Merchant of Illusion

JAMES ROUSE, AMERICA’S SALESMAN
OF THE BUSINESSMAN’S UTOPIA

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James Wilson Rouse Timeline

1914 James Rouse is born in Easton, Maryland.
1939 Moss-Rouse (Mortgage) Company is founded in Baltimore, Maryland.
1951 Rouse leads Mayor’s Advisory Council on Housing Law Enforcement, part of “The Baltimore Plan” neighborhood renewal project.
1953 *Encyclopedia Britannica* releases the film *The Baltimore Plan* to a national audience.
1954 Rouse serves on Eisenhower’s Advisory Committee that designs the Housing Act of 1954. Rouse is a founding member of ACTION, the American Council to Improve Our Neighborhoods.
1955 Rouse becomes a founding member of the Greater Baltimore Committee.
1958 Rouse is elected president of ACTION. The Rouse Company opens Harundale Mall, the second enclosed shopping center in the United States.
1959 Charles Center plan is unveiled in Baltimore, Maryland. Plan is generated from action of the Greater Baltimore Committee.
1963 Rouse announces Columbia, Maryland, a fifteen-thousand-acre new town project.
1969 Hartford Process, a nationally known plan of urban transformation led by Rouse’s American City Corporation, is launched.
1970 Title VII, a $500 million federal new town program is created.
1976 The Rouse Company opens Faneuil Hall “Festival Marketplace.”
1979 Rouse retires from The Rouse Company at age sixty-five.
1980 Rouse opens Harborplace “Festival Marketplace.”
1982 Enterprise Foundation is founded.
1995 Rouse is awarded the Presidential Medal of Freedom.
1996 James Rouse dies in Columbia, Maryland.
Introduction

So here this great nation, the leader of Western civilization, at the peak of its economic prosperity, is piling its people into cities which are rotting away at the core, infested with slums, and with the slums spreading out into the middle-aged areas beyond. It’s not a pretty picture.

James Rouse, 1960

Mr. Rouse says the [Enterprise] Foundation stems, in part, from his belief that the United States has fallen behind the Soviet Union in meeting the “human needs” of its poorest citizens. “The free enterprise system—our system—just doesn’t do it at all... But it can.”

Paul Engelmayer, “Developer of Festival Marketplaces Sets Up Foundation to Renovate InnerCity Homes,” 1983

A worldwide outbreak of “creeping socialism” after the Second World War was more than just the fevered imaginings of the most rabid anti-communist crusaders. The Soviet Union’s extension of power over Eastern Europe, the replacement of European empires in the Third World with socialist or left-friendly home rule, and the unexpected strength of labor and social democratic parties in Western Europe augured a future world more socialist than capitalist. Even within the United States many conservative Americans had watched uneasily as the federal government massively expanded, to their minds, its role in social policy during the New Deal. Domestic blacklisting, direct and covert military intervention, and the Marshall Plan are the most potent symbols of the American battle against the spread of world socialism. Not every response to the socialist challenge, however, was so blatant or violent.

For many Americans the superiority of democratic capitalism could best be demonstrated by developing the ability of the free enterprise system to deliver the good life to burgeoning urban populations. The notion that capitalism had the ability to compete in the realm of social improvement proved something of a novelty, but the concept of market solutions to public needs gained rapid favor among businessmen, politicians, and a large part of the American population uncomfortable with state solutions. A spirited competition in urban
policy ensued between socialism, both Soviet Communism and European social democracy, and powerful antisocialist “free enterprise” forces in the United States. In Europe and the Soviet Union, cities were rebuilt as part of diverse socialist plans to initiate a new era in human social relations. In the United States, aging industrial cities were rebuilt and reconceived to match the demands of progressive capitalism and the socialist challenge. The race between the diverse forms of socialism and the free enterprise system thus transformed urban civilization on a global scale.

The United States, most notably, could no longer turn a blind eye to the blighted state of its many cities. Since at least the late nineteenth century America’s urban affairs had been shocking to visitors. The contrast between the tenements and the Gold Coasts, the skyscrapers and the meatpacking districts, the lush suburbs and the grimy central cities could rarely be overlooked. The disordered although vibrant state of America’s cities had been a real but much less pressing issue when America was merely a leading industrial power in a world of capitalist nations; American cities seemed no less unappealing and unjust than those in any other country. The steady rise of communist and social democratic urban planning, however, cast America’s ramshackle cities in a darker shadow. According to retired American propagandist Alvin A. Snyder, by the 1960s, “The America portrayed abroad through TV shows, news broadcasts, and movies was violent and racist. Images of America’s ghettos dispelled those of the American people as generous and open-minded.”

In an era when socialist and social democratic nations were undergoing what appeared to be breathtaking improvements in urban affairs through housing programs, national health care, comprehensive planning, full employment policies, and planned new towns, the seeming failure of U.S. cities to keep pace bespoke something unnerving about the ability of capitalism, even with its abundant consumer society, to create a good society for all. An urban civilization like the United States had to demonstrate that it could create great cities on largely capitalist models; to fail to do so posed a threat not only to domestic tranquility but also to the expansion of American power and influence abroad.

As a leading voice of progressive business interests and great propagandist for American city rebuilding, James Rouse often spoke of the miserable state of American cities in a comparative context, gaining a great deal of rhetorical punch by asking his listeners to imagine the foreign, and particularly communist, response to America’s urban shame. In 1960 he enlightened a group of shopping center developers to the dangers of ignoring America’s urban crisis: “When Khrushchev came to Washington, it seemed particularly appropriate that the President should have shown him Washington in a helicopter. This is the way it looked the best. If he [the
President had taken him on the ground and through the middle ring that surrounded the Capitol district of Washington it would have been a squalid, dirty, filthy mess that we [the United States] would have been showing the head of the Communist nation.” This middle ring, growing larger after the war, undermined familiar, and more upbeat, images of American affluence projected around the world. Rouse explained in the same speech that others shared his embarrassment: “I made this statement once in a talk in Washington and a fellow came up to me afterwards and said, ‘You know, I work in the Pan American Union. . . . I have to keep them [important foreign visitors] away from the center of American cities in order to have them understand America. There’s no way that I can adequately explain how a nation with this enormous capacity can allow these conditions of deterioration to exist, where its people live.’”

Improvements in the backward state of American cities over the decades came slowly. After a visit to the Soviet Union in 1985 where he encountered what he considered to be unimpressive housing projects, Rouse still admitted, “I don’t believe there could be a South Bronx in Russia, nor a Harlem, nor the slums of most American cities. How could it be that a Communist tyranny could provide so well for its potentially poor but that our vigorous, productive, free enterprise system could provide so badly?” No one could deny American affluence, but as evident to sensitive observers like Rouse was the degree to which this abundance did not reach to the lower levels of American urban society.

These concerns could, on occasion, be echoed at the highest political levels. President Harry Truman, during his hard fight for reelection in 1948, asked a crowd of supporters in Wisconsin to consider the public relations danger posed by American slums: “How can we expect to sell democracy to Europe until we prove that within the democratic system we can provide decent homes for our people?” Adlai Stevenson, the leading voice of 1950s liberalism and ambassador to the United Nations under Presidents John F. Kennedy and Lyndon B. Johnson, lamented to urban leaders in 1959 that “In distant places, I have, like you, often thought that in spite of our standard of living, in spite of amenities that exceed the grasp, even the imagination of most people, we in America have still fallen far short of even arresting the spread of blight and decay in our cities.” This urban disorder, a black spot on America’s global image, damaged the nation’s ability to keep pace with the communists: “Like you I have often wondered how we can hope to solve the problems of maintaining our alliances, of meeting the communist economic offensive, of extending a helping hand to the peoples now searching for national identity and independence, of standing firm against aggression anywhere, if we can’t mobilize our domestic resources to meet the needs of day-to-day work and living.”
A modern reader, familiar with the demise of the Soviet empire, will likely attach little significance to the concerns of Rouse, Truman, or Stevenson. What we now know about the actual realities of life in the Soviet Union should not, however, allow us to forget that before the 1980s, and particularly after Stalin died in 1953, the USSR looked impressive and had made actual progress in addressing urban problems through national health care, massive housing projects, universal education, and national employment schemes, even though resources committed to urban improvements likely exceeded reasonable expenditures for a comparatively poor country such as the USSR. The positive appearance of Soviet urban progress over the decades was greatly enhanced by government censorship of its national media. Although American failings in civil rights, and in eliminating urban blight and poverty were well publicized both in the United States and other nations, the Soviet Union projected a utopian image of its urban affairs.

The Soviet Union’s growing reputation for urban progress allowed people around the world, particularly many left-sympathetic political leaders, to overlook the Soviet’s stolid and unimaginative centralized planning, harsh repression of dissent, and the absence of a vibrant private sector. Our lack of memory should not distort the facts of the past—communism, in the minds of many influential Americans, appeared to be outpacing the United States in creating an appealing (if to their minds entirely illusory) version of the good life. In the race to convert countries around the globe, the United States had to demonstrate, particularly within its own borders, that its economic and political system could deliver the good life to urban majorities.

Although allied militarily to Canada, Great Britain, and numerous Western and Northern European nations, no less threatening to conservatives in the United States were social democratic governments in these countries that combined extensive social welfare with private enterprise and democratic practices. American conservatives frequently called social democracy “creeping socialism,” and they disliked the massive public housing programs, national insurance, family allowances, and nationalization efforts that they saw as a first step toward a totalitarian communist system. Henry Hazlitt, a famous free-market advocate and frequent contributor to Newsweek, made the connection between the diverse forms of world socialism in 1951: “Russia is the ghastly symbol of what happens to human liberty when Socialism becomes complete, instead of merely partial as in England, France, or Sweden.” To men like Hazlitt, democratic socialism was just as great a threat as Soviet Communism; the two systems were distinct only in the degree of adherence to socialist principles.
For many conservatives, the legacy of the New Deal posed as serious an internal threat as socialism abroad. Postwar urban policy would not continue the expansion of the New Deal welfare state (as embodied, for instance, in Truman’s Fair Deal), much loathed by many businessmen and considered to be a part of the worldwide spread of socialism. Local business elites across America despised the New Deal because it had, in their minds, massively expanded the role of government in everything from social welfare to regional planning. Conservative forces greatly exaggerated the radical aspects of the New Deal, but it is true that the American response to the Depression had been impressive and had even made the United States a world leader in social welfare. The patchwork Depression era programs had given the United States, according to political scientist Edwin Amenta, the lead position in the percentage of the Gross Domestic Product devoted to social spending; nearly 30 percent of national government spending flowed to social programs. Indeed, “on the eve of the Second World War the United States pledged more of its national product to security in this larger sense than any major industrial nation.” Wartime mobilization massively increased the power of the federal government in areas such as industrial production, transportation, and employment. Truman’s Fair Deal also envisioned a significant expansion of the welfare state. The hasty retreat from this increasingly state-oriented system in the late 1940s and 1950s, engineered by conservative forces both political and financial, and well-documented elsewhere, was just as notable.

The socialist and New Deal challenge was answered in this country not only with the repudiation of the national activist state at the federal level, but also with the greatest flurry of idealistic planning, propaganda, and reconstruction ever undertaken in American cities. Although much has been written on the content and course of urban renewal, the growth of world socialism, I believe, partly answers the question of why urban renewal, and other forms of business-led planning from the 1940s to the 1990s, suddenly became so popular and powerful. Many of the projects promoted by progressive businessmen in this period, including reconstruction of whole city centers, housing code creation and enforcement, and planned new towns, had generated in an earlier time and place alternating bouts of fierce opposition and apathy from other businessmen and property owners. But in the postwar period these efforts suddenly found solid backing from even conservative political and business interests. Why the sudden change?

The identification of reform with business interests partially allowed this shift to more aggressive programs, but just as important in buttressing these new policies were far more radical social policies brewing in Europe. A worldwide socialist constellation providing varying degrees of centralized planning, universal health care, housing, and full employment to its citizens,
and the legacy of growing state intervention of the New and Fair Deal, foreclosed certain radical policy options but simultaneously, and almost imperceptibly, expanded the acceptable boundaries of urban policy in the United States.

A probusiness vision offering a series of business-friendly solutions to America’s urban crisis, devised by businessmen like James Rouse, entirely filled the space created by the growing scale and scope of international urban policy. Business ideology, with its emphasis on cutthroat management, profit creation, self-help, and low taxation, gained remarkable strength exclusively in the United States as the best approach to a variety of long-standing and complex urban problems. Business leaders acknowledged that in proportion to American wealth, American city centers appeared particularly unimpressive. They did not, however, share the European belief that massive national resources would necessarily help urban conditions. Businessmen, or at least the most idealistic among them, like Rouse, sought a perfectly managed version of capitalism that could, with only a delicate amount of government money, create a uniformly impressive urban civilization.

A variety of different groups allied with conservative political forces thus not only successfully beat back social spending, but also mounted national public relations campaigns to promote business leadership as the solution to both economic and social problems in American cities. These businessmen did accept federal and local dollars, but only to the degree that this money supported local projects they had generated. Direct social spending or governmental leadership remained more suspect. William Zeckendorf, for instance, the dynamic head of a New York development company, wrote regularly on urban affairs for the *Atlantic Monthly* during the 1940s and 1950s. Although he called for strenuous incorporation of areas surrounding inner cities, expansion of local government powers of condemnation, and the use of condemnation to replace inner-city slums with office towers, he prized private enterprise as the most important force in making redevelopment work: “To have private capital develop or redevelop the urban areas is vital and essential. I do not believe a bureaucratic, city-wide, state-wide or national planning or executive commission could possibly accomplish the actual work.” He lauded “the hard, cold analysis that venture capital will give everything that it goes into. Success of individual enterprise is the only true test.”

Yet James Rouse—more than Zeckendorf, Paul Mellon, Donald Trump, John Portman, or any other single urban business figure in the second half of the twentieth century—shifted this battle for private sector leadership to American cities. An opponent of “big” government programs, Rouse found ways throughout his long career to make the point that the private sector—including both corporations and nonprofit organizations—should
take the lead role in reform of the urban order. He was a master builder not only of unique places but an appealing cultural and intellectual vision of private sector leadership for urban America. As Newsweek noted in his obituary in 1996, “he became one of the most influential (and most imitated) social engineers of his time.” In 1995, a year before his death, President Bill Clinton awarded Rouse the Presidential Medal of Freedom; Rouse deserved this great honor because his direct impact on cities and urban ideals spanned both decades and national borders.

Rouse may be best remembered for his festival marketplaces, but for decades he was the leading propagandist for a business program of urban reform. He was not only an eloquent speaker and savvy marketer, but also a living, breathing embodiment of the promise of the American free enterprise system. Born in 1914 to an established family on Maryland’s Eastern Shore, he lost both parents at age sixteen and subsequently supported himself through law school in Baltimore by working as a parking lot attendant for sixteen hours a day. With a friend, Hunter Moss, he created a profitable mortgage business in Baltimore in 1939 that during the 1940s and 1950s made money by arranging commercial and residential properties; by 1953, his company was Maryland’s largest mortgage broker. During the 1950s he gained fame as a pioneer of some of the first enclosed shopping malls. The Rouse Company (based in Columbia, Maryland, the new town he founded in 1963), which grew from his many efforts, remains one of America’s leading land development and management companies. He became a wealthy businessman but never seemed to lose the common touch; he sported worn, mismatched suits and lived modestly in a small suburban house.

Another major ingredient of Rouse’s national success derived from his pragmatic political outlook that allowed him to work with both liberal and conservative politicians. Private sector idealism on urban issues and modest government expenditures on social programs proved equally appealing to both leading American political parties. While Rouse strongly supported moderate conservative candidates at the national level, such as Wendell Wilkie, Dwight D. Eisenhower, and Senator Charles “Mac” Mathias, politicians skeptical of both social programs and foreign military adventures, he associated with a wide range of national politicians at different moments, including Lyndon Johnson, Richard Nixon, Jimmy Carter, Ronald Reagan, George Bush Sr., and Bill Clinton. Strategic alliances throughout his career allowed him to cross party lines and pursue his urban agenda.

Finally, and of no less importance, Rouse remained throughout his life a liberal Christian who often sounded more like an adherent of the Social Gospel than a builder of shopping malls and suburban planned communities. His belief in the utility of Christian beliefs in social reform understandably attracted quite a bit of attention from national politicians. This winning
combination of self-improvement, moderate conservatism admixed with pragmatism, and Christian beliefs made him a formidable presence on the national scene. His affable smile, lively sense of humor, and upbeat proclamations sealed his fame and popularity.

Delivering hundreds of speeches before business groups, major conventions, mayors, planners, architects, and others throughout his life, he repeated key elements of his program to near universal acclaim. He believed, in sum, that there was hope for the capitalist city and that the ideal city could be realized by partnerships between enlightened business interests and local governments. Businessmen were hungry for this optimistic propaganda from one of their own and rewarded him with money and national media attention.

Rouse’s upbeat message was integrated into the philosophies of the different organizations he helped to create, including ACTION (American Council to Improve Our Neighborhoods), The Rouse Company, the American City Corporation, and the Enterprise Foundation. These organizations held conferences, created publications, planned whole cities, and created built environments as demonstrations of the diverse potential of private enterprise—some of the most effective cultural and intellectual propaganda ever conceived, and more than a match for Rouse’s socialist and communist rivals.

The built projects, and most of Rouse’s social vision, did not originate with his own creative process. From an existing tradition of urban social reform he borrowed housing code reform, neighborhood unit planning, and regional planning concepts. Rouse possessed a great talent for adapting high culture and often left-wing ideals for private sector application. In the built environment, the same adaptation of high culture on a sound business basis held true. Rouse found the money to bankroll architects and planners willing to adapt “high urbanism” for profit and the businessman’s utopia. The urban renewal projects in which he was involved came indirectly from the folios of Le Corbusier, Walter Gropius, and Mies van der Rohe, his new towns were strongly influenced by Northern European models of new town and garden city development, his malls took cues from Milan’s Galleria and Paris’s Arcades, and his festival marketplaces capitalized on the growing, and primarily elite, passion for historic preservation. Rouse was not a truly original thinker, but he became a patron with the ability to find designers such as Victor Gruen, David Wallace, Morton Hoppenfeld, Pietro Belluschi, Benjamin Thompson, and Frank Gehry, willing and eager to adapt culturally sophisticated projects for a mass audience.

What Rouse lacked in originality he more than made up in unorthodox application. He overlaid sophisticated management concepts, borrowed from the American corporation, on innovative social planning and mod-
ernist designs. Neighborhood improvement projects in which he was involved called for streamlining of city departments, housing code enforcement, and affordable housing construction along a business model. New modernist designs for downtown were paired to private redevelopment corporations; suburban pedestrian malls were strictly managed by private businesses and lacked public services; renovated public markets became models of corporate management; and new towns ran smoothly under the direction of a corporation and a private community association. The forms were often avant-garde, but the businessman was in the saddle.

What Was the Businessman’s Utopia?

The businessman’s utopia was an elastic cultural and intellectual framework, encompassing both actual places and ideas about the city, that held together the many disparate projects Rouse promoted. Where some had pinned all of their hopes on one type of project or a particular brand of design, Rouse created a constellation of new urban forms and ideas that came, through his efforts and those of like-minded supporters, to define the postwar landscape. Most observers have seen the utopian tone only at Columbia, Maryland, his new town—a direct and clear descendent of the garden city tradition. This focus on Columbia as Rouse’s sole utopia is a common error. Rouse could be found on the road in the 1950s, for instance, advocating the creation of “slumless” cities and towns through urban renewal and housing code enforcement. He offered his malls as ideal public spaces on the new suburban fringe. His festival marketplaces were self-conscious attempts to restore human connections and small-scale capitalism in the modern metropolis. The Enterprise Foundation promised to eliminate all blighted housing and create a private sector social welfare system in American cities during the 1980s and 1990s.

This composite utopian vision, although rooted in the operation of the free market and local government, proved to be remarkably close in goals to the utopian vision pursued in the Soviet Union and social democratic Europe. His counterparts in Europe and the USSR primarily engaged public powers to create an impressive urban lifestyle. Family allowances, national health care systems, macroeconomic policies designed to maintain full employment, and massive public housing and new town projects affected rural areas, too, but more dramatically revolutionized life for urban populations across Europe and the Soviet Union.

Rouse put little store in such government-led utopianism and created a unique and ideologically cohesive formula for his competing vision. His belief that in the United States uniformly healthy and beautiful cities could
be created through minimal federal government interference (except for limited financial support), local governmental participation, high standards of design, and maximum private sector leadership—what has come to be called the “private/public partnership”—allowed him to advocate comparatively radical notions, in the American context, such as massive condemnation downtown, slumless cities, and planned new towns, without appearing to be a dangerous leftist.

There is a delicious irony to this ideological flip. Compared to communist and social democratic methods, Rouse was conservative, but advocacy of the “private-public” partnership in another age had once appeared as a challenge to the status quo. Late-nineteenth- and early-twentieth-century reformers such as Daniel Burnham faced much more resistance to these partnerships, and their more ambitious plans sank in the sea of laissez-faire ideology. American planners failed to gain the massive condemnation of urban real estate that made possible ambitious schemes by Baron Georges Eugène Haussmann and other city planners in Europe: “In the contest between property rights and planning, the odds were loaded differently in the United States than Paris. The city that had been mortgaged to private land investments was not, in practice, easily remade as a symbol of civic unity.”

The battle against creeping socialism, as discussed above, put condemnation of urban property, and other extensions of municipal power, in a new context. Rouse, and many others during the 1950s and 1960s, could advocate significant changes in cities in part because “radical” in the urban context had shifted in other countries (and during the New Deal) to the left. Rouse may have been calling for a dramatic change in business practices, massive condemnation, and expansion of local governmental powers, but he was never advocating the creation of a welfare state, centralized planning, or collectivization.

The reliance on local government proved central in Rouse’s seemingly contradictory advocacy of activist government; local government could be trusted to avoid the radical activities of federal actors, because local government was so closely tuned to business elites. Rouse argued in front of business groups many times that “it’s conservative to give power to local government. It’s the way to solve problems that makes it unnecessary for the federal government to intervene. We can control local government.”

The businessman’s utopia had to be built out of reach of liberal national politicians bent on sweeping redistribution of wealth or centralized planning.

The places businessmen built interlocked nicely with changing expectations of public space and city services after the war. The businessman’s utopia was characterized by greater attention to systems of urban management. The old models of urban life had not worked particularly well to create an attractive environment. In certain respects, many practices seemed
decidedly opposed to creating the city beautiful or efficient. Business development and social policy had to be entirely reconceived. In the era of The Organization Man and new suburbs, cities as a whole had to be reinvented. Although the traditional downtown was losing its allure before World War II, the search for a safe, clean, well-managed, and auto-friendly city that had started in the 1920s took on new urgency. The cult of the new, of science, and of high technology made older downtowns, declining slums, and even old main streets appear as tired relics concealing a dangerous, seamy underside. The disorganized webs of ownership and management threatened imminent collapse or growing disorder in both old cities and new suburbs. The individual pieces of Rouse's utopia matched ambitious new expectations of street life in this era at his shopping malls, urban renewal projects, new town of Columbia, the festival marketplaces, and the Enterprise Foundation's community redevelopment projects. These projects ideally replaced decentralized, chaotic management with perfectly tuned, well-designed spaces that concealed any rough edges. According to Rouse, even blighted neighborhoods could be transformed into smoothly regulated places without dispossessing slum landlords.

The reinvented places James Rouse was promoting ran smoothly and gleamed in the sunlight of a new middle-class America: “We, as a people, have demonstrated throughout the country how we want to live, to work and to shop,” Rouse proclaimed. “Fresh, green, open residential communities overwhelm the countryside outside the cities along with neat, attractive industrial plants with lawns and gardens and new office buildings in campus-like settings.” He was convinced that Americans had to “make the central city fit for modern living, working, [and] shopping” by essentially duplicating these conditions in the city center as best as possible. This would mean major and painful reconstructive surgery for America’s central cities, but the process would potentially yield great benefits. The web of the businessman's utopia promised, and partly achieved, a new era in urban life for the nation.

Rouse’s face graced national magazine covers, his projects received flattering attention in magazines and on television, and he gave hundreds of speeches to the most influential people in the country from the 1950s to the 1990s. This rhetoric, paired to appealing projects, had a cumulative effect. His outlook influenced the work of numerous politicians, planners, and the general public. Rouse was at the leading edge of the triumph of privatization, particularly on urban issues, that helped steer America away from the creation of a comprehensive urban social welfare state after the New Deal by offering a compelling alternative to leftist planning and progress. Rouse’s genuinely friendly demeanor, his belief in the beneficial power of private enterprise in urban affairs, and his demonstrated success in creating
unconventional projects made him the ideal spokesperson for conservative forces determined to show the superiority of the free enterprise model in urban public policy without appearing coldhearted.

Up until now, Rouse has been largely overlooked in scholarly research, because his efforts do not fit into the familiar framework of urban policy history, with its emphasis on government policy and lobbying by national associations; individuals like Rouse fade into the background of bureaucratic histories. Nor does recent urban history devote much attention to the effects of serious ideas translated through popular culture, an arena in which Rouse proved particularly able. Rouse may not have been personally responsible for all of modern urban policy, but the appealing cultural and intellectual style he pioneered helped sell private sector public policy to the general public. Finally, because Rouse was an honest businessman, a philanthropist of note, and a truly decent human being, he has not attracted any critical or serious work up until this time (as compared to notorious figures such as Robert Moses and Richard J. Daley). That Rouse has been heretofore ignored in scholarly literature does not in any way diminish his importance. Nor should the fact that he had good intentions allow him to forever elude critical analysis.

To fully understand his national influence, one need only imagine for a moment postwar urbanism without his presence and projects. Like few others, he responded over the decades to the statist challenge, stringing together a grand series of idealistic and experimental private sector projects. For every challenge from the socialist and social democratic worlds, and domestic New Deal, Fair Deal, and Great Society programs, there emerged projects and propaganda that claimed an equal standing and effectiveness for the free enterprise system. That many of these projects failed to gain their lofty aims, even according to Rouse, should not lead us into the error of believing that they had no effect or that Rouse was a failure. The power of his creativity can be read in the mammoth amount of attention paid to these projects by politicians, the general public, and the media over so many decades. Each of the chapters of Merchant of Illusion frames an urban challenge Rouse hoped to address, summarizes the effects of the different projects he initiated, and considers the role that these projects played in constructing a compelling national private sector urban ideology.

As the different chapters demonstrate, Rouse deserved much of the positive press showered upon him. In many cases Rouse and those around him commissioned better planning than the communists and social democrats who had staked their entire reputations on superb planning. Columbia is more attractive and livable than many socialist new towns (if also more elite); modernist urban renewal in cities was occasionally more impressive and lively than much urban reconstruction in Europe (if more narrowly
focused on business interests); the festival marketplaces helped many suburban Americans rediscover the pleasures of downtown; and even the affordable housing projects of the non-profit Enterprise Foundation seemed like a plausible and successful response to problems of the inner city and low-cost housing (if limited in extent). In the end, the businessman’s utopia hastened the fall of the Soviet Union; images of America’s consumer society played a role in Soviet discontent—and those images were primarily urban. Through the efforts of Rouse and others, from the 1950s to the 1990s, the image and appearance of American cities was partly remade to fit this image of an abundant and uniformly wealthy society.

In retrospect, however, the businessman’s utopia proved to be equal parts of reality and ideology. The stubborn persistence abroad of America’s unenviable reputation for slums and urban violence during the Cold War and after can in part be accounted to this partial success. The innovation and transformation in American urban affairs in the postwar period, and that sense of optimism for which Rouse is rightly famous, did give businessmen and politicians much to hold up to the world. Industrial nightmares like Baltimore were not terribly impressive in the 1940s and 1950s. Baltimore, Pittsburgh, Boston, or Chicago as reconceived during this era, with delightful waterfronts, green suburbs, massive highways, shiny office buildings, and slick shopping malls, looked very good. The businessman’s utopia, however, concealed flaws, and suffering—massive slums, unmatched violence, widespread homelessness, and environmental destruction—continued on a grand scale, even as private sector urbanism won in the battle for the hearts and minds of citizens around the globe.

**Future Prospects**

Rouse and his generation set the tone for a distinct type of urban policy in the postwar period, and in many cases we are better off for their efforts. This legacy, however, strategically limited the boundaries of American urban policy within the context of antistatism and probusiness ideologies. *Merchant of Illusion* offers, I hope, a rising generation some breathing space to reconsider the private sector approach to urban issues. Could we strike a better balance between private and public action in cities and metropolitan areas without turning to discredited socialist policies? Perhaps. As anyone who reads this book will learn, even Rouse often envisaged a far more capacious role for public forces, particularly after his more idealistic projects faltered in practice.

Those of us who have grown up in the postwar era have forgotten that business leaders like Rouse created the modern city to fit their personal vision of an ideal city. This vision was profoundly shaped by a worldwide struggle
against socialist movements that undermined state action of many kinds. Now that communism, and even much of social democracy, has retreated around the world, it is time to consider the role of the state “after ideology.” Broad-ranging public sector leadership, offering creative and nondoctrinaire approaches to existing problems, needs to balance private sector initiatives.

The reluctance of intellectuals and public leaders to question business leadership and to propose an alternative vision has had serious results, beyond the low esteem in which public service is held in this country. Businesses can provide many wonderful goods and services, but an urbanized society has needs and expectations—in affordable housing, education, environmental conservation, mass transit, welfare, recreation, child care, and health care—that will rarely be placed on a sound for-profit basis. The notion that profit should guide public policy, that non-profit organizations have the resources to address urban problems on a large scale, or that we need more “miracle workers” from the private sector, has been inflated far beyond its usefulness, particularly in urban affairs.

In tandem with his network of conservative (and sometimes liberal) allies, Rouse labored successfully to make private sector ideals appear to be the most logical answers to urban needs and essential to urban health. Alternatives fell by the wayside not because they had no merit at all, but because private sector advocates proved to be such gifted promoters of the businessman’s utopia. Magnificent propaganda—spoken, textual, visual, and built—crowded out other visions. There may have been nothing inherently logical about these goals and efforts, but to reject them became impossible. The notion that businesspeople understand the wider needs of modern society is rarely questioned as closely as it should be. Even failure by Rouse and others was defined not as their failure, but reflective of an urban crisis so complex that both private and governmental interests could have little effect. This vision, so carefully created, merits deconstruction.
CHAPTER 1

Diverging Paths to Urban Social Welfare

It is curious that we Americans, people of good-will, should continue to let our actions deny our ideals. Why are we fighting this war? Are we eager to rescue the people of other countries from intolerance and persecution but entirely willing to disregard what is happening to millions on our own soil?

Dorothy Baruch, “Sleep Comes Hard”

While we are genuinely concerned about the threat of communism, and are spending billions abroad to enable other countries to earn a standard of living which will make them prefer it to the false promises of communism, let us not overlook a weakness in our own nation.

Representative Thomas Lane,
“Americans Demand Low Rent, Public Housing—Action!”

Cities became ideological weapons when the Second World War ended. Politicians in the USSR and Western Europe devoted considerable national resources to urban rebuilding for more than humanitarian reasons; they aimed to create, in record time, convincing urban demonstrations of socialist ideology. Leftists across Europe were determined to show that their growing global power could correct the defects of capitalist cities they had catalogued and criticized since the nineteenth century. Even the Soviets, who had a head start on Western Europe, indulged in an unparalleled era of city reconstruction.

The dominance of the public sector generated by these ambitious goals undercut economic efficiency and often stymied creativity and personal liberty in many countries, but from the 1940s to the 1970s, when Rouse was moving into a position of influence and power, such a clear, if frequently overstated, connection between state power and national malaise remained purely theoretical. To many people around the world, particularly those who had lived through the darkest days of the Depression, the violent swings of the capitalist system and horrors of the capitalist city seemed a far more frightening prospect than state bureaucracy. Businessmen faced
an uphill battle when it came to demonstrating their ability to create an attractive urban society.

It is easy to forget that the United States, Western Europe, and the Soviet Union all achieved unparalleled growth after World War II even though they diverged in urban social policy. Massive social spending in Western Europe and the Soviet Bloc helped rebuild broken economies and created new city centers and suburbs that, for a time, solely seemed to reflect the benefits of social democratic and communist ideals. In Europe and the Soviet Union, government spending created a more uniform but also less affluent society; social redistribution eliminated the more jarring contrasts between the poor and rich (and the Soviets eliminated personal wealth entirely). The problems that would plague this urban ambition failed to be identified fully until the 1980s; by that time, however, most of these societies had been dramatically reshaped through substantial application of national resources.

Private enterprise advocates in the United States restricted the development of a social welfare state but nevertheless created a booming consumer economy for a growing suburban middle class that in time posed its own significant ideological challenge to social democracy and communism. Although the United States government played a major role in bankrolling postwar metropolitan prosperity, antistatist ideology overrode social welfare and led to the dominance of private sector–led policy, for both better and worse, in the United States.

American urban policy helped rebuild commercial downtowns and created affordable and spacious new suburbs, but it also encouraged a two-tiered urban system of prosperous suburbs and slum neighborhoods of shocking contrasts. Very few national resources flowed to the poor neighborhoods of cities, and it showed; some federal programs restricted the flow of private capital to urban neighborhoods, others paid for highway and urban renewal programs that further destabilized poor neighborhoods. Rouse contributed to the creation of this antistatist system and benefited from government policy as a mortgage banker, advocate of urban renewal, and mall developer, while over the decades developing a parallel set of private sector solutions that he thought could make up for the glaring deficiencies in the American approach to urban affairs.

Ideal Housing and New Towns for Old Cities

Frank Fisher, a New York economist writing in a 1945 issue of The Nation, held up Europe’s rapid plans for rebuilding as a model to be imitated in the United States: “The Germans had hardly been driven from Russian soil before the rebuilding of Stalingrad and other devastated areas was under-
taken. In England, at the height of buzz-bomb blitz, Parliament found time for an extensive debate on the question of compensation for land to be taken over for reconstruction purposes. The smaller countries, too, are perfecting their plans." Even more notable than reconstruction was that this activity was "designed to provide [Europe’s] inhabitants with few gadgets but all the necessities for healthful life which good planning can produce." Indeed, all of Europe committed itself to a frenzy of construction and planning designed to create an ideal society.1

The Soviets, in particular, made the most of their heroic urban efforts. Soviet Life, the propaganda magazine distributed in the United States by the communists during the Cold War, reported the shocking facts of wartime destruction in 1959 that made their postwar achievement even more impressive: "The Nazi armies destroyed, either totally or partially, 1,710 cities and towns and more than 70 thousand villages. Twenty-five million people were left homeless." Destruction, however, meant the possibility that new types of cities could rise from the ashes, cities that better reflected utopian communist aspirations: "Minsk, Kiev, Stalingrad and many other large cities had literally to be rebuilt from ruins. They have all been restored now with wide and spacious avenues, parks and modern apartment buildings."2 For decades, communists had matched utopian architectural and planning visions to their political efforts; now utopia seemed close to realization.

Soviet propaganda made a habit of overstating progress, but these rebuilding cities looked much improved from a distance. The country may have faced severe housing shortages and cramped conditions even before WWII, but it was during the postwar period (and the late 1950s, in particular under Khrushchev) when the Soviets seemed to have found solutions to problems that had bedeviled modern cities for centuries. Whole districts were rebuilt and new ones created on the principles of modern planning, including separation of industry and housing, high-rise housing amid planned park areas, and new highways and subways.

In Soviet Life and at exhibitions in Brussels, the New York Coliseum, and Montreal, among others, the communists put on an impressive show of their urban progress. At New York in 1958 they boasted, "Foreign tourists to the Soviet Union invariably comment on the enormous amount of construction going on." Massive construction changed the entire mode of urban life, offering a progressive contrast to the capitalist city suitable for framing: "The Exhibit will show in graphic form the vast improvements in living conditions, the new apartment buildings designed for comfort, air, light and convenience . . . the well-planned residential garden districts that are becoming a familiar feature of Soviet urban living."3

Another article in Soviet Life from the period explained the ambitions of the communists when it came to housing: "New housing for 75 million
people, almost a third of the population of the Soviet Union—that is the staggering goal projected by the seven-year plan for 1959–1965. The target figure calls for the construction of fifteen million apartments in urban communities and seven million cottages in rural areas.”

As this quotation indicates, cities overwhelmingly reaped the rewards of this national effort.

To a great degree Soviet Life and the exhibitions of Soviet housing represented more than idle boasts. The communist government indeed committed itself to rehousing its population, and construction became highly mechanized, plans repetitive, and many of the apartment buildings partly prefabricated in order to speed delivery to a mass audience. The Soviets built fast, if not well: “The massive housing construction program launched by Nikita Khrushchev during the late 1950s succeeded in turning over nearly 70 million apartments to just under 300 million Soviet citizens by the late 1980s.”

Average living space doubled between 1956 and 1989, and 90 percent of urban residences had running water, central heating, and indoor plumbing by the 1980s.

Compared to middle-class American standards of living, the new apartments were primitive and cramped; only compared to pre–WWII conditions (and American slums) did they represent a great leap forward. Long-term maintenance problems have made life difficult in many of these
complexes; Soviet cities were “surrounded by massive apartment blocks clustered in bleak mega-districts.” Soviet planners took a particular interest in the modernist Superblock, with “towers in the park,” that looked good on paper and could be easily duplicated. The lack of private sector construction (that might have created a higher standard for those with better salaries) made these apartments and achievements less impressive in the long term.

These negative long-term results of government housing programs would become more obvious later, but during most of the Cold War the Soviet housing program gleamed from distant shores. Soviet approaches to planning were widely adopted in Eastern Europe, leading to a great many planned districts of similar design in East Germany, Poland, Hungary, and a number of countries behind the Iron Curtain.

The communist nations, however, were not alone in their ambition to create urban embodiments of leftist ideology. Britain’s labor government pursued social democratic policies; one of the most ambitious and famous new town programs emerged amid this spirit of reform. Although the garden city concept had been born in Britain, and the country housed two leading examples of the new town ideal created by private interests—Letchworth (1902) and Welwyn (1920)—a number of government committees had promoted new towns to little effect during the 1920s and 1930s. It was only during the Second World War that the new town concept became national policy. Lord (John) Reith led a newly created Ministry of Town and Country Planning (created in 1943) with an eye to population decentralization in the future. Spurred in part by fears of social disorder created by returning servicemen without housing, Reith and others successfully gained the New Towns Act of 1946, an ambitious large-scale new town program. Many quite similar towns flowed from this legislation, as all shared the aim of balancing industry and residence and featured modern styles of housing, highways, mass transit connections, extensive open space, and pedestrian-oriented town centers with both commercial and civic functions (that looked superficially a great deal like American shopping centers). Between 1946 and 1950 the government started fourteen towns, and by 1971 there were twenty-nine under development with total projected populations of between three and four million by the 1990s. According to reputable figures, these new towns absorbed “12 percent of national population increase between 1951 and 1970.”

The individual new towns had some unique features, and planning practices changed over time, but all of the towns were strongly controlled by national government authorities. The British secretary of state designated the areas for new towns, consulted with local officials, created development corporations, approved master plans, attained long-term loans, and used compulsory purchase to grab large areas. “New towns in Britain are the creation
of central government. It is the Government which decides when, where and for what purpose a new town is to be built; and having done so sees the job through. The new towns combined social idealism (residents of different classes rented at both market and subsidized rents) with environmental, industrial, and commercial planning. Although Labor initiated these projects, Conservative governments continued these new town policies during the 1950s and 1960s, substituting more private housing for public housing in each town.

Perhaps even more important than new towns was the continuing commitment of British politicians to building public housing around major cities and clearing out slum legacies of the industrial revolution. Beginning in the 1920s, housing authorities throughout Britain created a great many “council estates” of public housing. Nearly two million houses were built in these estates before World War II, and another four million units were added after the war. A wide variety of architectural and planning styles can be found in these estates, including historically inspired terrace housing and steely modernist high-rises. The postwar building boom in public housing, and an emphasis on maximizing numbers through prefabrication and high-rise development, ultimately undercut political support for the program by the 1970s. As in the Soviet Union, some of these estates have deteriorated, many towers have been demolished, other estates have been renovated and rebuilt, and a surprising amount of the housing in the more popular estates has been entirely privatized and sold to residents. During the era of public housing construction, private sector housing continued to be constructed for more affluent sections of the British population.

Northern European housing and new town programs became even more famous than those in Britain. Stockholm “in the late 1950s and early 1960s . . . became known worldwide as the quintessence of a social philosophy, realized on the ground. Its apartment towers, grouped around its new subway stations and shopping centers, impeccably designed and landscaped, became an object of pilgrimage for informed visitors from all over the world.” The nonprofit and public sector dominated Sweden’s “housing industrial complex” with nonprofit housing corporations and cooperatives taking up 20 percent and public housing another 45 percent of all urban construction. Although criticized for poor construction and the small size of apartments, the Swedish government created 650,000 units nationally during 1956–1965 and over a million units from 1965–1974. These were significant numbers for such a small country and alone dwarf American efforts in state-sponsored housing. As in Britain, during the last two decades Sweden’s private sector housing industry has grown in popularity as some of the public housing projects have declined. Public housing remains important but is no longer the focus of the society as a whole.
Sweden and the rest of Northern Europe also gained notice during this time for progressive urban planning. A series of new towns in Sweden combining industry, culture, and residence with abundant natural areas drew worldwide attention. Vallingby and Farsta were the most famous, and Rouse made visits to both during the 1960s.10

Other European countries such as Finland, France, Germany, and Holland also committed to impressive public building programs, and many built extensive new towns. Tapiola, Finland, a modern but comfortable planned community, constructed by a group of trade unions during the 1950s,
became a particularly fashionable stop for planners in the period. Attractive clusters of multifamily housing, high-rises, thick plantings, and water features made Tapiola the poster child of new town design (and clearly influenced Rouse's Columbia project).

Social democrats and communists around the world in the postwar period seemed, at first, to be achieving the long held but never realized ambitions of socialist, utopian thinkers. The Soviet Union and Europe were quickly beginning to “look” socialist on a massive urban scale. There were, of course, major differences between Soviet Communism and the social democratic or “sewer socialism” complemented by private sector activity pursued in much of Western Europe, but these differences were lost on conservatives in the United States fighting state activism of any kind. In the long term European and Soviet efforts revealed serious flaws, but during the era of the Cold War leftist cities luxuriated in national resources with a political purpose.

The United States government refused to decline a role in urban housing but took a distinct path from Europe that took longer to coalesce into a distinct vision. The specter of Britain’s new town and public housing programs, in particular, frightened conservative interests who lumped all new towns and social democratic planning with communism as represented in the Soviet Union. That the British, close cousins of Americans, should pursue social democratic policies with such fervor merely illustrated once again the pernicious seductiveness of worldwide communist ideals.
Distinctions between versions of socialism rarely emerged, even though British new towns, for instance, included private homes one would never find in Soviet-planned towns. These major differences meant little to American conservatives.

In 1946 Henry Luce’s *Time* portrayed British Labor politicians as radical socialists bent on undermining Anglo-Saxon freedoms. The minister of Town and Country Planning, Lewis Silkin, called “Socialist Silkin” by *Time*, “smoothly explained” to residents of the little country town of Stevenage, designated as a new town site, that because London was “smothering in its own amorphous bulk,” their town, among others, would be ruthlessly urbanized. Local residents demanded, “Why pick on Stevenage?” and cursed him with terms such as “Gestapo.” *Time* also heralded a “Basic Revolution” in 1947 that in theory threatened free enterprise and private property in Britain: “Britain’s Labor government this week proposed a revolutionary act—in its implications the most sweeping act since the Soviet government’s decree of forced collectivization of the peasants (1929). It was the ‘Town and Country Planning Bill, 1947.’” These laws did in fact give tremendous powers over land regulation to government officials and planners so that they could carry out the new town projects. Although a truly foreign concept to the United States during this period, and even today, British planning was in no way equivalent to forced collectivization in the Soviet Union, where millions perished in concentration camps and the entire system of rural property was dramatically overthrown. The *Time* article even claimed: “planners had captured the Englishman’s castle.” These statements may have been dramatic, but they were not true; nevertheless, they aided the widespread goal of conflating social democracy with communism.

The United States, like Britain, faced a serious urban housing shortage both during and after the war. Demobilization, massive movement of rural people to urban areas during both the Depression and war years, and the growing baby boom contributed to the American housing crisis and exacerbated slum conditions. *The Nation* described poor workers living on the streets in 1945, sleeping “on benches, on floors, in washrooms; in alleys and on sidewalks.” Thousands had moved west for work, creating huge demand in cities such as Los Angeles, and wartime housing construction met only a small part of need, particularly for growing urban black populations: “children lived in windowless rooms, amid peeling plaster, rats, and the flies that gathered thick around food . . . ordinarily there was no bathtub . . . Sometimes as many as forty people shared one toilet.” Public housing units barely made a dent in a city like Los Angeles, and any private construction during the war years went to whites. Conditions were similar across the country, if not worse. Rouse himself acknowledged in 1945 that Baltimore was experiencing “an unbelievable shortage of housing in all price ranges.”
One might expect this kind of hand-wringing from liberals at *The Nation*, but *Fortune* repeatedly described similar conditions, including “the fuse-lages of unfinished bombers” that had been pressed into service as stop-gap housing.” Near San Antonio “tourist camps and motor courts are no longer accepting transients,” and in Norwood, Ohio, “within twenty-four hours after the arrest of a man who strangled his wife, police received five telephone calls from people who wanted his house.” Fortune magazine’s editors in 1947 worried that the housing shortage reflected a “failure by capitalism” that “will do more to undermine free institutions than ten thousand Union Square orators.”

Although the crisis was well documented in national media outlets, only in magazines like *The Nation* and the labor press would one find proposals for public housing or new towns. While *Life* magazine, for instance, “visualized the housing shortage . . . the only solution the magazine showed was the single-family house.” *Life*, and other mainstream magazines, “promoted a vision of the United States as a nation of middle-class homeowners.” The single-family home certainly was not a difficult sell to the American public and was well established as the most desirable style of housing, but other housing options struggled for any serious recognition.

The housing industry, notoriously disorganized, small-scale, and conservative, failed to respond quickly to demand. Some materials remained in short supply after the war, but many other builders used the crisis to jack up already high prices or continued to build comparatively expensive houses for those least in need. Local governments also ignored the housing crisis. Although many city governments stepped up planning efforts during the war and immediately after, housing code creation rather than public housing dominated the housing component of city plans.

In 1946 there had existed strong public American sentiment for federal action. According to a *Fortune* public opinion poll, “nearly half of those who were polled went so far as advocating government construction of homes on a large scale.” Most Americans may have desired single-family homes, but they obviously were not optimistic that private developers would deliver for the average or poor household. Such clear public support for government action paralleled the situation in Europe and reflects the lingering popularity of the New Deal, with its work projects, public housing, and social security systems. Americans wanted action, and a majority seemed ready to have the national government play a direct role in remedying the crisis. These sentiments represented a genuine threat to the free enterprise system; after all, the government, rather than businessmen, could have built single-family homes. The United States government might have become at that moment a leading force in housing construction, but under the direction of well-organized business interests diverged from the social democratic route.
During the 1940s and 1950s the federal government took a complex approach to the problem of housing that minimized national government direction and spending and laid the groundwork for the businessman’s utopia: initial centralized regulation of private builders, expansion of federal insurance of the private mortgage industry, private/public reconstruction of existing neighborhoods, and public housing on a small scale. Rouse left his mark on many of these approaches (and benefited extensively from government policies), as will be described in more detail later in this book, but it is worth summarizing the broad outlines of the American approach to housing that not only eluded the creation of a large social housing program, but also set the framework for idealist private sector urban efforts in which Rouse was involved.

In 1946 the federal government placed price controls on certain essential housing materials, set restrictions on commercial building, and provided subsidies to those promising prefabrication on a large scale. Although this process created a brief upswing in housing starts in 1946, it also led to unfinished houses, lack of significant progress on prefabrication, public anger, and business opposition to centralized policies. The National Housing Administrator, and the designated “housing expeditor,” Wilson Wyatt, “probably the last authentic New Dealer” in a top Washington job, resigned in frustration in 1947 as his program faltered. It should be noted that the programs Wyatt instituted relied almost entirely on federal direction rather than federal action or direct spending.

The federal government’s system of government insurance for long-term financing for home mortgages proved far more successful in meeting housing needs and gave far more leeway to private builders. This system, “called mad spending of taxpayers’ money and socialism by Republicans in 1934,” had begun during the New Deal as a controversial way to pump the economy and stall foreclosures, but it came into its own in the postwar period. Private bankers and developers leveraged an expanding consumer demand to build suburban housing for not only middle-class people, but for many working-class citizens as well. Mortgage insurance combined with veteran’s benefits and mortgage tax deductions in the postwar period to widen the class of homeowners. Although FHA (Federal Housing Administration) and veteran’s loans and mortgage tax credits are not generally seen as forms of big government, they did reflect the national government’s concern for housing issues and spurred the construction of millions of comparatively affordable houses.

Because mortgage insurance flowed from private banks to private developers, the program was not in any way socialistic, did not demand social experimentation, and proved moderate in cost to the government; nor were mortgage insurance or tax deductions likely to create a large central government apparatus bent on regulation. Small- and large-scale planned “community builder” suburbs were leveraged on federal mortgage guarantees (and
eventually interstate highways) but were constructed by red-blooded American developers on a for-profit basis. Rouse was one of the first mortgage bankers in Maryland to deal in FHA-insured mortgages and did very well by them.

The private housing market in time ended the housing crisis of the white middle and working classes. Innovative community developers like William Levitt built new subdivisions at a record pace by adapting assembly line techniques for housing construction. While preserving the essential elements of the suburban lifestyle—freestanding homes with space for expansion and gently curving streets—these developers used this newfound efficiency to make suburban homeownership affordable to average Americans. America's suburban frontier emerged as the most potent statement of the private sector's ability to create the good life for urban populations. The government and mass media exported the image of the commodious suburban house to great effect. In contrast to the cramped apartments of the communist east and much of social democratic Western Europe, new suburban subdivisions were well-built, spacious, flexible, and attractive. In spite of this clear progress, a growing urban housing crisis still gripped Cold War America.

The federal insurance programs gave with one hand to white suburban Americans and took with the other by speeding up central city housing decline. Older cities found themselves with residential neighborhoods cut off from mortgage money because of restrictive standards set by the FHA in terms of race, ethnicity, and housing quality or types. A significant stock of existing housing had been opened to poor people as a result of the creation of new suburbs, but the steep decline in many urban neighborhoods due to national mortgage policies and highways undercut many of the potential benefits of neighborhood succession. New highway projects moved suburbanites from center to periphery but also cut mercilessly through vibrant African American neighborhoods. American politicians acknowledged the problems, but they responded slowly to these glaring deficiencies.

Public housing, which might have played an immediate role in changing urban conditions, faltered on antistatist and anticommunist concerns. During the 1930s the New Deal funded public housing on a small scale with the goal of making work for the unemployed and improving dangerous urban conditions. Some of these early projects have been noted for their high-quality design and were influenced by European prototypes. During the war temporary housing was also constructed for many war workers. Public housing supporters tried unsuccessfully to use the example of defense housing to make the case for public housing immediately after the war. Charles Abrams, the famed housing advocate, reminded readers in *The Nation* in 1947 that during the war "no one considered [government construction of
housing using private contractors] a challenge to our way of life. Is the logic that dictates government building in a war emergency less forceful in a post-war emergency?" In contrast to the massive public housing programs of Europe after the war, public housing in America remained a minor part of the national or local agenda and was stalled at the federal level until 1949 by well-organized homebuilders, mortgage bankers, and conservative politicians from both major parties.

Rouse and many other businessmen viewed public housing as essentially anathema to the free enterprise system. As chairman of the Legislative Committee of the Mortgage Bankers Association (MBA), in testimony to Congress in 1949, he promoted the idea that subsidizing real estate interests was palatable, while public housing was not: "As a representative for the MBA, I was automatically cast as a member of the real estate lobby and did, in fact, oppose the public housing legislation, but supported the redevelopment law which passed that year." Rouse may not have been a vociferous foe of public housing, but he remained safely in the mainstream of business opinion. Daniel Seligman, in Fortune magazine, summarized the business position on public housing: "From its inception in 1937, the federal program was subjected to a fusillade of abuse from real-estate groups: public housing was 'socialistic': it was unfair competition to private enterprise."

The chairman of the Home Builder's Association of metropolitan Washington, for instance, warned in 1948, "America will never go down the road of state socialism through the government ownership of the homes of the people if they are told the facts of what state socialism is. They must learn that the TEW [Taft-Ellender-Wagner] bill . . . employs the same fundamental procedures employed by Berlin, London, Paris, or Moscow." This unlikely group of capital cities, cutting across Cold War alliances, reflects conservative awareness of similarities between social democratic and communist housing policies, and also the deliberate and successful strategy of merging social democracy with communism. Statism, after all, was the true enemy and had to be defeated at all costs.

Republican Congressman Ralph Gwinn (New York) in 1948 suggested the specter of public housing residents voting for the socialist parties that delivered the housing—"Congress has before it a proposal to corrupt permanently our free political system with all the evils in subsidized housing inherited from the New Deal"—and reported ominously that "word comes from England that the Socialist Parliament came to power partly through socialized housing." These were not fringe voices, but represented a common view during debates about public housing during the 1940s and 1950s. "This [1949] bill plainly, openly and boldly declares socialism to be our new national policy," declared Democratic Congressman E. E. Cox (Georgia), for instance, among many others. Conservative interests wanted to let the
private housing market meet the crisis, if they were even convinced that a housing crisis existed at all.

Some public housing supporters tried to stake out more ambitious goals for public housing, viewing public housing as a bulwark against communism rather than a first step toward it. Democratic Senator Scott Lucas (Illinois), during debates in 1948, argued boldly that public housing “is a challenge to the menace of communism which breeds easily in some of the slum-blighted areas throughout the country . . . Make no mistake about it. The communist groups are working 24 hours a day in attempting to carry on and achieve their ultimate objective.” Legislators listening to Democratic Congressman Ray Madden (Indiana) were reminded that “we are spending billions across the water to curtail the spread of communism; this legislation will be of untold value in curtailing the communistic agitators in the industrial centers throughout America.” Liberals promoting public housing faced a great challenge in distinguishing between social housing in America and that in socialist and communist countries. Their conservative opposition would in time carry the day in policy, debates, and public relations.

The leading and unexpected proponent of public housing, and of the Taft-Ellender-Wagner bill that after years of wrangling became the Housing Act of 1949, Republican Senator Robert Taft (Ohio), argued persuasively that “there was nothing to show that private building in the future, any more than private building in the past, would ever eliminate the slums.” Taft had once been an outspoken opponent of public housing, but he changed his mind after close study of the housing problem and made startling statements such as, “You can’t get decent housing from the free enterprise system.” Taft envisioned public housing as providing a minimum standard for housing for the working poor, addressing the housing needs of those the market had barely served.

The Housing Act of 1949 championed by Taft passed because of strong presidential support and lingering liberal sentiment in Congress. Approximately 135,000 units per year over a six-year period represented the most ambitious housing effort of the postwar era and would have led to 810,000 units by 1955. In fact, only about 84,000 federally sponsored units had been constructed by 1954 because of effective conservative opposition and new spending priorities for the Korean War. The 1954 Act itself approved only 20,000 units of public housing, and subsequent years saw approval of similarly low numbers of units. Public housing had few powerful advocates and survived almost solely on the notion that it was necessary as a result of displacement that resulted from business-oriented urban redevelopment. Many housing advocates even turned against public housing by the late 1950s when confronted with the sterile, poorly constructed “towers in the park” that had been hastily constructed in already segregated black neighborhoods.
During the 1960s and 1970s the small numbers of new public housing shifted to serving elderly Americans, rightly considered better tenants. By 1972, 800,000 public housing units had been built in the United States (a mixture of local and federal efforts). A number of other mortgage and rent subsidy programs, including Section 235 (that helped low-income people buy houses) and Section 236 (that subsidized rental housing constructed by private interests), initiated during the 1960s did yield hundreds of thousands of affordable housing units, but a variety of factors—including widespread corruption, foreclosures, and substandard construction—undermined support for these programs. Section 8, a form of rent assistance to low-income renters, grew strongly during the 1970s under Richard M. Nixon and succeeding presidents. It too, however, was scaled back during the Reagan and subsequent administrations. Even considered as a whole, the diverse forms of housing subsidy in the United States paled in comparison to the massive housing efforts in Europe and the Soviet Union.

The United States government's refusal to invest massively in urban public housing in the long term may not seem like such a terrible choice now. Many of the public housing projects have been badly built, poorly maintained, and have over time become warehouses for the poorest of the poor. The problems in both American and European public housing reflect common (but not necessarily intractable) problems in the management of state-sponsored housing, but public housing problems both here and abroad have been grossly overstated. The implosion of mammoth concrete towers made good footage but did not represent the majority of ordinary, if not particularly attractive, public housing projects in either Europe or the United States. Housing for the very poor, and their attendant dreary and threatening social environments, have never been terribly enticing, even under state subsidy. The number of truly distressed public housing units in the United States, for instance, has been overstated (10–20 percent is a more accurate figure) even though the best American public housing, and even that in Europe, might not be “an environment which many middle-class persons would find desirable.”

Setting aside the mixed long-term results of public housing around the globe, the unwillingness of the United States government during the Cold War to take a proactive role in urban housing (on a comparable scale to that in left-leaning countries) did create a starker contrast in the United States between the luxury suburbs and poor central city districts. Compared to countries like Sweden or Britain, a small amount of social housing had been built over such a long period of time. By 2000 the diverse forms of “fedrally assisted housing for the poor total[ed] only slightly more than 4 million units . . . the smallest proportion among western democracies.” It was in the declining
central city residential slums that Rouse would consistently find an opening for his private sector housing alternatives; solutions that promised social improvement without extensive state intervention. (Extensive coverage of public housing, Cold War ideology, and the Housing Act of 1954—and Rouse’s role in housing policy—can be found in chapter 3.)

Public housing played a minor influence in central cities compared to new legislation endorsing private sector rebuilding of urban neighborhoods. The redevelopment sections of the Housing Acts of 1949 and 1954 proved more popular than public housing, but not because redevelopment built much housing or made a greater impact on housing problems in urban neighborhoods. Run-down, blighted areas under these acts would be condemned, and in their place would rise modern urban neighborhoods meeting the contemporary standards of hygiene and design. The federal government paid two-thirds of the cost of land acquisition and clearance, allowing local planning agencies to sell the land to private developers at reduced cost. Although public housing authorities could apply for land cleared using funds provided by the federal legislation, it was considered at the time more desirable to sell these lands to private interests for housing developments for a middle-income audience. According to the December 1957 issue of *Fortune*, Title I was seen by some as the equivalent to massive urban reconstruction in Europe: “cities were going to demolish large tracts of decayed housing and, in a massive redevelopment program, private capital would put up vast new housing estates.” The scale of urban redevelopment, outside of New York City, under Title I was not the “blitzkrieg” many had hoped for, but Title I did set certain important precedents. Historian Roger Biles notes that, although packaged and sold as part of a comprehensive attack on the problems of urban housing, Title I became “largely a vehicle for constructing office buildings, parking garages, swank apartment complexes, and shopping centers” because federal and local officials loosely interpreted the legislation’s call for “predominantly residential” projects—developers built comparatively little housing as part of these commercial developments.

The Housing Act of 1954, while paying more lip service to neighborhood preservation, massively expanded the feeding frenzy of local redevelopment agencies. Through Rouse’s efforts the term “urban renewal”—referring to a more comprehensive approach to replanning neighborhoods—came into more common usage in 1954 but had little noticeable effect. By 1962 a city like New York had received nearly $75 million in urban renewal capital grants, and little Baltimore a whopping $18 million. According to urbanist Jon Teaford, “whereas the earliest projects had provided moderate- or middle-income housing, now local planners sought to apply federal dollars to more glamorous schemes . . . Amendments to the federal urban renewal law in 1959 and 1961 gave cities greater leeway in spending renewal funds for commercial projects.”
Cities like Pittsburgh and Baltimore that had started projects with local bond issues and private financing now expanded their projects with the help of federal money: “Baltimore was implementing its Charles Center project of offices, stores, apartments, and theaters, relying now on federal funds rather than relying solely on local government and private initiative.”

What began as a postwar housing and neighborhood program had become a financial opportunity for downtown elites. Transformation resulted from the legislation, but humanitarian improvements—ending blight and inadequate housing in urban areas—did not emerge from these housing bills. These programs simply moved poor people and their problems from one area to another, many times worsening the situation by removing the social and commercial networks of poor neighborhoods. (Rouse’s leading role in redevelopment and federal policy is discussed in chapter 2.)

Although mostly forgotten now, the United States made a small but high publicity effort to duplicate the European new town experience without direct government construction and supervision. The New Deal Greenbelt towns of the 1930s had adapted garden city ideals for the United States but were viewed by many as socialistic because of the leading role played by the federal government in their creation (as well as the unfamiliar cooperative aspects integrated in their designs). During the 1940s and 1950s little attention was given to the creation of large new planned communities as had been undertaken in Europe. Some builders, like William Levitt and Phil Klutznick, mixed watered-down garden city planning concepts into their for-profit suburban developments, but these were the exception rather than the rule during the suburban boom. During the 1960s, as a result of the growing environmental and social justice movements, certain congressmen, President Johnson, and businessmen like Rouse began to push for American new towns. The Title VII program from 1970, modeled loosely on Columbia, became the federal government’s leading attempt at new town legislation during the postwar period. Unlike its counterparts in Europe, the legislation subsidized private interests in the hopes of gaining environmental, social, and design innovation in large new suburban communities. (This program succeeded in attracting interest but failed to sustain participating developers and is discussed in chapter 6.)

As the new town experience indicates, the American path of urban rebuilding was not taken in ignorance of European models; American businessmen and politicians self-consciously chose an alternative route to urban reform. Rouse, for instance, had traveled to Europe and knew well the statist approach undertaken there. ACTION’s research unit, under the direction of planner Martin Meyerson, published a major work on modern cities in 1963, *Face of the Metropolis*, that positively featured reconstructed cities, experimental public housing estates, and new towns from Europe.
A 1960 letter to Rouse from an administrator at ACTION reflects, too, that Rouse and those around him were aware of Soviet examples. James Lash wrote to Rouse when ACTION was planning its own exhibition on planning for the New York World’s Fair of 1964 that “The Russian exhibit on modern city building at Brussels was well attended and very attractive because of its extreme orderliness. The Russians made a great point of how industry was located first, then living and other facilities provided according to the needs of people in that industry. An American exhibit on the city should include a strong statement of the democratic processes by which our city planning, renewal and development is done.” Americans planners disliked communist policies but understood the challenge they posed to the American system.

Rouse had a particular fascination for social democratic efforts. He owned a number of scholarly books on new towns in his collection, and he visited European new towns while planning Columbia, Maryland. Rouse’s admiration for social democratic activities is also evident in his ambitious affordable housing projects developed by the Enterprise Foundation. Through the expansion of these projects he promised to eliminate slums and poverty in American cities and create affordable housing on a similar scale (hundreds of thousands of units a year) to that undertaken in Europe and the Soviet Union. Rouse believed that careful planning, housing for the poor, and abundant social services should be the goal of any society, but he believed equally that these goals could be achieved without major state action. Not surprisingly, he was constantly frustrated that such change in the direction of social justice was not faster in coming to the United States.

In 1979, Rouse, then a leading voice in American urbanism, made a trip to the Soviet Union. Although he was impressed with the people he met and the talent of many local architects, he commented on “the dull, monolithic high rise buildings of their new communities, the poor construction and poor maintenance.” He asked his hosts, “How could [they] explain this gap between their capability and their performance?” One of them replied, “‘You are right. All the incentives have been stripped from our system. Each Russian is born with a silver spoon in his mouth. We know from birth that we will be educated, our health will be cared for as will our old age. We will have jobs. And furthermore we know there is nothing much we can do about it. This removes the incentives.’ And then he said, ‘But we don’t have your poor and we don’t have your slums. As a society, we are prepared to make that trade.’” As Rouse himself said, “However plain, dull and limited life may be, the disparities are minimal. There is no ‘gold coast.’” He also found that, according to what he could determine during his trip, “everyone is receiving the opportunity for decent housing at very low rent. Education, recreation, health care are available
to all. Public transportation is good and cheap.” Indeed, Rouse and his allies had to contend not only with housing and new towns, but also with a comprehensive social welfare state in both Soviet and Western European cities that compensated for some of the dreariness of the massive state housing complexes.

Two Paths to Social Welfare: One Path to Urban Peace

National social welfare programs that flowed to cities further distinguished Europe and the USSR from the United States. Foundations of the social welfare state had been laid during the 1920s and 1930s, but the tabula rasa of postwar Europe created a vacuum into which flowed formerly marginal leftist sentiments. The right, in many countries, had been at least partly discredited. The capitalist classes had devoted their industrial might to the production of goods for governments, and most everyone had served the government in one manner or another. Statism had become a cultural habit even outside the Soviet Union; and the Soviet Union’s expansive social welfare promises put Western elites under pressure to improve human welfare: “The reconstruction of Europe after the war required parties committed to a fair measure of state intervention aimed at achieving social equality and redistribution of wealth.” What is most overlooked when discussing the European and Soviet social welfare state is the extent to which it was an urban welfare state that created dramatic and rapid effects upon urban conditions throughout Europe. Politicians aimed to use the urban welfare state, in tandem with housing and new town programs, to create a potent symbol of the promise of world socialism.

The Soviet Union boasted of great improvement in urban social welfare through their communist methods. By nationalizing all property, industry, and labor, the state had tremendous resources at its disposal; intimidation and unspeakable crimes ensured unanimity. Nikita Khrushchev in 1959 explained, “We take care of our people’s health . . . Every industrial and office worker and professional has an annual holiday with pay from the state. The finest sanatoriums, health resorts and rest homes have been turned over for the people to rest in. Everyone in the country gets free medical treatment.” Educational provisions were no less generous: “All our children study. Not only a high school, but college education as well is free in the Soviet Union,” and he boasted of more engineers than the United States. Soviet citizens could count on lifelong employment (in state industries), health care, retirement, and vacations as rights of citizenship. Many of these systems did not meet the standards of the West, but the rapid progress of the Soviet Union, a comparatively poor, rural nation, certainly cast richer, capitalist nations in an
unfavorable light. Moreover, the success of the Soviet space program and atom bomb allowed “Western experts to give credence to other Soviet claims of achievements in welfare, education and the economy.” The Soviets exported their model, flawed as it was, to other countries under their sphere of influence.

Those countries outside the Iron Curtain took a moderate path known as social democracy. Although the progress toward social improvement had been evident even before the war, the real progress and the “golden age” of social democracy came only after 1945. Even though electoral victories of social democratic and labor parties proved uneven postwar, the expansion of social democratic policies was not. Social democrats developed a complex system to further their socialist ends. Although they preserved the majority of private property and upheld democratic processes, they did experiment with nationalization of certain large industries such as coal and steel. Social democratic governments primarily adapted macroeconomic policy as best they could to maintain full employment and high wages. They also employed a variety of progressive taxation schemes to redistribute national wealth through social welfare programs, including national health insurance, social insurance, and minimum family allowances. Unlike the situation in the United States, where business interests cast government action in dark shadows, in Europe “there was a widespread belief that public administration would also yield greater efficiency and uniformity of provision (compared with the patchy and disorderly regime of semi-voluntary services).” From a United States perspective, even more remarkable was that many “social democrats believed that in time the quality of public services would render private and market-determined alternatives irrelevant.”

Most famous were the Northern European countries. One of the leading experts on the Scandinavian social welfare state, John Logue, explains that “the long post-war economic boom expansion, assisted by government policies both orthodox and innovative, provided the wherewithal for transforming what had been among the poorer and more backward countries of Europe into the richest and most progressive in the last quarter of the twentieth century.” Progress on social welfare in Sweden started long before the Second World War, but during the period from 1946–1950 the government created the groundwork for universal old age pensions, national health insurance (based on mandatory employer contributions), child care and child allowances, and a massive expansion in education. Labor and capital worked together for full employment, and there were few strikes; government provided training to workers, and subsidies and tax shelters to industries. The public sector expanded to keep unemployment low, and personal income taxes were kept high to redistribute income and support
a high level of services. Time reported in 1960 that “despite the cost of the most imposing set of welfare services in the world, Swedes are rich and getting richer.” The result of so much social spending in countries like Sweden, Norway, and Finland became clear even to opponents of social welfare spending: “Although the Scandinavian countries are not the social paradieses sometimes imagined by their less realistic admirers, they have used the public sector to abolish the kind of abject poverty and economic insecurity that continue to characterize life for significant minorities in other advanced industrialized democracies.”

Other Western European nations pursued less ambitious but still impressive urban social welfare policies. Immediately after the war, Holland elected “sewer socialists” who provided children’s allowances, homes for the elderly, and employment for disabled workers. In West Germany a generous social welfare program included a national health care system, unemployment insurance, and family allowances. Trade unions were active in Germany and gained improved wages and conditions for workers. Near full employment during the postwar period allowed labor and capital relations to remain amicable. The French also created national health care, unemployment, and retirement systems. The United States helped fuel this sewer socialism across Europe; social democratic governments were not above using Marshall Plan monies to create a social democratic infrastructure that would have proved controversial in the United States.

The most surprising addition to the urban social welfare family, from the American perspective, was Great Britain. The British, under Labor leadership, quickly and alarmingly jumped fully on the social welfare bandwagon. The war years had mobilized all of British society and, according to economic historian Nicholas Barr, “forced the British government to adopt powers (e.g. rationing and the direction of labour) on a scale hitherto unknown. It also reduced social distinctions . . . the pressure of common problems prompted the adoption of common solutions.” Social class mixture became common in the army; the evacuation of urban children helped the public see common interests; and school meals, relief, and health care were expanded and reorganized. The Beveridge Report of 1942 envisioned a future of family allowances, comprehensive health care service and provisions for full employment. The National Insurance Act of 1946, closely based on the 1942 report, indeed allowed employee benefits for flat-rate contributions in new, national systems related to unemployment, maternity, sickness, widowhood, and retirement. In 1948 progress included the founding of a national health department, welfare for the elderly, and the outline of a child care system. During the 1940s and 1950s the national health care system grew and included an ever increasing proportion of the population (and influenced the creation of a similar health and welfare system in Canada).
Even conservatives such as Churchill endorsed, or at least did not openly attack, the fundamental elements of the social welfare state after the war. Henry Hazlitt in 1956 noted with chagrin that “the Conservatives in Britain have not dared to repeal most of Labour’s socialist and welfare planning.”

Average educated Americans knew about British experiments with national insurance and social welfare. *Time* and *Newsweek*, for instance, reported both the skyrocketing costs of the welfare state and the general satisfaction numerous times. A Tory soapboxer in London, colorfully described in *Time*, asked his listeners in 1949, “What’s left in your wage packet after this government has taken its share of taxes and national insurance?” A heckler yelled “Stuff a sock in it” and launched into a speech of his own. He had spent six months in a hospital, his wife had a baby, his mother got spectacles and new dentures, his brother got a long needed truss, and ‘all under this labor government.’” Even *Time* had to admit that even though the British welfare state was eating up 40 percent of national income and tilting the country toward serious economic problems, “by standards of social justice and decency, the rise in working class incomes may be approved—certainly the majority of Britons approve it.”

Social democratic and labor parties failed to hold control of governments on a regular basis outside of Sweden, but even conservative parties in much of Europe stayed the course on the urban welfare state until the 1970s. Built on the back of record growth, social welfare faltered as government revenues failed to cover increasing unemployment and other social welfare costs during the 1970s, but “the principle of universalism” has been maintained even with cuts in services and new fees. “Europe’s postwar welfare state retired class conflict from a continent where it had been rife,” writes Robert Kuttner, who notes that these systems “also helped lay to rest the economic hardship and ultra-nationalism that had fed on each other for a century.” This social peace manifested itself in comparatively calm and prosperous urban centers where the majority of citizens lived, although Rouse and other businessmen never made the connection. Social welfare meant urban welfare in modern, industrialized societies.

The United States government developed a more restrained and uneven social welfare system that did less to preserve the peace in American cities. Most notable in immediate postwar American social welfare policies were generous programs for veterans. The G.I. Bill provided mortgage assistance (which overwhelmingly favored suburbs) and education aid to veterans; in time veterans gained a national system of state-run hospitals. Veterans’ benefits remained the generous exception in social policy. The New Deal precedents did not provide the clear leadership of the Beveridge Report or other 1940s social democratic plans in Europe.

Most Americans have forgotten that both Presidents Franklin
Roosevelt and Harry Truman, caught up in the statist spirit of the time, attempted to create national health insurance systems. Roosevelt in 1944 “proposed a greatly expanded post-war New Deal which would guarantee nothing less than economic and social security for all Americans” to no effect, and Truman pushed his health plan in 1949–1950, as part of his Fair Deal initiatives, with similarly desultory results. Truman made appeals to national wealth and dignity in his call for national health care: “In a nation as rich as ours, it is a shocking fact that tens of millions lack adequate medical care . . . We need—and we must have . . . a system of prepaid medical insurance.” Truman proposed a flat payroll tax on all workers in the area of 3–4 percent and his secretary of the Federal Security Administration, Oscar Ewing (a former Wall Street investment banker), proposed to expand Social Security to include health care and expand the number of Social Security recipients so that 85 percent of the nation would be covered. Ewing had to be careful to distinguish his plan from European models and explained to the media “especially since his recent visit to Britain, that his plan is not ‘socialized medicine.’ [Ewing] reserves that term for systems like the British, in which hospitals have been nationalized. His plan would leave them as at present under private or local control.” Leading Americans were thus well aware of the social democratic challenge, and press coverage of the British system was extensive. The American Medical Association did not as carefully parse the American and European efforts and fought Truman’s proposal hard, spending millions over a number of years (with insurance companies) to stop the effort: “Each month, meetings of many county medical societies hear denunciations of the Ewing plan. The societies have organized speakers’ bureaus and they stage exhibits at state and county fairs. In most areas, the battle cry is ‘socialized medicine.’” Truman’s belief that “medical care is needed as a right, not as a medical dole” was not shared by the AMA, Congressional Republicans, and southern Democrats who effectively blocked his program.

Social Security did grow during the 1950s and 1960s to become a universal system of old age insurance and distributed aid primarily based upon contribution rather than need, making it popular with America’s broad middle class. Medicare, offering health benefits to a wide group of retirees, initiated in 1965 during Johnson’s Great Society legislation, also expanded mightily because of its large middle-class constituency but did benefit many poor, retired Americans.

Social welfare exclusively for the poor under retirement age grew far more unsteadily and even penalized the working poor. The unsteady development of this side of the welfare state is directly related to the massive urbanization of southern populations: “More than any other single development in the late 1950s and early 1960s the massive migration of southern blacks
to northern cities framed the formulation of both urban and antipoverty programs.\textsuperscript{66} Federal officials had to demonstrate concern with urban conditions and riots in America, but could not be too generous or they would alienate their majority white, middle-class constituency. Aid to Families with Dependent Children (AFDC), within Social Security, expanded during the 1960s, but benefits remained small compared to European counterparts and were not indexed to inflation. Unlike the European systems of family allowances, participants were penalized or dropped from rolls for working even minimum wage jobs. Medicaid, created in 1965, offered minimal, primarily emergency, health services for the poorest citizens through a mixture of state and federal funding, but also dropped poor people willing to work low-wage jobs. Nor did Medicaid offer the generous (and preventive) care provided by national health systems in Europe.\textsuperscript{67}

Social spending in America thus increased enormously, but most of this money was funneled through the Social Security retirement system (in 1984, for instance, Social Security distributed approximately $180 billion in benefits to retirees, whereas AFDC distributed $8 billion) and most benefited middle-class populations living increasingly outside traditional city centers. High social spending for the middle classes masked the comparatively low levels of social welfare in poverty-stricken cities, even after the Great Society programs, that contributed to dangerous conditions found nowhere else in the industrialized world—and certainly was more shocking in the world’s richest country.\textsuperscript{68}

Parallel to these governmental efforts, and slowing social welfare expansion, was an impressive expansion of corporate welfare programs (health care and pensions) and nonprofit social welfare services, including charity hospitals, clinics, food kitchens, and shelters. By 1950, too, 40 percent of all Americans were in private health plans (about 60 percent in 2003), including those offered by private insurance companies and Blue Cross. Because of the generosity of corporate health and pension benefits during the 1950s and 1960s, and high-visibility nonprofit social services, most middle-class Americans did not mourn the absence of generous national systems. As corporate welfare programs have withered since the 1970s and health care costs have skyrocketed for those even in the private plans, the lack of universal systems for health care has become a mainstream issue. During the entire postwar period, however, cities found themselves with growing numbers of poor, uninsured citizens who lacked access to quality health care or generous state social welfare.

The form, scale, and scope of America’s urban social welfare programs placed it far outside the European and Soviet systems. Aggressive corporate welfare programs combined with political action by private insurers, urban political bosses, and conservative white southerners to maintain this
distinctive path; comparatively few national resources flowed to cities. The
lack of radical labor ideology and the disappearance of American labor par-
ties in the United States also removed a spur to reform for the mainstream
political parties: those who would propose expansive social welfare
schemes, in fact, had to be prepared to defend themselves against the charge
of socialism. “To those fearful of the social power of the state,” writes Daniel
Rodgers, “the Cold War added a tactical advantage.”

The lack of urban social welfare systems during the postwar period com-
ounded the lack of major housing programs and made Rouse’s private sec-
tor urban solutions both more challenging and more appealing. Planning
and housing programs of the East and Western Europe were buttressed by
social welfare spending that cooled social conflict and improved urban life.
By no means were these systems perfect, and they likely bankrupted many
poorer countries, but social spending had benefits as well as costs. On the
whole, communist and social democratic cities during much of the Cold
War appeared to have achieved superior conditions in comparison to America’s
less regulated and subsidized urban centers.

American cities suffered not only from substandard housing conditions
and redlining, but also from dire poverty that compounded physical
decline. American urban riots beginning in the 1960s, and the massive slums
where these riots rumbled, best reflected the growing distance between America
and the rest of the industrialized urban nations. Nowhere else in the indus-
trialized world experienced such violent and destructive uprisings of poor,
angry people; American slums seemed more on a par with those found in
the Third World than developed nations. The lack of protest and disorder
in Soviet cities was easy to explain away by repression and pure collectivization.
America, however, a country that bragged constantly about its national wealth,
stood out even among Western industrialized nations for its embarrassing
urban conditions.

Rouse did not disagree that something had gone wrong in the United
States. He lamented as late as 1989, for instance, “No other free, democ-
ratic, industrialized country—no country in Western Europe, the United
Kingdom, Japan—has these physically deteriorated, dehumanizing, disgraceful
conditions.” Although he grudgingly acknowledged Soviet concern for
the poor (with an equal and justifiable amount of disdain for Soviet polit-
cs), he was never able to acknowledge that forty years of social spending
in Western Europe and Japan might have had any effect upon urban con-
ditions in a democratic context. Rouse never made any connections in speeches
or letters between generous European welfare and housing programs and
urban improvement. Obviously, something miraculous and inexplicable had
transformed European cities for the better and left America with the worst
conditions in the industrialized world.
Rouse even argued many times that America’s comparatively small welfare state had actually created dire conditions in American cities by encouraging dependency and disorder among the poor. Like most Americans, he failed to distinguish between total social spending on programs like Social Security and smaller programs specifically designed for urban poverty. As a businessman, Rouse’s assessments of America’s dismal urban conditions may have been rare, but his belief in creative, antistatist solutions to social welfare placed him safely in the mainstream of American social policy. His unique combination of frank social criticism with private sector solutions made him a leader among his peers.
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