

Legitimacy of national government involvement in urban (re)development: evidence from the Dutch ‘key projects’

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Abstract

Urban (re)development is usually the responsibility of local government, but there are local projects which generate large national welfare effects and where national government is directly involved. However, while national government involvement in local (re)development can be legitimised theoretically, evidence from the Netherlands, France and England suggests that in practice the question of legitimacy is far from unambiguous. This paper therefore addresses the questions 1) which grounds may legitimise the involvement of national government in local urban (re)development projects (*ex ante*), and 2) to which extent the involvement of national government in local projects may indeed be justified by the results of the project (*ex post*). First, it compares the involvement of national governments in urban (re)development in the Netherlands, France and England. Second, it evaluates the involvement of Dutch national government in local development projects based on an analysis of a series of large-scale (re)development projects (key projects).

1 Introduction

There is a continuing debate on the allocation of urban planning competences to different levels of government, and the principle of subsidiarity is often taken as a guideline. Subsidiarity states that competences should be allocated to the lowest possible level at which citizens benefit the most from it. This implies that urban (re)development is usually the responsibility of local government, rather than higher levels of government. There are exceptions, however, notably for projects which are expected to generate significant national welfare effects, where national government actively participates in urban (re)development. Examples are the French *grands projets* or the English Urban Development Corporations (Booth *et al.*, 2007), but also Copenhagen’s Ørestad (Majoor, 2008:131).

In general, the involvement of national government in urban affairs has grown since the 1970s. Still, there remains much variety between countries. Within the European Union, there are countries with a specific national urban policy such as France, UK and the Netherlands and countries with no national urban policy at all, such as Austria (Van den Berg *et al.*, 2004). In other countries, national attention to urban affairs is increasing. Apart from general national urban policies (not aimed at specific cities or projects), national governments are becoming actively involved in specific (re)development projects. In Denmark, for example, the

Copenhagen Ørestad project was the first urban project with the active involvement of the Danish national government in thirty years (Salet, 2008:2356).

The principle of subsidiarity often serves as a guideline in this process. It implies that the involvement of higher government levels of local development should specifically be legitimised and no responsibility should be located higher than is necessary. The principle of subsidiarity serves to limit state authority (Hoffe, 1996, in: Nadin and Shaw 1999). Nevertheless, a closer look at the studies of projects across Europe mentioned above indicates that the legitimacy of national government involvement is not always self-evident. It is not only the extent and focus of national government involvement that vary between countries and projects; the question of legitimacy itself is also addressed in different ways. But can a common rationale be found to legitimise national involvement in urban affairs?

In view of the above, in this paper we will address the following questions: 1) on what legitimate grounds can a higher level of government, particularly national government, become actively involved in local urban redevelopment projects; and 2) to what extent is some involvement in local projects by national government justified by the results of the project? We address these questions both from a theoretical perspective and on the basis of an empirical analysis.

The first question will be addressed by means of a brief review, in Section 2, of the possible theoretical grounds, particularly in terms of welfare economics, for the involvement of national government in local projects. The use of welfare economics is not limited to the academic world. It is also part of the political discourse: the Dutch government has embraced welfare economics as a tool with which to assess the legitimacy and efficiency of policy. This is followed, in Section 3, by a comparison of the role of national government in urban (re)development in the Netherlands, France and England. In each of these countries, national governments are actively involved in urban (re)development in a different way and make use of different instruments.

We then address the second question by means of an analysis of the Dutch key projects. These involve two generations of large-scale urban (re)development projects in Dutch cities that began in the 1980s and 1990s respectively. The key projects introduced a new form of spatial policy into the Netherlands, in which national government adopted an active and direct role in urban (re)development. In Section 4, we analyse how the legitimacy of national government involvement in these projects has been constructed on the basis of considerations of national welfare, and how these considerations have changed over time. In Section 5, we evaluate the effects of national government involvement by comparing the key projects with a number of reference projects in which national government was not significantly involved. We focus on the results in terms of economic benefits and urban qualities, since these were cited as the main reasons for national government involvement in the key projects. A discussion of the main results of the analysis concludes the paper.

2 Theoretical framework

Legitimacy and welfare economics

The modern concept of legitimacy is based upon the work of Max Weber (1976:124-6). In general, legitimacy refers to a situation in which power is not coerced, but voluntarily accepted by those who are ruled. According to Weber, legitimacy can be based upon tradition, charisma or rational motives, as institutionalised in the rule of law, which is the main source of political legitimacy in modern societies. Representative democratic institutions and elections safeguard the political legitimacy of public institutions and policies. The delicate bal-

ance between state power and the individual freedom of citizens is therefore essential for political legitimacy.

However, modern capitalist societies are not only political communities of citizens, but also market economies. A balance therefore exists between state power and markets. The forces of demand and supply by markets – the ‘invisible hand’ of Adam Smith – are generally considered the most efficient means of economic allocation. Nonetheless, public authorities raise taxes from companies and citizens, and very often intervene in economic markets. These interventions require sound legitimacy.

To assess the legitimacy of government intervention in economic markets, reference is generally made to economic welfare theory. This theory relates to the role of government in a market economy in the event of market failure. This implies that a market is not Pareto efficient: a market is Pareto efficient when no one can be better off without necessarily making someone else worse off (Stiglitz, 1988:63). The theory of welfare economics distinguishes a series of forms of market failure, the most important of which are: 1) incomplete markets because of the creation of a monopoly or oligopoly (the basis for the creation of competition authorities and the European competition policy); 2) public goods which are not produced by the market (or produced in insufficient quantities), varying from defence to traffic lights; 3) the occurrence of negative external effects, such as damage to the environment. Other forms of market failure entail, for instance, the long-term interdependence of market parties, the division of risks and incomplete information (CPB, 1997; Stiglitz, 1988:71-80).

Stiglitz mentions two additional important reasons for government intervention other than market failure in the strict sense of the word: 4) the redistribution of incomes, as a market can be Pareto efficient, but at the same time lead to an unequal income distribution that is considered unacceptable; and 5) ‘paternalism’, the compulsory imposition of the consumption of goods or services which are considered beneficial to every individual (‘merit goods’), ranging from the obligation for young people to go to school to the safety belt in the car (Stiglitz, 1988:80-1). Paternalism also takes the form of prohibiting certain forms of consumption which are generally considered detrimental, such as the prohibition of certain drugs.

In addition, the literature also highlights government failures (Stiglitz 1988:83, 202-10; CPB *et al.* 1998:6). Government failure (or non-market failure) is the public sector analogy to market failure and occurs when government intervention leads to a less efficient allocation of goods and resources than would have occurred without that intervention. It can take the form of the disruption of price mechanisms, high information costs or policy competition in which government authorities compete with each other for public money. The costs of government failure have to be balanced against those of market failure (Van der Wouden *et al.*, 2006:24-5).

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It is clear, then, that government intervention may certainly be justified in theory. However, in which specific situations is it appropriate for national government to take action, and which cases should be left to local governments?

In all cases, the cost of national government intervention has to be balanced against the benefit for society (cf. Besley and Coate, 2003:2613). A simple rule, resembling the subsidiarity principle, might be that public action should be taken by the level of government closest to the citizens who benefit the most from the action. Investment in urban public space would thus be considered a task for local government, whereas investment in highways would be a regional or national task. It is not only a matter of size in terms of the space taken up by a development, however: a national airport may occupy a relatively small area, but if it contributes mainly to national welfare, it should be the object of national policy.

This general rule leaves enough scope for differences between nations, as can be seen among countries of the European Union. Most of the Scandinavian countries have a decentralised system of government, whereas France traditionally has a much more centralised system. The Netherlands is somewhere in between these two poles (SCP, 2000:137-44). European countries are tending to converge on this issue. Since the 1980s, most decentralised countries have undergone some centralisation, but more importantly, the historically most centralised countries such as Spain and France have tended towards decentralisation and the devolution of power to local governments and regions. Decentralisation may even, unintentionally, bring about national government involvement in specific projects. This is illustrated by the case of Belgium, where investments must be spread proportionally between the regions of Flanders, Brussels and Wallonia. Since a railway tunnel was built in Antwerp and in Brussels the Brussels Midi area was redeveloped, national (federal) government was almost obliged to largely finance the redevelopment of Liège Guillemins station (Pol, 2002:73).

Decentralisation concerns more than just urban planning, however. Cities increasingly function as semi-independent economic entities in international economic networks (cf. Le Galès, 2002:150-51). Urban planning, economic policy and city marketing have become more closely related, a process that is reinforced by the competition between cities for private investment (Thornley and Newman, 1996).

The above examples of decentralisation do not mean that there will be no national responsibilities left. Devolution can also mean redefinition of national power, with national government coordinating and supporting specific local roles. As Savitch and Kantor (2002:338-9) point out, “only national government can provide stable, long-term and encompassing protections for cities”. National policies guarantee a uniform social security and legislation system, thus creating a level playing field nationwide. Furthermore, the scope and complexity of urban investments have grown. Local or even regional budgets alone are unlikely to pay for the massive investment in infrastructure or mega-events that bring about many of these redevelopment projects, such as a high-speed railway or a World Expo. Finally, as Le Galès (2002:75) remarks, national government in highly urbanised countries also needs well-functioning cities, as places where wealth is generated and main public services are located. Urban development is, increasingly, a matter of multi-level government.

In many urban areas, national investment in public goods such as infrastructure and public space is aimed at enhancing the international business environment, thus attracting additional employment and leading to improved national welfare. If this is true, it would legitimise national policy. Increasingly, cities are competing with each other for national and international investments. The hypothesis underlying national government intervention in the Netherlands is that if a small number of urban (re)development projects reach out for international and high-profile investments, this improves the chance of success on the international scale. If too many cities were striving for the same goals by using public money, this could become inefficient and labelled as government failure.

3 Role of national government in urban (re)development in an international context

Bearing the above theoretical notions in mind, we have evaluated the effects of the involvement of the Dutch national government in the ‘key projects’, regional or local projects aimed at the (re)development of urban areas. But we will first compare the Dutch national policies on urban (re)development with those found in England and France. In all three countries, local authorities are the main actors in the planning process.

England

National government in England is referred to as central government. Conservative governments in the 1980s experimented with policy initiatives to reduce public spending and increase the role of private parties in spatial planning. Since these initiatives consisted of specific ad-hoc planning procedures, they could bypass customary procedures and intervene directly in local government administration (Booth *et al.*, 2007:75). One of these experimental forms was the format used for the Urban Development Corporations (UDCs), which started with the formation of the London Docklands Development Corporation. UDCs were established by central government. They were given the spatial planning and urban investment tasks of the local authorities for a designated area and a specified period of time. UDCs were active in or near inner-city areas, where they played an important role in economic development. The goal of the UDCs was to start or accelerate the process of economic improvement in stagnating areas. The central government appointed their boards and allocated a budget for a set period. Initially, the UDCs had minimal, if any, relationship with local government, but cooperation with the local authorities improved over time and input from the local population was also taken into account (Spaans, 2002; Newman and Thornley, 1996).

When New Labour came into power in 1997, it sought to modernise local government. More attention was paid to the quality of services in relation to cost effectiveness. There was a drive to make local government more effective and involve citizens in decision making. To speed up local decision making on urban planning, central government implemented deadlines in combination with a system of financial incentives (Booth *et al.*, 2007:75).

Both national and local organisations deal with the problems of urban renewal and economic development. In 2000, central government created a new type of organisation, Urban Regeneration Companies (URCs), to implement development. URCs were designed to provide a focus for regeneration activity within defined areas and provide a high-quality urban environment, attract private sector investment and deliver projects to enhance economic prosperity (DETR, 2000). In many ways, URCs resemble the earlier UDCs, but they are more firmly based on a partnership model. Compared to France, the focus in England is more on the formalisation of partnerships within, rather than between, local authorities (Booth *et al.*, 2007).

Although it was assumed that no new UDCs would be created, central government announced the creation of three new UDCs in areas designated for growth in 2003. This was done because UDCs have greater powers than URCs; they are able to issue compulsory purchase orders for land and make decisions about development control. The new UDCs will be given powers to approve strategic planning applications, whilst the local authorities will continue to deal with applications for small-scale development.

France

In France, national government is referred to as *l'Etat* or the State. The State is responsible for, among other things, social housing (especially for the finance of that sector) and for the urban areas that have lagged behind in socio-economic development. National policy is directed principally at the most deprived areas. Relations between levels of government are formalised using contracts, specifically between the State and lower tiers of government. These contracts commit the State to making financial contributions to programmes of work carried out by the lower tiers of government, even if those contracts are not always honoured. But the contracts are also increasingly used to define relations between local and regional government. National and local politics are much more closely integrated than in England. A typical French phenomenon is the *cumul des mandats*, which allows politicians to hold several elected offices at different government levels simultaneously. Thus, a mayor may simultaneously be a deputy in the national parliament, a minister in national government or a presi-

dent of a regional *Communauté d'Agglomération* or *Communauté Urbaine*. This provides local government with direct, personal links to the government in Paris, which they can – and do – use to the advantage of their city (Booth *et al.*, 2007:76; Newman and Thornley, 1996; Le Galès and Mawson, 1994).

In the 1960s a number of *métropoles d'équilibre* were appointed. These regionally important cities – and sometimes groups of cities – were meant to play a role in French *aménagement du territoire* or spatial planning by providing a counterweight to the extreme centralisation of power in Paris. These *métropoles d'équilibre* had to contribute to the decentralisation of prestigious sectors such as R&D and higher education.

Spatial development practices such as *Sociétés d'Économie Mixte* (SEMs) are a frequent phenomenon in France. These may be local or regional in scale, and may focus for instance on the development of a business park or large-scale urban redevelopment project. As SEMs are regulated by private law, they provide public bodies with the same freedom of operation that private parties have, although most SEMs do not aim for profit (Booth *et al.*, 2007:78). These SEMs are often used to implement profitable planning projects. National government has hardly any active role in these (Spaans, 2002).

The exceptions are the *grands projets*. In 1981, President Mitterrand initiated the national government's decision to fund and build contemporary, monumental and sometimes controversial buildings: the *grand projets (culturels)* or *grands travaux*. The objective was to reaffirm France's cultural leadership in the world, stimulate the French economy and create new jobs both by increasing the flow of tourists and encouraging the design and construction of new buildings. The *grands projets* – literally translated as large projects – consist of a programme of architectural projects in all cultural domains in Paris. *Grands projets* such as Pei's glass pyramid as part of the Louvre, the *Grande Arche de la Défense* and the *Bibliothèque Nationale* are used by French presidents to mark their legacy. President Sarkozy launched his version of the *grands projets* in 2008 through a design contest. Ideas had to be submitted about the future for Grand Paris. Since the initial presentation of the plans, however, little more has been heard.

The Netherlands

National government in the Netherlands has had a directive role in housing and spatial planning since the Second World War. Spatial planning was closely related to housing production. A good example of the integration between housing policy and spatial planning was the new towns policy (*groeikernenbeleid*) which was introduced in the 1970s. New housing development would be concentrated in a number of greenfield locations in the proximity of existing cities in the Randstad. National government invested heavily in these developments, showing a readiness to take significant financial risks (Priemus, 1998:31). Apart from this, urban policy in the 1970s concentrated on the urban renewal of dilapidated 19th century housing areas. National spatial policy, in turn, was mostly limited to regional policy, and focused particularly on the transfer of economic activity to the north and south of the country.

In the mid-1980s, the Fourth Memorandum on Spatial Planning (*Vierde Nota Ruimtelijke Ordening*: VINO) marked a radical break with this policy. National government retreated from the scene both financially and administratively. The VINO Memorandum emphasised the strengths of the Randstad and the main gates of access ('main ports') within it. It paved the way for a resurgence of interest in the city as economic competition and welfare creation in Europe would increasingly take place in urban areas. This had to be facilitated by creating attractive inner-city locations for international companies. National government had developed a vision of these locations, as well as observing that they were not being developed by the private sector, and that cities were inclined to compete with each other for investment.

This would lead to a suboptimal result and was thus a reason for national government to intervene.

The publication of the Fourth Memorandum on Spatial Planning Extra (*Vierde Nota Ruimtelijke Ordening Extra: VINEX*) added a further reason for the intervention of national government: the concentration of urban development avoids urban sprawl and prevents additional mobility growth. Although this urban concentration could be realised through the market or by local authorities only, it also required coordination by national government (Spaans, 2002). One of the instruments designed to improve the competitiveness of cities was to undertake certain ‘key projects’. We will elaborate on this concept in the following section.

4 Dutch key projects

The Dutch key projects are an example of a national government becoming actively involved in local urban (re)development. In the 1980s and 1990s, the national government intended to devote special attention to these projects by means of procedural and financial coordination. Previously, active involvement in local urban development had been limited to local authorities and private parties, with national government only playing a generic, facilitating role. The question is, then: why were key projects made into a *national* responsibility?

The motives for this were twofold, but both came down to urban-economic reasons. First, the economic situation of Dutch cities had deteriorated as deindustrialisation led to massive job losses in Dutch urban areas during the 1970s and 1980s. Second, government considered Dutch cities to be unable to cope with the increasing international competition that was expected from the coming of the unitary European Market in 1992. The main arguments behind the key projects were thus economic: the first generation of key projects aimed to strengthen the economy of Dutch cities by developing internationally competitive locations; the second generation involved developing high-speed train stations, creating attractive business locations and stimulating the local economy. These were considered urgent national policy issues, which would legitimise active national intervention in the (re)development policies of Dutch cities.

First-generation projects

The first generation of key projects was conceived in the late 1980s, and addressed the perceived need for internationally competitive business locations. However, ongoing competition between cities for investments and subsidies – a type of government failure – hindered the realisation of these locations, and eventually justified a directing role for national government.

The change of focus resulted in new policies and policy instruments: 1) a distinct policy to develop the main ports of economic growth: Schiphol airport and the port of Rotterdam; 2) the concentration of public investment in a number of key cities (*stedelijke knooppunten*); and 3) a series of urban (re)development projects in which there was an active role for national government, dubbed key projects. National government involvement had to enable the development of these locations and minimise the negative external effects of the projects. By doing so, national government stepped into the domain which had previously been primarily the responsibility of local authorities: urban quality and urban public space.

The eight key projects of the first generation include well-known examples as the Kop van Zuid in Rotterdam and Sphinx-C eramique in Maastricht, and the less well-known such as the central urban area in Amersfoort and the area north-west of the railway station in Groningen (Figure 1). They varied considerably in size and focus, and were strongly, and in some cases exclusively, focused on office developments. Most of the projects have been completed, although construction in the Kop van Zuid, for example, continues to this day.

Second-generation projects

In the late 1990s, national government selected a second generation of key projects. With the publication of the VINEX objectives of compact, public transport-oriented urbanisation and the prevention of urban sprawl became prevalent. This meant that urban quality, attractive public space and quality of public transport became key values. These were considered public goods, and this justified a coordinating role by national government in the second generation of key projects.

The six key projects of the second generation involved high-speed railway stations, with Amsterdam Zuidas being the best-known example. An additional instrument in these projects was the use of financial means in addition to sectoral means. In contrast to the first generation, the Ministry of Housing, Spatial Planning and the Environment and the Ministry of Transport, Public Works and Water Management reserved a budget in advance (over € 1.4 billion, 2005 price level). These projects are now all underway, but none of them has been finished yet. They all include a mix of offices, housing and a variety of amenities, as well as the large-scale development of infrastructure.

Figure 1: Location of key projects and reference projects.

First generation key projects

- ① Brabantse Poort (Nijmegen)
- ② Centraal Stadsgebied Amersfoort
- ③ Céramique Maastricht
- ④ Eindhoven-Welschap Corridor
- ⑤ Kop van Zuid (Rotterdam)
- ⑥ Nieuw Centrum Den Haag
- ⑦ Oostelijk Havengebied (Amsterdam)
- ⑧ Stationsgebied NW (Groningen)

First generation reference projects

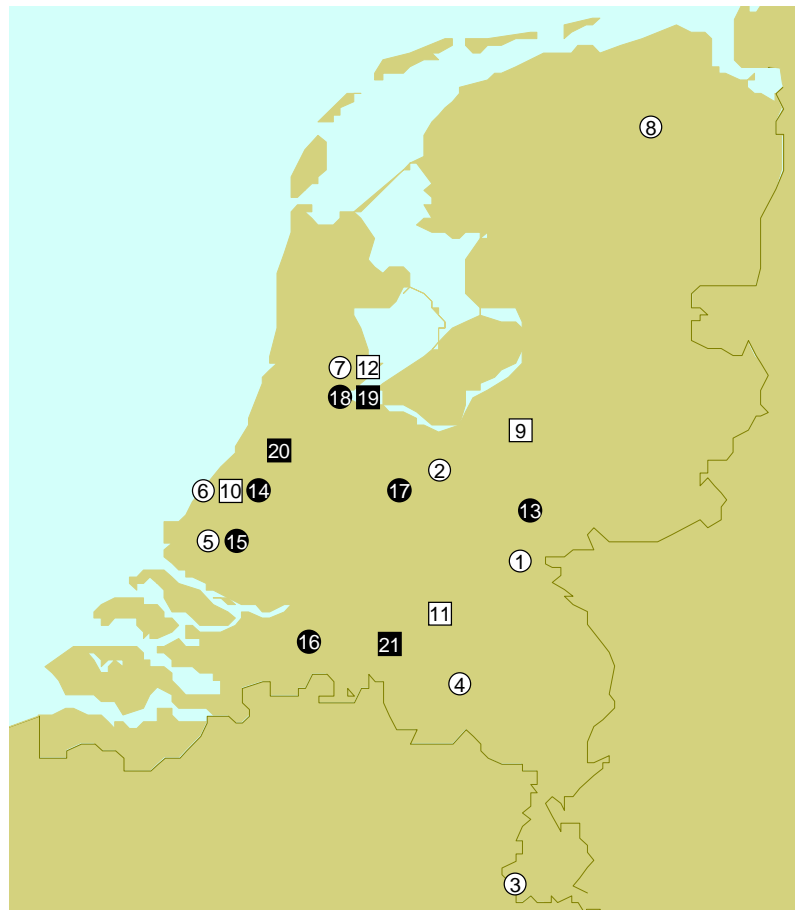
- ⑨ Kanaaloevers (Apeldoorn)
- ⑩ Laakhavens (Den Haag)
- ⑪ Paleiskwartier (Den Bosch)
- ⑫ IJ-oever (Amsterdam)

Second generation key projects

- ⑬ Arnhem Centraal
- ⑭ Den Haag Centraal
- ⑮ Rotterdam Centraal
- ⑯ Breda Stationskwartier
- ⑰ Utrecht Centraal
- ⑱ Amsterdam Zuidas

Second generation reference projects

- ⑲ ArenA-Poort (Amsterdam)
- ⑳ Leiden Centraal
- ㉑ Spoorzone Tilburg



Comparing the two generations

The two generations of key projects are comparable if we view the legitimacy of national government involvement from a welfare theoretical perspective. In both, arguments in favour of national government involvement focus on the creation of additional welfare through appropriate locations for international companies and the prevention of policy competition between local authorities, and on the creation of a public good as public space.

In spite of these similarities in the justification of national government involvement, significant differences exist in the policy instruments national government that were applied. Governance in the first-generation projects rested particularly on procedural instruments such as coordination measures and policy agreements, while in the second generation an additional national budget was deployed specifically for the key projects.

In the second generation of projects, Dutch planning bureaus again addressed the issue of legitimacy, as they assessed projects in terms of the financial aspects of national government involvement and urban quality, which, as a public good, legitimised the involvement of national government (CPB *et al.*, 1998:6). Furthermore, the review of urban quality was reinforced by calling in the Chief Government Architect (*Atelier Rijksbouwmeester*). The latter holds an independent position in the Netherlands, intended to promote the quality of architecture by advising the government on architectural policy and government housing. The Chief Government Architect monitored the results of the national investment made in these projects more intensely and more systematically than during the first-generation projects.

5 Evaluation of legitimacy in key projects

The question is, then, whether the results of the key projects add value due to the involvement of national government, and if so, which specific aspects of the project create this surplus value. In order to reconstruct the effects of national government involvement in the key projects effectively, we compared them with a number of reference projects. These are projects which are comparable in size, scope and complexity to the key projects, but in which national government had no significant involvement.

Criteria

Urban-economic development was the main motive behind both generations of key projects, and behind the involvement of national government in them. Urban quality has been another explicit reason for national government involvement in the new key projects and, more implicitly, also in the first generation. Our evaluation of the role of national government in these projects therefore focused largely on the economic benefits of the projects, and on urban quality in the projects. We looked specifically at 1) planned and realised real estate programmes, 2) employment effects, 3) established businesses, according to sector and place of origin, 4) the development of real estate values of housing and offices, 5) mobility effects, and 6) urban quality (Van der Wouden *et al.*, 2009).

Within the context of this paper, we will concentrate on two of these indicators – the development of real estate values for housing and offices, and urban quality. Whereas the first can be assessed largely using quantitative measures, urban quality is assessed largely using qualitative criteria such as the integration of the project into the city, the functional diversity and the quality of public space. Since many of the projects are still being realised, it is only possible to evaluate the short-term effects of the projects and in some cases only the effects on the basis of the plans.

Real estate values

Although not all projects have been finalised yet – especially the second generation of key projects – it was possible to draw tentative conclusions on the basis of the available data. On the whole, the key projects did not attract any more private investment than the reference projects. However, an important surplus value was found for public investment because national government chose to locate public real estate – such as ministry buildings, law courts, museums and government archives – on the sites of first-generation key projects.

Our assessment of the development of office rents is based on data on all new rental contracts for new and existing offices. These show considerable fluctuation over the years, as they depend on relatively few large transactions. This was partly mitigated by using a three-year moving average. A correction factor was also applied for differences in regional development. It was not possible to use a weighted average, as the office surface involved in each transaction was not known.

On the whole, the reference projects scored as highly as the key projects with regard to the development of office rents (Table 1). We did, in other words, not encounter a surplus value due to national government involvement in the key projects. This is remarkable, considering the extensive economic ambitions of the key projects.

Table 1: Development of the rental prices of offices, 1991-2006.

	project (%)	corrected for regional development*			
	1991-2006	1991-1996	1996-2001	2001-2006	1991-2006
first-generation key projects	41	2	-7	1	-2
first-generation reference projects	56	-1	14	-5	4
second-generation key projects	47	-3	1	1	-1
second-generation reference projects	64	7	3	-6	4

Source: own calculations based on data from ABF Vastgoedmonitor (1990-2007).

* The development within the projects was corrected for regional development the development within the regions in which the projects are situated: $((\text{growth factor project} / \text{growth factor region}) - 1)$. Strictly speaking, the resulting factors are not percentages, but they may be interpreted as such: e.g. office rent development in the first-generation key projects was 7 (percent) below the regional average between 1996 and 2001.

Another indicator of the development of real estate prices is the selling price for housing. To analyse this, we looked at the transaction costs of owner-occupied housing. These reflect market developments earlier than the value of the existing housing stock. We used the average selling price of all the housing sold in a certain year and area, including both newly built and pre-existing housing. This average was weighted on the basis of the number of transactions in each postal code area because the selling price for each individual dwelling was not available. Since housing price data are based on a large number of transactions, they show less fluctuation than office rents; it was therefore not necessary to apply a moving average.

Table 2: Development of the selling prices of owner-occupied housing, 1996-2006.

	project (%)	corrected for regional development*		
	1996-2006	1996-2001	2001-2006	1996-2006
first-generation key projects	139	12	4	17
first-generation reference projects	129	7	1	8
second-generation key projects	124	4	7	12
second-generation reference projects	122	6	-1	5

Source: own calculations based on data from Kadaster (Dutch Land Registry Office) (1995-2008) and NVM (1990-2007).

* The development within the projects was corrected for regional development the development within the regions in which the projects are situated: $((\text{growth factor project} / \text{growth factor region}) - 1)$. Strictly speaking the resulting factors are not percentages, but they may be interpreted as such: e.g. housing prices in the first-generation key projects increased 12 (percent) more than the average in their regions between 1996 and 2001.

Average housing prices increased by over 125 percent between 1996 and 2006. The key projects showed a remarkable surplus value compared to the reference projects in the real estate value of housing (Table 2): if we correct for differences in regional development, transaction costs for owner-occupied housing in the key projects rose more than those in reference projects over the whole period. Only for the 1996-2001 period is the picture mixed, particularly for the second-generation projects.

Urban quality

Urban quality was evaluated on the basis of urban quality indicators in the project plans, as most of the projects have not been completed yet. We distinguish three groups of indicators: 1) logistics, accessibility and the unbundling of mobility flows, 2) the lay-out of the area and 3) the liveliness and mix of functions, which were translated into a number of indicators for each group. Quantitative indicators such as density and mix of functions were also used. Two indicators stand relatively alone: image and social security.

National government had a varying degree of influence over urban quality in the key projects. One of the objectives of the project The Hague New Centre (*Den Haag Nieuw Centrum*) was to give the area a city centre function. Redevelopment of the public space was thus prioritised. A separate project group – *De Kern Gezond* ('The Healthy Core') – was given responsibility for this topic. The Austrian urban planner Rob Krier and Dutch architect Sjoerd Soeters became urban planning supervisors for the area called the Resident. Urban quality was paramount in the plan for the Resident, which is based on public space, to which the surrounding buildings are designed to add. In the Amsterdam Zuidas project, urban planners used many classic means such as a mix of functions, high density and a dense street pattern inspired by the inner city of Amsterdam. National government involvement focuses on the decision to install a roof over the ring road and railway and to create a dock which can be built on. This will largely address the nuisance of train and car traffic and will bring the Zuidas closer to the inner-city, functionally and instinctively. The question of whether national government will ultimately partly finance this dock has yet to be answered.

The monitoring of key projects by national government has evolved. The first-generation key projects did not use a predetermined evaluation framework for urban quality. The Chief Government Architect drew up a number of general indicators on urban quality for the second-generation projects (Atelier Rijksbouwmeester, 2002). This is not a framework of quantifiable indicators, partly because urban quality largely depends on qualitative, partly subjective factors such as the quality of the public space and architectonic quality. Moreover, the active involvement of the Chief Government Architect was limited to the plan development phase. Major decisions on the urban quality in the projects were taken afterwards, but by then the monitoring of the projects by national government had become less frequent and was limited to progress and finance. The Atelier of the Chief Government Architect has not yet conducted its evaluation of the urban quality of the projects.

Table 3: Real estate programme and functional mixture.

	average real estate programme (m ²)	functional mixture (%)		
		offices	housing	other
first-generation key projects	572,311	34	51	14
first-generation reference projects	707,400	33	52	15
second-generation key projects	731,998	53	31	16
second-generation reference projects	334,480	37	29	35

Sources: Ministerie van VROM (1993); various project websites.

Our analysis reveals that there is slightly more focus on urban quality in the key projects than in reference projects. But in the second-generation of key projects in particular, the difference is marginal. The second-generation key projects focus slightly more on the mix of functions and liveliness than the reference projects, topics which gained in importance in the past decade. In terms of functional mixture, reference projects include a larger share of housing and other functions (mostly a mix of amenities); but on more qualitative indicators the key projects do better (Table 3). The role of national government through the commission of the Chief Government Architect and its greater financial resources is not clearly revealed, however.

6 Conclusions

In this paper, we have discussed the legitimacy of national government involvement in urban (re)development. In conceptual terms, such involvement is legitimised by the theory of welfare economics, which states that intervention of national government is allowed in cases of market failure, and in some specific cases labelled as policy failure. Rather than being merely an academic concept, welfare economic is actually referred to by governments seeking justification for intervention in fields that are commonly the domain of private actors or other levels of government.

However, the relationship between the theoretical construction of legitimacy and empirical evidence is still weak. National involvement in urban (re)development projects in practice leaves room for a variety of goals and institutional forms. A comparison of England, France and the Netherlands shows that although all three national governments consider national involvement in large urban projects to be legitimate, national policies have been elaborated in very different ways. In England, national government established new institutions for the implementation of urban (re)development projects, which initially had no relationship with local government. In France and the Netherlands, local government plays a far more important role. In France, urban projects in which national government is involved (except for the *grands projets* in Paris) aim mainly at redistribution and the revival of peripheral cities, whereas projects in England and the Netherlands tend to be directed at enhancing the economic vitality, competitiveness and the quality of urban space in the core cities of both countries. Image is another factor involved in some of the Dutch key projects, for instance, and the French *grands projets*.

This leaves the main question that we have addressed in this paper: has national government involvement in local (re)development projects been reflected in the results of these projects. Our analysis of the Dutch key projects produced ambiguous results. The main reasons for national government involvement in the key projects were clearly based on welfare economics: to prevent policy competition from hindering urban economic development, and to guarantee the provision of a public good – namely urban quality. Nevertheless, the evaluation in terms of economic effects and urban quality, presented in the previous sections, showed no conclusive evidence of any surplus value as a result of the involvement of national government. Likewise, evaluation on a larger number of other indicators, which have not been elaborated here, also produced mixed results (Van der Wouden *et al.*, 2009). Broadly speaking, the conclusion should be that while national involvement in the key projects may have been legitimate beforehand in conceptual terms, it cannot be justified convincingly by our empirical findings concerning the indicators discussed in this paper.

This conclusion can only be tentative, however, due to the difficulties related to the evaluation of these projects. For one thing, the applicability of the criteria of welfare economics in testing the legitimacy of national policies depends upon the strength of national gov-

ernment to uphold the initial criteria in the political process. In the Netherlands, government has not always succeeded in doing this. Indeed, the Dutch case shows that strict criteria for national government involvement have evolved during the selection of projects, for instance due to political lobbying by local actors to include an urban project in the national urban programme. This often undermines the clear-cut criteria of welfare economics, as a result of which national government intervenes in projects that actually do not meet the criteria that were initially set, and where the expected surplus value perhaps cannot therefore be realised. Moreover, when too many projects form part of the same national programme, cities may end up competing with each other with the help of national public funds, thus leading to the same type of government failure that may have led to national government involvement in the first place.

The process of evaluating the effects of national government involvement is itself complicated by the long-term development process that characterises these large-scale projects – which often include significant changes in the project plans – as well as by the complexity of the criteria involved. On the one hand, this complexity is due to the necessity to convert theoretical criteria based on welfare economics into more practical criteria that can be applied in the monitoring and evaluation process, such as urban quality or employment growth. On the other hand, it is also caused by the need to use qualitative indicators. This again highlights the importance for national government to put more effort into specifying the objectives of their involvement in local projects. It also demonstrates the importance of a clear evaluation framework for these projects, in which criteria are related to the specific aims of national government in unambiguous terms.

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