foreclosure-related transactions became the second biggest real estate category in 1990 (Saponar et al., 1990, August 27). Tennessee led the nation in personal bankruptcies, and real estate auctions increased 10 to 40 percent (*Nashville Business and Lifestyle*, 1990b). Nashville became a buyer's market without any buyers.

The question is then: did Nashville's economy behave differently than other cities? Conventional wisdom suggests that a diversified economy, such as Nashville's, will insulate a city against economic fluctuations. The Chamber of Commerce claims that Nashville has a tendency to outperform the nation in hard times. The preferred belief was that Nashville's economy is "recession-proof;" if you have never been a boom town, you are insulated from a bust. Empirical data cannot support that hypothesis. In fact, the Nashville economy was unusually unstable from 1970 to 1986 and fluctuated to a higher

degree than the overall U.S. economy (Whaley, 1989). Since 1986, Nashville has seen a real estate crisis, a short economic depression and very high growth rates in the mid-1990s, so a high degree of fluctuation can be presumed also after 1986. This is certainly true in comparison with other Tennessee cities (for which long-ranging economic cycle comparisons are more readily available than for the selected peer city group). Compared to Memphis, Knoxville, Chattanooga and the Tri-Cities, there is a more drastic swing pattern in Nashville during the 1980s with fast growth during an early period and rapid decline in the late 1980s. In the 1990s, Nashville's growth is more similar to the rest of the state, but nevertheless the strongest performer (Table 6.1 and Figure 6.4). Preliminary data also suggest that Nashville's economic development in the current recession has been weaker than other Tennessee cities', again confirming the strong cyclic tendency in Nashville.

Table 6.1 Economic performance index of Nashville and other Tennessee MSAs 1992 2000. (Index: 1992=100.)

Tennessee MSA	Index
Nashville	126.5
Memphis	121.5
Chattanooga	119.2
Knoxville	117.7
Tri-Cities	117.4

Source: Center for Business and Economic Research (2001).

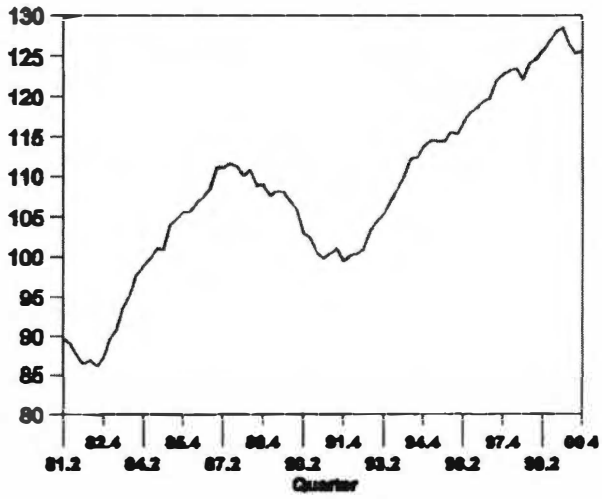


Figure 6.4 The Nashville business cycle 1981-2000 (Index: 1985 = 100). Source: Center for Business and Economic Research (2001)[20]. Used by permission.

6.5 The elite responds

The period of rapid growth and decline just described is crucial from a governance perspective. Actions taken by the city's elite are based on the recent experiences generated by the fluctuations of the general economy and real estate values. The context is that after many successful years in the 1980s, Nashville suffered from slow growth and overbuilding. Nashville also felt unfairly treated by national press and the boom and bust reputation that was portrayed in national newspapers. Even if the truth lies somewhere in between—the city was, and is not, as vulnerable to the problems of high tech and defense as California or oil in Texas—Nashville still suffered from cyclical swings. The success myth of Nashville claimed that the city would outperform other areas during a recession

[20] Two separate local economic indices exist. The Chamber of Commerce's researcher values the MTSU index of local business cycles higher than the one from University of Tennessee (Harper, 2001). However, the UT index is temporally more extensive, which makes it more useful. It must be noted though, that leading indices, predictive in character, must be used with some caution. Moreover, the accuracy of local indicators is often imprecise.

and that cycles are less pronounced in Nashville than elsewhere. When that was not the case for the post-1987 real estate slump and the 1990-1991 recession, the business elite was confounded and feelings of uncertainty colored the local decision-making process. The recession affected a broad range of people. In the mid-1980s, the New York-based financial company Equitable (formerly Nashville-based) was the largest private holder of real estate assets in Nashville (Hrickiewicz, 1985), but real estate investment had attracted money from affluent people all over the city. High-end retailers such as Porsche dealers, art galleries, and horse traders had seen a significant decline in business, while high-profile (and high-cost) society galas were less well-attended than in the past (Liles-Morris, 1991b). The elite's pride from the Roaring 20s, the Nashville Symphony, declared bankruptcy. It did not reflect well on Nashville when inquiring outside capital had to be told that a leading quality of life indicator had found itself in bankruptcy court. It took a targeted effort from the dealmakers of highest prominence—notably Martha Ingram, Danny Bottorff and Phil Bredesen—to bring the symphony back; a symbolic turnaround for Nashville's economic competitiveness.

With a full-blown recession underway, business leaders were thinking about intensifying the city's recruitment efforts. As a real estate-led development path was obviously out of the question (Arnett, 1989), a broader development agenda had to be conceived, which paved the way for a new economic development organization—Partnership 2000 (see Chapter 7). The imperative was experienced down to the individual level. Jacques Miller and Freeman Brothers, who syndicated deals and sold real estate equity, went bankrupt within a year after the Tax Reform Act of 1986.

These syndicates drew their investments heavily from local affluent individuals (Wysocki, 1990, August 24). A local attorney says:

> "they left hundreds of people in this community with what they thought was a lot of wealth, but it all disappeared. It was paper wealth. I represented a lot of people and I knew what their stakes were, because I saw their estate planning. One day they thought they had $600,000 to $700,000 wealth in these partnerships and the next day it was zero. When you multiply that with hundreds of people, the leadership in the community, what you found was a very gloomy attitude that came to pass here. I remember very sane people remarking back in 1990 that given the real estate bust that had occurred, it would take us 10-15 years to dig out of this. We've got to start somewhere, with this [Partnership 2000] initiative" (Sherrard, 2000).

As explored further in Chapter 7, Nashville experienced a dramatic reorganization in the local power structure, for which the real estate crisis and economic downturn were catalysts. The most indicative example was the transformation of the Chamber of Commerce and the establishment of Partnership 2000. From the perspective beyond the inner circle of decision-makers, Partnership 2000 was founded because of the real estate boom and bust. The architects behind Partnership 2000 agree that the connection was indirect. It was not their expressed intent to immediately counter the economic downturn and the real estate losses. However, the process that shaped the institutional outcome was situated in a time of crisis. At first, the elite was mostly at a loss for how to proceed. As one Chamber staffer put it: "a lot of 1989 was spent scratching our collective heads on what we wanted to do and how to do it" (Harris, 2000). A clear emotional sense emerged from the interviews I conducted with community leaders that captures the "mood" of the city. Financial losses were intertwined with a perception of civic disarray. "There was a lot of wealth that had been created in this community; there was a lot of collateral in the

banks that was wrapped around the real estate industry. No doubt that it contributed to this malaise and a sense of depression that existed about the city" (Simpkins, 2000). This sentiment is echoed by other observers. The political and economic problems accumulating in Nashville "created a period of malaise in the community. It was a time when Nashvillians didn't feel very good about themselves. It was all about these larger forces and our image projected to the world" (Hunt, 2000). Reorganizing the Chamber's economic development strategy was a necessary but time-consuming response to two outside pressures: the real estate-led economic crisis and the image-projection of Mayor Boner. As Hunt (2000) puts it, Partnership 2000 emerged out of the ashes of the late 1980s.

A large segment of the business community had grown fat on real estate, but speculative wealth creation was, at least temporarily, frowned upon. What the initiative-takers found was a climate where it was surprisingly easy to convince people to commit and invest in an effort that philosophically broke with the laissez-faire approach to economic development that had reigned previously (Rechter, 2000). The shift taking place was made possible by the conditions that existed. The crisis was deep, as it placed the local financial institutions at risk, the very core of the Nashville elite for most of the 20th century. While the banks were not in an undisputed leadership position any longer, they were eager followers and participants in the process. The advocates of a new partnership organization were aggressive, going outside established channels, and creating another model for how economic development should proceed.

The economy itself rebounded relatively quickly. In 1991, the *Nashville Business Journal* could report that "vulture funds" interested in picking up bargain real estate were

appearing, a sign that better times are approaching (Campbell, 1991, February 25). Capital-strong firms with, for example pension fund money, could buy at a favorable price. Real estate people estimated that the value of investment property was 85 percent of the value just one year earlier (Ibid.). By the end of 1991, Nashville's economy was again growing faster than most cities, albeit with a much more conservative capital market. But even if the Nashville market rebounded very quickly, it took several years for the market to absorb the overbuilt market. Most of the banks had not fully recovered the real estate losses until 1995. In the West End market, it took virtually no construction for five years for vacancy rates to drop from 21 percent in 1989 to 2 percent in 1994 (Mooradian, 1995, April 24). Real estate memory is short though; Subarea 10, which includes West End, has been the dominant sector for new office construction in the late 1990s (Metropolitan Planning Commission, 2000). By 1995, even MetroCenter was successful as measured by low vacancy rates, down significantly from the problematic years, which lingered as late as 1993.

The downtown office market still struggles somewhat as new expanding business is not necessarily located downtown. With fewer headquarters, the auxiliary services—lawyers, business services—are less needed. Indicative is American General's move from downtown to its new suburban Brentwood headquarters in 1996. When American General sold its building to the state, downtown Nashville was without a major insurance corporation for the first time in a century. The South Central Bell tower and the 1998 building hosting Chamber of Commerce and MagneTek are the exceptions as major additions to the corporate skyline of the 1990s, but even with those additions, downtown only made up 2 percent of all new office space in Nashville 1990-1999 (Metropolitan

Planning Commission, 2000). Instead, residential and entertainment real estate is doing well downtown even if country music tourism has declined recently.

Nashville's current real estate market differs from the past with REITs pushing Nashville's growth trend. Property cycles are also increasingly dependent on the global economy in addition to domestic and local economic conditions (Dehesh & Pugh, 2000). Fast real estate growth in Nashville occurred well into the late 1990s. Construction starts in 1997 were back to the level ten years earlier, but slowing tourism and employment growth after 1998 indicated overbuilding yet again, although not nearly as severe as in the earlier cycle (Federal Deposit Insurance Corporation, 1999). While REITs can weather an economic slump, Wall Street pressure for short-term profits may again lead to overbuilding. However, local effects will not be the same as during the late 1980s when the elite were severely impacted financially, both on an individual and a corporate level. Moreover, the end of the 1980s business cycle was unique as it was one of the factors that helped transform the very basic relationship between the political and economic spheres in Nashville beyond the point of no return.

7. "TEN PEOPLE CAN'T RULE THIS CITY ANYMORE:" NASHVILLE'S CHANGING BUSINESS ELITE

Most of the 1980s was a time of unprecedented growth for Nashville. Even if some of the manufacturing companies with a longstanding association with Nashville were successively on the way out, branch plants of national corporations moved into the area. Changes started to take place in the traditional financial sector along with a growth of a diverse group of companies in the emerging service economy as discussed previously in Chapter 5. Overall, these changes had a positive impact on the regional economy. Based on population, Nashville was moving up the urban hierarchy. However, this success was not immediately accompanied by corresponding institutional change. In local political terms, the existing urban regime arrangement was disintegrating, but no clear alternative was yet emerging. Similarly from a regulationist perspective, no local mode of regulation could effectively spell out the nature of the relationship between business and local government, and between Nashville and the outside world. Then came the crisis events that acted as catalysts for change as described in the preceding chapters—the "Boner factor" and the business cycle. As I will explore in this chapter, both the political and the economic spheres experienced internal changes, as did the relationship between them (section 7.1). The business elite abandoned a parochial model in favor of an entrepreneurial one that was viewed as more conducive to sustained and focused growth. This rethinking was part of a cultural trend precipitated by demographic changes in Nashville (and the South), as well as economic restructuring and policy changes like deregulation (section 7.2). Reforms of the city's Chamber of Commerce (section 7.3) and

the efforts to create a new economic development organization—Partnership 2000—merit special attention (section 7.4).

7.1 The old "backroom" system

As illustrated in Chapter 5, Nashville politics have oscillated between the two poles of good government progressivism and machine-like arrangements, although not necessarily during clearly identifiable periods or with specific individuals or interest groups. In this section, I will provide a more detailed account of these structures and individuals, which will clarify the relationship between business and government and lead into the regime changes that occurred circa 1990.

For approximately two decades during the 1940s and 1950s, a behind-the-scenes machine existed until the coming of Metro government. The machine was led by Garner Robinson, an undertaker, and later Sheriff, from the Old Hickory neighborhood in East Nashville[21]. Local government was used for personal power and helping friends and family with jobs and favors. The ability to hire and fire city employees and control over the court and election system were the fundamental sources of power. This could be achieved by the maneuvering of two individuals with strategic positions in local government—Elkin Garfinkle (county court supervisor and chairman of the local Democratic executive committee) and Jake Sheridan (city councilman and public works commissioner). To accumulate favors that could be returned on election day was the task

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[21] Robinson was elected sheriff in 1945 in a close election that hinged on the Hopewell precinct in East Nashville. The ballot box was delivered late to the election commission after all other votes in the city had been counted, and although the number of votes exceeded citizens in the precinct, the machine-controlled election board accepted the result (Squires, 1996).

of the machine's foot soldiers, the local police officers, who frequently rounded up voters and took them to the polls. For the machine, any vote that they could manipulate was important. For that reason, rather than a concern for social equity, political rights for Nashville's black population were not actively resisted by the machine. Alliances of some sort between white East Nashville politicians and the black community has been common since. The machine helped Ben West win the mayoral election in 1951 (in another late ballot box election) who, as a progressive, had an ambivalent relationship with the machine.

The unification of city-county government was heralded nationally as a model of progressivism, yet a system of patronage and informal power arrangements continued to exist. The three-term mayor of early Metro, Beverly Briley, had a chief supporter in H.E. Flippin, the owner of a hardware store in South Nashville. Flippin was the mayor's fund-raiser and the major source of patronage. As a way to disassociate inappropriate direct patronage from the mayor's office, citizens and government rank-and-file were directed to Flippin for favors. Then Vice-Mayor George Cate says: "Any given Monday morning, you would see more Metro employees out there by Clark Hardware to see Mr. Flippin than in the mayor's office. If Flippin supported you, you had a good chance of promotion in the police department or public works. I think he just enjoyed the power" (Cate, 2001). Essentially, H.E. Flippen did for Briley what Sheridan did for West and was supported in his position as informal political operative by the *Tennessean* editor Silliman Evans, an old Robinson-machine foe (Squires, 1996). The conclusion here is that mayoral administrations, or newspapers with a strong good-government profile, all operated

within the same political system that transcended their philosophical convictions on how urban politics ought to be run.

When Briley finished his 12 years in the mayor's office, Flippin offered his own fund-raising capacities and network of support to Cate or David Scobey, also a former vice mayor, two likely mayoral candidates. However, both chose not to run; instead another strong candidate emerged, U.S. Congressman Richard Fulton. Arriving from Washington, Fulton was less dependent on the archaic form of power division that existed between Briley and Flippin. As discussed in Chapter 5, a significant share of the city's budget came from federal sources by the time Fulton ran for Nashville mayor. This put Fulton in a very favorable position, as his power disseminated in part from his ability to use connections in Washington to the advantage of the city. The Nashville Chamber of Commerce, naturally aware of the existing relations between federal and local government, endorsed Fulton's return as mayor of Nashville, even if his pro-business credentials were somewhat weak. When federal contributions diminished during the Reagan years, the city and its economic development efforts were affected. Fulton had to resort to tax increases on three different occasions, although by any standard, Nashville's taxes remained very low. Regardless of whether Flippin offered any support to Fulton, the hardware storeowner clearly did not wield the same kind of influence after Fulton became mayor (Cate, 2001).

Fate Thomas, Davidson County sheriff from 1972-1990, replaced Flippin as the informal powerbroker. He was allied with most people within the local Democratic political establishment, including Mayor Fulton, who was supported by the political establishment and was also accused of being a machine candidate from time to time.

From the sheriff's office, which under the Metro charter was nominally a position with little political power, Thomas revived an old-fashioned political machine based on loyalty and favors. "Fate was a master politician. His advice and counsel was sought by everybody who aspired to a life in the public sector" (Eddie Jones, quoted in Loggins, 2000, July 26). He provided services and government access to his constituents, mainly working-class East Nashville, but also the city's black community. They reciprocated with loyalty to him and candidates he endorsed. Thomas' blessing was a significant advantage for any aspiring politician (Cate, 2001). Fate Thomas was the chief political navigator for Bill Boner in the 1987 mayoral race, and Boner carried enough of the traditional machine precincts to win the election (Pinkston, 2001). Thomas' reign ended in 1990 when he resigned and pleaded guilty to various charges of fraud and corruption. Despite his conviction and prison sentence, Thomas inspired loyalty in powerful friends such as Ned McWherter, Lamar Alexander, John Siegenthaler, Richard Fulton, and Bob Clement. At Thomas' recent funeral, Richard Fulton called him "the last of his kind" (Loggins, 2000, July 26). Indeed, the kind of personal, machine-politics power he wielded has not existed in Nashville since Boner's victory, and old-style politics became extinct in Nashville (Pinkston, 2001). By 1993, the Nashville machine was only "a collection of rusty parts bound by genealogy. None of the elected officers can get along with each other long enough to formally run a person for office, or steal money, or do whatever it is that machines do" (Dobie, 1993, March 28).

In the 1970s, Fulton also had the blessing of another source of local power, a group of corporate leaders known as the Watauga Group, which first introduced Fulton to the idea of seeking the mayor's position at an informal gathering at the Belle Meade

mansion of National Life's Bill Weaver. The group was not pleased with the prospective candidates to replace Briley and had to seek out a qualified, electable candidate to offer their substantial influence and resources (Dobie, 2002, May 5). Watauga was a highly informal organization that played an important role in Nashville politics from the 1960s to its waning days in the early 1980s. Named after a self-governance charter in early Tennessee history, the Watauga Group consisted of a handful of businessmen that met to discuss the problems and goals of the city. The goal was high-minded: selfless improvement of the community, as seen through the eyes of corporate leaders. The meetings took place once a month and protocols were, of course, rarely recorded. Even the name was elusive at first, but Watauga was the label that stuck (Dobie, 1990a). Assessments on the individual composition of the group and its role in Nashville society are somewhat inconsistent, reflecting the informal and fluid nature of the group. Nevertheless, a handful of individuals representing some of the dominant corporations in Nashville can be identified as the original core group. Seven people "whose mandate came not from the voters on the election day but from the boardrooms and executive suites of Nashville's largest corporations" (Honick, 1990, p. 36) constituted the center of the group[22]. They were mostly executives of the locally owned banks and insurance companies. With a few individuals from manufacturing companies commonly mentioned as members, the core group can possibly be extended to about ten people, and total membership was about 15 to 20 individuals.

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[22] To be specific, these individuals were Bill Weaver (National Life), Sam Fleming (Third National), Bill Earthman (Commerce Union), David K. Wilson (Cherokee Equity/First American), Alan Steele (Life and Casualty), Andrew Benedict (First American), and Guilford Dudley (Life and Casualty).

The influence of the Watauga Group was generally considered strong enough to be called a "shadow government" (Rogers, 1990b) or a "phantom Chamber of Commerce" (Nelson, 2001). The existence of Watauga was not known to the public; it was not customary that members talked about their involvement, nor was it discussed in the media. It is quite possible that the name Watauga was not mentioned in the press until after the group's demise, and was not subject to more comprehensive coverage until a 2002 article in the *Nashville Scene* (Dobie, 2002, May 5) when the group's activities could be considered history and therefore unindictable. The implicit claims of power might be exaggerated in the sense that decisions were never taken directly on behalf of the group. It is unclear to what extent power can be attributed to Watuaga as an entity of its own or simply as the sum of individual membership. According to Ben Rechter (2000), a member during the later stages, "people who weren't there didn't understand what it was," alluding to the group's mythological capacity of direct control; instead he describes it as a "forum to develop thoughts and ideas." Local problems were discussed, evaluated, and various ideas were floated. Jack Massey, a leading Nashville investor, concurs that Watauga meetings involved a lot of talking, but produced few results (Dobie, 1990a). The nature of the organization prevented any direct collective action, but it was a place where positions of various interests were evaluated and general attitudes toward the development of the city molded. Based on this socialization process of attitudes on the top elite level, individuals then pursued implementation on their own or together in smaller groups. Many significant local developments and institutions can be traced back to Watauga:

- Without Watauga Richard Fulton would probably never have been mayor.

- An effort was made to create other, more formal, leadership forums that would promote civic engagement and forge alliances beyond the small group of leaders representing financial power. Leadership Nashville, which the Watauga Group initiated, was an early and successful example of a non-profit organization with the goals of educating business leadership on civic issues and socializing relative newcomers into the city.
- A second initiative was the Davidson Group, an attempt at improving race relations. Leaders from the white business elite were paired with leaders from the African-American community to develop individual relationships. The initiative had some success, but some people also had a hard time making meaningful personal connections (Simpkins, 2000).
- During its early stage, Watauga discussed the implementation and development of Metro government, even if its power to control such a large issue was limited.
- One major public downtown building, the Tennessee Performing Arts Center, was proposed by three Watauga members—Wilson, Ingram, and Massey—to the governor, and after raising $4 million in the business community, the center was built with additional public money (Dobie, 1990a).
- Although many of the businessmen involved represented traditional and conservative values, changing the legal framework of alcohol became part of a modernization process; it was an effort to move the South closer to national norms and make it more attractive to investment, and in a larger sense, take part in national economic integration. The Watauga Group represented businesses that favored the idea, and one person (Eddie Jones) who was "a good salesman" (Nelson, 2001), successfully

argued publicly for a referendum on the liquor-by-the-drink issue. In 1967, the Tennessee legislature allowed it, and the question passed in a Nashville referendum with 56 percent of the vote.

- The Metropolitan Nashville Airport Authority was largely a creation of one man, Watauga member John Tune (see Chapter 9).
- Perhaps the last accomplishment of the Watauga Group was the Adopt-a-School Program, which later became the Pencil Foundation (see Chapter 10). According to banker Ed Nelson, also a Watauga member, this initiative caused the group to disintegrate. Watuga did not traditionally give money as a collective entity. However, in 1982 Bronson Ingram, the Watauga strongman at the time who had a reputation as a behind-the-scenes oligarch who avoided the public eye, was approached by two outside individuals—two women with civic involvement experience from the Girl Scouts, Junior League, and League of Women Voters—regarding financing for the Adopt-a-School idea. Ingram then decided to coordinate a fund-raising effort within the Watauga Group.

> "We [Ingram and Nelson] got together and looked at the list and we put down assessments for everybody on the list. If it was an individual, a lawyer or some revered person that had retired, it was a $500 or a $1,000 assessment. Then we would go to the institutions. The four majors had to give $10,000. We raised about $80,000 to start Project Pencil and hire somebody to run it and to support staff. It was about the last time Watauga met." (Nelson, 2001).

The group simply quit having meetings, says Jack Massey, not attributing a specific cause to the demise (Dobie, 1990a). Non-members also recall that the group ceased to exist in the early 1980s and that the Chamber of Commerce subsequently

became more actively, and openly, involved. Whether or not the breach of the unspoken rules precipitated the decline, there are other fundamental and important changes that made the Watauga Group disappear as a powerful local institution. The Watauga chairman at the time, Victor Johnson of Aladdin Industries, stopped calling meetings, as the prevailing notion within the group was that it had outlived its purpose in an increasingly diverse and pluralistic Nashville (Dobie, 2002, May 5). This is also illuminated by the words of Keel Hunt, a person with ties to both political and business interests in Nashville:

> "The Watauga Group was an important institution, probably without ever intending to be, in a way that is not appropriate today. At that time, the members of the Watauga Group simply helped to organize the community's response to various needs and opportunities. It was a very different period of time when the culture was different than it is today. There was certainly less diversity in the community. It was commonplace to have major civic decisions and influences generated by the members of the white male ruling power structure. They didn't make decisions for the city, but certainly had access to city government decision-makers and they had their respect and esteem, and all of that tended to work. The Watauga Group was a small, rather informal group of people who would meet from time to time and talk about needs and opportunities and some very important things came out of that. People who were then members of the Watauga Group are still active in the Nashville community one way or the other. Many are friends of mine; I respect what they did. I think they themselves would tell you that it couldn't operate in the same way today. It was a perfect case of operating in the reality of your community at a given time in history. So I think it was a very positive force, but it was then important for that to change" (Hunt, 2000).

The Watauga Group was not the only local institution that brought together the leaders of the business establishment. In its own myth, Nashville is a city that thrives on tradition and is a center of "old money." Nashvillians have at least in the past referred to the city as having the most churches per capita, and a neighborhood (Belle Meade) that has one of the highest concentrations of wealth in the nation. (These assertions are,

however, without quantification.) The old elite were residents of the Belle Meade neighborhood, and more importantly, members of the Belle Meade Country Club. Like other similar clubs, it is highly exclusive, intensely private and publicity shy. It is also a social institution that tends to change more slowly than society around it, and therefore susceptible to occasional criticism, or even, these days, ridicule. The club accepted its first Jewish member in 1991 and its first black member in 1994.

It is readily acknowledged that there is an overlap between the most prominent members of the Belle Meade Country Club and the Vanderbilt Board of Trust, which has always been a highly prestigious institution. Membership signifies importance, influence and respect among the local elite. Belle Meade Country Club is of course a private entity that will not disclose its membership list, but Vanderbilt Board of Trust is publicly accessible (Figure 7.1). The list is a good representation of the old elite, as Vanderbilt, along with the Belle Meade Country Club, is a local institution not prone to rapid change. The chairperson's position is currently occupied by Martha Ingram, business leader and CEO of conglomerate empire Ingram Industries. When elected in 1999, she was the latest in a line of Ingram family members on the board. Her late husband, Bronson Ingram, was the chair from 1991 to his death in 1995, and before that, his father Orrin Henry Ingram was on the board in the 1950s and 1960s. Martha Ingram has, for a long time, also been a leading force behind many local charitable and civic organizations.

Sometimes the notion that Vanderbilt University is aloof and not rooted in the local community is put forth, fueled by the fact that the school's student body is largely non-local. The University has always had strong connections on the national level, receiving money from major foundations. The perception of indifference to local issues

Martha Ingram, Chairman, Ingram Industries, Nashville, TN
Dennis C. Bottorff, Vice-Chairman, First American Bank, Nashville, TN
Kenneth L. Roberts, Secretary, First American Bank, Nashville, TN

Nelson C. Andrews* Brookside Properties Nashville, TN	Andrew B. Benedict, Jr.* First American Bank Nashville, TN	Monroe J. Carell, Jr. Central Parking Nashville, TN
Thomas F. Cone Cone Oil Co. Nashville, TN	Miriam McGaw Cowden* Civic leader Nashville, TN	Brownlee O. Currey, Jr. Equitable Securities Franklin, TN
Irwin B. Eskind, MD* Hospital Affiliates Int'l Nashville, TN	Guilford Dudley, Jr.* † Life and Casualty Nashville, TN	L. Hall Hardaway, Jr. Hardaway Contracting Hendersonville, TN
H. Rodes Hart Franklin Industries Brentwood, TN	Joanne F. Hayes Civic leader, daughter of late Sam Fleming Nashville, TN	Alyne Queener Massey Civic leader, wife of late Jack Massey Nashville, TN
Edward G. Nelson Commerce Union Bank Nashville, TN	Judson Randolph, MD Civic leader Nashville, TN	John W. Rich Civic leader Nashville, TN
Charles C. Trabue, Jr.* † Life and Casualty Nashville, TN	Cal Turner, Jr. Dollar General Stores Brentwood, TN	James A. Webb, Jr.* Nashville Bank and Trust Nashville, TN
Dudley Brown White Civic leader Nashville, TN	W. Ridley Wills, II National Life Franklin, TN	David K. Wilson* Cherokee Equity/First American Bank Nashville, TN

Figure 7.1 Local members of the Vanderbilt University Board of Trust.
Source: Vanderbilt University (2001) and various sources. Not included: 27 non-local members. *Life Trustee. † Recently deceased.

and the general welfare of Nashville was accentuated in the 1980s when the campus expanded, creating ill feelings among the residents in the surrounding neighborhoods and even citywide. Vanderbilt has since then made an effort to engage and interact more with local society. The Vanderbilt Institute for Public Policy Studies was created with an emphasis on local development. Chancellor Joe Wyatt also became president of the Chamber of Commerce, tying the university more strongly to local business interests. From another perspective, the university has always played an important role as a place where connections were forged, which then became important networks in the local business elite. Most of the old elite graduated from Vanderbilt. A Vanderbilt degree was a preparatory experience funneling individuals to community leadership. The Vanderbilt law school and business schools continue to supply leadership in Nashville, but their role is more diffuse now without the "grandfather to son to grandson succession" in local business leadership (Hunt, 2000). It is still important in other ways—as a driving force of the Nashville health care cluster and as one of the largest employers in Nashville.

Again, if we return to the Watauga Group, it was allied with leaders in the official structure, such as Eddie Jones, the long-term executive vice president of the Chamber of Commerce. However, Watauga members did not necessarily hold major positions in the Chamber, leading to a somewhat ambiguous relationship between the two organizations. Some people felt that the Chamber decisions reflected Watauga Group interests and ideas, and that Jones "reported" to more powerful people who controlled the city (Sherrard, 2000). Simpkins (2000) calls Eddie Jones a Watauga protégé who became more powerful as the old core of the Watauga aged, retired, or passed away. Rechter (2000), on the other hand, makes a clear distinction between the Watauga Group and the

Chamber. He describes the latter organization as a downtown club, a "good old boys" network. Rechter adamantly differentiates the Watauga Group and the Chamber, saying that they were two different sets of people, which is peculiar as he in the same breath singles out the bankers as the core group in the Chamber of Commerce. The explanation may lie in Rechter's personal experience of the late Watauga Group of the early 1980s. At that point, the old banking leadership had retired from civic engagements, formal or informal. Nevertheless, they largely represented the same constituency—mainly the financial institutions. It therefore appears that the most powerful individuals in the city were only engaged in civic affairs in an informal manner. This created a system in which the formal organization retained a limited status and the informal one was not broadly active.

A particular relationship between business and government had also developed over time in Nashville. During the early Metro government years, then Vice-Mayor George Cate says prospective office holders were expected to solicit support with a dozen or so local corporations and their CEOs. The executive officers or chairmen of the board were opinion-makers and major players in local politics. However, political connections of top business leaders were shallow and did not penetrate beyond top office holders. The CEOs of Watauga caliber were quite ignorant of local political practices; a cultural divide existed between politics and business. In order to gain political favors they needed some individuals had established close connections with political circles, and those individuals funneled money from the banks and insurance companies (Nelson, 2001). These go-betweens may have been lower level businesspeople within corporations, or somebody positioned with connections in both camps, but with their ties they could direct money to

office-holders with favorable policy views, arrange meetings, or disseminate information[23]. That does not immediately imply that the relationship between business and Metro government was closer than it is today, but rather qualitatively different. Rechter (2000) indicates that this arrangement did not translate into a policy that equated with broad strategic thinking, but rather fragmented, ad hoc development. This view is corroborated from the political side. No official lobbying-style system existed with the Chamber of Commerce in the courthouse, which instead saw informal talks and close connections with certain councilmen, says former Vice-Mayor Dave Scobey (2000).

During the 1980s, a subtle power shift was taking place away from the financiers and insurance industry. Outside investors were entering local businesses in real estate, insurance and banks, and even the Grand Ole Opry was bought by the Oklahoma-based company Gaylord Entertainment. By 1990, the Watauga Group cluster of individuals had retired, leaving something of a power vacuum. Conventional wisdom traces this situation to the shift away from local ownership of dominant corporations, such as the banks and the insurance companies. Even if an entrenched power structure still existed, its powers, as traditionally defined, had diminished. This should be compared with other cities: "In Charlotte, N.C., if you ask 10 different people to identify the movers and shakers, you'll get the same five names each time; try that in Nashville, and no two lists will be alike" (Honick, 1990, p. 36). Martha Ingram, talking from the local fund-raisers' perspective, says: "you could gather a dozen or so people in the room who had the ability to commit

[23] The most important individual that performed this function was Eddie Jones, the executive director of The Chamber. With his background as political newspaper reporter, press secretary for Governor Clement, and an East Nashvillian, he could cross over between the two worlds in a way that nobody else could (Dobie, 2002, May 5).

fifty or a hundred thousand dollars to a cause on the spot...If you wanted something done, you knew exactly who to talk to. It's not that simple anymore" (quoted in Rogers 1990b, p. 46-47).

Naturally, a small power elite still existed, even if they were not the Watauga Group anymore. One group of people was identified as the "brain trust" of Mayor Boner. Later, they were conspicuously absent in the formation of policies that were spawned by Partnership 2000. A different group, real estate millionaires Ted Welch, R.C. Mathews, Joe Rodgers, were named as the "heirs" of Watauga (Rogers, 1990b). The reproduction of the Nashville economic elite that had been passed on from one generation to another, sometimes in a family lineage, had been disrupted. But nobody paid attention to the lack of strategy and clear direction for the city, because Nashville was caught in the real estate economy of the 1980s. Growth was taking place in the 1980s despite the hands-off approach of a fragmented elite. Not until after 1987 did the issue of strategic decision-making become a serious concern in the city. Undoubtedly, the perception of an exclusive elite unwilling to share power, a situation detrimental to economic success, was prevalent in Nashville. One Nashvillian said: "there has been recent commercial expansion here, but it's been held back by the old aristocracy dominating the local establishment" (Paine, 1985, p. 21). The leading industrial recruiter at the Chamber also concurred that Nashville's political structure was impeding on the city's ability to attract new business (Liles-Morris, 1991a). The Chamber of Commerce itself, as a meeting point and conduit for policy arrangements between the public and the private business realm, was not working very effectively. As will be discussed in sections 7.3 and 7.4, the Chamber did experience a period of reform. But before that process will be considered,

several factors that position these events in a changing economic and geographical environment should be introduced.

7.2 New business elites: Migration, inter-dependence, new industries

Changes in local power, and eventually in local governance, were influenced by non-local forces. Loss of local ownership of major corporations is often assumed to equal loss of local power. The situation is certainly more complex, as will be discussed in the remainder of this chapter. The way the national economy is reorganized through new policies and technological changes profoundly impacts local industry and governance. I will use two pertinent examples, banking and health care, leading components of old and new Nashville, respectively. Furthermore, this was taking place as the culture of the urban South was changing.

As noted above, there were significant interlocking relationships between major local institutions. The locally owned banks would have board members who also occupied seats at the board of the Chamber of Commerce, and sometimes the Board of Trust at Vanderbilt University. National Life famously worked hand in hand with Third National Bank (now SunTrust) and had control over, among other assets, WSM radio (which broadcast the Grand Ole Opry), a television station, and eventually the Opryland theme park and hotel. During a transition era spanning from the mid-1970s to the late 1980s, ownership of these assets became fractured.

The existence of local headquarters of major corporations is generally regarded as having a positive impact on a local economy. Headquarters mean high wage employment and multiplier effects. In the opposite case of a city dominated by branch offices,

decisions such as which business services to use will be made in another city; the number of auxiliary services available locally, especially downtown, is therefore likely to decline. Indeed, office investment in downtown Nashville was lackluster in the 1990s.

As a control center, high-level employees with decision-making power have the ability to support the community. For example, a major way for the economic elite to shape local society is through the non-profit sector. Charitable giving and funding for foundations is assumed to decline if company headquarters are relocated. Corporations are territorial; the Nashville experience, which most likely is true everywhere, is that a majority of charitable donations by corporations tend to be given within its primary geographic area of operation (Bottorff, 2001). An organization such as United Way has seen contributions decline because headquarters decision-makers are not here. "That is a *major* [his emphasis] negative development" (Hunt, 2000). The financial crisis around 1990 also took a toll. In the words of one local banker: "it's hard to worry about saving the whole ship when you're bailing water up to your neck in your own cabin" (Rogers, 1990b, p. 51). According to Bottorff (2001), the banking industry has not cut local giving in Nashville. On the other hand, philanthropic involvement has not grown like it would have during the expansive 1990s if local control had been retained. The underlying rationale for giving makes sure that a minimum level is maintained. Bottorff acknowledges "that community involvement is a very important part of your marketing effort, not just your social responsibility, so [corporations] don't tend to cut back." His general assessment, however, is that overall charitable decline and loss of headquarters definitely impacts philanthropy. Beyond the fact that the banks play an active, although

not leading role, the most significant shift is probably the retraction of the insurance industry in civic life. It has also been non-local for a longer period of time than banking.

Leadership becomes more transient with less attachment to place. When local institutions become part of a larger entity, many of the most powerful individuals move elsewhere. If your city is perceived to have an excellent "quality of life," that can be a mitigating factor in the process. To stay in such a location, people may decline promotion and relocation, and may go so far as to leave the company. Under the pressure of recent corporate reorganization, some high-level employees in the telecom industry have chosen to stay in Nashville (Bottorff, 2001). The other side of the process is that it takes some time before both new institutions and new individuals are socialized into a role as local activists, taking part in social place-based engagement. The loss of local control had a destabilizing effect on the civic leadership in Nashville. Instead of lifelong Nashvillians who joined Third National Bank with a Vanderbilt MBA, people arrived from other places, held a CEO position in Nashville for a few years, but soon moved elsewhere. "There is one bank in Nashville that has gone through so many changes of leadership, nobody can keep track of who's the CEO anymore. Does that mean that everything collapses? Of course not. It means that the city is operating a little bit differently" (Hunt, 2000).

7.2.1 The financial industry

The most important force behind these trends is deregulation. Dating back to the 1930s, banking laws separated commerce and industry from banking. The crisis following the stock market crash of 1929 created a backlash against unregulated finance capitalism, and

a stronger regulatory hand of the state was viewed favorably. Federal legislation placed geographical limitations on banks, confining them to their home states. Horizontal integration in the banking industry was also disallowed. Despite the practice of forming holding companies to circumvent regulations, most banks have been local or regional in scope until the 1980s. In addition to national restrictions, state laws could limit banking even to the county level. In other places, banks were allowed to compete on a statewide basis. In the 1980s, federal law again made it possible for holding companies to invest over state boundaries, and most states had removed many of their barriers against interstate banking by 1990. The Federal Interstate Banking Act of 1994 also gave states more power to locally legislate branching and acquisition. Technological developments and renewed faith in the market mechanism have been the driving forces behind the deregulation of the industry. Various restrictions still apply—for example, regional banking is encouraged over national banking in order to keep strong banks from New York and other national financial centers from creating national empires. Many Southern states have, for example, regional reciprocity laws that limit ownership to banks in these states.

Following the earlier argument about the importance of headquarters, the assumption is that cities that manage to attract banking headquarters or whose banks are strong players in the merger and acquisition trend will benefit economically. The trend under deregulation has been that control over banking assets are now more spatially concentrated than before (Lord, 1992). North Carolina, especially Charlotte, is a winner in this process, while Texas has lost much of its financial control. Several reasons can explain why some cities and states have lost and others won. First, legislation that

regulates the flow of capital and control of assets still varies between states. Those with more liberal policies regarding out-of-state investment are more likely the losers of capital control. Second, states that historically allowed statewide banking fostered a few strong banks that were later able to acquire out-of-state banks when deregulation was enacted. This is in contrast to states where only one office (e.g. no branching) was allowed. Consequently, the scale of operation provided a competitive advantage or disadvantage later under deregulation. Moreover, the economic crisis around 1990 led to several bank collapses and left others vulnerable to out-of-state takeover, especially in combination with liberalizing banking laws.

The deregulation of banking and financial services has had a major impact on banking in Tennessee. State laws limited branching to home counties until the 1970s, with some exceptions for holding companies and single out-of-county branches. Basically, banking is an example of anti-urban policies on the state level where regulation prevented wealth and power concentration in cities. Tennessee, like most states, was fragmented in its terms of banking services, although it was not the most fragmented state. "Banking laws were as different and peculiar as whiskey laws" (Nelson, 2001). Since banks with out-of-state headquarters were allowed to operate banks in Tennessee, all but one of the state's major banks have been acquired by distant rivals. Charlotte and Atlanta have become the regional capitals of the banking industry with banks such as Bank of America, SunTrust, and First Union.

In the recent past, Nashville was the headquarters of three large banks, two large insurance companies and two major investment firms. In 1985, Nashville had three banks in the top 150 in the country: Third National was ranked at 87, First American at 96 and

Commerce Union at 136 (Cason, 1985, April 4). The city was sometimes referred to as the "Wall Street of the South." Locally, the term "Fourth and Union," after the center of the downtown financial district conveniently located only a few blocks away from the political power of the courthouse, became synonymous with the power of the local banking and financial institutions. All these financial institutions had deep roots in Nashville. They formed the cornerstone of local business life, and over time they had become integrated in Nashville's economic life on many different levels. The insurance giant National Life owned the Grand Ole Opry and Opryland. Life & Casualty erected the city's first skyscraper. The insurance companies were conservative in their business methods and social outlook, paternalistic rather than profit maximizing (Carey, 2000). A hostile takeover by the Houston-based American General in 1982 took NLT, the holding company that owned National Life, out of local ownership. The entire elite community was stunned, not only because such a significant company, but the entire Opryland complex with its symbolic importance, was lost to outside capital. Opryland was later bought by Oklahoma-based Gaylord Entertainment. (But because of the extremely decentralized decision-making structure of the corporation, Gaylord is, in practice, a local company.) In the banking industry, a merger and acquisition process started in the 1980s as interstate banking was allowed. Third National Bank and Commerce Union bank were acquired rapidly. First American was in such a bad shape that it was not a prospect for take-over for many years after the crisis. In the merger era, First American bought out-of-state banks, but these acquisitions did not prove to be productive. That, combined with weakness from the 1990 debacle, enabled Birmingham's AmSouth to take over in a merger. As far as the other investment companies goes, Equitable was the South's major

municipal bond house and the second largest in the country. In 1967, Equitable was purchased by the up-and-coming American Express. Finally, the ownership transfer out of Nashville was complete when J.C. Bradford, which had 2,500 employees in 16 states (mostly in the South), was sold to PaineWebber of New York (Table 7.1).

An emphasis on local capital fostered close relationships between banks, industrialists, developers, and politicians. The local bankers were the people to know and to go to. Much local investment was financed locally. For larger or complex deals, developers and industries that needed more capital than the local banks could provide had to approach bigger out-of-town banks, but this was frequently brokered by Nashville banks. One benefit of deregulation is the amount of capital that the new institutions command. Long distance search for capital is less necessary. Cases when necessary funding cannot be provided by institutions with a major presence in Nashville are

Table 7.1 Wall Street of the South no more.

Nashville institution	Acquiring institution	New HQ location	Date
Banks:			
First American	AmSouth	Birmingham, Ala.	2000
Third National	SunTrust	Atlanta, Ga.	1986
Commerce Union	NationsBank (Bank of America)	Charlotte, N.C.	1987
Insurance:			
National Life - NLT	American General	Houston, Tx.	1982
Life and Casualty	American General	Houston, Tx.	1968
Other financial institutions:			
Equitable Securities	American Express	New York, N.Y.	1967
J.C. Bradford	PaineWebber	New York, N.Y.	2000

Note: Since the acquisitions listed here took place, other reorganizations have occurred. For example, American General's parent company was purchased by British-owned Prudential in 2001, now headquartered in New York instead of Houston. Compiled by author from various sources.

few. The industry is headed towards a dual business structure consisting of very large institutions with a wide range of services and small community banks providing a high level of personalized service (Bottorff, 2001).

Banks are not the dominant power brokers in most cities any longer, although they are still involved in civic affairs. Being active locally, several representatives for the banking industry noted, fills an important public relations function for the banks. But there is also a sense of inactivity and diminishing leadership. The initiatives from the banks affecting civic society are not there anymore. These types of substantial initiatives that can effect the path of a locality are associated with the headquarters function, but now the capacity to act is more elusive. Banker Ed Nelson says that in contributions to educational and cultural institutions, Nashville banks are involved, but yet missing in some ways. New powers have moved into the void left by the banks, but it is hard to exactly define what those powers are (Nelson, 2001). The various Nashville banks have responded similarly in this reorganization situation with only "nuances in differences" (Bottorff, 2001). Although everybody acknowledges a leadership problem, banking holding companies are also decentralizing, which moderates the tendency towards diffusion of power. Simpkins (2000) adds that the older generation of local corporate elite was "moderate" in its ability to perform a civic governance function. In fact, the generation that came afterward and experienced the deregulated period was much more competent, better educated, and better leaders, on both a corporate and societal level.

Many of the banks and other financial institutions that propelled the downtown economy are no longer headquartered in Nashville. Some of the headquarters that were amassed and erected by the financial companies during urban renewal have been sold to

other investors or to local government. That means, among other things, fewer jobs downtown for accountants, lawyers and other service providers. Instead, downtown has grown as a center for entertainment and government. The dynamics of downtown has changed, as have the spaces of power:

> "The fifth floor of the First American bank is the dining room. On a given day at noon it used to be jam-packed with people. Primarily bankers, but also other business people meeting with bankers, lots of activity going on. I have been there since and it's a ghost town. Only one or two tables have people sitting at them. All that activity and cross-fertilization of ideas, talking about transactions, that is gone now. The leadership is down in Birmingham, and when somebody answers to someone in Birmingham, it's different. The power to make decisions in Nashville made the business community stronger, but we've lost that power" (Sherrard, 2000).

As the last indigenous bank, First American was special; it had assembled a board from the cream of the elite. "Visiting the bank's executive dining room was for years like being summoned to a city hall, only one with money" (Dobie, 1999, June 3). But Bottorff (2001), who is familiar with all bank facilities in Nashville, says a similar process happened at all banks. The number of employees is smaller than when the banks' headquarters were located in Nashville. This is especially true for special functions, such as policy managers for credit that bring people into the institution. It is not only a place "where deals are done," but also for civic involvement. The dining rooms were places for community relations efforts as much as a place where business synergy is taking place. More broadly speaking, the number of people in top level management positions throughout the city are fewer and therefore impact the role of banking in the governance structure of the business elite. Nelson (2001) too recognizes that the "buzz" is no longer in the dining room, but instead says it has moved to other places: the City Club, the

Cumberland Club, and the University Club at Vanderbilt. This type of activity is still going on, just not at the banks anymore.

7.2.2 The health care industry

To make a rather diffuse social process concrete, I will juxtapose the changing nature of the Nashville banking with the health care industry. The health care industry makes up an increasing share of the post-Fordist service economy. The American health care system is highly advanced and expensive, and health care makes up a greater share of United States GDP than any other industrialized country. For many companies this represents a significant cost, while it enables profits and employment in a growing health care industry. Access to the health care system was broadened when Medicaid and Medicare legislation passed in 1966, and health care is the area where government spending has increased the most.

As a health care center, Nashville is more likely to reap benefits from this system than most other cities. The cluster of growing health care firms is generally perceived as the most dynamic growth industry in Nashville today. Figure 7.2 shows all the different activities in the agglomeration. The industry developed in association with the city's medical schools, especially Vanderbilt, which has a reputation for groundbreaking, Nobel Prize-winning research, and strong funding from both public and private sources. The dominant company is HCA (Hospital Corporation of America) whose entrepreneurial decisions as pioneers in the development of for-profit hospitals have shaped the health care industry in Nashville. Led by the physicians Thomas Frist, Sr. and Thomas Frist, Jr., together with investor Jack Massey from Kentucky Fried Chicken, HCA grew from a

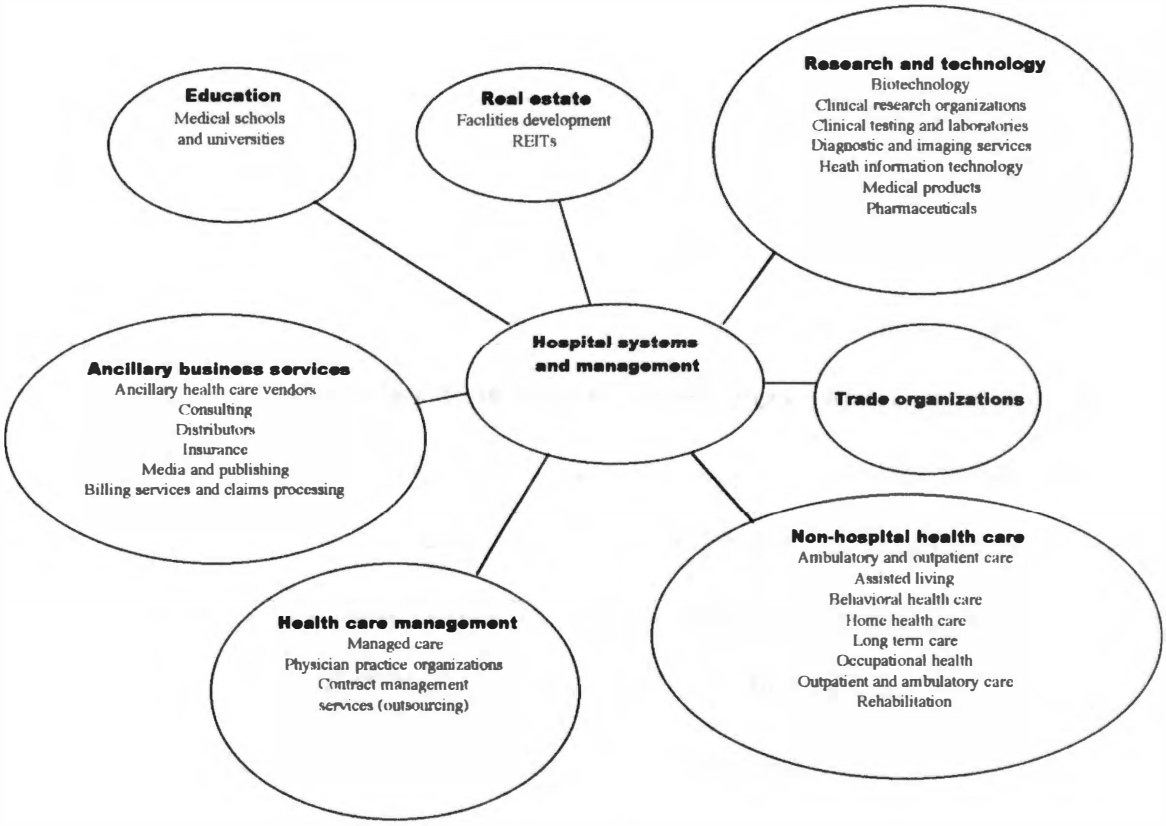


Figure 7.2 The agglomeration of health care related firms in Nashville.

hospital originally financed by National Life and Third National Bank to become the largest private hospital management company in the country. Hospitals usually originate from large universities, strong government involvement, or non-profit foundations, with which the South was not well endowed. As Southern health care was served with small-scale, under-capitalized hospitals, it was logical that private for-profit hospital management emerged in the South along with population and economic growth.

By 1990, the health care industry had grown to become a dominant force in the local economy. It had more than 80 businesses with headquarters in Nashville with multi-state or national operations. Ten on the top 100 privately held local companies were in the health care industry (*Nashville Business and Lifestyle*, 1990a). Nashville's health care environment has yielded 15 publicly traded health care companies in the first half of the 1990s, which represented 12 percent of all the health care public offerings in the United States during that period. Nashville's health care industry produces approximately 7 percent of the region's annual economic output (Eck, 1997, June 16).

HCA has been instrumental in the formation of the cluster because of the high number of spin-offs from the company. The industry is very dynamic with a rapid rate of merger, acquisition, and spin-offs. This constant corporate reshuffling regularly idles management skills that immediately search for new ventures. Many firms have grown by developing a particular niche of the industry, sometimes aided by contacts that have developed in a close-knit segment of the business community. Important companies with roots in HCA included Equicor, PhyCor (at one point the second largest physician practice management company in United States), and HealthTrust (a leading employee-owned hospital management company led by HCA executive Clayton McWhorter).

As the city boosters stress, Nashville is an entrepreneurial place[24]; people are interested in opening new businesses, and health care is the best example of that attitude. Nashville's entrepreneurialism, coupled with ongoing industry efforts to reduce costs and target new sectors, mean there continues to be new local health care start-ups even as some companies leave Nashville in the merger and acquisition process. New companies have also been aided by abundant venture capital (Gallivan, 1998, February 23). Traditionally, the accessibility to venture capital in the South is relatively low, but a local venture capitalist ranked Nashville as second in the South in terms of capital investment after Atlanta (Lavey, 1996, August 12). The leading venture capital firm is Massey Burch, which like most Nashville venture capital firms seeks out entrepreneurs in the health care industry. Most of this risk capital, which amounts to hundreds of millions of dollars a year, also originates in the health care industry (*Nashville Business and Lifestyles*, 1990b). The rapid growth of the industry led local economic recovery and produced a new layer of affluence in Nashville:

> "After the real estate bust it was expected to take 10 years to climb back, but after three years, by 1994, the health care industry had bailed us out. Everybody felt poor after the two main real estate companies went down the drain. Well, health care was so successful, that by 1994 it had created 200 new millionaires, so there was a sense of wealth and well-being in the city...It was so clear to me how people felt poor in the late 1980s, but wealthy again in the mid-1990s. People were willing to take risks, be more entrepreneurial, which the economy accommodated, and they were successful" (Sherrard, 2000).

[24] Some data exists to back up that claim, including top-10 rankings in categories such as best cities for entrepreneurs in the country and new start-ups (Nashville Area Chamber of Commerce, 2003; Partnership 2000, 2000; Wolf, 1999).

Shortly after its inception, the economic development organization Partnership 2000 started to position Nashville as a center for health care-related industries. The Nashville Health Care Strategic Planning Project was formed to develop strategies on marketing Nashville as a leading health-care city. The goal was to bring more health-care jobs to Nashville, not primarily providers, but companies that produce a product or service for a broad geographical area, a national or in some cases even a worldwide market. A 1994-1995 study conducted surveys, interviews and focus group discussions with more than 200 people in health care and related fields in the Nashville area and around the country. The study's conclusions indicated that there was not enough recognition of Nashville's position in the industry outside of the city, limited cooperation among companies, not enough financial support for health care, and a lack of diversity in the industry. The absence of a trade organization was noted, and on a recommendation from the study, the Nashville Health Care Council was created in 1995 to support the existing industry, encourage relocations, promote venture capital for the industry, and foster good public relations for Nashville as a center for the health care industry. Half a dozen health care executives fronted by venture capitalist Luscious Birch became the nucleus of what became the Council, but essentially all powerful leaders in the industry took part in the effort. The Partnership 2000 program provided seed money, but the Council is financially independent. Twenty-seven founding member companies committed the initial $810,000 for the operation of the organization. One focus has been the establishment of an information services sector in the health care industry, often considered a missing link in the formation of a comprehensive industrial cluster in

Nashville. Information management companies typically require superior technological skill, and Nashville lacks a premier technical university.

The health care industry as a whole has been conspicuously absent in city governance. Unlike the old financial community consisting of a handful of equal players, there is one dominant health care company in Nashville: HCA. Beyond HCA, there are smaller companies with professional management staffs. "In many, many cases, these are people that don't have particularly strong roots in Nashville. They were either recruited to that job, or they found themselves here like me" (Bredesen, 2001). As part of a young, volatile industry, they have so far only intermittently formed strong community ties. This character of the industry, together with its geography, is important in understanding its civic behavior. The geographical shifts in corporate headquarters location are especially common in industries with strong tendencies towards mergers and acquisitions, either because of cost pressures or organizational restructuring.

Moreover, the health care industry is geographically dispersed within Nashville. While the old business elite was clearly identifiable with downtown, most new industries, like health care, are not. Health care firms are found in two other areas of Nashville—foremost in the West End district west of downtown, but a secondary cluster also exists in the office parks of Brentwood[25]. The corporate geography is distinct and, at least in the past, distance is almost prohibitive of interaction with the old elite. Phil Bredesen says of the downtown establishment centered around Chamber of Commerce: "I started a company of my own in 1980 two miles from downtown or so. [There] didn't

[25] The location of health care firms in Nashville is determined by using the Nashville Health Care Council's online membership list. The location of 209 out of 289 firms could be identified.

seem to be room for somebody like me; a young CEO out on West End Avenue" (2001). With the health care industry increasingly suburban, there may also be a decrease in opportunities for inter-personal contacts detrimental to new institution-formation that has the capacity to pool resources from disparate branches of Nashville's corporate world. Not only are many companies found outside Nashville proper, but new wealth has created its own residential areas outside Davidson county. This trend is particularly reflected in the fast-paced development of affluent Williamson County (Johansson, 1998, October). Such a evolution has the capacity to introduce intra-metropolitan fragmentation of interests not found earlier in Nashville, where previously only branch-plant manufacturing was located outside Davidson County. Yet, the industry has potential to increase involvement over time. There is a distinct place-based interdependency in the industry that relies on skill, innovation, and cross-fertilization of ideas that is unique to Nashville.

There are some signs that the money of the health care industry has started to influence Nashville governance, although much of it can so far be attributed to individuals like Thomas Frist, Jr. rather than a systematic industry effort. On his initiative, the Frist Foundation started in the 1980s as a corporate foundation branch of HCA. The Frist Foundation quickly became the largest foundation in Nashville and has assumed a leading position in the local non-profit society. It started supporting worthy but relatively inconsequential projects, such as the newly-opened Nashville Zoo, United Way, and Cheekwood, a Belle Meade arts center. More recently, the Frist Foundation is stepping up from giving to existing institutions and organizations to projects that have potential city-forming character. The best example is the establishment of a downtown art

museum, the Frist Center of Performing Arts; such a facility had been on Nashville elite's wish-list for decades.

Thomas Frist also played a leading role when the operation of the city-owned General Hospital was transferred from Vanderbilt University to the traditionally African-American Meharry Medical College, a move that was applauded as race sensitive and the right thing to do. The issue also received support from the Chamber of Commerce, which pursued the issue through a committee led by Ben Rechter. The Chamber saw it not only an important reform in local health care, but also a step towards improving race relations "that could have a positive effect in how Nashville can compete in the world, how we appear to the outside, and how we become a more diverse and harmonious city" (Hunt, 2000)[26].

The other two major foundations in Nashville are the Community Foundation and the Memorial Foundation. The Community Foundation, established in 1991, received over $6 million in HCA stock from Clayton McWhorter, a health care executive and the second individual who has been active in local elite life, and is possibly headed toward "the Bredesen route" (i.e. leaving the health care industry for a political career as a Democrat). The Memorial Foundation also has ties to the health care industry and was created when a local hospital—Nashville Memorial Hospital—was sold.

In some cities, foundations or similar non-profit organizations are involved in strategic urban development. These types of organizations frequently have the resources

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[26] The hospital move may have been triggered by Meharry president David Satcher, later the U.S. Surgeon General, who in a speech to the business community pointed out that the city's leadership had once saved it from becoming another Birmingham (Carey, 2000).

to observe and act on the larger issues in a city. They are often tools for the local elite to influence a city's direction in an organized way. Historically, foundations have not played an active role in Nashville. The three foundations mentioned here, although the largest in the city, are recent creations and are relatively small, comparatively speaking. The main reason why an otherwise well-monied town[27] like Nashville lacks established foundations is that Vanderbilt University is very efficient in raising money among their alumni. Bronson Ingram raised half a billion dollars for Vanderbilt during a fund-raising drive between 1992-1995 (Wood, 1996, June 6). Also, fund-raising activities in Nashville for national political candidates reach sums well above virtually every other city in the country. Without doubt, this limits available money for civic projects in Nashville and restricts the elite's ability to shape the city in accordance to their beliefs and wishes.

7.2.3 Culture, power, and the Nashville elite

Judging from the events described so far, it is apparent that Nashville was dramatically changing, not only economically, but also culturally. The civil rights movement ended the era of inward-looking Southern cities that placed a very high value on family connections within the city. The civil rights movement liberated Nashville from this walled mentality and allowed it to be integrated with the rest of the country (even if vestiges lingered for decades in the shape of school busing; see Chapter 10). Many

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[27] In 2003, Nashville ranked as the seventh most philanthropic city in the U.S. as measured by share of disposable income donated to charity (Nashville Area Chamber of Commerce, 2003).

perceived liquor-by-the-drink in the late 1960s as a cultural dividing point. With Sunbelt prominence came demographic changes—newcomers were moving to town[28].

> "All of us that came into Nashville had different ideas that those that existed here. We simply had different experiences, where we lived, what we did. The people in Nashville were very open to taking newcomers in, but [the city] needed a change. You could almost see it and smell it if you were looking around and [being] involved in social and economic activities around town, you could easily tell what was happening" (Rechter, 2000).

As an immigrant during the 1970s, Rechter is self-reflective when he says that newcomers had been attracted to Nashville because a good quality of life, but yet viewed Nashville as provincial. Even if that was in many ways true, he also lauds a new generation of Nashvillians as open-minded, less confined by old structures, and eager for new people to participate in civic and economic affairs. Newcomers, both business owners relocating and people moving into management positions of older companies, were creating a leadership change (Hunt, 2000). The main new wealth-creating industries were health care and real estate. Manufacturing was also more dispersed in the metropolitan area. "You had a lot more people who had real economic clout in their hands that had no idea who Bronson Ingram was" (Simpkins, 2000). The "new money" is

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[28] Census data shows that the immigration rate in Nashville, as measured by those moving into the city from previous residences outside the MSA, has remained relatively high for a long period of time, which has an accumulative effect of demographic change. In the 1960 census, 16.9 percent were newcomers, in 1970 14.8 percent, in 1980 15.5 percent, and in 1990 18.3 percent. There also appears to be a socio-economic component to immigration where outsiders move into relatively affluent neighborhoods. This is particularly noticeable for immigrants from outside the census designated South. In 1960, the correlation between non-Southern immigration level and income level on the census tract level was 0.499 and in 1970 0.228. Correlation between immigration level and Southern immigration was positive but more modest: 0.192 in 1960 and 0.189 in 1970.

also "more likely to be concerned with the local school system than...cracking into the old guard" (DuBose, 1994, February 17, p. 16).

The newfound willingness of the existing structure to accept newcomers, as reflected in Rechter's comment, resulted in the creation of a new organization in 1975, Leadership Nashville. As pointed out earlier, the Watauga Group was behind the initiative. Leadership Nashville's basic purpose is to invite community leaders to take part in the organization, and attend a series of seminars on local government, politics, and civic affairs. A class of 40 meets once a week to discuss various issues over a 10-month period. Leadership Nashville is generally considered successful in socializing people into leadership positions with a broad sense of place and commitment to the city. It is "probably considered one of the most successful leadership organizations in the country, and clearly played a part in developing leadership in the city," says Sherrard (2000).

The changes in Nashville cannot be detached from developments in the South. Nashville was situated well for growth; indeed, its location played a major part in the growth in the auto industry. The service economy was a combination of homegrown industries and the migration of wealth. Yet, the feeling was that Nashville had a potential that was not realized, but things were ready to happen (Rechter, 2000). It was a Southern city with some good resources, but at that time was not a wealthy community per capita.

> "You had a Southern culture that was laid back, slow talking and moving. You didn't have an environment that was conducive to promoting a lot of vision...I think all that has changed now...There are a lot of good people spending time trying to find resources and answers, and that's where change will come from" (Simpkins, 2000).

Rechter (2000) found a receptive audience in business circles for a focus on economic development and regional issues, and he ties that attitude to broad, even evolutionary community changes, using the metaphor of "going from a teenager to an adult." This is virtually identical to the idea of the city's coming of age used by Squires (1996) to describe Nashville's post-WWII political history. The general idea that underlies such a position is, to paraphrase a commonly-held local sentiment, that "ten people can't rule this city anymore."

As Nashville was immersed by cultural changes with new people coming into the community and the loss of old institutions, there was no "naturally anointed" local leadership, as Phil Bredesen puts it; and when Bredesen ultimately was elected as mayor in 1991, he exploited the power vacuum. Bredesen acknowledges a number of factors that can explain why it was possible for him to be elected. The influence of a small elite, and, like most people, he mentions the banks and insurance companies, had diminished; there was no business leadership "wearing the crown of power," and nobody just by virtue of their position was considered a leader in the community. Management had become more a professional activity than an entitlement of birth (Bredesen, 2001). There was less emphasis on who they are and their family connections and more emphasis on management training, a development with parallels between the business and the public sector. In the past, mayors had deep family roots in the community and their families had been significant political players.

> "There was a natural political class in the same way there was a natural business class...Most of the mayors, probably all of the mayors post World War II, came from the same political [environment]. This was the business side of the river we're sitting in [downtown], and that was the political side of the river over there

[in East Nashville]. Of course, I came in with none of those connections whatsoever" (Bredesen, 2001).

An analysis of the electoral geography of Nashville indicates that Bredesen's 1991 election constituted a clear break in how mayors were elected. A review of earlier electoral results show that East Nashville politicians like Fulton and Boner had a political base that was broader than just a few neighborhoods, but machine operations nevertheless enabled the political landscape to be maintained over time (Nashville Metropolitan Election Commission, 1975, 1979, 1983, 1987). A combination of low turnout, effective organization, favors to wards, and even resorting to shuttling voters to the polling station on election day—allegedly a trick of Fate Thomas—usually mobilized enough voters. As long as the system was powerful and effective, alliances with other groups came easily. Although Boner had friends in high places, as indicated earlier in Chapter 5.4, it is incorrect to say that he was the candidate of the wealthy. In fact, the opposite is true. The 1987 mayoral election was one of the closest in Metro history (Boner won 52.5 percent of the vote compared to Bredesen's 47.4 percent) and voting patterns are geographically quite distinct: working-class and minority-heavy north and east went for Boner and white middle-class and affluent south and west for Bredesen. The Belle Meade precinct, for example, voted 78-22 in Bredesen's favor (Nashville Metropolitan Election Commission, 1987). Traditional notions of how mayors are elected in Nashville still held true at that time.

Despite the openness in the power structure at the time—Boner discredited, Thomas in jail, the banks sold, Watauga fading—was Nashville open to an outsider taking on a leadership role? The outsider/insider issue was manifested in a few ways.

First, Bredesen had not been substantially involved in community affairs. Bredesen's view of politics is that any citizen can and should participate. This view is certainly colored by his position, at least initially, outside the organizations and institutions from which leaders were normally recruited[29]. His substantial economic resources have, of course, also enabled his view to be heard. Second, he was not a local Nashvillian; in fact, he was a Northerner. The demographic changes were significant enough almost to neutralize these strikes against Bredesen, who was running against the consummate insider—Bill Boner, the local Congressman, former high-school basketball coach, native East Nashvillian who literally had watched and learned from the political ascent of one of the neighborhood sons, Richard Fulton.

After losing to Boner in 1987, it was almost a foregone conclusion that Bredesen would ascend to the mayor's position. He was everything that Boner was not, which was exactly what Nashville wanted in 1991. His core constituency was not necessarily different four years later, but his appeal had broadened considerably. In 1991, he handily won with 70.3 percent of the vote over Betty Nixon, a Vanderbilt-area councilwoman and neighborhood activist. Nixon only won 18 out of 164 precincts, most of them located in African-American neighborhoods to the north and to the south of downtown (Nashville Metropolitan Election Commission, 1991). In the changing political winds of the early 1990s in Nashville, the black community had lost its role as an important component of the winning coalition of the political power structure that had existed for a long time.

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[29] At the time of his second mayoral candidacy, Bredesenwas less of an outsider, holding board memberships at United Way, a prominent local private school, and the Nashville Symphony, as well as founding programs for the homeless. He had also established a relationship with the Tennessee Democratic Party.

Most people describe Bredesen in similar ways: a man of energy and intelligence, but not necessarily a natural politician. He is not very comfortable with small talk, but is a goal-oriented businessman-politician focused on the broad tasks of moving the city forward, with less interest in the day-to-day management of Metro government. Bredesen came to Nashville in 1975, following his wife who got a Nashville job. Equipped with a Harvard degree, Bredesen was successful in the health care industry, eventually founding new companies, such as HealthAmerica and Coventry. In 1986 when he sold Coventry for a handsome profit, he decided to run for mayor without having previously been actively involved politically or in civic organizations. Since his first mayoral run, Bredesen had strong backing from the *Tennessean* (if nothing else, because of Siegenthaler's antipathy towards Boner) and from the weekly *Nashville Scene* (whose political commentator Phil Ashford eventually became Bredesen's senior policy advisor).

Bredesen reigned unchallenged, both in elections and in policy formation, for a long time. The last few years, however, Bredesen came back to a city after a failed first attempt at the governorship, and to a Council more prone to challenge his policy hegemony. Initially considered harboring "liberal leanings" by local media (Ashford, 1990b), Bredesen's early reputation as a liberal was later revised. His capital projects were decidedly "tax-and-spend" but hardly embodied a progressive social agenda. Bredesen certainly played a formidable role in Nashville's repositioning as a dynamic, active, high-profile city (see Chapters 8-10). This repositioning did not come without a price tag. The final tally of public investment beyond operational cost amounted to approximately $400 million during Bredesen's eight years (Garrigan, 1999, September 16).

The post-Bredesen period after 1999 indicated both continuity and some change. In an open three-person race, Bill Purcell, the current mayor, best represents continuity after Bredesen. A Philadelphia native elected to the Tennessee state legislature from his East Nashville district, Purcell's election was far from the return of the East Nashville machine. More than anything, Purcell's political career reflects the changing demographics of Nashville. The east side is now gentrifying, a demographic movement that Purcell is part of. Although his previous position as majority whip in the state legislature gave him a high profile job with strong connections to labor unions, as elected mayor he found his support predominantly among the middle class, an electoral continuation of the Bredesen years and another sign that political regime changes in the city appears durable (Nashville Metropolitan Election Commission, 1999). Figure 7.3 shows that Purcell's support was particularly strong in upper middle-class West Meade, in the urban neighborhoods around Vanderbilt, and in parts of East Nashville. Purcell's leading opponent was Richard Fulton, who decided on a final run at public office. His community base was clear: East Nashville and the city's black neighborhoods. His failure to win, despite a formidable network, monetary contributions from old elite friends (Fulton was able to raise more money in Belle Meade than the other candidates), and front-runner status throughout the campaign, depended largely on the lack of support in West Nashville. Neither did he command the same backing from unions and the political establishment as formerly. The most common explanation heard after the election was that Fulton's old political style was perceived as out-of-sync with the new Nashville. Fulton's micro-management approach to city politics and his habit as mayor of employing friends was highlighted in the campaign (Sullivan, 1999, August 3). A third

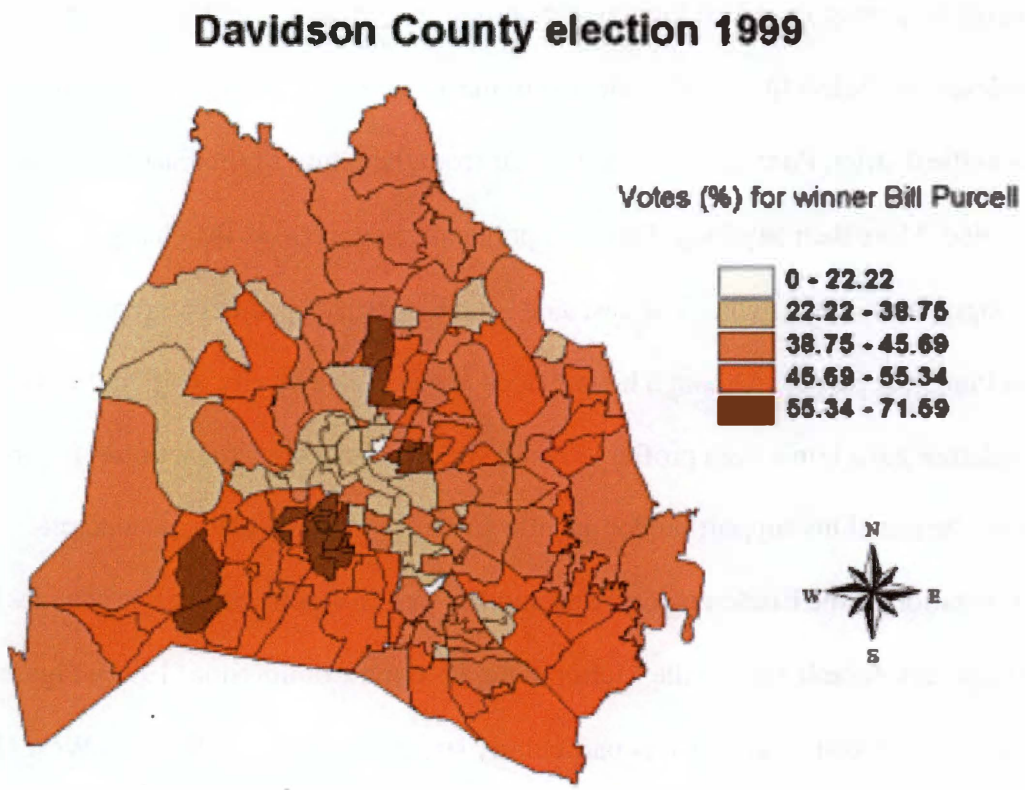


Figure 7.3 Electoral map of the mayoral election in 1999.

candidate, Ben West, son of the former mayor, also mounted a credible campaign. The moderate-to-conservative Democrat had suburban appeal, a pro-business attitude, and support from real estate and the descendants of the old Garner Robinson machine, but lagged significantly in more urban areas. Purcell's first term was characterized by a continuous neighborhood turn in local politics and less emphasis on entrepreneurialism. He was recently re-elected to a second term.

7.3 Reforming the Chamber of Commerce

History has not been kind to the Nashville Chamber of Commerce as it existed before 1990. It represented a large numbers of businesses[30], but power was, by all accounts, strongly centralized. Few people offer a favorable rating; instead it has been described as a "good old boys" network, or more colorfully, "downtown plutocracy nonsense." Ben Rechter (2000) is very explicit:

> "The Chamber was just downtown business people, and it was mostly the banks. It was a very closed group, it was incestuous in every way that you could say, it was an archaic form of governance. The leadership never changed, the people involved never changed, the people they hired never changed. Somebody had to die before they got a new executive director...It was not marketing or being very aggressive in economic development...There wasn't any accountability involved in anything that was going on."

Any outsider, somebody relocating to Nashville or even business people representing smaller local companies, had a hard time penetrating the organization. "There were no chairs leading to the leadership. If you came in to the city, you could be

[30] The Nashville Chamber had the 6th largest membership in the country despite its modest position in the 1990urban hierarchy (Hunt, 2000). It currently has a roster of 4,300 business members.

the chair of five committees and work your tail off, you'd hit a glass ceiling where you could not go above that if you hadn't been picked and chosen by the leadership of the Chamber" (Simpkins, 2000). Phil Bredesen as a newcomer tried to make inroads, but found the organization inefficient and socially closed, and he did not care much for them at the time. There was a lack of activity in the things that chambers traditionally do best—recruiting industry and promoting the city. The Chamber was not adequately organized as a force to spearhead economic development. When that became a major issue, it was not surprising that the organization came under some pressure.

Even if the Chamber itself is now criticized, most people speak favorably of the longtime executive officer, Eddie Jones. Jones had been the executive director the Chamber for two decades when he resigned for an ill-fated mayoral campaign in 1987[31]. His successor at the Chamber was Keel Hunt, recruited from Republican Governor Lamar Alexander's office. The Chamber's chairman of the board at the time was Bronson Ingram, an extremely wealthy and powerful member of the business elite and the man behind the appointment of Keel Hunt, which gave him a powerful position within the Chamber. In fact, his position was too powerful, according to some—"people didn't want to dance to Bronson's tune. There were various uprisings of independence" (Simpkins, 2000). Clearly this was a time of debate, discontent, and rethinking within the Chamber. Hunt was fired after only three years following Ingram's departure as chairman of the board. That the organization needed a change was an opinion shared by all, from rank-

[31] Business had also noticed that the political regime as it had existed in Nashville for decades was coming to an end; in search for a new arrangement, they tried to run their own candidate. However, the limited influence of business interests in electoral politics was evident when the lack of public support made sure that Jones' candidacy ended long before election day.

and-file members all the way up to the leadership. Hunt (2000) says (possibly an ex post facto opinion revision) that it was clear that Nashville was changing, the structures had to change in response—for example, with an emphasis on small businesses and more minority business in the circle of decision-makers. But some hard feelings lingered: "The transition is never amicable. There were a lot of people involved. They don't...easily give up that power base" (Harris, 2000).

The Chamber's localist faction, which among others now included businessman Richard Fulton, regarded outsiders with suspicion. Symptomatic of the change in power structure, the localist faction's candidate for Executive Vice President lost to a newcomer, Mike Rollins (Dobie, 1990b). While Eddie Jones had deep local roots and a local viewpoint, Rollins was an up-and-coming member of the National Chamber of Commerce Association, and part of a new and younger generation. Rollins attracted a new breed of people into the Chamber. Young people had a chance to participate in what became an evolutionary process over several years. Simpkins does not hesitate to call it a democratization process, and in that assessment he is not alone. Virtually all observers agree on the nature of the organization after that point: "open," "broad-based," "inclusive," and "more democratic" are words and phrases echoed repeatedly. While Jones reported to "a distinct group of people...Rollins has a much broader constituency that he talks to" (Sherrard, 2000).

After the goal of broadening the base had been set, the first step was to forge new relationships with those alienated from the organization. Bud Wendell, CEO of Gaylord Entertainment, was one of the critics of the old Chamber. He became actively engaged and could establish connections with the music industry. Ben Rechter, who had been one

of business leaders criticizing the Chamber from the outside, eventually became president of the organization. The new 1991 chairman banker Bob McNeilly was very open in his statements on diversity and broad-based representation within the organization, something the media interpreted as indicative of the social changes of the city's business elite (Dobie, 1991, April 8). Both minorities and women have assumed leading positions. Margaret Salle, leader of a company called Corporate Child Care and a Lamar Alexander associate, is a former chairperson. So is African-American Samuel Howard, CEO of the Xantus Corporation, a Nashville health care company. The chairman's role has also been awarded to at least two leaders of public and non-profit entities: Craven Crowell of TVA and Joe Wyatt, Chancellor of Vanderbilt University. Joe Wyatt's tenure as chairman in 1995 also coincides with the Chamber's emphasis on improving public education (see Chapter 10). The Chamber's by-laws were revised to encourage a leadership group as diverse as possible. Chairmen at the chamber are no longer appointed by the former chairman, but a committee. Small businesses were encouraged to take part, countering the traditional domination of larger businesses before that; in fact, half of the board today represents small business interests.

Another interest group previously slighted by the Chamber was corporations in the metropolitan region outside Nashville. The Chamber had a reputation for only representing downtown business; but with settlement and economic geography in Middle Tennessee taking an increasingly dispersed form, the Chamber reacted, albeit rather late, by broadening itself geographically. Contributions today come from corporations in many counties, but even if there is more MSA-wide cooperation within the Chamber than there used to be, the regionalization goal of Partnership 2000 was more ambitious than

what could be accomplished. While counties surrounding Nashville recognize that they do not necessarily compete with Nashville in a broad sense, notions of cooperation often come in second in the daily quest for improved tax base.

The changing nature of the Chamber does not mean, however, that some of the old institutions abandoned the Chamber. Banks retained involvement and continue to be major financial supporters of the Chamber, as they are still financially impacted by how well the market area they serve is performing economically. Banks, regardless where they are headquartered, will continue to be institutionally involved in local markets, but beyond remaining individual ties, the role is likely to be as a financial contributor rather than as policy-leader. As a leading member of the growth machine, their role can be expected to decline.

Both local government and the Chamber like to portray their current relationship as a strong partnership. The Chamber's agenda is broader than previously, now including social, economic and educational issues, and from that perspective acts as an advocacy group. Earlier, the business way of creating influence was based on ad-hoc involvement and political expediency. Now, the interaction is different in character. The Chamber supplies voting records of Metro Council candidates on "pro-business issues" to area companies. Annual riverboat tours on the Cumberland are meant to bring Council members and committee chairs of the Chamber, and policy interaction, closer together. The Chamber's staff has been very visible at the Courthouse, lobbying for downtown arena funding and public tax abatements for HCA. The Chamber's efforts are working: leaders admit that the Chamber has been known for effectively advocating the perspective of the business community in local public policy. Moreover, the two have

become more financially intertwined. Metro government usually contributes to Partnership 2000 and the Sport Council, another division of the Chamber. This is in addition to longstanding contracts such as the Convention and Visitors Bureau, a quasi-governmental entity with a $9 million annual budget that has been operated by the Chamber since 1973.

Amicable business-government relations were ensured by the election of Phil Bredesen as mayor. Business leaders were very pleased with his abilities as well, and Bredesen was greatly sympathetic toward all activities of Partnership 2000—the association has been described as a close working relationship (Sherrard, 2000). The Chamber leaders were more comfortable with somebody with a business background like Phil Bredesen. He was "one of their own, and they...can talk to him as a CEO talks to another CEO" (Cate, 2001). Business perceives the time period as one of great synergy involving the democratization of the Chamber, the resources of Partnership 2000, and the presence of a new mayor. "Bredesen was a breath of fresh air; he was rich, honest, and smart." He was a dynamic politician who stepped into a city with "a lot of resources already there. He wielded those in a way that was almost unbelievable...Partnership 2000 and the Chamber were really like putting fertilizer on the earth." (Simpkins, 2000). The economic development director at the Chamber adds: "Bredesen is probably, and I have worked with a lot of politicians over the last 40 years, the most effective politician for growth that I have ever worked with. And I have worked with seven governors and five mayors. It was amazing that he could even get elected in Nashville because he is from New York" (Harris, 2000).

7.4 Partnership 2000: Joining the economic development game

The emergence of a new institutional framework in the early 1990s, centered around the public-private economic development organization Partnership 2000, is possibly the most important component of Nashville's local mode of regulation. (The organization was recently renamed Partnership 2010, but for consistency, I refer to it as Partnership 2000, the name by which it has been known for most of its existence, throughout the dissertation.) The importance of public-private partnerships in Nashville, as well as in many other cities, represent a shift toward privatization of planning along the lines of post-Fordist ideology in an era when federal involvement is reduced. A cooperative consensus between business leaders and politicians can be found in Nashville resembling an entrepreneurial regime with a mayor, Phil Bredesen, coming from the business community, and Partnership 2000, a branch of the Chamber of Commerce. This is where entrepreneurial city governance is explicitly connected with the framework of the post-Fordist paradigm as well as the local urban regime theories. In many ways there is nothing unique about Partnership 2000—it operates like other public-private partnerships found in countless cities. It is more private than public and its aim is to promote Nashville in a broad sense. In order to understand the role of Partnership 2000, we must investigate how it was created, why was it created, what objectives were present at the creation, and how these objectives have been implemented.

7.4.1 Creating Partnership 2000

The two issues of reforming the Chamber of Commerce and initiating an economic development program in Nashville emerged the same time. The connecting of these

questions was logical; the lack of economic development strategy was one of the criticisms lodged against the Chamber, along with the lack of pluralism within the organization. As the 1980s were coming to an end, the presidency of the Chamber was in the hands of bankers and insurance CEOs: James Carrol of American General and his successor, John Clay of Third National Bank. During their tenure, a group had formed challenging the Chamber hegemony by assuming some of the functions that ought to be in the domain of the Chamber. They felt left out of the leadership process, but had enough political clout to exercise power independently instead of direct engagement within the Chamber. The leader was Ben Rechter, businessman and president of Rogers Group Investments, a multi-million dollar holding company. Rechter came to Nashville from Indiana, expanding a family business and taking advantage of the opportunity for new development in the South. The core of the business was raw material and infrastructural development, especially state-financed road construction. The group had raised some money from regional constituents, but most capital came from Rechter's own deep pockets. They planned to form a "citizens chamber of commerce" and start an economic development effort. They represented small and medium-size businesses with, as Rechter puts it, an understanding for regional development. The economic development efforts at the state level or in Middle Tennessee were not very aggressive; none of it was properly financed, nor was it planned well with a defined long-term strategy.

Chamber President Clay approached Irby Simpkins, editor and co-owner of the *Nashville Banner*, to lead a new economic development organization as a response to Rechter's group. As a newspaper owner, Simpkins occupied a strong position within the

Chamber and had a strong economic development incentive. The *Banner* had suffered a decline in circulation since Simpkins bought it and became editor, from about 86,000 in 1979 to 66,000 in 1988, only half of the *Tennessean's* numbers. Despite a joint agreement with the *Tennessean* in which the *Banner*'s advertising, distribution and production was controlled by the *Tennessean,* media analysts suggested that a recession could further diminish the *Banner*'s profit, as the second newspaper in a city traditionally suffers during an economic decline (Hood, 1988, November 21). The *Banner's* prosperity was also limited by its afternoon paper status when the national trend favored morning papers[32]. Simpkins had been member of a Vanderbilt-led task force to study local economic development strategies. The study showed an uneven local economy, a struggling education system, and a shortage of skilled people to fuel future growth. Simpkins contacted Rechter, his longtime friend, and suggested the groups should pool resources as their core economic objective was identical. This understanding was the catalyst for Partnership 2000, but both sides agree that cooperation did not come easy "because the Chamber was very focused on itself" (Simpkins, 2000).

Simpkins hired a consulting firm from Atlanta, National Community Development Services (NCDS), to investigate the possibility of raising money within the business community in Nashville to fund a new economic development initiative affiliated with the Chamber of Commerce. As opposed to earlier development initiatives, what Simpkins had in mind was a public-private partnership also supported by the Metro government. In some ways, Partnership 2000 replaced Nashville Plus, a Nashville

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[32] The *Banner* finally folded in 1998.

marketing plan from the Chamber that was in effect from the mid-1970s to the mid-1980s, although Partnership 2000 was far broader in scope and scale. Simpkins and the *Banner* footed the bill for the consultants, as the Chamber's board continued to be skeptical. In June and July of 1989, NCDS conducted more than 50 interviews among the business elite to gauge the need for a focused development agenda and the willingness to fund such an effort. A fundraising goal was set at $4 million based on the interview responses. The general opinion that emerged was that the Chamber was not as efficient as it should be. The NCDS study gave the Chamber's overall performance a grade of six on a ten-point scale (Brayton, 1989, September 4). The critique of the effectiveness of the Chamber was one of the things that led to the resignation of the organization's highest executive officer, Keel Hunt, in August 1989 (see also Chapter 7.3).

Rechter was adamant that the condition for cooperation would involve greater changes in Chamber governance: "radical changes, not just tweaking the edges" (2000). Simpkins persisted to convince the Chamber that the best course of action was to engage more people in the process, and he found several individuals within the Chamber of the same mindset. The first step toward a solution was a meeting with all interested parties. At Beersheba Springs, a Cumberland Plateau retreat, a meeting took place with a facilitator where diverse views were voiced on how the future of Nashville should look. Obviously the Chamber had an organization in place that could incorporate an economic development effort, but the question was: would that effort be politically feasible? The Chamber board continued to be reluctant to match the money from the Rechter group. The media started to report on the internal turmoil, and "the Chamber board didn't like the press that was going on because it looked like it would usurp their authority. This

democracy was a little unattractive to them, because they liked the way it had been the last 50 years" (Simpkins, 2000). But with compromises on both sides and commitments from key leaders in the Chamber to democratize the organization apart from Partnership 2000, the plans could proceed. To make a clean start, the Simpkins plan called for an organization separate, but affiliated with the Chamber; but with the changes in leadership and institutional governance, Partnership 2000 eventually became directly integrated into the Chamber organization with Simpkins as its chairman.

Disagreements between the civic community at large and business interests, especially neighborhoods protesting developments dear to the Chamber such as infrastructure and airport expansion, became a significant hindrance to economic development. Together with the economic downturn, this discord gave impetus to Partnership 2000. So when the fundraising started, the business community was eager to contribute. The banks continued to be the primary funding source. Once the largest local corporations committed, about 100 to 150 smaller businesses followed. Direct costs intended to create indirect benefits are harder for small companies to absorb; but interestingly, Rechter's experience was that businesses were willing to listen, understand, and participate *because of,* rather than in spite of, his position as a relative newcomer less attached to entrenched power structures.

As the publisher of *Nashville Banner*, Irby Simpkins was a high-profile opinion-maker. His leadership in Partnership 2000 made it vulnerable to critique as just another project of the usual business oligarchy. After some discussions with real estate developer Nelson Andrews and Gaylord CEO Bud Wendell, the administrative leadership of the Chamber, Simpkins left the leadership position of Partnership 2000. The young lawyer

Tom Sherrard, a civic activist and elected member of the Chamber board since 1989, had participated in the Partnership 2000 strategic planning teams with 30 to 40 other people to put the initiative in place. Wendell, the new chairman of the Chamber, joined with Andrews and Mike Rollins to ask Sherrard to head Partnership 2000 in June 1990. Sherrard himself was surprised considering his relative youth and inexperience. But Simpkins (2000) clarified that the initiative had to be depoliticized: "we needed a much more 'vanilla' kind of profile in the community for subsequent leaders so we could get about the business of raising money and put some of this controversy behind us."

Partnership 2000 was launched in the spring of 1990 with a four-year plan and funds that had grown to $6 million, exceeding the original goal. Partnership 2000 was not conceived as a ready-to-implement plan, but instead as a dynamic process with certain general objectives. These general objectives included improving the relationship between business and government to promote economic development, organizing support for public education within the business community, explaining the importance of economic development to the community, and recruiting new industries, as well as aiding existing businesses in Nashville. The breadth of these developmental objectives led to the perception that the effort lacked focus, which was a common critique in the program's early stages. As a development organization, Partnership 2000 had a rocky media start. The open-ended nature of the process led the media to portray it as lacking in focus. According to the media, the visioning process was slow and the promised initiative would not materialize—perhaps it was doomed to become just another shelved plan (e.g. Dobie, 1991, April 18). But with continuous process-based involvement, Partnership 2000 soon gained broad support, at least among business interests. Selling the strategic plan to

Nashville was equally important as recruiting new businesses to the area. It was argued that "Partnership 2000 should reach the soul of the community and provide residents a 'positive vision of where we are going'" (Simpkins quoted in Brayton, 1989, October 2).

Compared to similar efforts around the country, those involved believe Partnership 2000 to be very successful, among the top three efforts of its kind in mid-sized cities on the basis of business recruiting, money raising, and participatory levels and status within the local business community (Rechter, 2000). In contrast to previous arrangements, Partnership 2000 is a relatively diverse and democratic institution with a decentralized system where chairpersons of subcommittees within Partnership 2000 had real power.

7.4.2 Implementing Partnership 2000

Partnership 2000 was originally intended to be an independent organization. It is now, however, the Chamber's economic development arm. It is financed in four-year segments with the third cycle currently at its end. The funding for the 1998-2002 period was $8.2 million (Harris, 2000). In the commodified language of the Chamber, money is spent on two things: "improving the product," and "selling the product." Improving the product includes initiatives on public education, government-business relations, and building business infrastructure and institutions. Selling the product is city marketing and industrial recruiting. The effort was to present Nashville as a community that would be inviting to people with businesses located in large cities, the Rustbelt, and California. Many of these activities took place earlier, but not in an integrated, comprehensive, and well-financed way. In the marketing arena, the Nashville boosters started from scratch.

While peer cities such as Memphis and Charlotte spent $2-3 million in advertising and promotional activities, the Nashville budget was only $250,000 in 1989 (Rogers, 1990a). Now, Nashville's effort only falls behind competitors that are significantly larger, such as Atlanta and Dallas (Harris, 2000). "We marketed on a one-on-one basis...where we literally went to companies in cities around the country and told them about Nashville" (Sherrard, 2000).

The major financial sponsors of Partnership 2000 are called lead investors (Table 7.2). They commit money for an entire four-year period. Below the lead investors, there are numerous small financial supporters as well. On the public side, Nashville Metro Government is a lead investor. Much of the interaction between Partnership 2000 and the local government is coordinated by the Mayor's Office of Economic Development under the direct supervision of the mayor. Additional independent public contributors include the Metropolitan Nashville Airport Authority and two local/regional utility companies, Nashville Electric Service and the Tennessee Valley Authority. On the business side, all banks represented locally are consistent contributors. Overall, private money finances Partnership 2000 to 90 percent (Harris, 2000), making the partnership much more private than public. BellSouth, Gaylord Entertainment, and the *Tennessean* are all lead investors during the two latest cycles.

Some corporations have dropped out of the leading group for various reasons—American General followed a long-standing trend of disengagement in Nashville, Nissan's involvement was largely tied to one individual, and Shoney's and Service Merchandise due to business misfortune. On the other hand, the entertainment complex centered around Gaylord was more financially supportive in the late 1990s as

Table 7.2 Lead investors in Partnership 2000.

Industry	1994-1998 lead investors	1998-2002 lead investors
Banks	● First American ● First Union ● Sun Trust ● Union Planters ● Nations Bank	● AmSouth ● First Union ● SunTrust ● Union Planters ● Bank of America
Government	● Nashville/Davidson County Metropolitan Government ● Metropolitan Nashville Airport Authority ● Nashville Electric Service ● Tennessee Valley Authority	● Nashville/Davidson County Metropolitan Government ● Metropolitan Nashville Airport Authority ● Nashville Electric Service ● Tennessee Valley Authority
Music/Entertainment	● Gaylord Entertainment	● Gaylord Entertainment ● Nashville Predators ● The Nashville Network/Country Music Television
Telecommunication	● BellSouth	● BellSouth
Newspaper	● The Tennessean	● The Tennessean
Insurance	● American General	----------
Manufacturing	● Nissan Motor Co.	● MagneTek
Retail	● Service Merchandise	● Dollar General
Health Care	----------	● HCA
Distribution	----------	● Ingram Industries
Non-profits	----------	● The Frist Foundation
Other service	● Shoney's Restaurants	● Central Parking

Source: Partnership 2000 (1995, 1999).

were Frist interests (HCA and the Frist Foundation) and newly successful companies led by dynamic CEOs (Dollar General and Central Parking). But not all leading companies in Nashville are main contributors to Partnership 2000. Of the top ten non-governmental companies with headquarters in Nashville, five are not represented in the partnership as leading investors. Three of them are health care related companies. The city's largest employer, Vanderbilt University/Medical Center, is not represented. Earlier experiences show that it is generally difficult to establish institutions that span business, local government *and* non-profits (Sbragia, 1990).

Over time, the activities of Partnership 2000 have become more focused. Target industries with especially strong potential to succeed and bring desired growth to Nashville are identified. The health care and the music industry were two important growth areas singled out early as having good growth potential. As new important issues emerge the developmental focus is always redirected. During the second period, five target areas were established: education and work force skills, regional cooperation, air service, professional sports, and the information technology infrastructure. The organization recently ended its third plan, spanning from 1998-2002[33]. Transportation and industrial space availability have been recent additional top concerns for Partnership 2000 as Nashville is trying maintain its dominance in the growing urban region. Work force improvement continued to be a priority for economic development under the third plan.

[33] The last one for which I have collected data.

Partnership 2000 operates under a strategic plan based on data on comparative demographic and economic trends supplied by consulting firms. The consultant presents research material for the Chamber's executive committee, board of directors, and selected Partnership investors. They direct a course of action, another round of research determines what businesses and industries will likely grow in the future, and a strategic plan is formed. Every four years, the Chamber then asks their investors to fund the plan.

Exactly how are these funds spent? During one sample period (1994-1996), Partnership 2000 spent $2,048,000 on marketing (Partnership 2000, 1996a). Half of this finances communications efforts, which includes advertising campaigns and public relations efforts. The other million in the marketing fund supports business attraction and retention. Included here are 30 recruiting trips around the country made by Partnership staff. Finally, a smaller amount—$697,000—was spent on "making the Nashville region competitive." This is composed of three approximately equal parts: education initiatives, supporting the airport authority (which essentially funded their marketing efforts), and creating an infrastructure for regional economic cooperation.

Despite the regionalization efforts, the list of lead investors suggests a lack of involvement from regional constituents. One of the hardest goals to implement was the establishment of a single, consolidated economic development agency for the region with centralized advertising and promotion. During Sherrard's early tenure, Partnership 2000 did not raise money outside Davidson County in order to solidify support from Nashville businesses. On the government side, three fringe counties, Williamson, Wilson and Maury, started economic development programs of their own shortly after Partnership 2000 was initiated. Eager to project a picture of unity, Partnership 2000 depicted those

moves as a supplement to its own efforts. In truth, cooperation with surrounding counties has been weak, leading some to question outright the true regional approach of Partnership 2000 and benefits the efforts have for Metropolitan counties other than Davidson. Some members of local, non-Nashville Chamber of Commerce organizations said Partnership 2000 cannot do for them what really needs to be done for the county to grow economically and be more attractive to industry (Hobbs, 1991, April 1). To combat these perceptions, Partnership 2000 moved regional cooperation to the front of its agenda during the second four-year period, and seven surrounding counties agreed to be partnership investors. "People in the counties were wary of being involved. They thought they were being taken over. It was a partnership, but we encountered a lot of resistance at first. After two-three years the barrier broke down" (Sherrard, 2000).

Although Partnership 2000 meets six times a year with other regional actors to discuss problems and marketing opportunities, its cooperation with these regional actors remains limited. These participants include Chambers of Commerce of nine surrounding counties, the marketing division of the State of Tennessee, and the Middle Tennessee Industrial Development Association, which is sponsored by the electric power distributors. Only TVA is a lead investor and committed $100,000 a year to the organization during the second four-year plan. On the private side, few regional industries been involved in Partnership 2000. In the branch plant automobile industry, Nissan has been active, but Saturn has not. Nissan's Jerry Benefield headed the partnership's effort to build a regional task force to address economic development for Middle Tennessee. But Benefield acknowledges that only modest progress has been

made, adding that "the counties are usually quite suspicious of what Nashville wants to do, and they haven't been very cooperative" (Murray, 1994, August 1).

Partnership 2000 is a proven, well-respected program; every four years the businesses have been supportive and a new plan is funded despite intermittent fundraising troubles (e.g. American Airlines; see Chapter 9). Participatory practices have also generated enthusiasm. For example, ambassador's groups entertain and inform people who come to Nashville for scouting relocation. When these groups were successful, businesspeople wanted to participate. Partnership 2000 activists often use their positions as steppingstones to becoming Chamber leaders.

Partnership 2000 itself has also been satisfied with local economic development during the first half of the 1990s according to their own internal evaluation (Partnership 2000, 1996a). Economic indicators for the city are above or on target. In some important cases, such as net job growth, Nashville exceeded the Partnership 2000 four-year goal in only two years. The city also had a more favorable trend in economic development and population growth than competing cities. Nashville is growing more prosperous, which ironically has created "strains on business climate" (Ibid.).

In conclusion, Partnership 2000 has emerged as an integral part of how Nashville business is organized and the function of the city at large. Therefore, the organization has in effect, become institutionalized. The high rate of implementation of proposals from Partnership 2000 is a good indication of the importance of the organization and the impact it has had on the development of Nashville during the 1990s. Its influence has been strong in, for example, airport, promotional, and educational affairs, which will be discussed subsequently.

8. PUTTING THE CITY IN "MUSIC CITY:" POSSIBILITIES AND LIMITATIONS OF IMAGE REMAKING

The institutional changes documented so far have opened up possibilities for Nashville to more forcefully pursue growth policies. The theme of this chapter is the closer attention paid to image-making, which represents one of the new policy areas in the theoretical framework described in Figure 1.3. Image politics is of course not entirely endogenously determined, but is also an outcome of post-Fordist economic tendencies. Cities are not as tied to their hinterlands, as dependent on natural resources and manufacturing, or the Fordist state and federal money as they used to be. No longer are cities cushioned by these forces, and cities' niche in the urban hierarchy does not provide a stable and predictable growth environment. Cities are instead thrown into a competitive environment where the goal is to attract investment. City leaders are always seeking to improve their cities' position within the system of cities, and therefore "image creation is central to economic development strategies, especially in cities that aspire to a higher level [in the urban hierarchy]" (Pagano & Bowman, 1995, p. 47). They have to present a picture of a growth-friendly environment to pull in increasingly mobile capital as well as an image of livability to attract a productive labor force. Before addressing the Nashville case, a description of the underlying components of contemporary urban image-making should be made.

8.1 The nature of urban image-making

While urban promotion was unsophisticated and piecemeal for a long time, the development has moved towards more coherent strategies. Place promotion is now a

fundamental part of guiding city development and an expanding activity (Fretter, 1993). Holcomb (1994) says that place promotion has become big business, but at the same time acknowledges "the selling of cities is still in its infancy" (p. 121), thus predicting a tremendous growth in the field.

One way of projecting a favorable image is to stress a unique place identity. There is a tendency for cities to use generic images on one hand, and on the other, to try to distinguish themselves, to be different and unique. Familiarity assures investors that the city is a safe object for investment; that it plays by the rules that everybody follows, while the unique and place-specific catch attention. This dualism of the generic and unique produce individual places that nonetheless have strong physical similarities. A city's image is dependent on the visual impact of its urban environment. The identity of a city is especially influenced by the visual quality of the downtown area—usually the most imagable space where the unique is readily observable. From the image-maker's perspective then, the question of how a downtown should be designed and revitalized is a concern that extends beyond its relatively confined geography.

A closer look at place advertising reveals that cities stress the generic as often as the unique and place-specific in representing their assets. Imitation is a safe strategy. A type of imitation is the use of a relational image (Eyles & Pearce, 1990). Usually, a relational image is not viewed as desirable and distinct as a non-relational one, and often associated with second-tier cities. Relational often means lower status, like Nashville's "the Third Coast" explicitly ranks itself third in the music industry after New York and Los Angeles. Similarly, "Athens of the South" is also a relational image. Although a construction often used by cities, the relational image does not create as strong of an

identity as a non-relational image. In that sense, "Music City" as a place specific, non-relational identity is more attractive than "Athens of the South."

In the post-industrial society, the marketing goal is often reinvention (which is not directly captured in any of the Nashville slogans). The ultimate objective is to change people's general perception of the city, although direct place marketing must be satisfied most of the time with enhancing exposure. In fact, cities may be more successful with promotional campaigns designed and executed during times of growth and prosperity, rather than pursuing image reversal amidst post-industrial decline when economic forces raise formidable obstacles to image rejuvenation (Ward, 1994). However, it takes a certain level of strategic far-sightedness to pursue image revision and change in prosperous times that otherwise would suggest a safe strategy that does not deviate from the status quo.

Social critics view place marketing with an emphasis on the reconstruction of old images in the post-industrial era as a sign of the times: "The packaged image reflects the aesthetic taste of the postmodern society, with its eclectic conformity, its commodified ethnic culture and sanitised classlessness" (Holcomb 1993, p. 142). This implies that the conformity of projected images rarely approaches any "real" diversity. Cities "are being produced as commodities to be marketed rather than as vessels of society" (Holcomb, 1994, p. 117). The critique is reasonable as an exercise in interpretive analysis; however, marketing is by its very nature a vehicle for commerce, and it is illogical to expect that promotional material should entail much more than a message designed to help a seller (the city) find a buyer (investor, resident).

A more complex situation arises if physical urban redevelopment becomes a blend between the substantive and the image-dependent. Here, history is commonly represented in the urban landscape; it can be reconstructed to fit a particular purpose, and with content selected to represent a particular viewpoint useful to image-makers. Some see this representation in the urban landscape as a sanitized historical pastiche (Roberts & Schein, 1993), while others stress that it is in the interest of the elite to incorporate minority history in a public narrative (Foresta, 1996, April). But as Foresta observes, the transformation of capitalism can give birth to "many different, competing, and countervailing place making strategies;" this urban representation does not necessarily correspond with other cities[34]. Representation, or manipulation, of history and culture is often executed to enhance feelings of a common heritage. Philo and Kearns (1993) call place marketing a subtle form of socialization aiming to convince citizens that they are have an equal part in something important, and benefit more or less equally from growth-promoting strategies. Such strategies become more and more appealing for the elite in order to moderate political conflict and enhance local capacities for social and economic action that further their own notions of progress, but may, at times, also lead to local tensions and conflict over symbols.

There are solid economic reasons why city officials and business interests are turning to image politics. When geographical investment options are greater for capital, more information is required to make the best business decision. What economists call "imperfect information" characterizes the investment climate, and therefore image

[34] A similar public narrative in Nashville, the walking tour of downtown (surveyed in the fall of 1997), covers themes ranging from the frontier myth to Music City, but minority (black) history is absent.

politics become increasingly important. The most direct way of engaging in image making is advertising. The question is if this type of place marketing is of any consequence. There is no reason why selling a city should be treated differently than other products; from the advertising professional's perspective the logic is the same. But as individuals rarely admit to being influenced by commercial messages, companies might not be immediately swayed by a city advertisement. The key, however, as in all advertising, is visibility. So it is reasonable to assume that it does work, just like all advertising; at least in cases where a clearly defined consumer is targeted and his or her behavior is well documented by marketing research. Thus, city advertising tends to target specific groups like relocation experts, corporate decision-makers, tourists, and recent university graduates.

When selling the city moves beyond this type of direct place marketing, the audience is broadened to the extent that the control of the image-makers is increasingly diluted. The images of a city held by any given individual cannot be controlled by one agent. The increased numbers of media outlets, the latest of them being the Internet, creates exposure opportunities for cities and an exponential increase in available information for the receiver. Moreover, different individuals perceive objects in different ways. So from the perspective of the city official, or any other image-maker, the process of creating a city image is not an easy task, as images not only change (and change meaning) over time, but their perception varies among individuals. Images exist that are multiple and even contradictory, and the complexity of a city must be reduced to a manageable image. At the same time, the audience is highly differentiated, so the image-maker must produce multiple images of the city. Thus, the city booster must have a firm

grip on the product and the audience, i.e. what image is being projected and to whom it is being projected. The diverse audience often limits the aim of image creation to "create and sustain awareness" (Ashworth & Voogd, 1994).

When scholars have approached the issue of city promotion, they have often performed various kinds of content analysis of the advertising themes and the images projected. Short and Kim (1998), for example, divide the advertisements of cities into two basic categories in terms of their slogans and message: business-oriented and quality of life-oriented. Common themes include pro-business political climate, workforce, location, high-tech and infrastructure. On the quality of life side, themes include nature and recreation, weather, cost of living, friendliness, cultural attractions, and historical heritage. There are, however, fewer case studies directly related to the processes, or the "machinery" behind image creation. One exception is a cookbook-like overview providing the essentials of promoting the city (Fretter, 1993). Fretter's recipe for a successful promotional campaign includes: a shared vision within the city, knowledge of your own city and what you are promoting, targeting your audience, and the desirability of a high degree of organization and coordination. According to Fretter, speaking with one voice is better than multiple and potentially contradictory voices.

In addition to the deliberate, strategic and calculated image generation, there are other ways in which images are created. Public relations efforts are as essential but not as well analyzed. This activity is harder to track and does not produce interpretable images. Particular policies that a city pursues, if they are coherent, consistent and reach a broad audience via media, will over time change the way a city is perceived. Some cities may, over time, establish a reputation as business-friendly, and others as livable places whereas

before they were known as polluted industrial cites (e.g. Pittsburgh and Chattanooga). However, long-standing images, often tied to a city's economic base, cannot be discarded instantly. They must be embraced or addressed in a direct or indirect manner—Nashville as Music City is a case in point here. Cities are inevitably tied to its own historical progress as well as unpredictable events over which image-makers have no control. Unfortunately, the level of control over imaging that can be asserted by targeted efforts is most likely inversely related to the impact level in producing desired perceptions. An advertising campaign or a new sports stadium reflect the desires of a city, but are probably less powerful than long-standing associations tied to the city's economic function. Although such a relationship may be logically assumed, no research addresses this problem directly. This relationship is conceptualized in Figure 8.1.

Following this model in my Nashville case study, this chapter will consider the connections between the role of governance change and image-making, the goals of the urban regime, as well the city's cultural and economic identity. First, I will discuss the



Figure 8.1 Levels of control and impact of image-making.

marketing strategies of Partnership 2000 and look behind the promotional material and the official image of Nashville it tried to create. The goal is to fill the gap in the city promotion literature identified by Short and Kim (1998): "the authorization of particular image, the politics of image making, is, as yet, rarely studied" (p. 60). I will identify the main players behind the image creation and ask to what degree is there an organized strategy behind the public image of Nashville. Who is creating images, for what purpose, and who benefits from the way Nashville is represented? Do conflicts over city representation exist in the process of image creation? What is represented and projected in Nashville images and what is not? This is followed by an analysis of high profile development and business recruiting projects from an image perspective—image by policy in Figure 8.1. A closer look at the changing country music industry and the cultural context in which it operates also places Nashville's image in a path dependent context: the close association with country music. I have also assessed the impact of these promotions, policies, and trends on the imagability of Nashville by examining internal Partnership 2000 documents and by conducting content analysis of selected national media. Because this research goes beyond the central analysis of local image-making, it is presented in Appendix 1.

8.2 Partnership 2000 and the Music City strategy

Parallel with the efforts to create Partnership 2000, the Chamber of Commerce initiated an image-making process. A 1989 consultant survey done for the Chamber examined outsiders' perceptions of Nashville. It concluded, to no big surprise, that if Nashville had a positive image, it was the association with country music. But the image of Nashville

was also accompanied with a perception of rurality (Duffy, 1997). The city's image was in some respects interconnected and indistinguishable from Tennessee's. What did Nashville want to present itself as? The instinctive reaction was to move away from the traditional stereotype—country music—which by its very definition conveys rurality at a time when Nashville's goal was to be urbane. During the initial Partnership 2000 brainstorming sessions, other slogans with vague notions of centrality were suggested, like "The New Beat of the Heartland" (Sherrard, 2000). After a series of suggestions failed to raise above the banal, the central question was what distinguished Nashville. After conducting brand testing, country music was the only positive and usable image associated with Nashville, and the emphasis fell on "Music City USA" as the slogan for the city, which had existed for a long time but never adopted officially[35]. This decision was certainly reinforced by the recognition of Music City in the survey. It was in fact the second best-known city label in the country, after New York's "The Big Apple" (McGraw, 1992), which was a tremendous asset considering how hard it is for cities to adopt slogans that will not be lost in the chaotic world of messages.

However, there were both positive and negative aspects to Music City USA. The slogan suggested Nashville is exciting and creative, which is attractive both from a quality of life perspective and in signifying fertile ground for sophisticated service industries. It also exaggerated Nashville's weaknesses—the hick town image—a sore spot that has haunted city boosters for decades. Business Nashville is full of anecdotes

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[35] The current usage of Music City USA is associated with an announcer at the WSM radio station around 1950. There are, however, references to Music City that date as far back as the 1870s to the Fisk University's Jubilee Singers (Feilier, 1998).

such as this one: "Economic developers called and said 'we want to put a plant in Nashville, but when you get off the main road, are the streets paved?' We couldn't believe it, but country music was associated with Appalachia and it didn't seem Nashville could be a sophisticated place" (Sherrard, 2000). Not that this image problem was new to the city. The same concerns and the same dilemma regarding Music City has been voiced by the Chamber and other boosters at least since the 1970s (Ridley, 1995, November 9).

The business community had to come up with a solution of how both to take advantage of Nashville's association with the music industry and to eventually evade its inherent limitations. The idea behind the adoption of the slogan Music City USA was to capitalize on an existing image. From this starting point, the aim was to diversify and broaden the general perception of the city (McDaniel, 1997). This strategy is logical in the context of Sunbelt growth, which, for example, is reflected in an upbeat 1978 *National Geographic* article that portrayed Nashville as affluent and dynamic. The article's theme was the diversity of the city beyond country music (Kernan, 1978). The magazine largely repeated the story in 1986 after the Saturn plant helped Middle Tennessee expand the idea of economic and cultural diversity (Vesilind, 1986).

Through advertising, Partnership 2000's image building process was in progress. Aimed squarely at corporate elites, the advertising was placed in magazines like *Forbes* and *Fortune* and depicted Nashville as a corporate city using businesslike images of the downtown. With the location of an American Airlines hub to Nashville, images of airplanes were used to convey the message that Nashville was easily accessible and equipped with excellent transportation. As the strategy suggested, the advertisements displayed a Music City USA logo at the bottom. The rather generic images of modernity

displayed a Music City USA logo at the bottom. The rather generic images of modernity with buildings of glass and steel and airplanes lined up at an airport are aimed at putting Nashville on the business map. This reflects a building process where new, but rather simple images are attached to the already established, music-dominated image.

The follow-up process included one-on-one calls to relocation consultants, and making presentations before business groups around the country in regions of corporate exodus. One of the first relocation successes was the financial service consulting firm Deloitte & Touche, which moved its back office functions to Nashville in 1990. Today the Chamber feels that Nashville probably overattracted back office operations. Together with Omaha, Nashville became the place where you find more of that type of operation than anywhere else, says the first Partnership 2000 chairman Tom Sherrard. Nashville has since moved away from that approach, instead focusing on economic activities—a few service-oriented industries complemented with a healthy number of manufacturing companies—that have a better capacity to raise the local average income level.

The strategy from the initial campaigns was later refined, but still emphasized the same theme of image expansion. A successful advertising series launched in 1995 shows an object easily identifiable with the music industry and underneath it the reader can catch a glimpse of a product associated with an industry operating in Nashville. In the picture, the surface layer of the commonly held image of the city is peeled off and below the reader is encouraged to "Discover the Unexpected" (Figure 8.2). The campaign included several advertisements based on the same principal concept. A stack of music sheets reveals a pile of books (the printing and publishing industry), a piano keyboard is seen on top of windshield wipers (automotive suppliers), and underneath a compact disc,

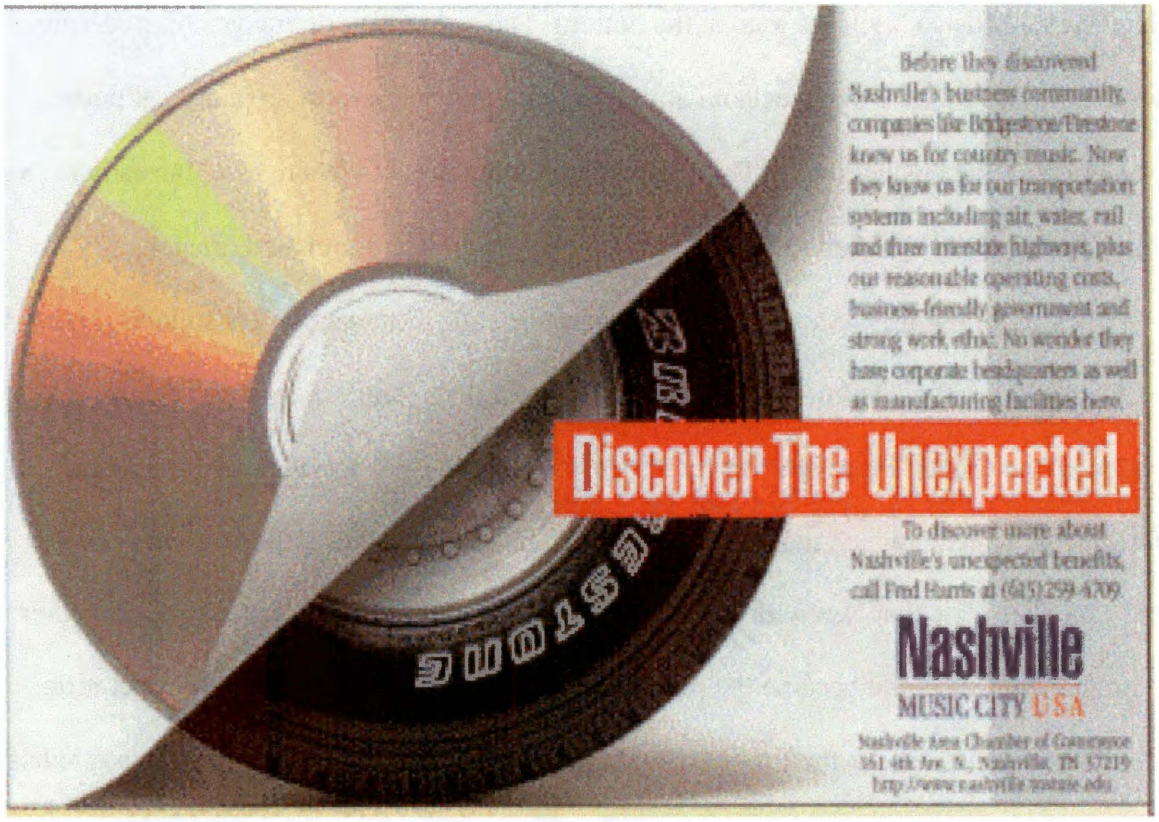


Figure 8.2 The "Discover the Unexpected" campaign. Source: Nashville Area Chamber of Commerce. Used by permission.

a Bridgestone-Firestone tire is visible. This is a clever game with shape and form that reinforces the core message—there is more to Nashville than the music industry; more than most people think. The goal statement for the ad campaign reads: "Three new ads [are] designed to generate inquiries among target audiences and industries...The new concept repositions the Nashville region as a stronghold for business" (Partnership 2000, 1995). The ads are more targeted than earlier promotions and were placed in industrial recruitment magazines instead of general interest business magazines[36]. It is a diversified, yet focused strategy. Promotion has become more and more specialized. Later, trade journals serving specific industries such as health care and entertainment were also targeted. What has taken place is an attempt to completely reshape Nashville's business image from the bottom up.

The most recent campaign focuses on attracting technology companies (Partnership 2000, 2000). Especially since Dell computers expanded to Nashville, the city's strategy has been to address one of the deficiencies in the local economy: the lack of a computer industry. The new technology campaign has thematic similarities with the Discover the Unexpected campaign. Now, one tag line is "Arguably, the most popular instrument in Nashville," accompanied by a picture of a laptop computer. Another ad states, "These days, being part of Nashville's skilled labor force doesn't necessarily mean you play guitar," and shows a hand holding a microchip. Again, these ads have been featured in various business and site selection magazines. In addition, Partnership 2000's

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[36] In the 1997-1998 fiscal year, the complete list of publications advertised in include: *Area Development, Business Facilities, Expansion Management, Plants, Sites, & Parks, Site Selection, Outlook America, Southern Business and Development, Tennessee Economic Development Guide,* and *Forbes*. Partnership 2000 maintains a list of upcoming editorial themes for a wide selection of magazines to advertise in the issues that most likely attract their particular target audience (Partnership 2000, 1997, May).

advertising for the first time not only attempted to attract new investment, but also recruiting a college educated workforce using, for example, movie screen advertisements in targeted U.S. cities. The workforce issue is addressed further in Chapter 10.

In most cases an advertising agency is contracted to develop the promotional advertisements. Only one of the producers of city promotion ads, the Visitors and Convention Center, uses both an ad agency and produces material in-house. The two-way communication process always involves a series of meetings between the client and the ad agency. Like most work of this type, be it consumer products or a city, the sellers and the professional marketing people develop ideas together. They also rely on national surveys conducted by a hired research company to determine what people think about Nashville and other competing cities, what they read, and where they get their information in order to fashion the appropriate advertising and public relations effort (Harris, 2000). In this case, the Chamber of Commerce provides the basic theme—there is more to Nashville (other than country music) than you would expect. The ad agency develops design ideas that would best meet the objective in an imaginative and inventive way. After a mutual discussion on alternatives, a final concept is chosen: for example, the layered image of the "discover the unexpected" campaign.

Partnership 2000 has also assessed the effectiveness of their advertising campaigns. The period 1994-1996, which covers the "Discover" campaign, produced 482 "inquiries" and 283 more serious contacts with businesses called "leads" that can be attributed to advertising (Partnership 2000, 1996a). On the public relations side, Partnership 2000 had 209 outside media visits and the organization's staff made 30 recruiting trips around the country. In all, 225 relocation prospects visited Nashville, of

which 71 eventually decided to relocate to Nashville, although Partnership 2000 does not explicitly tie this to their advertising. Of those 71 companies, 67 were among the six groups of targeted industries Partnership 2000 focused on during the time period.

Since "Discover" and earlier campaigns, media advertising has decreased. The first year Partnership 2000 spent $293,300, but by year seven (1996-1997) the advertising allocation had declined to $164,400 (Partnership 2000, 1997, May). The organization's public relations plan instead stresses the importance of educating the audience about Nashville, rather than selling the city to them. Partnership 2000's own analysis points to outside interest in relocation and awareness of Nashville as a strength. But at the same time, Partnership 2000 is self-critical. In the organization's public relations plan, the inevitable mixed message of Music City v. cosmopolitanism is listed under "weaknesses." Media fragmentation makes messaging harder, and the plan calls the Music City image "oversaturated." Other negatives include a lack of marketable qualities that set Nashville apart from competitors and a poor perception of the Nashville school system. They also noted a declining status for Nashville in various city ratings since the early 1990s (Partnership 2000, 1997, June).

One recent move in the representation of the city regards the focus on the slogan Music City USA. As the campaign of broadening the image base has been considered successful, a need for reconstructing the image has arisen. Conscious moves have been made to redirect the focus onto Nashville and away from Music City. In newer advertisements and other forms of logo display, Music City is subordinated to Nashville graphically. Note the temporal changes in the logo in Figure 8.3, which is taken from



Figure 8.3 A change in emphasis away from Music City, as seen in the Chamber of Commerce logo. Source: Nashville Area Chamber of Commerce. Used by permission.

Chamber employees' business cards. The current logo only alludes to the music industry with an ambiguous star.

Image-making has become increasingly centralized, directed from Partnership 2000, which depends to a certain degree of consensus in image politics. However, the attractiveness of the Music City slogan varies among different industries. Presumably, Gaylord Entertainment is one company that benefits from the extensive use of the Music City image in advertising. The growing health care industry has expressed feelings that it is not benefiting from this promotional strategy (McDaniel, 1997); the health care industry is also the least represented industry in Partnership 2000. Similarly, Vanderbilt University has been marginally involved in Partnership 2000 (although Vanderbilt Medical Center has been listed as a "minor investor") with the emphasis on Music City. Vanderbilt University embodies the other Nashville image—The Athens of the South. Indeed, the proposal to use Music City USA as the dominant slogan initially met with some resistance from the old elite: "the Vanderbilts of the world thought it played of something that didn't capture all of Nashville" (Sherrard, 2000). But despite some dissatisfaction with the slogan, most of the business establishment has backed the ubiquitous, but declining, use of Music City USA.

The shift in strategy at this point was in part due to changing economic circumstances. By 1997, Nashville had reached an economic plateau (Nashville Area Chamber of Commerce, 1997b). To continue to spur growth, the Chamber and the Partnership worked to correct several identified problems affecting the business climate: eliminating labor shortage by improving the skills of people entering the workforce, encouraging better government services (i.e. air, highway, and rail transportation, and crime prevention), and improving financial resources (venture capital and government investment). These efforts are reflected in Partnership 2000's public relations and image work. The marketing plan of 1998-2002 stresses workforce recruitment to a much greater extent than before, and the resulting marketing efforts placed a stronger emphasis on Nashville's quality of life. The stated strengths of Nashville include an entrepreneurial culture, acceptance of outsiders, strong name recognition, sports and entertainment in a dynamic downtown, affordability, and a relatively large number of college students. The unresolved ambiguity of Music City, however, continues to be a concern even as a partial shift from corporate recruiting to quality of life marketing is evident. Nevertheless, the recent Partnership 2000 strategy continues to stress the unique, but through means other than Music City. The generic messages that most cities rely on—low taxes, light regulation, moderate climate, nice neighborhoods—will be used sparingly due to their lack of uniqueness (Partnership 2000, 1998). The marketing goal is instead to have a message that makes an "emotional impact" on the audience. To do so, Partnership 2000 has devised a strategy focused on a so-called "Unique Selling Proposition" which emphasizes Nashville's entrepreneurial culture with an open attitude towards both ideas and people. Moreover, the marketing plan states that public relations tactics rather than

narrow advertising are effective on decision-makers who develop their attitudes by dialogue with peers, personal travel experiences, and by articles in media more than direct advertising material. That said, the plan does not propose to abandon traditional advertising—it is a "valuable source of leads"—but to broaden city marketing in other directions (Ibid.).

A handful of other players also promote Nashville through advertising. Major power companies are usually important in the selling of a place or a region. At least two reasons contribute to their role in this regard. First, they are firmly attached to place. Traditionally being a regulated industry, power companies have a service area where they often occupy a monopolistic market position. Their fortunes are thus closely tied to local growth, not only through multiplier effects, but also through direct income from increase in energy demand. The second reason is their size. A power company is often one of the largest companies in a city, commanding tremendous financial resources. This combination of local growth dependency and capital strength has made power companies an important player on the industrial recruiting scene.

The Nashville energy market is divided by the publicly owned Nashville Electric Service and Nashville Gas, a private company. Nashville Electric Service has been one of the lead investors in Partnership 2000. However, NES does not spend anything on promoting themselves and the region directly, according to their development director (Duffy, 1997). No independent advertising campaign has been launched by Nashville Electric after 1991 when their efforts were coordinated with Partnership 2000. It is more efficient "to speak with one voice," (Ibid.) i.e. through the centrally organized campaigns of Partnership 2000. Their input, as well as the input of the other members of the

organization, is limited to the marketing committee where the direction of the promotional campaigns is discussed. Duffy also stresses that from a development perspective, many factors are more important than generic ads in industrial recruitment magazines. Targeting specific industries and the ability to present hard data regarding economic issues, site availability, and tax deals are fundamental to attracting new business. Good rankings regarding the "business climate" and quality of life in key business magazines are equally important. By downplaying imagery, Duffy places advertising in a more modest role for industrial recruitment purposes.

Nashville Gas, the other main power company, occasionally produces advertising for the national market directed towards industrial location (DiMeola, 1997). Interestingly, Nashville Gas is not one of the lead investors in Partnership 2000 (although it is a minor contributor). Their advertising is only in an indirect sense promoting Nashville, but where to place the ads is carefully researched so as to have the greatest impact with regards to the specific target audience.

Direct place marketing has two main audiences: relocating businesses and potential tourists. As in most cities, the entity for marketing Nashville for tourists is the Convention and Visitors Bureau. Their promotion activities span a wide range of activities. Through demographic and geographic research, states such as Illinois, Texas and California have been identified as important source areas of country music tourists (Sanders, 1997). Resources are often combined, for example when tourist promoters in Nashville and Memphis, jointly with the State of Tennessee, set up an office in England at the same time American Airlines offered a short-lived Nashville-London flight. As an international spokesperson, leading country performer Marty Stuart wrote the song

"Magic Town" to promote Nashville. The video was aired in selected markets worldwide, especially through Gaylord-owned Country Music Television, developing an integrated city-industry promotional strategy in a manner that few cities are positioned to do. The office in Britain was established to promote Nashville in the European market, but proved less productive, so Nashville is not currently pursuing international advertising. Demographically, women are increasingly a prime audience for country music and advertisements are placed in lifestyle magazines such as *Southern Living*. The Convention and Visitors Bureau relies mainly on such general interest print media, although radio advertising can also target specific audiences in particular regions. Figure 8.4 shows an example of an ad by the Convention Center portraying Nashville as a hot place, referring to the growth of country music. The Convention Bureau and Opryland have studied the effectiveness of the advertisements placed on television and in print, and 73 percent of tourists visiting Nashville said the ads influenced their decisions to visit (Campbell, 1992, December 14).

The Convention and Visitors Bureau has the authority from the Mayor's Office to act as the central tourist promoter of Nashville. It is not only responsible to the mayor and the Metro government, but also to the Chamber of Commerce and its members, who support the Bureau financially. Although all promotional decisions are eventually taken within the Bureau, major marketing strategies must be approved by the mayor and the Chamber. In practice, the bureau claims, any restraint placed on promotional activities has been budgetary rather that objections to content (Sanders, 1997).



Figure 8.4 In the wake of the big country music breakthrough, the Nashville Convention Center produced an advertising campaign that reflected the mid-1990s status of the genre. Used by permission.

8.3 Entrepreneurial projects and image-making during the Bredesen administration

While direct place-marketing may have some effect on how a city *is* perceived (and there are indications that the perception of Nashville has changed; see Appendix 1), it certainly reveals how a city would *like to* be perceived. But beyond advertising and public relations, there are other activities that may be more influential in materially changing Nashville, and along with it, its image. In this section I will discuss public policy from an image perspective as suggested in the conceptual model of image control (see Figure 8.1).

Phil Bredesen exerted limited influence in terms of direct activities affecting the image creation process. The Mayor's Office plays a role in the coordination of the image production through an annual event called the Selling Greater Nashville Workshop. The goal of this workshop is to inform business leaders how Nashville has developed over the year, how it compares competitively with other cities, and how the development strategy is proceeding. In short, the goal is to feed business leaders the same data, which is useful in presenting a coherent front in the recruitment process. More importantly, as mayor Bredesen had a good grasp of the potential for image-making by entrepreneurial policy. When considering day-to-day decisions, Bredesen reflected how these decisions would affect Nashville's competitive position. He found running the daily business of government less interesting; it almost runs on auto-pilot. Instead, his eight-year mayoral tenure focused on the tools at his disposal that could reposition Nashville both internally and externally (Bredesen, 2001). Bredesen's enduring legacy was grand projects. His strategy was to focus on specific issues crucial from a broader development perspective

(Hawks, 1997). Entrepreneurial projects during the Bredesen period can be divided into three categories: corporate incentives, sports development, and downtown revitalization.

As mayor, Bredesen secured five large corporate tax breaks. They benefited: 1. Industries unique to Nashville that play an important part of the economic identity of the city; 2. Industries that form a vital local cluster which without the subsidy would be in doubt; or 3. Growth industries in the high-tech or advanced service sector. In most cases tax subsidies were offered to retain or attract corporate headquarters. The result was mostly favorable through media exposure portraying Nashville as a dynamic city building on existing strengths and expanding in the right direction (see Appendix 1). However, the economic rationale of offering large corporate incentives is often challenged. The payoff in terms of jobs and wages created, either directly or by multiplier effects, may or may not exceed the costs of the subsidy package. Especially the financial cost of attracting major league teams and building stadiums may outweigh the gains (Euchner, 1993). However, some of the multiplier mechanisms are poorly understood and hard to quantify or subject to economic analysis. Such effects operate in at least two subtle ways: by making a city appear as pro-business and by supporting a forward-thinking image in the popular imagination. A brief overview of the subsidies follows.

1. The Opryland Hotel and Convention Center is one of the largest complexes of its kind in the United States and one of the most profitable enterprises of Gaylord Entertainment. Since the city-county consolidation, Nashville has two taxation districts. Opryland is located in the Urban Services District but adjacent to the General Services District. Metro government agreed to change the boundaries and place Opryland in the General Services District with its lower property tax rate. Together with a hotel tax break,

Gaylord stood to save $22 million (Hobbs, 1993, June 14). The move freed capital for a massive expansion of the Opryland Hotel, which ostensibly was dependent on this subsidy. Bredesen also promised Gaylord not to expand the city-owned convention center downtown for ten years after the reopening of Opryland Hotels. Metro government also had one additional reason for pursuing the policy: as a strong connection exists between convention activities and air traffic, the move would help secure Nashville's American Airlines hub (see Chapter 9).

2. Not long after the Opryland deal, the question of headquarters location for the religious publisher Thomas Nelson emerged. The Nashville-based corporation grew dramatically in 1992 following an acquisition of a publishing company in Texas. The city of Dallas tried to lure Thomas Nelson and its 1,300-employee operation, but a Bredesen-negotiated package for Thomas Nelson that included tax abatements resulted in the company choosing to stay in Nashville.

3. A similar situation existed when HCA merged with one of its main competitors, HealthTrust. This occurred less than a year after HCA moved its headquarters from Nashville to Louisville after merging with Columbia in 1993. Nashville made it clear that the city wanted the new company's headquarters. Bredesen, who had a reputation of completing deals and was elected to office with overwhelming support to run government as a business, led the negotiations. Nashville Metro Council also passed a resolution that gave Bredesen a free hand in negotiations with the company. Nashville was successful competing with Louisville and, again, Dallas for the headquarters. Nashville was an advantageous location because the company already

owned a large expandable office complex near Vanderbilt University. The value of the HCA tax subsidy has been estimated to be between 26 and 116 million dollars.

4. Mayor Bredesen also played a crucial and influential role in the process that led to the move of National Football League's Houston Oilers (now the Tennessee Titans) to Nashville. The acquisition of one or more professional sports franchises had been on the priority list for the city for a long time; several local businessmen had tried unsuccessfully to purchase major league baseball or basketball teams for years. By the mid-1990s, Nashville, based on market size, wealth, and corporate backing, was a serious contender. The broader goal was to strengthen the city's position as an entertainment center. However, some inside reports on the workings behind the relocation of the Houston Oilers recount a process where the team targeted Nashville, not vice versa, through connections at the Nashville Convention and Visitors Bureau (Dobie & Horick, 1995, August 17). After the initial contact, Bredesen was reportedly skeptical with National Hockey League and National Basketball Association relocation failures fresh in his memory. Only after realizing the seriousness of the Oilers' interest would Bredesen pursue the deal with full force (Ibid.). He enjoyed the fervent backing of the business establishment: one observer characterized it as "one of the most impressive collections of Nashville's business elite ever to gather for a Metro Council meeting" (Lavey, 1995, October 9), when Bredesen presented his plan and urged support for bringing the Oilers to Nashville. The council eventually decided to put a bond-financed relocation and stadium deal before the voters in a referendum. The Chamber was "very active" in

working with their members and to get their employees to vote in favor (Harris, 2000)[37]. The referendum passed with 59 percent of the vote in 1996. The image value of the new team is perceived as invaluable in business circles: "It has put Nashville on the map with decision-makers around the country...We're on the tip of the tongue with the Super Bowl" (Hunt, 2000). Undoubtedly, it has had the desired effect of creating awareness.

5. The last deal of the Bredesen administration was the 1999 construction of a 3,000-employee Dell computer manufacturing plant in the industrial area close to the airport. Most observers believed this sprawling development would land in one of the surrounding counties, but a property tax break and free land deal was worked out by Metro government and the airport authority. High value manufacturing benefits from a location near airports, a fact that clearly influenced the location decision. Critique from the *Tennessean* questioned whether the cost of the public subsidy (which they placed at $116 million) together with indirect costs, such as schools and services, exceeds the benefits of the deal (Wissner, 1999, May 7). At this point the public opinion of Bredesen started to reflect the question of whether Nashville's resources had been overextended in the pursuit of economic development, but the deal finally passed in city council (27-11) despite some resistance.

The major elements of image-making through policy are mutually reinforcing. Attracting sports teams involved major corporate subsidies, but it is also a leading component in the downtown development efforts. During the last ten years, downtown

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[37] The Yes campaign outfinanced the No side 20-1 with the biggest contributors being NationsBank, Gaylord, Nissan, and Bridgestone/Firestone (Ippolito, 1996, May 1). A leading local public relations firm also put a positive spin on the deal. Local businesses snapped up luxury suites quickly, but when ordinary season tickets did not sell out as required, Thomas Frist purchased the necessary tickets (Dobie, 1996a).

Nashville has undergone substantial changes. Second Avenue was upgraded back in the 1980s during Mayor Fulton's beautification initiatives, but the physical improvement was only accompanied by a modest increase in downtown visitors, businesses, and residents. On lower Broadway, heavy-handed tactics of selective liquor violation enforcement in non-desirable establishments were reported during the Boner administration to "clean up" the area (Dobie, 1989b). But in 1990, only one million out of seven million annual tourists visited Nashville's downtown (Hinds, 1990, December 17). Downtown held equally low attraction value among local residents. Commercially, Second Avenue was abandoned by retail over the decades, leaving Broadway in commercial isolation; it developed as a location for more space-consuming goods, especially low-end furniture, which tied it closer to the warehouse district to the south (Marshall, 1975). Before the current revival, commercial activities in the area were, for the most part, restricted to pawn shops, peep shows, and second-hand stores intermixed with empty retail space. Lower Broadway on the south edge of downtown, with its proximity to the area once called Black Bottom, had a seedy side to it that is no longer present.

The transformation from a dormant city center to an active, albeit tourist-dominated, street scene is apparent to most visitors and citizens of Nashville. Several landmarks have been added to the cityscape (Figure 8.5). The first sign of rejuvenation after the real estate crisis was the 1993 construction of a highly visible new corporate headquarters for BellSouth, a postmodern skyscraper with the vernacular name "the Batman Building," due to its two pointy side towers. However, the path of the 1990s was not to be based on office development. Several major investments have followed, such as

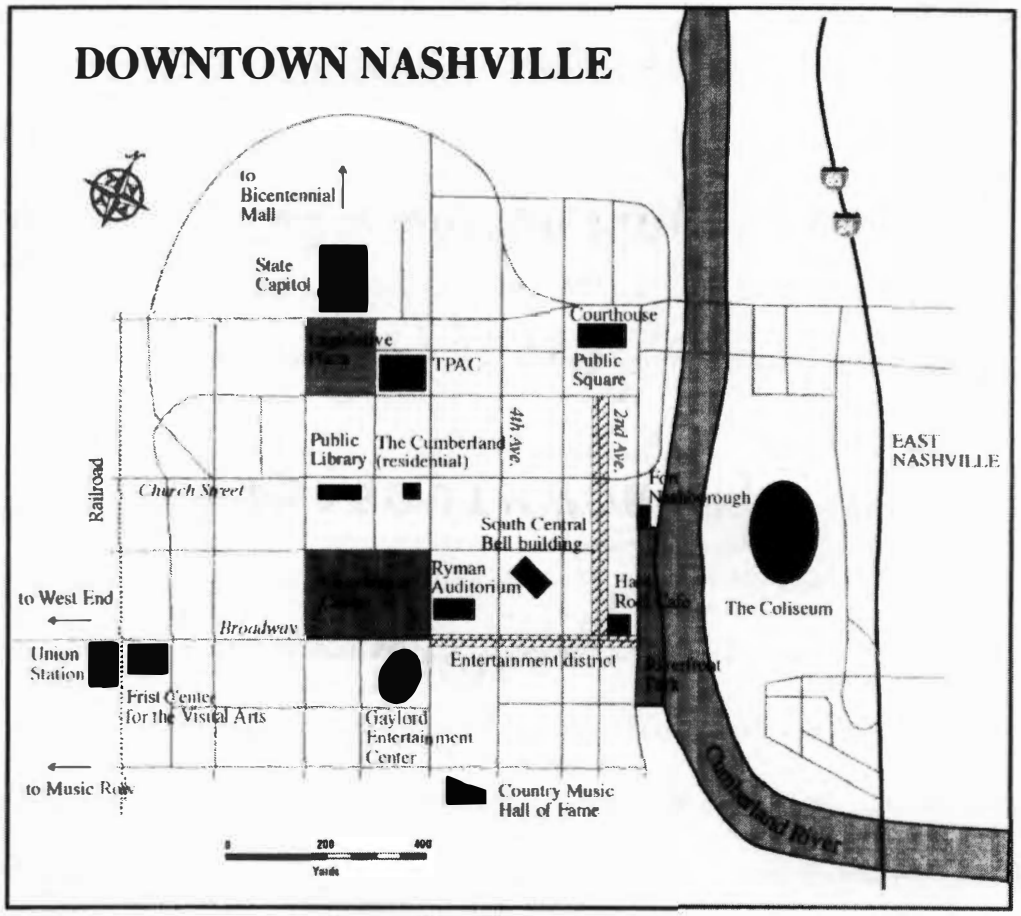


Figure 8.5 Landmarks in downtown Nashville.

an arena built to attract a major league hockey team and the Ryman Auditorium renovation, bringing pedestrians to lower Broadway and Second Avenue. The streetscape is a peculiar mix of the generic and the unique. Well-known commercial pop culture symbols with big city, even worldwide, appeal, such as the popular theme restaurants Hard Rock Cafe and Planet Hollywood (the latter is now defunct), are found next to old Nashville icons such as Ryman Auditorium. Restaurants of all degrees of sophistication line the streets together with souvenir shops and some unchanged, colorful honky-tonks left from years past. With these changes, downtown has become the centerpiece for image rejuvenation. This is where people—tourists, potential investors and other important targets for image-makers—can gather, eat and be entertained. The traditional urbanity that is recreated forms the backdrop to give credibility to Nashville's claim to be Music City USA. A new landscape of cultural consumption is produced in Nashville as increased middle-class interest in country music has influenced the downtown changes.

After having lived in Boston and London before coming to Nashville, Bredesen valued traditional urbanism, which became one component for his vision of a future Nashville. The goal was first to reestablish downtown as a cultural and entertainment center. Bredesen was even suspicious of the Bicentennial Mall, primarily a state project, which detracted from the spatial focus on the southern end of downtown as the place for urban rejuvenation (DuBose, 1994, February 17). In January 1993, Bredesen announced that a downtown arena was under consideration (which together with the Ryman renovation announced by Gaylord in March 1993 was the starting point of the revitalization process [McCampbell, 1993, March 23]). Both downtown development and Nashville's strategy as an entertainment city could be enhanced with an arena. The arena

site just south of Broadway was an obvious choice, as some land was in public hands through the Metropolitan Development and Housing Authority (MDHA). In addition, MDHA acquired 36 different properties needed to make way for the four block-long, three block-wide arena project. Initially, Gaylord was singled out as the main corporate partner; they were uncommitted, yet interested. The arena was not conceived as a space for a NHL team, but instead as a music and conference venue, with the possibility of attracting a NBA basketball team. Metro government and Gaylord Entertainment initially teamed up to bring the NBA's Minnesota Timberwolves to Nashville, a project that eventually failed, although floor space design was planned in such a way as to keep open the possibility of hockey (Dobie, 1994, April 7).

Everybody involved in downtown issues strongly supported the idea. Historic preservationists of Historic Nashville, the tourism planners in the Convention and Visitor's Bureau, and the Metropolitan Planning Commission all agreed that the infrastructure and traffic issues could be solved satisfactorily, and the historic integrity of downtown would not be compromised. Strong support from the Chamber was achieved at an early stage. A subcommittee within the organization was formed to approach the arena issue, but the Mayor was the driving force behind the idea and implementation. Just like in the Oilers' case, Nashville was helped by personal connections in attracting a NHL expansion team. Dick Evans, the new CEO at Gaylord, was formerly a member of the Board of Governors of the National Hockey League and an executive with the New York Rangers and their arena, Madison Square Garden. His strong ties with commissioners of the league were undoubtedly a crucial factor.

The downtown arena and professional sports have been Bredesen's "pet projects." From there on the image creation "will take care of itself," says Cliff Hawks at the Mayor's Office. He clarifies with an example, the National Figure Skating Championship held in the new arena: "It is great to have your skyline out there nationally, night after night on primetime television" (Hawks, 1997). With the arena, Bredesen gets at least partial credit for the revitalization of downtown, and the implications from an image perspective. MDHA figures show that $172 million worth of business investment occurred in the downtown area between the announcement of the arena and the end of 1996, the most intense period of development. Much of it was invested on lower Broadway: $33 million in new or renovated restaurants and another $33 million in residential development (Lawson, 1996, December 16). (Meanwhile, downtown Nashville had one of the highest office vacancy rates in the region at this time—13 percent in 1996.) Downtown scenes are increasingly important pictures for the city's promotion, especially tourist-oriented material. National chains decided to move in to the downtown area after the decision was made to build the arena—Hard Rock Cafe announced its arrival in October 1993 after the take-off was obvious, Planet Hollywood opened in 1996, and NASCAR Café in 1997. One major downtown investment, the $100 million BellSouth tower (project planning started in November 1991), predates the arena announcement, although its impact on the creation of entertainment space is negligible.

National media exposure of yet greater magnitude followed shortly after the arena. The city entered negotiations with the Houston Oilers and eventually settled on a financial agreement. The football stadium is located on the east bank of the Cumberland River across from downtown. The area was characterized by mixed land use, including a

dwindling amount of barge-related businesses. It was a logical site; high visibility next to downtown, but without disruption of desirable urban land uses. A major portion of the Coliseum is financed by state bonds to be repaid by sales tax revenue generated by the stadium.

Unlike in the past, the music industry plays an active role in local urban development. Cooperation between the music industry and the traditional business community has produced a series of investments downtown such as a revived Ryman Auditorium and a new Country Music Hall of Fame operated by the Country Music Foundation. The tourist facilities of country music had been on Music Row for decades, but increasingly there were potential synergy effects with downtown development. At the same time the arena idea was developed, Bredesen had other ideas of how to further enhance downtown's entertainment potential. In the winter of 1993, Bredesen contacted Bill Ivey, the director of the Country Music Foundation with a proposition for a partnership to build a new Hall of Fame near the new downtown arena. At first, Ivey was not interested, but after the arena moved from plan to reality, the leadership of the Foundation rethought the opportunities of the new location (Dobie, 1994b). In October 1994, the Country Music Foundation announced the move of the Hall of Fame to the new location downtown, but the move was slow as the city council was reluctant to subsidize the development over a period of two years (1994-1996). But the Foundation was eventually granted the title of the old Hall of Fame (the city owned the land) to back bonds for the construction of the new building. The financing of the structure, in order of magnitude, was achieved through Country Music Foundation bonds, private donations (private pledges in the $1-3 million range came from the Frist Foundation, record label

executive Mike Curb, Opryland, and Dollar General), and the National Endowment for the Arts. $19 million worth of city bonds and hotel tax money also supported the project, which was completed in 2001.

It was not obvious that Gaylord should embrace downtown development. In the early 1990s, few Opryland visitors ventured downtown. With significant investments made in "Music Valley," the suburban area at Opryland, perhaps downtown revival even posed a threat to Gaylord; it was not clear whether enough tourists existed to support both downtown and Opryland. Eventually a decision was taken to renovate the Ryman, which at the time was a dusty museum and only a brief stop on the bus tour itineraries. The venue can now host mid-size music acts not limited to country music. Later, Gaylord created the Wildhorse Saloon, a restaurant and bar with a large dance hall designed to attract country music fans. Gaylord also became part-owners in the NHL team Nashville Predators, who play in the downtown arena, officially named the Gaylord Entertainment Center. Gaylord's downtown investment was tied to the Opryland complex through a river taxi until Opryland theme park closed in 1998. In the late 1990s, Nashville suffered from a slump in tourism at least in part due to the Opryland closing, but the most significant underlying factor is the declining sales of country music. Naturally, this has posed some challenges downtown development, but the urban revival trend has been strong enough to avoid serious disinvestment.

A handful of other investments of more recent dates, both public and private, have had some success in transforming downtown beyond the immediate entertainment district into livable spaces. A new public library, Bredesen's last monument, is an attractive state-of-the-art facility. Next to the library sits the Cumberland, a new residential

skyscraper with upscale apartments. Both are located on Church Street, once the city's premier business address that after years of neglect has found a new form and function. Finally, the Frist Center for the Visual Arts makes good use of the old downtown post office[38]. The Nashville Civic Design Center, a non-profit sponsored both by the city under urban design minded current Mayor Purcell and Vanderbilt University, can perhaps provide comprehensive guidance to a downtown, and indeed a whole city, historically oblivious to planning.

8.4 Country music: From anachronism to ideal

What has been said so far indicates that Music City USA was the obvious choice for a promotional strategy. As a ready-made brand label, the slogan has apparent advantages as a promotional tool. However, the usage is not free of conflict. In this section, I will discuss the third level of image control, the city's dependency on the country music image. Moreover, I will explore the changing cultural meaning of country music that underlies the ambivalent relationship between the business community and the music industry, and between the social elite and country music. Attitudes toward country music are important both for the promotional push by Partnership 2000, and the role of Mayor Bredesen in the remaking of Nashville's image.

Such an analysis calls, first of all, for a brief overview of the music industry in Nashville. The rapid urbanization of the South in the post-war era meant that many city

[38] The Frist Center was perhaps the most substantial outcome of Nashville's Agenda, the city's version of a collective visioning process currently popular after Chattanooga's success. The realization of the project, however, was dependent on the deep pockets of Thomas Frist.

residents were born in rural areas. Music was one cultural tradition that was transplanted to Nashville. The industry started with radio broadcasting, and later expanded to recording, music publishing, television, and tourism. Even if the leadership of this industry came from the outside the established business elite of the city, one connection was established early: live music radio was developed in association with the insurance industry, which used it as an advertising vehicle. National Life broadcast its message through WSM. The station was not focused on country music, but its show Grand Ole Opry soon became the most popular. WSM and the Grand Ole Opry were originally little more than expensive toys for a National Life executive's son, Edwin Craig, an early radio enthusiast. WSM's Grand Ole Opry did emerge, however, as a vehicle for name recognition for National Life, and despite its position as one of the leading elite institutions in Nashville, it stuck with the "hillbilly" format of the Opry because its customer base was mainly rural and working class (Peterson, 1975).

Record companies, still based in New York or Los Angeles, set up offices and studios in Nashville, but it was a local talent and WSM musician, Owen Bradley, who can take credit for creating a whole music industry district by starting a small studio in what is now Music Row. Subsequently, Fred Rose, songwriter with Hank Williams Sr., built Acuff-Rose, a music publishing company, and Chet Atkins persuaded RCA to build studios at Music Row. The rise of country music was accompanied by a new licensing agent, BMI, that challenged the established industry dominant ASCAP. One trade organization in particular, the Country Music Association (CMA), emerged as the industry's leader after its establishment in 1958.

This structure makes for a seemingly unbreakable connection between the city of Nashville and country music. The genre may experience upswings or declining fortunes, but there is little risk that the industry would abandon Nashville and relocate elsewhere. The structure of country music industry—the publishers, producers, musicians, and songwriters—makes Nashville indispensable as a location (Daley, 1998). It forms a place-based cluster of activities that cannot be replicated elsewhere. Two area universities (although not Vanderbilt University) even offer business degrees targeted towards the music industry. However, the main attraction and success lies in the daily contacts and the close-knit intra-industry network, facilitated by the Music Row neighborhood. Originally Music Row was a small neighborhood converted to office use. A strong relationship based on physical proximity between record companies, music publishers, songwriters, recording studios, and other businesses was crucial for the emergence of the industry. The producer/recording studio-owner attracted recording artists to their facilities. On Music Row, the executive was often one and the same as the producer and, at times, even the musician. This configuration has led to an informal and unique business culture. In fact, the music industry today is still the segment in the Nashville economy that is most concentrated geographically. Moreover, there is a close relationship between the dominant outlet of country music, the radio stations, and Nashville-based industry organizations, most importantly the Country Music Association (CMA). Mainstream country music is by definition music acceptable for country music radio, which means music originating from Nashville more than strict, unchangeable rules on musical content.

The acceptance of country music nationwide and among a larger spectrum of socio-economic groups started in the 1970s. It was part of the South moving into the mainstream of America; the Americanization of Dixie and the Southernization of America (Egerton, 1974; Cobb, 1982). The Sunbelt South enjoyed migration surpluses and positive imagery as old racial problems diminished rapidly. While society was disenchanted with the problems of modernism and urbanization, the South, at least in myth, represented traditional ideals that again served renewed ideological relevance. When Richard Nixon inaugurated the new suburban Grand Ole Opry in 1974, he lauded the conservative values embodied in country music. What had been anachronistic and irrelevant as the Agrarians suddenly became accepted. One music scholar (Lewis, 1991) notes in passing that the exploding popularity of country music coincided with the increasingly conservative political climate, but this theme is clearly understudied in scholarly approaches to country music. Such a comprehensive treatment of cultural change is beyond the scope of this chapter; here it will suffice to contextualize the growth of country music, its use as a promotional tool for the city, and local elite attitudes towards the music industry.

Along with changes in societal ideology, the musical and thematic content of country music was altered as well. Currently, the social context and origin of country music has been deleted to make it more appealing to a middle-class audience. What remains is largely a superficial connection to idealized rural values. Music Row has been successful in adapting the message of the music to address middle-class concerns and become part of mainstream America. This trend is reflected in the demographics of the Nashville tourist. In 1994, 73 percent of the tourists were college-educated and averaged

an income of $46,000, a significant socio-economic shift from the traditional working-class country music audience. In the present world, the distinction between high and low culture is less and less pronounced.

The first taste of widespread pop culture success in Nashville occurred in the late 1970s when the so-called "urban cowboy" wave popularized country music and the size of the industry experienced an unprecedented leap. Country music became a booming local industry. Unfortunately, country music, like most other genres of popular music, is highly cyclical. By the mid-1980s, country music's share of overall record sales had dropped again, and conventional wisdom suggested that the previous success was only a brief interlude dependent on the whims of a fickle audience always demanding new musical experiences. In a 1985 front-page special, *New York Times* predicted the demise of country music (and implicitly Nashville), but country proved to be more resilient than that. The following year, country was on the verge of entering a new wave of popularity and music journalists around the nation were talking about the fresh approach of a new group of artists, the "new traditionalists." Garth Brooks became the leading star of the "class of '89," the real breakthrough year. Country music sales more than tripled in early 1990s and country music's share of records sold shot up from 7.3 percent to 18.7 percent, providing a tremendous boost to the local music industry and Nashville in general (Figure 8.6).

Nashville's independent music publishing companies have at the same time gradually disappeared. During the 1980s, transnational corporations acquired ownership of country music. Five dominant publishers established in the 1940s and 1950s were sold to companies like Japan's Sony, and Britain's PolyGram (whose parent now is Seagram's

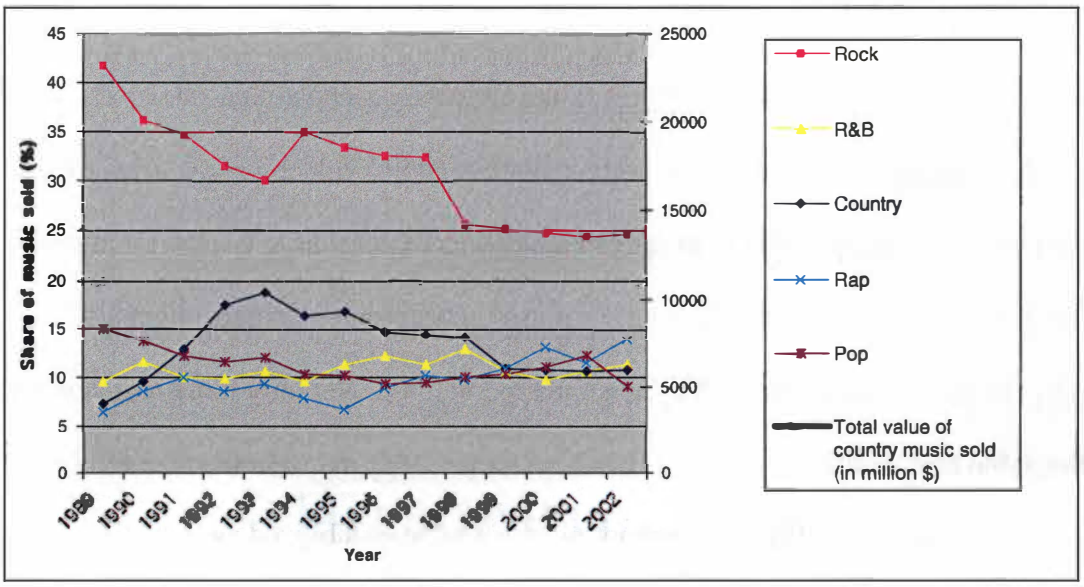


Figure 8.6 Purchasing trends, music genre shares 1989-2002. Source: Recording Industry Association of America (1998, 2002).

of Canada) and EMI during the late 1980s (Hansen, 1990). Acuff-Rose retained quasi-local ownership a bit longer as part of Gaylord Entertainment but was eventually sold to Sony in 2002. It has been suggested that the large non-American influence in the music industry ownership has had a positive effect on Nashville. Nashville may be considered rural, ignorant, and Southern in New York and Los Angeles, but foreign owners are more likely to be unaffected by these stereotypes and willing to invest in Nashville, as long as it proves to be at least as productive as the two world metropolises (Kosser, 1994).

As country music was remade from a cottage industry into corporate empires, the culture of the industry was transformed (Oliver, 1990, September 10). Depending on what you read, old Music Row was either "clannish, suspicious of strangers, and riddled with nepotism" (Lomax, 1985, p. 38) or characterized by a family atmosphere (Hansen, 1990). In either case, with corporatization came a new approach to music-making and

serious marketing efforts. CMA set up a marketing department, and conducted research on the country music audience, including purchasing habits, occupational categories, and demographic analysis including age, household status and individual income. The level of sophistication in the approach to business management is similar to any major industry (Campbell, 1992, September 28). Nashville's music industry has also been diversified, especially through the growth of Christian contemporary pop. Not only more non-country recordings, but also additional business functions such as tour management, booking agents, music attorneys, and special accounting groups, have stabilized an industry otherwise suffering from a current decline in sales (Harris, 2000).

Traditionally, the cooperation between the music industry and the rest of the Nashville business community has been weak (McGraw, 1992). This does not mean that partnerships were not forged when mutual interests could be found. In the beginning, the success of the Grand Ole Opry was made possible by National Life insurance company. Later CMA formed an alliance with the city and outside business interests to build the 1973 Country Music Hall of Fame, which became a major tourist attraction for Nashville. The local business community was involved in raising money for the Hall of Fame. Prominent banker and Watauga member Andrew Benedict was chairman of the effort, which was an early signal that country music industry was forging connections with the business elite of the city. The modest tourism retail activity in 1960s Nashville was located on lower Broadway, but with the Country Music Hall of Fame it moved to Music Row (only to return downtown 20 years later).

Apart from brief interludes of cooperation, a clear cultural distinction exists between the music industry and the rest of the business community. In the business

community at large, the entertainment industry has had a reputation for shady business practices. More than anything else, it is this cultural distinction that kept music industry and the old corporate elite separate. For some time the music industry was a relative newcomer and most people associated with it were outsiders, albeit from rural Tennessee or other parts of the South. As a business enterprise, the music industry existed in a parallel universe in Nashville and developed, as noted, a community in itself.

The attitudes of separation stayed in place until the early 1990s, when the profitability of the industry skyrocketed and interest in cooperation to market and develop Nashville as Music City USA grew stronger. The collaborative efforts between the business community and music industry were aided by the Nashville Entertainment Association (NEA), which was founded by maverick music executive and producer Jimmy Bowen and operated parallel to the more powerful and entrenched CMA. NEA, a formerly independent organization, became (temporarily) an official affiliate to the Chamber in 1990. The NEA's alliance with the Chamber was an indication of the growing economic influence of Nashville's entertainment industry at that time. The goal of NEA is to attract more music business, and to expand the entertainment development plan into the realm of film and video production. It has been recognized that the success of the city's entertainment and country music profile must be reproduced through an active and focused growth agenda. Spectacles, such as the "Extravaganza" and "Fan Fair" are, respectively, aimed at highlighting the city's live music scene, and giving the fans an opportunity to meet the country music stars. Especially Fan Fair is a significant event for the city as well as the music industry. Hundreds of journalists travel to Nashville for the

weeklong event, which generates national media exposure outside the narrow country music press.

The music industry became an official Partnership 2000 priority in 1992 with the creation of a development director, a task force, and a strategic plan. It was a starting point of more active approach and effort to understand how the industry matters to Nashville in general. The focus was both internal, taking care of the needs of the industry, and promoting Nashville as a music industry center, expanding into new genres and embracing new ways of reaching an audience, e.g. music videos. Cooperation was extended to produce advertising and surveying the industry to understand its needs.

Partnership 2000 had the capacity to bring the music industry and the rest of the business community closer together. In the early 1990s, Gaylord's Bud Wendell was president of the Chamber, while local business leaders were selected to serve on the CMA board. An increasing amount of cross-serving on corporate and institutional boards made the relationship closer than before. One of the dominant forces behind the cooperation was economic; the music industry was one of the contributors to the wealth created in Nashville at the time. It was natural for the Chamber to embrace the music industry considering the openness of the governance system at the time.

Adopting the music industry into the Chamber organization was made possible by new people and new attitudes. On the music side, a more traditional business approach was rising with the corporate take-over of the industry. Some of the profits from increased sales of country music have been invested locally. Important bridge-building entities such as Gaylord and Partnership 2000 have ensured the cooperation was now manifested in downtown Nashville. Nashville's urban redevelopment is dependent on the

new integration of music industry into the local power base. On the other hand, the music industry can gain from the planning capacity of Partnership 2000. For example, efforts to market internationally and attract more tourists and music industry business have been approached together.

There appears, however, to be a cyclical element to the relationship. "The more vibrant the business, the closer those ties become," says the Chamber's economic development director (Harris, 2000). The music industry's modest participation in Partnership 2000 produced few results in terms of new programs and activities. Closer ties were developed, but "we have still not been able to bridge that gap as successfully as we wanted to. It is a bit of a divide. We made some serious efforts" (Sherrard, 2000). The music industry does not rise and fall with the fortunes of Nashville. There may be some truth to the opposite—that Nashville's fortunes parallel the music industry's—but to a lesser degree than in the past. Nashville needs country music less and less as it grows larger and more affluent. This is reflected in the attitudes and relationship between business and the music industry. There has always been an on/off ambivalence, but in times when country is not in a boom phase, there is less need to cultivate strong ties.

Nashville's association with music is from a historic perspective a relatively new phenomenon and in many ways antithetical to "Athens of the South." The city's elite has been discontented with the country music image for a long time. There are two parts to the ambivalent relationship. The first one, as discussed, is the cultural and physical separation between the business establishment and the music industry that can be bridged if economic and institutional conditions are favorable enough. Second, on a fundamental level concerning the representation of the city, the elite is unhappy about the high profile

that country music has carved for itself in the national mind. As Nashville is "their" city, the parochial image that country embodies devalues the realm which they ostensibly control. Entertainment in general is not a legitimate elite endeavor from the "old money" perspective. A distinction between the social and the economic elite is necessary here, even if there is significant overlap on an individual level.

The social elite is foremost embodied by the Belle Meade neighborhood, which was carved out of an old horse plantation that provided the right environment for a upper-class neighborhood with its park-like atmosphere and historical connection to an idealized past still visible in the landscape (see Chapter 7.1). The arrival of country music was not particularly welcome in this part of town: "Just as blue-blooded Nashville had beaten back the stench of Dayton, another cultural hurricane arrived from rural Tennessee to muddy their dinner party" (Feilier, 1998, p. 88). Naturally, the music elite created their own social space. "Shunned for the most part by the established, monied families of Belle Meade, many of the *nouveaux riches* from Music Row laid out their own grand mansions along Franklin Road or in Hendersonville [northeast of the city near Old Hickory Lake]" (Doyle 1985b, p. 157-158). More recently, representatives from the music industry have also played a role in the transformation of the Williamson County countryside as an idealized exurban environment (Johansson, 1998, October).

The country music elite found their own charities to support in much publicized events, but some intermixing did occur. Wesley Rose of the Acuff-Rose publishing company became a member of the board of directors of traditional elite institutions and businesses, such as First American Bank and the Nashville Symphony. Buddy Killen, one of the major music publishers on Music Row, craved acceptance into elite circles and to

some extent won it through lavish contributions to the "right" charities (Feiler, 1998). He also brokered the first country music entertainer to performat the Swan Ball, *the* elite event of the year[39]. Country music was becoming too big simply to be ignored. Nashville government, the business elite, and the music industry joined to build the Country Music Hall of Fame on Music Row in 1973 and old guard National Life invested in the suburban Opryland complex.

Nevertheless, there exists a "deeply entrenched well of uneasiness about how country music, and by extension, Nashville, is perceived by the rest of the world" (Daley, 1998, p. 13). The most disliked image of them all is the Nashville-filmed Hee-Haw television show, which was in production from 1969-1991, but since has continued to be aired on The Nashville Network (TNN). The latent, under the surface, conflict over representation became apparent when a local debate occurred in the fall of 1995. Mayor Phil Bredesen discussed the "hee-haw" image of the city in an interview with the *Wall Street Journal* in the context of recruiting a NFL team and the image implications thereof (Rains, 1996). Stirring up a great deal of controversy, the mayor was scolded by the local business community as well as Music Row[40]. There was indeed a great deal of sensitivity involved in the representation of the city, an issue that is largely unresolved today.

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[39] Johnny Cash was the first such country music entertainer to perform at the Swan Ball in 1970, which also saw subsequent performances by entertainers such as Loretta Lynn and Barbara Mandrell.

[40] The quote in the *Wall Street Journal* was: "People who have hesitations about moving to Nashville from New York or San Francisco or Chicago wonder 'Am I going to a nice small city with a lot of good amenities, or am I going out in the wilderness?...Nashville isn't big, and it is well known for its hay bales" (Helyar, 1995, November 21). In a personal interview with Bredesen, he continues to be frank on this image theme: "There were a lot of people who were—horrified is too strong of a word—but really rejected the notion of Nashville and the hee-haw image. One of the geneses of Partnership 2000 was the desire to move away from the hillbilly image and start projecting a different image" (Bredesen, 2001). The same week as the hee-haw incident, in a *Sports Illustrated* interview, Bredesen characterized Vanderbilt University as indifferent to the local community. Moreover, he did not apologize for his statement, which displeased leading Vanderbilt alumni on which Bredesen depended politically.

9. AIRLINE DEREGULATION, URBAN COMPETITION, AND BUILDING A NEW AIRPORT

If image is an abstract representation of cities, airport development is a concrete task preoccupying the city's leadership. Airports and air service have emerged as entrepreneurial tools for cities remaking themselves with intent on moving up the urban hierarchy. This possibility opened up with deregulation of the airline industry; the network structure was reorganized and new cities had the opportunity to become hubs. Deregulation was enacted under the same market-based premises as the banking industry discussed earlier. However, the implications for power and strategy formation on the local level are quite different. While banking deregulation played a role in the transformation of local business institutions in Nashville, airline deregulation often produces public-private partnerships and entrepreneurial behavior on part of the local government to generate economic growth.

9.1 Deregulation, hubs, and the mid-size city

In the literature covering the new inter-city competitiveness and entrepreneurial style of government, there are, on one hand, broad macro-economic explanations often grounded in the Marxian tradition, while other scholars have pursued empirical investigations on comparative urban strategies. A neglected focus is the national legislative trends that force cities to expand their competitive behavior. The most important trend is the push towards deregulation of a handful of important industries of increasing maturity. Telecommunication, trucking and railways, and most recently, the utility industry are moving towards free competition on a national level, setting their own rates liberated

from spatial monopolies (Nelson & Johansson, 2000, October). All of these industries exhibit new geographical patterns with implications for cities and regions. Perhaps most important for intra-urban competition is the development in the airline industry, which has presented a series of challenges for both the business elite and government in Nashville. Unlike the banking industry (see Chapter 7), airline operations are dependent on substantial public infrastructural investment. The opportunity is, therefore, greater for local decision-makers to use public policy as a tool for economic growth. Because flying is positively related to wealth, both on an individual and regional level (Graham, 1995), it is a mode of transportation that has benefits for corporations and the affluent segment of the population. Thus, growing cities like Nashville must keep up with demand and invest in better airport facilities as well as position themselves for future urban growth.

The growth of the airline industry has greatly reduced travel time, thus improving the possibilities of economic interaction between cities and regions. The fundamental geographical concept of accessibility explains why it is important for a city not only to have an airport, but also to make it a priority in urban development. Relative location with respect to infrastructural networks determines the accessibility of a particular city. A fundamental role of cities has always been as meeting points and transportation nodes, and if, as it has been argued, society is a network characterized by an informational economy and a "space of flows" (Castells, 1989), the nodal function is still vital. It should be noted, however, that transportation infrastructure is a necessary, but not sufficient, condition for economic growth.

In some ways, the inter-urban struggle over position in the airline network is analogous to the railroads more than a century ago. Much like the railroads were

responsible for structuring the spaces of industrialism, the airline network is the leading mode of transportation in the postindustrial service-economy. There is, however, one significant difference between the historical function of railroads and airlines from an urban entrepreneurial perspective. The airline network is made up of discrete points with no connecting infrastructure in between. The implication is that such a network is fluid and susceptible to constant change. Thus, cities are subjected to a high level of uncertainty, but at the same time have some room to maneuver to improve their position in the network and in the urban hierarchy.

Deregulation of air transportation introduced a reorganization in the accessibility of cities. Where earlier government regulations provided the stability for the network system (that existed, for example, in the railroad network), the investment decisions made by airlines are now the dominant force shaping the network. Deregulation in the airline industry was enacted by the federal government as early as 1978, placing the industry at the forefront of a political shifting tide with roots in the economic crisis of the 1970s. The neo-liberal architects behind the policy shift argued that government regulations in place since the 1930s, which decided pricing, entry and exit of competition, and the level of service to various places, were outmoded and inefficient. Consumer advocates also argued that the federal regulators were mostly catering to the concerns of the industry they were to supervise (Sinha, 1999). Deregulated airlines should now be allowed to make market-based investments, which would, in accordance with traditional economic theory, drive down the price of air service. But to reap the efficiency benefits of the free market, capitalism must reign freely to produce its own space. The strategy employed by airlines has been the development of hub cities (Figure 9.1), instead of a point-to-point



Figure 9.1 Airline hubs in the United States as defined by FAA. Source: Bureau of Transportation Statistics (2000).

pattern, through which most of their flights are routed[41]. Fewer direct flights increase the average flight occupancy level—the load factor—thus making the system more cost-efficient. But travelers are also inconvenienced by longer routes, delays at crowded hub airports, and declining in-cabin service and comfort.

The evolving network of airports and the airlines' "hub-and-spoke" system have been investigated by transportation geographers (Shaw, 1993; Shaw & Ivy, 1994; Reynolds-Feighan, 1998). The dispersed geography of the United States encouraged the development of multiple hubs for individual airlines, and the emergence of smaller hubs allowed the concept to creep down the urban hierarchy. After an initial wave of new entries in the market, a period of bankruptcies, mergers, and reorganization occurred during the mid-1980s leading to a reconcentration of the industry in the 1990s (and yet another recent crisis that is largely beyond the temporal scope of this dissertation). Deregulation results in fewer airlines through industry consolidation, and generally, emerging control centers (i.e., hub cities) have benefited through more flights, higher employment and lower fares, except in hub cities dominated by a single carrier, where prices have increased (Goetz & Sutton, 1997). A problem with hub routing is that it does not necessarily reflect the needs of local communities in which they are situated, but rather the needs of the airlines and their national network. Barriers to entry have been larger than economists predicted, and the benefits from competition are not as strong as

[41] Two competing views exist on what constitutes a hub. First, the Federal Aviation Administration defines a hub simply based on the total number of flights to and from a metropolitan region. All commercial airports are classified as large, medium, small, or non-hubs. From an airline network perspective, the FAA definition is inadequate. It is more common to think of a hub as the locus of a particular airline's hub-and-spoke system. Henceforth, I will follow Button et al. (1999) and define a hub as one of the nation's 75 largest airports where at least 60 percent of the flights are operated by one airline, and/or 85 percent operated by two airlines.

expected. The problems of competition and pricing at the hubs and abandonment at the periphery have produced considerable political debate on deregulation and possible adjustments of the regulatory system.

Compared to the attention paid to the network itself, there have been fewer studies from the perspective of cities. However, these findings generally support the notion that airports are quite important for the local economy. Irwin and Kasadra (1991) find that improved airline centrality of a city has a positive effect on employment. In a similar study, Goetz (1992) also finds support for the idea that growth in air passenger transportation is positively related to population growth, although the effect appears to diminish over time. Especially employment in producer services tends to increase if a city is well positioned in the airline network. Good airline connections are good for travel-intensive service industries and manufacturing, which emphasize just-in-time and high value goods. High tech employment is positively correlated to the existence of a hub airport (Button et al., 1999). These findings are significant even if controlled for causation, i.e. airport connections *bring* employment. Debbage (1999) takes this argument to its logical conclusion: changes in the airline network can drastically affect the competitive advantage of places. Acquiring hub status can then be an effective way to improve a city's position in the national urban hierarchy, and if the local economy has strong global connections, a gateway status with international flights can be equally beneficial. It should also be noted that urban competition not only occurs in the nationwide hub-and-spoke system, but also between airports in proximity of each other (Graham, 1995).

Although the inter-urban perspective on the airline industry has been covered in previous research, urban case studies are almost non-existent. One exception is Whitelegg (2000), who describes the integral part airline transportation has had for the growth of Atlanta. An effort by the city's political establishment backed by the financial resources of the local banks ensured expanded airport infrastructure, which was also tied to expanding high-tech defense economy and the desire to be the progressive capital of the South. The goal of becoming a city of international standing started with service to London in the late 1970s, which "put the city on the world map," according to the boosters at the Atlanta Chamber of Commerce. Delta Airlines, as an integrated part of the corporate elite in Atlanta, dominated local airport politics and expansions took place so as to benefit Delta's operations. Its "fortress hub" in Atlanta could emerge because of the company's power in local politics.

Not all cities are equally positioned to use the deregulated network as an entrepreneurial tool to promote local growth. Location, historic ties to particular airlines, and the strategies and competition among airlines and their networks all affect cities' possibilities of gaining a hub (Shaw, 1993). There are several factors that affect an airline's choice of hub city (Graham, 1995): first, it must be located so as to serve a sizable passenger market. Important here are two locational attributes—centrality and intermediacy (geographical "inbetweenness")—that suggest which places are strategically located to occupy a prominent position in the airline network (Fleming & Hayuth, 1994). Second, as all private enterprises, an airline is striving for monopoly status; a potential hub can offer protection against competition, thereby potentially increasing the profit margin. As seen in the Atlanta case, political power can translate to

monopoly power. Third, airport facilities must be adequate, as expanding infrastructure is costly and time consuming. It is especially in this last area where a city can be active.

With these requirements in mind, deregulation can benefit mid-sized cities the most. The argument is simple and straightforward: the system under federal regulation was relatively static where cities had their place in the airline network hierarchy. In the long run, major cities can lose centrality in the system and move down in the urban hierarchy, but a large city will always have good connections simply on the basis of its population size. This critical mass offers a multitude of choices for all travelers going to or from a major city. Conversely, a small city is unlikely to attract a hub or significant passenger traffic that goes far beyond its peripheral location in the urban hierarchy. However, if a mid-size city manages to attract an airline hub, its accessibility and centrality can increase significantly[42]. From the perspective of cities, a window of opportunity has, therefore, opened with deregulation. As suggested above, an airline can be persuaded to locate a hub locally if facilities are improved and expanded. As overcrowding in airports has been a concern in the deregulated period, an ideal airport is one that is expanding and not already used to its limits by competitors. A place where the future design and expansion can be shaped by the interests of the hub carrier is also ideal. On the other hand, if neighborhood and local environmental concerns are perceived as obstacles to growth, development could be discouraged.

[42] Even if the logic behind mid-size city competition with airports is reasonable, and there is no doubt that some cities have behaved entrepreneurially, the question is how the air transportation system actually has developed since deregulation from an urban hierarchical perspective. A quantitative analysis is presented in Appendix 2. The result is mixed, but provide some empirical evidence that mid-size cities can be either winners or losers in the deregulated system.

9.2 Airport governance in Nashville

The remainder of the chapter is concerned with the Nashville experience of building a new airport and gaining and losing hub status. First, however, an overview of the political system that governs airport policy in Nashville is in order. The airport in Nashville is operated by a quasi-governmental agency—the Metropolitan Nashville Airport Authority (MNAA). Although affiliated with Metro government, it is not financed by city taxes; instead, it generates its own income. MNAA is controlled by a board that sets policy and appoints an executive president who then independently staffs the authority. The idea was conceived and developed in 1969 by a local business group with Watauga ties led by John Tune, a Vanderbilt-educated attorney, president of the Chamber of Commerce during its pre-reform days, and a General in the Air National Guard. It drafted legislation to establish an airport authority separate from Metro Government. And even if the idea did not originate in Metro Government, then-Mayor Beverly Briley helped to lobby the state legislature to pass legislation that would enable the formation of airport authorities in the state (Mathews, 2001). The Metro Council passed a resolution creating the Metropolitan Nashville Airport Authority the following year.

The motivation for direct involvement of the business elite was "taking the airport out of politics." MNAA today feels it operates without the constraints of bureaucracy, without the "good ol' boy" syndrome (Willis, 2000) that is implicitly associated with local political culture. What Metro government lost in political control it gained in financial flexibility. This structure enables the authority to operate in a flexible manner and bypass some layers of political approval. Yet the airport is publicly owned, as are virtually all airports in the United States. This independent structure is increasingly

common, but there are still many directly city-owned and operated airports. Both FAA and cities have resisted outright privatization, but several forms of partnerships have emerged where everything from concessions to airport management itself is in private hands, while the public realm retains ownership control (Truitt & Esler, 1996). Many operate on a leasing-basis by private company, but because of airports' importance for regional economic development it is considered inappropriate for them to be judged by their immediate profitability alone. The public good function that airports perform makes them different than private companies. Yet MNAA, in its informational material, strongly stresses that the airport is "run like a business."

The new airport authority was allowed to raise bonds to purchase the airport from the city. MNAA now owns the facilities and is solely responsible for the airport's operation, which is funded by airline and concession fees, federal and state grants, and passenger charges. Revenues from concessions and others renting space in the airport terminal make up a significant share of the total revenue: 45 percent in 1992. MNAA also has a passenger facility charge, an additional funding source enacted in 1996 despite opposition from the airlines, that pay such a tax and pass it on to passengers, at least partially. On the other hand, this allows MNAA to maintain an unusually low landing fee.

The airlines have some power over airport decision-making. In exchange for fees paid to the airport authority, the airlines have veto power over the budget presented by the airport authority. The airport in practice operates as a partnership between the airlines and the authority. Nine so-called signatory carriers participate in the partnership with American Airlines as the main financial contributor (and power-player). American has occasionally used its veto power to control investments at the Nashville airport (DuBose,

1995, January 5). American is tied to the Nashville airport through a contract in which it has to pay gate fees (or as it is now, sublease many of its gates to other airlines) until 2017.

This structure does not mean that MNAA is entirely independent from Metro government. First, the mayor appoints the board, and appointees must be approved by city council. MNAA has a ten-member board, which by law is comprised of people representing different interests: three business and finance representatives, two pilot representatives, two neighborhood representatives, one engineering representative, one legal representative, and the mayor. The original charter called for each member to be appointed to a seven-year term. The mayor can potentially influence his appointees, but the long tenure is designed to discourage informal political control. The MNAA charter was written and conceived to have a structure that would not be influenced politically.

Since the late 1980s, the mayor has held an official seat on the board. With political contacts in the state legislature, then-Mayor Bill Boner was able to add this amendment to the governance structure. MNAA at the time was rising in political prominence in Nashville with airport expansions and subsequent conflicts between neighborhoods and the airport, so this was an attempt to reassert more political control over decision-making in airport policy. Boner attended board meetings for a period of time, but the practice has not been continued since. Most agreed it was a bad idea to have the individual who appointed the board members as a member himself. Bredesen, for example, never attended meetings, but instead had a non-voting observer on the board in his place. Bredesen had a good relationship with the board leadership and certainly wielded considerable influence during some time periods, such as the London route

considerations, but he did not intervene in day-to-day operations. This fits Bredesen's *modus operandi*—active intervention in selected policy issues deemed to be of highest importance for the city's overall development. The level of political control exercised then is dynamic and depends on actions taken by the mayor and his relationship with MNAA. The second power tool that the city can exercise is as the regulator of local land use, as the airport is located in Davidson County. In the case of an expansion or changes in the physical structure of the airport, this regulatory influence can be significant.

MNAA Board Chairman John Tune's strategy to create an independent airport authority was well-received from the beginning among the business elite, and he recruited those who believed that good air service would have an impact on the city. Since the founding of MNAA, the board has been dominated by business interests under any of the legally required categories. As an example, the current chairman, Fred Dettwiller, president of a company called DET Distributors and a political campaign contributor to Bredesen, was originally appointed to the board on the pilot's seat. The MNAA board has been called "the elite board," and serving on it is "one of the plum unpaid assignments in town" (Newman, 1994). David K. Wilson, banker and long-time chairman of the board at Vanderbilt University, was one of the founding members of the MNAA board. So was Franklin Jawman, head of local manufacturing giant Genesco. Tune himself was MNAA chairman during the first decade.

Later, Tune suggested his friend, real estate developer Robert Mathews, as a board member, and since Mathews had the ear of the mayor this proved easy to accomplish. Mathews remained active in airport issues and became MNAA chairman and the main representative of business interests throughout the 1980s and 1990s. David K.

Wilson and Robert Mathews were acquainted with General William Moore, a former Air Force general who worked in the private aviation industry. They approached Moore to be the airport's chief executive officer in 1984, a position he held until 2001. The main reason for hiring Moore was his political connections at the Federal Aviation Administration from his background in the Air Force[43].

9.3 Airport expansion in Nashville

Nashville is not in the immediate traffic shadow of a larger city, which creates room to develop airport growth strategies. The airport is seen as the key component of Nashville's role as a transportation center in the mid-South region[44]. With deregulation just implemented and projections of increased traffic in Nashville and nationwide, MNAA began planning for a new terminal in 1980. The existing airport was built by the Work Progress Administration during the New Deal and opened in its present location in eastern Davidson County in 1937, but became increasingly inadequate for a growing city. Reaching the maximum capacity of the old terminal, 1.3 million passengers annually, was imminent. MNAA and the airlines agreed it was time to build a new terminal. The original plan was a modest proposal in comparison with the final result, but enough to accommodate a feeder, or a mini hub (Brayton, 1987, September 14). Then, in 1985, American Airlines called an informal meeting with the heavyweights at MNAA—Moore,

[43] "We walked down the halls of FAA and half the people saluted [Moore] and the other half said, 'Hi Bill.' Having been in the system up there, he knew most everybody. He was a very knowledgeable individual of how the system worked" (Mathews, 2001).

[44] This role is, in fact, relatively modest. At 7 percent, Nashville has the third lowest employment in the transportation sector of the 11 peer cities. The city that stands out as a transportation center is Memphis, with 12.9 percent of the workforce employed in the transportation sector (U.S. Bureau of the Census, 1997).

Mathews, and Wilson—to inform them that Nashville had been selected as the planned new hub. American had initially considered Denver, but that city's inability to build a new airport in an acceptable timeframe had the airline redirecting its focus to the eastern United States as part of an expansive growth plan. The saturation of major hubs led to an airline focus on second tier hubs. Nineteen other cities, including Birmingham and Louisville, were reportedly considered as well, but Nashville would be the hub if their airport expansion could be refitted to suit American's plans (Ibid.). Nashville was positioned to serve as a central point in American's cross-pattern network as an intermediate stop between Florida and the Midwest, and the Northeast and Texas (Reed, 1993).

At that time, MNAA's plans were still in progress so the negotiations were timely and could influence the infrastructural investments. The addition of a third runway was crucial. MNAA pursued a fast track construction schedule to comply with the wishes of American, which expressed confidence in MNAA and General Moore's ability to deliver. Additional bonds were issued to cover the new American concourse and runway. American's involvement in planning the new terminal was significant. For the first time in Nashville, one airline became almost an equal partner to MNAA in the airport. Financially, it was responsible for all the amenities in the new C and D concourses. Because of American's hub decision, the Nashville airport plan expanded from a 30-gate to a 46-gate terminal when it opened in October 1987. Additional construction of runways and runway extensions continued until 1994. The bond financed expansion and continuous improvements have cost $300 million.

The Nashville airport is only eight miles from downtown Nashville. Long before an expansion proposal was concrete and before suburbanization had surrounded the site in eastern Davidson County, the city purchased large swaths of land to eliminate barriers to future expansion. This strategy has enabled the airport to expand contiguously from the original WPA airport of a modest 340 acres to 4,460 acres today. At one point, a consultant suggested that a new airport should be built in an adjoining county, but Tune and the board pursued expansion at the old location (Mathews, 2001). MNAA was not willing to give up its central location, forego the opportunity of future industrial and commercial real estate around it, and abandon Davidson County for a suburban municipality as the board largely represented local Nashville rather than regional interests.

Predictably, despite land use suggestions in the long-term master plan, additional residential real estate developments had occurred in the vicinity of the airport. A hypothetical runway location was specified, but as master plans and reality are often two very different things, lax planning allowed residential development south of the new runway. Because of the intervention of American Airlines, the runway was fast-tracked, surprising the residents surrounding the airport, who wanted to stop the entire project. American Airlines put pressure on officials by declaring that no runway meant no hub, a move that was front-page news in 1987. Noise pollution became a thorn in the side of MNAA and has been since then; this issue also included a major controversy surrounding construction of a fourth runway after 1989. Homes in subdivisions immediately south of the airport had to be purchased in 1986.

The Donelson area to the north was also affected, but a buy-out was not feasible because the land could not be integrated into the commercial districts surrounding the airport. Representing several hundred households in Donelson, an organization called Neighbors Organized to Insure a Sound Environment (NOISE) became the major opponent of airport expansion. These homes were virtually unsellable on the market. Through various legal means, NOISE tried to stop both the terminal and the runway, but MNAA eventually won the lawsuit against NOISE to continue construction. The third runway opened in November 1989 after several years of neighborhood protest. But the noise problem had to be addressed as the houses in question were in the approach of the runway (Figure 9.2). A plan for noise abatement was developed with the aid of Congressman Bob Clement where MNAA could issue bonds instead of applying and waiting for federal money to proceed with an incremental noise abatement program, as

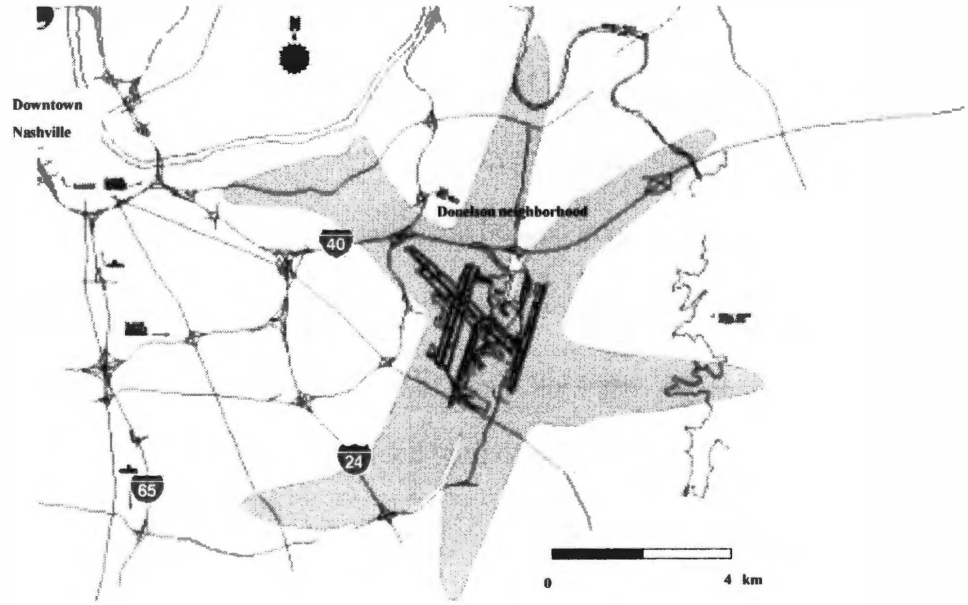


Figure 9.2 Noise exposure map 1988. Source: MNAA. Used by permission.

had been customary nationwide until then. Installation of thicker windows, doors, and attic insulation during the five-year program included 2,400 homes at a cost of $95 million (Willis, 2000). MNAA was first in using the program that Clement introduced. Another political concession was made to expand the MNAA board to include a neighborhood representative, a person living within a five-mile radius of the airport.

MNAA had political support from the city. Active help came from the Metro Government and an airport expansion task force to coordinate local issues. Then-Mayor Richard Fulton (2000) thinks that MNAA treated the residents fairly, making funds available to reduce the noise, but admits that the long-term planning and land use process had broken down allowing development in the first place. However, there have been claims that MNAA board appointments represent political opportunities for mayors to build a group of like-minded people in those positions, resulting in a systematic lack of critical neighborhood advocates (Newman, 1994). Despite the history of councilmanic courtesy in Nashville, councilmen representing neighborhoods around the airport could not mount a political challenge and forge a citywide opposition. Neither could they secure solid support from the next mayor, Bill Boner, who was ambivalent on airport expansion vs. neighborhood concerns and the conflict between pro-growth and anti-growth forces. Since then, the issue has not been as politically potent as it was in the 1980s and early 1990s. It was even hoped that Nashville's airport would be among the world's largest by 2005 (Moore, 1989, November 10). A plan for a fifth runway existed, but it was contingent on an expected doubling on the American hub, which never materialized. A large piece of land has instead been offered through a land lease from

MNAA to Dell Computers which, as documented earlier, has located a manufacturing unit close to airport.

9.4 The rise and demise of the American Airlines hub

The major renovation of the airport was ready in September 1987. The number of flights almost doubled in a year with the American Airlines hub in place (Figure 9.3). By 1993, American had 70 percent of the Nashville market, a relatively normal market dominance for a mid-size hub city (Goetz & Sutton, 1997). The investment appeared to have paid off: between 1985-1988, $200 million worth of bonds were issued, while multiplier effects from more business, investments, employment (the Saturn location decision was influenced by the new airport), and visitors reaching the local economy were predicted at$500 million by MNAA and the Chamber of Commerce (*Nashville Magazine*, 1987;

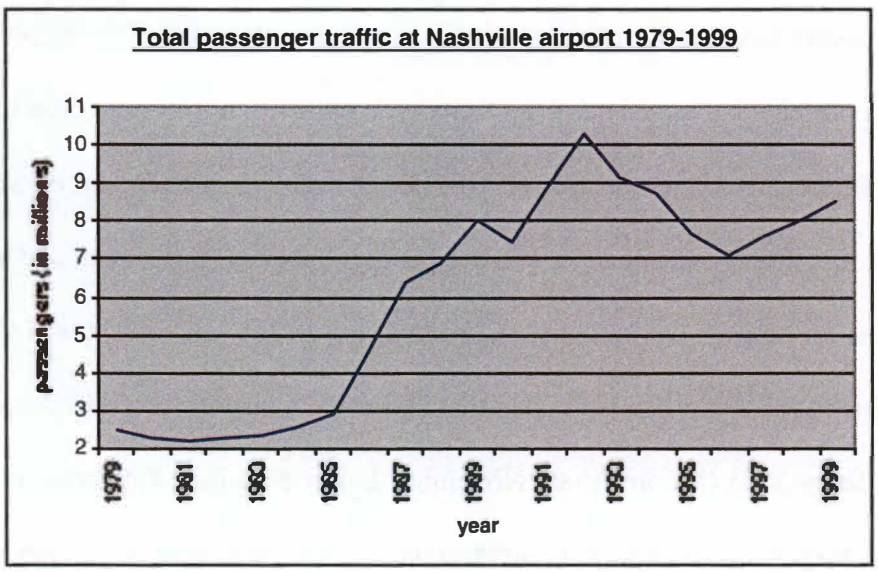


Figure 9.3 Passenger traffic at the Nashville airport 1979-1999. Source: MNAA, various years.

Young, 1988, January 24). In 1990, the expansion was considered the shining beacon in an otherwise slumping local economy. Fleet maintenance of American's commuter subsidiary, American Eagle, added new jobs. The airport area became the hottest submarket in real estate, but like elsewhere in the city at the time, the area was affected by overbuilding; it had a 25 percent vacancy rate by 1990 (Saponar et al., 1990, August 27). One of the few negatives was a downgraded bond rating because of the increasing reliance on American Airlines (Doganis, 1992).

9.4.1 American Airlines reorganizes

Unfortunately, post-deregulation volatility in the industry meant that change was imminent. American Airlines opened four hubs in two years, more than any other airline in the country, and already had main hubs at Dallas and Chicago. In addition to American's presence in Washington D.C. serving international traffic, American Airlines opened hubs in San Jose, Nashville, Raleigh-Durham, and San Juan from 1985-1987 (Figure 9.4).

However, another airline shake-up had a considerable impact on American's strategy. As part of the industry's restructuring, Eastern Airlines filed for bankruptcy. American immediately moved into Miami, filling the void Eastern left in order to open up a South American corridor with Miami as a central connector. American's focus shifted greatly, and flights were cancelled at Nashville and Raleigh-Durham. With Miami in the network, American had overextended its capacity for north-south routing along the east coast, and as a result decommissioned the Raleigh-Durham hub. It took the Raleigh-Durham airport until 1999 to supercede the number of flights it had during the early



Figure 9.4 The American Airlines network in the early 1990s. (Reprinted from Journal of Transport Geography, Vol. 1, S-L. Shaw, Hub structures of major US passenger airlines, Pages 47-58, 1993, with permission from Elsevier.)

1990s peak (Debbage, 1999). But American Airlines was still spread too thin and suffered a loss of $22 million in 1992 and $7 million in 1993. It closed San Jose while scaling down in Nashville. At the end of 1995, American announced what was already apparent: Nashville was no longer a hub.

American Airlines peaked in Nashville in 1992 and began a gradual pull-out of flights in 1993. At the same time, total passengers "enplaned" and "deplaned"—which includes through traffic that merely changes flights in Nashville—saw a downward trend. Nashville's total passenger traffic peaked at 10.3 million in 1992 and dropped to 7 million in 1996 before the trend was reversed (Figure 9.5). At its peak, American Airlines operated 280 daily flights from Nashville, which was cut to 52 in 1996. Overall, average daily flight service reached 652 in September 1993, but dropped to 392 by February 1996 (Bolick, 1996, February 26).

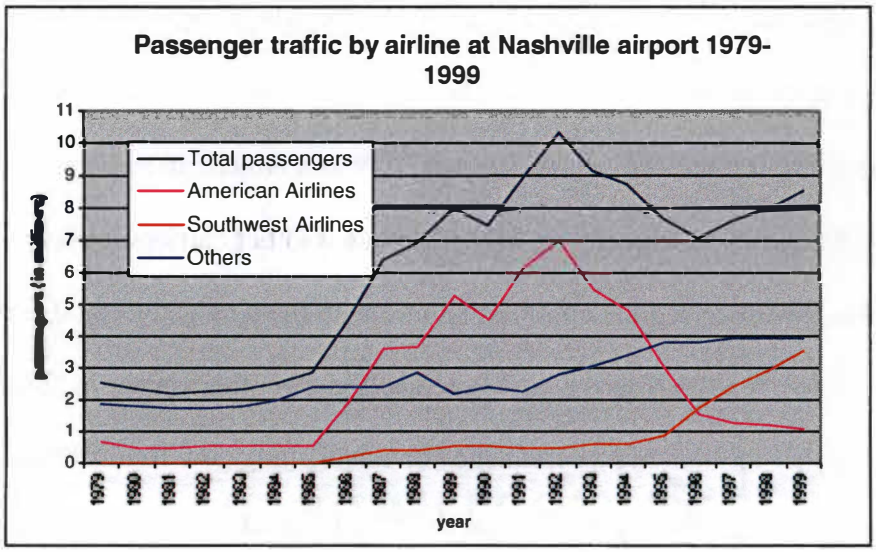


Figure 9.5 Passenger traffic by airline 1979-1999. Source: MNAA, various years.

However, American Airlines did not depart from Nashville entirely. The scaling down was gradual, which allowed Nashville to form a crisis response. After all, "the hub has been the single biggest factor in the growth and success of the local economy" (Joe Rodgers, quoted in DuBose, 1995, January 5, p. 18). The reason why American did not leave Nashville entirely had to do with their financial arrangements in Nashville compared to Raleigh-Durham and other airports. In Nashville, American Airlines was, and still remains, a signatory carrier that acts as a guarantor of the airport's debt and is responsible for long-term lease agreements at concourses C and D. As of fall 2000, American still had 17 departures a day, mostly to other hub cities.

9.4.2 Southwest Airlines and post-hub development

Even before the new terminal was completed, Southwest Airlines was on the way to the MNAA board to make Nashville not a hub, but a "focus city." In fact, when Bob

Crandall, American Airlines CEO, announced that Nashville was going to be an American hub, he beat Southwest by only days (Willis, 2000). That limited Southwest's Nashville operations, but it remained eager to expand[45]. When American searched for a hub replacement but none was forthcoming, MNAA spoke to other carriers immediately about expansion. Southwest seized the opportunity. and with the new gates could expand from the previous 18 to over 100 flights a day. Practically every other carrier in Nashville also added service, either through higher frequency or establishing new flights (Figure 9.5). Nashville was still attractive with a new terminal facility that ranked very high in travelers' surveys (Davis, 1998, February 17), a reputation as one of the most efficiently run airports in the country (Velocci, 1997, June 16), a good location, few weather delays, and a favorable signatory carrier package.

Despite other airlines moving in to fill the void, the reality was that airport suffered a tremendous setback in the number of flights leaving and arriving at Nashville. However, MNAA portrays the loss of the hub as a blessing in disguise. First, American Airlines exit has enabled more airlines to operate out of Nashville, and, indeed, the airport has experienced a proliferation of operations (Bolick, 1996, February 26). Disruption was minimized; in some cases, Nashville did not miss one day of service to certain destinations, as those routes were instantly absorbed by other airlines (Willis, 2000). Second, hub cities often suffer from monopolistic pricing. Greater choices have benefited consumers; budget airline Southwest is now the major airline, pressing down the average ticket price in the Nashville market. The downside is that Southwest is rarely

[45] Herbert Kelleher, the CEO of Southwest, decided that Nashville was a good market to move into after visiting his daughter, who was attending Vanderbilt University (Petzinger, 1995).

the first choice for business travelers. Especially the headquarters and the large corporations that are financially important for the airport have less to gain from the new structure. Businesspeople who prefer comfort and scheduling flexibility are unlikely Southwest customers, as they are less sensitive to price than other travelers. Instead, they favor a high level of service including high frequency flight schedule, frequent flyer miles, and airport lounge facilities (Button, et al. 1999). All of these things can be best provided by a hub and airlines that compete with differentiation rather than price. Furthermore, hubs are more likely to provide direct, less time-consuming flights, same day return, and more international connections.

The second reason MNAA is touting the development of the last six years as a success is the improvement in origin and destination (O&D) numbers (Figure 9.6). The total number of travelers using the Nashville airport has decreased after the departure of

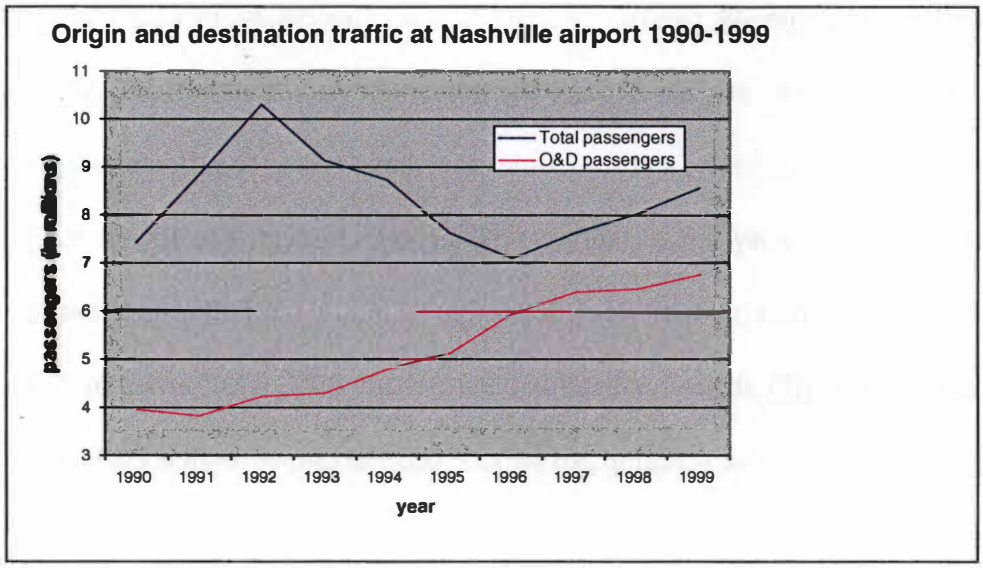


Figure 9.6 Passenger traffic at the Nashville airport, total and local origin & destination. Source: MNAA, various years.

the American Airlines hub; however, there are more passengers ending or beginning their journeys in Nashville. Basically, the O&D traffic is reflective of a successful local economy and an extensive service area[46]. No multiplier effects are extended to car rentals and hotel stays with non-O&D passengers. The number of O&D passengers at the Nashville airport was 3.2 million in 1993, and has risen consistently in the 1990s (Bolick, 1996, Februray 26; Parker, 1997, August 11). In 1999, the total number of passengers was 8.5 million, of which 6.2 million was O&D travel, which is crucial in recruiting non-hub air service.

9.5 Local policy and the airport as a growth engine

The marketing arrangement of air traffic is a complex interrelationship between airlines, airport authorities, and government or corporate city boosters. The airlines are responsible for their own general corporate promotion, but as all flights are local, place-based marketing for specific flights and airports is also necessary. Promoting the airport itself, and implicitly the city, has become the domain of airport authorities. Airlines are benefiting from this necessity, and sometimes they have power to influence expenditures. In Nashville, the signatory carriers approve the airport's budget. The airport authority, in turn, realizes that airport marketing is inseparable from city marketing in general, and it forms partnerships with other organizations. Partnership 2000 was formed in 1990 when American's hub was still developing; air service became one of its first leading priorities.

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[46] The hinterland of the Nashville airport includes 79 counties within a 100-mile radius of Nashville and a population of nearly 3 million. The basic tools in determining service areas are parking lot and baggage claim surveys (Willis, 2000).

One quasi-governmental entity is financially intertwined with another, as marketing expenses are shared between MNAA and Partnership 2000.

The new American Airlines hub was used in Partnership 2000 advertisements in business press to market the airport and its facilities in connection with the city's quality of life and business opportunities. Advertising was paid for by Partnership 2000, but MNAA was a lead investor in Partnership 2000. The marketing plan experienced problems from the beginning. As ads were running in *Fortune* in 1991, American Airlines' internal problems—a pilot strike—and cutbacks affecting Nashville made the bright aviation future alluded to in the advertisements highly improbable. Partnership 2000 and MNAA debated whether or not to withdraw the ads, but the promotional message of Nashville as a good transportation location remained important. The main purpose of the ad "is to raise CEO awareness of Nashville as a business address, with good air transportation alternatives" (Sherrard, quoted in Hobbs, 1991, January 14).

Further marketing programs to sell Nashville's airline hub, along with the city as a tourist destination, began in 1991 and were directed by American Airlines with support from government tourism offices, the Chamber, and other corporate sponsors (Hobbs, 1992, April 1). One strategy was to target audiences in 19 cities connected with the Nashville hub with ads placed in the various market newspapers and radio stations. A 1993 campaign included infomercials on cable stations and free advertising on CMT Europe (courtesy of its owner Gaylord Entertainment), as a new London route would hopefully revitalize Nashville travel. In fact, American was the beneficiary of millions of dollars worth of in-kind contributions to promote Nashville as a tourist destination and American Airlines as the way to get there. These included the broadcast time donated

from Gaylord, and direct financial assistance from Partnership 2000. Market research suggested that passenger increases during the fall of 1993 were the result of Partnership 2000's promotion of American Airlines and the Nashville hub (Hall, 1993, November 22). Local traffic continued to increase 13 percent in 1994, possibly influenced by the advertising (DuBose, 1995, January 5). The fact that the Chamber of Commerce, through Partnership 2000, spent their own money to support one particular corporation was not received well among the other airlines, which called the Chamber's policy favoritism and anti-free market (DuBose, 1993, October 14).

The support from Partnership 2000 was matched by enthusiasm from local government. A next step where the city could potentially have some clout was the development of international travel. MNAA entered into lengthy negotiations with American Airlines to acquire an international route[47]. MNAA had been assured by consultants that Nashville could sustain international flights, who suggested London, Paris, or Frankfurt. A flight route in 1990 to Toronto had already made the airport "international" (Keel, 1990, November 8). MNAA focused on a London route, which in the case of most American cities is the number-one flight to Europe (unless a city operates under a specific international gateway arrangement, such as Northwest's Memphis-Amsterdam). This thrust coincided with Partnership 2000 efforts to increase country music tourism from Britain. American Airlines, rethinking their Nashville hub at

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[47] The international aviation system is complex and regulated; usually, bilateral agreements between countries determine the level of flight service, and ownership restrictions have limited globalization in the industry. International airline alliances are the industry's response to bypass such regulations, but a liberalized market with "open skies agreements" is growing (U.S. Department of Transportation, 1999). As of 2000, there was no open skies agreement with the UK; instead, United States has a bilateral agreement determining the number of flights.

this time, was less enthusiastic than MNAA, and instead MNAA had discussions with Mayor Bredesen to circumvent American Airlines; the idea of a city-owned route was floated[48]. Bredesen, having lived in London before moving to Nashville, undoubtedly favored that destination. Moreover, Nashville's business and tourist connections with Britain were stronger that with any European country, hence a flight to London was sensible. The logic for the city to buy a route is compelling: if the city (or a quasi-governmental airport authority) is investing in building an international terminal including customs facilities (which were completed in June 1994), maybe cities can own that route instead of the airline. Moreover, the city and the region benefit perhaps even more than the carrier through multiplier effects. In the volatile American Airlines era, the idea had obvious appeal from the city's perspective.

An opportunity appeared with the merger between British Airways and US Airways, which created a new airline—USAir—with superfluous flights to Britain, and existing routes from Charlotte and Baltimore were cancelled. In an unusual move, Nashville Metro government agreed with USAir to purchase one of the airline's London routes for $5.5 million (Hobbs, 1993, June 14). It was unclear where that money should come from. Mathews (2001) recalls: "Bredesen said...if I can't get it in the city's budget, I'll put up the money personally, because I think it's worth more than five million dollars." Any international air route changes have to be approved by the U.S. Department

[48] Exactly whose idea it was to pursue the strategy is not clear. It was reported that Mayor Bredesen suggested the idea to Gen. William Moore, president of the Airport Authority (Hobbs, 1993, June 14), but today Bredesen says he cannot recall if he personally developed the concept of buying the London route for the city (2001).

of Transportation and the Federal Aviation Authority. A local government purchase of an international route had never been suggested before. It not only confronted regulators with a new question, but it was intriguing to all players in the airline industry—airlines, airports and cities—and generated much national press (Busche, April 27, 1993; Cooper & Pearl, September 21, 1993; Schmit, October 18, 1993). But USDOT was concerned about future precedent-setting implications, and did not award Nashville Metro the route[49]. Instead, American Airlines was awarded the two open London routes, one from Nashville and one from Raleigh-Durham.

Even if the new route was not city-owned, civic boosters were elated over the London connection. Not only was it seen as a sign of continuous prosperity—"the next leap on Nashville's road to economic greatness"—(DuBose & Dobie, 1994, April 7), but it could also enhance American's desire to stay in Nashville as a hub carrier. The route was inaugurated in May 1994 with four consecutive flights carrying, on special invitation, practically everybody in Nashville's political and economic establishment.

Initially, the route was a success. Load factors were high the first months, about 80 percent, due to the novelty value and strong tourism traffic at the time (McCampbell, 1994, June 18), but American Airlines operated Nashville-London for only 15 months before shutting it down. The route had an average 70 percent load factor during those 15 months (Willis, 2000). American said it was not enough to make a profit, while MNAA still believes that the development of the route indicated long-term sustainability. The

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[49] USDOT argued that it was "not prepared to endorse an auction process that could rapidly come to represent a widespread mechanism for reallocating these national assets on the basis of the deepest civic pockets" (the USDOT order that clarified that cities cannot purchase airline routes, quoted in O'Brian, November 8, 1993).

disagreement stems from the fact that American Airlines was dismantling its Nashville hub (although the route was cancelled before the hub was officially gone), and without it they could not sustain an international flight. MNAA is currently still searching for airlines and charter arrangements to rebuild international connections, especially with Britain.

American's cuts in the flight schedule occurred at the same time Nashville was actively promoting the hub. "There was a lot of talk about what we should do. What kind of incentives can we give them to stay" (Willis, 2000). Both local government and business acted on behalf of American Airlines to make their operations more profitable. American Airlines CEO Crandall met with the mayor and Nashville business leaders in 1993, and said that 300,000 new passengers a year, or eight per flight, was needed to make the hub profitable. The prosperity of airline operations are dependent on long-term changes in local business and population growth, but in the short run, there are a few things that the city can do. A convention center, for example, automatically generates more air passenger traffic. Bredesen made the explicit connection between supporting Opryland's expansion and securing the airline hub. When American announced that it needed eight more passengers per airplane, the Opryland expansion could provide four of them (Hobbs, 1993, June 14). The tax-subsidized expansion increased Nashville's convention capacity dramatically, even though it could not make a difference regarding the hub.

American Airlines was favored in public policy in other ways as well. In 1994, the Tennessee legislature granted a jet fuel tax exemption specifically aimed at American. The deal was broadened to benefit Memphis-based FedEx to satisfy West Tennessee

representatives as well. American even leaned on Metro government to help them make their routes more profitable by, for example, flying first class, but such flagrant disregard of lowest-cost purchasing procedures could not be accommodated by the city (Bredesen, 2001).

Moreover, American Airlines wanted the city's business elite to commit to keeping the hub. As part of a "Fly American" campaign, Partnership 2000 focused on increasing local business traffic on American. A calling effort targeted 180 local companies with the largest travel budgets to persuade them to use American. Robert Mathews, both as a Chamber activist and MNAA board member, coordinated the effort on behalf of Partnership 2000 to draw together 60 to 70 executives who "did the door knocking and arm twisting" which led to "mildly positive results" (Foster, 1994, May 16). As mentioned earlier, the Chamber and Gaylord Entertainment also entered a joint marketing agreement with American to increase incoming tourist traffic.

Nashville did respond with support for the airline, "but in the end American didn't support the community. There was some bitterness in the community regarding American" (Willis, 2000). Mayor Bredesen, the city, and the local business elite feel they put their prestige on the line, as well as hundreds of thousands of dollars, to promote the American hub. "We tried to oblige them for a while, but I have very ill feelings about that whole thing. I don't think their management at the time, and one of the few businesses I've dealt with, were shooting straight." (Bredesen, 2001). American Airlines' corporate culture under hard-nosed CEO Bob Crandall left little room for compromises between theairline and localities. Since 1996, Southwest Airlines has instead been the partner in Nashville advertising (Figure 9.7). Recent campaigns have involved cooperation between



Figure 9.7 A wall mural in central Nashville at the corner of Fifth Avenue South and Franklin Street celebrating Southwest Airlines' presence. Photo: Author.

Southwest, the Convention and Visitors Bureau, and the state (Wibking, 1998, October 13). Partnership 2000 and the Nashville business elite have been less active in airport promotion and policy.

9.6 Air traffic and the entrepreneurial city: Some concluding thoughts

Deregulation not only changed how airlines operate, but also how airports operate. So long as the government had a strong hand in determining where airlines could fly, little incentive existed for an airport to market itself. The possibility of influencing future route development was limited to political connections. Current airport strategy testifies to the fact that airports are very competitive in marketing themselves to the airlines. Under deregulation, the attention of airport authorities has shifted from government regulators to airlines as their powers have increased. "It's our job to educate the airlines about what the

market wants" says MNAA (Willis, 2000), which put together promotional packages presented to targeted airlines whose geographic strategies would work well in Nashville. Such packages include market potential, general regional economic data, growth projections, livability, and the like (see, for example, Metropolitan Nashville Airport Authority, 2000, November). The time from the sales pitch to a successful deal with new air service usually takes from six months to two years.

Business interests can also influence the network arrangement. When American Airlines planned to cancel its routes to Los Angeles, Music Row threatened to collectively instruct their travel agents not to use American Airlines. American responded by scheduling two more flights to the West Coast (Mathews, 2001). After the demise of the American hub, MNAA has worked closely with the Chamber of Commerce and Partnership 2000 investigating the needs of the business community, which warrants special attention. The business community was the most disrupted by the American Airlines move; their bets had been placed with American, and air service was taking a no-frills turn in Nashville. Based on the Chamber's wishes, MNAA analyzed market deficiencies and competed for flight routes that can be supported. The Chamber surveys their members annually on travel behavior, ensuring that travel-intensive industries such as health care (in one year, HCA booked over 42,000 flights out of Nashville) can specify where they need to get to in the morning and come back at night (Willis, 2000). Such scheduling is also available to Detroit for the automotive industry (Davis, 2000, June 18). Here, airport authorities are caught in the dilemma of trying to serve the public at lowest possible cost and accommodating business by obtaining and maintaining a hub. In its marketing plan for 1998-2002, Partnership 2000 worries that Nashville is facing strong

competition from cities with better air service. Such internal documents suggest that MNAA is incorrect, at least from business' perspective, when suggesting that the city is better off with improving O&D data instead of a hub.

The loss of the American Airlines hub indicates that airlines are important players, but do not necessarily develop local ties. As users of an airport facility they remain for the most part non-local entities. Cities may try to create stronger place-dependencies for airlines through signatory carrier agreements, but in this case, those efforts could not overcome the volatility of the market. The qualitative strength of coalitions between cities and airlines is a factor that can impact the air network. In this case, American Airlines was perceived as "not shooting straight," not being a team player. It was not only Nashville that was uncomfortable with American Airlines. The company's aggressive corporate style had earned them the nickname "Arrogant Airlines" among the regulators at USDOT in Washington (Reed, 1993). Airports around the country are vulnerable to the geographic demands of the airline industry, but the question remains open whether the outcome would have been different if some other airline had established a hub in Nashville.

The local response of this dependency situation was Bredesen's attempt at buying the London route, a good example at innovative policy conceived at the local level from local experiences in an era when federal urban policy has modest aspirations. In the end, national regulators turned down Nashville's request, but there is no obvious reason why the outcome could not have been different. The city was confronted by a situation where an argument could be made that the city itself should reap the benefits of having a route. If federal authorities had accepted Nashville's argument, the implications would be

profound, as costly inter-city competition could erupt when desirable international flights are available. If city-owned, a Nashville-London route would most likely still exist today; perhaps with low profitability, but presumably with other regional economic benefits.

Interestingly, the MNAA structure was intended to shelter airport operations from political action. This progressive notion should be reexamined with respect to Bredesen's involvement in airport business—active engagement in recruiting an international route and changing the time frame which board members serve from seven- to four-year terms. Nobody has raised a concern or called his actions inappropriate, even if the city buying a route would be the ultimate political involvement. This reveals that the idea of undue politicization is viewed selectively. Politics is something that gets in the way of the business of running an enterprise, even if it is quasi-governmental. Because of these tendencies, the Nashville business elite is pleased with the arrangement of a public, but flexible airport authority. It is popular in business circles to serve on the MNAA board (Willis, 2000), which is considered a powerful entity. The regional benefits and the public good function are so strong that the privatization issue has not been raised. In some places, support for privatization has gained strength, but in Nashville, the government and the MNAA have a businesslike arrangement, representing amicable local capital-state relations in the post-Fordist era.

Currently, the Nashville airport as an object of public policy has faded from public concern. Fewer passengers, smaller planes, and cancelled routes have led to a decline of traffic at the Nashville airport (Bernard, 2002, December 22), and airlines are not in an expansive mood; reorganization of the network is not imminent. The airport has moved from being a growth engine in its own right to being a reflection of Nashville's

general growth. Located between hubs in Memphis, Atlanta, Charlotte, and Cincinnati, Nashville's airport cannot currently expand traffic beyond what the local market can support. It is now facing local competition in the mid-South rather than national competition in the hub network system (Davis, 2000, June 18). As a policy tool, the airport is dormant and has re-entered a managerial rather than an entrepreneurial mode. The Nashville business elite has been less actively involved since the loss of American Airlines hub. What can be interpreted as a window of opportunity that was opened by deregulation is now again shut for mid-size cities (at least as long as the future arrangement of the airline network is undetermined as the industry is suffering from prolonged crisis). For Nashville, the experience included both successes and failures, but the question is if airports as a locus for local entrepreneurialism has been an illusion; this is a question that perhaps other case studies can answer.

10. BUSINESS ENGAGEMENT IN LOCAL EDUCATION: EMERGING SOCIAL REGULATION

> "As a businessperson you get involved in all these things that you think are good for the city, and you get to know what makes it tick. You get to know the political and non-profit entities, find out what helps build strength. Education is the big issue right now" (Nashville real estate developer Robert Mathews, 2001).

10.1 Reproducing the labor force and building civic capacity

Public education is held in low esteem by many, and education is high on the reform agenda in cities around the country. Not only is public education seen as incapable of providing individual students the necessary skills, but also as limiting future economic progress and prosperity. Business is generally as negative towards the performance of schools as the general public; however, it tends to be more positive about reform possibilities, viewing schools as an enterprise in need of better management. Local business interests have become one of the leading forces of education reform, a marked shift from the recent past and an important example of changing social regulation on the local level.

Many people, both in Nashville and nationwide, trace the current reform movement to a 1983 federal study, *A Nation at Risk,* which warned against "the rising tide of mediocrity" (p. 5) in the American educational system. The report outlined a broad reform agenda, but what is particularly interesting is the rationale behind the call for educational improvement, and to whom it was implicitly directed. *A Nation at Risk* is a Reagan-era document where fear of losing the competitive edge is evident as economic globalization was taking off and the Fordist system was crumbling. In the eyes of business and many policymakers, apart from an outmoded industrial organization, a

fundamental problem was the inability to educate a productive workforce. Employers complained they had to absorb costs that ought to be a public responsibility. Poorly educated workers had to learn on the job what they should have been taught in school. European apprentice programs and Japanese study ethics and test scores were much envied. The report continues: "Our once unchallenged preeminence in commerce, industry, science, and technological innovation is being overtaken by competitors throughout the world…we live among determined, well educated, and strongly motivated competitors. We compete with them for international standing and markets, not only with products but with the ideas" (p. 5). Because education "undergirds American prosperity," *A Nation at Risk* makes the case for recasting education in the light of economic competitiveness. The time has come, it is argued, when the abundance of resources is not enough, but learning and skills are the determinants of success. Therein lay the main obstacle; achievement levels had suffered a long-term decline, a disturbing break with the notion of progress so dominant in modern thought. The problem had deep roots beyond the school walls: there is a "shoddiness in many walks of American life… This shoddiness is too often reflected in our schools" (p. 6). The U.S. economy, indeed the entire nation, had lost its edge, lulled into a leisurely state. It received a stern warning in the report: "history is not kind to idlers" (p. 6). The document was taken as a call to business interests. American capitalism had not only lost sight of its core characteristic—unbridled competition—but business interests must shape human capital formation in a more active manner.

Education improvement is a difficult, long-term solution to sustaining economic growth; and as I will argue here, it is an emerging part of the general regulation of post-

Fordism. The business interest in education has shifted from the initial incentive of raising productivity through a better-educated labor force to a broader agenda of social reform. Education has always has been a local concern, of course, but education reform pushed by local regimes with a broad coalition base, including business, indicates a stronger focus on active social policy formation on the local level. Local educational policy and reform can be situated within contemporary anti-federalist and devolutionary thought and is, at least ideally, a way to come to terms with the problems in post-Fordism.

On the local level, business-friendly policies, especially the general emphasis on low taxes, suffer from a contradiction with regards to public investment in human capital. As labor mobility remains much lower than capital, local skill level is one factor that limits economic development. Because of the high level of variability in education, not only between regions, but also between urban, suburban, and rural districts, a good public school system is important. Knowledge-intensive economic activity increasingly demands a good educational infrastructure. From a political economy perspective, education can be viewed as the crucial component in the reproduction of the labor force—together with broader labor relations, education constitutes a local mode of regulation. The local governance structure of education, as we will explore in this chapter, includes actors such as city government, the school board, the state, business and labor organizations, labor practices and conventions, race, ideology, and the historical path dependency of place. With some variation between cities, these actors have created local capacities and institutions that can address the education problem. A key point here is that new forms of training and education are taking place in local places to produce a

work force that may be, more than anything, designed to be competitive vis-à-vis other places (Painter, 1995).

Much of what is known about current urban school reform in United States, and the local political environment in which it operates, comes from a large comparative study of 11 cities entitled *Civic Capacity and Urban Education* with political scientist Clarence Stone as the principal investigator (Jones et al., 1997; Stone, 1998; Portz et al., 1999; Stone et al., 2001; Stone, 2001). Following Stone et al. (2001), success or failure in the education arena is dependent on what they call local civic capacity, which arises from the collective action of important local stakeholders.

There are several factors that may influence the level of civic capacity in a particular place. Coalitions that do emerge, according to Stone et al. (2001), can be assessed along three dimensions: *breadth*—the level of participation among divergent interest groups; *cohesion*—the level of consensus among these interests regarding the reform path; and *durability*—the temporal strength of these coalitions and emerging institutions. Cities with a low socioeconomic level, very fragmented political interests, or a history of federal oversight have a harder time developing civic capacity. In all cases, historically contingent factors are strongly influential.

The desirable outcome of local civic capacity building is effective school reform. Different types of institutional changes have been proposed and implemented to various degrees. Decentralization within the existing organization of school bureaucracies is popular, usually so called site-based management, as are calls for "accountability," the idea that individual schools should be evaluated by performance through quantitative measurement, usually test scores. More drastic is the implementation of school

competition. The voucher system allows students to leave poorly performing public schools. The philosophical underpinning of the voucher system and its potential benefits suggests that only substantive alternatives to public monopoly on education can improve student learning, at least if microeconomic principles are the best tools to understand and approach the problem. The establishment of charter schools reflects privatization and deregulation, as they are managed independently on a non-profit or commercial basis by Education Management Organizations (EMOs) for the public school system. This movement is currently in doubt as EMOs have shown little progress in delivering education at a lower cost and improving test scores compared to traditional arrangements (Fitz & Beers, 2002). A partial solution to make some public schools more attractive is the creation of magnet schools where only gifted students are admitted. The classroom approach, changing the learning process, also remains a major component of reform. Various curriculum and pedagogical innovations have been implemented locally. Recent federal legislation also calls for national standards to guard against local failure. Other issues that perhaps should not be included in a list of reform options, but nevertheless play important roles locally, are the questions of funding levels and the districting and selection of students—who goes where. Finally, the relationship between schools and local community and the institutional framework that must be in place to effectively accommodate communication between the two is essential in civic capacity formation and school reform.

Most cities have pursued reform with some force. All 11 case cities in the *Civic Capacity and Urban Education* project have taken education seriously, but with modest success in improvements. Stone et al. (2001) attribute this to the lack of long-term

commitment from the community at-large and the problem of converting "short-term alliances into institutionalized relationships" (p. 2). Most places are suffering from superintendents with short tenure, the pursuit of the latest pedagogical or organizational trend, and business interests whose overriding concern is to make schools cost-efficient rather than good performers. Moreover, schools do not only serve as education institutions, but especially in the middle-class African American community, their role as a provider of employment has become so pervasive that other concerns have in effect become politically secondary. Orr (1998), for example, contends that "race, jobs, and politics" are the main obstacles to reform in Baltimore.

Even in the best of circumstances where various interests agree on the importance of schools for the future well-being of the community, the plurality of school politics makes coordinated efforts and tangible improvements hard to achieve. Neither is civic capacity automatically transferable from one arena to another. While Atlanta has been successful in other aspects of economic development, its capacity to effectively coalesce around school reform has been largely unsuccessful; it ranks at the bottom of the cities studied in the *Civic Capacity and Urban Education* project (Stone, 2001). No biracial coalition has been built; instead, racialized discourses, distrust, and fragmented interests have characterized Atlanta school politics. Both in Houston and Atlanta, business communities have been active in school reform but have tended to emphasize efficiency and spending limitations rather than applying a broader approach (Stone, 1998). Similarly, the high profile of desegregation in the local community, overwhelming black dominance of the public student body, and rigid bureaucracy marginalized business interests in school reform in St. Louis (Jones et al., 1997).

On the other hand, cities with enduring institutions dedicated to school improvement with extra-local support has continued to progress, such as in El Paso (Stone, 2001). Pittsburgh also benefits from long-standing cooperative arrangements between local government and business, and such a consensus has produced business involvement in education that goes back for several decades, a more extensive partnership than in most cities. In Boston, The Vault, an organization similar to the Watauga Group, initiated a public-private partnership called Boston Compact focusing on education starting in the early 1980s. Business leaders have had significant impact on reform by threatening to withhold support unless the appropriate reforms, such as site-based management, are implemented. However, federal oversight and racial tension has limited business' consensus-building agenda in Boston. Even if the general conclusion is that a school system under federal court supervision is not likely to find a strong local support through civic capacity, the need for progress can lead to "court-induced consensus," like in San Francisco (Fraga et al., 1998).

Even if no clear trend of improvement emerges from the 11 cities, all of them have witnessed a business community playing a stronger role than in the past. Business interests are even perceived as the most influential actor in school decision-making, ahead of the school board, teachers, the mayor, and others (Stone et al. 2001). Business may or may not have been successful in exercising power, promoting its agenda, or producing tangible results, but in all cases it has tried. Stone views business engagement as a positive, even necessary, ingredient in school reform, creating the necessary breadth in formulating a local agenda. Others take a more critical view of school-business partnerships in particular, calling them a threat to democratic participation (Taylor,

2000). However, business hegemony in education policy is unlikely in most places. With increasing levels of citizen involvement in education as well as other local issues, business taking a seat at the table is reasonable.

The strengths and the drawbacks of the civic capacity studies are the same as those found in urban regime theory: the importance of the locality and possible synergy between various interest groups that can advance a community's capacity to approach challenges are thoroughly explored, while the connections with broader political and economic forces beyond the city limits are scarcely addressed. It is assumed that globalization has somehow activated corporate interests, but this research does not further address the logic behind that assessment. It is, therefore, necessary to connect the insights from regime building in the education arena with ideas on the growing importance of social regulation on the local level. To explore this connection, I will return to Nashville and investigate how its business elite has pursued education reform.

10.2 A struggling education system under federal supervision

History is an inescapable part of understanding educational policy in any city. Nashville's school system was under federal oversight for decades, and no major initiative has been implemented without an eye to how it will affect desegregation. As elsewhere in the South, white Nashville engaged in resistance to school integration. The city's most notorious event was the 1956 bombing of the Hattie Cotton Elementary School in East Nashville. This incident came in the wake of the 1955 Kelley v. The Board of Education that challenged the slow integration of Nashville high schools. Before unification, Davidson County had a fragmented, quadruple school system based on both geography

(city and county) and race (black and white)—separate and unequal. Kelley v. The Board of Education was not ultimately resolved until 1971, when a federal court handed the school system a desegregation order. In a fragmented political system and strong home rule sentiment, desegregation is unlikely to succeed; but when geography is conducive to reform, as in a county-wide educational system like Nashville's, desegregation is more likely to be more effective (McDermott, 1998). A redrawing of Nashville school districts created more integrated schools to reach the mandated goal of 25-30 percent minority representation in each school, reflecting the overall racial make-up in the school system.

The additional solution to the combination of persistent residential segregation and school desegregation was busing. Predictably, the plan resulted in a surge of white children enrolling in private schools. Approximately 8,600 white students left the public school system the year following the implementation of the busing order. Census data shows that the school-age population in Davidson County attending private schools jumped from 8.7 percent in 1970 to 15.9 percent in 1980. This was an unprecedented increase, as private school enrollment had been stagnant or even declining during the 1960s. Undoubtedly, busing was the most emotionally charged local political issue at the time. The response to busing was unanimously negative among whites and while mixed feelings persisted among blacks, many accepted it at first as a necessary means to achieve equality. Pride and Woodard (1985) conclude that busing partially achieved its goals. Contrary to public opinion, busing improved race relations in general and pupil performance was not negatively affected; in fact, black scores increased somewhat. The problem was that public confidence in public schools was shattered by busing and did not recover for decades, especially among the group that must be its greatest supporter—the

white middle class. Sitting Mayor Beverly Briley was challenged, but eventually survived a 1970 mayoral campaign facing a councilman named Casey Jenkins who ran on a one-issue platform of resistance to busing. Relying on his general popularity, Briley could deflect populist anti-busing opposition, which could have thrown Nashville into a quagmire of racial politics. The 1971 busing plan was in place until 1980 when local judge Tom Wiseman ruled that busing was no longer necessary. This decision was overruled by the Sixth Circuit Court of Appeals, which created a complex system of busing based on age cohorts, where black and white children would alternate in being bused to schools in other parts of the city. Since 1980, white flight has for the most part been stemmed and private school attendance has increased at a slow pace, from 15.9 percent of all school age children in 1980 to 17.5 in 2000.

The tendency of the Nashville elite to send their children to private schools has traditionally made them indifferent to public schools. This can decrease the tendency for political mobilization on behalf of public schools among the elite as well as the middle-class. The individual logic is compelling: as changes in a school system are long-term, few individuals are willing to commit to the local public school system, either by sending their children to a public school or by expending social capital on its improvement. Instead, it is only as a collective entity that business can address the issue. The overall demographic structure may also work against urban school districts if younger families suburbanize and reside outside the jurisdiction of the central city, which makes the natural supporting group of school involvement smaller. Stone et al. (2001) suggest that the propensity for urban school districts to have fewer white children than overall racial population data indicate is equally attributable to age structure—white families with

school age children are underrepresented—and private school flight. Figure 10.1 shows a higher than average private school attendance in Nashville compared to peer cities, although well below Louisville and New Orleans. It should be noted, though, that the local structure of school systems, e.g. county-wide v. fragmented systems, create different incentives for public school abandonment.

Perhaps the closest parallel to Nashville in terms of county size, racial composition, and a county-wide system is Charlotte, North Carolina. If one views enrollment in private schools as triggered by changes in the public school system, again Nashville compares poorly. As evident in Figure 10.1, the 1970s were a crisis period where private schooling increased rapidly in most cities. Only Memphis exhibited a more drastic pattern of public school flight than Nashville, although Charlotte and Jacksonville largely mirrored the trend as well. While private schooling appears, to various degrees,

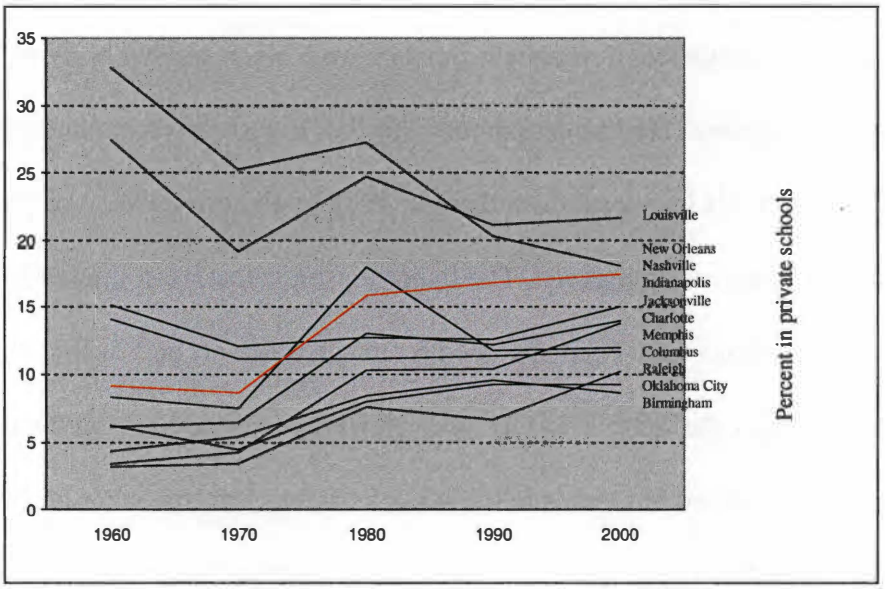


Figure 10.1 Percent school age population enrolled in private schools (grades 1-12) in Nashville and peer cities. For a relevant comparison, the geographic unit used is the entire central county of each city. Source: US Bureau of the Census, various years.

to have lost its appeal during the 1980s, a small increase is again detected during the last decade.

Unfortunately, desegregation and busing in Nashville did little to diminish the racial achievement gap. Some blacks even perceived it as harmful to black identity and community institution building, as blacks bore the burden of busing (Pride & Woodard, 1985). As busing was never viewed by anyone involved as a satisfactory solution, the search for other mechanisms to satisfy the desegregation requirements led to the establishment of magnet schools in the mid-1980s. The ultimate goal was not to better serve gifted children, but rather to achieve mandated racial balance within the school system. A court-ordered quota system where, in practice, all qualified black students are admitted and white students are selected randomly has produced the wanted results. Currently, the school system is 44 percent white and 48 percent black, and the prescribed racial ratio of each magnet school is 60 percent white and 40 black with a 10 percent margin. This has been achieved, as magnet schools have a black student body of 30-35 percent (Metropolitan Nashville Public Schools, 2001b). Even with an expansion—the number of magnet schools increased from three in 1992 to eight in 1998—the program has not progressed as fast as anticipated. The major reason is that most interested and qualified minority students have been absorbed by magnet schools and further expansions would most likely lower the share of blacks overall in magnet schools, which has also been acknowledged by internal memos in the school system (Phillips & Read, 1995, September 28). There have been reports of empty seats reserved for black students while a long waiting list for whites exists, as well as problems with the random selection process. The public dissatisfaction with what was supposed to be the jewel in the system

was especially voiced in the mid-1990s by outspoken school board member Murray Phillip (whose son was not selected for a magnet school), who opposed the quota system.

The inherent problem with magnet schools also became apparent: instead of a racially based segregation pattern, strong class segregation has emerged. Because selection was based on voluntary, unsolicited applications and no transportation was provided, students from affluent families have been overrepresented. As noted in a Vanderbilt study, the class effect was especially strong in Nashville, with its county-wide and socio-economically diverse student population, compared to other cities in the study (Phillips & Read, 1995, September 28).

Most agree that the long-standing court order has affected the school system negatively. With white flight and busing, a large segment of the population became disillusioned with the public schools. The prevailing attitude was that the public schools did not have the children's best interests at heart, an attitude rooted in the fact that the school system is restricted to operate within a framework imposed from above: all major changes within the school system must take place with court approval. Even if the purpose is laudable, it limits the avenues of action for the school administration. This was the state of things for almost 30 years. Nashville had a whole generation of affluent and middle-class people who never considered public schools as an option (Knestrick, 2001).

In no small part, the negative perception of the public school system was related to relatively low levels of funding. Overall taxation in Nashville is strongly affected by the level of taxation in Tennessee, which was 49th in per capita taxation among U.S. states in 1998; also, the taxation structure is regressive in nature with a strong dependency on sales tax (Sharp, 2000, April 26). Because of that, Nashville recently had

the sixth overall lowest tax burden among the nation's largest metropolitan areas. Compared to peer cities, Nashville's average family tax burden was reported as 66 percent of that in Birmingham, 58 percent of that in Charlotte, and 51 percent of that in Louisville (Graham, 1996, August 12). This revenue limitation naturally affects school spending. As in most places, education spending is the biggest item in the local budget. Any given year, the school system consumes about 40 percent of Nashville's budget. (The school district's operational budget is funded one-third from state sales tax and two-thirds from local property and sales taxes.) However, of the 48 largest school systems in the country, Nashville was ranked 46th with $4,112 per pupil annual spending compared to the average $5,643 in the mid-1990s (Holladay, 1996, July 18). But with recent tax increases, Nashville's school expenditure has gained on the national average. It is currently $7,038 compared to $7,436 nationally (while the Tennessee average is only $6,055). Teachers' salaries in Nashville are also very near the national average (Metropolitan Nashville Public Schools, 2000). This has been possible because the low level of state support is offset by high city taxation. Per capita city taxation in Nashville is $1,349, while peer cities range from $373 in Memphis to $839 in Birmingham (U.S. Bureau of the Census, 2000b). As a consolidated city-county government, this comparison probably overestimates relative taxation in Nashville where no separate county tax exists, although it should be noted that consolidated Jacksonville and Indianapolis have lower local taxes than Nashville.

One way of reforming the educational system is simply by increasing the funding level. The recession during Boner's mayoral period of 1987-1991 induced a fiscal crisis, and the Metro government was forced to cut the funding for local schools as a result of

budget shortfalls. According to a study conducted by the Nashville Chamber, $3,553 was spent on each student in metropolitan Nashville during the 1988-89 school year. In Louisville, $3,335 was spent per student, while Cincinnati and Indianapolis spent $5,538 and $4,417 respectively (Kennedy, 1990, July 23). The city itself appeared incapable of dealing with its troubled school system. The natural supporting group of public schools—the parents—found an ally in a coalition of civic groups with ties to leading business interests. For the first time, their interests were merging with that of the business community. The ad-hoc organization *Parents for Public Education* was started in 1987 by parents in middle class West Nashville, which evolved into a political pressure group that advocated more school funding (Ashford, 1990a). It put a 50-cent property tax increase earmarked for the school system on the political agenda. This was another indication of the political shift in Nashville—direct public involvement of grassroots middle class in politics. The alternative weekly newspaper *Nashville Scene* sardonically noted that "most politically involved people are not sheriff's deputies but West Nashville mothers concerned about educating their children...It's a lot to absorb" (Dobie, 1990c, p. 4). Combined with a re-thinking in the business establishment—the first time ever the Chamber called for a tax increase!—power was wrestled away from a withering machine.

The response from the business community and other civic groups was to form the umbrella organization *Coalition for Public Education* (CPE), which included the Chamber of Commerce, Nashville Board of Realtors, Junior League, League of Women Voters, and Fraternal Order of Police. The goal was to promote the tax increase referendum to create resources for public education and to increase awareness of the importance of supporting public education (Rogers, 1990b). Monetary investment does

not automatically produce a better result, but is a necessary step towards educational improvement. The Chamber had concluded that the school system was understaffed and lacking in technology, therefore allowing business to suggest a tax increase (Knestrick, 2001). A referendum cannot be scheduled directly by a citizen's initiative, but CPE had the capacity through a public relations, lobbying, and fund-raising campaign to successfully convince the school board to ask for a referendum (Dobie, 1990c). Explaining the economic rationale behind the tax increase, CPE said a no vote would be "costly to the Nashville economy," hurting company recruiting and competitiveness. The chairman called support for education and a yes vote "the most important things that will happen to Nashville this year for economic development" (Kennedy, 1990, July 23). The referendum came after three consecutive years of school budget trimmings: $9 million, $18 million, and $13 million respectively (Ashford, 1991, June 13). The proposition was voted down on August 2, 1990. Although a crushing defeat, the 2-1 margin was a better result for education proponents than a similar 1981 referendum that was turned down by a 5-1 margin during a time period when court-ordered desegregation and busing stirred public sentiment.

10.3 Education as economic development

Although business interests over time came to endorse broad changes in the education system, their initial and immediate concern was labor supply. Unemployment remained low throughout the 1990s; in fact, it was a continuation of a trend stretching from the mid-1980s. Even during the recession, Davidson County unemployment peaked at a modest 5.8 percent in June 1991 and since then fluctuated, for the most part, from 2.5 to

4 percent (Center for Business and Economic Research, 2001b). Full employment in many job categories led to a problem of finding qualified labor, a condition not specific to Nashville. In fact, the city ranked only 45th in a 1998 survey of tight labor markets around the country (*Nashville Business Journal*, 1998, June 12). Nevertheless, the local business press reported repeatedly about corporate inability to fill its vacant positions. Business has approached the problem in various ways. A part of the Chamber initiative has been lobbying to encourage low-paid, but productive Mexican immigration, and help the immigrants with housing, language courses, and driver's licenses. More importantly here, a shortage of skilled workers above entry-level service jobs led to a push from business to have more input in the skills students acquire in school. Especially the curriculum of vocational training has been targeted. Here, local business interests have been aided by the state, which has used literacy programs to raise the minimum skill level in the state's workforce and expanded community colleges and vocational schools. An additional solution is a growth in corporate apprenticeship programs. A driving force behind the interest in schools and apprenticeship programs was an early Partnership 2000 study of strengths and weaknesses of the Nashville area as a competitive region. One of the weaknesses pointed out was an underqualified labor force (Murray, 1995, January 2). Current census data support this conclusion, showing that of the ten peer cities, only three (Birmingham, Memphis, and New Orleans) had a higher share of the workforce without a high school diploma than Nashville in 2000 (U.S. Bureau of the Census, 2000a), which is peculiar considering the city's overall economic success. Implicit in the early findings of Partnership 2000 was that knowledge upgrading is also strategically important for economic development. The Chamber was acutely aware that one of the first questions

asked by a potential corporate relocator is about the quality of the local school system (Hunt, 2000). It is not unusual that companies indicate that the education factor is one of the deciding factors against moving to Nashville. To potential business recruits, the quality of Nashville's public schools is indicative of how the city at large is run and how the community sets priorities (Kennedy, 1990, July 23). Mayor Bredesen (2001), aware of this duality, says that "aside from the moral requirement that we operate a good public school system, that it's essential to our economic success...Our economic progress is being limited in some ways by the availability of people (for) skilled, technical jobs." This is especially important in the context of Davidson County, which has no significant population growth in the foreseeable future: a limited labor supply is a bottleneck for the local economy. At the same time, Bredesen admits that eight years of education reform has done little to actually affect the competitiveness of Nashville.

The emphasis on filling skilled technical jobs below the four-year college education level is a testimony to the need for reskilling. In the opinion of the Chamber, this is where high schools have failed. The Chamber's employer surveys indicate that high school graduates lack basic skills in reading and math, as well as social skills and a professional attitude toward work. "We've gotten to a point in the nation where we have people with college degrees doing work that could be done by high schoolers" (Knestrick, 2001). Geared at sending the good students to college, high school education is not only lacking technical and vocational aspects, but the socialization process has also broken down. When the Chamber is pointing out that prison builders look at high school graduation scores to estimate future need for prison space, the economic goals of business interests have then inevitably led them into a path of social reform as well.

Immediately after the 1990 recession, Nashville's fast-paced economy relied on labor migration, but by 1997, the nation's economy was catching up and non-local competition for labor was stronger. With approximately 48,000 college students in the MSA and 28,000 in Davidson County (Nashville Area Chamber of Commerce, 2000a), Nashville is reasonably well situated to find white-collar workers[50]. The major deficiency is the lack of a premier technical university that can fuel a high-tech economy. For engineering skills, Nashville is dependent on recruitment from outside universities and the inflow of qualified labor has improved. One corporate recruiter says that the interest level in Nashville jobs around college campuses is higher than in the past, attributed to increased exposure Nashville is receiving in media as an entertainment center and the impression of a vibrant downtown area (*Nashville Business Journal*, 1998, June 12). There are, however, limits to attracting a high-tech work force. The Chamber, as the chief promoter, places ads in college newspapers, especially if the school is strong in fields such as computer science and engineering. While Atlanta, for example, advertises in Boston, the Bay Area, and other high-tech areas, competing with big city amenities and competitive real wages, Nashville's geographical recruiting range is more modest. "Being Music City, we don't do our prospecting in Boston. We think our best bet is universities within 300-400 miles, including the University of Tennessee and smaller denominational schools" (Harris, 2000). Graduates of University of Tennessee recently viewed Nashville as the best location to start their careers (Partnership 2000, 1999).

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[50] Here, the relative education level is better compared with the situation for the lower skilled workforce discussed earlier. Nashville ranks number fourth of the eleven cities in the peer group in terms of percent of the population with at least a bachelor's degree (U.S. Bureau of the Census, 2000a).

With the failed referendum fresh in mind and a clear economic development agenda after the organization's reinvention process, the Chamber has developed an educational platform guiding initiatives for public education. In the Chamber's strategic vision, which emphasizes economic development, education falls under "improving the product." The money financing the Chamber's education program comes from Partnership 2000. Although the Chamber's ambition is to be a regional force, the immediate focus is Davidson County schools and bringing "accountability and higher standards" to the school district (Knestrick, 2001). The Chamber views its initiative as part of a national trend. Following the conclusions of *A Nation at Risk*, the U.S. Chamber of Commerce recognized that American schools were falling behind the rest of the world. Locally, it was the Boner crisis that finally activated business interests in education as well. "After the economy turned bad, everything was cut in Nashville, including school budgets. The city fell on hard times, businesses fell on hard times. When things are bad, you start to look for short-term and long-term solutions. That's when business became interested in our schools" (Knestrick, 2001). The concern in the early 1990s grew to active involvement encouraging education reform in the mid-1990s as the city itself was contemplating education overhaul. Education and workforce issues became one of five target areas for the Chamber after the election of Vanderbilt Chancellor Joe Wyatt as chairman of the organization in 1995. For example, a School-to-Career program starting in 1996 jointly organized by the Chamber of Commerce and Nashville's public school system emphasized work-based experiences to improve reading and writing skills while increasing productivity through training (Nashville Area Chamber of Commerce, 2002).

This type of activism was new to the Chamber. In 1981, another round of court-ordered desegregation was going into effect with new school zones, closings of old schools, and a new busing system. Members of the school board were being elected for the first time (previously, they had been appointed), and the governance of the schools was laden with uncertainty. Support for public education was at its lowest point before or since. Public schools, suffering from underfunding, lack of interest, and court-ordered constraints, were interested in support wherever they could find it and solicited financial aid from the Chamber, among others. The attitude of the Chamber board at the time can be summed up as "our business is business, not schools" (Knestrick, 2001). However, the school system and superintendent Charles Frazier managed to forge relationships with individuals in leadership positions who, even if they did not endorse direct Chamber involvement, acknowledged the needs of the school system. The Metro school system was treated as a needy, charitable organization worthy of paternalistic support. The channel through which support could be offered was the PENCIL Foundation (Public Education Nashville Citizens Involved in Leadership). Women's organizations such as the Girl Scouts, Junior League, and the League of Women Voters fronted a support effort for local schools, and developed a plan for a non-profit organization that became the PENCIL Foundation. "Several business leaders, including Ed Nelson of Commerce Union Bank and Bronson Ingram of Ingram Industries, helped bring the goals of PENCIL to the business community and gain private-sector commitments of financial support" (PENCIL Foundation, 2002). To be more precise, the start of the PENCIL Foundation as one of many elite civic projects was steered by the Watauga Group, and, as it turned out, became its last effort (see Chapter 7). Private schools saw robust growth, while the public

system floundered economically and suffered from lack of community support, which triggered this modest response from the business community. The PENCIL Foundation, still in existence, was established in 1982 as a non-profit organization with support from various business, community and education leaders to administer support programs. Private businesses provide the majority of the funding to PENCIL, which for the 2000 fiscal year is $1.5 million (Guidestar, 2000). The 36 founding corporate members have increased to 288 recently with the goal of making business more "community conscious" (Zepp, 1992, March 23).

Of the PENCIL programs, Adopt-A-School is the most dominant. In Adopt-A-School, companies are pared with schools to offer various types of support. As the word "adopt" implies, this is less of a partnership, and more a program where business views itself as a benefactor of local schools. Other programs include job training for post-school young adults, school-to-work transition programs for high school seniors, teacher awards, student competitions, and dropout prevention. As with most programs, the emphasis was placed on improving basic skills. Although the embryo to structural change in the school system existed in the PENCIL programs through the introduction of decentralized site-based decision-making, the current leadership of business education initiatives dismiss the early PENCIL work as lacking in substance: "They were fluffy, 'feel good' type of partnerships. Give old office furniture to the teacher's lounge, that sort of thing. It was not a partnership aimed at bettering schools or getting better results. The whole idea of adopt-a-school treated the schools as poor stepchildren" (Knestrick, 2001). Although the Chamber has become a partner in some of the programs initiated by PENCIL, like the

School-to-Career program, the Chamber has moved on to become a political player with an agenda of its own to the full extent allowed as a non-profit.

The Chamber's new strategy of activism includes efforts to shape public policy by recruiting reform-minded school board members, creating a Political Action Committee, lobbying state and local government, monitoring achievement and evaluating the school system, and influencing attitudes toward taxation and school improvement among the public and its own constituency. The Chamber's policy is governed by an education committee complemented by ad hoc task forces. It currently has a full-time administrator for educational affairs, who is also a registered lobbyist with a background in Republican politics and, ironically, with experience in educational policy from the Boner administration. The Chamber takes positions on state and local legislation and is probably the most important outside opinion-maker after the teachers' union.

The tool for the Chamber to influence school board elections is a political action committee—SuccessPAC. In the spirit of progressivism, the original Metro charter called for a school board of professional staff members appointed by the mayor and confirmed by the council, the normal procedure under a strong mayor system. But in 1982, the city was embroiled in another round of busing and desegregation lawsuits that closed several neighborhood schools in order to gerrymander school boundaries. As a result, the charter was amended under pressure from parental groups, led by residents from affluent suburban Bellevue, who felt that an appointed board was unresponsive to their concerns. (The elected school board was equally unsuccessful in circumventing federal court rulings, of course.) The current nine-member board of education is a semi-independent, elected body led by an appointed full-time director. The school board sets the budget,

which the council must reject or approve. Judging from the poor public perception of the school board during the 1990s, the electoral changes have done little to satisfy students and parents, and the relationship between the city and federal courts remained in stasis until 1998. The Chamber supported the move to an elected school board, although in retrospect, it appreciates some of the advantages of an appointed board (at least when the person with the appointment power is dependably pro-business like Phil Bredesen). With no option but to work with an elected board, the favored tactic is to engage in and influence individual elections. In 1997, the Chamber charter was changed to allow a PAC solely to influence school elections (Nashville Area Chamber of Commerce, 1998a). SuccessPAC raises money under guidance of a 12-person board, and during the last two election cycles SuccessPAC has funded like-minded candidates and their campaigns. The Chamber has a solid record in the elections it has engaged in: all the board members supported have won. In the six seats up for election in 2000, all are now occupied by candidates endorsed by SuccessPAC (Nashville Area Chamber of Commerce, 2000b). It should be noted, however, that the seats of two candidates were uncontested and in one additional race, SuccessPAC endorsed both candidates. In any case, the result is a school board that largely works for the same goals as the Chamber, which is drastically different from school board politics 10 years ago when business was marginally involved and without a strategic agenda. As late as the mid-1990s, the school board had a reputation as a political backwater where few serious community activists bothered to be on the ballot (Dobie, 1996, May 23). To select potential board members, the Chamber works with civic groups that tend to be ideologically like-minded, with a membership base that draws from the business community (Rotary, Kiwanians, etc.). Two board members have

previously been members of the citizens' panel that produces the Chamber's annual *Progress Report on Metro Schools* (which is discussed subsequently in section 10.5). The Chamber stresses to its members that serving on the school board is an important form of civic involvement. Especially people with expertise in business management, public relations, and finance are solicited, while "retired coaches and those married to current teachers" are avoided (Knestrick, 2001). The Chamber, with a staff dedicated to educational issues, functions in effect as policy experts to "their" elected candidates.

On the other hand, the teachers have the politically active Metropolitan Nashville Education Association (MNEA)—the teachers' union. MNEA is a considerable force in policymaking and represents about 80 percent of the city's teachers. The PAC of the teachers' union can rival the Chamber's SuccessPAC financially. It is actively engaged in supporting not only candidates for the school board, but also candidates for city council. The Chamber views MNEA as a defender of the status quo in the educational system, and the two groups often take opposing views on reform issues.

Business operates under the guidance of enlightened self-interest, assuming its involvement is a "win-win" situation for local society. Obviously, the benefits of improved schools are indisputable: the local economy will remain strong and an overall improved quality of life will be achieved. Business interests view themselves as neutral, progressive proponents of good schools: "It's not politically feasible to push too hard on student achievement and accountability, because you want the support of the teachers' union. But we push it, and business organizations all across the nation push for it. If we don't...it will never happen" (Knestrick, 2001). Business interests position themselves as agents of change, moving the inherently conservative school board forward.

10.4 Educational reform policies

On the political side, Mayor Bredesen's business culture approach to governance has, at times, placed him in an antagonistic relationship with both civil service employees and political entities such as the school board (which Bredesen, at separate occasions, has called "monolithic" and "dysfunctional" [Garrigan, 1998, February 26]). As typical for arrangements where one side controls finances (the mayor and the council) and one ostensibly sets policy (the school board), the exact nature of the power division depends on the agents involved. Bredesen engaged significantly in educational issues and exercised power to influence policy. A mayor with strong interests in the school system must "meddle" in the business of the school board, because he has little nominal power over educational policy. Bredesen has, for example, used the tactic of outspoken criticism to influence the public perception of how the school system is governed. The school board, if not directly responsible to the mayor, is subject to public opinion as an elected body as well as financial approval from the city council, over which Bredesen wielded considerable power. The response was mixed from entrenched agents—the school board, school administration, and teachers. Some were protective of their power, while others viewed Bredesen as someone who could rally support for schools, including more money, from business interests and the community at large.

Phil Bredesen made it clear from the beginning that he considered education a key component to his vision for a future Nashville. His first "State of the Metro" address strongly emphasized education and opened the possibility for various reform options, although it was not until his second term that education reform saw significant forward movement. His rhetoric was a blend between economic necessity and moral imperative.

The economic rationale was directly influenced by Partnership 2000, which is an example of the organization's ability to give its agenda top priority in local politics. Bredesen's educational policy was inspired by Partnership 2000's analysis of labor force deficiencies (Murray, 1995, January 2), but also was colored by his experience as a business executive in Nashville; the trouble recruiting workers because of concern about the local educational system was "issue one, two, three, four and five" (Bredesen quoted in Ashford, 1991, June 13). The property tax was raised on three occasions during eight years mainly to finance Nashville's grand development projects and the school system (Figure 10.2). The first 1993 tax increase primarily financed the downtown arena, but $100 million was also allocated to the Metro school system. The second in 1997 raised salaries for city employees, financed the downtown arena, and a much discussed school reform, while the 1998 tax increase was entirely tied to the school reform projects. Although the property tax rate was lower when Bredesen left office compared to 1991, the city raises much more taxes now due to drastic appreciation of property values (the city is obligated to lower the tax rate at property reassessment time to keep the tax collection the same, as can be seen in Figure 10.2, although it is customarily followed immediately by a tax increase).

As attitudes toward school funding among many Nashvillians, including the business elite, were slowly changing, the prospect of addressing the educational process took a step forward in 1988 as local school systems were allowed to ask federal courts to end oversight. The U.S. Supreme Court, increasingly adopting the philosophy of localism, has encouraged the end of federal involvement. During the period Nashville has been under a desegregation court order, the legal system has been less and less willing to

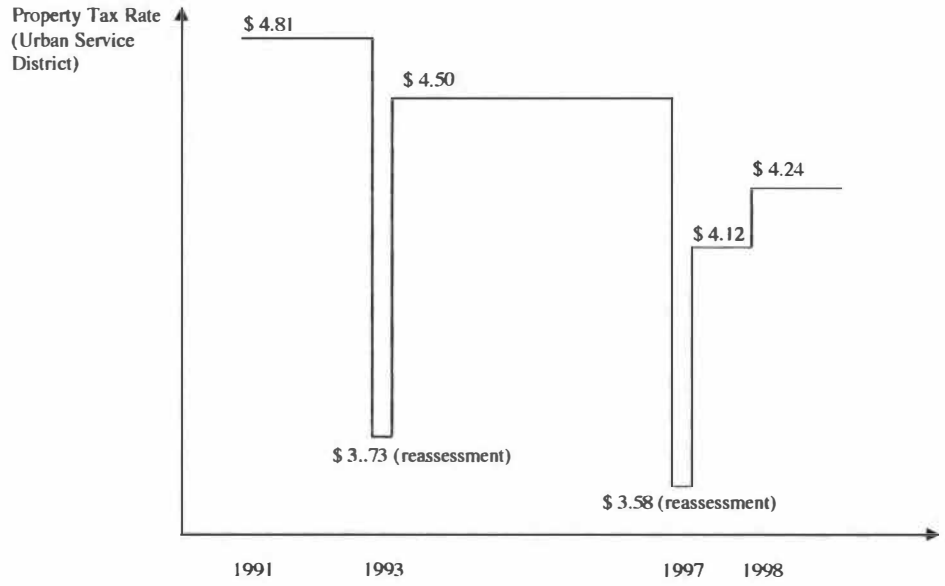


Figure 10.2 The property tax rate in Nashville 1991-1999. Tax increases in 1993 ($.77), 1997 ($.54), 1998 ($.12). Compiled from various sources.

approve of affirmative action and racial diversity as dominant criteria in determining school district boundaries and ways to combat segregation. Of particular importance is the *Missouri v. Jenkins* case in 1995, where the Supreme Court narrowly disapproved (5-4) of federal oversight of a school system in Kansas City. Some of the court's determining factors were devolutionary—"restore state and local authorities to the control of the school system"—while also rejecting integration as a necessary, over-arching goal; "courts are [too] willing to assume that anything that is predominantly black must be inferior" (The Legal Information Institute, 2003). The Nashville desegregation order was increasingly viewed as irrelevant by all parties, even by those whose interests it was intended to protect. Black children had to be bused the longest distances and many high schools in black areas have closed, which is detrimental to community building efforts. The school board, on the other hand, is naturally interested in local autonomy, and other

reformers, such as the business community, perceived the layer of non-local control as merely an unnecessary obstacle.

Bredesen and a new active school director in Nashville, Richard Benjamin, appointed a committee to study the possibility of ending federal oversight as well as implementing broader school reform. This required consent from a range of actors: the plaintiff in the case, who was a lawyer with ties to the original civil rights lawsuit; federal courts; the Nashville school board; the mayor; and the city council, which must approve and finance a new plan. Such a plan must still promote desegregation and satisfy the plaintiffs, but without overwhelming use of racial criteria, which would likely invoke a new opposing lawsuit. It must also create neighborhood schools and abolish the ubiquitously disliked busing system while maintaining a racial balance. Finally, it must implement education reform that would convince the public and various interests groups that it could foster better schools and results worth the investment of significant resources. To create such a new balance is costly. The committee appointed by Benjamin drafted a plan during a two-year period, dubbed *Commitment to the Future*. The cost of implementing the plan was initially estimated at $310 million, which added about $100 million to capital improvement costs and operating costs at $80 million on top of the annual school budget of $350 million (Lawson, 1996, November 18).

A Chamber committee was one of the institutions that reviewed *Commitment*. As part of its mandate from the Chamber, the committee was asked to rate the importance of the program to the Chamber. The overall plan garnered an "important" rating from the committee, and especially pupil-to-teacher ratio was considered "very important" (Lawson, 1996, November 18). However, the Chamber's leading concern was

measurable goals. The Chamber's progress report called *Commitment* a "wish list," rather than a strategic plan, focusing too much on increased funding rather than reform. Its contribution was the formation of a concrete implementation schedule—a "business plan." The mayor also issued criticism that mirrored the opinion of the Chamber. In this contested environment, a newly-elected critical voice on the school board, Murray Phillip, also became an outspoken critic of the plan, various educational issues, and the teachers' union throughout the late 1990s[51].

If the old system is dismantled, it has to be replaced with a new model that can provide a framework of equality and standards superimposed on neighborhood schools. The solution was found in a pedagogical innovation called Core Curriculum combined with the desegregation plan. Before Christmas 1996, Murray Phillip presented Mayor Bredesen with a copy of education scholar E.D. Hirsch's book *The Schools We Need and Why We Don't Have Them*. It is a more direct prescription for education reform based on the philosophy developed in Hirsch's 1987 book, *Cultural Literacy*. Bredesen reportedly was so impressed that he circulated copies among friends and policy makers (Garrigan, 1997, March 20). The book, which has received national attention, basically argues that the basis for a successful citizen is an understanding of core knowledge and values common to the populace at large. Hirsch's (1987) idea is that everybody should share a common body of knowledge in order to be able to communicate with each other fully participate in society, laying the foundation for a more equitable and economically effective society. The way to achieve that is not only by establishing a comprehensive

[51] Murray Phillip even ran for mayor in 1999 as a general nay-sayer with fiscal conservatism as his main theme.

curriculum, but also by returning to more traditional pedagogical methods: facts, memorization, testing. Knowledge itself, at least in a K-12 setting, is more important than acquiring skills and tools to facilitate future learning (Hirsch, 1996). A new school curriculum has emerged based on the ideas developed in the book, usually referred to as Core (Knowledge) Curriculum. It has been implemented in several hundred schools in the country. The pedagogy appeals to different sides of Phil Bredesen, the artist's patron and the businessman with a propensity for applied skills and science.

Not long after Bredesen read the Hirsch book, he returned with a restructured school reform proposal, now rechristened *Commitment to Excellence*, adopting parts the original plan, while adding his own touches centered on Core Curriculum. This was an unusually long budget debate where Bredesen made his priorities public at an early stage in order to build support (Garrigan, 1998, February 26). The proposal, a 249-page document, was presented as a competing plan to the initial *Commitment*. Means to find a solution to the problem went beyond the ordinary, such as a retreat with a majority of council and school board members. Core Curriculum was well received by interests usually antagonistic, the teachers' union and the Chamber's education experts. Core Curriculum spells out in some detail what should be learned every year, satisfying the Chamber's idea of measurable goals. Even if most business leaders voiced general support for the plan, endorsements were tentative to make it clear that money should be accompanied by reform that was viewed as business-friendly—Core Curriculum, smaller class sizes, accountability, and choice. Also, some fiscal conservatives objected. Small businesses' main representative, Charles Fentress, a state director of National Federation of Independent Business and a city councilman, said his constituency was not in favor

(Rutledge, 1997, April 14). The school board was only moderately enthusiastic, perhaps because the plan originated within the mayor's office, but eventually endorsed it. With a new school director, Bill Wise, Bredesen faced a school board that was willing to compromise and less attached to the earlier plan developed by the previous director. Politically, the tactic paid off, but only after Vice-Mayor Jay West, as the "speaker" of the council, cast a tie-breaking vote that allowed for a 20-cent tax increase that earmarked $200 million to the revised plan. The city council approved a budget and a tax increase that was not as large as the mayor and the school board wanted (20 cents for the school system instead of the 30 cents asked for), yet big enough to implement much of the plan, including Core Curriculum. One primary theme is a coordinated, simultaneous curriculum throughout the school system. Initially greeted with enthusiasm, there has been a more recent debate whether Core Curriculum is effective, but no conclusive consensus has emerged. The tax increase funded a reduction in class size and the hiring of new teachers, including more music and art teachers, to implement Core Curriculum ideas[52].

The issue of desegregation was left to be finalized by the school board. The board came to an agreement with the plaintiffs, and the court order was eventually lifted in September 1998 (Pride, 2001). Funding for a School Improvement Plan that addressed the desegregation issue was approved by council with a 12-cent tax increase. It was estimated that the plan would cost $250 million to implement. As the projected costs were higher than could be financed within the budget, an agreement was also reached to

[52] The latest superintendent, Pedro Garcia, has changed the curriculum to match the state's achievement tests to improve scores, and by doing so, partially dismantled Core Curriculum (Pulle, 2002, December 26).

solicit private sector money to finance certain operational components of the plan (Garrigan, 1998, January 22).

The new system has been in operation since 1999. The goals of the plan are complicated and, in part, contradictory. The past system to achieve racial balance was to bus black children, mainly from the inner city to the suburbs, from grades 1 to 4, while white children were bused from grades 5 to 8. In high school, a mixed busing system was used. The new plan would put children closer to home and create new community schools that would satisfy the court order, while minimizing busing. The five-year plan, finalized in 2003, of rebuilding, reorganizing, and restructuring, entails the following:

- The school has moved to a three-tier system (instead of four) so students would only have to attend three different schools through high school.
- Students should attend integrated schools, so race will continue to be a factor in school districting. There is a legal precedent to allow prescribed ratios based on race that emanate from the 1971 Supreme Court ruling *Swann v. Charlotte-Mecklenburg Board of Education*. The Nashville plan is deemed legal as it is broader in its scope than just racial quotas.
- Students are to attend schools closer to home, which would closer approximate the ideal of neighborhood schools. This is still a compromise, as integration continues to be a part of the plan. New school zoning meant that some older schools were to be replaced with new schools located elsewhere, and some students actually have to attend schools farther from home.

• Up to 12 new magnet schools should be built, acceptance methods revised, and all students would be guaranteed transportation to create not only racial but also socio-economic class balance.

• Merit-based pay for teachers is encouraged, but placed low on the agenda to ensure the support of the teachers' union.

10.5 Business as the education watchdog

The idea of evaluating and measuring the achievements of the school system originated within the business community and became a component of the larger reform plan. One of the first steps taken by the Chamber was to initiate a series of school evaluations in order to identify where the problems were. Led by banker Robert McNeilly, the framework for an annual school evaluation was developed, and the first *Progress Report on Metropolitan Nashville Public Schools* was published in 1993. It was inspired by national calls (the so-called "America 2000 Goals") which encouraged local communities to develop such evaluation statements of school performance. The Chamber stresses that the reports are produced by a citizens' panel, hence they are community reports rather than Chamber reports per se. Although many interests are represented in the staff that operates the evaluation program—the latest 2001 report was issued by an 18-member panel representing business, educational, and civic interests—the report is under the guidance of the Chamber. The panel rates Nashville schools in five categories: communications, efficiency, equity, learning, and security (Nashville Area Chamber of Commerce, 1997a; 1998b; 1999; 2000c; 2001).

A brief analysis of the assessments indicate that school reform has, at least partially, progressed over time and met with approval of business interests. In 1994, the overall grade of the school system was C for critical, and the following year, the Chamber progress report stated that the school district and board did not do their jobs. The report stated that the schools needed measurable goals, which became a condition for support and more money from business interests. "After that, they set some goals. Really a pretty controversial environment that year," says the Chamber's education expert (Knestrick, 2001). However, the 1997 Progress Report points out that data from the school system is too inconsistent and incomplete to comprehensively evaluate progress and measurability, and goal-setting must improve. Moreover, the Progress Reports appear to be gaining strength in influence. As a "voice of the customer," they have been institutionalized and widely distributed among school officials and politicians in Nashville. In 1998, the tone is increasingly positive and optimistic as several important reforms had been implemented, which should lead to improvement. Goal adoption, Core Curriculum, and the lifting of federal oversight are parts of a "turning point" for the school system. Use of funds appears to be efficient too, the 1998 report states. The school board was judged to be more collaborative and communicative than in the past. The value-added measurement provided by the state suggested that "dramatic increases" in learning are taking place, even if the absolute achievement still fell below desirable levels. On the critical side, the report scolds the teacher's union for only engaging salary disputes and not educational reform. The report also presented a "customer satisfaction survey" for the first time in 1998 where interviewed residents gave the school system a C grade.

In 1999, the school improvement plan had progressed on time and within budget, according to the report. Parents are generally satisfied and teacher's salaries are well above the average for the Southeast. The best grade so far from the panel was awarded, a B-, because the school system has started to display a "culture of high expectations." The report notes, however, that the public continues to mistrust the efficiency of local government in general, including the school system. Moreover, sales tax collection fluctuates, which led to funding problems for schools in some years. A serious problem is also that stakeholders in the community do not agree on what needs to be done, and there is little financial support from non-governmental sources. According to the report, some community members appear to regard Metro schools as a welfare or charity program for those who cannot afford private schools, instead of recognizing that public education is a viable institution that can improve the quality of life in Nashville. There is a "disconnect" between support for schools and community expectations, according to the report.

Despite reform efforts, the 2000 report starts to exhibit impatience with the lack of academic improvement in the school system, downgrading it to a C. Nashville is stuck with "just average" compared to other urban districts, something with which it should not be satisfied. Public perception was again showing a downward trend, and more respondents actually believed the schools were worse than they had been five years earlier. As this attitude is considered somewhat unfair by the report, it suggests that better public relations efforts must be undertaken by school-supporting institutions. The new mayor, Bill Purcell, and the school board receive good marks for their focus and commitment. Only two of the nine board members have more than two years experience on the board, which makes them "less entrenched" in their thinking. The mayor's

performance audit was good[53], as was the monetary contribution from the Frist Foundation to allow for a thorough nationwide search for a new director of the school system.

The call for community support is slowly gaining ground, according to the 2001 report. The school improvement plan continued on schedule and an International Baccalaureate program was established[54]. In the end, however, the report is pessimistic and ponders the effectiveness of the reform work, as achievement levels actually decreased. Demographic trends showing more socio-economically disadvantaged children are also worrisome; more students have subsidized school lunch, and more money has to be spent on programs for non-native English speakers. The school board and the new director Pedro Garcia are rated high in leadership. Garcia's criticism of MNEA has endeared him with the business community, as has him emphasis on the basics (Pulle, 2002, December 26). Garcia was also voted Nashvillian of the Year in 2002 by readers of the *Nashville Scene*. Community support finally achieved a satisfactory grade by the report, while the schools themselves only got a U for "unacceptable" and "unfinished." Garcia has also changed the curriculum to match the state's achievement tests to improve scores, and by doing so, largely dismantled Bredesen's Core Curriculum.

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[53] To assess the efficiency of school operations, a performance audit was ordered, which was performed by a consulting firm (MGT of America). The audit's main conclusion is that the system is adequately funded and managed reasonably well. One criticism levied at the audit was its limited scope. The report did not evaluate the education process itself and how to improve learning (Barry, 2001, February 15).

[54] The International Baccalaureate program is based on an internationally recognized high school curriculum. The goal is to capture international capital flows and attract FDI. A German chemical company reportedly declined Nashville in favor of Charlotte because the city did not have an International Baccalaureate program where German employees felt comfortable placing their children. "Hopefully our lobbying paid off a little bit," says the Chamber (Knestrick, 2001).

Some reforms have indeed been implemented, but it might be just as illuminating to consider what has not been achieved in terms of reform. One such instance is the charter school idea, where each school develops their own curriculum, budget, and employee relations. Charter schools are in line with neoliberal ideology; they create competition and one can subject them to "accountability" on academic achievement and financial management. Two Nashville entrepreneurs with a for-profit company called Alternative Public Schools proposed on two different occasions in the early 1990s to take over the management of a magnet school and an underperforming school. The proposal was turned down once by the state and a second time when it was narrowly voted down 5-4 by the school board, even if the mayor and the director of Metro schools had voiced support of the idea. The opposition from the teachers' union was considered crucial (Dobie, 1995, September 21). Local independence on labor relations was especially problematic, as was the proposal's lack of specifics and a proven track record. The Vanderbilt-educated businessmen leading the company had a history of community involvement, including Leadership Nashville and other non-profits, but no training in education. In 1998, the state pushed for charter schools again. Federal support made the case strong from a financial standpoint. But Mayor Bredesen had reversed his position on charter schools as a Democratic gubernatorial candidate in search of labor support, maintaining that competition exists through private schools and magnet schools, and the root of the problem is not lack of competition. Instead, Bredesen said, what is needed is consensus on rethinking education, preferably around his Core Curriculum initiative. In 1998, the Chamber voiced official support for charter schools. Eventually, it only supported the principle, but did not back the legislation. One reason was that it felt that

private management firms should be able to operate charter schools, which the legislation would not have allowed; the legislature and the school board have been reluctant to go that far (Knestrick, 2001).

So, after a lot of work, has student performance actually improved? To answer that, we can turn to two sources: Metro schools accountability reports and the value added performance scores from the State of Tennessee. These reports satisfy the accountability concerns of the Chamber, which has assumed the leading watchdog function in this area. The idea of measurable goals filtered into the school system from the outside, which led to the issuing of goals and annual assessments published annually by the school system. This idea, originating from the Chamber and its citizen's panel, was adopted in 1999. The goal is to have comprehensive data readily available, which was not the case before the reports were instituted.

The accountability reports offers mixed results, with no clear indication that scores show a general upward trend. Assessments are available for individual schools as well as composite results for elementary, middle school, and high schools, taking into account various measurements on reading, writing, national test scores, dropout rates, etc. The conclusion must be that learning has not improved; gains one year are negated the next and no particular trend is discernable (Metropolitan Nashville Public Schools, 2001a).

The state also grades the school district based on performance. The School Improvement Act of 1992 was designed to encourage reform and comprehensive measurements of performance. Nashville scores below average, which has earned it C and D scores from the state in 2000-2001. Value-added learning (defined as "the

minimum standard or expectation is that students will gain a year's average growth, compared to the national norm, for a year's instruction in each subject area") show reasonable, but uneven results; generally a B grade for the Nashville system (Metropolitan Nashville Public Schools, 2001b).

As evident in the progress reports, business takes the contradictory position of a booster and a critic. It promotes the school system and presents its achievements. "The school system itself is not always capable of telling its own story. The Chamber tried to step up and...help with factual information about the progress schools are making," says business activist Keel Hunt (2000). Recent journalistic accounts have also concluded that student scores in the Nashville school system are lower than the state average and most surrounding counties, but above average when socio-eonomically adjusted (Ashford, 1998, July 23). While business stresses that schools are performing reasonably well and that money is not wasted in bureaucracy, it also threatens to withhold monetary support if structural reform is slow as it seeks change in education system. The conflicting position is a result of the marketing role that the Chamber and business interests perform. They are eager to show that Nashville schools are at least as good as comparable systems around the country, and have the capacity to satisfactorily educate motivated middle-class students. Their agenda, although not always in the details of reform, has often placed them on same side as the Bredesen administration.

Currently, the school system is better positioned than in the past to deal with its problems. In the 1999 election, both for council and mayor, education had finally achieved the high profile status it had not have since the contentious busing days, and now for a positive reason. Current Mayor Bill Purcell has continued with increased

funding, mainly for capital improvement projects, promoting smaller classrooms and even considering bypassing the state legislature on charter schools. Political cooperation in educational issues is far greater than in the past. It was customary, until recently, that school board and council did not communicate at all beyond budget negotiations. During Purcell's tenure a closer relationship is reported (Pride, 2001). A wide range of public and private educational support groups has also emerged the last few years. Project STARFISH arranges summer program for at-risk students in grades K-3 (privately funded), Project GRAD encourages an improved high school graduation rate among inner-city youth (a Metro schools and Vanderbilt University joint program), and the Center for Basic Skills focus on teachers' education (a Tennessee State University program). However, there is a distinct feeling of disappointment among various interests that reforms have not paid off immediately in improved test scores. There is an increasing awareness that there are no easy solutions to the educational problem. Nevertheless, Nashville may be found in the middle of the civic capacity schema developed by Stone et al. (2001), and the role of business in education policy is rising and increasingly institutionalized.

11. CONCLUDING REMARKS

As cities and regions are more and more interdependent, the coherence and dominance of traditional political and economic urban elites is challenged. As one observer noted regarding the economic boom of the 1990s: the good times are killing off the local elites (Lemann, 2000). But as this research suggests, recent trends reflect an elite reorganization as much as an absolute decline of local power. The influx of new capital and industries offers an imperative of how local business interests should be organized to maximize their efficiency. Nashville's experience indicates that the city has moved from a political system characterized by the dominance of a closed, exclusive power group to broader, inclusive (although still-elite dominated) institutions with greater concern for strategic planning and long-term growth. A distinct social and cultural change within the business elite has enabled it to mobilize internal resources through collective coordination and action, in contrast to older, more laissez-faire attitudes toward governance. The restructuring of local business institutions has also facilitated a rethinking of the proper relationship between business, the local state, and local civic society. New forms of local cooperation are developing—a "local mode of regulation"—in conjunction with the narrowing scope of the federal government. An emphasis on entrepreneurialism (e.g. private/public partnerships, city marketing, airport development) in urban economic development has been broadened to incorporate extra-economic concerns (e.g. education).

Local development can then be included in the theories of post-Fordism as an integral part of a broader regime. Some national trends have acted as forces of convergence on urban regulation: the decline of national redistributive programs;

increasing spatial competition, which limits the options of local policymaking; and urban marketing, which results from cities' need to distinguish themselves in this environment. At the same time, these trends are contradictory; they have also created a system with possibilities of pursuing divergent strategies locally. The devolution of regulation has led to increasing emphasis on local solutions, some of which aim to address growth concerns, while others address social issues that normally are perceived as neglected under post-Fordism. This often requires, as evident in Nashville, a change in the urban regime.

Despite "peripheral Fordism" with industrialization characterized by branch plants and significant outside control, as well as government expansion from the New Deal and onward, Southern cities remained in the hands of local oligarchies for a long time (although in Nashville, the economic elite had to coexist with a non-business dominated political machine). This arrangement worked well for Nashville when it was a "subregional nodal center" filling mostly a distributive function (Stanback & Noyelle, 1982). Today, the city's service and manufacturing exports are broader in scope. For example, the auto industry and the health care sector produce for national markets, diminishing the connection and dependency on the local hinterland (which is probably true for most cities). It is possible to establish national economic networks using contemporary communication technologies, but companies are now also allowed to compete nationally to a greater extent than in the past through deregulation.

These economic forces increasingly posed a threat to the oligopolist local regime and the old downtown business community. A regime shift was evident in Nashville in the 1990s, but it did not emerge suddenly and without warning. As a Sunbelt city, Nashville was less affected by the structural economic crisis of the 1970s. Nashville did

not experience post-Fordist deindustrialization with widespread unemployment and population losses. In fact, the 1970s and 1980s were periods of economic growth accompanied with an influx of new residents. With increased mobility of capital and people came new growth industries, new economic elites, and a regionalization of the local economy. Various accounts from the research document a pervasive feeling of social change in Nashville at this time, permeating virtually all social classes in local society. From an elite perspective, the inflow of more affluent people increased the demand for new elite neighborhoods, networks, and institutions, challenging "old money" Belle Meade interests.

However, it is usually in a time of crisis when new policies and governance systems are formed. Even if many of the underlying structures were changing over time—a perception of a power vacuum instead of the traditional bank and insurance CEO dominance was emerging in Nashville—local configurations of power and governance did not undergo a drastic alteration until circa 1990. Compared to the restructuring of the industrial regions in the United States, the end of the real estate-dominated business cycle may seem moderate, but it had, using the terminology from Chapter 1, catalytic qualities that resulted in a "delayed" post-Fordist transformation of governance. Instead of freewheeling growth, there was a need for sustainable economic performance[55] demanding a stronger collective action approach from the business elite, which was foremost expressed in the creation of Partnership 2000, the reform of the Nashville Chamber of Commerce and their post-1990 activities. This represents the institutional

[55] For example, Richard Fulton (2000) says the most important oversight of his 1975-1987 mayoral period was the lack of attention paid to long-range thinking and planning.

parallel to an economic restructuring process, the local realignment to a new economic paradigm. These institutions, in effect, dismantled the old power structure. "What came out of the ashes of the old structure was a very capable, enlightened and empowered group of new leaders," says former newspaper publisher and business oligarch Irby Simpkins (2000). Decisions taken within Partnership 2000 have repercussions on the whole city. This reflects a political structure where private-public partnerships (with the emphasis on private) take on strategic planning decisions. Certainly there have been other forces, such as a growing grassroots movement that includes environmental groups, anti-airport groups, parental groups, anti-development NIMBY groups, and so on. City planning through the institution of subarea planning has also codified citizen input in the planning process. But without a strong tradition of community participation, unionism, or other institutional arrangements that can offer an alternative regime, the business elite is still most influential in local governance. However—and I believe this is symptomatic of contemporary urban regimes—because the scope of business has been broadened beyond core economic concerns, it is operating in policy areas that it cannot dominate and must therefore seek out cooperation and compromises with other sectors of local society.

To draw out some further implications of the regime shift, we need to return to past governance. The previous regime relied on informal networks of powerful business people, the Watauga Group being the most obvious example of such an arrangement. This is not to say, however, that the Nashville business elite necessarily acted in a coherent and decisive manner or managed to make a strong imprint on the path of development the city has taken. Instead, power was informal, ad-hoc, and without long-term agendas. It is quite legitimate today among the Nashville business elite to criticize

its own history, and most individuals will freely do so, limited only by lingering allegiances on a personal level. Here, business exhibits a certain level of reflexivity. This frankness indicates self-awareness of an internal paradigm shift and a distancing from the old regime. Business can do so because it disassociates itself from the old regime and views contemporary structure as more enlightened, democratic, and efficient. Representatives from the current business community also willingly frame the nature of past governance in terms of gender, race, and power. But, interestingly, its members may also stress the appropriateness of past ways. "The city did well from the 1960s up to the 1980s operating with a small group of white males who congregated around the banks," says Fred Harris (2000) of the Chamber of Commerce. Regarding the subsequent reformation of the Chamber: "that response was just as realistic for that day in time as the one by the Watauga Group for their day and time," continues long-time business activist Keel Hunt (2000). To create a dynamic city, diversification of power is preferable, according to powerful banker Dennis Bottorff (2001) who, along with others, suggests that institutions like Watauga were reflective of a smaller community with a concentration of power. Changes in governance, however, cannot simply be explained by the fact that a city is growing larger. Other cities have experienced similar power divergence even if they, at the time of oligarchal dominance, were larger than Nashville is today. Instead, the cultural and economic forces of inter-urban competition, and the expanding geographical scope of capital has made such narrow localism of the past illogical or impossible. In Nashville, financial deregulation was also instrumental in dismantling the old local regime and the loss of locally owned banks broke the interpersonal banker-developer connection. In some ways, however, size and spatial form

may indeed influence power arrangements. Whereas financial institutions tend to cluster (generally downtown), sprawling, multi-nodal suburban cities are not as conducive to coherent social interactions among the elite as in the past. This forces business elites to organize themselves in a different manner. Spatial growth, economic diversity, and governance change may then have affected each other in a dialectical way.

When power is dissipating from existing institutions, the power of business is not automatically given. In a governance system characterized by openness and indeterminacy, local capital acted in their common interests to develop a new relationship with the city[56]. To assert power today, local elites in Nashville (and elsewhere perhaps as well) have moved away from a traditional arrangement based on individual informal power and towards place-based groups where power lies in collective action that can reproduce itself beyond the individual level. This is a necessity in an environment where both capital and personal mobility is high. The importance placed on such institutions means that the economy is dependent on mechanisms that lie outside the market. This includes various forms of public goods, the social creation of knowledge and skills, the reproduction of labor, and so on. Taking such factors into account, the competitive nature of capitalism is limited, and cooperation may be an equally important feature. Market forces alone are generally too focused on short-term decisions to be optimal from the perspective of a city. It is precisely such cooperative, collective behavior that has been documented in the previous chapters. From business' perspective, it is no longer enough

[56] Some fundamental factors underlying the relationship between capital and localities remain the same, however. Not all capital is footloose, including real estate and other forms of sunk investment; there are exit costs; and capital (and capitalists) does not come detached from social and cultural considerations.

to demand special interest favors from the city's politicians. Instead, business interests must act collectively to create the resources that move the city in a desirable (to them) direction. As Nashville's growth is not the result of one dominant industry and the decision-makers within it, the emphasis must then be placed on the collective strategies coming out of the local elite. This type of regime might be particularly associated with cities with a diverse economic base.

The developments within the business elite may not have been possible without corresponding changes in the political arena. The withering machine drastically altered the political landscape of Nashville, and the city moved from a populist image of former Mayor Bill Boner to an entrepreneurial municipal government. The relationship between business and government did not necessarily get closer, but instead more transparent, formalized, and openly active. This pro-business attitude of city government is often associated with a new type of mayors (of which Bredesen is clearly an example) whose policies are a response to state devolution and have received national attention in the 1990s[57]. Because of some parallels with the pre-Fordist era, these urban policies have sometimes been described as neo-progressive. Different, however, from the progressive notion of keeping political actors away from areas that ought to be handled by professionals, the new urban mayor is a "meddler" and activist. For example, bringing

[57] Bredesen has a very firm grip of these changes and the implications for cities: "I was in college in the 1960s and I think the advanced majority of students saw the federal government as the solution to most of the nation's problems. I would have taken that as an article of faith, an axiom...The people who occupied the local political offices, the corruption that went on in the major cites, were not people that could give comfort that they were vehicles to serve the public needs instead of enrich someone, financially or otherwise, locally. Today when I look at federal government in many policy areas, it is almost incidental or in the way. The really interesting things going on across the country seem to happen in state and local government. Exciting policy comes from the localities because it is grounded in real people and real problems. That directness is more pertinent to solving problems, finding out what works and what doesn't. That kind of vigor is showing itself across the country and has for the last 20 years" (Bredesen, 2001).

politics back into the governance system of education is part of a new reform movement, and the opposite of the traditional notion of urban reform where professionalism and detachment from political influence was heralded as the solution to urban problems. Another case is Nashville airport politics, where business progressivism is expressed in the structure of an independent airport authority. Here as well, the wall between professional independence and the political sphere is challenged, but under the right circumstances, welcomed by the business elite.

The self-image of the business elite is that of a reformed, energized, active group working for the public good. However, its aim goes beyond enhancing cohesiveness and capacity to address civic issues within the business community. Efforts are also made to mobilize other groups in local society to work for the same general goal. A discourse of local cooperation is formulated though what can be dubbed the community agenda. Those in powerful positions tend to view a place as one "community" more than the populace at large does. They do so because it is in their interest to promote amicable local social relations, to create community building and "civic pride" instead of fragmentation and discord that discourages new investment and complicates the capacity to address policy problems. The community agenda must de-emphasize or ignore plurality of interests locally and instead stress shared values, mutual understanding, public responsibility, cooperative agreement, and collective action. It is not surprising that many of these formulations on community are conceived foremost by business interests. Business wants to rebuild society using its own blueprint, but when it ventures beyond activities in the economic sphere, compromises must be reached with other interests. The outcome of this process is always unwritten.

Business pursues this strategy in both substantive, material ways, as in the case of education—and in immaterial, symbolic ways, as in image-building initiatives. As Eisenschitz and Gough (1998) point out, business "is increasingly involved in local policy, motivated by the...concern for the effects of social division. Capital gains legitimacy in promising to enhance a locality's competitive edge by introducing business values and, often, by raising its profile through support to showpiece projects" (p. 762). The Chamber's view of education reform, for example, is one of measurability and accountability ("business values") that has permeated the discourse, even if such notions are often hard to implement in an educational setting. They have, however, succeeded in promoting a higher degree of transparency in the system through comprehensive school evaluations. Symbolically, positive imagery is used to create this civic pride. Much of Partnership 2000's activities are concerned with inward directed image-making. More effective, probably, have been the sports strategy and downtown development as "showpieces" that act as community identity builders.

I interpret the business elite's involvement in education as an expression of a deepening engagement with civic society. New types of local cooperation would logically involve the traditional triad of business, labor, and government, but the countervailing forces to business have been re-centered from the workplace to neighborhoods, ethnicity and issue-oriented civic groups. Now, business is primarily contending with a civic-minded middle-class rather than labor. The regulatory push then involves local education, or from the broader perspective of business, the reproduction of the labor force and socialization of the citizenry. In contrast with the old elite who engaged in paternalistic philanthropy towards public schools, business has become a legitimate and important

player in education policy. Particularly the Chamber's community report projects the view of the business community. The selection of report panelist ensures conclusions consistent with business' position, but the report is also influential in the general public debate on education and, moreover, its conclusions provide feedback and influence the views of the local business community. Especially educating the non-college bound workforce is a leading concern for business in Nashville, as those are the students that benefit the most from improved education. Supply of highly skilled labor, on the other hand, must be solved through immigration, the mobility of the college educated, and the attractiveness of Nashville as a quality of life residential location, issues that business addresses through marketing more than education reform.

Business involvement in education represents something more profound than a response to outside forces—those that see business interests reacting to competitive pressures. Neither is it merely a coalition of interests—the localists' focus on urban regimes. While the federal state, through deregulation and contraction, has disengaged from more direct forms of social regulation, there is still a need for such activities to take place. Therefore, I suggest that business activism in local social policy is a logical outcome of the geographical transformation of regulation. Instead of being simple local reflections of national neoconservatism, local political arrangements should be treated as a dialectic response to that ideology. With the need for compromise, the outcome is often politically moderate. As Eisenschitz and Gough (1998) point out, local politics do not exhibit the same characteristics and emphasis on laissez faire economics, *because* it is operating on a different spatial scale. This is not a contradiction, but rather the opposite: a transformation of regulation from one level to another, from the national to the local. The

national level shies away from inclusive collaboration of major societal interests as was common in the Fordist system, while the local does not. The role of local capital, from this perspective, is to provide a counterweight against the tendencies of capital at large.

The involvement of business appears to have a distinct temporal logic. The education system is semi-autonomous most of the time, operating only with input from those directly affected: the school board, the school administration, the teacher's union, etc. On occasion the existing order is disrupted and a period of challenges to the established system sets in. The late 1990s has been a time period with an abundance of local school reform initiatives. This is influenced by local factors, such as the conclusion of federal oversight and Bredesen's focus on reform towards the end of his mayoral tenure. More importantly though, the long trends of economic change, as well as the business cycle itself, appear to influence policy. Normally, it is a period of crisis that creates systemic efforts of collective action within the local business community. The case of education, however, operates in a different manner as the problem is not tied directly to capital accumulation. Social reproduction strategies have, if successful, broad benefits for business, but corporate recruiting, infrastructure investment, and physical redevelopment projects are more directly correlated with profitability for local business interests. Education demands a deeper engagement from business interests. In Nashville, school reform has been on the agenda during a period of prosperity and growth rather than crisis and uncertainty. Involvement in social reproduction has *followed* the push for more traditional economic development strategies. I see this as an extension and deepening of the efforts of business interests and a reformulation of the post-Fordist paradigm. The first response was to pursue strict entrepreneurial policies, but over time,

this approach has been moderated. The first stage is unabashedly market-oriented—the accumulation stage—while social considerations are addressed later. (Interestingly, local policy areas characterized by aggressive entrepreneurialism, such as airport development, have now entered a more modest managerial mode.)

It would be wrong, however, to assume that this development is automatic, predestined and emerges without contest. Business interests are not united in their approach to an issue such as public education. Three different attitudes exist: old-fashioned paternalistic conservatism, the view of education in neoliberal market terms, and the desire to seek larger coalitions in the community to spearhead a reform agenda. The first is increasingly viewed as outmoded and inadequate to solve contemporary problems. A combination of the other two is gaining strength. They are not mutually exclusive unless the market approach is pursued too single-mindedly and in adverse relationship with the other groups in the local community. The community approach has been the preferred strategy for the Chamber's education policy, perhaps not only to meet the social regulation goal, but also because the organization is not in a strong enough position to dominate the reform agenda. The aim is to institutionalize a system (higher levels of financing, evaluation and monitoring mechanisms that are stable over time) that insulates against waning interest among their own rank-and-file as well as in the community at large.

One drawback for the Nashville business elite in its interaction with civic society—in education or elsewhere—is the lack of well established non-profits with a substantial commitment to reform the city (not counting institutions such as hospitals and universities here). An increasing share of the U.S. economy is non-profit based as the

decline in government activities creates a need for social investment from other segments of society. Non-profit funding often originates from within the business elite, which institutes guidelines for non-profit activities to move local society in a desirable direction. Most Nashville's foundations, for example, are relatively new and their impact has been modest (although increasing). One simple explanation for this situation, which at first appears peculiar because Nashville is endowed with an economic elite quite willing to give substantial amounts of money, is the dominance of Vanderbilt University and its fund-raising capacity. Vanderbilt has rendered remaining non-profit Nashville rather barren, and the city has only received a modest local engagement from the university.

Another problem is that an elevated level of civic involvement does not automatically produce the desired effect, such as better schools. Nashville cannot escape the challenges that all urban school systems face. The Chamber admits that the local K-12 system is still not very good and that its decade-long effort has not been as fruitful as hoped, but only resulted in marginal learning improvements. Structural socio-economic factors, which will take on a new dimension in the future with Latino immigration, are necessarily underplayed by business in favor of accountability and competition. The Chamber is ideologically predisposed to search for solutions that are inspired by market thinking, but there is a contradiction between school privatization and community ideology that even reflects the core contradiction of capitalism between the dynamism of laissez-faire and the stability of social equity enhancing policies. This dilemma is not lost on business, and therefore a moderate compromise position has usually been reached.

The conclusion that can be drawn is that regulation operates differently at different levels of government, and that a certain degree of complementarity exists. The

federal government abandoned the activist state model and liberal welfare policies in response to global competition and instead emphasizes corporate profitability. This leaves cities unaccompanied in their attempts to become successful places, and they must also address issues social regulation themselves. To do so, cities develop the type of urban regimes that they have the capacity to form, which often grow out of their historical circumstances. The strategy of regime building becomes localized, but within the framework of post-Fordist capitalism of mobility. This emerging localism is tied to market-based philosophy in a basic, entrepreneurial way, as capitalism is in essence a decentralized system (Peck, 1995). But, as we have seen, locally devised development also entails collective endeavors. Places are made up of citizens, and community empowerment is implicit in the very notion of local communities. To remain powerful and relevant, elites have moved towards a certain level of inclusiveness, oxymoron as it may be, foremost within their own ranks; but also encompassing broader segments of local society when necessary. In Nashville's political sphere, however, one can conclude that the working class and minorities have been net losers in electoral politics. This is also the case in economic development stressing competitiveness and quality of life that mostly reflects compromises between an increasingly active middle class and the elite.

The notions of community can probably be both real and illusory; but to be optimistic, a system beyond the zero-sum game of narrow inter-urban competition is possible with the mobilization of resources as an outcome of civic engagement. However, partnerships and civic consensus must be developed regarding jobs, development projects, education, citizen input, and so on. Local places, such as Nashville, can benefit from developing capacities beyond business organizations for balanced local regimes to

emerge. Places without a tradition of civic activism and neighborhood involvement may be at a disadvantage. However, many cities that fit such a characterization, Nashville among them, are generally seeing more of such engagements.

The flaw of decentralized regulation may be that the capacity to achieve the consensus necessary and to finance these regulatory mechanisms locally may not materialize, at least not in all places. The insights of civic involvement are not always forthcoming from local business interests either. Investment in human capital might be discouraged on the basis that it requires a higher level of taxation; and if traditional, conservative views prevail, no engagement in school reform or other forms of social regulation can be expected. Even if a well-balanced power structure exists, there is also the possibility of a breakdown in consensus, much like the demise of Fordist regulation. Geographical differentiation regarding regimes, policies, spending and social reproduction will therefore be significant even as restrictions are imposed on all localities by globalizing forces.

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APPENDICES

APPENDIX 1: Evaluating the Nashville image

One question not addressed in Chapter 8 is to what extent Nashville's promotional efforts can be considered successful. Here, I will assess Nashville's image aspirations in three ways. First, one long-standing and closely watched ranking is *Fortune* magazine's annual "The Best Cities for Business," which includes some variation on the theme and criteria for selection (i.e., each year the concept may be changed slightly: "The Best Cities for Headquarters," "The Best Cities for Knowledge Workers," and so on). This provides an outside business view of Nashville's position compared to other cities. Secondly, based on internal Partnership 2000 material, I will summarize the development of Nashville's specific image among business leaders. Thirdly, assuming that media shapes the image of cities, I have conducted an analysis of articles in national newspapers and magazines on Nashville during the 1990s that can capture general perceptions beyond the corporate world.

A survey of *Fortune's* "best cities for business" rankings[58] from 1990-2000 shows that Nashville was ranked twice: as number five in 1991, and fifteen in 1996. The good 1991 ranking that surveyed "Best Value for Business" was due to a pro-business attitude, an airline hub, proximity to markets, and quality labor (Huey, 1991). In 1996, when the ranking focus was a balance between work and family life, Nashville has "come a long way" and was "joining the ranks of Atlanta wannabes" with a diversified economy, according to the article (Precourt & Faircloth, 1996). Good rankings can possibly be achieved with effective public relations campaigns. The first chairman of Partnership

[58] The rankings are generally based on a mix between hard economic data and qualitative impressions derived from surveys of business executives.

2000 says: "You can use the word propaganda, but we were selling ourselves to *Forbes* and *Fortune*. In the 1980s, when nothing like that was done, it is easy to understand that Nashville would not appear on any list because nobody was blowing Nashville's horn. We discovered we had a lot of things to crow about. It was easy to sell Nashville" (Sherrard, 2000).

In the years when Nashville did not make the list, several positive and negative aspects of the city were mentioned. On the positive side, Nashville has been cited as having a low cost of living (Sellers, 1990), a pro-business attitude (Saporito, 1992; Labish, 1993), good race relations (Saporito, 1992), good labor-management relations (Saporito, 1992), and efforts to develop vocational training (Saporito, 1992). Negative aspects of Nashville in the eyes of *Fortune* include a tight labor market (Sellers, 1990) and a lack of international flight service (Saporito, 1992). In the late 1990s, Nashville was not ranked in lists surveying most improved cities (Faircloth, 1997), wealth creating boomtowns (*Fortune*, 1998), hottest corporate location (Fisher, 1999), and corporate headquarters cities (Borden, 2000). Neither was it mentioned anywhere in the ranking considerations, which may be a reflection of diminishing space the survey has received in the magazine. However, Partnership 2000 has acknowledged Nashville's general absence in city ranking recently, which may indicate that the city has not been able to find exciting image themes that capture the national imagination in the late 1990s. Of Nashville's peer cities, Raleigh-Durham is the only one that consistently ranks high on the lists, including a 1993 ranking at number one as the best place for knowledge workers (Labish, 1993).

One of the first actions of Partnership 2000 was to conduct an image survey of business executives around the country in 1990 comparing Nashville with other southeastern cities. Repeating the study in 1992 after two years of advertising and other types of promotion, Partnership 2000 "found that Nashville had made significant gain in awareness, image, and likelihood to be considered as a potential site" (Partnership 2000, 1996b). A third study in 1996 (based on interviews with 290 executives and 18 relocation consultants) revealed that Nashville's position as a potential expansion site was unchanged (number four out of eight southeastern cities), but the region as a whole was less likely to be considered for expansion than in 1992. In terms of Nashville's broader image, country music is still the dominant theme, but the perception of a good business climate is almost as prevalent among the executives. Because of the success of Music Row in the mid-1990s, Nashville was, in fact, increasingly seen as a city dominated by country music. No significant gain in the perceptions of Nashville as an economically dynamic place was made from 1992-1996; however, the city is perceived less as an insular, Southern place that outsiders want to avoid (Table A-1). Nashville's performance rating in Figure A-1 indicates a positive development on perceptions on economic vitality and financial resources, but a decline in labor quality, education and air transportation; this set the stage for further Chamber activity (see Chapters 9 and 10). Overall, education appears to be the weakest component for economic development in Nashville, which, of course, goes beyond image creation. It can also be concluded that few image gains had been made in 1996 compared to the 1990-1992 period. No comparable data after 1996 is available.

Table A-1 Summary of perceptions of Nashville from Partnership 2000 image surveys.

	Percent agreeing with statement			Percent disagreeing with statement		
	1990	1992	1996	1990	1992	1996
Place dominated by country music people	36	49	45	31	24	27
Broad-based economy	NA	NA	33	NA	NA	11
Place people from outside the South wouldn't want to live	30	31	26	33	35	37
One of top ten places for entrepreneurs	NA	NA	23	NA	NA	16
Little to do other than listen to country music	14	20	18	57	49	52
One of top places for college grads to get white-collar jobs	NA	NA	17	NA	NA	21
An economic backwater	12	10	8	45	39	40

Source: Partnership 2000 (1996b).

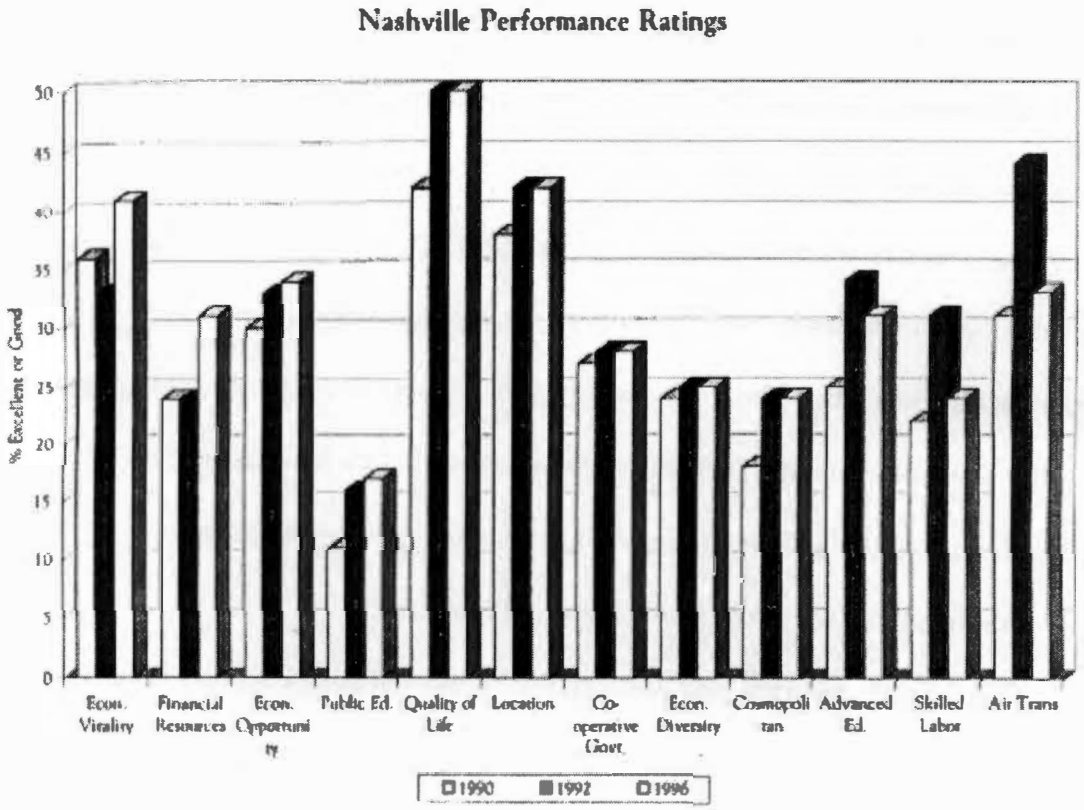


Figure A-1 Percent executives who rated Nashville excellent or good in perception surveys 1990, 1992, and 1996. Source: Partnership 2000 (1996b). Used by permission.

A final way of assessing the image of Nashville is to analyze what has been written about Nashville in national media during the 1990s. Using a database search, I have categorized articles on Nashville using selected publications[59]. Based on the content of the article, three basic categories have been used: *music, business*, and *city*. The music industry warrants a category in itself based on its prevalence and high-profile status. All other articles on industry, commerce, and economic development are classified under the business label. The final category, city, is more heterogeneous but dominated by various political themes. In addition, I have classified each article as portraying Nashville in a favorable light or not. Each article therefore has a *positive, negative*, or *neutral* designation. The result is displayed in Figure A-2.

The overall attention paid to Nashville in national media appears to have been cyclical. The peak is at mid-decade with 50 articles in 1995, increasing from a low of 22 at the beginning of the decade. Although a decline is noted in the late 1990s, it remains at a higher level than in 1990. The development of the music industry is the most dominant element. The years 1992-1995 were a time when national media flocked to Nashville with the primary motive of praising country music and, to some extent, its positive

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[59] The database tool utilized is the online Dow Jones Index (accessed in January 2002). The selection of publications is *New York Times, USA Today, Wall Street Journal, The Economist, Forbes, Fortune, Newsweek*, and Times from 1990 through 1999. The selection represents the most widely read news outlets in the country with an additional emphasis on the business press. The search word "Nashville" yielded 3,536 "hits" from 1990 through 1999. From that extensive source material I used the following criteria to omit substantial amounts of data deemed irrelevant. First, any material meeting the relevance criteria must be *substantial*. Only article-length material has been included. The overwhelming majority of the initially selected material was short briefs that could be discarded. Second, articles must be relevant by reflecting on Nashville *as a city*. This would, for example, disqualify most articles discussing a particular company, the performance of a sport team, etc. located in Nashville. Only if the theme of such an article emphasized the place ties of an entity or an event has it been included. In addition, articles discussing an industry closely associated with Nashville (e.g. the music industry, the health care industry) have been included.

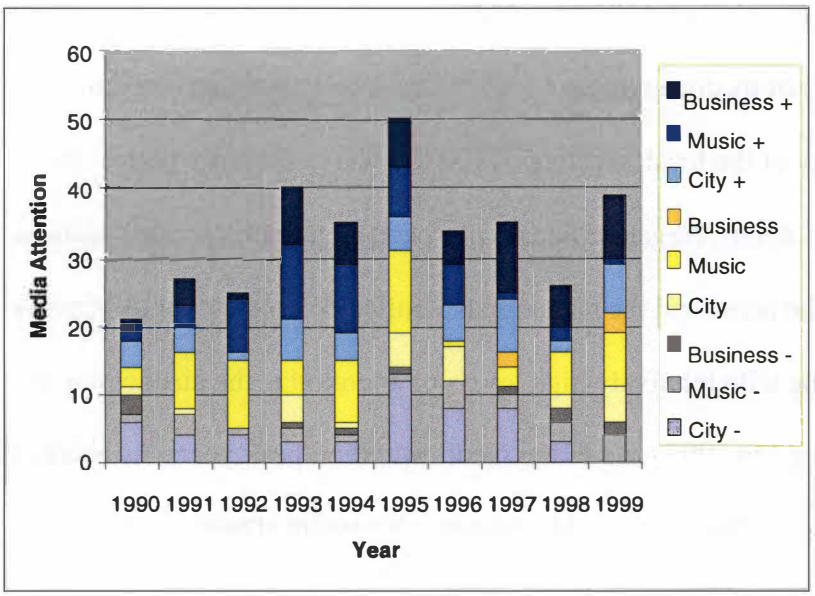


Figure A-2 Portrayal of Nashville in selected national media 1990-1999.

impact on Nashville. This attention wanes later during the decade and so does the unabashedly positive view of the industry. Occasionally, the music industry is portrayed as conservative and religious, which is tolerable from the Chamber's booster perspective so long as it is not too associated with non-mainstream fundamentalism.

After 1990, when the Nashville economy was still in the doldrums, the city has seen more positive than negative business press; this tendency may be more pronounced over time. New investments and relocations generated mostly positive accounts, as did some reporting on innovative business strategies, mostly in the health care field. Banking and health care (especially HCA's legal problems) contributed to the business-negative category during various parts of the period.

The city category also shows more attention over time. Much of it was generated by the city's attempts, reported both in a positive and negative light, to attract

professional sports. Particularly the Houston Oilers' move to Nashville is an important factor in the high level of media attention in 1995 (and also heavily reported in 1996). Probably to the dismay of the local boosters, Nashville was sometimes portrayed as "too eager" to attract sports teams. Negative financial aspects of attracting sports teams and publicly subsidizing the arena and the stadium also pulled down the overall impression.

A second theme with relatively high levels of attention is the airline industry. Several articles appeared in 1993 (one of the media attention peak years) as Nashville competed for the London route. Much like in sports, Nashville appeared ambitious and entrepreneurial; however, the media "spin" in this case was generally positive. Also the loss of American Airlines, and later the growth of Southwest Airlines, was frequently reported for several years. Mayor Bredesen received a moderate level of personal attention in the articles, especially from 1993-1995, both on the sports issue as well as the suggested municipal air route purchase. Bredesen was sometimes linked to other successful, "neo-progressive" mayors who were treated favorably by the media, as central cities took a significant part of the economic growth of the nation as a whole for the first time in decades. During the last few years of the 1990s, more articles were treating Nashville as any other city, sometimes even stressing its normal, mainstream character. This is reflected in the increase of the city-positive category, which should be pleasing to the image-makers and their more-to-Nashville-than-country agenda. Wealthy and growing, politically connected, money-giving and entrepreneurial are some of the descriptive themes highlighted in the articles.

In summary, the data indicate some image-making success, from direct advertising and some possible effects on industrial recruiting, to changing broader

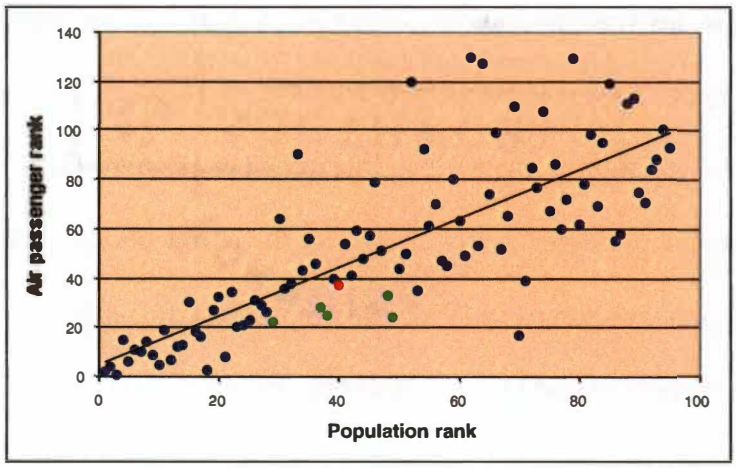
perceptions of Nashville. These changes are moderate as indicated both by the Chamber's own material and national media trends. Media attention has been both positive and negative as best exemplified by the major league sports issue. However, the short-term media backlash that occurred is most likely countered by the long-term exposure that such investments bring. A handful of individual themes (sports, airlines) made an impact on the overall level of media attention from year to year. This represents the public policy aspect of image-making, which is slowly altering the general perception of Nashville; however, the city's image still exhibits strong path dependency mostly associated with the music industry.

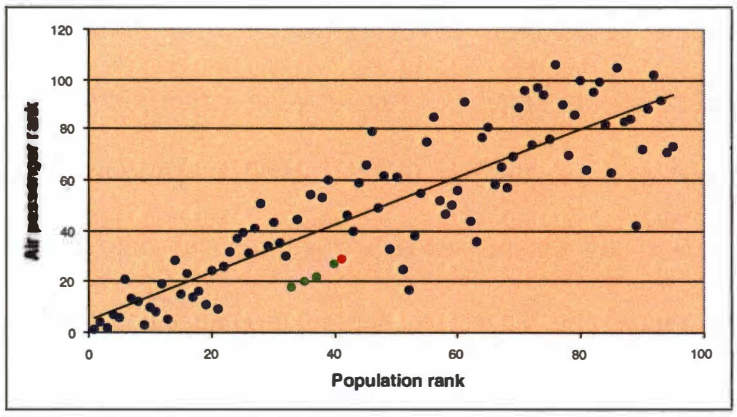
APPENDIX 2: The air transportation system and the urban hierarchy

The objective of Appendix 2 is to investigate how the air transportation system has developed since deregulation from an urban hierarchy perspective. The changes in the U.S. airport system are presented in Figure A-3 for three time periods: 1980, 1990, and 2000. As deregulation was passed in 1978, 1980 represents the old regulated system (negligible changes are assumed from 1978-1980). The 95 largest airport markets as reported by the FAA are displayed for all three periods[60]. A rank correlation between population rank (i.e. the largest city, New York City, is found in the lower left corner) and air passenger rank reveals a tendency toward stronger correlation over time. The correlation coefficient has changed from 0.795 in 1980, to 0.866 in 1990, and 0.902 in 2000. Hence, the size of any given city's airport is more and more likely to correspond to its place in the urban hierarchy. Therefore, deregulation appears, at least at first glance, to limit cities' possibility of using airports as a competitive tool as hypothesized.

However, a major part of this trend affects smaller cities. The visual impression of Figure A-3 is a "tightening up" lower in the urban hierarchy. With flights determined by market forces rather than being assigned by regulators, the effect is a closer correspondence between urban rank and passenger traffic. To investigate differences between cities of different size categories, I have divided the cities into four quartiles (Category 1 includes the largest cities, and Category 4 consists of the smallest). Of particular interest is Category 2, which corresponds approximately to the term

[60] Some cities move in and out of the data set as their urban rank changes. Both passenger data and population are measured by MSA, which I deemed the appropriate geographical unit as airports serve regional markets. In some cases, passenger data from more than one airport have been combined (e.g. LaGuardia, JFK, and Newark for New York City).





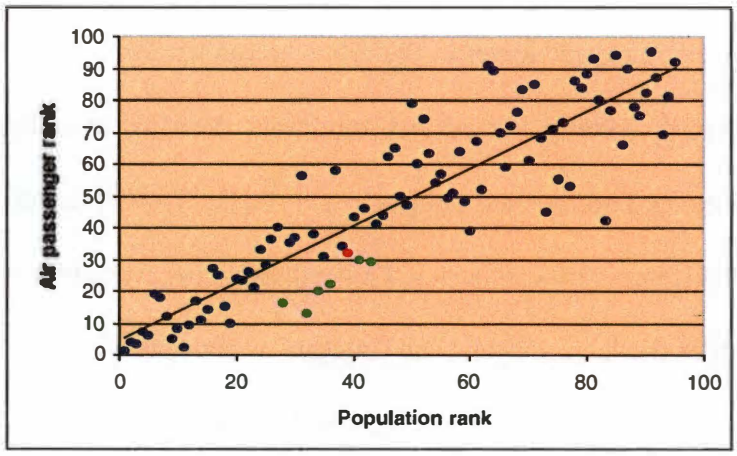


Figure A-3 Airports and the U.S. urban system. Correlation MSA population rank and MSA air passenger rank, 1980 (top), 1990 (middle), and 2000 (bottom).

"mid-size city" used earlier. Nashville is included in Category 2 for all three time periods.

First, to investigate the "contribution" of each category to changes in correlation, the deviation from the regression line for each data point has been calculated and summed in the four categories (Table A-2). As is natural in a rank correlation, deviations are more noticeable lower in the urban hierarchy where small absolute differences can manifest themselves in significant rank changes; however, the significance of the measurement lies in the temporal analysis. Category 3 (MSAs ranging from approximate 1 million to 400,000 during various periods) contributed 40.8 percent to the deviation in 1980, but only 30.4 percent in 2000. Thus, these are cities that have experienced a movement towards the mean and overwhelmingly contribute to the increasing correlation between city rank and passenger traffic rank. On the other hand, Category 2 cities (MSAs

Table A-2 Statistical summary of air passenger ranks.

	1980 Rank	Deviation	1990 Rank	Deviation	2000 Rank	Deviation
Category 1	-1.54	11.1%	-1.92	12.4%	-1.67	13.8%
Category 2	-7.50	18.5%	-6.53	24.7%	-1.25	26.4%
Category 3	-7.46	40.8%	0.88	31.8%	-4.42	30.4%
Category 4	-1.56	29.5%	-0.09	31.2%	7.65	29.4%

	1980	1990	2000
Rank correlation	0.795	0.866	0.902
Absolute numbers correlation	0.828	0.838	0.827

Best performers in air passenger rank in Category 2:
1980: New Orleans, Salt Lake City, Memphis, Hartford, Orlando
1990: Orlando, Charlotte, Salt Lake City, Memphis, Nashville
2000: Orlando, Las Vegas, Charlotte, Salt Lake City, Raleigh-Durham, Memphis

from 1.8 million to 700,000) are exhibiting **more** internal differentiation over time. Their share of the total deviation rose from 18.5 percent in 1980 to 26.4 percent in 2000. Hence, cities in Nashville's size category have experienced some divergence in the development of their airports as measured by passenger traffic rank.

Second, the statistical deviations from the regression line as reported here do not indicate whether a category's passenger rank is better or worse than expected based on population rank. To investigate that, I have calculated the difference between population and passenger rank for each city. The mean for passenger rank in Category 2 cities has changed from 7.50 rank points below their population rank in 1980 to 1.25 rank points below in 2000. Although ranked slightly lower in passenger traffic than "expected," this represents a clear improvement in passenger traffic rank over time for Category 2 cities, which indicate growing airports (with increasing variability within the category as indicated earlier). Although the trend is not straightforward, cities in Category 3 and 4 also exhibit rank improvements, especially Category 4 during the 1990s (which suggests that the rank losers in passenger traffic are small-town airports not included here).

If Category 2 cities in general have been relatively successful in airport traffic growth, which cities are the best performers? In Figure A-3, cities with a passenger rank strongly above the expected (statistically, cities with a positive deviation in excess of the average deviation for Category 2) are marked in green. Nashville is part of that group in 1990 but is marked in red for clarity during all three time periods.

Three Category 2 cities appear in the best performer group during all three time periods: Orlando (tourism economy), Salt Lake City (with an exceptionally large hinterland), and Memphis (hub city). Of Nashville's other designated peer cities, New

Orleans, Charlotte, and Raleigh-Durham are included in the best performer group at one or two occasions. Nashville was included in 1990; not surprisingly, this was during the period when American Airlines had a hub in the city.

Vita

Ola Johansson was born in Kalmar, Sweden in 1968. After graduating from high school in 1988, he served in the army before enrolling at Lund University. Ola received both a Bachelor's degree (1994) and Master's degree (1996) in social and economic geography from Lund University. During that time he also spent one year as an exchange student at the University of Tennessee, Knoxville, to which he later returned as a Ph.D. student. There, he was a teaching assistant and instructor at the geography department, as well as a research assistant at the Tennessee Valley Authority. Ola currently lives in Johnstown, Pennsylvania with his wife Shelley and daughter Linnea. He is an assistant professor of geography at the University of Pittsburgh at Johnstown.

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