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There is a long tradition of public-private cooperation (PPC), particularly in education and health care (e.g., Kuhnle & Selle, 1992, who refer to the "field of welfare and social affairs"). Savitch (1998) dates such cooperative efforts in Europe back as far as the 16th century. In the United States, Beauregard (1998) sees PPC emerge in the middle to late 1880s. Over the past 25 years, PPC has also become an important part of local economic development policy (Brooks, Liebman, & Schelling, 1984; Committee for Economic Development, 1982; Fosler & Berger, 1982; Walzer & Jacobs, 1998; Weaver & Dennert, 1987; Westeren, 2000; see Isserman, 1994, for a description of the evolution of state economic development policy in the United States). This change is highlighted in the reinventing government movement that gained momentum in the 1990s (Osborne & Gaebler, 1992). Gray (1985) is likely to speak for many when she sees "a growing need to promote collaborative problem solving across various sectors of society" (p. 911). Although we refer to *cooperation* rather than *collaboration*, the two terms have such closely related meanings that we treat them as synonymous.

Joint public-private efforts are often referred to as *public-private partnerships* (e.g., Pierre, 1998; Vaillancourt Rosenau, 2000a). This term is being used not only in the United States but has also been adopted in other countries, such as Germany, Sweden, Great Britain (Heinz, 1993), Norway (Westeren, 2000), and Canada (Ministry of Municipal Affairs, 1999). For additional examples, see Walzer and Jacobs (1998). A keyword search on the Internet yielded tens of thousands of entries; among them were many from outside the United States.

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Public officials encounter PPC in a variety of ways, for example, in agreements to pave roads in new subdivisions, public participation in industrial recruitment or sports team–retention activities, and privatization of subsidized public services (e.g., Lawther, 2000). This article addresses the concern that the widespread use of the term *public-private partnership* for a variety of public-private cooperative efforts implies a commonality among them that does not exist (see also Peters, 1998). Differences in characteristics of PPC that are important to their success or failure may therefore be overlooked (Lawless, 1993). Ingerson (1999) states that "the range of projects described as 'public-private partnerships' is enormous" and voices the suspicion of (unnamed) critics and skeptics "that these so-called 'partnerships' are really subcontracting or grantmaking." A Web search provided further evidence of the imprecise, and sometimes careless, use of the term. For example, the British public sector union UNISON (n.d.) defines public-private partnerships as "any arrangement where a public service is delivered in co-operation with the private sector" and refers to "a growing use of public-private partnerships (PPPs) across the public sector." The Ministry of Municipal Affairs (1999), British Columbia, presents a similar definition:

> Public private partnerships (PPPs) are arrangements between government and private sector entities for the purpose of providing public infrastructure, community facilities and related services. Such partnerships are characterized by the sharing of investment, risk, responsibility and reward between the partners.

This definition is general regarding the form but specific and narrow regarding the purpose of the "partnership," with the purpose being limited to the private provision of public goods. Savas (2000) similarly emphasizes the private provision of public services. Vogel (2000) presents a legal analysis of the opposite—the public provision of private goods. He also provides a large number of examples of public-private interaction in the provision of both public and private goods. His work illustrates that the line that separates public sector from private sector roles is fuzzy and changeable. The lack of an agreed-upon vocabulary for describing different cooperative efforts is also evidenced by the absence of clear definitions for terms such as *alliance*, *coalition*, *association*, and so forth.

As planners articulate their activities with economic development initiatives, there is a need to categorize the types of PPC to understand how form, function, and outcomes are related. Although economic development activities are the basis for many of our illustrative cases, the conceptual framework is broadly applicable to other situations where planners may work with the private and public sectors to achieve complementary goals. The general purpose of this article is to provide a vocabulary for the study of cooperation between the public and the private for-profit sectors.

The examples focus on economic development for two reasons. First, the need for analysis is greater because of the relatively recent growth of states collaborating with private industry to promote economic development (Isserman, 1994; Walzer & Jacobs, 1998; Weaver & Dennert, 1987). Second, the potential for significant conflicts of interest in economic development is great (Reese & Rosenfeld, 2001). For example, a government that enters into a PPC with a private firm and makes a significant financial investment (or invests significant political capital) may be reluctant to pursue suspected violations of rules and regulations by its private "partner" if this would endanger the success of the cooperative project. In other words, the government may lose, or be perceived of having lost, its impartiality when it assumes a large tangible interest in the success of private projects. PPC may also affect interfirm competition. When, in 1991, the city of Denver offered substantial financial incentives to United Airlines to locate its maintenance facility at the new Denver International Airport, Continental Airlines was quick to request similar concessions for its already existing facility, on the basis of competitive fairness. (United Airlines ended up locating its facility elsewhere.) For another critical perspective on conflicts of interest, consult Cummings, Koebel, and Whitt (1989). Finally, close cooperation between the public and the private sectors in economic development could lead to inequitable outcomes (e.g., Krumholz, 1999).

The rest of the article is organized as follows. The next section identifies dimensions of PPC participant interest that are helpful in understanding potential outcomes of cooperation. Then, we present a discussion of differences when the cooperation is between the public sector and the private sector as opposed to private-private or public-public cooperation. An inventory of forms of PPC follows. We then note special differences encountered when the cooperator is a nonprofit. The final section provides a summary and conclusions.

Critical Dimensions for the Analysis of Cooperative Efforts

Our analysis is limited to voluntary cooperation. A necessary condition for the existence of voluntary cooperative agreements is that all participants expect to end up better off than they would have if they were acting alone. This can happen only if the correlation between the expected rewards of the participants is positive. Rewards can be both tangible and intangible (values, beliefs, relationships). Gray (1985), in an influential article, refers to interdependencies among stakeholders.

Cooperation makes participants better off if (a) by pooling their resources, they obtain efficiencies; or (b) by combining complementary strengths, they can increase the scope of their activities; and/or (c) cooperation reinforces the mission or satisfies values or beliefs. The intent to cooperate does not guarantee success, however. The likelihood of success depends on how well participants coordinate their decisions and actions. Decisions can also be "directively correlated," that is, directed toward common values or ideals but without coordination of specific actions—such that the cooperating parties move together toward achieving the same purpose or mission. One of the benefits of voluntary cooperation is that each participant gains some measure of influence over the decisions of all other participants. Of course, in return, each participant relinquishes some control over its own decisions. The extent to which decisions of one party support and reinforce the decisions of other parties is an important criterion for characterizing cooperative efforts (see C. Ellis, 1996, for private sector examples).

The success of cooperation also depends on adherence to agreed-upon rules and norms. Fehr and Schmidt (1999) study how bargaining power affects cooperative behavior and, in particular, free rider behavior. In a related article, Fehr and Gächter (2000b) show that reciprocity serves as an important factor for the enforcement of contracts and social norms. Finally, in a third related contribution, Fehr and Gächter

(2000a) report on experiments that indicate that free riders are punished and that the punishment is proportional to their deviation from established norms. This reinforces C. Ellis's (1996) argument that cooperative agreements need to be nurtured and managed.

Cooperative efforts cover a wide range of projects and activities. This analysis is not concerned with short-term, one-time efforts dealing with simple issues or projects. As Dewar and Isaac (1998) note, there is a tendency for implementation to be in a consultant mode when the project is a small part of the mandate or when the project is short term. Cooperation is easier (less threatening) when little is at stake. Short-term issues requiring collaborative efforts can often be handled by a temporary ad hoc task force with members representing the cooperating organizations (Mandell, 1999). In this article, we are interested in sustained cooperative efforts that require a significant commitment of human and/or financial resources, which may take place over an extended period. Figure 1 summarizes the influence on the form of cooperation by the various dimensions of the cooperative effort. The compatibility of goals dimension relates to the correlation between the expected rewards of the participants and organizational culture (shared values and decision-making protocols). The coordination of decisions dimension reflects the extent to which the cooperators correlate their actions. The commitment of resources dimension encompasses human, financial, and social capital.

The stronger the positive correlation between the expected rewards of participants, the stronger their incentive to coordinate their actions to mutual benefit (Gray, 1985, see particularly her Propositions 2, 3, and 6, pp. 921, 926). When cooperation fails in spite of the existence of strong positive correlation between expected rewards, we have missed opportunities, and all potential participants are losers. One can think of a number of reasons cooperation does not exist. It is possible that the law keeps a government entity from cooperating. It is also possible that a private sector member does not understand, or lacks patience for, the decision-making process in the public sector. For example, the lack of confidentiality in the public sector may keep private sector members from cooperating with the public sector if they fear that such cooperation makes sensitive information available to competitors.

There are, of course, situations when the interests of different agents are mutually incompatible. Cooperation cannot persist in such situations, unless it is the result of coercion. Either agents will learn from their mistakes and change their behaviors or other agents who pursue their self-interests more successfully will displace them. Similarly, agents who fail to exploit the benefits from cooperation will eventually lose out to agents who pursue cooperative opportunities. In the remainder of this article, we will therefore limit our attention to situations characterized by mutually compatible interests.

Limiting exposure to risks is a powerful incentive for cooperation (e.g., Linder, 2000). For example, when faced with a year 2000 incompatibility problem in their accounting software, three universities jointly cooperated with a software corporation to adapt its business accounting software for use in a university setting. The universities reduced their risk because the corporation offered reduced rates for software development and because they knew the other universities would assist them in fine-tuning the software to a university setting. The software company reduced its risks

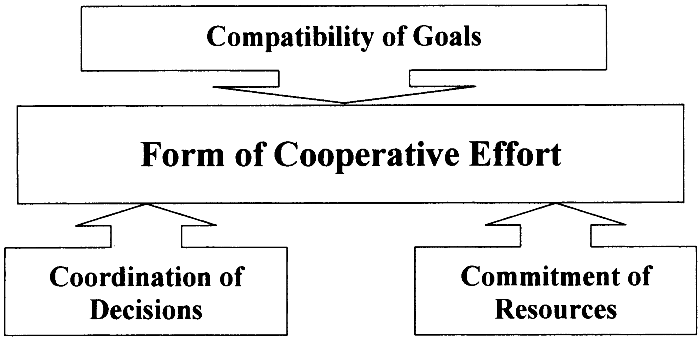

Figure 1. Dimensions Influencing the Form of Cooperation: Goals, Coordination, and Resources

because it had a minimum of three major customers for its final product (conversion to another provider is quite expensive for the universities, so the choice represents a long-term revenue stream for the software company). All four parties still faced substantial risks—the corporation in development costs and the universities in staff costs, if the new system did not function well. The cooperation reduced but did not eliminate the risk. Cooperation is most likely in the case of very risky projects that promise a very high return. When expected rewards are high and risks are low, efficiency gains from cooperation would have to be high because risk reduction is not a significant concern. In general, therefore, the most promising cooperative situations are those where rewards correlate positively with risks.

Public and Private Sector Differences

The dimensions presented in the previous section apply not only to public-private cooperative efforts but all cooperative efforts. However, there are unique characteristics of PPC that deserve our attention. Many of these characteristics are related to the different missions of private organizations compared to the missions of public organizations. The differences in the missions are also reflected in the way in which each organization is financed and governed, such as differences between bureaucratic, hierarchical organizations and entrepreneurial organizations with flatter decision-making structures. PPC is therefore different from cooperation between all public or all private entities. The following paragraphs enumerate important differences between public and private organizations (see also Withney, 1993). For a perspective on PPC from the perspective of the private for-profit sector, see Austin and McCaffrey (2002).

Executives of private sector for-profit organizations are generally accountable only to their owners or stockholders or, in some cases, to other stakeholders (employees, creditors, communities where their plants are located, etc.). Decisions can usually be made without being scrutinized by the public, though in some cases there are repercussions such as class action suits, boycotts, or public protests. The recent travails of the tobacco industry and Microsoft are cases in point, but these kinds of experiences make headline news because they are rare in the private sector. By contrast, important decisions in the public sector are usually discussed in an open forum and subject to intense scrutiny by the press, interest groups, and private citizens. For example, in Monongalia County, West Virginia, after the school board decided to promise new construction contracts to local unionized firms only, nonunion construction firms raised money for advertisements against the school bond vote. The prospect of intense public scrutiny may reduce the willingness of public sector executives, and particularly of elected officials, to take on controversial issues. The private sector's ability to hold discussions behind closed doors insulates leaders in this sector from similar scrutiny until after a decision is being implemented.

Another significant difference between the public sector and the private sector is the special powers of governmental organizations. Unlike the private sector, which relies on persuasion, the public sector can force compliance with its plans. The law and related policies, when followed, work to ensure that important government decisions are made in public and are subject to guidelines to ensure fairness, because powers of coercion can easily be abused. In the United States, many states have "sunshine laws" that require discussions of important actions to be open to the public. The federal Freedom of Information Act is another indication of the importance assigned to sharing information with the public. Such information sharing and transparency are in marked contrast to decision making in the private sector, where business firms are reluctant to share information that could be used by competitors. The private sector's reluctance to share its business information and the public sector's legal obligation to make information public can lead to tension in economic development practice (for an example concerning conflict over the confidentiality of information, see "State Defends Secrecy," 1996; "State Says Letting Public Know," 1995).

The legitimacy of governments comes from the support they enjoy among their citizens (e.g., Linder, 2000). To maintain the citizens' confidence, public organizations have to be responsive to the needs and interests of all citizens and must provide opportunity for citizen input into the decision-making process. Thus, decisions made in public and the process are often slow and subject to competing interests.

The public sector may also be less vulnerable to financial risks than private organizations because of its exemption from certain forms of legal liability. Even when governments can be held liable, the extent of their financial liability is often limited. In addition, its sources of revenues are more stable because of the reliance on taxes. Customers can be fickle. Today's top product can be tomorrow's unwanted inventory, whereas citizens must pay their taxes year after year, whether they like the services they receive or not. However, the government's contributions to a PPC need not be financed from general revenues. In those cases, the government's sources of funds are probably as much subjected to uncertainty as the private partner's.

Finally, private sector organizations have legal scope to engage in a wide range of activities. Their scope is primarily limited by employment, patent, and antitrust laws; the organization's capacity for change; and revenue generation. Government entities are much more restricted in what they can do. Government activities are also geographically limited; the private sector faces few statutory limitations on its geographic scope, though the market imposes limits on the private sector.

The preceding paragraphs illustrate important philosophical and legal differences between private sector and public sector organizations. Such differences impose different constraints on PPC than those in private-private cooperation. However, it is exactly because of the differences between the public and the private sector that opportunities for mutually beneficial cooperation arise. The two sectors have complementary powers, and thus, each can help the other accomplish things that may otherwise not be feasible. PPC initiatives may also serve to strengthen awareness and appreciation of diversity and interdependence as important organizational operating principles. We should, however, heed the warning of Stone, Doherty, Jones, and Ross (1998) who, commenting on school district/business relationships, write,

> Yet notwithstanding enthusiasm among education administrators for the idea of compacts and other partnership programs, the programs may rest on an unsteady foundation. Businesses and school systems operate in fundamentally different ways. Moreover, while top school officials value the favorable publicity that accompanies partnership with business, schools are accustomed to extensive independence, especially in day-to-day operations. (p. 366)

Cooperation between all-private participants also occurs because of their complementary capabilities, but differences among them are usually less fundamental than those between the public and the private members in PPC.

Forms of PPC

Just as there is not one single best organizational form for private firms, there is not one single best form of PPC. What works best depends on the nature, scope, and risks of the projects. We therefore present four ideal-typical forms of PPC. We chose four forms to make broad distinctions because the smaller the difference between different forms of PPC, the more difficult it becomes to distinguish between them in practice. In this we are influenced by business law, which defines a small number of legal forms for businesses that cover a wide range of business activities and business cultures. And just as the law does not present one legal form of business organization as preferable to all others but offers them to meet different needs, we also do not recommend one form of PPC as best. The form of cooperation should be chosen to best fit the needs of the participants.

As discussed earlier, we define cooperation by the extent to which participants coordinate or correlate their decisions. Coordination can range from informal efforts to formal agreements, even to the complete merger of efforts. The ideal-typical forms presented here are compatible with the three types of collaboration activities presented in McGuire (2000): policy/strategy making, resource exchange, and project based.

LEADER-FOLLOWER RELATIONSHIP

The relationship between leaders and followers can be interpreted as a form of cooperative behavior. It is often, though not always, an implicit form of cooperation, based on an understanding reached through experience. The leader-follower relationship is more likely to emerge over time from trial and error than as the result of negotiation. It is possible, however, that a leader-follower relationship may be formally defined in a contract between participants. We would expect this to occur when participants are very unequal in power or resources. For example, in Kansas City, at the Department of Housing and Urban Development's (HUD's) HOPE VI project at Guinette Manor, the tenant association cooperated with a private company to compete for contracts from the housing authority. Cooperation with the tenant group gave the private company an edge, which it acknowledged through its agreement to be a minority stakeholder in the relationship. The HUD agency worked with the two organizations to provide contract funds for training to improve tenant skills (this example is drawn from Naparstek, Freis, & Kingsley, 2000). HUD had the resources—in this case, funds—and served as the leader through its financing of the HOPE VI activities; the nonprofit tenant association and the private contractor were followers.

The leader-follower relationship is a widely used form of PPC. For example, a government wishing to redevelop an area will often assume a leadership role by making important up-front infrastructure investments with the expectation that private sector investments will follow. An initial government investment may be necessary to reduce the risk of private investments. If only one private property owner makes improvements in a run-down neighborhood, the value of his or her investment is reduced by the poor state of the other properties (negative externalities).

A classic example of this kind of investment strategy is tax increment financing, in which local government in effect mortgages future property tax revenue increases to make land improvements, attracting private sector investments, which in turn create the increased property tax revenue (for more detail on tax increment financing, see Dougherty & Loveridge, 1998). A well-known example of tax increment financing is the case of Bloomington, Minnesota, which used the technique to set the stage for the construction of the Mall of America—the largest mall in the United States. One could question whether this qualifies as a cooperative effort. We believe that it does because governments must learn about and be responsive to the goals and objectives of the private sector or the investments in infrastructure will be wasted. If the initial investment is large and/or very risky, the government agency considering the investment will usually discuss its plans with private sector organizations first, to ascertain the likelihood that they will follow its lead. To encourage potential followers, the government may also offer incentives. Such incentives may not be aimed at any specific organization but be available to anyone who meets the government's criteria. An example of this kind of incentive is the "enterprise zone" policy in which companies locating in high-poverty areas receive selected tax reductions or special access to government contracts. Incentives that are targeted to a specific organization may not fall under the leader-follower relationship but under one of the other forms of PPC discussed in this article, particularly the seller-buyer relationship, discussed below.

Hopkins and Schaeffer (1983) discuss a case of resort town development where private interests played the leadership role. The public sector, the U.S. Forest Service, reacted to their initiative, which eventually led to the establishment of the Snowmass, Colorado, ski resort. The initiative in that case came from resort developers who needed the U.S. Forest Service's cooperation and permits for the establishment of the main attraction, the ski slopes.

Another case of private leadership with the public sector following along comes from Michigan. General Motors was interested in increasing its production capacity and adding 4,300 jobs in the Lansing area but wanted assurance that it would have access to workers with high-technology manufacturing skills. As part of its incentive package to General Motors, the state of Michigan awarded $4 million to Lansing Community College to create the Michigan Technical Education Center, which will focus on high-technology manufacturing skills for new workers as well as workers already employed in manufacturing (Mayes, 2000).

EXCHANGE RELATIONSHIPS (SELLER-BUYER RELATIONSHIPS)

In a voluntary exchange, both sellers and buyers are better off at the end of the transaction. They coordinate their decisions, although the extent to which this happens can differ greatly. In the case of standardized goods and services, no explicit cooperation is necessary between individual buyers and individual sellers (low transactions costs, anonymous exchange process), and market intermediaries take care of coordinating the exchange. In economic development, however, services and goods exchanged between the private sector and the public sector (up-front infrastructure investments, financial incentives, commitment to create given numbers and types of jobs, etc.) are often complex and nonstandardized, and significant coordination between buyer and seller is necessary (high transaction costs), requiring face-to-face negotiations. Thus, this type of relationship fits the characteristics of a cooperative relationship (for a theory of buyer-seller networks as a relationship, see Kranton & Minehart, 2001).

Many of the cases of the private provision of public services fall under the heading of exchange relationships, with the public sector and the private sector working together over a long period. In many such cases, citizens continue to hold the public sector responsible for service quality. For example, when local governments contract with private firms to provide public transportation, the public will address complaints to the local government, and the government and contractor must work cooperatively to address grievances and correct problems. An example of this exists in Monongalia County, West Virginia, where public transportation is provided by a private subcontractor, but government hears citizens' complaints and brings them to the attention of the subcontractor. For more on PPC in transportation, see Dunn (2000).

Another example is the provision of prisons by private contractors (e.g., Mattera, Khan, LeRoy, & Davis, 2001). Many economic developers seek to attract private prisons because they provide stable jobs to a community. The private contractor and the state prison authority must cooperate and coordinate their plans, starting with the design of the prison and continuing with the running of the prison once the facility has been completed.

Communities and/or states competing against each other (e.g., Haider, 1992; Hanson, 1993) for new businesses and jobs can also be regarded as sellers and the businesses as buyers. Each community offers a set of location attributes (infrastructure, labor force, amenities) at a certain "price" (effective tax rates and user charges, start-up subsidies). The main purpose of a community usually is to recruit a firm and keep it in the community; beyond this, additional long-term joint projects with the recruited firm are rare. This is more similar to a seller-buyer relationship than to any of the other forms of PPC. Such seller-buyer relationships often require explicit and extensive cooperation so as to make sure that the buyer's needs are properly met (e.g., site and labor requirements) and that the seller receives the agreed-upon price (e.g., number of jobs, size of private investment). Often, the exact nature of what is to be exchanged, of who is responsible for what, is to be negotiated. Because transactions are often very complex, it may take considerable time to complete all parts of a transaction.

Describing industrial recruitment as an exchange relationship is accurate because it captures the most relevant characteristics of such efforts. In particular, it calls attention to the price at which the exchange takes place and to the fact that there may be both competing sellers and other potential buyers. The public sector is not always the seller. In some instances, the private sector attempts "to sell" a community or region on the idea of accepting certain types of facilities, such as a garbage incinerator or paper mill.

Although both seller and buyer benefit from their interaction, there is also an obvious element of competition between them over the terms of the exchange. The simultaneous presence of cooperation and competition is not unique to this form of relationship but may be less apparent in the other relationships described in this article.

JOINT VENTURES

The term *joint venture* is common in practice but is usually described as a special form of a public-private partnership, another indication that partnership is used to describe a wide range of different forms of PPC (e.g., UNISON, n.d.). *Joint venture* has a clear meaning in private industry, and our use of the term is based on that meaning.

A joint venture is a useful vehicle if two or more participants expect to gain from working closely together on a specific issue or project but otherwise wish to keep their independence from each other (e.g., Bean, 1995). It therefore resembles McGuire's (2000) project-based collaboration activities. Joint ventures are dedicated to a specific purpose; they are not open ended. In business, joint ventures are often set up as an independent firm, organized as a corporation. This allows participants to define their financial commitments up front and to limit their exposure to financial risks. A jointly appointed board makes decisions. We see similar characteristics in many public-private cooperative efforts. In fact, most PPCs in economic development that do not fall under the previous two categories have the characteristics of a joint venture: There is a specific project or issue (purpose), and participants define their financial commitments up front.

Decision making tends to be more complex in public-private than in private-private joint ventures because government cannot delegate its police powers. Truly joint decision making may therefore not be possible, but strong coordination or correlation can be achieved. Public-private joint ventures are particularly appropriate when a project requires the complementary powers and capabilities of the public sector and the private sector. For example, the construction of Coors Field in Denver was possible only as a public-private joint venture. The government could not acquire a baseball team and did not have the means and expertise to efficiently operate a baseball stadium; the private sector did not have the power of eminent domain to obtain ownership of all parcels at the target construction site at fair market prices. Another example is the Public/

Private Partnership Program of the U.S. Food and Drug Administration (FDA, n.d.). In spite of its name, this program is more likely to result in public-private joint ventures than in partnerships as defined in this article. The objective of the FDA (n.d.) is to leverage its resources "with others outside FDA in ways that will help the Agency meet its public health responsibilities." The FDA defines leveraging as "the creation of relationships and/or formal agreements with others outside the FDA that will ultimately enhance FDA's ability to meet its public health mission." This statement signals an awareness that cooperation can take on different forms. The limited scope of the cooperation of the FDA program is illustrated by the requirement of a final report, indicating the time-limited nature of the cooperation. A concrete collaborative opportunity advertised by the FDA is for the development of an improved technique for studying the effect of aging on medial gloves, with the goal of improving estimates of their shelf life (FDA, n.d.).

Public-private joint ventures are common in economic development. For example, a government may seek private businesses to work together to add new economic life to a designated area. This is the case in the Main Street Program. State government pays a portion of the cost of a Main Street coordinator and various state consultants (assessments for historically correct renovations, maintenance and repair, marketing plans, business plans, and graphic design) if downtown business owners will match state funds and functions with their own cash contributions. The state effectively pays a portion of the cost for functions (promotions, marketing vacant slots, events) that would fall on the management/owners of a private suburban mall. The Main Street Program compensates for the fragmented ownership present in historic downtown areas.

When public goods and services are important to private interests, we sometimes find that private organizations request and support their provision by offering to cooperate with the responsible government agency. An example of this is the development of the first zoning ordinance of Aspen, Colorado, which was initiated and partly financed by the Aspen Institute (Clifford, 1980). This nonprofit organization was interested in preserving Aspen's character as a former mining town and in preserving the value of its investments, and it therefore worked cooperatively with the town to guide the process of developing the zoning ordinance.

Joint ventures have also become more common in higher education, for example, in the development or improvement of a sophisticated product. To this end, a private company may give away a patent to a research university and help fund the further development of the technology in return for rights to the results from the research.

Typically in joint ventures, interested businesses and the government each agree to take certain actions and investments. A joint venture is particularly appropriate when the initial risk of a public investment is high without the assurance that private investments will follow. By seeking coinvestors in a joint venture, the parties involved can reduce their risks to an acceptable level (e.g., Stainback, 2000). We call such projects joint ventures because, first, although important decisions and actions will be coordinated, each participant retains its formal independence. Second, the scope of the project is well defined, not open ended, and the same is true for the commitment of resources by each participant. Finally, such projects are often of limited duration and have no life beyond the completion of the project.

PARTNERSHIPS

Our view of the nature of partnerships is influenced by its legal definition. Following Kleinberger (1995) and Steffen (1977), we define an ideal-typical partnership as an open-ended agreement to work together. In such an arrangement, the partners define the general purpose of the partnership but are open to new developments and opportunities. This view of a partnership is compatible with McGuire's (2000) policy/strategy–making collaboration activities. Our definition is similar to that of Beauregard (1998) and Peters (1998), with the exception that we put more emphasis on the open-ended nature of a partnership, whereas Beauregard sees them as serving a specific purpose. Peters has a somewhat broader view of their purpose: "Rather, in a partnership there is a continuing relationship, the parameters of which are negotiated among the members from the outset" (p. 13). Peters stresses that in a partnership, all participants can act on its behalf; that a partnership is "enduring" (p. 13); that all partners bring something into the partnership; and that they share responsibility for the success of the partnership. Vaillancourt Rosenau (2000b) similarly argues that "authentic partnering, in theory, involves close collaboration and the combination of strengths of both the private sector (more competitive and efficient) and the public sector (responsibility and accountability vis-à-vis society)" (p. 219).

Linder (2000) defines partnerships not by looking at their characteristics but by considering their benefits. He argues that public-private partnerships can be used as a tool to achieve management reform, either by changing managerial practices or by changing the nature of a problem so that it can attract a private for-profit partner. A public-private partnership may also change the perception of the public that is being served. Public services are often taken for granted, whereas a service proved by a mixed public-private entity may be viewed differently. Linder also stresses the benefits of "risk shifting" (p. 29).

In an ideal-typical partnership, all partners share in the rewards and decision making and assume full responsibility for the risks of their joint activities (see also Beauregard, 1998, pp. 53-54). We refer to this as a full partnership. In a limited partnership, not all partners share equally in the risks and rewards. The limited partners reduce their exposure to financial risks to an agreed-upon amount, whereas the unlimited partners are liable with their full faith and credit. For a partnership to exist, at least one partner must be an unlimited partner.

The National Child Care Partnership Project's definition is similar to ours: "A public-private partnership exists when the public sector—federal, state, local and/or tribal officials or agencies—joins with the private sector—families, employers, philanthropies, media, civic groups, and/or service providers—to attain a shared goal" (National Child Care Information Center, 2000). The further description also stresses the importance of the partnership's ability "to change in response to emerging needs and to take advantage of new opportunities"; finally, "decision-making and management responsibilities are shared among the partners" (National Child Care Information Center, 2000), that is, a partnership's open-ended nature.

Based on our observations and reading of the literature and popular press, we believe that public-private partnerships are relatively rare. This should not surprise anyone. The demands of an ideal-typical partnership are significant. As Gray (1985) implies, long-term cooperation is more difficult and requires more structure than short-term cooperative efforts. All partners participate in decision making and share all risks with their full faith and credit. No wonder that the business partnership is not the dominant organizational form in the private sector. We believe that the demands of a partnership also work to make public-private partnerships relatively scarce. Therefore, long-term relationships are more likely to form when there exists a "high degree of ongoing interdependence." Gray (p. 918) and Rubin and Stankiewicz (2001) provide case studies of the Los Angeles Community Development Bank and argue that it failed because not all of the conditions of a full partnership were met. They use Peters's (1998) definition of a public-private partnership. As mentioned above, this definition is very closely related to ours.

An example of a public-private partnership in the university context is the licensing agreement. Increasingly, universities are willing to take equity positions in a start-up company that may not be financially able to pay licensing fees for university-held patents. The university forgoes potential revenues by granting an exclusive license, whereas the private start-up company owners risk their capital.

Workforce development boards are examples of a federal government–private sector partnership. The federal government creates these boards, but the majority of the board members are representing for-profit entities. These boards approve private sector and public sector training that is funded by federal dollars. The federal government seeks private sector partners to ensure that its training dollars go into programs needed by the private sector.

The Downtown Denver Partnership (DDP), the Minnesota Business Partnership (http://www.mnbp.com/), and the Pittsburgh Partnership for Neighborhood Development (Metzger, 1998) are other examples of successful public-private partnerships. The purpose of these partnerships when they were founded was broad and open ended. The partners did not limit their involvement or commitment; their commitment was open ended and flexible. Of course, this does not mean that the commitment has no limits, only that they are not strictly specified and open to negotiation. The members of the DDP include the Denver Urban Renewal Authority. DDP was instrumental in the construction of the 16th Street Mall, the centerpiece of Denver's downtown revitalization, and assumed responsibility for the maintenance of the mall (http://www.downtowndenver.com/). It is working with the regional transit district on landscaping and updating street lighting. It is also working with the city of Denver on the redevelopment of Skyline Park. The Missouri Community Development Corporation Initiative is the name of a piece of legislation aimed at building similar partnerships (Missouri Revised Statutes, 2001). The legislation proposes a broad purpose for the proposed Community Development Corporations, shared public-private investment, and an open-ended time line. Finally, Grossman (1987) provides a detailed description of a regional public-private partnership.

A close partnership between the public sector and the private sector is not without risk. Sometimes, community government and business get together and decide what to do that serves their self-interests—while trying to avoid public input. An example of such an occurrence is described in a case study in Reese and Rosenfeld (2001).

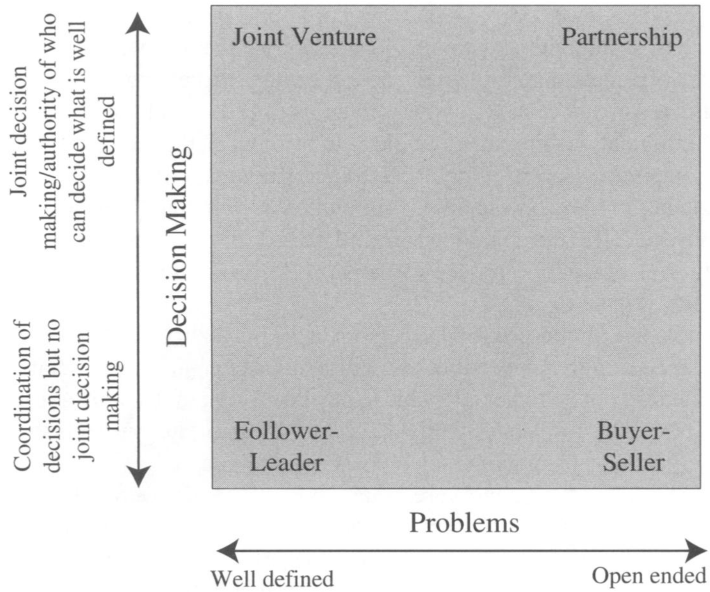

Figure 2. Forms of Public-Private Cooperation

Possible Factors Influencing Choice of Form of PPC

In the interest of making clear distinctions, we have presented four ideal-typical forms of PPC (Figure 2). In real life, a closer form of cooperation may grow out of a weaker form (see Cigler, 1999). Cooperation is not static but a process that changes over time. As participants gain experience working together successfully, they build mutual trust that permits them to take on riskier projects, make bigger commitments, and work together more closely. C. Ellis (1996) and Wiewel and Lieber (1998) also stress the importance of trust in a partnership; Gray (1985) adds legitimacy to the factors that influence interorganizational cooperation. In the context of PPC, it is hard to imagine how trust and cooperation could develop without legitimacy. Ferguson (1998) talks about alliances but refers to their members as partners. He emphasizes the importance of developing trust for moving from a stage of ambivalence to one of commitment. Of course, failures of PPC will likely have the opposite effect. In either case, we should not assume that a PPC remains unchanged over time (see also Ferguson, 1998, p. 593, Figure 13-1).

The appropriate form of PPC depends on the distribution of risks and expected rewards. We assume that expected rewards are positive for both participants because otherwise there is no incentive to cooperate. Then, the nature of cooperation is likely to be influenced by the degree of agreement of interests of the two participants. Let D denote the deviation of interests between the two participants. The smaller D, the more closely their interests are aligned. We define D as follows:

$$D = \left| \frac{E_A}{R_A} - \frac{E_B}{R_B} \right|$$

where $E_i > 0$ is a measure of expected rewards, and $R_i > 0$ is a measure of the risk associated with participating in a cooperative effort ($i = A, B$). Rewards can be nonmonetary, so E is not necessarily measured in dollars but should be thought of as an index that measures expected rewards. We posit that the probability of severe conflict between two potential participants increases with D:

$$Pr(\text{Severe Conflict}) = P(D) \text{ and } \frac{dP}{dD} > 0.$$

Close cooperation may be inappropriate if there is a mismatch between risks and rewards. For example, if A faces high expected rewards and low risks, whereas B faces high expected rewards and high risks, a full partnership is not a desirable form for PPC. B's greater exposure to risks is likely to lead to the pursuit of a different investment strategy than that most preferred by A. Thus, they may not be able to make joint decisions. Even if joint decision making is not achievable, however, they may be able to accomplish a less demanding form of cooperation.

Table 1 summarizes the characteristics of the four ideal-typical forms of cooperation. By implication, the information in the table suggests what form may be most appropriate, given the purpose of cooperation. Clearly in real-life situations, a PPC may cut across the lines we draw in this summary table; each PPC will exhibit its own personality quirks.

A Note on Nonprofit Organizations and PPC

Nonprofit organizations (we use the common abbreviation NGOs [nongovernmental organizations]) share aspects of both public and private organizations. Although they lack the coercive powers of government, they also have fewer constraints than government organizations. NGOs are usually less secretive than private businesses and therefore less concerned about sharing information with the public. Because they obtained their tax-exempt status in return for a commitment to some public interest, they are also philosophically closer to government than private for-profit businesses. In other words, NGOs combine characteristics of public and of private for-profit organizations. This makes them potential partners for the public sector, particularly in the area of policy partnerships (Lovrich, 2000).

Hula, Jackson, and Orr (1997) argue that "broad collective interests exist that are not adequately represented in current governing regimes" and that NGOs "can serve as a viable platform for the aggregation of collective interests, including under represented interests" (p. 460). In other words, NGOs often serve as effective coalition builders and policy initiators (Hula & Jackson-Elmoore, 2001). Linder and Vaillancourt Rosenau (2000) use the term *intersectoral partnerships* and consider NGOs as possible partners of the public sector, particularly in cases when joint efforts rely on grants or other donors. Smith (2000) provides an interesting example of a nonprofit organiza-

Table 1. Characteristics of Different Forms of PPC

	Leader-Follower	*Buyer-Seller*	*Joint Venture*	*Partnership*
Purpose	Likely to be specific (e.g., investing to stimulate private redevelopment of a neighborhood)	Limited, specific (e.g., business recruitment)	Limited and specific (e.g., construction and/or operation of a facility)	Broad, general, open ended (e.g., planning a strategy for the redevelopment of a neighborhood)
Decision making	Independent (leader), dependent/ conditional (follower)	Negotiated and competitive	Coordinated or joint, cooperative, may also be egalitarian	Joint, cooperative, and egalitarian
Rewards	Individual	Individual, distribution depends on market strengths (which determine clout in negotiating the terms of the cooperation)	Shared, usually strong correlation between rewards of participants	Shared, strong correlation between rewards of partners
Risks	Individual but correlated, limited	Individual, distribution depends on sequencing of actions (those who have to act first face the highest risk) and market strengths (which determine clout in negotiating the terms of the cooperation), limited	Shared, usually unevenly; distribution of risk(s) depends on agreement that established the joint venture; strong correlation between risks of all participants, limited	Shared, usually unevenly distributed but strongly correlated, limited or unlimited
Formal agreement	Depends on size of necessary investment by the leader	Depends on complexity of transaction	Yes	Yes
Duration	Limited, short to long (most likely short to medium)	Individual exchange relationship is almost always limited, but pursuit of purpose is often open ended; short to medium, depending on complexity of transaction	Limited or open ended; medium to long, depending on the complexity of the project	Open ended, long

Note. PPC = public-private cooperation.

tion that successfully served as an intermediary between individuals on public welfare aspiring to be "micro-entrepreneurs" and state government, resulting in the change of state regulations. Thus, NGOs provide a useful legal form for formal public-private partnerships, especially community development corporations that take on entrepreneurial roles (e.g., Filatov, 2000; Hinnant, 1995). The economic contributions and impact of NGOs are examined in a collection of essays compiled by Rose-Ackerman (1986) and in three case studies in Hula et al. The potential significance of NGOs is underlined by Ingerson's (1999) question regarding the distinction between the public (Is it synonymous with governmental?) and the private (nongovernmental?), a question that is related to the definition of what constitutes a public good.

In our community development and planning work, we have come across a number of NGOs that are active in community and economic development, sometimes in cooperation with local and state governments. We believe that the record of and potential for economic development partnerships between public organizations and private nonprofit organizations deserve additional attention in the future.

Conclusions

We are concerned that the widespread use of the term *public-private partnership* hides important differences between different forms of PPC and that the emotional connotation of the term *partnership* conveys an image of egalitarian and conflict-free decision making. Differences between the public sector and the private sector (e.g., their conflicting organizational cultures) make it likely that conflicts of interest exist. Such conflicts are to be expected and need not prevent mutually beneficial cooperation. Their inclusion in the analysis is important for an understanding of the nature of PPC, however.

The term *partner* is used for a spouse or climbing, tennis, or dancing partner. In these contexts, the term conveys the existence of mutual trust, complete interdependence, and shared goals. In the United States, the term *partnership* also has a clear legal meaning (e.g., Steffen, 1977). In a full legal partnership, all partners back the enterprise with their full faith and credit, whereas in a limited partnership, the risks (and rewards) are unevenly distributed. Finally, the term *partner* (and *partnership*) implies an egalitarian relationship between participants. Public and private organizations have such different powers and capabilities that in most situations, it is difficult to perceive them as equals. Cooperators often fall into the trap of being co-opted or feeling a loss of authority as the PPC develops, signaling a need to renegotiate or end the PPC.

Although other forms of PPC are common, public-private partnerships, as defined in this article, rarely form. An ideal-typical partnership makes high demands on the partners in terms of their commitment of resources, coordination of decision making, and exposure to risks. A looser form of cooperation that better protects all participants may be preferable when there are significant differences of exposure to risks and/or conflicts of interest between participants. In other words, none of the four forms of PPC presented in this article is considered to be inherently superior to the others. The form of the PPC should be chosen to fit the characteristics and needs of the participants and of the common purpose.

The review of the literature shows that there is no agreement as to the precise meaning of the phrase *public-private partnership*. Some use the term in a narrow sense to describe the cooperation between the public sector and the private sector in the provision of public services and infrastructure, whereas others use it to describe a multitude of cooperative activities. Maybe this situation exists because different disciplines—business, economics, law, planning, political science, and public administration—that do not always use the same terminology have investigated PPC. Analytical approaches in these disciplines also differ and range from empirical case studies to theoretical models using game theory (for an application of game theory to the study of exchange relationships in local economic development, see S. Ellis & Rogers, 2000).

This article provides a vocabulary for a more precise description and differentiated analysis of PPCs. We defined four forms of PPC, based on the degree to which the participants, through coordinating their decisions, support each other toward achieving their goals and objectives, that is, the extent to which they correlate their expected rewards. We use the term *partnership* to describe a close and open-ended form of cooperation. Joint ventures are project based and can also lead to close cooperation. Complex joint ventures, in particular, require close cooperation to succeed. Some joint ventures may therefore eventually expand beyond a single project and become more open ended, turning into what we define as a partnership. In leader-follower and exchange relationships, cooperation between participants is not as close and does not approach shared decision making, which is the norm in a partnership.

In summary, this article is a step toward a better understanding of PPCs. Its contribution is in providing a vocabulary and classification system that can be used by those who study PPC in action. The results of future work could lead to a refinement of the classification system presented here.

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