Federalism, the State, and the City: Explaining "City Welfare" in the United States and the European Union

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This article extends United States–European Union (EU) comparative research to the area of grants-in-aid by comparing the evolution of federally funded "city welfare" in the two political systems in light of an original institutionalist theory. I show that while the United States and the EU adopted similar early programs—Model Cities and URBAN—these schemes' instability and their different politico-constitutional setting led to divergence shortly after their inception. In the United States, where the Department of Housing and Urban Development safeguarded city welfare, Model Cities was replaced with the durable Community Development Block Grant. In the EU, where no such institutional anchor existed, URBAN's demise ended urban policy altogether. The article contributes to the broader scholarship on federalism by highlighting the relevance of institutions and time for understanding grants-in-aid.

Comparisons between the United States and the European Union (EU) are a growth industry (e.g., Nicolaidis and Howse 2001; Menon and Schain 2006; Fabbrini 2007; Mendez and Mendez 2010). Stimulated by the post-Maastricht interpretation of the EU as a federal polity (e.g., Sbragia 1993; Burgess 1996, 2000), research has covered many topics and questions. A neglected area, however, is that of grants-in-aid, an important part of the political economy of these two systems and of multilevel polities in general. Federal aid to cities, in particular, has been virtually ignored in the United States–EU literature. While this might not surprise at a first glance—compared to the United States, the EU's involvement in cities is a smaller and more recent affair—a closer look at the two cases reveals interesting differences and similarities that warrant comparative analysis.

In early 1967 the recently established U.S. Department of Housing and Urban Development (HUD) launched Model Cities (MC), a regeneration program responding to the crisis of American cities. MC was a demonstration scheme allocating funds competitively to support integrated and neighborhood-based projects, the formulation and implementation of which rested on the ideas of citizen participation, multilevel cooperation, and public–private partnership.

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In total, MC supported 150 such projects. In 1974, as part of its "New Federalism," the Nixon administration terminated MC by consolidating it, with six other grants, in the new Community Development Block Grant (CDBG), a formula-based program that exists to this day.

In 1994 the European Commission launched URBAN, an initiative for cities run by the Directorate General for Regional Policy (DG Regio). URBAN distributed money competitively for integrated neighborhood programs which would serve as examples of innovative ways to promote urban revitalization in the member states. Public–private and multilevel partnerships were key ingredients of URBAN, and so was the participation of citizens in planning activities. After funding projects in 165 cities over two rounds (1994–99 and 2000–2006), in 2007 URBAN was "mainstreamed" in the Union's cohesion policy—a broader and regionally based redistributive mechanism—thus effectively ending the EU's engagement in explicit urban policy.

These two vignettes illustrate a curious fact: after introducing strikingly similar and equally short-lived urban regeneration programs three decades apart, the United States and the EU followed paths which could hardly be more different. The former adopted a policy instrument, the CDBG, which has "stuck" for almost forty years, while the latter did away with any distinctive urban policy action. Why did this happen? In this article I solve the puzzle by proposing and testing a theoretical argument inspired by historical institutionalism (HI). In doing so, I wish not only to extend the United States–EU literature to the area of federal grants-in-aid, but also, and more generally, to contribute to the research agenda exploring the role of institutional development in intergovernmental relations (e.g., Ziblatt 2006; Broschek 2011).

The rest of the article proceeds as follows: in the next section I go over the tenets of HI and spell out my theoretical model and argument. I then test the argument through a comparative historical analysis of the two cases. I conclude by summing up my findings and highlighting their contribution to the broader scholarship on federal grants-in-aid.

An Institutionalist Theory of City Welfare

The central idea of historical institutionalism is very simple: institutions matter in the explanation of politics. Defined as the formal and informal rules structuring interactions in a political system, institutions influence political behavior in two ways: first, they constitute settings that shape the preferences of what are seen as rule-following political agents by defining feasible, desirable, or just "normal" courses of action (Thelen and Steinmo 1992; Thelen 1999). Second, institutions generate political actors (executives, parliaments, bureaucracies, etc.) whose identity and preferences are distinct from societal ones (such as classes or ethnic groups), and who in turn operate in rule-dense environments (Amenta 2005).

Focusing on institutions means focusing on history. Institutional systems result from past events and decisions which influence present politics in ways not always efficient in cost–benefit terms nor, for that matter, as envisaged originally (Ikenberry 1994). In this path-dependent view of causation, issues of timing and sequence are crucial for understanding political outcomes, and so is the identification of those critical historical junctures when institutions change and new "developmental pathways" are established (Ikenberry 1994; also Thelen 1999; Pierson 2004).

The model presented here is based on a central concept and two levels of analysis. The concept is "city welfare": the use of fiscal resources to promote the well-being of cities *qua* cities, namely intervening on all or at least a combination of their various social, economic, and physical aspects. So defined, city welfare is a subset of the broader area of urban policy, that is: (i) explicit, that is, focused on place rather than subjects that happen to be concentrated in urban areas (Wolman 1986); (ii) distributive or redistributive rather than regulatory (Lowi 1964); and (iii) multi-sectoral, to tackle the "vast and amorphous collection of physical and social conditions" that make up urban decline (Baumgartner and Jones 2009, 127).[1]

The concept of city welfare is close to two other urban studies terms sometimes used with a similar meaning: urban development and community development. Generally, however, both urban and community development tend to emphasize aspects that either go beyond or are narrower than the definition given above. More precisely, urban development is usually associated with the physical growth of cities and issues of urban planning (e.g., Downs 1981), while community development often highlights the social and neighborhood-level dimension of urban actions (Biddle 1966; Bhattacharyya 2004). To avoid ambiguities and confusion, in constructing my argument I prefer to rely on a new and distinct concept.

Federally promoted city welfare operates at two institutional levels: the first, *policy*, refers to the instruments through which the center intervenes in cities (on instruments as institutions, see Lascoumes and Le Galès 2007). A central government can start a city welfare policy for a number of reasons. Two necessary factors, however, are a favorable political context, created by progressive political actors in executive (and often legislative) positions, and the activation, within federal policy-making structures, of holistic ideas on urban decline and its solutions. While the former extends the general logic of public welfare to the urban realm, the latter molds federal intervention in a place-based and multifaceted fashion.[2]

More important than its causes is that federal city welfare can be structured in a variety of ways, which can be ordered along a centralization/decentralization continuum relating to the distribution of and control over federal funds. At one end of the continuum there are highly centralized programs that are selective in the distribution of federal funds and intrusive as to their use. At the opposite end one finds highly decentralized schemes where distribution is inclusive and formulaic, and cities have ample discretion in the use of grants.

The shape of a city welfare instrument affects its stability: *ceteris paribus*, the more inclusive and hands-off the system, the larger the number of beneficiaries and the more valuable federal funds are to each of them. Thus, decentralized systems are likely to generate wide coalitions of supporters—composed of cities, their legislative representatives (especially if representation is territorially based) and often sub-grantees—which preserve the program by reducing the likelihood of opposition to and resisting political attacks on it. Conversely, centralized systems are both prone and vulnerable to attacks as they exclude a larger number of potential beneficiaries, are more likely to cause dissatisfaction among recipients, and have a supporter base often too small to fend off attempts to change or eliminate the grant program (on this point, see also Lawrence, Stoker, and Wolman 2010).

The second institutional level is *politico-constitutional* and refers to the (more or less formal) inclusion of city welfare among the missions of the federal polity. This inclusion is usually reflected in the creation of a politico-administrative structure (a ministry or equivalent) that comes to embody what can be called "city welfare state." Where such a state is present, it protects the principle—although not necessarily any specific form—of federal involvement in cities. Where it is absent, the political system lacks institutional actors with the willingness and clout necessary to safeguard the existence of a city welfare system.

It is important to note that the policy level is independent, in its existence, of the politico-constitutional one: a city welfare instrument can be in place without being structured within a city welfare state. Combining the two levels hence produces four ideal-typical configurations which vary on whether and at what level city welfare is "anchored" in the political system (figure 1).

Although all possible, the four types are not all equally likely and, more importantly, temporally indifferent. Early city welfare instruments tend to be located toward the centralized end of the policy continuum, and therefore in the top two quadrants. This happens for several reasons: one is the center's aim to maximize the impact of the new program by concentrating funds both in their distribution, by making the scheme selective and competitive, and within each city through targeting rules. Another reason is the federal government's emphasis on the multi-sectoral character of city welfare through the imposition of heavily regulated integrated local plans. Cross-cutting these two reasons, finally, is the

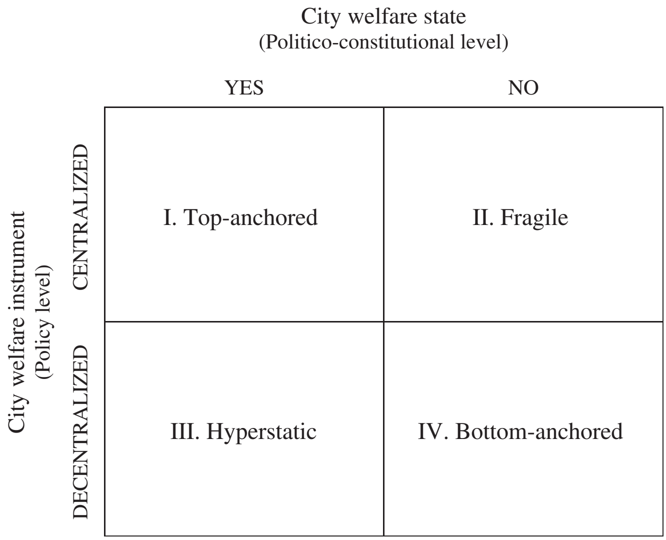

Figure 1 A typology of city welfare

center's distrust of the local governments' willingness or ability to implement the new scheme in the way desired by federal authorities.

Whatever the combination of the above factors, early city welfare systems are unstable and likely to be attacked not too long after their inception. This in turn opens a phase of policy uncertainty the solution of which depends primarily on the politico-constitutional level. If a federal city welfare state anchors city welfare from the top (Type I), the political attack can affect the *form* but not the *existence* of federally funded city welfare. While its precise result will depend on contingent factors, the attack is likely to move the city welfare instrument toward the decentralized end of the policy continuum, so creating what may be called a "hyperstatic" system (Type III) that is anchored in its existence from the top and in its form from the bottom.

In the absence of a top institutional anchor the outcome of the attack is wide open, which makes city welfare "fragile" (Type II). One possibility is for the early instrument to be reformed in a decentralizing direction and hence transition to a "bottom-anchored" model (Type IV) where city welfare is stabilized only by virtue of its wide beneficiary coalition. However, the lack of a central structure defending city welfare in moments of uncertainty and the presence of alternative interests and (often stronger) actors competing with cities for federal resources makes the abandonment of a city welfare system an equally if not more likely final outcome.

In the remainder of the article I use this theoretical framework to solve the puzzle presented in the introduction. I will show that the centralist features shared by MC and URBAN—mainly sectoral integration, concentration and competitiveness—resulted from the convergence of similar sets of factors in the two cases: a conducive political context (the Johnson administration in the United States and an activist Commission and Parliament in the EU), holistic urban policy ideas promoted by experts, and center-periphery distrust. What made MC and URBAN similar, however, also made them unstable. As a result both programs came under attack shortly after their creation. In the United States, opposition to MC came from President Nixon and his New Federalist agenda. In the EU the attack on URBAN came mainly from a coalition of cities and regions dissatisfied with the program. Here, however, paths diverged: in the United States, where HUD had come to embody the federal commitment to cities—so making city welfare top-anchored—the department's leadership moderated Nixon's reform plans and channeled his attack into the creation of the CDBG, a "Republicanized" version of MC which soon became locked in due to its decentralized character, rendering U.S. city welfare hyperstatic. In the EU, where URBAN had been administered by the regionally oriented DG Regio, and city welfare was hence fragile, the directorate responded to the attack by reverting to "business as usual" and absorbing the program into the broader cohesion policy, so effectively ending the Union's urban policy.

The Genesis of Federally Funded City Welfare

This section traces the birth of MC and URBAN to show that while similar causal factors made the two programs equally centralized and unstable, their creation occurred in different politico-constitutional contexts, making U.S. and EU city welfare respectively top-anchored and fragile.

The Origins of the American City Welfare State: HUD and Model Cities

The U.S. federal government's involvement in cities can be traced back to at least the post-World War II years, when some of the first measures for slum removal and inner city redevelopment were introduced, most notably Urban Renewal in 1949 (Gelfand 1975). Postwar federal intervention, however, was not enough to prevent the decline of many American cities as a result of the "white flight" toward suburbia, the inflow of poor and minorities in inner cities, and the shift of the country's productive axis from the Midwest and Northeast to the Sun Belt (Fox 1985). The insufficiency of federal action was compounded by the lack of a coherent strategy and scarce coordination among the many agencies dealing with cities (Frieden and Kaplan 1977).

Creating a cabinet department to tackle urban problems more effectively became a central goal of the Democratic administrations of the 1960s. In 1961 President Kennedy proposed to elevate the Housing and Home Finance Agency (HHFA) to departmental status and appoint its head, African American economist Robert Weaver, as a new secretary for urban affairs. Kennedy's plan, however, met the fierce opposition of Republicans and Southern Democrats, who killed the bill in Congress despite the president's resolve and the support of many mayors (Pritchett 2008).

What Kennedy could not accomplish, President Lyndon Johnson achieved only a few years later. The beginning of Johnson's presidency coincided with the start of a wave of race riots throughout the country which opened many people's eyes about the plight of American cities and emboldened the proponents of a federal urban policy (Baumgartner and Jones 2009; Sapotichne 2010). Among these was the president himself, who saw a more systematic and socially oriented federal presence in cities as fitting perfectly in his Great Society agenda. Finally, the overwhelming victory of both Johnson and the Democratic Party in the 1964 elections provided the president with the right political setting to realize his ideas (Fox 1985).

The Department of Housing and Urban Development proposed by Johnson in 1965 was the same as the one envisaged by Kennedy: an upgraded version of the HHFA aimed to achieve maximum coordination in federal urban activities and encourage the solution of problems of housing and urban development. As with Kennedy, the bill was opposed by Republicans and Southern Democrats. The times, however, were ripe for a full-fledged federal urban policy, and in the summer of 1965 both houses passed, with large majorities, Johnson's Housing and Urban Development Act, which the president signed into law on September 9, 1965 (Pritchett 2008).

To mold the new federal commitment into concrete policy, the following month Johnson appointed a task force of experts charged to find innovative solutions to the urban question.[3] To ensure freshness and independence in the task force's work, the president made a point not to include anybody involved in existing urban actions and demanded that the group have as little contact with HUD as possible (Haar 1975; Frieden and Kaplan 1977). The task force published its final report in December 1965. After criticizing existing policy for its dispersion of funds, sectoralism, and reliance on inadequate local agencies, the document proposed a new approach to urban aid, based on the principles of concentration, adequate resources, citizen involvement, and functional integration. Concretely, the report recommended a demonstration program for a small number of neighborhood-level projects to be selected competitively and aiming to improve the targeted areas socially, economically, and physically. As for numbers, the report suggested an initial five-year round including sixty-six cities for a total investment of $2.3 billion, of which $1.9 billion of federal funds (Task Force on Urban Affairs and Housing 1965).

Shortly after appointing HUD's leadership in early 1966,[4] the president presented his demonstration grant program to Congress. Surprisingly, given the

Democratic majority, the bill met quite some resistance among Congressmen, who criticized the limited geographic coverage of the proposed scheme, its competitiveness, the diversion of dollars from other grants, and the strings attached to federal funds (Haar 1975; Pritchett 2008). Modified to make it more palatable to Congress, and renamed Model Cities, the program was eventually approved and signed into law on November 3, 1966 (James 1972; Haar 1975; Frieden and Kaplan 1977).[5]

Starting in March 1967, HUD received 193 applications, among which it selected sixty-three projects in November. Keeping Congress in mind, the department spread the grants as widely as possible: the projects selected included 60 percent of the cities over 500,000 inhabitants and all but one (Los Angeles) over a million. To this initial group, in March 1968 HUD added twelve more cities as a result of pressures from Congressmen (Haar 1975). A second selection round, this time for small and medium size cities, began in January 1968 and ended at the end of the year, when HUD chose seventy-five new projects among 168 proposals (Frieden and Kaplan 1977).

MC departed radically from previous urban programs. Unlike traditional categorical grants, MC promoted a comprehensive method that attacked the various sides of urban decline in a synergic fashion. Locally, MC empowered mayors over specialized agencies by having the former formulate projects tailored to local needs. At the same time, mayoral action was limited from above by HUD's program criteria, and from below by the requirement of citizen participation. Intellectually, MC embodied an academic approach to policy-making, grounded in social research and intended to teach local actors the "right way" to foster city welfare (Gelfand 1975; Haar 1975; Walker and Boxall 1996). Politically, the program reflected the federal administration's distrust of local authorities' willingness or ability to adopt, on their own, certain methods and priorities. This was particularly the case for MC's aim to target the most deprived areas and social strata, which previous experiences like Urban Renewal had shown to be at odds with the preferences of many mayors (Haar 1975; Frieden and Kaplan 1977; Pritchett 2008).

While it never fully met its idealistic objectives, MC nonetheless achieved important results in terms of social integration and neighborhood improvement (Frieden and Kaplan 1977). However, from the start the program was politically weak as it attracted the criticism of conservative politicians and many mayors alike. The former accused the Johnson administration of adopting a paternalistic approach to urban policy, which unduly expanded the federal role in cities and violated the freedom of local communities. The latter disliked the decision-making straightjacket in which they found themselves and lamented both MC's excessive red tape and the mode of grant allocation, which forced them to go through great planning efforts with no assurance of funding beyond the demonstration period (James 1972).

Many of these points had already been raised in Congress. As MC was implemented, however, its "shortcomings" became more concrete—and were amplified by the persistence of riots and inner city distress. All this provided ammunition to the critics of MC and of the administration. Among these was Richard Nixon, who made overhauling the federal urban aid system one of the priorities of his presidency, which began in January 1969.

Urban Policy in the European Union: Out the Door, Back Through the Window

Although it lacks clear legal competence in the area, the European Commission has had an interest in urban policy since the late 1970s, when many European cities began experiencing some of the problems that had plagued their American counterparts already for several decades, like immigration, economic restructuring, and in some cases suburbanization. Partly originating in the process of integration itself, which shifted patterns of production and peripheralization in the continent (Hall 1993), these problems threatened not only Europe's social model but also the viability of the single market (Atkinson 2001; Grazi 2006). As a response, the Commission introduced several initiatives for cities, including experimental revitalization projects in Naples (1978), Belfast (1981), Birmingham (1986), and Bradford (1986) (Halpern and Le Galès 2008).

From its early actions the Commission displayed a somewhat ambiguous attitude—which has remained ever since—trying to strike a balance between increasing its role in cities and the need not to irritate member states with what could be seen as an intrusion in their affairs (Atkinson 2000; van den Berg et al. 2007). Another constant established early on was the European Parliament's (EP) support for any increase of community powers in urban policy. The creation of a parliamentary intergroup on urban affairs shortly after the EP's first election in 1979 was a testament to this stance (Halpern and Le Galès 2008).

By the late 1980s the urban issue had entered the Commission's agenda and become a common topic of debate. Several reports produced by and for the Commission informed this debate. It was particularly the case of a study led by economic geographer Paul Cheshire, which advocated supranational intervention in cities based on the threefold rationale of urban relief, equity promotion and market failure elimination, and proposed the creation of new common programs for housing, social services, and brownfield conversion (Cheshire et al. 1988). The debate was also catalyzed by the increasing mobilization of local actors through organizations such as Eurocities, a network of major European cities established in 1986 (Tofarides 2003).

The central factor in the advancement of the Commission's urban agenda, however, was the role of some individuals in key positions. One was Jacques Delors, who made the promotion of the European social model one of the hallmarks of his presidency. Another was Regional Policy Commissioner Bruce Millan, a Scottish Labour politician sympathetic to the urban cause. A third key individual was Marios Camhis, a Greek planner who headed the DG Regio unit in charge of innovative actions. Millan and Camhis, in particular, played a key role in promoting—and in Camhis's case designing—the Commission's first urban regeneration scheme, the Urban Pilot Projects (UPPs), launched in 1990 (Parkinson 2011; also Tofarides 2003).[6]

The positive reception of the UPPs galvanized the proponents of a European urban policy. DG Regio called for more actions for cities (e.g., European Commission 1991) and continued its strategy of intellectual mobilization by commissioning, in 1989, a study from urbanist Michael Parkinson (Tofarides 2003). More importantly, in 1991 the Commission tried to exploit the opportunity offered by the ongoing negotiations on the Treaty of European Union (TEU) by proposing the insertion of an urban policy provision in the new treaty. It did so initially in a memo contributing to the intergovernmental debate on economic and social cohesion, which recommended writing the Union's structural policy priorities in the treaty, and included among these "the conversion of industrial regions and urban areas in decline" (Williamson 1991). Having produced no effect in the preparatory negotiations, the proposal was restated by Millan at the European Council meeting held in Maastricht in December 1991 (Camhis 1994).

The Commission's proposal was very ambitious: not only would it have made, for the first time, urban regeneration a stated goal of the EU structural funds on a par with regional development, but it would also have embedded this principle in the legal architecture of the Union. In the last analysis, the amendment would have probably marked the beginning of, or at least laid the basis for, a city welfare state at the European level. Unfortunately, however, the European Council was not ready for such a move: the momentum behind the urban agenda was not enough to persuade traditionally skeptical states, like Germany, or shift the attention of more sympathetic ones such as France and the UK from the other issues on the table, most notably institutional reform and the monetary union. As a result, Millan found himself isolated at the summit and the Commission's proposal was rejected (Tofarides 2003; Grazi 2006).

The 1991 setback did not extinguish the Commission's interest in urban policy. In 1992 the Parkinson report came out. Like Cheshire before them, Parkinson and his coauthors saw urban decline as no longer an exclusively national problem and argued for greater EU involvement in cities. New initiatives, the report suggested, should build on the UPP experience and possibly follow a broader reform of the structural funds (Parkinson et al. 1992). The report was so influential in DG Regio that shortly after its publication Camhis, encouraged by some urban-friendly MEPs, asked Parkinson to draft a new urban initiative for the upcoming 1994–99 budget (Parkinson 2011). Given the Council's skepticism, a good entry point for the new scheme was the Community Initiatives (CIs) instrument, which allowed the Commission to spend up to 9 percent of the structural funds on projects of special interest to the EU (Tofarides 2003). In March 1994 the Commission incorporated the draft in a communication announcing a new CI for cities. Three months later DG Regio launched the URBAN CI for 1994–99 (Tofarides 2003).

URBAN summarized ideas already in circulation and policy experiences such as the UPPs and the UK's City Challenge, on which Parkinson had worked previously. The CI was to support a small number of neighborhood revitalization programs combining economic, infrastructural, and social measures to reconnect the target areas to the main socioeconomic fabric of the city. The programs would be selected by the member states and DG Regio and funded by the European Regional Development Fund (ERDF) and the European Social Fund (ESF). Finally, multilevel and public–private partnerships were emphasized in the planning and implementation of each program (European Commission 1994). Initially designed for fifty cities, URBAN eventually financed 118 programs for a total investment of 1.8 billion ECUs, one-third of which coming from EU coffers (Tofarides 2003; van den Berg et al. 2007).

While smaller than its older American counterpart, URBAN was structured in a way strikingly similar to MC. In part, this resulted from the two initiatives drawing on similar ideas about targeting and sectoral integration.[7] URBAN and MC, however, reflected also similar relationships between center and periphery. Like the U.S. federal administration three decades earlier, the Commission was faced with many local authorities unable or unwilling to plan and implement urban regeneration in a holistic and participatory way. This was especially the case in southern member states, which had little or no urban policy tradition. EU authorities responded by acting paternalistically, attaching several conditions of substance as well as governance to the funds. In doing so, the Commission hoped to educate local actors, maximize the impact of its action and, finally, demonstrate the goodness of its approach (Frank 2006; Dukes 2008).

URBAN revived the optimism of many European urban policy supporters. In two communications of 1997 and 1998, the Commission called for an urban reorientation of all EU policies and the inclusion of the CI in the cohesion policy architecture (European Commission 1997, 1998). In those years the Commission also launched twenty-six new UPPs (1997), started Urban Audit for the collection of EU-wide data (1997) and created the good practices exchange scheme URBACT (2002). More importantly, DG Regio launched a new round of URBAN for 2000–2006 sharing most of the traits of its predecessor.[8] Like URBAN, URBAN 2 was initially designed for a handful of cities and later expanded to cover seventy projects for an investment of €1.58 billion, of which €728.3 million from the EU (European Commission—DG Regio 2011).

While URBAN 2 eventually reaffirmed the Commission's city welfare activism, the preparation of the program nonetheless had occurred in a different political climate than the early 1990s. For one thing, DG Regio itself had become more agnostic toward cities: though not hostile to urban policy, the new Commissioner Monika Wulf-Mathies, was not as favorable to the idea as Millan had been (Parkinson 2011). For another, the stance of many cities toward URBAN was changing. During consultations on the new budget, for instance, Eurocities had criticized what it saw as a limited initiative, which moreover imposed too many constraints on local programs (Niessler 2011). Both the Commission's and the cities' change of attitude would come back in a few years to influence the negotiations for the following financial framework.

Similar Challenges, Different Outcomes

The inevitable attacks on MC and URBAN led to divergent outcomes due to the different politico-constitutional setting of the two programs. In the United States, where HUD anchored city welfare from the top, the department channeled Nixon's attack on MC into the creation of the decentralized CDBG, which in turn made city welfare hyperstatic. In the EU, where no city welfare state existed, the attacks on URBAN led to the disappearance of urban policy altogether.

New Federalism Meets the Cities: The CDBG and Its Consequences

Despite its problems, Model Cities acquired a significance for federal urban policy that went well beyond the program itself. With its comprehensive approach, MC reflected the ambition of HUD as an institution better than any other scheme run by the department. Johnson's message recommending MC to Congress made this link very clear: HUD, he noted, would tackle the various aspects of urban decline with an unprecedented level of authority and coordination. The secretary of the new department, Johnson continued, will be able to "mesh together all our social and physical efforts to improve urban living" to meet "modern urban needs—rather than fitting new programs into old and outworn patterns" (Johnson 1966). Johnson's words, in sum, left no doubt as to the fact that HUD and MC were to be seen as two facets—one politico-constitutional, the other instrumental—of the same holistic interpretation of the city and its problems.

These ideas and aspirations outlasted the Johnson administration. Writing to Nixon on the "HUD inheritance," George Romney, a liberal Republican chosen to head the department, praised the agency's coordinating role but noted that much had yet to be done to overcome its fragmentation and develop a well-rounded strategy for cities. Romney had similar words for MC, an ambitious program that had nonetheless been poorly understood and implemented (Romney 1969). To follow up on these remarks, Romney later merged several sectoral offices, including the Urban Renewal and the MC administrations, into a comprehensive Department of Community Development as part of a reorganization of HUD (*HUD News* 1971; Nenno 1996).

Other documents link the rationales of MC and HUD even more explicitly. In a memo to the Assistant Secretaries, HUD Under Secretary Van Dusen listed sectoral integration as a core objective of MC and stated that this was also among HUD's priorities as an agency, to foster "the creation of desirable living environments—both physical and social—for all Americans" (Van Dusen 1970). Shortly thereafter, Assistant Secretary for MC Floyd Hyde lamented that the department had yet to fully accept its "urban development mandate" and that it was still too obsessed with (housing) "volume production," a destructive strategy if not "joined with schools, streets, sewers, etc." The need, he claimed, was for HUD to implement a single "community development or urban development focus," as opposed to sectoral interventions. As he put it, the solution was to "Model Citiesize" the department, if not "the entire spectrum of Federal Agencies" (Hyde 1970). Hyde's views were reaffirmed in a policy statement of the following year, which listed among his goals that of providing "[f]ederal assistance in comprehensive development of communities serving the needs and interests of all their people" (Boyle 1971).

Nixon's views on the federal role in fostering city welfare contrasted sharply with those of HUD's leadership. The president's New Federalism proposed a drastic rescaling of the federal government which, unsurprisingly, had Johnson's Great Society programs as its main target. Among these, MC was especially despised as a bureaucratic "abomination" (Ehrlichman 1982, 105), which epitomized the sort of federal paternalism that treated local officials "like children, [who are] given an allowance, told precisely how to spend it, and then scolded for not being self-reliant enough" (Nixon 1971). Nixon's position was ideological as well as electoral: for one thing it reflected a conservative distrust of Keynesian big government; for another, Nixon voiced the grievances of those suburban white middle classes who bore the costs of programs like MC without receiving any of their benefits (Evans and Novak 1971; Gaffikin and Warf 1993).

The differences between Nixon and HUD gave rise to a tug of war over the fate of MC which began right after Nixon's election. Unfolded over a number of meetings to set the administration's urban strategy, this dispute nonetheless turned into open confrontation whenever the White House tried to get its way unilaterally (Nathan 1975; Frieden and Kaplan 1977). In the spring of 1970, for example, Hyde and other top HUD officials publicly censured Nixon's plan to cut MC funding by $500 million and divert funds to a school desegregation program (e.g., Batten 1970). In another instance, Romney wrote a furious letter to the president lambasting the Office of Management and Budget's proposal to halve HUD's 1972 budget and terminate MC in favor of general revenue sharing (GRS), a system of unconditional transfers to nearly 30,000 local governments. A supporter of decentralization, Romney nonetheless deemed ''foolish'' any idea of closing down MC without a ready alternative for community development financing. GRS, he continued, could not perform that function due to the lack of ''state and community capacities for dealing with their own local problems.'' He therefore recommended a different and ''two-pronged'' strategy, in which the growth of GRS would proceed together with an orderly transition from MC to a special ''community development revenue sharing program'' combining local flexibility with the setting of certain national criteria (Romney 1970).

Episodes like these revealed a difference of priorities between HUD's leadership and the White House. While both sides were unhappy with MC as inherited from the Johnson administration, the former thought that the federal government should not, in any case, be left without a city welfare policy and that (a perhaps amended) MC should be kept until a better program was available. Conversely, for Nixon and his closest advisers the principle of federally promoted city welfare did not have as much importance and could be sacrificed, together with its current policy expression MC, for other goals such as school desegregation or revenue sharing.

Unexpected support for HUD came from several studies commissioned by the White House in the hope of lending scientific evidence to its position (Haar 1975; Frieden and Kaplan 1977).[9] Almost invariably, these reports commended MC's holistic approach and empowerment of mayors, at the same time asking to extend the program to more cities and relax its strings. So modified, the studies concluded, MC could become a pillar of the new administration's urban strategy (Frieden and Kaplan 1977). Similar advice to keep MC came from the chair of Nixon's Urban Affairs Council Daniel Patrick Moynihan, who pointed not so much to the merits as to the political significance of the program, which had been ''transmogrified into a symbol of federal commitment to saving the cities'' (Evans and Novak 1971, 42).

In its dispute with the White House, HUD could also count on the support of many cities and the Democratic-dominated Congress. Without underestimating the role of these additional players, it is however safe to argue that HUD remained central in the alliance. For one thing, the department's leadership played a key role in mobilizing both mayors and Members of Congress in support of MC (Frieden and Kaplan 1977). For another, HUD's allies were always ambiguous as to whether they supported the program as the primary expression of city welfare—like HUD was doing—or merely as a source of funds for their constituencies (Haar 1975; Frieden and Kaplan 1977). This was particularly true of Congress, where by the late 1960s GRS had become a popular idea across the political spectrum (Lineberry and Sharkansky 1978; Hoff 1995).

Eventually, Nixon gave in. When Congress reauthorized MC in 1970, the president abstained from using his veto, and continued to do so until 1973. Meanwhile, HUD worked on the administrative end of the program by introducing "planned variations" in a number of cities, increasing mayors' powers to the detriment of both citizen groups and federal authorities.[10] Taken together, these variations were intended to test a new and decentralized approach to city welfare and, more generally, to indicate the direction that federal policy on urban aid would take in the following years (Haar 1975; Frieden and Kaplan 1977).

To complete the orderly transition to a new system called for by Romney, in the early 1970s the administration started a legislative initiative to consolidate MC and other categorical grants into an Urban Community Development Revenue Sharing scheme (UCDRS). Democrats presented counter-proposals for a Community Development Block Grant (CDBG) which included, among other things, some more powers for HUD and slightly different formulas (Van Dusen 1971a). While not trivial, these differences should not be overstated: on the whole, the UCDRS and CDBG were two variants of the same paradigm, that is, a city welfare system decentralized and simplified according to the principles of New Federalism. This was reflected clearly in the conciliatory stance of both Democrats and HUD officials, and the latter's confidence that a compromise would be reached easily (Van Dusen 1971a, 1971b; Nathan 1971).

While initially skeptical toward the administration's plans, both the National League of Cities and the U.S. Conference of Mayors rapidly softened their stance and started to work through Congress to improve on HUD's proposal. In part, both organizations knew that any fight in defense of MC would have been unsustainable. Among mayors, however, there was also a genuine liking of the UCDRS idea which, amended according to their suggestions, could even be seen as a success for the cities (e.g., Pritchard 1973).

With Nixon's overwhelming victory in 1972, efforts to change federal urban policy were stepped up. In 1973 the president impounded MC funds as a way to force Congress to act swiftly on the new law. At the same time, the administration reintroduced in the Senate the compromise CDBG legislation reached in the previous Congress. Supported by all key stakeholders, the renamed Housing and Community Development Act was approved in both houses with bipartisan majorities and signed into law on August 22, 1974—only a few days after Nixon's resignation—by the new president Gerald Ford (Fox 1985; Pritchett 2008).

The CDBG consolidated MC and six other programs into a multipurpose grant with very few strings attached and distributed through a formula.[11] From MC, the CDBG took functional comprehensiveness and the empowerment of mayors over specialized agencies. However, the block grant "Republicanized" this approach by entitling cities to an annual allocation, diluting the emphasis on social measures, and dropping most requirements to link projects synergistically. In this new system

HUD would have a much reduced role: it would no longer approve or decide how recipients were to spend federal dollars but rather pass on the funds and ensure that cities would follow the permissive regulations of the grant. In sum, the department became a mere administrator, instead of a crucial decision-maker (Frieden and Kaplan 1977).

The Anchoring Effect of the CDBG

From its inception the CDBG has remained the mainstay of U.S. federal city welfare policy, which succeeding administrations have either taken as a base on which to build a richer strategy for cities (Democrats) or made the main target in their attack on federal urban policy (Republicans). Nearly forty years of life have certainly left their imprint. There has been a decrease in the real value of the grant resulting mostly from Republican cuts and Democrats' failure to make up for the losses. Yet despite its *quantitative* decline, the CDBG has displayed remarkable *qualitative* endurance, resisting several attempts to abandon the program and, more generally, remaining largely unaltered in its basic characteristics. In sum, while by no means immovable, the block grant has proven to be a fairly sticky policy instrument.

A number of reasons might explain the CDBG's endurance, but the main one seems to be the structure of the grant, which from the beginning has allowed the CDBG to do what MC could not, that is, generating a strong and bipartisan coalition in support of the program. Three aspects of the block grant's setup are particularly important. First, the program's coverage, which from the initial 606 cities—already a large number—has increased steadily over time to the current number of 1,251. This expansion has thinned out the grant but at the same time has multiplied its points of support among cities, Congresspersons, and sub-grantees (figure 2).

Grantees' support of the program, however, cannot be fully understood without looking at the remaining two institutional aspects, namely the formula allocation system, which guarantees each "entitlement community" a regular stream of funding in exchange for minimal planning on its part, and the grant's flexibility, which allows local officials to use the money practically as they wish, including spreading it for electoral purposes (Weir 1999). Assessing the CDBG, a lobbyist summarized all these mechanisms very well:

> [the CDBG]... has been around so long and its roots are so deep that it has become almost an American way of life.... [E]liminating the CDBG would never happen because it affects too many people.... This program goes really into the fabric of our life because it does so many things. I know we will have to do some review at some point. But something like it will always exist (Lowe 2010).

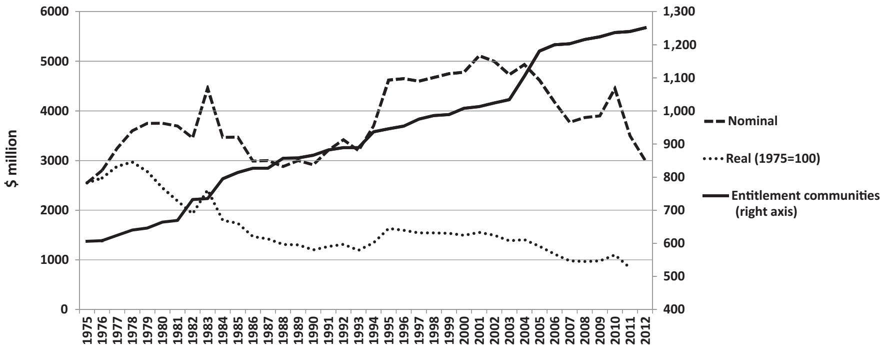

Figure 2 CDBG appropriations and entitlement communities 1975–2012.
Sources: Urban Institute (1995); Richardson (2005); HUD (2012); U.S. Bureau of Labor Statistics.
Note: Appropriation figures include the non-entitlement portion of the CDBG, which accounts for approximately 30 percent of the grant and has been administered by the states since 1981.

In sum, since its introduction the CDBG has increasingly locked in the form of federal intervention in cities, hence providing U.S. city welfare with a bottom institutional anchor and making it, in the last analysis, hyperstatic as shown in figure 1.

The EU: Mainstreaming and the End of a Common Urban Policy

At the end of each URBAN round, independent agencies evaluated the CI, publishing their results in two reports. The first, published in 2003, gave a generally positive assessment of URBAN: in spite of some administrative weaknesses, the initiative had improved the quality of life, economic conditions and attractiveness of the neighborhoods involved. Above all, URBAN had served its demonstration purposes by promoting highly visible programs and building local knowledge and capacities (GHK 2003). The second report, published in 2010, would reaffirm most of these conclusions (ECOTEC 2010).

Despite this positive experience, at the time of drafting the new budget for 2007–13, attitudes toward URBAN, and urban policy in general, had changed. For one thing, under President Barroso, the Commission had shifted toward a more neoliberal position that included the reorientation of the structural funds from social actions of the kind sponsored by URBAN to measures for growth and competitiveness (Allen 2010; Frank 2006). For another, much of the enthusiasm for urban actions in DG Regio was gone: Camhis had been marginalized in the DG, and academics like Parkinson had ceased to play an active role, partly frustrated by the lack of urban policy leadership in the new Commission. In addition, many in the directorate objected to the way the CI had been structured, and in particular to its micro-management model, which was seen as too taxing on the DG's infrastructure, and its selective allocation, which left many cities disappointed and caused EU officials as many headaches as the problems it solved (Orani 2011).

On the whole, however, the DG's position on URBAN remained less hostile than agnostic. In a conference on the new structural funds, for instance, the new Commissioner Michel Barnier floated the idea of earmarking up to €5 billion for an expanded version of URBAN. Surprisingly, however, the idea was opposed by many cities, primarily those participating in the EU-wide Eurocities network (Niessler 2011). Among Eurocities's concerns was that URBAN's approach "ghettoized" the problem of urban decline and, more generally, imposed too many geographic and functional restrictions on the use of funds (Parkinson 2011). Above all, cities were afraid that having a special program would impair their chances to obtain regular structural funds for bigger infrastructural projects and their ability to play on equal terms as states and regions in the "main game" of cohesion policy. What cities asked, instead of an URBAN 3, was a broader reform of the structural funds that would increase their role in the elaboration and management of operational programs (Orani 2011; Niessler 2011).

Eurocities's critical stance on URBAN added to that of the regions, which were jealous of their control of the structural funds, and states, many of which had had reservations about an EU urban policy all along. Faced with this large (albeit differently motivated) coalition, and no longer particularly committed to URBAN, DG Regio had no choice but to bring the urban portion of regional policy back into the mainstream structural funds. At this point, however, the DG had a range of options as to how to structure urban measures within the ERDF. At one end, it could have accepted cities' requests and compelled regions to share control of EU funds. At the other end, it could have left states and regions in charge of deciding whether and how to finance urban actions. A debate ensued within the DG, which urban supporters soon lost, and a position close to the latter end emerged as dominant (Niessler 2011). In the draft ERDF regulation, states and regions were left free to decide how much to spend on urban measures, and "URBAN-type" actions were only recommended where "appropriate," with no penalty for those that did not adopt them (Regulation [EC] No 1080/2006, Art. 8).

When the Commission presented its draft to the Parliament, few doubted that the latter would take issue with this "voluntary" approach to urban spending. To DG Regio's surprise, however, the EP approved the proposal, in the hope that urban measures would be sufficiently safeguarded in the new framework (Ferstl 2011; Olbrycht 2011). Equally surprised was the Council, where the Austrian presidency had preventively prepared a compromise text to solve the anticipated conflict with the EP (Ferstl 2011). With the obstacle failing to materialize, the Council approved and turned into law the Commission's weak version of mainstreaming—marking the end of distinct and autonomous EU urban policy.

Looking back, DG Regio's decision on weak mainstreaming can be attributed to several aspects of its institutional setup, all of which relate to the absence of an EU-level city welfare state. The first is that urban policy was never seen by the DG as its core mission. From its inception, the *raison d'être* of the directorate had been to help states and regions overcome structural deficiencies. In this mandate, fostering cities' well-being was a goal worthy of attention, but nonetheless secondary or ancillary to regional development. Granted, this was the same DG that had created URBAN. But the CI, and the urban policy activism behind it, resulted less from any institutional drive within the DG than from what Parkinson (2011) calls a "happy accident" of policy entrepreneurs and experts in the right place at the right time. More importantly, this accident did not produce any significant structural change in the directorate. So, when the enthusiasm for urban measures waned it did not leave much behind in terms of an institutionalized safeguard for urban policy.

The DG's regional focus was complemented by its strong alliance with regions, and the latter's dominance of the cohesion policy agenda (Niessler 2011). When the attack on URBAN forced the DG to move the urban dimension from the special context of the CIs to the *mainstream* structural funds, it hence became natural for the directorate to favor the preferences of regions over those of cities: for one thing, the DG saw the structural funds as "belonging" to the former rather than the latter. For another, people in the directorate knew that regions in turn shared this view, and preferred not to upset them by violating their turf (Atkinson 2007; Halpern and Le Gales 2008). As a DG Regio official recalls:

> [w]ithin the DG there was a spectrum of opinions, [but] there was always one very important aspect which was taken care of. This was that we cannot suggest anything that would create a conflict between the regional and the city level. This was a precarious balance. We wanted the cities . . . as a partner. We wanted the direct link with them, but this could not go in the direction of weakening the regional level . . . . [R]egions are our clients (Niessler 2011).

DG Regio's unassertiveness could not contrast more with the actions taken almost four decades earlier by HUD, whose primary focus on cities led it to protect a federal city welfare system (however flawed) in the face of Nixon's attacks.

To be sure, there were in the DG people who would have liked to see urban policy better protected in the ERDF, in the first place the DG's URBAN unit. However, the secondary status and scarce resources of urban actions prevented this structure from ever becoming an effective bastion of urban policy. Even at its apex the URBAN unit never had more than a dozen members, and high personnel turnover condemned it to regularly lose knowledge and capacities (Ferstl 2011). Needless to say, the unit never had any chance to acquire the sort of influence, authority and connections on which Hyde's Model Cities Administration could count in the United States to defend city welfare in moments of uncertainty.

The fate of EU urban policy could have been different had DG Regio somehow internalized the ideas promoted by URBAN, or at least built stronger politico-administrative structures for cities. Counterfactuals are always risky, but it seems safe to argue that the Commission's proposed TEU amendment would have gone a long way in this direction. By placing urban policy firmly at the center of the structural funds' objectives, the amendment would have realistically altered DG Regio's policy paradigm and rebalanced its structures and alliances in favor of cities—thus making EU city welfare under URBAN top-anchored rather than fragile. In such a scenario the directorate would probably have had the willingness (if not the obligation) and the political strength to protect the urban agenda even after its initial momentum was gone, thus setting EU city welfare policy on a different course.

City Welfare and Comparative Federalism

This article has extended United States–EU research to the area of federal to city transfers by comparing the evolution of what I have called city welfare in the two polities in light of a historical institutionalist theory. Table 1 summarizes my argument highlighting its temporal dimension.

The politico-constitutional juncture was the key passage in the evolution of city welfare in the United States and the EU. This was a moment in which the two polities had the opportunity to embed this principle in their federal architecture, thus establishing a city welfare state. Whether or not they took advantage of this opportunity affected subsequent events.[12] In particular, it determined the outcome of the attacks that early city welfare instruments—the second phase in the table—received not long after their creation due to their own characteristics. In the United States, where the politico-constitutional juncture had produced a city welfare state in the form of HUD, the attack resulted in the replacement of MC with another city welfare instrument, the CDBG, which locked in the form of federal city welfare, hence marking a policy-level critical juncture. In the EU, where the politico-constitutional juncture had produced no change, the attack on URBAN led to its absorption into regional policy and the end of the Union's urban policy.

Looking beyond the United States–EU literature, my argument and findings intersect the broader research on federal grants-in-aid. One of the main expressions of the so-called cooperative federalism (Hueglin and Fenna 2006), grants-in-aid are the subject of a vast scholarship which can be roughly divided into two parts: a legal-descriptive one focusing on macro-level comparisons of the institutional setting and policy traditions of federal systems (e.g., Advisory Commission on Intergovernmental Relations 1981; Choudhry and Perrin 2007) and an explanatory

Table 1 The three phases of city welfare in the United States and the EU

Historical phase	United States	EU
Politico-constitutional juncture	HUD (1965)	TEU negotiations (1991)
Policy resemblance and instability	Model Cities (1967–74)	URBAN (1994–2006)
Policy juncture/policy disappearance	CDBG (1975)	Mainstreaming (2007)

one employing primarily rational and public choice approaches to investigate questions such as the existence, size and distribution of grants, their conditionality and, finally, their consequences on local spending (see Sato 2007 for an overview).

This article can be seen as an attempt to bridge the gap between these two literatures by adding a causal dimension to the institutional analyses of the former, thus expanding the theoretical horizons of the latter. In particular, the article has highlighted three aspects of the political economy of grants that are usually overlooked in mainstream explanatory accounts. The first is the constitutive role of institutions. While conceding the usefulness of a view based on exogenously and instrumentally motivated actors as a point of departure in studying grants, my approach sees such an analysis as partial or even misleading if devoid of a serious probe into the transformative effects of institutional configurations on the identity and preferences of the relevant political players. A case in point is the different behavior of HUD and DG Regio vis-à-vis the preservation of federal city welfare, which a public choice interpretation of bureaucracies as budget (or competences) maximizers cannot fully capture unless it is amended to consider the policy paradigms ingrained in these two agencies. Another is the CDBG, an instrument supported by a coalition and a constellation of interests largely generated by the characteristics of the grant itself, such as the formula system and the funding predictability it creates.

The second aspect is the relevance of time in the analysis of grants-in-aid. By and large, existing accounts see the various parts of the grant process as time-independent phenomena, whose parameters and logics remain the same regardless of when they take place. Even more recent and sophisticated models integrating the different phases of grant-making (e.g., Volden 2007) tend to interpret the politics of grants as a series of complex yet discrete games which do not affect one another. This study, however, has shown that to fully understand the dynamics of federal grants one needs to take a temporally conscious approach, in which each phase of policy development—each game, so to speak—affects the next by determining its likelihood and timing, defining its actors and their preferences, and delimiting the range of possible policy choices and outcomes. More generally, a complete account of grants-in-aid requires pursuing the analysis beyond the implementation stage in order to look at the political effects of federal instruments, in the first place those feeding back into the federal policy-making process itself.

Finally, adopting a historical approach has allowed me to focus on certain time-related attributes of grants often ignored in the rationalist literature, most notably the stability—or lack thereof—of grant schemes. At the most immediate level, this article should be seen as proposing the inclusion of stability among the key dependent variables in the study of grants-in-aid. At a deeper level, however, the article also aims to elicit reflection on the virtues and limits of policy stability as a political goal, and on the possibility of adding this concept to the more traditional notions of equity and efficiency as a normative benchmark for the scholarship on grants.

Notes

1. To be sure, the concept of urban policy itself is far from univocal (for instance, Sapotichne 2010). However, it is safe to say that most, if not all, definitions of urban policy in the literature are broader than my notion of city welfare in at least one of these three respects.
2. In using variables other than institutions—primarily ideas—in my model I am conforming to the prevailing view of HI as an eclectic research program, which seeks integration with other paradigms to explain certain phenomena, most notably institutional change and, as in this case, formation (e.g., Peters, Pierre, and King 2005; Schmidt 2008).
3. The task force included, among others, Walter Reuther of AFL-CIO, MIT political scientist Robert Wood, Harvard law professor Charles Haar, Whitney Young of the Urban League, William Rafsky of the Philadephia Redevelopment Authority and mayor of Detroit Jerome Kavanaugh (Fox 1985; Pritchett 2008).
4. As expected, Weaver became the department's first secretary. To ensure continuity between the task force and HUD's work, Johnson also appointed Wood under secretary and Haar assistant secretary for metropolitan development (Frieden and Kaplan 1977).
5. The main changes to the original bill were the elimination of federal project coordinators, a reduction of funding to $900 million (all federal) for two years, and the elimination of population ceilings for the "model neighborhoods." The latter, however, were later reintroduced by HUD to counter the local tendency to disperse funds that had emerged from the first applications (Haar 1975; Frieden and Kaplan 1977).
6. Initially created just for London and Marseille, the UPPs were eventually expanded to include thirty-one additional cities for a total investment of 101 million ECUs (European Commission 1999; Tofarides 2003).
7. In fact, one can even trace a more direct link between the two initiatives via the City Challenge program which, as Mary Nenno notes, drew on the experience of Model Cities (Nenno 1996).

8. Among the changes introduced in URBAN 2 were stricter neighborhood targeting criteria, bureaucratic simplification—the ESF was dropped—and the end of the preferential treatment for Objective 1 areas.
9. The most famous of these studies was conducted by a commission chaired by conservative social scientist Edward Banfield. A list of the MC appraisals conducted in those years is in Frieden and Kaplan (1977).
10. The variations included a shift of focus from redistribution to economic development and capacity building, a relaxation of area targeting provisions and the reduction of citizen groups' decision-making role (Haar 1975; Frieden and Kaplan 1977).
11. The grant programs consolidated in the CDBG were Model Cities, Urban Renewal, Water and Sewers, Open Space, Urban Beautification, Historic Preservation, and Neighborhood Facilities.
12. As Capoccia and Kelemen (2007) note, a juncture is "critical" based on the *possibility* of institutional change, even though change might not eventually materialize.

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