

893

KEEPING BUSINESS IN THE CITY

HEARINGS
BEFORE THE
SUBCOMMITTEE ON FISCAL AND
INTERGOVERNMENTAL POLICY
OF THE
JOINT ECONOMIC COMMITTEE
CONGRESS OF THE UNITED STATES
NINETY-FIFTH CONGRESS
SECOND SESSION

MARCH 6 AND 7, 1978

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KEEPING BUSINESS IN THE CITY

MONDAY, MARCH 6, 1978

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON FISCAL AND
INTERGOVERNMENTAL POLICY
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D. C.

The subcommittee met, pursuant to notice, at 10 a.m., in room 6226, Dirksen Senate Office Building, Hon. William S. Moorhead (cochairman of the subcommittee) presiding.

Present: Representatives Moorhead and Mitchell; and Senators Javits and Sarbanes.

Also present: G. Thomas Cator, Deborah Norelli Matz, and Katie MacArthur, professional staff members; Mark Borchelt, administrative assistant; and George D. Krumbhaar, Jr., and M. Catherine Miller, minority professional staff members.

OPENING STATEMENT OF REPRESENTATIVE MOORHEAD, COCHAIRMAN

Representative MOORHEAD. The Subcommittee on Fiscal and Intergovernmental Policy will please come to order.

First, I want to take this opportunity to welcome the newest member of the Joint Economic Committee, my distinguished friend and colleague, Congressman Parren J. Mitchell of Maryland. Particularly in view of our leadoff witness, Baltimore's Mayor Schaefer, I think it is appropriate that this be your first hearing with the Joint Economic Committee.

It gives me great pleasure to welcome the distinguished witnesses we have before this subcommittee today. I am most appreciative of your agreeing to appear here today to assist us in grappling with the problems of keeping business in the city.

The Joint Economic Committee has a long history of and an ongoing concern with urban problems as well as the problems facing American businesses. In addition to these hearings today and tomorrow, next week Senator Bentsen will chair hearings on "Structural Unemployment and Urban Policy." I hope between us, we come a little closer to finding the answers.

As you know, despite the growth in State and local employment, private firms provide the vast majority of employment opportunities. It is clear that to reduce central city unemployment, to increase the tax base, and ultimately to turn our city economies around, it is necessary to retain and expand firms located in our cities and to foster the development of new ones.

Central city firms and employment statistics are a source of deep concern to me. Of the 75 cities in the Nation with 20,000 or more manufacturing jobs, between 1970-76, these jobs declined by 800,000.

In these same cities, which are, incidentally, geographically dispersed, between 1970-75, total employment decreased by 17 percent. For the balance of the urban counties surrounding these central cities, employment remained relatively stable.

To cite an example, in Baltimore, between 1970-75, jobs decreased by about 16 percent, the number of firms by 7 percent, and the population fell by about 6 percent. The balance of the SMSA, however, experienced net increases of about 45 percent in firms, 9 percent in population, and 27 percent in jobs. This unfortunately, is not atypical of the disparity between central cities and their suburbs.

It is becoming increasingly apparent that it is not the intra- or inter-regional movement of firms which is significantly affecting our cities; although to be sure, in one-industry cities, this can be a major problem.

The greatest and most prevalent problem seems to be, that in many cities, the number of firm deaths exceeds firm births. For instance, in my own city, Pittsburgh, between 1970-74, roughly 3,200 firms were born, while about 6,200 died. A recent study by Dun & Bradstreet indicated that over one-third of all business failings in the Nation in 1976 occurred in 25 central cities.

These statistics are alarming and must be reversed if our cities are to survive as viable economic entities.

I do not believe that business by itself can solve the problems. Nor do I feel that cities alone can reverse the damage of all the years of mostly unintentional antiurban Federal policies.

The easiest course of action for the Federal Government is to shift the burden back to State and local governments—to disclaim Federal responsibility for local economic development.

Don't get me wrong—I do believe that local governments must help themselves. But there is little doubt in my mind that our highway and sewer programs, as well as our housing tax policies, have contributed heavily to the current urban dilemma. The Federal Government has a stake in, as well as a responsibility to, the survival of our cities.

Rectifying the damage, however, is more than merely undoing the mistakes of the past. I believe the first step in the process is to examine all of our Federal policies for unintended antiurban biases.

The next step is more difficult, however. We must determine those efforts which are the most necessary and would be most effective in improving local economies. And that is where we need your help. Nobody knows as well as you do what are the greatest impediments for central city businesses, what help is needed to improve the business climate of cities, and what the role of the Federal Government should be in achieving the revitalization of our cities.

There has been tremendous attention to the perception of local officials. I think it is equally important to have help from the business community, and I hope today and tomorrow mayors and business leaders can exchange and share their views with Congress.

I believe there is a role for the Federal Government, and I remain convinced that we can turn our urban economies around.

Our witnesses today will be, first, the Honorable William Donald Schaefer, mayor, city of Baltimore; then Mr. Coy G. Eklund, president, Equitable Life Assurance Society of the United States, also Mr. Charles Meyer, senior vice-president for Public Affairs, Sears, Roebuck and Co., and, finally, Mr. Edward Schwartz, vice-president, secretary and general counsel, Digital Equipment Corp.

To introduce our first witness, I would like to call upon my colleague from the Banking Committee who also serves on the Budget Committee and who will bring great distinction to the Joint Economic Committee.

Representative MITCHELL. Thank you, Mr. Cochairman.

I may not bring great distinction, but I am delighted to welcome our mayor, the Honorable William Donald Schaefer. As you know, the city of Baltimore has received awards and been acclaimed as one of America's best cities. Much of the acclaim is due to the untiring and devoted efforts of Mayor Schaefer, who I know works 18 hours a day and might be pushed to work 19 hours if the problems keep mounting.

We have done well in our city, Mr. Mayor, I think, and like you, I am proud of it. Yet, I am also aware that there is much more of tremendous importance to be done. Notwithstanding the problems of our city, I welcome you here on behalf of myself and the subcommittee.

I see that our distinguished Senator, Senator Paul S. Sarbanes, of Maryland, has arrived. I am sure he came to greet you.

Representative MOORHEAD. Senator, will you come up and join us, please.

Senator SARBANES. Mr. Cochairman, I cannot stay for the entire hearing, but I did want to stop by and join the subcommittee in welcoming the mayor of Baltimore. We are very proud of the Mayor. He has done an outstanding job.

Only yesterday, there was a story in the paper that Baltimore has been singled out as the American city with the best urban revitalization program in the country by the International Federation for Housing and Planning.

This was a selection made by the National Association of Housing and Redevelopment officials along with the American Institute of Planners and the American Society of Planning officials.

We are very proud of that, and I think it reflects what is going on in the city of Baltimore. We were also selected last year as an all-American city, the first time that has happened for a large American city in quite some period of time.

So we have the man here this morning who is responsible for a good deal of that achievement. I am pleased to have this chance to come and welcome him to the Senate.

Thank you, Mr. Chairman.

Representative MOORHEAD. With those accolades from your fellow Marylanders, Mr. Mayor, I look forward with great anticipation to your testimony.

STATEMENT OF HON. WILLIAM DONALD SCHAEFER, MAYOR, CITY OF BALTIMORE, ACCOMPANIED BY JACK BETZ, WASHINGTON REPRESENTATIVE FOR THE CITY OF BALTIMORE; BERNARD BERKOWITZ, PHYSICAL DEVELOPMENT COORDINATOR; AND ARTHUR HELD, HEAD OF THE BALTIMORE ECONOMIC DEVELOPMENT CORPORATION

Mayor SCHAEFER. I just hope the people back home heard some of those accolades.

Everything that you said, Mr. Cochairman, of course, the mayors in our cities agree with. There is one very important ingredient I would like to mention at the very beginning. No matter how dynamic a city may be, no matter how many great plans we might have, unless we have the cooperation of our congressional delegation, we cannot make it.

In the city of Baltimore, we have been extremely lucky—and I mean this in all sincerity—in having a delegation we can talk to that understands the plights of center cities and works with us.

We get a great deal of Federal funds, and without them our city could not move; without the support of the delegation, we just would not get those funds. We talk about all the good things in urban renewal, and when you look back, it has been because we have received Federal funds for urban renewal.

I want to thank them for the great work they have done on behalf of the city.

If I may, I will not read my prepared statement but request it be entered in the record, and I will just make some observations.

Representative MOORHEAD. Without objection, your prepared statement will be placed in the record, Mayor.

Mayor SCHAEFER. I brought my team with me. They are the brains. They are: Jack Betz, Washington representative for the city of Baltimore, Bernard Berkowitz, physical development coordinator, and Arthur Held, head of the Baltimore Economic Development Corp. I will explain what that is in a little while.

How to keep business in a city. For a city to prosper and grow, we know the name of the game is jobs, particularly in cities where there is high unemployment among minorities. Economic development is and has been and will be a priority on our agenda because we have to fight and to scratch, and you in Pittsburgh know this, to keep industry and to get new industry to move into cities like Baltimore.

We are in direct competition with the surrounding affluent counties, and they have the space, the road net, and usually the good news media and press. The center cities have to fight. We have to fight the propaganda of high crime, taxes, lack of services, and that suburbia is really the place to locate.

We have in many instances overcome those negatives and the failure of the real estate industry to try to locate firms in central cities. It is easier in their minds to make industrial sales in the county.

They can say there is green pasture out there and all the things, but sometimes they miss the benefits that the cities can provide. It is important that private industry know that we want them to stay, to expand, and to locate in cities like Baltimore.

It is important that the business climate be good. There must be a realization by business that we do care and that we do want them. To bring this into fruition, we established some time ago what was known as a plant visitation team.

We found that industry knew what they were doing, but we certainly didn't know what we were doing. So we tried to bring to them the problems that the city has, the problems that they have, and how to work it out.

The plant visitation team included the police commissioner, the health commissioner, the head of the fire department, the head of transit and traffic, housing, recreation, all the department heads.

We went even to the plants to find out what their difficulties were. Sometimes we could tell them that we could correct some of their problems, such as streetlights, fixing of streets, helping them with training programs.

They got the idea that we, in Baltimore, wanted industry to stay in the city and we were willing to work with them.

We worked to have a diversified economy so that we are not dependent on any one particular industry for our growth. One of our major problems in cities like ourselves is to find industrial lands to develop for new and relocating businesses.

We try to assemble 25-acre tracts to have enough land to sell. It is not easy in a built-up city like ours to acquire land. To acquire land for a company that doesn't want to leave the area, as in the case of the American Smelting. By that I mean there was an industry that decided because of obsolescence and strict EPA regulations that it was more economical for them to completely abandon the plant, move out and go someplace else.

That plant stands vacant and abandoned now and what we need is some mechanism for the city to be able to acquire that, demolish, reassemble that land, and provide new industrial lands.

What do we have on the plus side as far as our cities are concerned?

Mr. Cochairman, I don't come over telling you that Baltimore is a dying city and we won't make it. We come with an attitude that because we have had assistance from the Federal Government and from the State we are making it and we are going to continue to do it.

What we need is the continual backing of positive programs that will help us. First of all, we have a skilled and productive work force, excellent transportation facilities, and the port.

The port does need to be dredged, and some of these problems we have in finding the spoils area for the dredging of our port areas have to be met. We have a large pool of unskilled young people who are willing to work, and we have an interstate road system that brings improved access to our port and industrial areas.

The first leg of our rapid transit system connecting the central business district with outlying neighbors is being built. We have a rail system, one that needs modernization but still a rail system.

We work with major institutions such as Hopkins and the University of Maryland hospitals and schools, and we look to them as a basis for attracting new private firms in medical research and related fields.

We have considerable art and culture in our society. There are those who sometimes think it is not important. It is an important industry in addition to enhancing the quality of life in an urban environment. We are working hard on tourism and conventional business to bring that into our city, a new untapped field as far as we are concerned. That is a broad new perspective of economic development.

I do expect the business community to take the leadership in the economic development and not to pass it on to the city and State and the Federal Government.

I expect our business community in a partnership to work with us for economic development. Twenty years ago the greater Baltimore committee advanced a proposal for the first downtown renewal project.

We tore a whole part of the inner-city commercial area out the same as they did in Pittsburgh in the Golden Triangle, and, since then, 15 years later we have a 40-story building for a major insurance company, regional headquarters for IBM, new facilities for the C&P Telephone Co., the World Trade Center, 30 stories, a senior citizen housing right on the waterfront, new headquarters for a commercial bank, a new aquarium that will be constructed, a new convention center now coming up out of the grounds, and many other buildings that are people oriented in addition to industry oriented such as marinas, promenades, open spaces.

We are looking at the older retail district. We finished the Charles Center and to the west is our retail district, deteriorating as many retail districts do. We are looking optimistically to the business community to develop this, we expect private investment in large sums to capitalize on the subway system now being built.

We feel equally important is the revitalization of our neighborhood shopping district and commercial areas. As our neighbors, and one of the great strengths in the city of Baltimore is its neighbors, various ethnic neighbors that want to stay in the city of Baltimore where people feel there is a stability in the city of Baltimore, where they are optimistic about the future of the city, but there are small commercial areas and shopping areas that must be revitalized.

One thing we did some years ago, not too many years ago, in one of the lower-income areas of the city, we built an old-town mall, the first innercity mall, commercial mall, that has been built in any city in the United States. It was an old area, narrow streets, heavily concentrated, the area around it, low-income housing in many instances.

We decided we would build an inner-city mall. It is now a four-block pedestrian mall of fountains, trees, benches, lighting, parking; but it made no sense to do this unless the merchants would agree to rehabilitate their shabby stores and storefronts and the merchants joined us in preparing a plan along with the community and committed to improve their stores.

Rehabilitation was mandatory under the renewal ordinance and special standards were drafted. So we went to great lengths to facilitate private restoration by assuring the availability of financing.

One of the keys to any good plan is how do you finance it, how do you get the money to be able to do it? You can come up with all the great plans but no way to finance it and it doesn't work.

Federal section 3(12) was to be the mechanism to be used but the moratorium limited its use and we discovered the SBA section 5(12) loan program. This has been used for industrial development in rural areas only but the Small Business Administration was persuaded to allow its use on this old-town mall and over \$1 million in loans was made available to private sector loans.

Success was attained because of the joint effort of the merchants and the city, a partnership. This experience was profitable but we also learned if there was no Federal programs or a Federal program stopped, you must do it yourself.

If the Federal money stops and there is no State money you cannot throw up your hands and yell, "We cannot do it because there is no program." So we tried to do it ourselves and this is what we did. We passed two bond issues involving city financing, one, providing funds for public improvement to the shopping area such as the planting of trees, street furniture, offstreet parking, new streets, and so forth.

The second issue was for a self-supporting low-interest rate loans to merchants for rehabing their stores. The arrangement was very simple, fix up your stores and we will provide the public improvements. It worked. The public improvements and a low interest rehab program.

Now, since that original neighborhood was worked on, we have 12 neighborhoods asking for assistance and more wanting to come under the program. We do not wait for State and Federal assistance. We did it ourselves.

We are now attempting this approach in the industrial section. The Baltimore Economic Development Corporation came into existence in 1976 to act as a city's agent for industrial development.

In 1977, Baltimore took title to the largest undeveloped industrial property in our city, Fort Holabird. This 230-acre tract will provide 170 acres of new industrial lands and the balance will be used for open spaces and for recreation.

I think the Federal Government could have given the property to us at a reduced rate but we had to pay over \$4 million for this land. A good part of site costs will be supported by EDA public works grants and marketing for the national and international firms has begun.

In addition to large acre development, we seek opportunities in small industrial renewal and the recycling of older industrial buildings. We have floated at city expense a \$3 million bond for industrial development.

As a result, two 25-acre industrial parcels were assembled and re-created. One was created as a result of excess interstate highway lands where the roadway was elevated for industrial use.

The firms located were building on those tracts and included a salad dressing manufacturer, a regional beer distributor, an auto sales facility, one of the few auto sales facilities to remain in the center city, because most of auto firm saleshouses, they sort of bring pressure on you to move into the county and this one firm would not be moved into the county.

There is a photographic supply industry and others. With EDA assistance, we are renovating a large lofty building to create a verti-

cal industrial park and this 80-year old structure had to be rehabilitated to provide space for new and growing firms.

One of the important ingredients whenever you rehabilitate and innercity building is to provide parking and it was provided so it gives it a reasonable assurance of success against types of industrial parks in the county.

We did not overlook our old stable industrial parks such as Carroll Industrial Park. They must be modernized and had to be modernized to meet competition. With EDA funds, community block grant funds, city funds and the involvement of the owners of the industries, a program of major improvement in streets, parking areas, landscaping, designing, many are now employed in that area.

I made it clear at the outset that I expected the industry to do something if we did something. If we fixed up the roads and the streets and all the trees we expected them to do something as far as their buildings were concerned and they did.

Two or three have expanded and they spent money on improving the appearance of their buildings and they brought a greater sense of stability to that industrial park.

BEDCO has established to establish minority enterprise in our city. We recently had the opportunity to purchase a concrete plant that was having financial and technical problems. The property was advertised, financial aids were devised and a minority entrepreneur was sought out.

As a result, a new minority-owned firm was operating in the city and as an added feature, a training contract arranged by our Manpower office carried out by the Baltimore Council for Economic Opportunities has provided training for about 50 individuals this year.

We have attempted many approaches, one, combining local and Federal programs; too, utilizing to the fullest extent the Federal programs that were available, and, three, taking the initiative when programs were just not there.

As a result, we see local businesses willing to invest in our city, to establish new enterprises in our city and to expand new businesses. Local banks and savings institutions have for the first time sent financial aid to the businesses in the city rather than in the county.

They do it not because they particularly like us but because they know it is good business to operate in a city like Baltimore. The key to our success so far has been a close partnership of city, private buyers, our communities and our congressional delegations, local initiatives and resource fullness, and the utilization of Federal programs, and I cannot emphasize enough the HUD's continuing block grant, and the EDA public works and readjustment grants.

We need a national policy that will help the cities, one that will make it advantageous for business and industry to stay, expand and relocate in our cities, incentives to hire the unskilled, tax measures that will induce new expansion and capital improvement, financial assistance to industry relocating in cities and a way for industry to make a profit because unless they make a profit, no business is going to come into your city.

The name of our game is jobs, the name of their game is profits.

Those are some of the things we have been doing in Baltimore. We look forward to an urban policy, we look forward to the conclusion

of this committee, the continued infusion of money necessary and programs in the cities that are willing to help themselves such as Baltimore.

Thank you.

Representative MOORHEAD. Thank you very much, Mr. Mayor.

[The prepared statement of Mayor Schaefer follows:]

PREPARED STATEMENT OF HON. WILLIAM DONALD SCHAEFER

Thank you, Mr. Cochairman and members of the subcommittee. I am pleased to have been invited to offer testimony in these hearings on "keeping business in the city." For a city to prosper, the employment, income, private investment, and resulting public revenues provided by business enterprise are essential. Accordingly, economic development has been high on our agenda in Baltimore.

As Mayor of Baltimore, a city of some 850,000 residents, I am proud of our city's history as a major port and industrial center. While port activity and a wide range of manufacturing continue to play a vital part in our local economy, today we have a diversified economy. We work constantly to strengthen it and to assist in its growth.

I need not recount in detail the challenges that we face in aiding local economic development. Along with other built-up cities, Baltimore always faces the challenge of finding and developing land and building well suited for new and relocating businesses. We have taken a number of innovative approaches on this front. We have an excellent transportation network and a continuing need for port improvements, rail modernizations, and highway extensions—to serve our business establishments. We have a skilled and productive labor force—and a large pool of unskilled young people in need of special training to meet the needs of today's workplace.

Urban fiscal strains are not unknown to us. We must balance our hope to keep local taxes at rates acceptable to present and new business while maintaining the services required by business and the general community. Many of our projects in commercial and industrial development require seed money in the form of federal grants. We use these when they are appropriate and available. But we have not hesitated to devise our own local bond issues to provide funds for commercial and industrial renewal.

Rather than dwell on the challenges, inherent in urban economic development, I would like to relate how we are meeting them in Baltimore.

Baltimore's effort to retain business activity and attract new economic growth takes many forms. Our view of economic development is a very broad perspective. We see important opportunities for growth in office and service functions, and our efforts in this area are now evident in our Charles Center and magnificent New Inner Harbor. Retailing is receiving our attention, not only in our central business district but in many vital neighborhood commercial areas. And of course, the development of old industrial districts and new industrial parks, which can provide significant employment opportunities for persons with blue-collar skills, is at the heart of the program being managed by our economic development corporation.

Our efforts to maintain a strong and stable economic base extend beyond the development of industrial and commercial areas. We see our transportation network as a vital component of economic development. New interstate highways provide improved access to our port-industrial areas. The first leg of our rapid transit system will reinforce the central business district as the point of the highest accessibility in our metropolitan area.

We work with our major institutions, such as the Johns Hopkins University and Hospital, and University of Maryland Professional Schools. Not only do these institutions provide vital functions for our community, but we believe they may serve as a basis for attracting private firms in medical research and related fields.

The arts and culture are not usually thought of as a part of economic development. However, in our view, a variety of cultural attractions can only serve to enhance the quality of the urban environment. Tourism and conventions are part of this broad perspective.

In order to carry out this broad program designed to retain and attract business activity, we have a number of organizations and agencies at work.

Twenty years ago this month, leaders of our business community, working through the Committee for Downtown and the Greater Baltimore Committee, advanced an imaginative proposal for our first downtown renewal project, Charles Center. The city agreed to undertake this massive renewal program, in the heart of downtown, and eventually established Charles Center-Inner Harbor Management, Inc. This Quasi-Public Corporation, having virtually completed the Charles Center Redevelopment, continues to provide specialized technical and management services as it makes progress in the development of the Inner Harbor. Major private investments in the Inner Harbor have included the 40-story headquarters of a major insurance company, the regional headquarters of the IBM Corporation, and new facilities for the Chesapeake and Potomac Telephone Company. The World Trade Center, constructed by the State of Maryland to serve as offices for the Maryland Port Administration, also provides a central point for export-import firms. These new structures will soon be joined by a specialty shopping complex, the new headquarters building of one of our commercial banks, a new aquarium authorized by our voters, our convention center which will host its first convention in 1979, and, hopefully, a convention center hotel. With its promenade, marinas and public open space, the Inner Harbor is one of the most exciting urban scenes in America.

With the Inner Harbor project well underway, we are now looking toward the third major component of our downtown renewal—the retail district, including our major department stores. Once again, the city and private business community, working through the Greater Baltimore Committee, have sponsored the planning study. Implementation of the plan will require major investment by the city and even larger investment by the private sector. Capitalizing on the future subway now under construction, we look forward to that private investment commitment, aided by an Urban Mass Transit Administration "Value-Capture" Grant, to move ahead on this imaginative downtown renewal program.

As indicated earlier, our concern for commercial and retail development has not been limited to downtown, but has extended to community and neighborhood shopping districts. Our direct experience in this area began with the Old Town Mall, which is the nation's first inner-city neighborhood shopping mall. This four block pedestrian mall, featuring new landscaping, fountains, attractive lighting, benches, and other refinements, replaced an old shopping street that showed all the signs of declining sales and reduced maintenance.

Baltimore City, through its Urban Renewal Program, built the mall, provided parking for the stores, and installed the amenities. It would have made no sense, of course, for the city to put a vast amount of money into constructing the mall unless the merchants were willing to rehabilitate their frequently-shabby stores, and particularly the store fronts. The merchants and the surrounding community participated in the development of the plan, and the merchants committed themselves to improving their stores. Consequently, rehabilitation was made mandatory in the urban renewal ordinance. The architect who designed the mall was also retained to draft special standards for the stores, calling for a recapture of the architectural qualities of the original nineteenth-century buildings. The city went to great lengths to facilitate the private rehabilitation by assuring availability of financing. The federal section 312 program was to have been used, but in 1973 a moratorium on subsidized housing programs limited this use. Our planners searched for alternatives, and discovered the Small Business Administration's Section 502 Loan Program. Previously, this had been used primarily for industrial development in rural areas, but the SBA was persuaded to allow its use here, and more than a million dollars was made available to the merchants from this source. They also sought, and obtained, funds on the private market.

Most of the merchants were extremely cooperative. Apparently the worst they could conceive of happening was for other merchants on the mall to fail to do their part. Thus, the merchants themselves became a major force for seeing that everyone carried out the rehabilitation.

Our experience on Old Town Mall was most profitable, and we have used many of its lessons in other parts of the city. Baltimore has now taken the initiative for funding the program itself.

It works like this:

We have passed two bond issues. One provides for funding of public improvements to the neighborhood shopping areas, including planting of trees, street furniture, off-street parking, new streets, and so forth.

The second provides for funding of self-supporting low-interest loans to merchants in the shopping areas for rehabilitation of their stores.

Our arrangement is simple: If they agree to fix up their stores, we will provide the public improvements in the shopping area. It works, and to date we have taken the program to 12 neighborhoods, including Baltimore's famous "Corned Beef Row."

The need for this kind of approach is so clear that businessmen and the community in some areas are coming to us, prepared to undertake the major portion of the responsibility for planning and stimulating private investment.

We are now attempting to match the success of our earlier efforts in commercial development with similar progress in the industrial sector. The Baltimore Economic Development Corporation (BEDCO) began acting as the City's agent for industrial development in 1976. Its programs are designed to complement and encourage investment by the private sector.

Through BEDCO, the city is directly engaged in industrial development. In October, 1977, Baltimore took title to the largest contiguous parcel of undeveloped industrial property in the City—Holabird Industrial Park. The former site of the United States Army's Fort Holabird, this 230-acre tract of land in southeast Baltimore will provide for 170 acres of new industrial parcels, with the balance being made available for open space and recreation.

The city's acquisition cost for this land was \$4.6 million, made available through funds reserved from the city's earlier sale of the Baltimore/Washington International Airport to the State of Maryland. Site development costs for the planned industrial park will be supported largely by E.D.A. Public Works Grants. Most of the site development work is scheduled to be completed this year and active marketing programs, including contracts with national and international firms, are now underway.

In addition to the potential represented by such a large scale development as Holabird, we see opportunities in smaller industrial renewal projects and in the recycling of older industrial structures.

Utilizing the proceeds of a \$3 million industrial development bond issue, BEDCO has nearly completed the development of two 25-acre industrial parks. One of these was actually created in connection with the construction of an interstate highway through east Baltimore. As an Industrial/Highway Joint Development Project, the roadway was sufficiently elevated to allow for special industrial use of the land beneath. The firms that are already located or building in these industrial parks include a salad dressing manufacturer, a regional beer distributor, an auto sales facility, a photographic supplier and others.

With E.D.A. assistance, BEDCO is now renovating a large loft building in order to demonstrate the feasibility of creating a vertical industrial park. When renovations are completed later this year, this sixty-year-old structure can begin to provide space for both new, growing firms as well as older establishments seeking new space near the downtown.

The loft structure is situated in a larger industrial district, the Carroll Industrial Park. With a combination of E.D.A., Community Development Block Grant and City Funds we have programmed major improvements in the form of improved streets, parking areas, landscaping and directional signs for this area in which 5,000 workers are employed. A unique aspect of the development program was the establishment of a steering committee representing industries located in the area. The committee is consulted in the various stages of the renewal program just as a residential community takes part in the planning of an urban renewal area.

BEDCO has also begun to establish a role in minority enterprise business packaging. In a notable development during the past year, BEDCO acquired a concrete manufacturing plant which had been experiencing financial and management problems. The property was advertised, financial aids were devised, and a minority entrepreneur who could own and operate the plant was sought out. As a consequence, a new minority-owned firm is in operation in Baltimore. As an added feature of this project, a training contract, arranged by my Office of Manpower Resources and carried out by the Baltimore Council for Equal Business Opportunity, will provide training in pre-cast concrete fabrication for about 50 individuals during this year.

These remarks, I trust, provide an idea of some of the programs and actions that a city can undertake to retain and attract business. Baltimore has attempted a wide variety of approaches and we are now seeing the fruits of our

labor. I also see many signs that local businesses and individuals are willing to work hard, to invest their resources, and to establish new enterprises in the city. Enthusiasm for the possibilities of reinvestment in our city is running high among merchants associations, neighborhood improvement groups, newly formed local development corporations, and similar organizations. Local banks and savings institutions have begun to share in this enthusiasm and provide necessary financing to aid in business expansion. It is now appropriate to promote and market this new economic environment to a wider audience—the major financial institutions, national corporations and the national media—and to stress the benefits of locating in Baltimore. Thus, we have given high priority to a major promotion and marketing campaign in cooperation with the private sector.

The keys to the success that Baltimore has experienced in this broad array of economic development activities are the continuing close partnership of the city, the private business sector, and our communities, and the indispensable ingredients of local initiative and resourcefulness. Also important are the assistance and cooperation of the state and federal governments. In this connection, I cannot emphasize enough the importance to the cities of the HUD Community Development Block Grant and Urban Development Action Grant Programs and the E.D.A. Public Works and Readjustment Grants. While Baltimore has accomplished much in overcoming our problems, much more could be accomplished if the National Administration and the Congress implement a meaningful urban strategy including continued and increased capital grants, financing assistance for private enterprise and tax policies more favorable to cities.

I appreciate the opportunity of appearing before the subcommittee to testify on this important subject. I am proud of what we have done in Baltimore and believe that much can be learned from our efforts.

Representative MOORHEAD. In view of the fact that Senator Sarbanes will have to leave, I will recognize him now before hearing from the other witnesses.

OPENING STATEMENT OF SENATOR SARBANES

Senator SARBANES. Thank you, Mr. Cochairman.

I only want to underscore a couple of things that the Mayor has said. One is that I do think that the congressional delegation and the city administration have worked very closely together and I think to the benefit of the city.

I particularly want to acknowledge the work of what my colleague, Congressman Mitchell has done in the area of concern for jobs. It has been Representative Mitchell's number one priority, a priority I share with him and the Federal Reserve is going to build right in downtown Baltimore over the virtually abandoned railroad yards of the B&O, C&O Railroad, a major regional operating facility, and it has been kept there in the city right downtown largely through the congressman's efforts.

They were talking of going outside. There was a real case in point. And, of course, there was a cooperative effort between the city and the private parties that owned the property and efforts at the Federal level to keep that employment there. I think that is very important.

I want to underscore that the job is made a lot easier when you work with an administration that is responsible. Before Holabird industrial development, that was an Army intelligence school and they moved that out to Arizona, that is another problem before we ever got here, but in any event, when we took it over, one of the problems we had was working with the neighborhoods to assure them that what was going to happen there was going to upgrade, not downgrade residential living.

The mayor responded very well to that and in fact that is a joint industrial park recreational development is what it is. The city is making some major steps in terms of providing recreational facilities that will service not only the city's people in the surrounding county and that has enabled that park to move forward as well.

Again I should have cited the quotation that led to our being selected as America's best urban revitalization program, and I will close with this quote, because they looked at a number of other cities as well, and, of course, we have great admiration, Mr. Cochairman, for what is being done in Pittsburgh. I don't want to overdo this here, and I do want to thank you for holding these hearings. I think it is an enormously constructive thing.

The thing that was most impressive about Baltimore's program was its comprehensiveness. It is not just downtown renewal, not just commercial residential, not just new buildings or old buildings or businesses or neighborhoods, it is all of them.

I think that comprehensiveness is very important. Because what it assures you is united community support with respect to these efforts. I, again, want to thank the Mayor for his statement.

Thank you, Mr. Cochairman, for your courtesy in allowing me to participate. We are considering the housing authorization legislation this morning. I know the Mayor would want me to be there as well and so would Congressman Mitchell, so I think I had better excuse myself.

Thank you, again.

Representative MOORHEAD. Congressman Mitchell, do you have any comments to make at this point?

OPENING STATEMENT OF REPRESENTATIVE MITCHELL

Representative MITCHELL. Yes, Mr. Cochairman, thank you. The reason I made the request is that at 12 p.m. today, the Department of Transportation is going to announce a minority business setaside for every DOT program. Since I have been working very hard on increasing minority business participation in government contracting, I would be remiss if I failed to accept the Secretary's invitation.

His actions represent the culmination of a year long effort to alter existing policy with regard to minorities and the transportation industry—however, I do have two specific questions.

I have been on a crusade against the President's proposed extension of the 10 percent investment tax credit to both new and existing structures.

I think that there ought to be a higher tax credit for businesses that decide to remain in our deteriorating urban areas rather than the proposed across-the-board credit of 10 percent. As proposed, the investment tax credit does not provide an incentive to induce businesses to remain in urban areas. Because of my fears about the eroding tax bases of urban areas, particularly in the Northeastern region of our country, I have been working very hard with the House Ways and Means Committee and others to revise the President's proposal.

What is your reaction to the President's proposed investment tax credit?

Mayor SCHAEFER. The gentleman's reaction is your reaction. It would not do any good for firms in the city of Baltimore that need to be improved to have an inducement to move to the county. It should be just the opposite. The incentive should be to industry to stay—the high minority unemployment, obsolescence.

Representative MITCHELL. Of course, my recommendation is identical to yours, if the language in the President's tax program remains the same. In my opinion, we ought to add an extra incentive above the 10 percent for those businesses that elect to remain in urban areas.

I also serve on the House Budget Committee. But frankly, Mr. Mayor, and Mr. Cochairman, all that I have heard in the Budget Committee to date is that we are going to have to cut programs because the States are piling up surpluses and therefore, the States have got to share these responsibilities with Federal Government.

If, the vigorous shaking of your head is any indication of your reaction, I have an idea of what it is. Do you care to comment, Mr. Mayor?

Mayor SCHAEFER. The State has to recognize the difficulty that cities like Baltimore has in a State that is able to get a surplus.

One of the things that really worry me, where the States feel they are doing something special for cities, what they forget is that high taxes in the city is a serious problem in trying to retain those taxpayers in a city.

Second, the residents in a city are not just city residents. They are also Maryland residents, and in areas of necessity, where it is education or jobs have to be given to those areas they are trying to do something to relieve those problems.

If the Federal Government looks at a State that says they have a surplus of \$100 million, and looks at a city with the highest tax rate, I think you have to look around the State and look to the area of real necessity, and that goes for Pittsburgh, too.

You cannot have a county where the mean income is \$35,000 and the tax rate is \$2.35, and a city where the income might be \$8,000, and a tax rate of \$5.99. That is not doing great.

Representative MITCHELL. I hate to predict, but there is going to be an awful battle this year in the House.

Mayor SCHAEFER. I will be glad to come and tell them some examples in our city.

Representative MITCHELL. Apparently, some members look to California with its huge surplus, and to the \$28 million surplus in Maryland, and infer that the states could possibly share a greater proportion of the costs of providing services.

Mayor SCHAEFER. If there was legislation written so that the States had to look at areas like ours, but to get to the political part of it, where you cannot do everything for a city in trouble.

Whenever the city of Baltimore gets any money from the State, the rest of the State also gets a very substantial part of it also.

Representative MITCHELL. Thank you, Mr. Cochairman.

Representative MOORHEAD. The subcommittee would like now to hear from Mr. Coy. G. Eklund, president and chief executive officer, Equitable Life Assurance Society of the United States.

Because of the very close relationship of the Renaissance of Pittsburgh and Equitable, particularly, our Gateway Center for which Equitable provided the financing, I particularly want to welcome you, Mr. Eklund.

STATEMENT OF COY G. EKLUND, PRESIDENT AND CHIEF EXECUTIVE OFFICER, EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES

Mr. EKLUND. Thank you, Mr. Cochairman.

I appreciate that reference to the "Golden Triangle."

On behalf of The Equitable Life Assurance Society of the United States, I am pleased to have the opportunity to share with this subcommittee our thinking on this most difficult and complex problem of "keeping business in the city."

First, let me say, Congressman Moorhead, that you are to be commended for initiating the present hearings on the economic health of our cities, and the critical problem of structural unemployment. Some of our most capable senior officers have been grappling with these and related problems in recent months, and for good reason: The Equitable has defined its "stake and its stand" in the Nation's large cities. Since the Equitable provides insurance and investment services nationwide, we operate with people and offices throughout the United States. In fact, we are and will continue to be located in hundreds of cities in order to provide these services. Our major concentration is in New York City, the location of our home office, where we have approximately 7,600 employees.

I am proud to say that the Equitable is firmly committed to remaining headquartered in New York City. We will not join the exodus. We are confident New York City will survive, and we intend to help it do so.

The urban centers I have just described have grown to their present size and economic importance because they have historically offered commercial and social advantages over smaller population sites. The "pluses" were large pools of skilled and unskilled labor, excellent transportation systems, availability of important business support services, plus health, education and cultural facilities.

These factors overcame certain cost disadvantages because they created an environment conducive to high productivity. Over the last two decades, however, the benefits of the urban setting have been giving way to a growing list of disadvantages. Operating costs have risen disproportionately high. More and more of the economically and educationally disadvantaged have located in urban centers. Local property taxes, and in many cases State income taxes, have climbed steeply. The whole infrastructure has suffered.

The shift of people and businesses to the South and the West and the overall trend of suburbanization have resulted in this fundamental weakening of the fabric of the city. Out-migrations of middle-class working families have accompanied in-migrations of economically disadvantaged workers. As technology has changed, this latter group has increasingly lacked the skills which make workers employable, and cities have had growing difficulty in assimilating the new arrivals.

Demand for municipal services and income supplement payments has also grown as the disadvantaged become a larger part of the urban population. The cost of municipal government has risen accordingly, with the growing expense burden shifted to the more productive sectors—middle and upper level taxpayers and all business. This process, of course, aggravates the problem by spurring the exodus and diminishing the tax base.

As I have already stated, the Equitable is committed to stay headquartered in New York City. That is firm. Yet for us and others that choose to stay in large urban centers, the choices become very difficult. Many will operate at a cost disadvantage. They will pay more for labor, space services, and taxes than would be the case outside the cities. They may also find it more difficult to attract or transfer managerial talent. Many will also find themselves further and further removed from the prime market for their goods and services as significant populations continue to shift away from them. Abandoning the older cities reduces their tax bases and reduces employment in areas where jobless rates are already high. For companies like the Equitable, it also may jeopardize urban investments already on the books. Of the Equitable's \$25 billion in assets, roughly \$8-9 billion is wholly invested in cities.

That number includes only real estate owned and mortgage loans on real estate. We could well claim another \$8 or \$9 billion in investments in the form of corporate obligations, but it is rather hard to specify the site of such investments that we make.

However, moving out of the large cities is no easy choice to make, because there are, clearly, great and abiding advantages in the city. The value of face-to-face interaction with members of the financial or communications communities, though not measurable quantitatively, is considerable. I cannot overstate the importance of the large skilled, technically trained labor force in our cities which is vital to the performance and success of business.

Not to be underestimated is the significance of government and commercial infrastructure that lies at the heart of our cities' social amenities and institutions of culture. Large businesses located in suburban settings may find that they lose touch with clients, suppliers, and business counterparts. The impact of this isolation factor has yet to be fully sensed and appreciated. It is a very strong and clear deterrent to a financial institution such as mine headquartered in New York City.

The private sector has as much of a stake in the existence and continued viability of our cities as in the economic system of competitive enterprise itself. However, the fact remains that our large cities have a disproportionate and growing number of the Nation's unemployed, which threatens the viability of our large urban centers and burdens the businesses which inhabit them.

Our economy is producing jobs in record numbers, 7 million in the last 2 years, but not fast enough to reduce the overall rate of unemployment. Unemployment among teenagers is 15.4 percent; among blacks, 12.5 percent, and 6 out of 10 blacks live in urban centers; and among black teenagers, it is 37.3 percent.

Many believe these figures understate the actual degree of unemployment among young people and minorities. Furthermore, the per-

sistence of "structural" joblessness among teenagers and blacks—unemployment not directly related to economic cycles but to problems affecting these groups directly—is regarded as a major contributor to the overall persistent high unemployment in our central cities. This is the most volatile area of the overall unemployment problem we face.

As Reginald Jones, the chairman and chief executive officer of the General Electric Co. has stated, the inability of millions of people in our cities to find jobs is "social dynamite."

The inability of many of the Nation's youth to find jobs and to establish a viable work history is not just an immediate problem. The long-term future dilemma which will become increasingly expensive to resolve is the increases in drug addition, the health problems, and the welfare dependency. Clearly, where there are no jobs, there will be more crime. Vernon Jordan, the president of the National Urban League, recently commented on this problem in terms we can all understand when he observed: "I worry about the young people who by the time they are 25 have never been gainfully employed, and I worry that when they get to be 35 or 40 their disillusionment, their disgust, their sense of alienation of spirit that could become very difficult to cope with. We saw some of that when the lights went out in New York. To leave millions of people unemployed has serious social consequences for everybody."

We who work know that a job is the badge of belonging. Work is a large part of life, and life without work comes close to being meaningless. Once life loses meaning, crime and anarchy are mighty easy to pursue, and generally, they set in. We have seen it happen throughout history. That leads me to say that an economic system that fails to provide jobs for everyone wanting to work is tolerating an almost barbaric form of human sacrifice, and risking dangerous alienation and anarchy within its society.

Moreover, the array of public and private services available to remove or reduce the labor market difficulties of youth are fragmented and often fail to address the particular difficulties which specific groups encounter in obtaining and maintaining employment.

It is now clear that broad-gaged public sector efforts alone cannot treat the specific and distinct unemployment problems of Newark or Detroit or Atlanta. Four out of five jobs in this country are in the private sector. It is here that the real challenge lies. It is heartening for me to see the recognition of this fact in the Committee on Economic Development's recent report entitled "Jobs for the Hard-to-Employ." The CED report is recommended reading for anyone seriously concerned with this difficult issue.

It calls for a creative and cooperative initiative, jointly by the public and private sectors, to deal with the problem of structural unemployment. Most importantly, the CED report underscores what I believe to be the significance of public sector jobs, namely, as a staging ground or transitional effort to graduate the hard-to-employ from subsidized training and support into continuing long-term private employment.

I believe President Carter recognized the significance of the private sector's role in battling structural unemployment when he set aside

\$400 million in the fiscal year 1979 budget to target the expansion of public sector programs toward private sector jobs.

Let me summarize by stating what I believe are the critical issues in alleviating the devastating effect of structural unemployment on the economic and social wellbeing of our central cities:

One, we must continue to support and find ways to spur overall growth in our private sector economy, although the insidious danger of inflation should not be underestimated. It is only through enlightened fiscal and monetary policy that continued growth is possible; and that growth should be expressed primarily in the continued expansion of the needed permanent job base.

We must have a job for everyone, and we must have price stability, too. I might add, it is quite a lot easier to cope with a problem of inflation if you have a job, than if you do not.

Two, let us look to the CED report as an important point of departure for Government and private sector cooperation on the problem of structural unemployment. We do not need any more studies. We do not need to reinvent the wheel. The CED report identifies and describes in detail the existing programs throughout the country that are working and working well to make a dent in the unemployment problem in cities across the country. Some of these programs are bridging the gulf between school and the world of work. Others are taking discouraged and unskilled people and preparing them to enter the labor market. We must expand these efforts and use the best of them as prototypes in other communities where suitable.

Business must be incentivized to grow and expand. I applaud the improvement in the investment tax credit. That boost will help, but I also would endorse the elaboration you have made, Congressman Mitchell, in the specification of that additional concern, and I would hope that you do bring about the needed emphasis for particularizing the benefits of the tax credit.

I am not encouraging business to move out of the big cities, either, and do not want to.

The CED's clearing house idea, for example, is one so easily adopted and implemented with so much effect, it ought to be encouraged.

I particularly like and recommend the regional problem-solving approach suggested in the CED report. Local initiatives must consider the whole city entity, the metropolitan area, not just the core city, where the critical problems do exist.

The seemingly impenetrable wall of indifference erected by the satellite cities and suburbs of the core cities must somehow come down, and give way to reason. They must not continue to isolate themselves from the problem of the central city, their central city. They have a stake in it.

In concluding, let me state what has been implicit throughout my remarks: Government and private sector leadership must cooperate as never before in creating ever more jobs and more job opportunities for those desperately in need of them. This cooperation must be regionally-encompassing, not gerrymandered, fragmented, and piecemeal. Cities must be viewed as the enlarged population concentrations

they are, not exclusively within the boundaries that seemed expansive and visionary in the 1800's. We must come to see that we all have a stake in the central cities. They do and will continue to constitute the very core of our culture and civilization.

Perhaps most important of all, companies willing to stay and see it out should publicly declare their commitment, and then go to work to make that decision a right decision. I think that is the course on which we are embarked, and many other corporations are bound to follow.

I realize it is easier to describe possible solutions than to act on them. I prescribe no panaceas or instant cures or any sure-fire guidelines. It will require considerable time and great effort to alleviate the effects of structural unemployment on the Nation's cities. But I think our understanding of the problem and the challenge we face is clearer now than ever before. It is now time for government and the private sector to make an equally clear commitment to address the social and economic challenge of unemployment in our cities together.

Thank you.

[The prepared statement of Mr. Eklund follows:]

PREPARED STATEMENT OF COY G. EKLUND

Mr. Chairman and distinguished subcommittee members: On behalf of The Equitable Life Assurance Society of the United States, I am pleased to have the opportunity to share with this committee our thinking on this most difficult and complex problem of "keeping business in the city." First, let me say, Congressman Moorhead, that you are to be commended for initiating the present hearings on the economic health of our cities and the critical problem of structural unemployment. Some of our most capable senior officers have been grappling with these and related problems in recent months and for good reason: The Equitable has defined its "stake and its stand" in the nation's large cities. Since The Equitable provides insurance and investment services nationwide, we operate with people and offices throughout the United States. In fact we are and will continue to be located in hundreds of cities in order to provide these services. Our major concentration is in New York City, the location of our Home Office, where we have approximately 7600 employees.

I am proud to say that The Equitable is firmly committed to remaining headquartered in New York City. I should also point out that we have a work force of over 1100 in Chicago and altogether 72 percent of our work force is concentrated in the 20 largest cities.

Before going any further I must point out that the term "central cities" raises a number of interesting questions as to how we define the issue we are discussing. What is a "city" today? Surely it is not what a city was conceived of a century or even fifty years ago. The city's functions and limitations, along with its relationship to the communities beyond its boundaries, were then readily understandable. Today's city cannot be so readily understood because what we traditionally thought of as a city is today a gerrymandered, fragmented, socio-economic entity not efficiently integrated into the larger regional framework of government and planning. The city today is really a "mega-city". It consists only in part of the inner or central city, which represents the historical urban center; but the past 25 to 30 years have brought about continued growth and expansion around cities while the city's actual legal boundaries generally have remained constant.

The urban centers I have just described have grown to their present size and economic importance because they have historically offered commercial and social advantages over smaller population sites. The "pluses" were large pools of skilled and unskilled labor, excellent transportation systems, availability of important business support services, plus health, education and cultural facilities. These factors overcame certain cost disadvantages because they created an environment conducive to high productivity. Over the last two decades, however, the benefits of the urban setting have been giving way to a grow-

ing list of disadvantages. Operating costs have risen disproportionately high. More and more of the economically and educationally disadvantaged have located in urban centers. Local property taxes and in many cases state income taxes have climbed steeply. The whole infrastructure has suffered.

The shift of people and businesses to the South and the West and the overall trend of suburbanization have resulted in this fundamental weakening of the fabric of the city. Out-migrations of middle class working families have accompanied in-migrations of economically disadvantaged workers. As technology has changed, this latter group has increasingly lacked the skills which make workers employable, and cities have had growing difficulty in assimilating the new arrivals. In addition, this changing mix of needed skills in the labor force has raised operating costs for local businesses. Demand for municipal services and income supplement payments has also grown as the disadvantaged become a larger part of the urban population. The cost of municipal government has risen accordingly, with the growing expense burden shifted to the more productive sectors—middle and upper level taxpayers and all business. This process, of course, aggravates the problem by spurring the exodus and diminishing the tax base.

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However, moving out of the large cities is no easy choice to make because there are, clearly, great and abiding advantages in the city. The value of face-to-face interaction with members of the financial or communications communities, though not measurable quantitatively, is considerable. I cannot overstate the importance of the large skilled, technically trained labor force in our cities which is vital to the performance and success of business. Not to be underestimated is the significance of government and commercial infrastructure that lies at the heart of our cities' social amenities and institutions of culture. Large businesses located in suburban settings may find that they lose touch with clients, suppliers, and business counterparts. The impact of this isolation factor has yet to be fully sensed and appreciated. It is a very strong and clear deterrent to a financial institution such as mine headquartered in New York City.

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"I worry about young people who by the time they are twenty-five have never been gainfully employed, and I worry that when they get to be thirty-five or forty, their disillusionment, their disgust, their sense of alienation could engender a bitterness, a meanness of spirit that could become very difficult to cope with. We saw some of that when the lights went out in New York. To leave millions of people unemployed has serious social consequences for everybody."

Moreover, the array of public and private services available to remove or reduce the labor market difficulties of youth are fragmented and often fail to address the particular difficulties which specific groups encounter in obtaining and maintaining employment.

It is now clear that broad-gauged public sector efforts alone cannot treat the specific and distinct unemployment problems of Newark or Detroit or Atlanta. Four out of five jobs in this country are in the private sector. It is here that the real challenge lies. It is heartening for me to see the recognition of this fact in the Committee on Economic Development's recent report entitled *Jobs for the Hard-to-Employ*. The CED Report is recommended reading for anyone seriously concerned with this difficult issue. It calls for a creative and cooperative initiative, jointly by the public and private sectors, to deal with the problem of structural unemployment. Most importantly, the CED report underscores what I believe to be the significance of public sector jobs, namely as a staging ground or transitional effort to graduate the hard-to-employ from subsidized training and support into long-term private employment. I believe President Carter recognized the significance of the private sector's role in battling structural unemployment when he set aside \$400 million in the fiscal year 1979 budget to target the expansion of public sector programs toward private sector jobs.

Let me conclude by stating what I believe are critical issues in alleviating the devastating effect of structural unemployment on the economic and social well-being of our central cities:

1. We must continue to support and find ways to spur overall growth in our private sector economy, although the insidious danger of inflation should not be underestimated. It is only through enlightened fiscal and monetary policy that continued growth is possible; and that growth should be expressed primarily in the continued expansion of the needed permanent job base.

2. Let us look to the CED Report as an important point of departure for government and private sector cooperation on the problem of structural unemployment. We do not need any more studies. We do not need to reinvent the wheel. The CED Report identifies and describes in detail the existing programs throughout the country that are working and working well to make a dent in the unemployment problem in cities across the country. Some of these programs are bridging the gulf between school and the world of work. Others are taking discouraged and unskilled people and preparing them to enter the labor market. We must expand these efforts and use the best of them as prototypes in other communities where suitable.

3. I believe that the CETA-funded and other public sector job programs should aim at giving men and women the confidence and skills necessary for permanent employment in the private sector. I cannot state this point any more forcefully or more simply. If these programs produce "make-work" jobs and nothing more, we are wasting time, money and human lives. Public sector employment programs can be important staging grounds for graduation into the private sector so long as such programs prepare their participants for the realities of the labor market. We must make certain this is done.

4. The private sector is not "big business" alone. I say this to emphasize the fact that small and medium size businesses have a vital role to play that is too often overlooked. As we plan for the absorption of thousands of unemployed into the private sector we must be conscious of the fact that it will require the entire private sector's involvement—not just the Fortune 500. It will require all of us to have an adequate impact on unemployment in our central cities.

In concluding, let me state what has been implicit throughout my remarks: government and private sector leadership must cooperate as never before in creating ever-more jobs and more job opportunities for those desperately in need of them. This cooperation must be regionally-encompassing, not gerrymandered, fragmented and piece-meal. Cities must be viewed as the enlarged population concentrations they are; not exclusively within the boundaries that seemed expansive and visionary in the 1800's. We must come to see that we all have a stake in the central cities. They do and will continue to constitute the very core of our culture and civilization.

We must encourage innovative and specific solutions to unemployment problems of regional areas without the discouraging involvement of additional government bureaucracy. I realize that it is easier to describe possible solutions than to act on them. I prescribe no panaceas, no instant cures. Not even sure-fire guidelines. It will require considerable time and great effort to alleviate the effects of structural unemployment on the nation's cities. But I think our understanding of the problem and the challenge we face is clearer now than ever before. It is now time for government and the private sector to make an equally clear commitment to address the social and economic challenge of unemployment in our cities together.

Representative MOORHEAD. The subcommittee would now like to hear from Mr. Charles A. Meyer, senior vice president for public affairs, Sears, Roebuck & Co.

Mr. Meyer, in a previous incarnation, was a former Assistant Secretary of State, and hence, brings to the subcommittee the perspective not only of business, but of looking at problems from the governmental angle.

Mr. Meyer.

**STATEMENT OF CHARLES A. MEYER, SENIOR VICE PRESIDENT
FOR PUBLIC AFFAIRS, SEARS, ROEBUCK & CO., AND FORMER
ASSISTANT SECRETARY OF STATE**

Mr. MEYER. Could I put on an alternate hat for a moment by introducing another CED report entitled "An Approach to Federal Urban Policy."

Representative MOORHEAD. We will be glad to receive that report at this time.

Mr. MEYER. Thank you.

[The report follows:]

An Approach to Federal Urban Policy

A Statement on National Policy
by the Research and Policy Committee
of the Committee for Economic Development



December 1977

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Responsibility for CED Statements on National Policy

The Committee for Economic Development is an independent research and educational organization of two hundred business executives and educators. CED is nonprofit, nonpartisan, and nonpolitical. Its purpose is to propose policies that will help to bring about steady economic growth at high em-

ployment and reasonably stable prices, increase productivity and living standards, provide greater and more equal opportunity for every citizen, and improve the quality of life for all. A more complete description of the objectives and organization of CED is to be found on page 48.

All CED policy recommendations must have the approval of the Research and Policy Committee, a group of trustees whose names are listed on these pages. This Committee is directed under the bylaws to "initiate studies into the principles of business policy and of public policy which will foster the full contribution by industry and commerce to the attainment and maintenance" of the objectives stated above. The bylaws emphasize that "all research is to be thoroughly objective in character, and the approach in each instance is to be from the standpoint of the general welfare and not from that of any special political or economic group." The Committee is aided by a Research Advisory Board of leading social scientists and by a small permanent professional staff.

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The Research and Policy Committee is not attempting to pass judgment on any pending specific legislative proposals; its purpose is to urge careful consideration of the objectives set forth in this statement and of the best means of accomplishing those objectives.

Each statement on national policy is preceded by discussions, meetings, and exchanges of memoranda, often stretching over many months. The research is undertaken by a subcommittee, assisted by advisors chosen for their competence in the field under study. The members and advisors of the subcommittee that prepared this statement are listed on page 6.

The full Research and Policy Committee participates in the drafting of findings and recommendations. Likewise, the trustees on the drafting subcommittee vote to approve or disapprove a policy statement, and they share with the Research and Policy Committee the privilege of submitting individual comments for publication, as noted on this and the following page and on the appropriate page of the text of the statement.

Except for the members of the Research and Policy Committee and the responsible subcommittee, the recommendations presented herein are not necessarily endorsed by other trustees or by the advisors, contributors, staff members, or others associated with CED.

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Foreword

Purpose of This Statement

The CED Research and Policy Committee has long been concerned with the health and character of the nation's cities. In recent years, the Committee has published a number of statements on issues central to city life — improving health care, education, and housing; reforming the welfare system; and restructuring urban government.

The CED Subcommittee on Revitalizing America's Cities continues the work of identifying the major forces that are affecting this country's urban areas and developing recommendations about why and how public policies should respond to these forces. This introductory report, *An Approach to Federal Urban Policy*, was prepared against the background of an intensifying debate over a national urban policy. As a contribution to the public discussion, the subcommittee felt it was important to make a brief initial statement about the general direction federal urban policy should take.

This statement is timely and significant for several reasons. First, it stresses the often neglected fact that different cities have different problems; and it outlines ways in which the federal government can take these many differences into account. Second, it proposes a set of key elements that are essential to develop the mechanisms and sustained leadership necessary to deal with the problems of the cities. It calls particularly on private industry, state and local governments, and citizens to explore new means of identifying and implementing solutions to urban life.

We wish to emphasize, however, that this is an introductory statement. The Subcommittee on Revitalizing America's Cities is moving forward with a more comprehensive and detailed examination of how urban programs should be tailored to the diverse and complex needs of urban areas.

This report was prepared under the chairmanship of Philip M. Klutznick, former chairman of Urban Investment and Development Company in Chicago. Mr. Klutznick's knowledge and experience in urban affairs and his deep commitment to urban life in this country make him exemplary among the nation's business leaders. Mr. Klutznick will continue to direct future reports issued by this subcommittee.

The members of the subcommittee, listed on page 6, represent a wide range of extraordinary talents and abilities from the fields of business, education, and government. We are especially indebted to Mr. Klutznick, to the members of this subcommittee, and to the fresh and constructive approach of co-project directors Harvey A. Garn, Program Director of Urban Development, Processes, and Indicator Research, The Urban Institute, and R. Scott Fosler, Director, Government Studies, Committee for Economic Development.

Franklin A. Lindsay, *Chairman*
Research and Policy Committee

SUMMARY AND RECOMMENDATIONS

Achieving healthy economic development in urban areas is a vital factor in achieving the healthy growth of the total economy.

There is no single urban problem. Rather, the economic and social problems of urban areas vary considerably. Consequently, there is no single or simple solution to the nation's urban problems. Improvements in urban areas require different approaches for different problems.

Private industry, state and local governments, and citizen groups must all participate in solving urban problems. The federal government must supplement local efforts both because of the impact of current federal policies on urban areas and because many of the problems that face the cities exceed the local capacity to solve them.

In subsequent policy statements, CED's Subcommittee on Revitalizing America's Cities will analyze a broad range of urban problems and offer recommendations for remedies to them. Whereas this introductory statement concentrates on federal policy considerations, a major part of the forthcoming study will focus on what local government, business, and community groups can do. That focus reflects CED's belief that all these groups have a responsibility to participate in the development of successful urban strategies for the present and the future.*

* * *

The present Administration has set as one of its goals the development of policies to help deal with the problems of America's cities. It further seeks to develop and support the leadership necessary to sustain this effort. We recognize the importance and complexity of this undertaking. We also recognize that there is not, nor can there be, any one-and-for-all solution to urban problems. Nevertheless, some key elements of a federal urban strategy can be recommended. We believe that these recommendations can do much to help focus the federal government's effort to improve its response to urban problems.**

Systematic monitoring of the effects of federal policies on the distribution of the labor force and economic activity is essential.

The federal government should assume responsibility for direct income transfers to the poor.***

*See memorandum by JOHN D. GRAY, page 34.

**See memorandum by FRAZAR B. WILDE, page 34.

***See memoranda by FLETCHER L. BYROM, and by JOHN H. PERKINS, pages 34 and 35.

Federal policy must be sharply focused on economic development programs directly related to particular cities' problems and on new mechanisms for ensuring effective federal participation.

Because one set of strategies will not achieve economic development objectives in all places, the federal government must develop procedures for identifying priorities among places to be served and for providing assistance to those programs that best meet the needs of those particular places.

The federal government should encourage—at the very least it should not frustrate—both active efforts and developing potential of local leadership to bring together public and private resources for the productive resolution of the problems of the cities.

We believe that the time has come for federal policy to recognize the diversity of local areas, to be prepared to respond to local needs, and to make use of all that can be learned at the local level about how improvements can be made. The federal government needs an approach that is both more flexible than categorical grants and more focused on specific plans than general revenue sharing. It must make a commitment to well-planned improvements in the nation's central cities.

INTRODUCTION

The health of the nation's cities is a vital factor in determining the nation's economic health. This Committee has recognized the close relationship between healthy cities and the strength and stability of the U.S. economy, calling attention to it in a series of policy statements issued since 1960. Many cities have long faced severe economic and social problems, and in recent years, these problems have worsened. Such cities are marked by an erosion of human and physical resources, widening economic disparities and inequities, and growing problems of race and poverty.

This Committee is dedicated to the goals of achieving high employment, price stability, increased productivity, and greater opportunity for all Americans. A critical element in reaching these goals is more successful resolution of the nation's urban dilemmas.

Local private initiative and effective participation by local governments are indispensable to that successful resolution. The federal government can help through well-designed programs aimed at promoting a healthy urban society, and recent signs of a growing federal commitment to revitalizing America's cities are encouraging and most welcome. The time has come for the federal, state, and city governments to forge a creative new partnership with private enterprise to combat urban problems.

The purpose of this introductory statement is twofold: It highlights some critical differences among urban areas, and it points the way to developing constructive federal approaches that will take such differences into account. It goes on to trace some of the implications of making the healthy development of urban areas a central element of federal policy.

Many key questions remain unanswered. Exactly how urban programs should be tailored to meet the diverse and complex needs of America's cities is the subject of continuing study and debate. CED's Subcommittee on Revitalizing America's Cities, which prepared this introductory statement, is engaged in an intensive examination of these issues. More comprehensive studies will be forthcoming in the course of the Subcommittee's work.

This statement is based on five fundamental propositions:

- Achieving healthy economic development in urban areas is a vital part of achieving the healthy growth of the national economy.

- There is no single urban problem. The economic and social problems of urban areas vary considerably.
- There is no single or simple solution to the nation's urban problems. Different approaches are required to deal with different problems and bring about significant improvements.
- State and local governments, private industry, and citizen groups must play major roles in identifying and implementing appropriate solutions to urban problems.
- The federal government must supplement local efforts both because of the impact of current federal policies on urban areas and because many urban problems exceed the capacity of individual areas to solve them.

We emphasize that healthy economic development of an urban area does not require any particular population level or job level. Adjustments in both may be necessary to achieve a sustainable balance of the two.

TRENDS IN POPULATION AND ECONOMIC ACTIVITY

Any strategy to cope with urban economic and social problems must take into account the changes in location of population and economic activity that are occurring in the United States. The two major relevant trends are shifts of population and economic activity from one region to another and decentralization of population and economic activity within metropolitan areas throughout the nation.¹

The main feature of the regional shifts has been the relatively slow growth rates in the Northeast and North Central regions compared with the higher growth rates in the West and South. Between 1960 and 1970, the population of the Northeast and North Central regions grew by 9.8 percent and 9.6 percent, respectively; during the same period, the West grew by 24.1 percent and the South by 14.2 percent. This trend has accelerated since 1970. From 1970 to 1975, population grew by only 0.9 percent in the Northeast and 1.9 percent in the North Central region. The West grew by 8.8 percent and the South by 8.5 percent during the same period. Regional shifts in employment have roughly paralleled this pattern. In 1949, the Northeast and North Central regions provided jobs for over 62 percent of the nation's nonagricultural employees. Now, they provide only slightly more than 50 percent of such jobs. Current evidence does not suggest any imminent reversal of these regional trends.

Decentralization of population and businesses from traditional central-city jurisdictions is another pronounced trend. Population is even more widely dispersed than jobs within metropolitan areas. However, since 1948, the rate of *job dispersal* has been higher than the rate of *population dispersal*, reflecting the fact that the economic base of a metropolitan area extends well beyond the central city. All major categories of employment (manufacturing, retailing, services, and wholesaling) have dispersed rapidly and are now spread nearly as widely as population. (Recent data on employment changes are provided in Figure 1 of the Appendix.)

As in the case of the regional trends, there is no evidence that continued decentralization of population and economic activity will soon be reversed. In fact, the most recent evidence shows decentralization spreading beyond current metropolitan boundaries and increasing the

1. For an excellent discussion of these general trends, their implications for urban problems, and possible solutions, see William Gorham and Nathan Glazer, eds., *The Urban Predicament* (Washington, D.C.: The Urban Institute, 1976).

nonmetropolitan population as well (see Appendix, Figure 3). Between 1970 and 1975, many metropolitan areas lost population to their suburban and rural fringes. From March 1975 to March 1976, about 400,000 more people moved out of metropolitan areas than moved into them from nonmetropolitan areas.² However, this does not mean that there is a major reorientation toward rural living. Rather, many of the nonmetropolitan areas experiencing population increases are within commuting distance of metropolitan areas.

The reasons for these two major shifts in population and economic activity are many and varied. However, certain key causes are prevalent in enough cities to deserve special mention. First is the high cost of working or operating a business in a center city, particularly in some congested cities in the Northeast. Second is a relative decline in the quality of city life, which is reflected in higher crime rates, poor educational systems, and deteriorating cultural and recreational opportunities. Sometimes, changes of location are prompted by the combination of declining conditions and more attractive alternatives in the suburbs or in another part of the country. CED has studied some of these particular urban problems in the past and will give them further attention in its future study of the cities. Given current policies, these forces may continue to encourage the movement of population and employment away from center cities and to their suburbs or to other regions.

These two trends indicate that few cities or metropolitan areas can expect to have stable levels of population and employment. Some will grow; others will lose population and employment. To a large degree, such changes are necessary and effective adaptations to new circumstances. However, not all changes are so benign as that general observation implies. Furthermore, the generalization does not apply equally to all urban areas. The issue is much more complex.

Many of the most severe problems resulting from these trends appear to be concentrated in cities that are losing population. However, in some of these areas, population decline is not accompanied by substantial job loss. Such cities may retain their vitality in spite of the population loss and may actually experience increases in real per capita income as population declines. Other cities are experiencing rapid job loss without corresponding reductions in population and labor force, a combination that creates both high unemployment and losses in real per capita income. *Clearly, the healthy economic development of a city is*

2. William Alonso, "The Current Halt in the Metropolitan Phenomenon" (Paper prepared for Symposium on Challenges and Opportunities in the Mature Metropolis, Saint Louis, Missouri, June 6-8, 1977), p.12.

not so much a function of the level of population or employment as it is of retaining a reasonable balance between the two.

Other problems are created by the changing characteristics of population and the employment base. The employment base includes many activities other than manufacturing (the traditional base of economic development); among these are exportable services (such as banking and insurance), educational institutions, and a variety of nonprofit organizations. Therefore, although regional shifts and metropolitan decentralization are important in assessing the prospects of individual cities, they are not the only factors that need to be considered.

Furthermore, not all important trends are so easy to measure as those concerning population and business location. Nor will recent trends affect all places in the same way. Therefore, predictions about particular places based on these trends must be made with considerable caution. Changes in federal policy or other outside forces could significantly affect the future trends. Determined leadership and active participation on the part of state and local governments, the business community, and citizen groups could all affect their future course. In cases where adverse trends cannot be halted or reversed, well-coordinated public and private policies can do much to ameliorate the problems and facilitate necessary adjustments.

Changes in Federal Policy

The federal government has a profound influence on the distribution of population and economic activity. Research indicates that current federal policy has reinforced the movement to the West and South and the trend toward urban decentralization.

Many of the most important location consequences of federal activity stem from policies that do not have overt relocation objectives.³ Both these policies and policies targeted to specific areas need to be carefully examined (and their results monitored) in order to develop a more complete picture of the federal government's potential for influencing trends in population and economic location. For example, a recent Urban Institute study has shown that federal tax provisions historically have favored low-density urban sprawl over compact development and have speeded up the rate of decentralization in metropolitan regions. They have also

3. Tables 4 and 5 of the Appendix are from Roger J. Vaughan's work at the Rand Corporation on the federal impact on economic development. They show his conclusions about the general interregional, intraregional, and urban effects of a variety of federal policies.

avored investment in housing and other structures over alternative investments in the economy; construction of single-family, owner-occupied housing over multifamily, rental apartments; and development of new commercial, industrial, residential, and public buildings over maintenance and repair of older capital structures.⁴ Therefore, even federal policies that have other objectives should be examined for their influence on the location of population and economic activity. Closer attention to these indirect effects could lead to altered federal choices that would influence location in ways more conducive to overall urban economic health.

Self-Correcting and External Forces

Even if there are no major changes in federal policies, regional population shifts and metropolitan area decentralization will not necessarily continue at the same rates. Two kinds of forces may operate against these trends: self-correcting forces that derive from growth or decline of population or economic activity and external forces.

Population movement and economic activity are often responses to differences in the availability and price of jobs, housing, and services in various areas. However, the movement itself affects prices and availability in areas where change occurs. For example, in areas where population and employment are growing, the demand for public services and private goods tends to increase, and wages tend to escalate. Moreover, if supply is not able to meet the demand, prices will rise. Both supply shortages and increased prices discourage further growth. Other forces may dampen decline; these include reduced demand for housing, increases in the availability of land, reductions in congestion, and selective reductions in the demand for some public services (such as those resulting from a decrease in the school-age population).

Many other important changes in the relative advantage of different places arise from forces other than those generated by population growth or decline. Federal policy is, as we have noted, an extremely important factor. So may be higher energy costs, availability of energy, availability of water, and the changing composition of households. High energy costs and concern about the availability of energy favor locations that are close to supplies or that reduce usage requirements. Availability of an assured water supply is a more recent factor that may have regional implications. Consequently, center cities may experience some transpor-

4. A summary of these effects appears in *Search: A Report from the Urban Institute* 7, no. 1 (Spring 1977). The full study will be published in 1978.

tation and fuel-efficiency advantages over suburbs. However, unless new energy sources are developed, these factors may also accelerate the regional shifts toward the South and Southwest. Within the last decade, new households have been forming at a much more rapid rate than the population has increased. There have been substantial increases in the number of households composed of one person, unrelated individuals, and married couples without children. These changes will affect the relative demand for various types of housing, and larger, more cosmopolitan cities may be favored by such nontraditional households.

But current regional shifts and decentralization trends are strong, and it is clearly too soon to declare that any of these factors will stop or reverse them. Nevertheless, it would just as clearly be shortsighted to ignore the forces working in the opposite direction.

Government, Business, and Citizen Leadership

It is difficult to measure the ability of people to learn both how to cope with change and how to create desired changes. Urban problems have not gone unnoticed by the leadership in state and local governments, business, and citizen groups. In many urban areas, there is an increased willingness on the part of these people to wrestle with the problems in constructive ways.

Most important, there is a growing recognition by local government officials and local business leaders of the need to create a public-private partnership that can focus effectively on jobs, neighborhood housing, and commercial revitalization. The need to provide jobs and earned income at the local level is widely recognized as the keystone of revitalization strategies for the cities, and local governments and business leaders are finding ways to cooperate in such efforts. (A forthcoming CED policy statement, *Jobs for the Hard-to-Employ: New Directions for a Public-Private Partnership*, will deal with this question in detail.) Business can participate in government-sponsored economic development planning groups. Business groups can plan, finance, and establish local development corporations through which both public and private interests can be channeled.⁵ New initiatives are being taken to ensure

5. For a series of case studies on local development activities as they relate to integrated use of federal community development, economic development, and employment training programs, see National Council for Urban Economic Development, *Community, Economic and Manpower Development Linkages*, Sections 1 and 2, February 1976, Final Report to the U.S. Department of Housing and Urban Development, Office of Policy Research and Development, Contract H-2274.

local action to prevent further deterioration of the central cities, to redefine their functions if necessary, and to protect the economic base necessary for vitality. We recognize that not all cities will have the requisite desire or local leadership to develop and implement such initiatives. But for the cities that do possess these assets, there is promise of success. Therefore, it would be unfortunate if policy makers at the state and federal levels become so overwhelmed by the general trends that they fail to accept and support the plans of specific cities that have both the leadership and the will to undertake substantial revitalization efforts. The federal and state governments should also encourage further improvements in local capabilities.

The time is right to examine ways in which federal policies can be better targeted and tailored to aid cities that have critical problems and that also have local leadership dedicated to their resolution.

DIFFERENT CITIES, DIFFERENT PROBLEMS

Better use of federal policies tailored to solve the structural problems of the cities will depend to a considerable extent on clarifying the variety of problems among cities.

In some respects, all cities are unique; at the same time, groups of cities often have similar indicators of need. Partly as a result of differing population and industry shifts, local economies do not all make smooth adjustments to changes in the national economy. An indication of this is the wide variation in unemployment rates among local economies. For this reason, the local unemployment rate appears to be one useful indicator of some classes of problems. Change in population or employment in a city also creates problems that require significant adaptations on the part of both people and their governments. The severity of the problems and the degree of adaptation required can be expected to vary with the rate of change. For these reasons, unemployment and growth rates can provide a useful starting place for examining urban diversity. It should be emphasized at once that there are numerous dimensions of city life by which its sharp diversity could be defined. But unemployment and population growth rates are two of those dimensions that are easily measurable and represent very important developments in their own right. They are two distinctive, if not always unrelated, forces that are sometimes causes and sometimes consequences of other key city trends.

The Joint Economic Committee (JEC) of the U.S. Congress recently issued a study of the fiscal condition of a sizable sample of the nation's largest cities in which the cities were grouped into four classes according to population decline and growth and their unemployment rates:⁶

1. Cities with high unemployment rates (above the national average for 1976) and declining population (1970-1975)
2. Cities with low unemployment rates and declining population
3. Cities with high unemployment rates and growing population
4. Cities with low unemployment rates and growing population

Even this simple classification can be used to help sort out some of the great diversity of city conditions. Concrete examples are presented in the following paragraphs.

The cities in each of the above groups and their 1975 populations are shown in Figure 2 of the Appendix. In the sample, the declining cities are larger in size than the growing cities. The growing cities are predominantly in the South and West; there are none in the East and only two in the Midwest. The declining cities are mostly in the East and Midwest, but five are in the South and four in the West. Almost all the growing cities increased their center-city acreage substantially, primarily through annexation of adjacent territory in the 1960-1970 period; whereas only twelve of the forty-one declining cities increased their center-city acreage significantly during the same period.

In its report, the JEC argues that "maintenance and upgrading of the public infrastructure and particularly reversing the current downward trend in capital expenditures, appears to be the single greatest problem facing our nation's cities."⁷ The report shows that capital expenditures have been significantly reduced. The capital budgets for the total sample decreased by 5 percent between 1976 and 1977. In high-unemployment cities, they decreased by as much as 13 percent. But whereas capital expenditures declined, the reported needs of the surveyed cities re-

6. U.S. Congress, Joint Economic Committee, *The Current Fiscal Condition of Cities: A Survey of 67 of the 75 Largest Cities* (Washington, D.C.: U.S. Government Printing Office, 1977).

7. U.S. Congress, Joint Economic Committee, *The Current Fiscal Condition of Cities: A Survey of 67 of the 75 Largest Cities*, p. 4.

mained extensive. The fifty cities that reported their capital needs to the JEC estimated a current capital need of \$22.4 billion.⁸

Although all the cities in the sample had some fiscal difficulties, those with both high unemployment and declining population tended to be worst off.

- These cities have increased their total service expenditures by 3 percent during 1976. When the data are corrected for inflation, this actually represents a 3 percent *decline*.
- In spite of reducing capital budgets and real reductions in service expenditures, these cities substantially increased their taxes.

The cities in the sample with both high unemployment and declining population are in large metropolitan areas with high density and population clustering. Over 50 percent had an above-average concentration of jobs. In contrast, almost all the cities with low unemployment and growing population were in areas with low density and population spreading. Low density and a spread population are also found in many of the declining cities with low unemployment. Jobs tend, however, to be centralized in these cities. In the sample cities, low density and less concentrated population are more closely associated with lower unemployment rates than is the degree of job concentration in the center city.

Comparing this sample with the results of another study shows that growing cities tend to have less pronounced intra-area and intercity hardship than declining cities.⁹ Once again, the sharpest differences are found between cities with both high unemployment and declining population and cities with both low unemployment and growing population. The high-unemployment, declining-population group contains the largest number of cities that are worse off than their suburbs and other central cities. The reverse is true of cities in the low-unemployment,

8. U.S. Congress, Joint Economic Committee, *The Current Fiscal Condition of Cities: A Survey of 67 of the 75 Largest Cities*, p. 2.

9. Richard P. Nathan and Charles Adams, *Understanding Central City Hardship*, Technical Series Reprint T-102 (Washington, D.C.: The Brookings Institution, 1976). The variables, which were used with equal weight in these indexes, were (1) unemployment (percent of civilian labor force unemployment), (2) dependency (persons under eighteen or over sixty-four years of age as a percent of total population), (3) education (percent of persons twenty-five years of age or over with less than a twelfth grade education), (4) income level (per capita income), (5) crowded housing (percent of occupied housing units with more than one person per room), and (6) poverty (percent of families below 125 percent of low-income level). The intrametropolitan index measured the relative hardship in the central city and its suburbs. The intercity index measured relative hardship of one central city relative to other central cities.

Figure 1

**COMPARISONS OF INCOME, BY SOURCE OF
INCOME, FOR CITY GROUPS, 1969 TO 1974**

City Group	Labor and Proprietor Income			Transfer Payments		
	Percent Increase, 1969-1974	Percent of 1974 Income	Percent of Total Income Change, 1969-1974	Percent Increase, 1969-1974	Percent of 1974 Income	Percent of Total Income Change, 1969-1974
High unemployment rates and declining population	35.6	71.6	61.2	102.8	13.3	22.9
Low unemployment rates and declining population	41.7	75.3	66.7	114.3	10.7	17.9
High unemployment rates and growing population	56.9	74.1	67.8	129.4	12.3	18.0
Low unemployment rates and growing population	64.0	74.6	69.9	130.0	11.3	15.8

Source: Calculations by the Urban Institute from U.S. Department of Commerce, Bureau of Economic Analysis, *Local Area Personal Income, 1969-1974*, vols. 2-4 (Washington, D.C.: U.S. Government Printing Office, June 1976).

growing-population group. The growing cities achieved more growth in per capita income than the declining cities despite an expanding population base. On average, these cities also have higher per capita incomes than their suburbs (see Appendix, Figure 6, for the supporting data). This was largely a result of their ability to annex prosperous portions of adjacent territory during the 1960s.

Figure 1 compares the sample cities with respect to income from earnings (labor and proprietor income) and transfer payments.¹⁰ Once

10. These data are not available by city. They are central-county data and should be interpreted with some caution because the central-city portion of the central county varies considerably.

again, those cities with high unemployment and declining population fared the worst. They are in counties that experience an average increase of income from earnings that was only a little over half the increase in the counties containing low unemployment and growing population. Transfer income represented a larger proportion of their recent income change than was true of the cities with low unemployment and growing population.

These income differences arise from high unemployment, the loss of high-wage manufacturing employment, and the relatively slow growth of employment in other sectors in these cities. Figure 2 shows changes in manufacturing, employment, and retail sales.

Although nationwide growth of manufacturing employment has been slow, the growing cities have captured more of it than the cities declining in population. Furthermore, manufacturing employment in the growing cities shows relatively balanced growth within both the central-city areas and the surrounding areas. Cities with both high unemployment and declining population have lost manufacturing employment at their centers and have the slowest growth of such employment in their suburbs. Retail sales present a similar picture. From 1963 to 1972, increases in retail sales in low-unemployment, growing cities were almost three times as high as in high-unemployment, declining cities. A modest increase in retail sales in the central business district in cities with high unemployment and declining population was dwarfed by the growth of retail sales in their suburbs. For the other city groups, the decline in retail sales in the central business district reflects a less centralized population and annexation of additional shopping centers away from the central area.

It should be noted that annexation of adjacent territory by the central jurisdiction is an important feature of the growing cities. This fact suggests that there should be continued efforts to ameliorate the structural problems of local government. Federal incentives may be needed to facilitate such efforts, but the states must bear the central responsibility because they alone have the legal authority to affect municipal powers and activities.

The preceding paragraphs amply demonstrate that there are important differences among the groups of cities classified by unemployment rates and population decline or growth. Furthermore, the cities with population declines tend to be worse off than the growing cities, whether both are experiencing high or low unemployment rates. The cities that tend to be worst off are those experiencing both decline in population

Figure 2

**INTRAMETROPOLITAN
COMPARISONS OF MANUFACTURING EMPLOYMENT
AND RETAIL SALES FOR CITY GROUPS**

City Group	Manufacturing Employment, 1972, as Percent of 1963		Percent Change in Central-City Retail Sales between 1963 and 1972	Percent Change in Retail Sales in Central Business District between 1963 and 1972	Percent Change in Retail Sales Outside Central City between 1963 and 1972
	Inside Central-City Areas	Outside Central-City Areas			
High unemployment rates and declining population	87.1	127.0	42.7	7.8	152.8
Low unemployment rates and declining population	107.9	152.1	66.1	-5.0	170.4
High unemployment rates and growing population	139.7	138.6	107.2	-4.1	137.2
Low unemployment rates and growing population	159.0	158.9	121.9	-8.1	161.0

Source: Calculations by the Urban Institute from Advisory Commission on Intergovernmental Relations, *Trends in Metropolitan America*, Information Report M-108 (Washington, D.C., February 1977), Table 13, pp. 47-49, and Table 14, pp. 50-52.

and high unemployment at the same time. This is a result, in part, of the disproportionately large share of out-migrants who have better work experience and prospects than many of the remaining unemployed.

There remains, of course, very substantial diversity even among cities in the same category of employment and population changes. Other forces are strongly at work shaping city destinies, and they are not

always closely correlated with employment or population trends. Therefore, careful attention should be given to such elements as the city's fiscal situation, the income of its residents, the quality of its services, the productivity of its labor force, and the capacity of its leadership.

As a practical matter, however, cities with declining population and high unemployment can serve as easily identified candidates for priority analysis of their need for outside assistance. On the strength of such analysis, federal assistance programs ought to be tailored and targeted to mesh most effectively with local conditions. Even in cases where it is not possible or practical to halt a city's decline, well-designed federal policies might help to cushion it and ease necessary adjustments. Economic development initiatives that are undertaken in partnership with local leadership and that attempt to achieve a better balance between population and jobs should play a major role in these policies. Such initiatives can do much to retain a quality labor force, attract investment, increase the tax base, and reduce the size of the dependent population.

A CONSTRUCTIVE FEDERAL POLICY FOR URBAN AREAS

There is every reason to suspect that critical features of the urban system will continue to change, sometimes in response to the decisions of individuals and firms to move or stay and sometimes in response to key decisions that commit the government to specific courses of action. Some areas now in severe distress will improve; some now moving forward will experience difficulty. For these reasons, there can be no once-and-for-all solution to the urban problem. **A constructive federal policy for urban areas must be flexible enough to adjust to change and firm enough to be relied on. Furthermore, it must offer a set of programs to alleviate specific problems.**

Past Approaches to Urban Policy

Federal approaches to urban policy have gone through several transformations without developing mechanisms or leadership focused on the complexities of urban change, the development of priorities, and the integration of the federal response. The four major approaches to

urban problems attempted during the last several decades have suffered as a result.

Function The first approach was to deal with problems by function. Improving housing and education and reducing crime were identified as principal urban concerns, and major efforts were launched to accomplish each goal. Although some progress can be cited, the limited achievement of this approach can now be seen as partly attributable to the failure to recognize or act on the relationship of these concerns to other important functions, such as transportation, health, job creation, vocational training, income maintenance, local economic vitality, and neighborhood integrity. Moreover, each functional area is made up of numerous components. For example, crime control involves police, courts, correctional institutions, criminal codes enacted by legislatures, economic levels, family structure, and so on. Each of these components, in turn, involves numerous actors. For example, police services involve federal, state, regional, county, and local agencies and programs. Consequently, crime turns out to be considerably less than satisfactory as an organizing concept. The same could be said for most of the other major functional areas.

Structure A second approach dealt with the structure of government through which urban problems are handled. During the 1960s, a great deal of attention was given to the need for metropolitan-wide government that would reduce the fragmentation of jurisdictions; encourage integrated, area-wide management; and recapture the suburban tax base. However, in all but a few areas, such proposals are unable to overcome formidable political opposition from those, ranging from suburbanites to inner-city blacks, who felt threatened by such amalgamations. More progress was made in the creation of planning capability, but the resulting raft of planning agencies and personnel often bogged down in analysis or otherwise remained detached from policy making and implementation.

Although metropolitan government may be difficult to achieve, the cities that have adopted some form of it or that have annexed adjacent territory have generally improved their situation. No one form of reorganization can meet all needs. Diversity must be acknowledged and dealt with. There are a variety of community-metropolitan-regional forms that can, with strong state support, be tailored to cope with the various economic, cultural, and political characteristics of different areas.

Therefore, continued interest in these questions at the federal level is encouraging. Where political reorganization is impossible, state and federal incentives to encourage sharing of tax revenues throughout the entire metropolitan area would be desirable.

Some attention was also given to improving the structural division of responsibilities at various levels of government. Rather than deal with the vast problem of crime, the emphasis was on improving the organization and ability of institutions responsible for some narrower aspect of criminal justice. For example, the federal Law Enforcement Assistance Administration was to be principally a funding agency. State criminal justice planning agencies were to coordinate statewide efforts (including the distribution of federal funds). Metropolitan-wide police authorities would assure comprehensiveness in city and suburban police operations. And individual police departments would improve their management effectiveness in order to increase their ability to handle the problems they confront each day.

Such approaches, however, tended to ignore the need to determine which level or agency actually could do the job rather than which one was theoretically best able to handle it. For example, some aspects of crime control call for direct federal action. The sale of illicit drugs involves complex national and international networks for producing and distributing narcotics. Organized crime operates in many local and state jurisdictions. Federal laws invariably affect local crime-control operations. The influx of illegal aliens requires control by federal immigration agencies. The amount of crime related to youth unemployment may be a consequence of federal economic policies as well as of local crime-control operations.

Fighting Poverty A third approach concentrated on the problems of low-income city residents who, in the judgment of some, have been both the principal source and the principal victims of urban problems. A variety of policies developed during the 1960s were aimed at raising income levels, providing specific services (especially housing, food stamps, and medical care), and fostering greater community organization and political strength among the poor. Poverty has been inextricably related to race in most cities, and civil rights legislation and affirmative action programs were seen as important parts of the solution to the plight of low-income people.

Although such programs clearly had some effect on raising incomes and increasing opportunities for the poor or disadvantaged, they none-

theless dealt with only part of the problem. The economic decline of the late 1960s and early 1970s demonstrated the relative frailty of public poverty-fighting programs in the context of the total economy. Even the elimination of serious deprivation (if achieved) could not solve a host of other city problems that may result from the congestion and disorderliness of an abundant but poorly organized society.

Revenue Sharing A fourth approach attempted to stabilize the faltering fiscal condition of city governments. Cities have a disproportionate share of those residents who require public social services; whereas suburbs have a disproportionate share of those best able to pay taxes. Therefore, cities have had to bear the heavy burden of maintaining city services that are also used by suburban commuters and are generally important to the health of the entire metropolitan area. Revenue sharing, initially conceived as a means of redistributing the so-called fiscal dividend that was supposed to accrue to the federal government as its revenues grew faster than expenditures (and that did not materialize as expected), was enacted during the Nixon Administration as a way of bolstering local governments while easing the withdrawal of direct federal intervention in city problems.* The special revenue or block grant programs were designed to consolidate categorical grants into functional areas and return revenue to local governments, which would be permitted wider discretion in their use. Numerous proposals for the federal government and the states to assume a larger role in functional areas, particularly health, education, and income maintenance, were similarly aimed at relieving the increasingly hard-pressed budgets of local governments.

This approach, too, has had its shortcomings. Financial relief has been small compared with the needs of city governments.* A substantial part of the redistribution has benefited suburban jurisdictions. And the assumption of major functions by state and federal governments has yet to take place. All these facts reflect the diminishing political power wielded by the cities in state legislatures and Congress. Even substantial fiscal relief would not resolve the unequal distribution of income or a host of other major problems faced by the cities.

Key Elements of a Federal Approach

The present Administration has stated its desire to develop the mechanisms and sustain the leadership necessary to help deal with the

*See memoranda by ROBERT R. NATHAN, pages 35 and 36.

problems of the cities. This important undertaking is formidable in its complexity. As we have indicated, we recognize that there is no once-and-for-all solution to urban problems, nor can there be any. Nevertheless, we believe that key elements of an urban strategy can be established. We offer them in this introductory statement as a first step in helping to focus the federal government's effort to improve its response to urban problems.

Systematic monitoring of the effects of federal policies on the distribution of the labor force and economic activity is essential. It is clear that federal policies have a significant impact on the location of population and economic activity. Their net effect has been to reinforce both the movement of population and economic activity to the South and West and the decentralization of metropolitan activity. In many cases, this effect has been a consequence of federal policies adopted for other reasons. Indeed, such indirect effects may have been more significant in determining location than federal policies specifically directed to particular jurisdictions. Therefore, the minimum requirement for federal policy is greater awareness and close monitoring of its effects on the movement of population and economic activity. Such scrutiny has never been undertaken on a consistent basis. Consequently, redistribution of population and economic activity, even though substantial, has usually not been considered in policy choice. Better monitoring of indirect effects and anticipation of future effects of federal policy are necessary to the creation of federal sensitivity to local development issues. When the monitoring effort reveals unintended and harmful effects, it should prompt immediate consideration of appropriate remedial steps, either by Congress or by the Administration.

The federal government should assume responsibility for direct income transfers to the poor.* Recent proposals for federal welfare reform are generally consistent with CED's recommendations on this subject. In particular, the proposals link income transfers with incentives to work, as recommended by CED in the 1970 policy statement *Improving the Public Welfare System*. However, this policy change will not have the desired effect on urban areas unless the federal government also takes steps to increase opportunities for private and public employment for those able to work. A forthcoming statement by this Committee, *Jobs for the Hard-to-Employ: New Directions for a Public-Private Partnership*, will recommend measures to achieve these objectives.

Federal policy must be sharply focused on economic development programs directly related to particular cities' problems and on

*See memoranda by FLETCHER L. BYROM, and by JOHN H. PERKINS, pages 34 and 35.

new mechanisms for ensuring effective federal participation. The central objectives of economic development are to increase per capita incomes and to ensure reasonable income-earning opportunities for all who are able to work. Achieving these objectives does not require that all cities experience population growth or that cities now declining in population return to their previous population peaks. What is needed is a set of incentives to achieve better mutual adjustments between population and employment opportunities. In some places, this may require the movement of people to locations that offer employment opportunities; in others, it may call for incentives for expanding job opportunities in places with a labor surplus.

Although we recognize the likelihood of a continuing need for public-sector employment to supplement private-sector jobs in the most distressed urban areas, we believe that there are increasing opportunities to develop private-sector jobs in many cities.* These opportunities arise from the cooperation of local government and business in identifying new development possibilities, determining risk and capital cost-sharing arrangements, and ensuring coordination of public and private investments. If sufficient federal assistance is provided for such integrated local economic development plans, more of these opportunities could be realized.

Because one set of strategies will not achieve economic development objectives in all places, the federal government must develop procedures for identifying priorities among places to be served and provide assistance for programs that best meet the needs of those particular places.

We recognize that federal budgetary resources are limited and that choices have to be made. These choices include selecting the places that are to receive priority attention (targeting) and determining the mix of programs that will be most effective in these places (tailoring).** Criteria for these choices need to be established. There are currently a wide variety of criteria for determining program eligibility and fund allocations for both categorical programs and block grants. Consequently, it is extremely difficult to ensure coherent and consistent federal participation in revitalization efforts at the local level.

Better and more equitable formulas for the distribution of federal aid, particularly revenue sharing, also need to be developed. At present, high-income suburbs receive revenue sharing and in some instances have even used these federal funds to reduce local taxes. Revenue sharing should be distributed on the basis of need, but it should also be

*See memorandum by R. MANNING BROWN, JR., page 36.

**See memorandum by JAMES Q. RIORDAN, page 36.

used to reward local tax efforts as measured by its relationship to average local per capita income. Similarly, a rational formula for the distribution of federal mass transit funds should be developed on the basis of need rather than the imaginative nature of the proposals. Allocation of federal funds for other programs should also be on the basis of need and should be designed to stimulate and reward maximum local effort and encourage local initiative and innovation.

We believe that improving the situation requires additional efforts to develop information about how cities and their problems vary and about the degree to which groups of cities have similar problems and can be expected to respond similarly to particular programs. The rate of population and economic decline or growth may provide a usable initial criterion for establishing priorities for special attention. Particularly in periods of rapid urban change, it is likely that local efforts will need to be supplemented by special federal assistance. **The federal government should encourage—at the very least it should not frustrate—both active efforts and developing potential of local leadership to bring together public and private resources for the productive resolution of the problems of the cities.**

A comparison of those cities with sharply differing characteristics provides clues for improved tailoring of public action. For example, cities that are afflicted with both high unemployment and declining population require a combination of welfare payments for the dependent population, renewed economic development efforts to increase jobs and income or relocation information and assistance for those unable to find jobs, and fiscal relief for their central-city governments. Welfare payments are required because the extensive migration of unskilled workers to urban areas had increased the dependent population and accelerated the demand for public services. Economic development and public employment efforts are required in such cities because of a relatively concentrated population near the central business district and because the city has lost a good deal of its traditional manufacturing employment and other private jobs. Federal subsidies will be required in many cases to overcome the adverse effect of investment risk in these cities. If, even with federal assistance, sound local plans for revitalization are not developed, relocation information and assistance will also be required. Fiscal relief is required because of an eroded tax base and the legal and political infeasibility of annexation. Moreover, because of the regional difficulties of the areas of which these cities are a part, metropolitan government, even if politically feasible, may not be an ideal option. This should not

be interpreted as an indictment of metropolitan government. Rather, it implies the need for state and federal participation and incentives if significant tax sharing is to be achieved within metropolitan areas. Fiscal relief may also be required for those cities that are postponing needed capital maintenance and improvements as a result of their attempts to balance their budgets. Such suggested public policy initiatives might not stop decline in these cities, but they should slow its pace and facilitate needed adjustments.

Although they are experiencing fewer difficulties overall, cities with low unemployment and growing population may need different forms of federal attention. Because they are likely to have smaller proportions of dependent populations, they are less in need of increases in transfer payments. Because they are gaining both population and private capital, demands on public services in these cities are in many cases increasing faster than local public revenues can be expected to meet in the short run. In order to avoid short-term supply shortages, such cities could make use of a federal loan strategy (similar to that considered for some growth-inducing defense programs) that would provide front-end capital for needed public investments.

Developing improved criteria for targeting assistance and tailoring programs to local circumstances is important, but this effort needs to be supplemented by improved procedures for linking locally developed initiatives to needed federal participation. Many of the best examples of public-private partnership at the local level involve detailed negotiations between local governments and private industry that clearly identify the operational roles of each in revitalization efforts. There is no equivalent comprehensive link between the local area and the state or federal governments at this time. We believe that the federal government should attempt to establish such a link.*

We believe that the time has come for federal policy to recognize the diversity of local areas, to be prepared to respond to local needs, and to make use of all that can be learned at the local level about how improvements can be made. The federal government needs an approach that is both more flexible than categorical grants and more focused on specific plans than general revenue sharing. It must make a commitment to well-planned improvements in the nation's central cities.

*See memorandum by ROBERT R. DOCKSON, page 37.

QUESTIONS FOR FURTHER STUDY

CED's Subcommittee on Revitalizing America's Cities intends to follow this introductory statement with an intensive study of a broad range of urban problems and their potential remedies. A major part of that study is expected to concentrate on what local government, business, and community groups can do, rather than on the federal policy considerations discussed here. CED believes that these groups have vital roles to play in developing successful urban strategies. We realize that many questions about what can and should be done to improve America's cities and the lives of the people in them remain to be answered. In coming months, the Subcommittee will seek more definitive answers to questions such as the following:

What kinds of mechanisms have been developed at the local level to facilitate public-private cooperation in revitalization? Which have been most successful? Which have been unsuccessful? What are the most important criteria for judging success?

What kind of data are needed to provide better information about current demographic and employment trends? What other information is needed to develop projections of future conditions that might alter these trends?

How will changes in energy prices and availability affect where people will live and where businesses will locate?

How will changes in the rate of household formation and in the composition of households affect where people will choose to live? Can more be done to enhance the viability of neighborhoods?

How do the fiscal structure and fiscal situation of a local government affect revitalization efforts? How can required maintenance and upgrading of public infrastructure be accomplished in the face of fiscal strain? How effective would changes in local property tax practices (such as uniform statewide assessments and differential taxes on land and improvements) be in revitalizing cities?

How can cities prevent the loss of existing firms? How can employment in existing firms be increased?

What role should the states play in encouraging restructuring of local governments and in redistributing income through tax sharing?

What is the magnitude of the impact of federal policies on the location of population and economic activity? What are the disincentives to revitalization resulting from federal policy?

What would be required to facilitate better targeting and tailoring of state and federal programs to the specific problems of different local areas?

What can be done to increase the capability of local organizations to participate actively in economic development planning and upgrade local development plans?

When should the major federal and state programs be directed toward increasing job opportunities in cities? When should they be directed toward facilitating relocation of people to cities experiencing job growth?

Because deciding what to do is only part of the problem, what can be done to improve management and implementation of government programs addressed to urban problems? How can better coordination among government agencies best be achieved? What kinds of performance measures and incentives would be most effective in this regard?

Our continued study in this field is intended to help develop private and public programs for a better urban tomorrow.

Memoranda of Comment, Reservation, or Dissent

Page 9, by JOHN D. GRAY (Hart Schaffner & Marx), with which A. ROBERT ABBODD, CHARLES KELLER, JR. and C. WREDE PETERSMEYER have asked to be associated

Although I note that this policy statement is the first in a series and focuses predominantly on federal efforts, I think it is essential that we understand from the very beginning that governmental actions will not suffice. Any solution to urban problems must be spearheaded by the private sector and have the support of local and state governments. Business and industry must take an active and continuing leadership role in revitalizing our cities, ameliorating the unemployment situation and the housing crisis for low income families. The mechanisms for solving these serious problems are by and large in the private sector. I would hope that future statements in this series will focus on these mechanisms — and the assistance of local and state governments.

Page 9, by FRAZAR B. WILDE, with which C. WREDE PETERSMEYER has asked to be associated

The paper entitled "An Approach to Federal Urban Policy" does not have my approval.

There is much good material in the policy statement, especially on the need for the federal government to assume a larger share of the national problems of the poor. On the other hand, the paper is wrong in asking the federal government to participate directly in the problems of individual cities. The relationship of cities under our form of government is primarily the responsibility of the states in which the cities are located. The paper recognizes the great diversity of problems of the different cities in the country.

Federal aid other than welfare, if it is justified, should be made to the states, and the states should determine how such aid should be distributed to the individual cities in their area. It is cumbersome, ineffective, and increases the delays and the judgment errors of a large bureaucracy if the federal government in Washington tries to determine the needs and solutions of the different cities in our country.

Pages 9 and 28, by FLETCHER L. BYROM, with which J. S. McSWINEY and ROBERT B. SEMPLE have asked to be associated

There is no question that the present welfare system needs restructuring. However, caution should be exercised in establishing any new welfare process

that would concentrate funding in the federal government and rely principally on cash transfers tied to income levels. Transfer payments from government to individuals have soared in the past several years, reflecting in part response to a genuine need, and in part the temptation to increase the size of payments for political advantage. We must assure that a high degree of discipline is imposed on the determination of who benefits from direct cash grants so that the money goes only to those who genuinely need it and are entitled to it, and in order that the total magnitude of government transfers is appropriate to the growing fiscal constraints on government.

Pages 9 and 28, by JOHN H. PERKINS

I have reviewed the voting copy of "An Approach to Federal Urban Policy" and can be counted among those in general agreement with the statement.

In dealing with the urban poor, I feel that increased emphasis must be placed on developing the potential of individuals, with a goal of improving their self-sufficiency. The statement, "The federal government should assume responsibility for direct income transfers to the poor," is acceptable with the elaboration provided in the full text of this paper (page 28). In the summary version, however, it is so categorically stated that it is easily subject to misinterpretation. I feel it would be useful to expand this point to communicate our intent and spirit more clearly.

Page 27, by ROBERT R. NATHAN

The so-called "fiscal dividend" did materialize. But every time there was a need for fiscal stimulus in the economy, the adopted stimulus took the form largely of substantial cuts in income taxes. Each fiscal dividend can only be dispensed once.

The fiscal dividend anticipated as a result of the responsiveness of the federal progressive income tax became intermingled with the acceleration of tax revenues attributable to the inflationary impact on income distribution. Some of the tax cuts made repeatedly over the past dozen or so years have been designed to offset the inflationary impact on income taxes, but the tax cuts were also related to the so-called fiscal dividend.

Of course that dividend has not been as high as it would have been had the economy been functioning at higher rates of capacity utilization and lower rates of unemployment. One cannot expect to fight inflation with unemployment and slow growth and still achieve the fiscal dividend that would be associated with a more vigorous, expanding economy associated with more successful direct anti-inflationary and expansionist efforts.

Page 27, by ROBERT R. NATHAN

For a considerable number of years the fiscal and functional relationships between the federal government on the one hand and state and local governments — especially the urban areas — have lacked coherent and integrated policies. The mobilization of financial resources as between different levels of government and the division of responsibilities over functions and over management of these functions have not been rationally or clearly defined.

With respect to the revenue side of fiscal policy, the steady decline in federal tax rates has been paralleled by a steady increase in rates of state and local property and sales taxes. Federal income taxes are progressive and responsive to changing economic conditions. Sales and property taxes are far less progressive, if not regressive, and not highly responsive. The rise in the share of state and local revenues to total government revenues has tended to reduce the progressivity of the aggregate public financing system in the United States.

The federal government's increased financial participation in local activities, either through the assumption of functions or through revenue-sharing, should have given it clout in setting conditions or standards designed to counter the distortions associated with population movements whereby urban centers have more and more problems and less and less revenue to meet these problems, and suburban areas have more and more resources relative to the problems that have to be solved. Certainly if the federal government is going to assume more financial responsibilities for these difficult urban problems it should set conditions whereby the financial programs of state governments or the creation of metropolitan government financing mechanisms would counter the imbalance that has developed as a result of the rich and higher-income people moving to the suburbs and leaving worse problems within urban centers for the poor people to solve.

Page 29, by R. MANNING BROWN, JR., *with which* C. WREDE PETERSMEYER *has asked to be associated*

While this paragraph stresses the importance of developing the opportunities that exist for private-sector jobs, it also lends comfort to the view that the public sector should serve as employer of last resort. I question the wisdom of expanding the responsibilities of the federal government or any other level of government to provide supplemental employment over and above the genuine work needs of the public sector.

Page 29, by JAMES Q. RIORDAN

I approve the statement generally, but do not agree that federal aid can efficiently be targeted and tailored to individual local situations.

Page 31, by ROBERT R. DOCKSON, with which ROBERT B. SEMPLE has asked to be associated

The CED policy statement accurately portrays many of today's urban problems and provides some useful directions for their resolution. However, I find much in the report that is a restatement of the obvious. The text tends to be long on generalities and short on specifics. By enunciating widely accepted goals and objectives, the statement becomes a generalized set of truisms rather than a specific call for action. Who can disagree that "... the federal government must develop procedures for identifying priorities..." or that "The federal government should encourage the active and developing potential of local leadership to bring together public and private resources for the productive resolution of the problems of the cities."

The statement emphasizes that "federal policy must be sharply focused on economic development programs directly related to particular cities' problems and on new mechanisms for ensuring effective federal participation." This statement is obvious, but it is disappointing in that it does not provide specific suggestions and examples of the types of programs that this would entail. Although specific proposals are difficult to enunciate with respect to federal urban policy, CED has not demonstrated a leadership role by issuing this statement. In spite of the controversy that might result from specific proposals, this is the need — and the private sector of our economy is the loser by not having a meaningful statement from CED.

Figure 1

**CHANGES IN EMPLOYMENT IN SELECTED CENTRAL CITIES,
BY MAJOR EMPLOYMENT SECTOR, 1958 to 1972**
(thousands)

City	Major Employment Sector					Total Job Losses	Total Job Gains	Net Employment Shift	Total Employment, 1972*	Net Shift as Percent of 1958 Employment
	Manufacturing	Retail Trade	Wholesale Trade	Selected Services	Local Government					
Chicago	-104.3	-32.0	-31.1	32.9	7.8	-167.4	40.7	-126.7	1,053.5	-12.0
Baltimore	-20.5	-16.1	-2.1	5.6	13.0	-38.7	18.6	-20.1	260.4	-7.7
Boston	-27.2	-14.6	-9.1	19.9	4.0	-50.9	23.9	-27.0	244.3	-11.1
Detroit	-24.0	-31.7	-12.1	0.6	0.6	-67.8	1.2	-66.6	421.5	-15.8
New York	-138.5	-31.4	-42.1	72.9	126.7	-212.0	199.6	-12.4	2,164.8	-0.6
Cleveland	-43.6	-20.5	-10.5	5.9	-1.0	-75.6	5.9	-69.7	319.0	-21.8
Pittsburgh	-2.3	-12.1	-9.7	6.0	-0.4	-24.5	6.0	-18.5	166.8	-11.1
Buffalo	-17.6	-10.3	-4.9	4.1	3.2	-32.8	7.3	-25.5	149.7	-17.0
Cincinnati	-8.1	-6.9	-1.0	31.3	5.4	-16.0	36.7	20.7	160.9	12.9
Jersey City	-9.6	-0.7	-0.6	1.5	-1.8	-12.7	1.5	-11.2	62.7	-17.9
Louisville	4.5	-1.5	0.6	4.0	0.4	-1.5	9.5	8.0	110.6	7.2
Milwaukee	-17.0	-5.6	-6.5	8.1	5.0	-29.1	13.1	-16.0	219.9	-7.3
Minneapolis	-0.5	-4.6	-4.8	9.2	0.4	-9.9	9.6	-0.3	148.3	-0.2
Saint Paul	9.4	-1.6	-0.8	5.5	-1.7	-4.1	14.9	10.8	86.8	12.4
New Orleans	-0.5	-3.9	-2.4	10.2	1.9	-6.8	12.1	5.3	115.5	4.6
Newark	-31.3	-12.1	-5.6	1.2	1.8	-49.0	3.0	-46.0	151.6	-30.3
Philadelphia	-84.0	-16.4	-13.8	16.3	6.0	-114.2	22.3	-91.9	541.4	-17.0
Rochester	-3.6	-4.0	-0.6	3.0	2.4	-8.2	5.4	-2.8	143.5	-2.0
Saint Louis	-38.6	-22.6	-11.1	5.1	1.1	-72.3	6.2	-66.1	273.3	-24.2
Washington, D.C.	-1.4	-9.1	-4.7	20.4	25.2	-15.2	45.6	30.4	158.6	19.2
Providence	-9.9	-5.8	-1.1	1.7	-0.4	-17.2	1.7	-15.5	80.6	-19.2
Kansas City	4.2	-0.4	-3.1	12.7	0.9	-3.5	17.8	14.3	140.1	10.2
San Francisco	-11.9	0.7	-11.6	21.5	5.4	-23.5	27.6	4.1	197.4	2.1
Oakland	-7.9	-4.5	-0.9	5.6	0.8	-13.3	6.4	-6.9	83.1	-8.3
Los Angeles	-7.3	22.7	-1.7	57.5	8.2	-9.0	88.4	79.4	625.3	12.7

* Sum of manufacturing, retail trade, wholesale trade, selected services, and local government employment, 1972.

Sources: U.S. Department of Commerce, Bureau of the Census, *Census of Manufacturing*, *Census of Wholesale Trade*, *Census of Retail Trade*, and *Census of Selected Services* for 1958 and 1972. Local government figures for 1958 from *Census of Government*, "Compendium of Public Employment," vol. 2, no. 2, and for 1972 from *Census of Government*, "Employment of Major Governments," vol. 3, no. 1.

Figure 2

**CITIES, CLASSIFIED BY UNEMPLOYMENT RATE AND
POPULATION CHANGE, WITH 1975 POPULATION**

Group 1 Cities	Population	Group 2 Cities	Population	Group 3 Cities	Population	Group 4 Cities	Population
New York	7,481,613	Chicago	3,099,391	San Diego	773,996	Houston	1,326,809
Los Angeles	2,727,399	Dallas	812,797	Honolulu	705,381	San Antonio	773,248
Philadelphia	1,815,808	Indianapolis	714,878	San Jose	555,707	Phoenix	664,721
Detroit	1,335,085	Columbus	535,610	El Paso	385,691	Memphis	661,319
Baltimore	851,698	Kansas City	472,529	Miami	365,082	Jacksonville	535,030
Washington, D.C.	711,518	Minneapolis	378,112	Tampa	280,340	Omaha	371,455
Milwaukee	665,796	Oklahoma City	365,916	Sacramento	260,822	Tulsa	331,726
San Francisco	664,520	Fort Worth	358,364	Corpus Christi	214,838	Austin	301,147
Cleveland	638,793	Louisville	335,954			Tucson	296,457
Boston	636,725	Saint Paul	279,535			Baton Rouge	294,394
New Orleans	559,770	Birmingham	276,273			Saint Petersburg	234,389
Saint Louis	524,964	Wichita	264,901			Virginia Beach	213,954
Seattle	487,091	Richmond	232,652			Mobile	196,441
Denver	484,531	Dayton	205,986			Anaheim	193,616
Pittsburgh	458,651	Des Moines	194,168			Shreveport	185,711
Atlanta	436,057	Grand Rapids	187,946			Knoxville	183,383
Cincinnati	412,564					Fort Wayne	183,299
Toledo	367,650					Colorado Springs	179,584
Portland	356,732						
Long Beach	335,602						
Oakland	330,651						
Akron	251,747						
Jersey City	243,756						
Yonkers	192,509						
Syracuse	182,543						

Group 1. Cities with high unemployment rates (above the national average for 1976) and declining population (1970 - 1975).

Group 2. Cities with low unemployment rates and declining population.

Group 3. Cities with high unemployment rates and growing population.

Group 4. Cities with low unemployment rates and growing population.

Sources: U.S. Congress, Joint Economic Committee, *The Current Fiscal Condition of Cities: A Survey of 67 of the 75 Largest Cities*; and 1975 population figures from the Economic Development Administration, U.S. Department of Commerce, Washington, D.C.; and Deborah Norelli, of the Joint Economic Committee staff.

Figure 3
**CHANGE IN POPULATION OF
 METROPOLITAN AND NONMETROPOLITAN AREAS, BY REGION,
 1950-1960, 1960-1970, 1970-1974**
 (thousands)

	1950 ^a	1960 ^a	1970 ^a	Percent Change, 1950-1960	Percent Change, 1960-1970	1970 ^b	1974 ^b	Percent Change, 1970-1974 ^c
United States, total	151,326	179,323	203,300	+18.50	+13.37	199,819	207,949	+10.17
All Metropolitan Areas								
Total	94,579	119,595	139,419	+26.45	+16.58	137,058	142,043	+9.09
In central cities	53,696	59,947	63,797	+11.64	+6.42	62,876	61,650	-4.87
Outside central cities	40,883	59,648	75,622	+45.90	+26.78	74,182	80,394	+20.93
Metropolitan areas of 1 million or more in 1970								
Total	54,524	69,070	80,657	+26.68	+16.78	79,498	81,059	+4.91
In central cities	32,272	34,010	34,824	+5.39	+2.39	34,332	33,012	-9.61
Outside central cities	22,252	35,060	45,833	+57.56	+30.73	45,166	48,047	+15.95
Metropolitan areas of less than 1 million in 1970								
Total	40,055	50,525	58,762	+26.14	+16.30	57,570	60,985	+14.83
In central cities	21,424	25,937	28,973	+21.07	+11.71	28,554	28,638	+0.74
Outside central cities	18,631	24,588	29,789	+31.97	+21.15	29,016	32,347	+28.70
Nonmetropolitan Areas								
Total	56,747	59,728	63,831	+5.25	+6.95	62,761	65,905	+12.52
In counties with no place of 2,500 or more	—	—	—	—	—	7,191	7,551	+12.52
In counties with a place of 2,500 to 24,999	—	—	—	—	—	39,725	41,982	+14.20
In counties with a place of 25,000 or more	—	—	—	—	—	15,845	16,372	+8.31
In counties designated metropolitan since 1970	—	—	—	—	—	8,373	9,243	+25.98

^a Figures relate to areas as defined for 1970.

^b Figures relate to areas as defined for 1974, including later adjustments for 1970.

^c Rate per decade.

Figure 3 (continued)

	1950 ^a	1960 ^a	1970 ^a	Percent Change, 1950-1960	Percent Change, 1960-1970	1970 ^b	1974 ^b	Percent Change, 1970-1974 ^c
Northeast, total	39,478	44,678	49,061	+13.17	+9.81	48,329	48,887	+2.89
All Metropolitan Areas								
Total	31,687	35,878	39,007	+13.23	+8.72	38,675	38,742	+0.43
In central cities	18,017	17,498	17,167	-2.88	-1.89	17,044	16,250	-11.65
Outside central cities	13,670	18,380	21,840	+34.46	+18.82	21,631	22,493	+9.96
Metropolitan areas of 1 million or more in 1970	21,289	24,222	26,109	+13.78	+7.79	22,776	25,494	+29.83
In central cities	12,723	12,304	12,132	-3.29	-1.40	11,985	11,272	-14.87
Outside central cities	8,566	11,918	13,977	+39.13	-17.28	13,791	14,222	+7.81
Metropolitan areas of less than 1 million in 1970	10,398	11,656	12,898	+12.10	+10.66	12,899	13,247	+6.74
In central cities	5,294	5,194	5,035	-1.89	-3.06	5,059	4,977	-4.05
Outside central cities	5,104	6,462	7,863	+26.61	-21.68	7,840	8,271	+13.74
Nonmetropolitan Areas								
Total	7,791	8,800	10,054	+12.95	+14.25	9,655	10,145	+12.69
In counties with no place of 2,500 or more	—	—	—	—	—	204	139	-79.66
In counties with a place of 2,500 to 24,999	—	—	—	—	—	5,146	6,118	+47.22
In counties with a place of 25,000 or more	—	—	—	—	—	4,305	3,888	-24.22
In counties designated metropolitan since 1970	—	—	—	—	—	2,413	2,190	-23.10

^a Figures relate to areas as defined for 1970.^b Figures relate to areas as defined for 1974, including later adjustments for 1970.^c Rate per decade.

Figure 3 (continued)

	1950 ^a	1960 ^a	1970 ^a	Percent Change, 1950-1960	Percent Change, 1960-1970	1970 ^b	1974 ^b	Percent Change, 1970-1974 ^c
North Central, total	44,461	51,619	56,591	+16.10	+9.63	55,793	56,522	+3.27
All Metropolitan Areas								
Total	27,090	33,536	37,867	+23.79	+12.91	37,173	37,562	+2.62
In central cities	16,269	17,036	17,184	+4.71	+0.87	16,861	15,941	-13.64
Outside central cities	10,821	16,500	20,083	+52.48	+25.35	20,312	21,621	+16.11
Metropolitan areas of 1 million or more in 1970								
Total	16,246	20,064	22,572	+23.50	+12.50	22,039	22,077	+0.43
In central cities	10,100	9,839	9,411	-2.58	-4.35	9,282	8,622	-17.78
Outside central cities	6,146	10,225	13,161	+66.37	+28.71	12,757	13,455	+13.68
Metropolitan areas of less than 1 million in 1970								
Total	10,844	13,472	15,295	+24.23	+13.53	15,134	15,486	+5.81
In central cities	6,169	7,197	7,773	+16.66	+8.00	7,579	7,319	-8.58
Outside central cities	4,675	6,275	7,522	+34.22	+19.87	7,555	8,167	+20.25
Nonmetropolitan areas								
Total	17,371	18,083	18,724	+4.10	+3.54	18,620	18,960	+4.56
In counties with no place of 2,500 or more	—	—	—	—	—	2,219	2,197	-2.48
In counties with a place of 2,500 to 24,999	—	—	—	—	—	12,304	12,861	+11.32
In counties with a place of 25,000 or more	—	—	—	—	—	4,097	3,902	-11.90
In counties designated metropolitan since 1970	—	—	—	—	—	1,412	1,397	-2.66

^a Figures relate to areas as defined for 1970.^b Figures relate to areas as defined for 1974, including later adjustments for 1970.^c Rate per decade.

Figure 3 (continued)

	1950 ^a	1960 ^a	1970 ^a	Percent Change, 1950-1960	Percent Change, 1960-1970	1970 ^b	1974 ^b	Percent Change, 1970-1974 ^c
South, total	47,197	54,973	62,812	+16.48	+14.26	61,603	65,703	+16.64
All Metropolitan Areas								
Total	21,410	28,853	35,173	+34.76	+21.90	34,416	37,046	+19.10
In central cities	12,162	15,619	17,890	+28.42	+14.54	17,609	17,592	-0.24
Outside central cities	9,248	13,234	17,283	+43.10	+30.60	16,807	19,454	+39.37
Metropolitan areas of 1 million or more in 1970								
Total	7,025	10,050	13,189	+43.06	+31.23	13,252	14,244	+18.71
In central cities	4,155	5,184	5,655	+24.77	+9.09	5,586	5,520	-2.95
Outside central cities	2,870	4,866	7,534	+69.55	+54.83	7,666	8,724	+34.50
Metropolitan areas of less than 1 million in 1970								
Total	14,385	18,803	21,984	+30.71	+16.92	21,164	22,803	+19.36
In central cities	8,007	10,435	12,235	+30.32	+17.25	12,023	12,072	+1.02
Outside central cities	6,378	8,368	9,749	+31.20	+16.50	9,141	10,731	+43.48
Nonmetropolitan Areas								
Total	25,787	26,120	27,639	+1.29	+5.82	27,187	28,657	+13.52
In counties with no place of 2,500 or more	—	—	—	—	—	4,027	4,494	+28.99
In counties with a place of 2,500 to 24,999	—	—	—	—	—	17,786	18,261	+6.68
In counties with a place of 25,000 or more	—	—	—	—	—	5,424	5,902	+22.03
In counties designated metropolitan since 1970	—	—	—	—	—	4,028	4,988	+59.58

^a Figures relate to areas as defined for 1970.^b Figures relate to areas as defined for 1974, including later adjustments for 1970.^c Rate per decade.

Figure 3 (continued)

	1950 ^a	1960 ^a	1970 ^a	Percent Change, 1950-1960	Percent Change, 1960-1970	1970 ^b	1974 ^b	Percent Change, 1970-1974 ^c
West, total	20,190	28,053	34,836	+38.95	+24.18	34,094	36,837	+20.11
All Metropolitan Areas								
Total	14,391	21,328	27,373	+48.20	+28.34	26,795	28,693	+17.71
In central cities	7,247	9,794	11,555	+35.15	+17.98	11,362	11,867	+11.11
Outside central cities	7,144	11,534	15,818	+61.45	+37.14	15,433	16,826	+22.57
Metropolitan areas of 1 million or more in 1970	9,964	14,735	18,786	+47.88	+27.49	18,421	19,245	+11.18
In central cities	5,294	6,684	7,626	+26.26	+14.09	7,469	7,598	+4.32
Outside central cities	4,670	8,051	11,160	+72.40	+38.62	10,952	11,647	+15.86
Metropolitan areas of less than 1 million in 1970	4,427	6,593	8,587	+48.93	+30.24	8,374	9,448	+32.06
In central cities	1,953	3,110	3,929	+59.24	+26.33	3,893	4,269	+24.15
Outside central cities	2,474	3,483	4,658	+40.78	+33.74	4,481	5,179	+38.94
Nonmetropolitan Areas								
Total	5,799	6,725	7,463	+15.97	+10.97	7,299	8,144	+28.94
In counties with no place of 2,500 or more	—	—	—	—	—	741	722	-6.41
In counties with a place of 2,500 to 24,999	—	—	—	—	—	4,539	4,742	+11.18
In counties with a place of 25,000 or more	—	—	—	—	—	2,019	2,680	+81.85
In counties designated metropolitan since 1970	—	—	—	—	—	520	668	+71.15

^a Figures relate to areas as defined for 1970.^b Figures relate to areas as defined for 1974, including later adjustments for 1970.^c Rate per decade.

Sources: U.S. Department of Commerce, Bureau of the Census. *Current Population Reports*, "Estimates of Population of [state name]: Counties and Metropolitan Areas," Series P-26, nos. 75-1 to 75-50 (Washington, D.C.: U.S. Government Printing Office, July 1974 and 1975); and *Censuses of Population for 1950, 1960, and 1970*.

Figure 4

URBAN EFFECTS OF FEDERAL POLICIES ON THE DEMAND FOR GOODS AND SERVICES

Federal Policy	Interregional Effects	Intraregional Effects	Effects on Type of Urban Area
Macroeconomic Policies			
Aggregate monetary and fiscal policies	Northeast conforms more closely to national cycles, grows more slowly, and responds more volatily than other regions to aggregate national changes	Central cities appear to be more cyclically volatile than suburbs and suffer recessions more deeply	Urban areas with high employment concentration in durable goods industries experience volatile employment fluctuations Large urban areas conform more closely than small ones to the national pattern Large cities experience more rapid inflation than small ones
Automatic fiscal stabilizers	Unknown	Unknown	Unknown
Personal income tax changes	Favor high-income regions	Favor high-income suburbs	Unknown
Corporation income tax changes	Slight favor to growth regions	Unknown	Unknown
Investment tax credits	Favor growth regions	Favor growth suburbs	Unknown
Public works programs	Favor growth regions	Favor suburbs	Unknown
Public employment programs	Unknown	Favor central cities	Program grants have been concentrated in large cities
Federal Spending and Purchasing			
Aggregate tax and expenditure patterns	Favor low-income regions at the expense of the Northeast; tax receipts fall short of expenditures in growth regions	Expenditures are concentrated in central cities	Unknown
Defense contracts	New England and Pacific areas have benefited from high federal expenditures	Unknown	Unknown
Defense salaries	Concentrated in the South and West	Unknown	Unknown
Sewage and water treatment facilities	Unknown	Have aided suburban development	Unknown
Federal Transfer Payments			
	Have stimulated redistribution from rich to poor regions; Northeast receives higher per capita welfare payments than other regions Retirement payments have benefited the Sun Belt	Unknown	Unknown

Source: Roger J. Vaughan, *The Urban Impacts of Federal Policies*, vol. 2, *Economic Development* (Santa Monica, Calif.: The Rand Corporation, June 1977), Summary Table S.1, p. x.

Figure 5

**URBAN EFFECTS OF FEDERAL POLICIES ON PRICE
AND AVAILABILITY OF FACTORS OF PRODUCTION**

Federal Policy	Interregional Effects	Intraregional Effects	Effects on Type of Urban Area
Labor			
Income redistribution and taxes	High unemployment and welfare payments in the Northeast may have led to a reduction in labor force participation and higher unemployment in that region	Unknown	Unknown
Minimum wage	Unknown	May have led to increased unemployment in central cities in which affected labor is concentrated	Unknown
Unionization	High membership rate in Northeast has resulted in higher wages that may have slowed growth	Unknown	Unknown
Occupational Safety and Health Administration	Affects regions according to industrial structure (results unknown)	Unknown	May affect older cities more severely
Manpower programs	Unknown	Tend to benefit central-city labor force	Unknown
Transportation			
Regulation	Increase in freight rates has encouraged decentralization	Rail-based central-city industries have suffered with the increase in trucking, which encourages suburbanization	Cross subsidy from large to small towns
Subsidies	Rail-based industries in Northeast have suffered with the rise of trucking		
Highways	Have favored growth regions at the expense of Northeast	Favored suburbs	Favored poorer, smaller towns at the expense of larger towns
Waterways	Subsidy in construction from North to South and Mountain area		
	Recent developments may have favored the South	Unknown	Cities served by waterway systems have benefited at the expense of rail-based cities
Mass transit	Have diverted trade-offs from rail		
	Unknown	May encourage suburbanization of population	Smaller cities receive higher per rider subsidy
Rail	May favor Northeast in the future	May favor central cities	May favor large cities
Air	Unknown	Airports usually constructed in suburbs	Cross subsidy from large to small cities
Energy			
Regulation	Natural gas regulation has deprived the Northeast of gas supplies	Unknown	Unknown
Subsidies	Unknown	Unknown	Subsidies for rural electrification may encourage decentralization
Capital			
Tax structure	Unknown	Tax structure may have encouraged decentralization	Unknown
Regulation	Unknown	Pollution control may affect central cities more severely	Pollution control may affect older cities more severely
Subsidies, business loans	Unknown	May encourage central-city investment	Unknown

Source: Vaughan, *The Urban Impacts of Federal Policies*, vol. 2, *Economic Development*, Summary Table S.2, p. xi.

Figure 6

COMPARISONS OF PER CAPITA INCOME

City Group	1969-1974 Average Percent Change in Per Capita Income	Average Per Capita Income Ratio of Central Cities to Areas Outside Central City, 1973
High unemployment rates and declining population	43.1	0.89
Low unemployment rates and declining population	44.9	0.93
High unemployment rates and growing population	47.9	1.04
Low unemployment rates and growing population	50.1	1.04

Sources: Calculations by the Urban Institute from U.S. Department of Commerce, Bureau of the Census, "Population Estimates and Projections," *Current Population Reports*, Series P-25, no. 649-699, 1973 (revised) and 1975 population estimates and 1972 (revised) and 1974 per capita income estimates for counties, incorporated places, and selected minor civil divisions in (the 50 states) (Washington, D.C.: U.S. Government Printing Office, May 1977); and Advisory Commission on Intergovernmental Relations, *Trends in Metropolitan America*, Information Report M-108 (Washington, D.C., February 1977), Table 2, pp. 14-16.

Objectives of the Committee for Economic Development

For thirty-five years, the Committee for Economic Development has been a respected influence on the formation of business and public policy. CED is devoted to these two objectives:

To develop, through objective research and informed discussion, findings and recommendations for private and public policy which will contribute to preserving and strengthening our free society, achieving steady economic growth at high employment and reasonably stable prices, increasing productivity and living standards, providing greater and more equal opportunity for every citizen, and improving the quality of life for all.

To bring about increasing understanding by present and future leaders in business, government, and education and among concerned citizens of the importance of these objectives and the ways in which they can be achieved.

CED's work is supported strictly by private voluntary contributions from business and industry, foundations, and individuals. It is independent, nonprofit, nonpartisan, and nonpolitical.

The two hundred trustees, who generally are presidents or board chairmen of corporations and presidents of universities, are chosen for their individual capacities rather than as representatives of any particular interests. By working with scholars, they unite business judgment and experience with scholarship in analyzing the issues and developing recommendations to resolve the economic problems that constantly arise in a dynamic and democratic society.

Through this business-academic partnership, CED endeavors to develop policy statements and other research materials that commend themselves as guides to public and business policy; for use as texts in college economics and political science courses and in management training courses; for consideration and discussion by newspaper and magazine editors, columnists, and commentators; and for distribution abroad to promote better understanding of the American economic system.

CED believes that by enabling businessmen to demonstrate constructively their concern for the general welfare, it is helping business to earn and maintain the national and community respect essential to the successful functioning of the free enterprise capitalist system.

Mr. MEYER. Sears, Roebuck & Co. shares your subcommittee's concern about the economic and social vigor of our central cities. We are pleased to provide the following comments in response to your recent inquiry concerning our role in central cities. For this purpose, we define central cities as those with populations of 250,000 or more as reported in the Office of Management and Budget publications, Standard Metropolitan Statistical Areas, Revised Edition 1975. There are 55 such cities, and we enclose a list of them.

Sears, Roebuck has some units in every city of any size in the United States of America, but in these 55, we operate 128 retail stores, 54 appliance and satellite stores, 12 catalog merchandise distribution centers, 15 data processing centers, 5 accounts payable centers, 61 retail distribution centers, 3 fashion merchandising centers, 49 central service departments, 10 repair shops/training centers, 39 administrative and buying offices, and 143 miscellaneous units such as contract sales offices, export stations and import pools in the 55 cities on our list. As of August 31, 1977, these operations employed 78,000 fulltime and 53,339 part-time employees out of a total Sears' workforce of 417,211 full and part-time employees.

Our plans to expand or contract these many different units will depend upon the role they play in Sears complete retail operations and whether these operations, in turn, are expanding or contracting.

I would insert here that profit is a consideration.

A rule of thumb is that we need 250,000 people with normal income distribution to support adequately one full-line department store. Thus, we are not likely to be able to expand, let alone maintain, retail stores whose market areas are central-city neighborhoods experiencing either an outmigration of people or a significant decline in the gross disposable income of their residents. Sears, in fact, may be forced to reconsider some units in central-city locations in the years to come if present economic trends continue.

On the other hand, several of Sears' largest operations—our catalog merchandise distribution centers commonly known as "mail-order plants" are also located in central cities, several in neighborhoods which have or are experiencing deterioration, and an outmigration of residents. Despite this, the company presently plans to spend \$75 million in modernization and expansion of these facilities because they serve growing regional markets. Proposals for further expansion of these facilities at a cost of additional tens of millions of dollars are under active consideration by management at the present time.

This morning and this afternoon, as I think Mr. Cochairman and Congressman Mitchell, you are aware, the House Ways and Means Committee is conducting hearings on the tax policy, and the sensitivity of investment tax credit. This afternoon, the retail group will testify on investment tax credit for commercial rather than industrial establishments. They will emphasize the portion of investment tax credit for renovating in-town profits in answer somewhat to your question.

Thus, Sears plans to expand or contract our central-city operations are based on many factors—the role of the unit in relation to Sears' total operations; whether Sears itself is expanding or not; the market.

the unit serves; the profitability of the unit; even the comparative profitability of the unit contrasted with other similar units elsewhere.

Sears has no blanket policy calling either for the expansion or contraction of its central-city operations. Rather, Sears engages in a process of evaluation of all its units to make certain the company as a whole operates at maximum possible efficiency and long-term profitability. In practice, this policy has resulted in the expansion of some central-city operations and the contractions of others, depending on individual circumstances.

When Sears finds it necessary to discontinue operating a unit or convert it to another use, we normally offer employees of the affected unit work at other company locations in the same metropolitan areas. In addition, as a matter of policy, we also seek other uses for the unit which not only will strengthen the community but also possibly provide other employment opportunities for community residents.

An example of our policy in action occurred last year in St. Louis when a decline in business brought the closing of Sears, Kingshighway Store. Instead of abandoning the building, Sears entered in to a management contract with the Urban League for the renovation of the store space. The Urban League in turn formed a subsidiary corporation which turned the building into a community services center housing both for-profit businesses and not-for-profit services and educational agencies.

We enclose a number of accounts of Sears' activities surrounding the conversion of company units to new uses.

Of particular interest to the subcommittee in its concern for employment opportunities in central cities, may be our recruitment and job-training activities. These activities are of two types: Those we conduct ourselves which lead to employment opportunities with Sears; and those we conduct in cooperation with others, which lead directly or indirectly to employment opportunities either with Sears or with other employers.

By far the most innovative and successful effort is Sears' "Affirmative Action" program, which has been described by the committee for economic development as "a voluntary compliance program that matches any court-imposed affirmative action plan in its long-range goals." Under Sears' program, the percentage of blacks in Sears' total employment is greater than the percentage of blacks in the U.S. population—13.4 percent in Sears' work force compared with 11 percent in the total population. Moreover, in the key job category of officials and managers, minorities occupy 10 percent of all positions, compared with 1.4 percent in 1965.

The comprehensive manual Sears has developed to implement its "Affirmative Action" program is attached as an exhibit.

Sears also has assumed a leadership role in several other recruitment and job-training activities, including the National Alliance of Businessmen and in Chicago, the Chicago Alliance of Business Manpower Services. We enclose recent news stories relating to the latter activity.

Also of possible interest is Sears' Tower Ventures, Inc., a subsidiary corporation organized in 1975 and licensed as a "Section 301(d) Licensee" by the Small Business Administration. As the small minor-

ity businesses aided by Tower Ventures grow, they, in turn, may provide employment opportunities of their own for central-city unemployed. Exhibits on Tower Ventures, Inc., are enclosed.

As you know, the impact of governmental policies on the economics of central cities has been the subject of a number of recent studies, including the Rand Corp. study, "The Urban Impact of Federal Policies." We trust you are exploring this and other scholarly sources, leading to unintended bias in Federal programs.

It is difficult to establish the effect of specific Federal, State, or local legislative or policy actions, we can say that those government actions which encourage or facilitate the outmigration of people from central cities or adversely affect the efficiency or profitability of central city operations compared with operations elsewhere will tend to keep Sears from maintaining or locating operations in central cities.

For example, transportation policies which promote mobility may require us to locate facilities along transportation corridors or in the path of outmigrations from central cities. Housing policies which have the effect of increasing the percentage of low-income families living in central cities may preclude us from expanding our operations there. Zoning policies, building codes, or tax treatment which make it difficult or expensive to assemble land or build in central cities will limit expansion.

A good Sear's community is one in which we—and other merchants as well—receive strong community support. We need other retailers to help draw traffic from the community, and we, in turn, help draw traffic for them. Too often, this requirement is not met in central-city locations where Sears is the only major retailer.

We have stressed significant economic considerations which guide Sears in the expansion and contraction of central-city operations. There are, as the committee knows, many social influences at work as well. Positive influences are the frequently superior cultural, artistic, athletic, health and medical and higher educational resources of many central cities. Negative influences may include a deteriorating, unbalanced or inadequate housing inventory, inadequate public elementary and secondary schools, political corruption, poor municipal services, including law-enforcement services, and a high incidence of individuals social disorganization.

When negative social influences overwhelm neighborhoods or cities, our all-important community support declines, people simply leave and take with them the demand for our goods and services which is the very basis of our business. Thus, the subcommittee's concerns about the economic and social vigor of our central cities are our concerns, and we welcome this opportunity to share our thinking with you and would appreciate the chance to work with the subcommittee in the future.

Of the 55 SMSA's I have referred to, I have had the administrative responsibilities in Sears' operations in 22 of them, and I live in 2 more, so I feel I have an overview of urban America that hopefully is dispassionate.

Thank you.

Representative MOORHEAD. Thank you, Mr. Meyer.

We are going to proceed out of order, because Congressman Mitchell has to leave. I have told him, Mr. Schwartz, he should read

your statement, because it is an excellent example of how manufacturing firms select cities in which to locate. Because he has to leave and I know he has some questions to ask, I will recognize him now.

Representative MITCHELL. Mr. Schwartz, I assure you that I will read your prepared statement. I am most interested in several points both Mr. Eklund and Mr. Meyer raised. Both of you gentlemen have spoken about the necessity to stimulate the economy. I think both of you would agree that there has been a shortage of capital in our cities.

My question relates to the position taken by some economists with regard to real growth in this country. A number of leading economists are advocating a slow growth policy, which is designed to keep inflation down.

I think we are talking about no more than a 4-percent rate of growth in this coming fiscal year. Does that not suppress even further the availability of capital to do the kind of things both of you gentlemen are suggesting; moreover, and as a corollary to that question, what do you think the target rate should be for monetary growth in this coming year, M-1 and M-2 in particular. If you will recall last year—at the recommendation of the Federal Reserve Board—we settled for 6½- to 7-percent growth, which was insufficient. So could you comment on the extent to which suppressing our real economic growth in this country is beneficial or not beneficial to the things you would apply it for, and also, in terms of what the monetary growth policy would be with regard to M-1 and M-2.

Mr. EKLUND. You certainly pose the most difficult question that confronts all of us. It seems to bring into focus two contesting sets of values here. One is a primary concern for people, and one is a primary concern for economic soundness that only ultimately gets translated into the welfare of people.

To put first things first, jobs are basically essential to human welfare, and we must have a continued growth of the economy to be able to continue to add the adequate number of new jobs.

We must, in the next 5 years, add 10 to 15 million new jobs in this Nation, and we will not make a big dent in unemployment even with that, and that would be a unprecedented growth in number of jobs.

Yet, that is what is going to be required. So holding back growth is actually ignoring the absolute necessity of increasing the number of jobs and employment of people to the extent required.

Therefore, I am willing to see the economy expand at a faster rate than what the conservatives indicate.

Representative MITCHELL. Thank you very much for your comments with regard to real growth. Would you care to comment on some range for monetary policy?

Mr. EKLUND. I am cautious in being specific, since I am not an economist. But I would certainly say the time has come to tolerate a slightly faster rate of expansion in monetary terms.

Representative MITCHELL. Thank you.

Mr. Meyer.

Mr. MEYER. Sir, the growth of the economy at 4, 4-plus, that is constant, I think, that is after inflation, which is 10 or 11 percent, and I thought that was pretty healthy. It was in the balance that all of us striving to balance off real monetary versus real worth, which

is economic growth. That is just my personal opinion, and there is nothing sacred about that.

As far as M-1 and M-2, I think there has been in your multiple responsibilities in the Congress, as you described a minute ago, there has been a lot of conservation which you must have been buffeted with velocity rather than real money, I sort of have a feeling that velocity is a worthwhile measure. With the M-1 growth at 8 percent—and it all sits in the bank—it is not going to get done what we want to get done there.

That is the only feeling on that.

Representative MITCHELL. Taking into account the velocity effect, would you consider a range of 5½- to 7½-percent in M-1 growth as being realistic?

Mr. MEYER. Yes.

Representative MITCHELL. Thank you. Thank you very much for letting me speak out of turn, Mr. Cochairman, I do apologize.

Duty calls. Thank you.

Representative MOORHEAD. Mr. Schwartz is vice president, secretary, and general counsel of Digital Equipment Corp. Your varied and experienced testimony will be appreciated by the subcommittee.

Would you proceed, sir.

**STATEMENT OF EDWARD A. SCHWARTZ, ESQ., VICE PRESIDENT,
SECRETARY, AND GENERAL COUNSEL, DIGITAL EQUIPMENT
CORP., MAYNARD, MASS.**

Mr. SCHWARTZ. Thank you, Mr. Cochairman.

First, I want to thank the subcommittee for making available to me the time to express the views of my company on the subject of "Keeping Business in the City."

My name is Edward A. Schwartz. My title in Digital Equipment Corp.—Digital—is vice president, secretary, and general counsel. In these positions I have primary responsibility worldwide, for the real estate, contracts, and legal departments of the company. I am and have been, both individually and with others, primarily responsible for the location of new facilities for the company. I have performed this function for the past 10 years.

I would like to familiarize the subcommittee with Digital and its experience in locating major facilities in the urban locations of the Northeast. I will then reference the process and highlight the motivations which we use in selecting new locations, making note of the principal concerns we have had, as a company, when considering an urban location for a new facility. I will also suggest how these concerns may be mitigated.

Digital was formed in 1957 by three engineers and five associates. These individuals located themselves in 8,500 square feet of industrial space in a Civil War vintage mill building in a small community 35 miles west of Boston.

Digital designs, manufactures, sells and services computer systems, computer peripheral equipment, software, and associated computer accessory equipment. The company's products are used worldwide in a wide variety of applications: Education, data analysis, industrial

control, timesharing, commercial data processing, word processing, health care, instrumentation, engineering, and simulation.

The total sales for the company for its most recent fiscal year ending July 2, 1977, exceeded \$1 billion. Of this amount, approximately 36 percent was derived from outside of the United States. The total sales exceeded the previous year's by 44 percent. The company has had a compound rate of growth in sales in excess of 35 percent over the last 10 years. This growth was attained entirely from within, and without the acquisition of other companies for revenue purposes.

The company markets its products through over 135 sales offices located throughout the world, using primarily its own sales engineers. The company's general policy is to sell and not to rent its products.

Digital, a Fortune 500 company, competes in the United States and worldwide with such companies as IBM, Burroughs Corp., Hewlett-Packard, and many other major computer manufacturers.

The company employs over 38,000 people worldwide. In the United States, it employs 27,000 people. In the Northeast, it employs approximately 22,000 people. Its largest employee base is in the Commonwealth of Massachusetts where it presently employs approximately 17,000 people.

Digital has approximately 9 million square feet of major facilities throughout the world. Of this amount, almost 8 million square feet are located in the United States. During the last fiscal year, the company brought on line approximately 2 million square feet and presently has under construction an additional 1.7 million square feet. The facilities are primarily located in the United States; however, major facilities are also located in Canada, Puerto Rico, Hong Kong, Taiwan, Ireland, Scotland, and Germany.

Specifically, in the United States, the company has major facilities in: Phoenix, Ariz.; Mountain View, Santa Ana, and Santa Clara, Calif.; Colorado Springs, Colo.; Rolling Meadows, Ill.; and Augusta, Maine. In Massachusetts, it has 25 facilities in 17 communities. In the State of New Hampshire, it has 8 facilities in 6 different communities. It also has located facilities in Albuquerque, New Mexico, and Colchester, Vt.

The company has under construction in the Northeast United States additional facilities in Boston, Hudson, and Tewksbury, Mass., and South Burlington, Vt.

I have a table for the record, Mr. Cochairman.

Representative MOORHEAD. Without objection, the table will be made a part of the record.

[The table follows:]

DIGITAL EQUIPMENT CORPORATION
LOCATIONS OF MAJOR FACILITIES

LOCATION	USE	SQUARE FEET		UNDER CONSTRUCTION	
		in thousands	ACRES	Sq.Ft.	Acres
ARIZONA					
Phoenix	Mfg.	320.0	100		
CALIFORNIA					
Mountain View	Mfg.	25.0			
Santa Ana	Mfg.	25.0			
Santa Clara	Reg. S/S H.Q.	90.0			
COLORADO					
Colorado Springs	Mfg.	60.0		420,000	360
ILLINOIS					
Rolling Meadows (Chicago)	Reg. S/S H.Q.	90.0			
MAINE					
Augusta	Mfg.	60.0			
MASSACHUSETTS					
Acton	Mfg.	112.0	15		
Acton Nagog	Mktg.	25.0	5		
Boston	Mfg.			57,000	6
Hudson	Eng.			240,000	150
Marlboro-Burroughs	Mfg.	45.0	9		
Marlboro-Clayton	Mfg./Eng.	60.0	10		
Marlboro-LCG/DCG	Mfg./Mktg.	720.0	160		
Maynard-Mill	Mfg./Eng.	1,200.0	40		
Maynard-Parker Street	Mktg./Adm.	575.0	97		
Maynard-Powder Mill Road	Adm.	115.0	10		
Natick	Mfg.	60.0	5		
Northboro	Distribution	225.0	12		
Springfield	Mfg.	140.0			
Tewksbury	Eng.			180,000	27
Westboro-CF	Eng.	40.0			
Westboro-FL	Distribution	64.0			
Westboro-SS	Mfg.	50.0			
Westfield	Mfg.	520.0	225		
Westminster	Mfg.	670.0	240		
West Springfield	Mfg.	80.0			
Woburn	Serv. Depot	230.0	23		
Other Mass.	Sundry	300.0			
NEW HAMPSHIRE					
Merrimack	Mktg.	592.0	900		
Nashua-CSS	Mfg.	120.0			
Nashua-Typeset	Mfg.	48.0			
Salem	Mfg.	650.0	130		
Salem-Coats	Mfg.	46.0			
Other N.H.	Sundry	350.0			
NEW MEXICO					
Albuquerque	Mfg.	325.0	50		
VERMONT					
South Burlington	Mfg.	60.0		200,000	175
PUERTO RICO					
Aguadilla	Mfg.	130.0	55		
San German	Mfg.	230.0			
CANADA					
Kanata	Mfg.	90.0	60	100,000	
HONG KONG					
	Mfg.	43.0			
IRELAND					
Galway	Mfg.	320.0	48		
Clonmel	Mfg.			50,000	
SCOTLAND					
Ayr	Mfg.	47.0	30		
TAIWAN					
	Mfg.	78.0			
WEST GERMANY					
	Mfg.	60.0	57		

	TOTAL SPACE (in millions of square feet)				TOTAL EMPLOYMENT	
	Current		Under Constr.		Mfg.	Other
	Mfg.	Other	Mfg.	Other		
MASSACHUSETTS	2.62	2.63	.477	-	8,500	8,900
NEW ENGLAND	4.04	3.57	.807	-	11,700	10,500
UNITED STATES	5.15	3.66	1.227	-	15,500	11,500
WORLDWIDE	5.79	3.76	1.777	-	20,500	17,500

Mr. SCHWARTZ. There are many different ways a company proceeds through the process of determining when and where to locate a new major facility. Digital does have a procedure which, although not unique, has proven to be successful in reducing the risk of failure and increasing the chance of success.

For Digital, the obvious first step is to determine the use for which the facility is to be placed. This narrows the parameters of the task and, of course, many of the criteria to be established. Before I get specific, I would like to talk in general terms for a few minutes.

There are certain general criteria that we look for in order to qualify a community as an appropriate place for Digital to consider. In our list would be the following:

Nobody likes surprises, therefore, we look for predictability. We want to know, as does any business, that our plans out in the future can be predicated upon specific data and facts that are likely to remain predictable. If we see evidence in a community of instability or a history of wide swings of action, then we feel less than confident of being able to predict the future. An event could be as simple as knowing that a facility now serviced by water used in process manufacturing will have that supply available 5 years in the future.

Another criterion is the dependability of a timetable for events. If a company is run and governed by plans and budgets, time becomes a very important factor. If the salesmen are out selling a product, the manufacturing arm of the company must know that it has available by a certain date facilities in which to produce that product. It is therefore very important to know that the timetable laid out to bring a facility into reality is reasonable and dependable. As an example, if the land which is sought is not zoned, the formula and the appropriate timetable have an uncertainty which becomes a potential disruptive force.

We also look very carefully at the government structure of the community to be sure that it is reasonably mature, that it can act efficiently. Being from the Northeast, we find in many communities a town-meeting form of government which can be pure or representative, but in either event is predicated upon the theory that each citizen has a right to speak his or her mind concerning the community. This is certainly democratic but tends to move much more slowly to action than does a city council with a strong mayor.

We also look very carefully at the attitude of the community toward business. We believe there is not a natural harmony between industrial and residential use in a community, and, therefore, unless business is welcomed, the chance for success in that community is significantly reduced. I do not believe that during my tenure with our company we have ever established a facility in a community that did not welcome us.

Lastly, we seek out a community which is staffed by individuals with professionalism and integrity. We have found that the more professional the individual is who represents the community, the quicker the right questions will be asked, the right answers will be given, and the facility will become a reality. The integrity of the individual is also crucial. From time to time, I must admit, we have dealt with individuals representing a community who not only lacked

integrity, but, to our disappointment, also lacked the authority to make the commitments made to us.

Assuming that most of the general criteria are present, we then proceed to consider a shopping list of desirable subjects to explore further. A condensed version of this list includes the following thoughts:

We look to the desirability of the actual location from our employees' standpoint, both as a place to work and a place to live. In this regard, we analyze the educational facilities, the personal tax laws, the availability and cost of housing and transportation to and from work, to name a few. We also examine the cultural benefits, the closeness of the community to sports and athletic facilities, and the climate.

We review costs from a corporate standpoint to be sure that they are in line with company objectives. We look at the taxation of the corporate income, inventory, and real estate. We look at labor and utility rates to see if they are competitive. Lastly, on the subject of costs, we examine the prices for acquisition of land and construction of facilities.

We study the community to determine its capability for sufficient growth to accommodate the growth of our facility.

We examine very closely the attitudes of the community toward employee relations. Digital presently enjoys excellent employee relations, which we value and want to be sure are safeguarded against outside adverse influence.

Inasmuch as we are a company which is highly communicative, we want to be sure that the telecommunications systems, as well as the airports and roads, are adequate.

Lastly, our actions are sometimes determined by an unusual opportunity. As an example, in the city of Marlboro, Mass., RCA Corp. constructed a significant facility to house its worldwide headquarters for its computer division. RCA decided, for its own best interest, to leave that business. It thereafter placed this facility on the market. The existence of the facility, the nature of its construction, its location, and ultimately its price proved to be an opportunity which we as a company took advantage of, and we now occupy that facility.

In 1970, Digital located approximately 20,000 square feet of manufacturing in the old Springfield armory in Springfield, Mass. Today we have 775 employees in over 140,000 square feet.

We recently announced that we will locate a new manufacturing operation in the Roxbury section of Boston. The initial phase of this facility will be housed in a 58,000-square foot building to be erected by the industrial development agency formed under enabling legislation of the Commonwealth of Massachusetts with funds raised by an appropriate bond issue. It will initially employ about 200 people.

In both of these instances Digital followed its usual site selection procedure; however, there was the added desire to help alleviate the high unemployment in two areas of its home State. Informal discussions in each community confirmed that the unemployed really did want to work. We felt confident that if a facility were begun, staffed by competent individuals sensitive to the particular needs of this type of venture, all allowed to grow at its own pace, without unnecessary

publicity and political intervention, it would be economically successful. The Springfield operation has proven itself. Time and effort will, we hope, produce the same results in Roxbury.

A substantial number of major cities of the Northeast present a difficult set of problems to a prospective company such as Digital.

Briefly stated, these problems center around the city's apparent inability:

- to expand the original site to accommodate growth;
- to efficiently get employees to work in the morning and to home at night;
- to protect the safety of persons and property;
- to focus the efforts of all factions to a common end;
- to compete economically with less urban locales; and
- to be apolitical toward the company.

To an acceptable extent the city, either through its own resources or with the help of the State or Federal Government, can alleviate almost all of these concerns. Proper fiscal responsibility wisely used can revitalize and redevelop the core city to accommodate growth, build proper access to and egress from appropriate sites, erect safeguards for persons and property and, if it is deemed acceptable to the citizenry, can institute incentives to compete with other areas of the country for jobs by favorably impacting the economics of the decision.

To be sure, the State government cannot and should not work at cross-purposes to the city. To have the city be progressive and the State not may, in fact, mean poor results.

The Federal Government can and should help, but with appropriate safeguards, so that people of one part of the country are not subsidizing poor government in another.

Of equal importance in our minds is one very critical but often overlooked aspect of planning for this growth and revitalization. Most urban centers today believe it is "in" to attract people back to the city with new and economic housing units. There is little or no consideration for the jobs for these people once they move back to the city. The answer may be as simple as devising a model which relates a unit of housing to 1.5 units of work and 0.7 units of ground or air transportation. This formula is merely an example and is not intended to be the one utilized. But I think you can understand what I am trying to say.

In addition, we see good intentions go to waste by poor staffing decisions at all levels of government. Government creates agencies, boards, authorities, commissions, and committees to accomplish a stated objective; but we too often see government, when staffing these bodies, trying to appease diverse community factions at the expense of appointing qualified personnel to accomplish the objective as stated.

If it is the objective of an industrial development commission to attract commerce to a city, that commission should be staffed by a good proportion of individuals whose background and experience qualify them to accomplish the goal.

Not to be overlooked is the need for these individuals, once appointed, to take a leadership role. Every community has its factions,

with urban centers probably having the most. A businessman from outside the community cannot and should not be expected to navigate these unfamiliar waters. When we see a city with its act together, it certainly does attract us.

I have tried in this brief time to give you a concise statement which covers our thoughts on the subject under consideration, with the full realization that you will want to explore one or more of these in greater detail.

Thank you.

Representative MOORHEAD. Thank you very much, Mr. Schwartz.

I think I will direct my first question to you and to Mayor Schaefer.

Mr. Schwartz says there is not a natural harmony between industrial and residential use in a community. Manufacturing is not growing and central cities, in particular, have experienced severe reduction in manufacturing jobs.

Do you think, then, that central cities are obsolete for new manufacturing plants?

Mr. SCHWARTZ. No, I do not believe so at all, Mr. Cochairman.

I think what is necessary in those events is to have the governments of those cities, be it the mayor or the council, take a leadership role and not be too susceptible to the pressures of the minority in any given community.

If the government of the community is elected to look out for the good of the community, then it should do so when it hears complaints that there are too many trucks coming into the plant, when you cannot change the street and make it oneway because I have lived there all my life and you cannot make it oneway.

When you have a government that is too susceptible to all the noise of the community and nothing of the good of the whole, it may well be that cities cannot get new manufacturing.

Representative MOORHEAD. Do you want to comment, Mr. Mayor?

Mayor SCHAEFER. I agree with that.

The natural tendency now, whenever you do anything, whether it is bringing in new industry or support the Orioles, you have an outcry against it. I might say that was an excellent statement. It got me to thinking on how to work with our own business community.

What we try to do is listen to the communities, but when we know it is so essential to have an industry in our city, we do not just take into account the total option.

For instance, many years ago when I was in the city council, a lady came in and said you should move all industry out and make it a big garden city. I remember that remark, and that would have been great from her standpoint, but she forgot the important thing that her husband was working in Baltimore in an industrial plant.

We listen, but we also do not take into account always what the community wants. You remember you talked about a plant visitation team. Many of the industries forget to come to the government and ask us for the assistance we can render.

We can give additional police protection. We can change street patterns if it is needed. We can add additional lighting if it is needed. We can work in that partnership. We are doing it now in the city of Baltimore. We took for granted for a long time that industry would stay. We have a new attitude now.

Mr. SCHWARTZ. If I could give a plug for the city of Boston. If Mayor White were here, I am sure he would appreciate it. I read my oral statement quite quickly and did not delve into some of the problems that these operations created. In the city of Boston, our Roxbury project is not something we came in and said we want it on Monday, it is delivered on Wednesday. In order to make this project go forward, it required the help of the city and the State and individual interest groups.

The land was not lying there, it had to be accumulated from parcels owned by the city and State and it was city streets that had to be abandoned, new city streets built. It was a major project.

The reason why it was appealing to us is that Mayor White of the city of Boston had his act together. He said the city would spearhead to have all of these secured on a timely basis and you will be able to manufacture when you want to.

There is no doubt in my mind that the leadership role evidenced by a mayor in a city is one of the most important things that manufacturers can ask for.

Mayor SCHAEFER. There is no question about that. Mayor White is really an outstanding man. He really understands the plight of the poor and the middle income and industry.

You are working in a great area up there. Give some of the rest of us a break, too. Come on down to Baltimore and see if we can't work something for you. We will move some things around for you. We will close some streets.

Representative MOORHEAD. I would now like to direct a question to Mr. Eklund and Mr. Meyer and then ask Mayor Schaefer to comment.

Do you think that cities will ever be able to compete with the suburbs for industrial manufacturing business development? Should cities perhaps be looking toward a different function in the future such as convention centers, hotels, financial districts, retail districts, and this kind of activity?

Mr. EKLUND. I would be pleased to respond to that one because I think it introduces a sense of realism.

To a considerable extent your supposition is, I believe, true. We are not going to have as much in the central cities of that kind of development in the future as we have had in the past.

Cities will differ, of course, one from the other, markedly on that. We will have a gradual economic adjustment under a market system. We will find out what goes best in central cities and central cities will come to focus most of their energies and efforts on that, and develop themselves to be economically viable with what they have got. Most assuredly, some of the things you have named are going to be very strong factors in the central cities. Basically, however, in a humanistic sense we are interested and concerned most with people.

Whether people live in the central city or work in the central city or immediately adjacent to it—which is simply a way of saying living in the metropolitan area that ought to be thought of as the city—doesn't make a whole lot of difference as far as the people are concerned, but as to the viability of the city, it does make a difference.

I keep coming up with a sense of dilemma. The real solution of the problem would be to annex the suburbs and reconstitute the cities on a sensible, economically viable basis. That is the way they were originally constituted.

The city limit lines were drawn at points that made good sense. In fact, they left quite a lot of room for expansion of the entity called the city, but we have long outgrown those boundaries and unfortunately some cities have not had the power to annex suburbs; where they have that power, they have generally succeeded in maintaining viability.

I wish that we could undertake steps, unpopular as they would be, to reorient the whole situation in this country with relation to big city problems with the power to integrate within their political structure the prosperous suburbs to which many folks have taken flight from the central city.

Representative MOORHEAD. Mr. Meyer, do you want to comment?

Mr. MEYER. As Mr. Eklund has said, I mentioned 55 cities of a given size. The problem facing cities is not uniquely restricted to the big cities. I have seen Wichita Falls downtown disappear, if you know what I mean.

Wichita Falls, Tex., that is, for those of you who have not been there. I think the answer to your question is that we should be as an American people extremely creative in the questions we ask and I like the question you ask.

Is it realistic to assume that traditional use will be reinstated in an area of urban flight? It might very well be the answer is no, creatively we should design new uses. I think that is what you had in mind.

I could see in my dream, that moment between waking and sleeping when I solve all of the problems of the world, the inner-city residential experience.

It happened in Dallas, which never had industry anyway. Your downtown in Pittsburgh has become residential, the Triangle. I think we ought to ask those questions. Mr. Chairman, without closing our minds to the possibility of a good answer emerging which may not be applicable to all cities.

We must remember that.

Representative MOORHEAD. Mr. Mayor, do you want to comment?

MAYOR SCHAEFER. One of my problems is that firms like Digital and Sears and others just do not know where Baltimore is. That really concerns me. Because Baltimore is a very unique city, a moving city, and we have been under a cloud of being between Washington and Philadelphia, people just do not know where this place is.

We are going through some change. We are not all manufacturing. We are moving into service areas, but I am virtually not giving up on the industrial manufacturing base in our city. We have a very fine area, a traditional area. We are not a new city that we can start all over.

So, we are pushing very hard to retain manufacturing in the Canton area of the city of Baltimore. The people are acclimated to it, skilled in that area. We have buildings that have been abandoned, American Smelting left, but that area should not be converted to an entirely different use.

We are not planning to do that. We are planning and moving in that area to maintain that, and I think that is necessary for the type of city we have. We live in a world of reality. We understand there are changes, but we are pushing to maintain heavy industry and encouraging industry to come in, heavy, light, commercial, residential, all.

Representative MOORHEAD. Do you want to comment, Mr. Schwartz?

Mr. SCHWARTZ. Yes. I would like to say to the Mayor, he has a wonderful initiative program, but he has not gotten out of the city. You have not been up to Massachusetts. Go up there and talk to us about being in Baltimore. I think it is appropriate if he does. I think it is appropriate to also state that the new cities in the Southwest where we have facilities have the ability to annex and to grow and it does solve the problems Mr. Eklund was referring to.

On the other hand, the Northeast balances that somewhat because the Northeast is the part of the country where we had our beginning. There are many old mills, old industrial buildings which are perfect for manufacturing.

Granted, it will probably prevent heavy industrial use, but there is so much still available, different types of manufacturing uses that could be applied in the core city. I think it would be a major mistake to conclude that it cannot work.

It virtually can work in the Northeast. The minor problems would have to be solved. We have found when we say, let's locate in the core city because people can walk to work, as soon as they get enough money from working, they want to drive to work whether they could walk or not.

So, you have the problem of having to have the roads right and parking appropriate. I think the Northeast is peculiarly situated with buildings that could be used for industrial use if the cities got their act together and tried to put them on the market in an appropriate way.

Mayor SCHAEFER. We do. We have the buildings you are talking about and we are doing it. What we need is the continued Federal assistance. This Rally Building that Mr. Held is changing, it is a building you would have gotten away from, but with an EDA grant we are converting that into a vertical industrial building.

The ingredient for the parking you are talking about, I take issue with the fact that people are not moving to the city. One of the encouraging things about Baltimore is that people are moving downtown and walking to work.

The areas that we are talking about in Canton, they are as clannish down there, they are not going to the suburbs, they are going to stay down there and it is incumbent on us to bring industry to them.

There is no chance for us to annex any of Baltimore County. It is politically impossible to do. They are not going to take our tax rate of \$5.99 against their tax rate of \$3. We do not have the antagonism that we had a long time ago of county versus city as far as people are concerned because they know the cultural activities, the civic activities, the ball games are still in the city and we are bringing county people in by droves which is a long way from saying I have to get you down to Baltimore.

Representative MOORHEAD. I think I am going to try to get them to Pittsburgh, first.

Mr. Meyer, you mentioned the problem Baltimore had with deteriorating retailing districts. I wonder, Mr. Meyer, if you have seen either deteriorated districts that have been reversed or ones that were

about to begin to deteriorate, stopped. If so, what formula or pattern did you see?

Mr. MEYER. I could classify them three ways, Mr. Cochairman. One, the core area of a city like Watts that was burnt down and doesn't come back from the standpoint of the retailer.

There have been instances in the inner city where simply the total sociological pressures have been such that it is boarded up. There have been instances where the core city has been damaged by nothing more nor less than a change in commercial activity or industrial activity in the community and that would be the case.

I mentioned Wichita Falls, Tex., which isn't as good as an example as Lubbock, Tex., the downtown of which has disappeared because people moved out of downtown. That is the suburban pressure. It stays as a financial and service community, Tulsa, Okla., the same, but not as a general balanced business community.

There are areas where population shifts have been obvious and marked and where there is a level of strength in the community that sustains all of the changing and population emphasis and so forth.

I think north Baltimore is one, at least it is in my opinion. I have not seen many encouraging areas, encouraging instances at least yet, but I think time is on all of our sides, where Sears, on the Kings Highway in the St. Louis area, as I mentioned in my report, would be tempted to go back with a major Sears store.

That store had been there for 37 years, and the city passed it by. It could be, Mr. Cochairman, the sanguine aspect that it will be, that is areas will become ultimately reborn, possibly in the next decade or 15 years.

People pressures may do it. The need for a place to be. We have not seen it yet.

Representative MOORHEAD. Do you want to comment, Mr. Mayor?

Mayor SCHAEFFER. I think the city government must reexamine what they are doing. We are trying to bring people to live in the downtown area.

You know, before the downtown area was retail and you went home to the suburbs, we hope to bring down to the city apartment houses, townhouses, in and around this area which will be the shopping area.

We recently got to the Social Security Administration to change to moving to the city, and I think to bring 5,000 people down that is a new impetus for shopping in the downtown area.

We have a natural resource in the city and a great market that brings people together. That can expand as the market expands, and, I think, you will have a stronger retail area. The main thing that I see is that the business community in our own city must feel comfortable and feel confident that the retail district can survive and we are right on the border now.

They don't know yet. They are trying very hard to get a developer to come in. If they do, it won't be the old retail district, but a new type of sales in the downtown area.

I am not pessimistic again about the retail district. I think we can do it with new thoughts on bringing people to live in the downtown area. Young people are moving to the city. That is very important. Get the young people in the communities in the downtown areas to start to move forward.

Representative MOORHEAD. We are noticing some of that trend in the Pittsburgh area.

It seems to me, Mr. Mayor, that the ingredient that seems to be common to all cities that are moving ahead is a strong cooperative arrangement between the business financial community on one side and the local government on the other side. Certainly that was the essential ingredient in Pittsburgh's renaissance and I take it from your testimony this is the strongest thing you have going for you; is that correct, sir?

MAYOR SCHAEFER. Yes, absolutely. The Greater Baltimore Committee was the spearhead to do the Charles Center and the business community sat back and watched their progress, and turned it over to the government to do. The city has been in the leadership role for a number of years.

Now, we have begun to understand the city cannot do it without the business community and the business community cannot do it without the city. I am encouraged with our business community. They see that there is a partnership that must exist.

A third ingredient, the Federal assistance we receive. In our downtown area the retail district may make it. Because of a value capture grant we will get near the subway. Without that, I don't know whether we would or not.

So, the Federal assistance we receive is really essential to a city like ours.

MR. EKLUND. Mr. Cochairman, I appreciate the turn in this discussion on this point.

I would like to raise a question with the mayor as well as with the committee: I am struck by the fact that whereas you mention the cooperation of business and the financial community; and whereas, the Equitable, for example, has \$100 million invested of private capital in the redevelopment of downtown Pittsburgh, and whereas we put \$150 million into downtown St. Louis of private capital, \$168 million in downtown Atlanta of private capital, I could go on. I am rather surprised that more municipal governments or more central cities with these kinds of problems are not approaching the sources of private capital. They seem to think only in terms of Government capital, Government grants of one kind or another.

I cannot help but wonder, as long as they are economically viable, and these illustrations prove they can be, why it is that the local city governments and local leadership in these inner cities aren't actually considering plans that simply need private capital to finance them?

That perplexes me. I think private capital is abundantly available.

Representative MOORHEAD. Have your policies shifted in any way toward greater investment in the suburban areas?

MR. EKLUND. Not at all. We are so completely invested in the big central cities that it would be suicide for us to think of moving our emphasis away from central cities or in any way diminishing our sense of importance about our investments in the central cities.

That is our stake. Central cities must survive in our view or we are in for very bad problems. So, we have a commitment to continue, wherever there is economic viability, to aid in the redevelopment of downtown areas with private capital.

Representative MOORHEAD. I am just getting a call to go over to the House, but I have a final windup question.

Mr. Mayor, if you were to design a policy to assist central cities in keeping and attracting business, where would you begin? Would you suggest improving existing programs or getting into such new things as creation of a National Development Bank? Do you think it is really just better to provide more money for existing programs?

Mayor SCHAEFER. I do not like, Mr. Cochairman, to start off by saying more money just for the sake of money. I don't believe in that.

I believe in having well-devised programs where you know where you are going and what you are going to do. If you are able to follow through in the completion of these programs, there isn't any one factor. I think there is a combination of many factors.

The EDA grants, the public works grants that we received, all of these things, the new proposed urban bank, all of these things will have an impact. I think one of the major things in a city like ours is confidence that the city is going to survive.

Business is not going to invest in Baltimore City unless they think there is a reasonable chance the city is going to make it.

That is why I think we are going to get private capital to come in now. Before it was all Government because private industry would not do it unless we did it. It did not get done. I think now we are cooperating more.

With HUD and Commerce and others competing with each other, I think there is a coordination there that is necessary. The ability of a city to move with these programs rather than being under strict guidelines has made a big difference to us too.

We have had greater flexibility in the last year to help us.

Representative MOORHEAD. Would any of the other witnesses care to make a final commitment?

If not, the subcommittee will adjourn until tomorrow at 10 a.m. in this room.

I want to thank the witnesses very much for a stimulating presentation. I would like to go on and on because we have so many subjects that we could cover, but in a short time we have covered a great deal of territory for which I thank you very much.

Senator JAVITS. I don't wish to detain the witnesses in any way; however, since one of the witnesses is from New York, a very distinguished official of one of our greatest companies, I want to explain my only reason for being absent this morning. This country is in a very serious governmental labor crisis on coal, and the President asked what is called a leadership group to come to the White House for consultation.

I would like to express to you gentlemen my interest in this testimony. I will be briefed very carefully to the details and will do my utmost to profit from what you have recommended.

I would also like to thank Mr. Eklund for appearing and for helping us with his testimony and to congratulate Mayor Schaefer on the award which his city received for being so up and coming in this urban field.

I want to thank the representatives of industry, Mr. Meyer, whom I have known for a long time, and Mr. Schwartz for giving us your advice.

I might say, gentlemen, more and more we are beginning to appreciate it, and unless the private business sector participates, whether it's manpower training, ultimate jobs from public service jobs, or the rehabilitation of cities, there isn't the power or the resources in any level of government or in all levels of government to do what needs to be done.

If ever there was a moment when business and the public interest should be the solemn command of the private sector, this is it. I know of no time when business can do itself more good than by responding. There was a time —when I was much younger—when business was in great disfavor. Now business is in great favor if it will take advantage of the opportunity. If it doesn't, antecedent will go through the cycle all over again.

I don't want to detain you, and I thank you so much for being so gracious as to stay a minute.

Representative MOORHEAD. The hearing is recessed.

[Whereupon, at 12:15 p.m., the subcommittee recessed, to reconvene at 10 a.m., Tuesday, March 7, 1978.]

KEEPING BUSINESS IN THE CITY

TUESDAY, MARCH 7, 1978

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON FISCAL AND
INTERGOVERNMENTAL POLICY
OF THE JOINT ECONOMIC COMMITTEE,
Washington, D. C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 6226, Dirksen Senate Office Building, Hon. William S. Moorhead (co-chairman of the subcommittee) presiding.

Present: Representatives Moorhead and Heckler; and Senator Javits.

Also present: G. Thomas Cator, Deborah Norelli Matz, and Katie MacArthur, professional staff members; Mark Borchelt, administrative assistant; George D. Krumbhaar, Jr., and M. Catherine Miller, minority professional staff members.

Representative MOORHEAD. The Subcommittee on Fiscal and Intergovernmental Policy will please come to order.

Before making my opening remarks I would like to recognize the distinguished senior Senator from New York, who has another engagement.

Senator JAVITS. Thank you. Just for the record, I would like to express my deep appreciation to the witnesses for their prepared statements on what is a critical subject for my biggest city, New York City, and every other major city in the country. I will read their testimony with great care. However, the first hearing on the Humphrey-Hawkins bill has already begun, and I hope the witnesses will forgive my early departure here.

Thank you for this opportunity.

OPENING STATEMENT OF REPRESENTATIVE MOORHEAD, COCHAIRMAN

Representative MOORHEAD. Thank you, Senator.

I have called these hearings because it is extremely important to have a dialog among business, labor, city, and congressional representatives. None of us always have the answers, but hopefully among us we can determine those policies which can best suit your needs.

Yesterday's witnesses provided us with interesting insights into business and city needs. Everyone agreed that a public-private partnership was of paramount importance in attracting business. More specifically, Mr. Edward Schwartz, vice president of Digital Equipment Corp. indicated that his business seeks out those cities which "have their act together"—cities in which the mayor and the Gov-

ernor genuinely are committed to cutting through redtape and meeting the needs of business.

I am pleased that we have two mayors today that meet that bill and have done exemplary work in turning their local economies around. Unfortunately, yesterday we did not talk at length about specific Federal programs. I am hoping today's discussion will attempt to relate to the local needs and Federal efforts which are necessary to address these needs.

I am committed to saving our cities. Critical to accomplishing this goal is improving their business climate. I am convinced that as our cities go, so goes our Nation.

I therefore look forward to your suggestions for keeping business in the cities. We will start this morning's hearing and call upon the Honorable Moon Landrieu, Mayor of New Orleans, a man whom I have worked with often in the past, particularly in the matter of countercyclical revenue sharing. It is a pleasure to have you.

STATEMENT OF HON. MOON LANDRIEU, MAYOR, CITY OF NEW ORLEANS

Mayor LANDRIEU. Thank you. You have indeed been a great friend of the cities and Americans have been deeply concerned about their condition. I share with you the view that America, like every other nation, we have an enormous investment in the cities, and we have come perilously close to losing that investment. I wish that I could say that I come to you as an expert today in the revitalization of cities. I am not so sure there are any experts in this field. We have been able, with significant research, to try to define the problem.

I am not so sure that we have been equally successful in coming up with appropriate, and certainly in any event, not very quick and sure solutions.

I have a prepared statement, Mr. Chairman, and with your permission, I will submit it for the record.

Representative MOORHEAD. Without objection, your prepared statement will be submitted for the record.

Mayor LANDRIEU. I will ramble on on what I see after serving 8 years as Mayor of one of the cities of this country. We now look at the statistics that show most of the old cities are in fact losing business and jobs and industries. I think some of this is a natural consequence of growth and aging and of changing technology. We have to guard, I believe, against a tendency—and we are more guilty of it perhaps than any other city in this country—of reflecting back on the good old days and hoping somehow that we can turn that clock back to what it was 50 or 60 years ago.

I am not certain that in all instances we would want to do that. Memory sometimes does a disservice to us because we remember the pleasant things and then are inclined to make invalid judgments.

But the fact of the matter is that we are in an era of changing technology, and that change is taking place at a more and more rapid pace. What worked in the cities before is not going to work today. I have a very strong belief that, while retention of historic roles is absolutely necessary, it cannot be achieved if in fact we are running counter to what normal common sense tells us.

One of the major reasons for the establishment and the success of any city is transportation. I think if we analyze the great cities of this country, we will quickly come to the conclusion that transportation and communications were the principle factors in their establishment and in their flourishing as great cities. That is true whether we find ourselves in the port cities of Boston, New York, and New Orleans, or whether we find railroad junctions. And now, in terms of air transportation, we can see the great impact that that is having, and likewise in new transportation systems created by the Interstate Highway System, which place a far heavier reliance on rubber tire transportation and which are highly competitive, if not successfully so, with rail transportation.

Transportation is one of the factors in a city's success, and unless we can provide accessible and cheap transportation in those cities that are experiencing a loss—or a disinvestment, I am afraid that that disinvestment will continue, no matter what practice we may put into place.

That does not mean to say we are totally powerless to change policy—there are many factors which go into the determination of location or relocation of businesses. I think perhaps the business community is better equipped to testify to those reasons than those of us in politics.

But cities at one time were the center of manufacturing. We worked there because we did in fact have a transportation system. That is where the railheads were. That is where you had an infrastructure of industry and where you had the masses of population. People had to live close to their jobs. So it was essential, frankly, that manufacturing, when it depended on massive amounts of manpower, had to be centrally located.

We find now, with the advent of the automobile and particularly with the introduction of communications—electronic communication systems, that that has changed substantially. Those are two factors, I think, that are of the most significance.

I think it is unrealistic in most instances—and quite a few mayors will challenge me on this, which is why I am careful to testify personally and not on behalf of the conference; I do not want to be misunderstood—but, I think we have to face a tough battle if we do not recognize the fact that in many instances manufacturing can more practically be done outside of the congestion in central cities.

New Orleans, for instance, has a street system which is very narrow. It was not built for large trucks. It was not built for automobiles. It was built well in advance of both of these technological changes, and since there is ready and available land outside of what we call the very core central business district, when a plant becomes obsolete and the entrepreneur has to decide to remodel or rebuild. I think there is a natural and rational tendency to do that outside of the central city.

That can be done where there is available land, where there is available transportation, because the communication system is, obviously, available, and that, of course, could be 10 or 30 miles outside of the central city. Some of us are fortunate to have unused land within our political boundaries. Many others are not. It is in those

areas where there is no available land for that kind of relocation that there is a problem.

It is those areas that are raising the most difficulty, because the loss of those industries means, in fact, a reduction in their tax base and a loss of jobs.

Cities are, however, becoming and can become something that they have not been before, at least that they have not perfected before, and that is service centers. The service industry is forever growing in this country, and trends indicate it will continue to grow. Manufacturing, as it becomes more and more mechanized, is becoming a smaller portion of the work force.

On the other hand, the service industries—whether entertainment, tourism, restaurants, whatever of a service nature—continue to grow. I find that central cities are not only competitively attractive, competitive for that kind of industry, but that we are more than competitive.

There are factors which the Federal and State governments have helped to occur, or in some instances have encouraged, which have accelerated that natural tendency to relocate and to disinvest from the cities. Those, of course, have been spoken of many, many times and they include the tax incentives, the granting of artificial incentives for new investments rather than for rehabilitation. That, obviously, is one of the enormous investments that we have made in the Interstate Highway System, and investments that we have made in major airports, and the investments that we have made in Federal complexes in terms of siting Federal facilities without an effort to site them where they would be of greatest service in rehabilitating cities.

The private sector built the cities of this country. The public sector did not build them. In my judgment the private sector is going to rebuild them. I think those of us in the Government can create an atmosphere that is conducive to the private sector. But along with that, as we operate in an economy that is profit motivated, then we have to accept the fact that, even given a social consciousness, business is going to respond to its primary and first obligation as defined in the private sector, and that is to make a reasonable and profitable return for its investors.

They will do that where it can be done best. I am not suggesting that there is not a social consciousness attached to business. There is. I certainly say that secondary to its principal function, business has made social consciousness a primary responsibility.

We have let our plants and our environment deteriorate in most of the central cities. As we have become poorer in the central cities, as we have been pressed to provide the basic social services, as the central cities have more and more become the place where the elderly and the vulnerable have been located, we have found ourselves under enormous stress to maintain what I consider to be an acceptable atmosphere for the transaction of business.

In many instances, that is represented by bad industry, by an infrastructure that has grown old, by high crime rates, by poor lighting systems, by congestion, and in general, a total atmosphere that has been in a state of deterioration, not because local government has lacked the competency, but because they have lacked the dollars in which to maintain that atmosphere.

Some of the things we did in New Orleans, and I might say that we did at a considerable sacrifice, have begun to take shape. I wish I could say has turned the economy around, but what it has done is encourage reinvestment in the center city and provide that acceptable atmosphere. For instance, we have tried to analyze what our assets were, and we thought and still think that we have one of the more vital business districts, and we view that as the heart of the economy of our community.

We have spent almost an inordinate amount of money in creating open space, in beautifying the downtown area, and working with private developers in terms of land swaps. And we have been dealing with the railroads, who have substantial amounts of unutilized land, to create either industrial parks or business parks or, if you will, commercial parks and home parks. They are beginning to respond. We have asked the business community, which has shown some resistance to the tax on social services, to be willing to tax itself for reinvestment in those areas that would ultimately enhance their businesses.

There is much more that I could say, Mr. Co-chairman, but I have been asked to try to terminate and perhaps during the question and answer period I could get down to more specific responses.

Thank you.

Representative MOORHEAD. Thank you. I appreciate your abbreviating your statement. We do want an opportunity for discussion not only across the table but also side by side. So we are asking the witnesses to keep the oral presentation down to 10 minutes.

[The prepared statement, with attachments, of Mayor Landrieu follows:]

PREPARED STATEMENT OF HON. MOON LANDRIEU

Mr. Chairman, Members of the Committee, I am Moon Landrieu, Mayor of the City of New Orleans. I appreciate this opportunity to appear before the Joint Economic Committee as a part of its two-day series of hearings entitled "Keeping Business in the City".

You have asked me to comment on my experiences in working with central city businesses and the obstacles which a mayor is likely to encounter in attempting to keep business in the city. You have also asked me to comment on what I think the business perception of these obstacles are, and to make suggestions as to how Federal legislation might assist.

The question of business retention is complex and involves several factors that all add up to a bottom line—business climate. There are many things a mayor and a city can do to influence the climate of business in a community. We have attempted to do many of these. Everyone has heard about the superdome and the Superport and other widely publicized efforts. Let me simply outline a few of the other initiatives we have taken that are less well known:

I. Mayor called an Economic Development Conference to identify problems, assure business of Teamwork.

II. CBD (Central Business District) Program: Growth Management Program, Special Taxing District.

New Fund, approximately \$1 million a year.

New Programs: Re-lighting of CBD; Extra police services; Extra sanitation services; Show me blocks; Canal Street improvements; Skid row program; Fauburg St. Marie; SBA-LOC (Local Development Company) for Lafayette area to aid small business.

New Zoning—Historic structure controls: demolition, moratorium, historic and landmark regulations; Warehouse and Light Industrial area plan to: 1) deal with the problem of displacement caused by Bridge location 2) improve area and strengthen existing businesses.

Major Capital Improvements: Piazza; Spanish Plaza; Dome; Rivercenter.

III. Land transfer—Hilton and One Canal Place.

IV. Business Ombudsman Service.

V. Regional Food Market.

VI. \$30,000 annual City appropriation to EDC.

VII. Cooperation with UNO (University of New Orleans) to create an Economic Development Center to assist small businesses with their management problems.

Probably, the single greatest obstacle to the retention of businesses in my city is the low educational attainment and skill level of our residents. Of the City's population which is 25 years and older, only 42.3 percent are high school graduates. The median educational attainment level for the residents 25 years and older is 10.8 years in New Orleans. The problem is particularly acute within the black community where only 25.7 percent of the 25 year and older population are high school graduates compared to 52 percent in the white community. The median educational level for blacks is 9.1 years.

These statistics are shocking. However, what the statistics do not show is an even more tragic dilemma. An alarming number of the young people who do graduate from our secondary schools and who enter our colleges are functionally illiterate. The scores of students in our secondary schools fall within the lower portion of the average range of achievement for big-city schools; and that, of course, is far below the national average. What is also revealing is that at the University of New Orleans in the fall of 1976, 48 percent of the entering students had to be placed in one or more remedial courses.

It is very difficult for businesses to flourish, and perhaps even survive, when one out of five adult residents cannot function effectively in a sophisticated and technological marketplace. Functioning effectively means being able to write checks that the bank will cash, being able to address envelopes that a mailman can deliver, being able to add and subtract, to read and write. A business cannot function if its employees lack these basic skills.

Another important obstacle to business retention is the lack of sufficient public capital to meet basic maintenance needs. The foundation of any local business retention program has to be the provision of resources for the acquisition of land and the improvement of local infrastructure. But New Orleans, like many cities, simply doesn't have the money to provide these services to inner city's businesses. Our capital budget last year was \$37 million. Of that amount, only about \$18 million was available for basic city facilities. These meager resources are totally inadequate to meet the physical development needs of the city. Our resources are even inadequate to meet the needs for street maintenance. Approximately 311 miles, or $\frac{1}{3}$ of the city's streets, are temporarily surfaced and lack sub-surface drainage. The minimum cost of remedying these deficiencies would be about \$250 million. Another 397 miles of streets are badly in need of repair. In 1976 the City's Streets Department received about 4,335 complaints regarding street repairs. To satisfy this demand would cost about \$30 million.

Many of these needs have a direct bearing on the business climate of our city. Businesses that lack proper ingress and egress from city streets, whose trucks must travel over roads that are poorly maintained, whose sewerage, drainage, and sanitation services are woefully deficient, are not going to make critical business decisions merely on the basis of a mayor's moral persuasion.

Another major obstacle to a city's efforts to develop a business retention strategy is the virtual lack of information on businesses and their problems. As pointed out earlier, there are things a city can do to try to keep businesses in the inner-city. But the only way in which any of these strategies, tools or services can be useful is if we know when, how and to whom they should be rendered. By the time a mayor finds out about a business leaving the area, the situation is usually so bad that there is little that he can do about it. In fact, a mayor usually learns about the potential closure of a business after the decision has already been made.

Cities cannot adequately deal with the problem of business retention in an informational vacuum. We need longitudinal data at comparable levels of measurement. We need sales and income data, data on capital needs, on operational problems; data on area and sub-area employment—on current demand, future demand, and potential new demand which can be realized by packaging industry attraction projects with human skill development programs. We also need techniques and methods for the proper analysis and interpretation of these data.

These obstacles to business retention, that I have touched upon, are certainly not unique and peculiar to New Orleans. Every major city encounters these problems, perhaps in varying degrees and in slightly different ways. But the obstacles do exist and they are serious.

You have also asked me, Mr. Chairman, to comment on how businessmen in our area view these obstacles to business retention. Since your two days of hearings will include direct testimony from businessmen on this question, let me simply respond by placing in the record two reports developed by the New Orleans business community. The first report entitled "Industry Introspection 1973", which was prepared by the Economic Development Council of the Chamber of Commerce of the New Orleans area, represents a survey of 272 offices of major manufacturing companies in the area. The second is a report of the production committee for the Metropolitan Forum for Unified Economic Development Actions, published in 1977. Both of these reports highlight several issues pertaining to the problem of business retention and development from the perspective of major industry representatives.

Finally, you ask what kind of assistance my city could have used from the Federal level.

1. We could have used: A National Development Bank.
2. We could have used: Federal tax incentives. Federal programs and federal tax policies contributed to suburban sprawl and the flight from the city. We therefore view federal tax incentives that would subsidize business to locate in the central city as due reparations from the Federal government for past discrimination of its tax policies.
3. We could have used: More substantial EDA funding. EDA has been helpful, but they haven't had the funds to handle, as an example, a much-needed \$20 million regional food market project in New Orleans.
4. We could have used: A city-oriented policy for location of Federal facilities and Federal workers. (The new Department of Energy is putting its New Orleans offices 8, 10, 12 miles outside of New Orleans.)
5. We could have used: Wage subsidies for business and industry to employ and train the structurally unemployed.
6. We could have used: A major Federal effort aimed at the development of indicators, methods of analysis, and software packages that are pertinent to the creation of local economic development information system. Perhaps this should be done through the creation of an Institute similar to the Institute of Law Enforcement or to the National Educational Institute. At any rate, what I am calling for is a national effort to promote the development of the theory and practice of local economic development.
7. We could have used: An even greater Federal (and State) commitment to elementary and secondary education. (I welcome President Carter's statement on this matter just one week ago.)
8. And finally, we could have used: linkage. The Administration and the Congress have developed several programs, the purpose of which was to encourage greater linkage on the local level between and among manpower, community development, and economic development dollars. On the national level there has been considerable concern about coordinating HUD, Commerce, and Labor in terms of some unified strategy for the economic development of our cities. What is missing from these important initiatives has been a linkage to HEW and to educational funds. It makes little sense for cities to provide money for the retention of businesses when we simply do not have a trained labor force to work in those businesses. It makes little sense to concentrate on re-training unskilled laborers and not give attention to insuring that the children in our elementary and secondary schools will acquire the skills to function in the urban market-place.

Yes, Mr. Chairman, all of this we could have used, and we still could!

Attachments.

**AN INDUSTRIAL DEVELOPMENT
RESEARCH REPORT**

JANUARY, 1974

INDUSTRY INTROSPECTION '73



**ECONOMIC DEVELOPMENT
COUNCIL**

**CHAMBER OF COMMERCE
OF THE NEW ORLEANS AREA**

P. O. Box 30240 / New Orleans, La. 70190 / Telephone 524-1131

INTERVIEWERS

The Economic Development Council gratefully acknowledges the important contribution that the following volunteer business executives made to the Industry Introspection '73 program in our four parish area.

<u>Name</u>	<u>Firm</u>
Edwin Blair	Hibernia National Bank
Emanuel Blessy	Merril Lynch, Pierce, Fenner & Smith
R. W. Breeden	Ferd, Marks, Smither & Co.
Morris Campell	Alexander Grant Company
D.B.H. Chaffe III	Howard, Weil Labouisse & Friedrichs
Craig D. Choate	Price Waterhouse & Co.
Larry Williamson	First National Bank of Jefferson
John Cieutat	First National Bank of Jefferson
F. M. Denton	Landis Construction Company
Harold S. Dey	Peat, Marwick, Mitchell & Co.
Richard Dixon	Dixon Enterprises
D. L. Flotte	Lionel E. Flotte & Associates
Frank Fromherz	Fromherz Engineers
Kenneth Gormin	Bauerlein, Inc.
Don Halsey	Halsey, Stakelum & Brown
John B. Kennan	Norrell Tempory Services
Bob Lee	Norrell Tempory Services
Don Kern	W-SHO Radio
Norman Kerth	Haskins & Sells
Hudson Nichols	Haskins & Sells
W. Lyle Kiser	New Orleans Public Service
Frank Lombardo	New Orleans Public Service

<u>Name</u>	<u>Firm</u>
Dick Rotharmel	New Orleans Public Service
Ed Toscano	New Orleans Public Service
A. J. Deichman	New Orleans Public Service
Joe Logue	Brice Building Company, Inc.
Peter Mayer	Peter Mayer Advertising, Inc.
Gilbert Mellin	Whitney National Bank
J. W. Miley	Arthur Andersen & Company
Ralph Mitchell	Middle South Services
B. J. Lorio, Jr.	Louisiana Power & Light Buras, Louisiana
Art Raven	Bank of New Orleans
A. J. "Dusty" Rhodes	Louisiana Power & Light
Edward Butler	International City Bank
Lawrence Taffaro	International City Bank
William Ryan	International City Bank
Donald E. Feldheim	International City Bank
Ray Samuel	
Henry St. Paul	Service Engineering Company, Inc.
Dale Stiles	South Central Bell
John Stire	New Orleans East, Inc.
Ronald Thompson	Fitzgerald Advertising
A. C. Tricou	Retired
Joseph Turner	U. S. Steel
Alan B. Watts	Bryne-Watts-Storey
Charles Wolchansky	Security Van Lines
Sam Wool	N B C in Jefferson
Mrs. Doris Calamia	N B C in Jefferson
Jack Dardie	N B C in Jefferson

FOREWORD

The Economic Development Council and the New Orleans Area Chamber of Commerce are convinced that, in order to succeed in the promotion of the sound economic growth of our area, we must first concern ourselves with the success of industry already located here.

The national Chamber has undertaken surveys of selected communities throughout the United States. These surveys have indicated that most of the communities growth comes from within, that is, their growth comes from their existing business firms who have grown and expanded.

We feel that this also will be true in our area if we show our sincere desire to help our existing industries in their operations. To demonstrate this desire, a comprehensive program, "Industry Introspection '73," was developed and implemented.

A list of industrial firms in our four parish area was prepared from information obtained by the Louisiana Department of Employment Security. These firms were geographically grouped to facilitate contacts by volunteer business executives who were given their choice of the areas. Two questionnaires were carefully prepared and field tested to provide the desired information. A series of orientation meetings were conducted to prepare the volunteer business executives for their contacts to the industrial firms.

For the past several months, these local volunteer business executives have been contacting the industrial firms in our four parish area to explore the problems and assets industry finds in our area, and to supply the EDC Research Department with the basic data we need to better understand our industrial community. Initial response letters have been sent by the EDC Director to the executives of the firms that were contacted.

This information developed in this sample survey has now been tabulated and is presented in the following summary which will be used by EDC and the Chamber as a basis for further assistance to our existing industry through subsequent personal contacts regarding their problems and expansion plans, seminars and conferences on items of general interest, and new and improved data for directories, studies and business information.

Tom Purdy - Director of EDC
 Al Cole - Manager, Industrial Development
 Otis Fennell - Economic Consultant

INDUSTRY INTROSPECTION '73

SURVEY SUMMARY

SUMMARY

The volunteer interviewers participating in Industry Introspection '73 contacted 404 companies - seventy-four percent of the 546 firms which, according to information from the Louisiana Department of Employment Security, operate manufacturing plants in Orleans, Jefferson, St. Bernard, and Plaquemines parishes. Interviews with 272 officers of these manufacturing companies are utilized in the preparation of this report. The remaining 132 contacts are not included for the following reasons: 69 companies would not participate in the survey, 38 firms are engaged in non-manufacturing operations, and 25 companies are no longer in business.

This report presents the survey results in two sections. The data is presented in summary form for each parish and the east and west bank sections of Jefferson Parish. A four-parish summary of both sections of the report is included below for the convenience of the reader. The first section of the report contains a tabulation of the responses to the basic company information questionnaire. The second section presents the responses to the attitude questionnaire. Copies of the two questionnaire forms are appended to this report.

The data presented in this report originates from a tabulation of a sample survey of 272 manufacturing firms in the New Orleans area. The survey consists of two questionnaires with a total of

57 items or questions. Ideally each of the 272 respondents to the survey would answer all items on the questionnaires, however, this is not the case as a number of the respondents exercised their option to withhold information to protect its confidentiality, or simply declined to comment. Therefore, the data does not represent a 100 percent response for each item of the questionnaires, and this must be taken into consideration when analyzing the survey results.

BASIC COMPANY INFORMATION QUESTIONNAIRE
SURVEY SUMMARY

Number of Respondents: 272 companies

Type of Company

Locally owned: 160 companies

Subsidiary or branch: 61 companies

1972 Gross Sales: \$1.9 billion

Plant Size: 2,786 acres

Estimated Plant Investment: \$817.1 million

Total Employment in 1973: 34,615 persons

Estimated Employment in 1978: 33,415 persons

Annual Employee Replacements Needs: 5,324 persons

Annual Employee Expansion Needs: 1,043 persons

Union Membership: 9,270 persons

Production Level in 1973

100% of capacity: 70 companies

80 - 100% of capacity: 96 companies

50 - 80% of capacity: 64 companies

Less than 50% of capacity: 31 companies

Market Area*

Local: 114 companies
 Regional: 120 companies
 National: 56 companies
 International: 40 companies

* Multiple responses are possible for this question.

ATTITUDE QUESTIONNAIRE
SURVEY SUMMARY

Q. To begin our discussion, we would like to find out why you believe the New Orleans area is a profitable location for your company. Would you comment?

Non-economic responses such as, "Lived here for many years," were mentioned more frequently than economic responses such as, "Adequate labor, reasonable utilities, state tax exemptions." (See pages 11-12 for more complete data.)

Q. We are equally interested in your comments about any possible problems that may be limiting the growth and profitability of your firm in the New Orleans area. Would you comment?

Labor cost and availability, raw material and production supplies, government regulations and services, general business conditions, geographic market restraints, and transportation are the factors mentioned most frequently. (See pages 13-14 for more complete data.)

Q. Are you satisfied (S) or dissatisfied (D) with the:

	<u>(S)</u>	<u>(D)</u>	<u>No Opinion</u>
Productivity of the local work force?	58%	35%	6%
Availability of qualified workers?	35	59	5
Quality of vocational-technical training?	22	47	28
Availability of local investment capital?	51	12	31
State inventory taxation laws?	42	22	32
Local government services?	60	20	17

	<u>(S)</u>	<u>(D)</u>	<u>No Opinion</u>
Quality of public education?	27 %	48 %	22 %
Cost and availability of quality housing?	40	31	25
Availability of suitable land for expansion?	46	32	18
Adequacy of the highway and street network?	42	49	5
Availability of local business information?	68	9	20
Adequacy of local suppliers?	65	25	6

Q. Would you like to learn more about:
Definitely (D), Possibly (P), and No.

	<u>(D)</u>	<u>(P)</u>	<u>No</u>
Potential foreign markets for your products?	16%	5%	62%
State and local expansion inducements?	30	16	41
Potential new product diversification?	26	11	46
Operating at the Foreign Trade Zone?	8	6	67

Q. Is your firm considering the addition of any new manufacturing operations within the next five years:
Definitely (D), Possibly (P), and No.

	<u>(D)</u>	<u>(P)</u>	<u>No</u>
In the New Orleans area?	27%	14%	43%
Outside the New Orleans area?	5	7	38

Q. Will this new venture be an:

Expansion of existing product lines?	68%
Introduction of a new product line?	20%

- Q. Would you kindly provide the approximate new plant and equipment investment?

<u>Less than</u> <u>\$500,000</u>	<u>\$500,000 to</u> <u>\$1,000,000</u>	<u>Over</u> <u>\$1,000,000</u>
44%	8%	14%

- Q. Would you kindly provide the approximate starting date?

<u>Within</u> <u>one year</u>	<u>1 - 2 years</u>	<u>Over</u> <u>2 years</u>
27%	19%	20%

- Q. Would you kindly provide the approximate new employment requirements?

<u>Less than</u> <u>50</u>	<u>50 to 100</u>	<u>Over</u> <u>100</u>
56%	6%	5%

- Q. Would you kindly provide the approximate new additional annual payroll?

<u>Less than</u> <u>\$500,000</u>	<u>\$500,000 to</u> <u>\$1,000,000</u>	<u>Over</u> <u>\$1,000,000</u>
55%	4%	4%

- Q. Would you kindly provide the approximate geographic market for the new product?

<u>Local/ Regional</u>	<u>National</u>	<u>International</u>
44%	21%	12%

- Q. What are the major reasons for this planned expansion?

Increased demand for present products, anticipated demand for a new product line, general business expansion, and efficiency improvement are the factors most frequently mentioned. (See pages 27-28 for more complete data.)

INDUSTRY INTROSPECTION '73

**BASIC COMPANY INFORMATION QUESTIONNAIRE
SURVEY FINDINGS**

BASIC COMPANY INFORMATION QUESTIONNAIREOrleans Parish

Number of Respondents: 164 companies

Type of Company:

Locally owned: 104 companies
Subsidiary or branch: 27 companies

1972 Gross Sales: \$889,638,000

Plant Size: 640 acres

Estimated Plant Investment: \$221,765,000

Total Employment in 1973: 14,388 persons

Estimated Employment in 1978: 15,154 persons

Production Level in 1973:

100 % of capacity: 41 companies
80-100% of capacity: 59 companies
50-80% of capacity: 43 companies
Less than 50% of capacity: 13 companies

Market Area*

Local: 70 companies
National: 80 companies
Regional: 30 companies
International: 19 companies

Annual Employee Replacements Needs: 2,480 persons

Annual Employee Expansion Needs: 422 persons

Union Membership: 4,391 persons

Jefferson

Number of Respondents: 83 companies

Type of Company:

Locally owned: 47 companies
Subsidiary or branch: 24 companies

* Multiple responses are possible for this question.

1972 Gross Sales: \$339,229,225

Plant Size: 904 acres

Estimated Plant Investment: \$138,207,710

Total Employment in 1973: 15,011 persons

Estimated Employment in 1978: 16,104 persons

Production Level in 1973:

100% of capacity: 22 companies
 80-100% of capacity: 32 companies
 50-80% of capacity: 16 companies
 Less than 50% of capacity: 13 companies

Market Area*

Local: 35 companies
 National: 34 companies
 Regional: 22 companies
 International: 15 companies

Annual Employee Replacements Needs: 2,292 persons

Annual Employee Expansion Needs: 378 persons

Union Membership: 1,571 persons

East Jefferson

Number of Respondents: 39 companies

Type of Company:

Locally owned: 16 companies
 Subsidiary or branch: 11 companies

1972 Gross Sales: \$45,055,000

Plant Size: 292 acres

Estimated Plant Investment: \$21,655,000

* Multiple responses are possible for this question.

Total Employment in 1973: 2,920 persons
 Estimated Employment in 1978: 2,732 persons

Production Level in 1973:
 100% of capacity: 11 companies
 80-100% of capacity: 17 companies
 50-80% of capacity: 8 companies
 Less than 50% of capacity: 3 companies

Market Area*
 Local: 16 companies
 National: 16 companies
 Regional: 10 companies
 International: 4 companies

Annual Employee Replacements Needs: 315 persons

Annual Employee Expansion Needs: 59 persons

Union Membership: 830 persons

West Jefferson

Number of Respondents: 44 companies

Type of Company:
 Locally owned: 31 companies
 Subsidiary or branch: 13 companies

1972 Gross Sales: \$294,174,225

Plant Size: 612 acres

Estimated Plant Investment: \$116,552,710

Total Employment in 1973: 12,091 persons

Estimated Employment in 1978: 13,372 persons

Production Level in 1973:
 100% of capacity: 11 companies
 80-100% of capacity: 13 companies
 50-80% of capacity: 8 companies
 Less than 50% of capacity: 10 companies

* Multiple responses are possible for this question.

Market Area*

Local: 19 companies
National: 18 companies
Regional: 12 companies
International: 11 companies

Annual Employee Replacements Needs: 1,977 persons

Annual Employee Expansion Needs: 319 persons

Union Membership: 741 persons

St. Bernard

Number of Respondents: 10 companies

Type of Company:

Locally owned: 3 companies
Subsidiary or branch: 4 companies

1972 Gross Sales: \$687,004,000

Plant Size: 369 acres

Estimated Plant Investment: \$204,630,000

Total Employment in 1973: 3,978 persons

Estimated Employment in 1978: 841 persons

Production Level in 1973:

100% of capacity: 3 companies
80-100% of capacity: 2 companies
50-80% of capacity: 1 company
Less than 50% of capacity: 2 companies

Market Area*

Local: 4 companies
National: 2 companies
Regional: 0
International: 2 companies

Annual Employee Replacements Needs: 442 persons

Annual Employee Expansion Needs: 130 persons

Union Membership: 3,101 persons

* Multiple responses are possible for this question.

Plaquemines

Number of Respondents: 15 companies

Type of Company:

Locally owned: 6 companies

Subsidiary or branch: 6 companies

1972 Gross Sales: \$14,427,000

Plant Size: 873 acres

Estimated Plant Investment: \$252,458,000

Total Employment in 1973: 1,238 persons

Estimated Employment in 1978: 1,316 persons

Production Level in 1973:

100% of capacity: 4 companies

80-100% of capacity: 3 companies

50-80% of capacity: 4 companies

Less than 50% of capacity: 3 companies

Market Area*

Local: 5 companies

National: 4 companies

Regional: 4 companies

International: 4 companies

Annual Employee Replacements Needs: 110 persons

Annual Employee Expansion Needs: 113 persons

Union Membership: 207 persons

*Multiple responses are possible for this question.

INDUSTRY INTROSPECTION '73

ATTITUDE QUESTIONNAIRE
SURVEY FINDINGS

Attitude QuestionnaireSurvey Findings

- Q. To begin our discussion, we would like to find out why you believe the New Orleans Area is a profitable location for your company. Would you comment?

Responses generally fell into two categories: non-economic personal considerations and economic factors with the former appearing more frequently than the latter.

The most frequent non-economic response mentioned was that the owner or founder of the firm was a native of New Orleans. The specific economic factors mentioned most frequently are as follows: market demand for the products, port facilities, waterway transportation, availability of raw materials, proximity of industry suppliers. Some typical comments are listed below.

"Have a long established business in New Orleans and have been successful in its operation."

"Centrally located for satisfactory distribution of products."

"An ideal location to supply oil field operations with products."

"Good climate and favorable labor conditions."

"Population and growth area."

"Excellent location and wide distribution possibilities."

"Satisfactory marketing area and good working conditions."

"Lived here for many years... finds the business environment to be a healthy one."

- "Centrally located for market area and material sources."
- "Raw materials are here."
- "The port...good industrial market."
- "History - started here."
- "Large amount of trade and established location for 60 years."
- "Adequate labor, reasonable utilities, state tax exemptions."
- "Geographic and natural resource advantages."
- "Oil industry prime customer and New Orleans one of oil centers."
- "Matter of history; major portion of business related to port."
- "Great place to live."
- "Good opportunities for small businessman."
- "Availability of employees better here than in country."
- "Large seaport."
- "Mississippi River."
- "Port for export."
- "Centrally located for agricultural market."
- "Owner born and raised in New Orleans and desires to work in New Orleans."
- "Ease of commuting to and from work."
- "Good facilities for shipment to South America."
- "Centrally located for shipments to Mississippi, Alabama, and Florida, as well as Texas."
- "Freight-in costs are very advantageous."
- "Mississippi River and chemical plants."
- "Proximity of Gulf of Mexico and seafood industry."

- Q. We are equally interested in your comments about any possible problems that may be limiting the growth and profitability of your firm in the New Orleans area. Would you comment?

The comments ranged from specific problems of the firm answering the question to general business problems that would effect a large number of companies. The specific factors mentioned most frequently are as follows: labor cost and availability, supply of raw material and other production inputs, government regulations and services, general business factors, geographic market restraints, and transportation. Some typical responses are listed below.

"Traffic...lack of bridges...congestion on West Bank."

"Growth and profitability has been limited due to certain of our customers moving from New Orleans."

"Lack of skilled workers."

"Steady employees which are sometimes not available."

"Land cost - too high in the city."

"Sales area - due to Gulf, only 180°."

"Labor quality - very poor."

"Lack of acceptance of our product in the community."

"Not a manufacturing center."

"Recession and slow down in construction industry."

"Poor public schools hurts hiring good executives."

"Poor state political climate hurts hiring good executives."

"Lack of good state government and educational system - particularly vo-tech."

- "Present plant location causes labor problems."
- "Dissatisfied with Public Belt RR."
- "New plant facilities prohibitively expensive."
- "Apathy of local merchants in buying local products."
- "Absence of labor intensive manufacturing industry."
- "Curtailment of gas for production."
- "Higher labor cost than competition which operates outside New Orleans area."
- "Excessive personal property tax (forcing low inventory levels)."
- "Crime and lack of public safety at night."
- "Crime, filth, and bums in general area of plant makes it difficult to hire female employees."
- "Poor condition of roads and transportation facilities."
- "Lack of good marketing information."
- "Increased assesment of property."
- "Short supply of natural gas."
- "Inadequate supply of parts and machinery available in New Orleans area."
- "Support services are not available here like they are in Boston, San Francisco, and Houston."
- "Inadequate number of highly mechanized manufacturing firms and suppliers of parts and machinery."
- "Size of plant investment required in greater New Orleans area as opposed to the country parishes."
- "Problem with paper shortage."
- "Lumber availability...quality of lumber."

Q. Are you satisfied or dissatisfied with the productivity of the local work force?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	59	34	4
Jefferson	54	37	9
East Bank	64	28	8
West Bank	44	46	10
St. Bernard	50	50	0
Plaquemines	<u>67</u>	<u>27</u>	<u>6</u>
Total	58	35	6

Q. Are you satisfied or dissatisfied with the availability of qualified workers?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	34	60	5
Jefferson	38	55	4
East Bank	51	38	8
West Bank	26	72	0
St. Bernard	25	75	0
Plaquemines	<u>27</u>	<u>60</u>	<u>6</u>
Total	35	59	5

Q. Are you satisfied or dissatisfied with the state inventory taxation laws?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	49	19	30
Jefferson	28	28	37
East Bank	23	36	36
West Bank	33	21	38
St. Bernard	25	38	25
Plaquemines	<u>47</u>	<u>13</u>	<u>40</u>
Total	42	22	32

Q. Are you satisfied or dissatisfied with the local government services?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	63	18	18
Jefferson	54	26	18
East Bank	44	28	26
West Bank	64	23	10
St. Bernard	75	13	0
Plaquemines	<u>53</u>	<u>20</u>	<u>20</u>
Total	60	20	17

Q. Are you satisfied or dissatisfied with the quality of vocational-technical training?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	20	48	28
Jefferson	24	42	31
East Bank	33	31	33
West Bank	15	54	28
St. Bernard	13	50	25
Plaquemines	<u>27</u>	<u>60</u>	<u>13</u>
Total	22	47	28

Q. Are you satisfied or dissatisfied with the availability of local investment capital?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	57	13	27
Jefferson	45	9	36
East Bank	38	5	46
West Bank	49	13	26
St. Bernard	25	13	50
Plaquemines	<u>33</u>	<u>13</u>	<u>47</u>
Total	51	12	31

Q. Are you satisfied or dissatisfied with the quality of public education?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	28	49	22
Jefferson	24	47	22
East Bank	26	36	33
West Bank	23	59	10
St. Bernard	50	25	13
Plaquemines	<u>20</u>	<u>53</u>	<u>27</u>
Total	27	48	22

Q. Are you satisfied or dissatisfied with the cost and availability of quality housing?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	39	32	26
Jefferson	42	26	27
East Bank	41	23	33
West Bank	44	28	23
St. Bernard	50	38	0
Plaquemines	<u>40</u>	<u>40</u>	<u>20</u>
Total	40	31	25

Q. Are you satisfied or dissatisfied with the availability of suitable land for expansion?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	41	33	21
Jefferson	50	33	14
East Bank	49	28	18
West Bank	51	38	10
St. Bernard	50	13	25
Plaquemines	<u>67</u>	<u>27</u>	<u>0</u>
Total	46	32	18

Q. Are you satisfied or dissatisfied with the adequacy of the highway and street network?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	45	46	6
Jefferson	36	54	5
East Bank	54	31	8
West Bank	18	77	3
St. Bernard	50	38	0
Plaquemines	<u>40</u>	<u>60</u>	<u>0</u>
Total	42	49	5

Q. Are you satisfied or dissatisfied with the availability of local business information?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	68	8	23
Jefferson	71	12	14
East Bank	59	21	15
West Bank	84	3	13
St. Bernard	75	13	0
Plaquemines	<u>60</u>	<u>6</u>	<u>27</u>
Total	68	9	20

Q. Are you satisfied or dissatisfied with the adequacy of local suppliers?

<u>Location</u>	<u>% Answering</u>		
	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Orleans	64	26	6
Jefferson	71	21	4
East Bank	67	26	3
West Bank	74	15	5
St. Bernard	50	25	13
Plaquemines	<u>53</u>	<u>40</u>	<u>0</u>
Total	65	25	6

Q. Would you like to learn more about potential foreign markets for your products?

<u>Location</u>	<u>% Answering</u>		<u>No</u>
	<u>Definitely</u>	<u>Possibly</u>	
Orleans	13	8	64
Jefferson	24	12	51
East Bank	15	10	49
West Bank	33	13	54
St. Bernard	0	0	100
Plaquemines	<u>20</u>	<u>7</u>	<u>73</u>
Total	16	5	62

Q. Would you like to learn more about state and local expansion inducements?

<u>Location</u>	<u>% Answering</u>		<u>No</u>
	<u>Definitely</u>	<u>Possibly</u>	
Orleans	33	11	41
Jefferson	23	24	38
East Bank	13	28	31
West Bank	33	21	46
St. Bernard	25	0	63
Plaquemines	<u>40</u>	<u>27</u>	<u>33</u>
Total	30	16	41

Q. Would you like to learn more about potential new product diversification?

<u>Location</u>	<u>% Answering</u>		<u>No</u>
	<u>Definitely</u>	<u>Possibly</u>	
Orleans	26	12	44
Jefferson	28	9	45
East Bank	15	10	38
West Bank	41	8	51
St. Bernard	0	0	100
Plaquemines	<u>27</u>	<u>20</u>	<u>53</u>
Total	26	11	46

Q. Would you like to learn more about operating at the Foreign Trade Zone?

<u>Location</u>	<u>% Answering</u>		<u>No</u>
	<u>Definitely</u>	<u>Possibly</u>	
Orleans	6	6	70
Jefferson	13	5	63
East Bank	8	5	49
West Bank	18	5	77
St. Bernard	0	0	38
Plaquemines	<u>13</u>	<u>13</u>	<u>73</u>
Total	8	6	67

Q. Is your firm considering the addition of any new manufacturing operations within the next five years in the New Orleans area?

Location	% Answering		No
	Definitely	Possibly	
Orleans	29	14	44
Jefferson	23	18	38
East Bank	23	8	28
West Bank	23	28	49
St. Bernard	25	0	75
Plaquemines	33	7	47
Total	27	14	43

Q. Is your firm considering the addition of any new manufacturing operations within the next five years outside the New Orleans area?

Location	% Answering		No
	Definitely	Possibly	
Orleans	4	6	36
Jefferson	6	10	33
East Bank	5	5	18
West Bank	8	15	49
St. Bernard	13	0	75
Plaquemines	0	7	67
Total	5	7	38

Q. Will this new venture be an expansion of existing product lines.

<u>Location</u>	<u>% Answering</u>
Orleans	74
Jefferson	62
East Bank	63
West Bank	62
St. Bernard	33
Plaquemines	<u>43</u>
Total	68

Q. Will this new venture be an introduction of a new product line?

<u>Location</u>	<u>% Answering</u>
Orleans	20
Jefferson	20
East Bank	25
West Bank	17
St. Bernard	33
Plaquemines	<u>29</u>
Total	20

Q. Would you kindly provide the approximate new plant and equipment investment?

<u>Location</u>	<u>% Answering</u>		
	<u>Less than \$500,000</u>	<u>\$500,000 to \$1,000,000</u>	<u>Over \$1,000,000</u>
Orleans	46	8	21
Jefferson	42	9	2
East Bank	56	0	0
West Bank	34	14	3
St. Bernard	0	0	67
Plaquemines	<u>43</u>	<u>0</u>	<u>14</u>
Total	44	8	14

Q. Would you kindly provide the approximate starting date?

<u>Location</u>	<u>% Answering</u>		
	<u>Within one year</u>	<u>1-2 years</u>	<u>Over 2 years</u>
Orleans	28	23	23
Jefferson	22	13	18
East Bank	19	13	25
West Bank	24	14	14
St. Bernard	33	33	0
Plaquemines	<u>57</u>	<u>0</u>	<u>0</u>
Total	27	19	20

Q. Would you kindly provide the approximate new employment requirements?

<u>Location</u>	<u>% Answering</u>		
	<u>Less than 50</u>	<u>50 to 100</u>	<u>Over 100</u>
Orleans	62	5	7
Jefferson	44	9	2
East Bank	56	0	0
West Bank	38	14	3
St. Bernard	33	0	33
Plaquemines	<u>57</u>	<u>0</u>	<u>0</u>
Total	56	6	5

Q. Would you kindly provide the approximate new additional annual payroll.

<u>Location</u>	<u>% Answering</u>		
	<u>Less than \$500,000</u>	<u>\$500,000 to \$1,000,000</u>	<u>Over \$1,000,000</u>
Orleans	61	3	2
Jefferson	51	0	7
East Bank	56	0	0
West Bank	48	0	7
St. Bernard	0	0	33
Plaquemines	<u>29</u>	<u>29</u>	<u>29</u>
Total	55	4	4

Q. Would you kindly provide the approximate geographic market for the new product?

<u>Location</u>	<u>% Answering</u>		
	<u>Local/ Regional</u>	<u>National</u>	<u>International</u>
Orleans	52	24	8
Jefferson	33	16	18
East Bank	38	0	19
West Bank	31	24	17
St. Bernard	0	33	33
Plaquemines	<u>29</u>	<u>29</u>	<u>29</u>
Total	44	21	12

Q. What are the major reasons for this planned expansion?

The majority of responses to this question concerned the need to expand to meet expanding demand for the present products or to meet projected demand for a new product line. Other frequently mentioned responses included general business expansion and the need to improve efficiency and output of present plant facilities. Some typical comments are mentioned below.

"Business growth."

"New Product demand dictated by market conditions."

"Present plant inadequate for present demands."

"Production capacity needs - improved efficiency."

"Demand for product - current and projected."

"General business expansion."

"General expansion of neckware markets due to changes in men's fashions."

"Keep pace with currently increasing business volume."

"Need to expand to supply businesses in areas surrounding New Orleans (e.g. Baton Rouge, Lafayette)."

"Business must expand to grow or at least stay even."

"Removal of old, slower equipment with new equipment."

"Change to specialize into an area in which there is demand but no competition at present."

"General improvement of facilities to offer better and more economic services."

"Lucrative market in Alabama and Florida."

"Obsolete equipment, need for increase in efficiency and necessity to improve competitive position."

"Growth for company as a result of increased acceptance of its products."

"Growth and necessity of keeping pace with competition."

"Growth and inefficiency of present three-story building location."

INDUSTRY INTROSPECTION '73

APPENDIX

INDUSTRY INTROSPECTION '73

The growth and success of our existing industry is of vital interest to the Economic Development Council. As we become better acquainted with your company and the basic nature of your operations, we can work closer together to improve your profit potential. We ask your assistance in verifying and providing the information below. Would you kindly have this information prepared for the volunteer interviewer who will visit with you soon and subsequently deliver the information directly to the Economic Development Council.

Number _____ Interviewer _____ Area _____ Date _____

Company _____ Phone _____

Chief Executive _____ Title _____

Street Address _____ Parish _____

Mailing Address _____ Zip _____

If subsidiary, name of parent company _____

Address _____ Zip _____

Year firm established _____ 1972 Gross Sales \$ _____

Plant size _____ Acres or _____ Sq. Ft. Estimated plant investment \$ _____

Current Number of Employees _____ Estimated Employment in 5 Years _____

Current production level: 100% _____ 80-100% _____ 50-80% _____ Less than 50% of capacity

Market Area _____ Local _____ Regional _____ National _____ International

What are the major job classifications of your present employees?

<u>Job Classification</u>	<u>% of Total Employment</u>	<u>Job Classification</u>	<u>% of Total Employment</u>
_____	_____	_____	_____
_____	_____	_____	_____

What are your annual employee replacement needs? _____ expansion needs? _____

Would you list the major union membership of your employees, if any?

<u>Union Name</u>	<u>No. of Members</u>	<u>Union Name</u>	<u>No. of Members</u>
_____	_____	_____	_____
_____	_____	_____	_____

Would you list the products manufactured at your plant?

<u>Primary Products</u>	<u>SIC No.</u>	<u>Other Products</u>	<u>SIC No.</u>
_____	_____	_____	_____
_____	_____	_____	_____

THANK YOU! FOR YOUR COOPERATION

DATE _____ RESPONDENT _____ COMPANY _____ NO. _____

The Economic Development Council of the Chamber of Commerce appreciates this opportunity to visit and communicate with you through this questionnaire interview. () the extent you indicate, our representative will keep confidential any information you give him.

We will begin by asking for the completed basic information form which was mailed to you earlier. If you have not completed this form, we can do so now.

NOTE: Attach the form to this questionnaire. If the respondent has not completed the form, you should supply a form and complete it before proceeding with the interview.

TO BEGIN OUR DISCUSSION WE WOULD LIKE TO FIND OUT WHY YOU BELIEVE THE NEW ORLEANS AREA IS A PROFITABLE LOCATION FOR YOUR COMPANY. WOULD YOU COMMENT?

WE ARE EQUALLY INTERESTED IN YOUR COMMENTS ABOUT ANY POSSIBLE PROBLEMS THAT MAY BE LIMITING THE GROWTH AND PROFITABILITY OF YOUR FIRM IN THE NEW ORLEANS AREA. WOULD YOU COMMENT?

WE WOULD LIKE TO GET A LITTLE MORE SPECIFIC AND ASK YOUR ATTITUDE TOWARD SEVERAL POSSIBLE AREAS OF CONCERN TO YOUR COMPANY.

ARE YOU SATISFIED OR DISSATISFIED WITH THE..... (repeat for each below)

	<u>Satisfied</u>	<u>Dissatisfied</u>	<u>No Opinion</u>
Productivity of the local work force	---	---	---
Availability of qualified workers	---	---	---
Quality of vocational-technical training	---	---	---
Availability of local investment capital	---	---	---
State inventory taxation laws	---	---	---
Local government services	---	---	---
Quality of public education	---	---	---
Cost & availability of quality housing	---	---	---
Availability of suitable land for expansion	---	---	---
Adequacy of the highway and street network	---	---	---
Availability of local business information	---	---	---
Adequacy of local suppliers	---	---	---

PERHAPS THE ECONOMIC DEVELOPMENT COUNCIL CAN ASSIST YOUR FIRM BY PROVIDING YOU WITH INFORMATION YOU NEED TO EXPAND AND GROW IN OUR AREA.

WOULD YOU LIKE TO LEARN MORE ABOUT..... (repeat for each below)

	<u>Definitely</u>	<u>Possibly</u>	<u>No</u>
Potential foreign markets for your products	---	---	---
State and local expansion inducements	---	---	---
Potential new product diversification	---	---	---
Operating at the Foreign Trade Zone	---	---	---

OF THE FIRMS WHICH SUPPLY YOUR COMPANY WITH GOODS AND SERVICES, CAN YOU SUGGEST ANY SPECIFIC FIRMS THAT SHOULD BE LOCATED IN THE NEW ORLEANS AREA?

Firm _____ Address _____

WOULD YOU BE WILLING TO ASSIST THE ECONOMIC DEVELOPMENT COUNCIL IN ATTRACTING THIS INDUSTRY TO NEW ORLEANS? YES/NO

IS YOUR FIRM CONSIDERING THE ADDITION OF ANY NEW MANUFACTURING OPERATIONS WITHIN THE NEXT 5 YEARS.....

.....in the New Orleans Area? Definitely Possibly No
.....outside the New Orleans Area? Definitely Possibly No

NOTE: IF ANSWER IS NO - TERMINATE INTERVIEW AT THIS POINT.

WILL THIS NEW VENTURE BE

 An expansion of existing product lines
 Introduction of new product line

WHAT IS THE NATURE OF THE NEW PRODUCT LINE? (SPECIFY)

WOULD YOU KINDLY PROVIDE THE FOLLOWING INFORMATION ABOUT YOUR PLANNED EXPANSION.

Approximate new plant and equipment investment
 Less than \$500,000 \$500,000 - \$1,000,000 Over \$1,000,000

Approximate starting date
 Within one year 1-2 years Over 2 years

Approximate new employment requirements
 Less than 50 50-100 Over 100

Approximate new additional annual payroll
 Less than \$500,000 \$500,000 - \$1,000,000 Over \$1,000,000

Approximate geographic market for new products
 Local Regional National International

WHAT ARE THE MAJOR REASONS FOR THIS PLANNED EXPANSION? _____

COMMENTS FROM INTERVIEWER (Continue on separate sheet if needed) _____

Please Mail to:

Mr. Tom Purdy, Director, Economic Development Council, P.O. Box 30240, New Orleans, Louisiana 70190.

INTERIM REPORT OF THE PRODUCTION COMMITTEE, METROPOLITAN FORUM WITH
INDUSTRY REPRESENTATIVES, SEVEN PARISH AREA

It shall be the purpose of the Metropolitan Forum for Unified Economic Development Actions to publicly raise important economic development issues before the business, labor, government and academic leadership of the metropolitan area. Its role shall be to stimulate communication toward the creation of the coherent metropolitan economic development planning capability, to promote coordination among the metropolitan agencies for their implementation of an adopted economic development plan, and for the construction and utilization of objectively measurable indicators of progress or regress.

It is anticipated that the surfacing of issues vital to the economic development of this region and this city will result in a series of desired action points being developed which will address the continuation of progressive economic development efforts as well as the corrections of deficiencies that presently exist in our economy.

. . . Subject area committees, standing committees, will make presentations to the Forum on specific issues that they feel are important for the Forum's review and comment . . . Additionally, these committees will be a continual monitor for issues and activities in their subject area that would have an impact on this region or particular parishes in the region . . .

The Production Committee of the Metropolitan Forum shall be responsible for the communication of information pertaining to the production of goods and services within the metropolitan area that are not covered by any of the other subject area committees. This responsibility shall include the communication of information relevant to manufacturing, construction, mining, food and other processing, etc.

Herewith, the Production Committee presents its first communication of information on specific issues which they feel are important for the Forum's review and comment.

INTRODUCTION

The Production Committee adopted a plan of action which consisted of a series of informal, small group meetings with the managers, or their representatives, of the industrial firms in the seven parish area. The four meetings which have been held were attended by the Shipbuilding & Repair and the Petroleum Refining, Chemical and Petrochemical segments of the area's industrial economy. Meetings with other segments are planned.

The intent of the meetings is to develop information from various industry segments, so that the Forum might better understand industry's particular problems and the impact these problems have on the area's development potential. From this the Forum may then provide a focal point of support by making known industry's problems and coordinating solutions.

The Committee provided a small group environment that allowed free flowing, incisive examination of problems within the following framework:

Why the particular industries have located in the area.

The reasons which could cause any portion of the industry to leave the area.

What additional or improved area resources would encourage that industry's growth and prosperity.

What are the industry's specific problems which relate to the seven parish area and to the state; how are they currently dealing with these problems; what better alternative solutions might be provided by the area's resources.

Very few of the representatives were aware of the Forum and its goals. When told, a number of the attendees felt the objectives of the Forum and the Production Committee were laudable, but they doubted that anything would come from the efforts. They had been down similar roads in the past and had seen no tangible results. Given a ray of hopeful expectancy, they were more than willing to candidly discuss their concerns.

The Production Committee was impressed with the interest shown by the conferees in helping the area and the state to attain the economic position it is capable of achieving. The comments were offered in the spirit of getting problems on the table where they can be corrected in order to move on to better opportunities. Three of the conferees were born and raised in Louisiana. The others have made their homes here. Their comments were made in the spirit of wanting to see Louisiana attain the economic and social develop-

ment it is capable of. All were willing to assist its community in its development. When specifically asked if they were willing to assist the Vocational Schools in the types of instructions needed to meet current and future job needs, all gave assurance that they would.

Though some of the problems discussed were peculiar to a particular industry, a series of problems were revealed that were common to all of the companies. The degree of impact and the means available to deal with the common problems varied with the size of the company, i.e., small, medium-sized, or large, and also whether or not the local facility was a part of a larger corporation.

The small or medium-sized plant, part of a larger company, did not have the degree of difficulty with a given problem as did the totally local firm due to the capital, technical, and manpower resources with which the parent corporation could support the local facility. The large, totally local industry, also had greater resources with which to withstand adverse impacts attributable to the area's industrial environment.

COMMON PROBLEMS

I. Louisiana's Competitive Position.—Louisiana competes for the retention of plants, expansions of production capacity, and the location of new industries both with neighboring states and also with the world.

With its neighboring states, it competes for those industrial facilities, who by the nature of its products or raw materials, will locate along the Gulf coast, or within the United States. Louisiana is part of the Sun Belt growth area. Many of its problems are due to being a part of the overall regional growth, and are not experienced in those parts of the country with mature economies.

It competes with the world for industrial facilities who's investment return is not dependent on the particular economic climate of Louisiana, but on policies and decisions made by the Federal government.

The meeting discussions brought out that the companies represented located in the area because of accessible waterways, an availability of raw materials, or that a particular market is located or economically accessible from here. The significance of this could be that they located here only because of the availability of certain specific resources and their companion markets. The question is: Will they stay when the resources have been depleted or made disadvantageous?

The area's location on the Mississippi River, the state's oil and gas reserves, the abundance of industrial water, and an availability of land are critically important assets that must be nurtured, at least until non-dependent industries can be attracted to the area.

II. Taxes.—One of the strongest criticisms raised was the unpredictability of the industrial tax structure in Louisiana. Industry feels that there is an anti-business attitude that permeates most of the tax proposals. The uncertainty created by this attitude has two significant impacts affecting the economic development of the area.

A. The possibility of future cost increases (including taxes) must be estimated and accounted for when preparing bids in competition with industries located elsewhere.

In the case of the shipbuilding industry, a 5% net income is considered good. Thus a tax increase which occurs after a contract commitment could turn a profit making job into a loss. Generally, other cost components can be more accurately forecast.

B. The second area of impact is in the long range planning necessary when considering new plant or expansion requirements. The time span from planning for a new plant or expansion to completion of construction, start up, and beginning of payout, is several years. Decisions are made based on the known economics at the time as well as those estimated at completion.

The same condition exists for the sale of ships by the shipbuilding industry.

The impacts are particularly true as regards the 10-year *Industrial Tax Exemption* on new investments. Because of what has been taken to be an annual effort to change the industrial tax structure, investments in production capacity expansions that could have come to Louisiana went to neighboring states.

These cases are not new industry considering location in the state, but the loss in construction jobs and additional industry jobs at plants already located

in the area. Obviously, the loss of investment dollars impacts on other areas of the local economy.

Frequently, the point was made that the levels of supplies carried by Louisiana suppliers were much lower than those carried by similar suppliers in other industrialized areas. This situation adds to the cost of doing business on the part of local manufacturers. It was speculated that the *Advalorem Tax* was in part responsible for this condition.

The discussions developed the point that the New Orleans area could be one of the major distribution centers in the country. This type of business could bring many jobs to the area, as well as help the back-up problems of many area manufacturers.

III. *Manpower*.—The discussions on manpower evolved three areas of concern.

1. *Availability*, which is considered to be the number of individuals willing to go to the place of work, as well as meeting the job qualification requirements.

2. *Quality*, was considered as the individual technical qualifications to fill a position and the attitude of the individual.

3. *EEO guidelines* versus ability to comply.

A. *Availability*.—The plants located outside of the metropolitan area reported that they had very few problems attracting numbers of people from the surrounding communities.

Those who qualified and accepted employment would make their own car pool arrangements, sometimes with the help of company supported programs.

The same initiative to seek out work and arrange for transportation was not found by the plants in the metropolitan area. Two large marine firms in the metropolitan area have expended considerable costs and effort to try to solve the transportation problems of employees. Peripheral locations related their absentee rates to the lack of public transportation.

B. *Quality*.—Quality, or its lack, showed up in job applications where a surprising number of high school graduates could not fill out job application forms. No specific statistics could be obtained.

Where it was possible to make comparisons, it was the opinion of several attendees that the percentage of such individuals was higher from New Orleans graduates than was the case with applicants from surrounding communities.

Being qualified in the "Three R's" is considered the more important part of high school training by the capital intensive industries—versus—basic capability in other skills being of importance to the labor intensive plants. One of the larger plants has had to install training in the "Three R's" in order to qualify job applicants for their lowest starting positions.

Among the conferees were several native born Louisianians who had started their careers here and had been transferred elsewhere, then later to return to this area. They all agreed that there was an "attitude" typical of this area described by the media as the city that "Forgot to Care". They pointed out the amount of trash seen thrown around versus that seen in other areas as an example of the attitude. They were of the opinion this "Forgot to Care" attitude showed up in less pride of job accomplishment—versus—what they had observed elsewhere.

C. *EEO*.—All of the firms stated that they were having problems, some much more so than others, complying with EEO guidelines. In addition to finding minorities to fill supervisory, technical, and professional level positions, the companies reported considerable difficulties in attracting minorities to peripheral sites.

Another problem in complying with EEO directives is that of locating women to fill operating positions requiring skills. Several conferees had approached local Vocational Schools, but found most of the women were being trained to be Nurses' Aides or in food processing vocations—none for plant skills. They felt this condition could be alleviated through vocational counseling in the high schools and vo-tech's.

IV. *Education*.—Primary, secondary, vocational schools and colleges all came under criticism. The size of the industry, the larger having more job levels and greater numbers of promotion opportunities, is important when considering "education".

A. *Primary/Secondary Schools*.—Manufacturing is becoming more complex with job requirements that are more demanding. This makes it more difficult for those individuals who do not obtain a sound high school education to

secure an entry level job in order to earn a living. Also, the lack of a good high school background minimizes the opportunity to be considered for in-house training toward better paying positions.

The opinion was unanimous that the primary schools should emphasize the basic "Three R's" and, after the student has obtained that proficiency, that the secondary schools offer some degree of training in skills that could be immediately beneficial in the graduates' job search.

The expression was used that students should be trained for "space age technology" because of the complexity of new technological developments. On the other hand, the labor intensive industries primarily wanted proficiency in the "Three R's" and they would develop the individual into their type industry skills.

No statistics were given, but it was stated that graduates of New Orleans schools had more problems with "education" than did those from outlying area schools.

B. Vocational Schools.—1. Vocational Schools were severely criticized; in fact, it was repeatedly stated that they must be operating for other segments of the area's economy because they were not set up to meet the needs of industry. All agreed that basic skills common to all the local industries should be taught in the Vocational Schools.

2. The urgency for vo-tech to assume responsibility for the training in industry's basic skill needs varies with the size of the companies and whether they are capital or labor intensive. The larger firms have the resources in money and manpower to conduct their own training programs as an accepted cost of doing business. One firm has a \$1.5 million annual budget for training.

The large firms, even though they are conducting their own training and getting by, feel that it is a drain on their operations while taxes are being paid for a training system which should meet a part, at least, of their current training effort.

The small and medium-sized firms have tried to provide their own training programs and have found that they cannot conduct them and, at the same time conduct their business. These companies find they are restricted in their ability to compete and expand where they could if more qualified individuals could be added when needed.

To illustrate the point, we were told that in 1973 there were 3,000 welder vacancies in the shipbuilding industry alone that went begging while there was a delay in funding the state's vo-tech program. The committee was unable to obtain a current figure.

3. Earlier it was mentioned that Louisiana was in the Sun Belt growth area, also that "space age technology" is coming to local industry. The question was discussed as to how to meet the changing skill requirements. The large firms will train their own personnel, but the smaller firms have no way to meet that training demand in order to remain competitive.

The recommendation was made that the Vocational Schools be charged with conducting *night courses* specifically designed to up-grade employed individuals and afford them the opportunity to keep up-to-date on the latest technological changes affecting their skills thus avoiding technological obsolescence.

This would add a new dimension of responsibility to the Vocational Schools.

4. As a problem, the shortage of supervisors ranked along with the shortage of technical personnel, and, in the opinion of some, above the shortage of skilled individuals. It takes years to train a well qualified supervisor.

The large firms have their own training programs for those individuals considered supervisory material, often involving sending them to out-of-state centers. The smaller companies are at a considerable disadvantage in accomplishing such training.

It was recommended that the Vocational Schools conduct training courses to meet this urgent need. All firms offered to cooperate to the fullest to assist the Vocational Schools in setting up such programs.

C. Colleges.—Some of the larger firms have experienced difficulty, resistance, in transferring professional personnel to their plants located in the area. These professionals are technically trained and frequently already have an exposure to corporate management operations and training programs.

They represent a sophisticated group of individuals who aggressively wish to enhance their qualifications in the competition for advancement opportunities. The courses they seek are in both technical and management fields. It

was stated that these employees do not find the courses offered in night programs, when it is possible for them to seek advanced education.

Their competitive desire to continue their education causes them to prefer work assignments in locations where such is available even though work assignments might seem to offer better opportunity elsewhere. This attitude poses a serious problem to the local manager of a plant requiring a skilled professional staff when the desired individuals resist the transfer because they will not have the opportunity to further their professional qualifications on their own time.

The smaller company has the same problem with both technical and management training. Instruction is offered in selected subjects at night now, but the subjects are not offered as part of an organized program where an individual can progress through different subjects needed to "roundout" his capabilities needed by the small firm.

The following course subjects were discussed:

1. *Long Range Planning.*—This should involve the "how and what" tailored to the needs of growing firms, with course coverage as to how the plans progress and are changed with the growth of the company. As a companion course, the conferees felt that forecasting techniques and analysis would be beneficial to learn as it is the method by which management is alerted to changes which could affect the future of the firm.

2. *Organizational Structures.*—Instruction in the principles of the centralized and decentralized organizations, when and why each is used, why personnel in key positions are successful in one system and failures in the other, transition problems experienced when going from one system to the other, and the management information systems each utilizes in order to function properly.

3. *Policies and Procedures.*—Where and how they are used, why they are developed after the organization is developed in order to avoid confusion and frustration within the organization.

4. *Management Objectives.*—How and why they are used as management controls. How management objectives, if based on company goals as set down in the long range plan, can accelerate and establish a direction to the development of a company by engaging and drawing out the talent of more individuals in the firm. How and why MBO has been accepted by a number of large firms as a key tool for motivation of employees at all levels. The above are examples and not intended as an exact list. Such courses would be applicable and of interest to employees of all sized firms. It was stated that the Universities of Texas and Oklahoma were being used to conduct some of the instruction being given to the employees of larger plants in the area.

V. *Energy.*—The energy discussions encompassed the future costs of energy caused by conversion to coal, the ACORN type political pressure to revise rate structures, and the difficulties caused by the lack of direction given the nation's energy policies.

Only one local plant has been ordered to convert their fuel use from oil to coal. A great deal of feasibility studies have been started, but much more remains to be done when governmental guidelines are finally settled.

One fact is known: the cost of KW and BTU's generated by coal fired equipment will be much higher than are present costs. The problem lies with the smaller plant which generates all or part of the electricity as well as its process steam. Such plants are not sure that they can economically convert with the same size generating plant. If not, they face closing or the development of some workable type of centrally located support for several plants.

The political pressure to readjust the rate structure placing a greater burden on industry is viewed with concern by all of the conferees. It was pointed out that industry is already subsidizing the rate structure of the home owner. It costs considerably more to deliver a KW to a home than to a plant due to the equipment and the investment which is involved. All of the conferees agreed that if the rate structure is readjusted, it will deter many future investments, and further add to the anti-business belief held by corporate management about the state's policies.

VI. *Insurance.*—Another problem, not uniquely applicable to this area, but of great concern to the shipbuilding industry in general, is the cost of insurance under provisions of the Longshoremen & Harbor Worker's Act. The premiums for this insurance have gone up approximately 100%. The cost could reach as high as 45¢ for each labor dollar. The insurance covers not only longshoremen, but anyone working near the water.

Formerly, fifty-three (53) companies wrote workmen's compensation insurance, now only three (3) companies are going to write this insurance. If the carriers refuse to write this type of insurance, companies will be forced to self-insure. The small companies cannot afford self-insurance, so they could be forced out of business. It was stated that approximately 75% of the Louisiana Shipbuilding and Boatbuilding and Repair companies are extremely vulnerable.

Of the 100 companies engaged in this business in Louisiana, only five or six are considered "large". In California, this act may eventually be responsible for the bankruptcy of at least 75% of the shipbuilding and repair firms.

One conferee commented that if you are a young man covered by the Act and killed in the shipyard, your beneficiary could collect between one-half million and one million dollars in a lifetime.

The shipbuilding representatives pointed out that much of the same type problem exists for them so far as product liability insurance is concerned. Insurance carriers are refusing to write this type of insurance because there is no statute of limitation. Here, too, companies are being forced to self-insurance. Only the larger firms can afford to do this, so here again, is a very real threat to the smaller companies.

Large firms can self-insure; however, the potential for claims, for example, on a large ship, are so large they could break a yard.

VII. *State Image*.—Concern was expressed by a number of the conferees over the poor image that the state has. They felt this to be unjustified. These opinions were expressed by men who had been employed by their companies in responsible positions in a number of other states, thus giving them the opportunity to make valid comparisons.

To a large degree, they attribute Louisiana's poor image to the unbalanced reporting of the negative by the news media. Instead of building up the good in the state and playing down the negative, as is done in many other areas, the reverse is true here.

They were quite certain this has had an adverse influence on attracting both needed professional personnel and new capital investment to the area. There can be no way of ever knowing how many firms never considered locating a facility in Louisiana because of the image the state has been given. The indirect undermining is very damaging to economic development efforts.

MOTIVATION

All conferees were interested in steps that had been taken by different firms in the seven parish area to try to change the "attitude" referred to earlier in this report. The manager of one of the national firms said he had been bothered by this for some time and decided to extend his firm's Management Objective Program to include all his employees. It was the firm's policy to include only supervisors. Now when a new employee joins the firm he or she is given an objective. Progress towards accomplishing the objective is part of the employee evaluation procedure. He is convinced that there has been a marked improvement in employee attitude because they have an objective in their work. He said his operating statistics (none were quoted) support his contention. He cautioned that all employee objectives must be based on plant and corporate objectives, otherwise there would be organized chaos.

Submitted by: Harry D. Hoskins, Jr., Chairman, Production Committee.

Members of the Production Committee: Mr. Harry D. Hoskins, Jr., Committee Chairman; Mr. K. J. Wheelahan; Mr. A. E. Holmes; Mr. R. S. Adams; Mr. D. C. Bowen; Mr. Clarence Breaux.

August 5, 1977.

Representative MOORHEAD. The Chair would now like to welcome his own Mayor, the distinguished Mayor of the city of Pittsburgh, the Hon. Richard Caliguiri. He has served in the executive branch of the city government, in the legislative branch as a member of the city council, and now as mayor of that city.

The Mayor has indicated that his program will have a second renaissance for the city of Pittsburgh. We would like to hear from you now, Mayor.

STATEMENT OF HON. RICHARD S. CALIGUIRI, MAYOR, CITY OF
PITTSBURGH, PA.

Mayor CALIGUIRI. Thank you for this opportunity. I might add I have also been pleased to cast my vote in your direction.

Mr. Cochairman, Mrs. Heckler, I think Mayor Landrieu has touched on a number of items that I certainly concur with and will not try to be repetitious. I also have a prepared statement that I would like to present for the record.

Representative MOORHEAD. Without objection, your prepared statement will be made a part of the record.

Mayor CALIGUIRI. Thank you. There is no doubt that we have to maintain and bring business back to our central cities. The problem that I see is a matter, once again, of image, of problems of the past of central cities which dealt with crime, transportation, high taxes, and of course deterioration of driving as well as people the business away from our cities.

A number of Federal programs are certainly available to help us on these endeavors and try to reduce these problems that we have. We are beginning to do that in our cities.

I find, as an example, our crime reduction is in fact a reality. We are turning the corner with housing deterioration with a number of housing programs. We are trying to implement a mass transit program and also settle our taxes. But yet, we still have the problem of what people feel and perceive the central cities to be, the environment, is it conducive to keeping business and bringing business back to the cities?

That is where the cities and the Federal Government must come together and try to show that you can conduct your business in the city. We do have the people, the land, items like that available to at least make these things available to you, that the environment is one that is conducive to good business, and of course, all this equals jobs.

Some of the things that we are doing in Pittsburgh, and you mentioned the key words there, Mr. Cochairman, the renaissance that we have initiated in Pittsburgh started last year. That is a catchy phrase, and there are a number of cities using that same phrase, renaissance. What does it mean? What does it say?

In Roman language it means a rebirth. I guess in a sense that is what we are trying to do, a rebirth, to bring it back. We have initiated a commercial loan program in Pittsburgh whereby a business going through a regular commercial financial institution borrowing money—the city of Pittsburgh will in fact come up with some funding to reduce the interest percentage two or three points. We are doing this with our own tax dollars. There is a problem we would like to see the Federal Government help us with, and get involved by the flexibility of some of your programs to even reduce that interest rate further.

What we have done with business is that each job we allow up to \$20,000. Multiply that by the number of jobs. If the new business can create five jobs, \$100,000 we will in fact write down that interest that you must pay.

Hopefully, this is paid back either in the addition or the new structure that we are looking for in the city. Our industrial loan program

will allow for reduction in the interest rates for industrial rehabilitation and expansion, and again, this is a formula that when used will help us ease the burden of business persons who want to establish a new business or rehabilitate the business that now exists.

Also at the State level there has been initiated what we call the Local Economic Revitalization Tax Assistance Act, or LODA. We are also trying to put nomenclature on these so we have our own bunch in Pennsylvania. This will allow in a sense for a tax abatement of up to 10 years for new development in the city. Pittsburgh right now is looking for the possibility of establishing its own legislation that will in fact incorporate this at the local level.

Here again, I must go not only to the city council but I am looking for school boards, the county, to also initiate some similar legislation and I would like to see the Federal Government waive any tax considerations that they may consider, because it should not be a burden that should fall to the local taxpayers alone. But a share in that responsibility certainly helps take the burden off. Ultimately we will all benefit in the long term by new taxes and jobs for our people.

Another program I would like to see the Government initiate, and Mayor Landrieu touched upon it, is the land availability in the central cities. Either we have vacant ground, as we have, as you are so familiar with Congressman Moorhead, in our downtown Pittsburgh across from our convention center. It is now owned by the railroads that are asking \$7 million for that land. We would like to purchase and, if possible, weight it down so we can encourage a new hotel or an extension of the convention center that is now under construction.

But for the city of Pittsburgh to pick up that total burden would essentially be too much for us to do with our own bond fund capability. A Federal program that would allow the city of Pittsburgh to borrow from such a program and to repay that when we receive our funds back from any redevelopers or developer that may come forward and give us those funds back. In that way we can repay the Federal Government.

Again, you take vacant ground and turn it into something that is usable, and once again a future taxable building is created rather than something laying dormant for 20 years.

I think these are the kinds of programs that I feel are basic and necessary to give a city like Pittsburgh flexibility to go beyond its own taxing powers, to allow us to take advantage of the flexible programs from the Federal Government.

I don't think that the mayors come forth so often asking for new moneys and additional funds, and certainly there are programs and projects that meet certain criteria that we do ask for new funds. But basically I would like to see the Federal Government allow us to use those funds as we feel necessary and to establish the priorities at the local level, establishing our own destiny, so to speak.

I would like to see more block grants, funds like the loan program so that we can determine how we can best utilize our funding and the Federal Government money by purchasing ground and then establishing new business. I think that is the direction we should go in. Leave us some discretionary funds so that the priorities that we establish back home—I think we can best put them to the most effective and efficient use for ourselves as well as the Federal Government.

You are looking for a successful program. We are, too. I would hope when we get into the questions and answering that we can be more specific on the type of Federal programs that will allow us to take advantage of the money where we give incentives back home. And when we do give incentives, I feel you should put out your hand in the same manner.

If it is a successful program, if it is a program that you feel you want to continue, let us take advantage of the Federal programs in a more flexible way rather than a categorical way as done in the past. I guess we should watch the programs that each city has rather than giving us a general overall program for the entire country. Allow each city with its own problems to deal with those problems specifically at home.

Mayor Landrieu has a specific problem in New Orleans that I don't have in Pittsburgh. Let us have a funding program take place where one can borrow that money and utilize that money the way we see fit at the local level.

Thank you.

Representative MOORHEAD. Thank you, Mr. Mayor, for your excellent testimony.

[The prepared statement of Mayor Caliguiri follows:]

PREPARED STATEMENT OF HON. RICHARD S. CALIGUIRI

Mr. Co-Chairman, and members of the subcommittee.

I am here today to discuss with you a problem whose resolution is essential to the survival of our cities.

It deals with the reports of our cities to keep businesses and jobs in the inner city.

Unless some positive and substantive measures are taken—and it will require a concerted joint effort on the part of local and Federal governments—we can expect devastating erosion of the economy in our cities.

I am not talking about a situation that may occur in the future—it is a problem with which we are now confronted—an issue that we—all of us here—must address ourselves to now.

We have recognized the need for immediate action to prevent such an exodus of business and jobs and our efforts have resulted in an encouraging degree of success.

I would like to make you aware of some of the programs we are implementing with the hope that they may be of some value to you or other cities as we search for methods to improve and expand them.

The most important step Pittsburgh has taken to meet the problem head-on was to establish a department of city development, staffed with an experienced and qualified director and capable assistants.

Its primary purpose is to assist businesses who want to remain in the city in dealing with solutions to their financial relocation and expansion problems.

The department attempts to locate available land and buildings for expansion and relocation purposes and offers training programs for the city's unemployed workers.

The department further offers its expertise and cooperation in providing long term, low-interest financing for business expansion and relocation.

While we have been offering these services for a relatively short-time, the response from the business community has been positive and we can cite several instances where business firms on the verge of leaving the city have been encouraged to stay.

Let me outline for you some of the specific programs Pittsburgh has available as inducements to retain business.

The commercial loan program: Through community development block grants we can reduce the interest rate for neighborhood commercial facade and interior improvements from 11 or 12 percent to 6 percent. And, in eligible areas, if

30 percent of the businesses utilize these loans, the city will provide up to \$200,000 for public space improvements—also through the use of community development grants.

Industrial loan program: This program allows a reduction of interest rates for industrial rehabilitation and expansion by two or three percent depending on the terms of the loan. The city's participation in an eligible loan is based on a formula of \$20,000 per new job created.

These are made on a city-wide basis through a combination of community development and city bond funds.

In securing either a commercial or industrial loan, companies must finance them through commercial lending institutions. The city merely provides an interest-reducing grant which, in turn, provides, an incentive for business development in the city which otherwise may not have been possible.

It is a good example of leveraging private development with a minimum investment of public funds.

Local economic revitalization tax assistance act (LERTA): This is a State act which Pittsburgh is considering for local implementation. It provides for an abatement of property taxes for a period of up to 10 years on new developments. This is an additional incentive for business to expand within the city. It should be pointed out that these incentives are geared to create new job opportunities as well as a better profit margin for businesses locating in the city. These profits are then subject to Federal tax which in effect allows the Federal Government to benefit from local incentive programs.

I feel there should be a program developed to allow an equitable return to the city for their incentive efforts. As of now, the cost to the cities is directly benefiting the Federal treasury. Unfortunately, these incentive programs, are not enough.

Pittsburgh's city development department discovered quickly that our basic problem is the lack of available land for industrial use.

Low interest loans must be made available by the Federal Government so cities can plan and build inner-city industrial parks. Such loans could be repaid as the acreage is sold to private industry or could be channeled into a revolving fund.

For example, in Pittsburgh our new convention center would be greatly enhanced by an adjoining hotel. The land is available but at an estimated cost of \$7 million.

If a Federal industrial loan program were available, we could borrow the money, sell the land for development and repay the Federal Government from the proceeds. Meanwhile, the hotel would provide service, jobs and insure a vibrant convention trade.

The money the Federal Government invested would be repaid in a more important way. Many of the new jobs would be filled by disadvantaged inner-city workers.

Urban development action grant (UDAG): This program requires that a massive urban development plan be prepared and a private developer be ready to proceed with the project before the grant application can be considered.

The result of this policy creates a situation where UDAG funds are channeled into a private development which probably would be realized without such help.

It would be more advantageous to the cities to be allowed to use UDAG funds in order to attract development into the city. It would allow a more flexible approach and, I believe, a better leverage of public involvement. No two urban areas are alike. Flexible Federal guidelines are needed. With rigid rules we will be in danger of tailoring our problems to the funding guidelines—rather than tailoring the funds to the problem.

I can assure this committee that Pittsburgh is making the most effective use of whatever Federal funds are being made available to it. We are implementing the programs and we are working in close cooperation with the business community.

I feel that what we are doing—within our limited financial capabilities—is effective and that the Pittsburgh business interests are conscious of and supportive of our efforts. But no city—no mayor—can turn the economic tide on their own in today's eroding economic climate. Nor should we be expected to do so.

The strength of this nation depends on the continued economic vitality and stability of its cities—its urban areas. This committee, the congress and the present administration is aware of this.

The cities and their mayors, I am sure, are prepared to work with you in resolving these mutual problems.

Thank you.

Representative MOORHEAD. The subcommittee would like to welcome Mr. Henry Schechter, director of urban affairs, AFL-CIO.

Mr. Schechter, please proceed.

STATEMENT OF HENRY B. SCHECHTER, DIRECTOR OF URBAN AFFAIRS, AFL-CIO

Mr. SCHECHTER. Mr. Cochairman, I do appreciate the opportunity to present the views of the AFL-CIO.

Jobs that reduce unemployment and increase purchasing power are the key to a city environment in which business can be retained. Without a stable source of income people cannot be paying customers needed to support enterprises that provide goods and services. In addition, large concentrations of unemployed young people in inner city neighborhoods give rise to despair, dope addiction and crime, an environment from which both businesses and residents flee.

In the context of maintaining the economic viability of the city, businesses which produce goods or services for regional or national markets are most significant. They provide primary employment and support for the economic base of the city. In deciding whether or not to move out, such enterprises are concerned with availability of land and building space, availability and quality of labor, taxation, transportation, safety of goods and employees, and housing and quality of life for executives and employees.

Businesses which provide goods and services for the population and for other businesses in the city and its environs generate secondary employment. They include retail establishments, food processing for personal and business services and recreation. Their ability to survive in the city depends largely upon the retention within the city of their customers, the residents who are employed in primary and secondary business enterprises, and also in a third set of nonprofit and public activities. An important quality of life element for residents is the quality of local public education, which is also important to the quality of the labor supply, about which industry is concerned.

The availability of adequate land and building space for businesses has to be provided at a cost which will make it reasonably competitive with the cost of such space outside of cities. Aid for that purpose is available through present Federal programs. A large potential source of such Federal aid is the community development block grant program. Some cities still have such land available from the predecessor urban renewal program.

Under 1977 amendments to the community development block grant program, there is specific authority for economic development activities that are appropriate to meet the objectives of a community's development plan. Funds can be used for the acquisition of real property and construction or rehabilitation of commercial and industrial structures, as well as public facilities, site improvements and utilities.

Two other existing programs specifically designed to fund economic development projects are the recently enacted Urban Development Action Grant program, UDAG, of HUD and the Economic Development Administration, EDA, program of the Department of Commerce.

To help meet the need for assisted capital investment in areas of high unemployment, however, the Congress should authorize a development bank to provide front money grants and below market interest rate loans. It should also approve the increased program levels for the Commerce Department's Economic Development Administration requested by the administration.

If the federally assisted economic development programs are to be of maximum benefit to cities and their residents, they must result in job creation or job retention. Under each of the Federal economic development programs, as a prerequisite for assistance, there should be a requirement for a definite commitment by an employer for a specific number of jobs requiring specified skills. To the extent that unemployed people with required skills are not available locally, unemployed young people should be trained to fill the job slots while facilities are being constructed. Such coordinated and targeted investment and employment could assure effective use of the limited Federal funds.

Educational inadequacies are a strong contributing factor to the high unemployment of young people of which there are large concentrations in cities. Young adults who have graduated from high school but have limited capacities in literary and arithmetic skills are not adequately trained for jobs in a technologically advanced society. The schools which fail in teaching children such elementary skills are also viewed as undesirable by middle- and upper-income residents who move to jurisdictions with better school systems. But inner-city schools are faced with many intractable problems associated with the high concentration of needy children that reside in urban areas. Federal and State assistance has to be increased, to help city school systems overcome the special problems they face.

The adequacy of public facilities affects the decisions of business and households about remaining in the city or moving away. Transportation facilities, water supply and sewage services have to be adequate and operable at price levels competitive with alternative locations in order to enhance the efficiency to business enterprises. Deterioration to the point of dangerous use or uselessness of major thoroughfares such as the West Side Highway in New York, or major bridges in Pittsburgh, or the sewer system in Chicago, impede the efficient operation of business enterprises.

Such unfavorable conditions also affect the quality of life of residents and cause them to flee to suburban communities. It would be an economical use of Federal public works program funds, therefore, if there were a separate targeted public works program to finance the necessary reconditioning of major public facilities in older cities. The end results would also be conducive to the retention of businesses and households by the city.

A cost element often blamed for move-outs by business is high taxation. The tax problem can be alleviated if cities are relieved of certain expenditure burdens which are not of their own making. The most prominent of these is the expenditure for welfare payments. The Federal share of the welfare payment program has to be increased. It would be helpful to some of the most distressed cities. The cities would

benefit directly and the States could have more funds available for aid to their cities.

There should be encouragement for the States to take over the entire burden of funding public education. Both as a matter of providing equal quality of education, as well as the fiscal relief of cities, the elevation of this function to the State level is necessary.

There should also be Federal encouragement for tax sharing within metropolitan areas such as in the Minneapolis-St. Paul Twin City metropolitan region.

The Federal tax structure should not encourage business to install new plant and equipment in new locations outside of cities.

Finally, an essential element of community development that must be coordinated with other types of assistance is the availability of adequate housing at prices or rents that residents can afford. In many, perhaps most cities, the private market cannot provide in-city standard housing that families with less-than-median income can afford. Relief within the next few years will require an accelerated increase in the supply of federally subsidized housing through new construction and rehabilitation of deteriorated units.

All of the aforementioned elements must provide a combined environment with enough economic and social viability to permit the survival of an existing or new business in an inner-city neighborhood. These considerations were reflected in a feature article in the New York Times of February 26 by Michael Sterne, dealing with the South Bronx, the classic example of an environment in which neither businesses nor residences have survived. The major points of the analysis are reflected in the following excerpts:

Two truths are basic . . . The first is that nothing will work in the South Bronx unless jobs are provided for the tens of thousands of poor people who live there. Only stable incomes will permit the people to sustain their housing, local services and retail businesses.

How are jobs to be created? Ways must be found to lower the costs and risks of operating a business in the South Bronx, which has lost 10,000 jobs and 300 businesses in the last 5 years.

Time also will be needed to provide the physical facilities needed for new businesses in the South Bronx. A prime site for redevelopment with Federal money is the Harlem River yard of the Penn Central Railroad—110 mostly vacant acres at the southern tip of the Bronx.

. . . But before factories and warehouses can be built there, roads, sewers, docks, water and power lines and an interchange with the expressway must be provided.

Another problem is which is to come first, government or private investment? Should companies willing to settle in the yard be found before tens of millions of Federal dollars are spent to develop it, as some Washington officials have asked? Or must the government spend the money first so New York will have something real to sell, as city and State officials have insisted? An even more basic question is how the new jobs can be reserved for South Bronx residents. No mechanisms now exist to do this.

Sterne has succinctly described the dynamics of urban deterioration in which business cannot survive. He has also identified the key element for restoration of an environment in which business can survive, jobs to reduce the concentrated high level of inner-city unemployment. Finally, he has posed the chicken-and-egg dilemma of which comes first—public investment in structural improvements or private investment commitment, complicated by the need to get local residents into the new jobs.

The realities of the situation require coordinated and cooperative planned economic development by the Government, industry, community resident, and labor groups. Industry must be induced to expand its forward planning to inner-city sites. Public investments can then be geared to meet the needs of the involved employers and local unemployed residents can be recruited and trained, as necessary, while construction is underway, to fill the job slots that will be created. A more targeted and tailored economic development process than has heretofore been employed will be necessary to solve the chicken-and-egg private-public investment dilemma, halt the snowballing economic deterioration process and restore an environment in which business can survive.

Thank you.

Representative MOORHEAD. Thank you, Mr. Schechter.
[The prepared statement of Mr. Schechter follows:]

PREPARED STATEMENT OF HENRY B. SCHECHTER

Jobs that reduce unemployment and increase purchasing power are the key to a city environment in which business can be retained. Without a stable source of income people cannot be paying customers needed to support enterprises that provide goods and services. In addition, large concentrations of unemployed young people in inner city neighborhoods give rise to despair, dope addiction and crime, an environment from which both businesses and residents flee.

In the context of maintaining the economic viability of the city, businesses which produce goods or services for regional or national markets are most significant. They provide primary employment and support for the economic base of the city. Such industries include manufacturing, finance and insurance, communications centers, intercity transportation and distribution, tourism, advertising and corporate regional or national headquarters. In deciding whether or not to move out, such enterprises are concerned with availability of land and building space, availability and quality of labor, taxation, transportation, safety of goods and employees, and housing and quality of life for executives and employees.

Businesses which provide goods and services for the population and for other businesses in the city and its environs generate secondary employment. They include retail establishments, food processing for personal and business services and recreation. Their ability to survive in the city depends largely upon the retention within the city of their customers, the residents who are employed in primary and secondary business enterprises, and also in a third set of non-profit and public activities. The latter include government, education, medical and cultural centers. In deciding whether or not to move to the suburbs, the residents are concerned with some of the same factors that concern primary businesses: transportation, safety, taxes, housing and quality of life. An important quality of life element for residents is the quality of local public education, which is also important to the quality of the labor supply, about which industry is concerned.

These are considerations for people who are employed in the city, but have the choice of residing elsewhere. For people living in the city who are unemployed or underemployed and can move to other locations with better job opportunities, that becomes an overriding consideration. It is of primary importance, therefore, to find ways of counteracting the various factors that cause businesses and jobs to leave the city. Furthermore, while each adverse factor has to be dealt with specifically, it is unlikely that any single element entering into the cost of doing business can, by itself, be effective. A concerted program to overcome as many of them as possible is needed to increase the probability of stemming the trend of outmigration of business and the related outmigration of people which causes the loss of more businesses.

LAND AND BUILDING SPACE

The availability of adequate land and building space for businesses has to be provided at a cost which will make it reasonably competitive with the cost of

such space outside of cities. Aid for that purpose is available through present Federal programs, and others are under consideration. A large potential source of such Federal aid is the Community Development Block Grant program. A city can use part of its share of the \$3.5 billion annual program for acquisition, clearance and resale of land at a price that would make its use for the intended purpose economically feasible. Some cities still have such land available from the predecessor urban renewal program. Relatively few of the cities receiving CD funds have used them in conjunction with economic development activities in the three years following the 1974 enactment of the program.

However, the potential for use of CD funds to further economic development, that would help retain business was substantially increased by 1977 amendments. A new dual formula for allocation of CD grant funds will substantially increase the amounts going to many older cities that can benefit from economic development activities. They will have more resources for public improvements, such as sewage disposal or parking facilities, that are beneficial to businesses.

ECONOMIC DEVELOPMENT

Under 1977 amendments to the Community Development Block Grant program, there is specific authority for public or non-profit activities that are appropriate to meet the objectives of a community's plan. Funds can be used for the acquisition of real property and construction or rehabilitation of commercial and industrial structures, as well as public facilities, site improvements and utilities. Such economic development activities are among many activities that can be funded under the Community Development program which has to benefit primarily the low- and moderate-income population of the recipient local community.

Two other existing programs specifically designed to fund economic development projects are the recently enacted Urban Development Action Grant program (UDAG) of HUD and the Economic Development Administration (EDA) program of the Department of Commerce. The funds available under these programs can only be used for activities to improve distressed local economies with high unemployment. It is contemplated that the Federal funds will be used to leverage private capital investment that would create jobs. The need for such programs is far in excess of current resources, as evidenced by the fact that in the first quarter-year of operation, there were applications for UDAG grants entailing requests for \$700 million in contrast with \$100 million, available.

To help meet the need for assisted capital investment in areas of high unemployment, the Congress should authorize a Development Bank to provide front money grants and below market interest rate loans. It should also approve the increased program levels for the Commerce Department's Economic Development Administration requested by the Administration.

JOB CREATION SHOULD BE REQUIRED

If the Federally assisted economic development programs are to be of maximum benefit to cities and their residents they must result in job creation or job retention. Each of the economic development programs should require, as a prerequisite for assistance, a definite commitment by an employer for a specific number of jobs requiring specified skills. To the extent that unemployed people with required skills are not available locally, unemployed young people should be trained to fill the job slots while facilities are being constructed. Such coordinated and targeted investment and employment could assure effective use of the limited Federal funds.

About half of all unemployed, some three million people, are those in the 16-24 year age bracket. High unemployment rates lead to high crime rates. Concentrations of unemployed black teenagers in inner-city areas are understated by the national unemployment rate of 39 percent for that population group. Idleness and discouragement and despair resulting from a persistent inability to obtain jobs fosters increased crime. Inner city youths have a probability of arrest for violent crimes that is more than tenfold times greater than for other young people. Studies have established that a 1 percent rise in unemployment is followed by an increase in rates of homicide, prison admissions and suicides. Even a small rise in violent crime rates is greatly magnified in a perception of greatly decreased safety which encourages flight from the cities.

High unemployment among young persons, increased crime, flight of middle- and upper-income families from the cities, the move-out of commercial and service industries and continued high unemployment is a familiar vicious cycle. A high priority must be given to new training-and-employment programs to overcome the high rate of structural unemployment.

EDUCATION

Educational inadequacies are a strong contributing factor to the high unemployment of young people of which there are large concentrations in cities. The quality of schools is also part of the mosaic of quality of life which causes city residents to move to suburbs. Young adults who have graduated from high school but have limited capacities in literary and arithmetic skills are not adequately trained for jobs in a technologically advanced society. The schools which fail in teaching children such elementary skills are also viewed as undesirable by middle and upper-income residents who move to jurisdictions with better school systems. But inner-city schools are faced with many intractable problems associated with the high concentration of needy children that reside in urban areas. In 1975, for example, slightly more than 23 percent of all children under 18 years old, and in families existing below the poverty line resided inside central cities. In New York City alone one could find 7.4 percent of all poverty level school age children. And for blacks, the concentration of impoverished black children residing inside central cities is particularly high—registering approximately 40 percent in 1975. These children typically perform at levels below that of their white counterparts, and thus have special needs requiring costly programs that further add to the high per pupil expenditures maintained by many city schools. Federal and state assistance has to be increased, to help city school systems overcome the special problems they face.

PUBLIC FACILITIES

The adequacy of public facilities affects the decisions of business and households about remaining in the city or moving away. Transportation facilities, water supply and sewage services have to be adequate and operable at price levels competitive with alternative locations in order to enhance the efficiency to business enterprises. These factors also enter into the quality of life of household residents that are employed in businesses and in governmental and cultural enterprises. Deterioration to the point of dangerous use or uselessness of major thoroughfares such as the West Side Highway in New York, or major bridges in Pittsburgh, or the sewer system in Chicago, impede the efficient operation of business enterprises.

Such unfavorable conditions also affect the quality of life of residents and cause them to flee to suburban communities. Given the comprehensive system of public facilities infrastructure of many older cities, the reconditioning or replacement of some major public facilities elements can be accomplished at a lower cost than through new construction of entire systems in new out-of-city locations. It would be an economical use of Federal public works program funds, therefore, if there were a separate targeted public works program to finance the necessary reconditioning of major public facilities in older cities. The end results would also be conducive to the retention of business and households in the city.

The liveability for residents employed by the businesses would be enhanced, more efficient movement of goods on roadways would be achieved, roadway maintenance expenditures could be reduced and energy conservation furthered with an expansion of mass transit facilities. Federal support for urban mass transit thus can also be an important element in keeping business in cities.

TAXATION

A cost element often blamed for move-outs by business is high taxation. The tax problem can be alleviated if cities are relieved of certain expenditure burdens which are not of their own making. The most prominent of these is the expenditure for welfare payments. The in-migration of technologically displaced agricultural and other workers has saddled certain cities and states with a large fiscal burden. The Federal share of the welfare payment program has to be greatly increased; it would be helpful to some of the most distressed

cities. The cities would benefit directly and the states could have more funds available for aid to their cities.

There should be encouragement for the states to take over the entire burden of funding public education. Both as a matter of providing equal quality of education, as well as the fiscal relief of cities, the elevation of this function to the state level is necessary. The real property tax base, which is the basic source for support of education, is much higher in relation to population in the suburbs than in the cities. State funding of this function would help to achieve equality in educational opportunity for all children in a state and relieve the fiscal plight of cities with large low-income populations.

There should also be Federal encouragement for tax sharing within metropolitan areas such as in the Minneapolis-St. Paul Twin City metropolitan region.

The Federal tax structure should not encourage business to install new plant and equipment in new locations outside of cities. That effect is fostered by a high investment tax credit. There have been proposals for an investment tax credit to favor localities with high unemployment which would include older cities. If this course is to be pursued, it should be done through lowering the present investment tax credit for new business installations outside of the high unemployment areas, rather than through any expansion of the present investment tax credit.

HOUSING

Finally, an essential element of Community Development that must be coordinated with other types of assistance is the availability of adequate housing at prices or rents that residents can afford. Due to the age composition of the population and lagging housing production over the last several years, there is a short supply of housing in many metropolitan areas. It has begun to generate a move-back of middle-income families to some of the older cities. A consequent inflation in housing prices and rents is causing lower-income families to be squeezed out of dwellings for which they cannot pay the increased taxes for rents. This sequence of housing market developments cannot help but lead to overcrowding in older neighborhoods and further inflation (through housing) which must raise the cost of living in cities. Higher costs of living will also mean higher wages and business production costs.

In many, perhaps most cities, the private market cannot provide in-city, standard housing that families with less than median income can afford. Relief within the next few years will require an accelerated increase in the supply of Federally subsidized housing through new construction and rehabilitation of deteriorated units.

SUMMARY AND CONCLUSION

All of the aforementioned elements must provide a combined environment with enough economic and social viability to permit the survival of an existing or new business in an inner city neighborhood. These considerations were reflected in a feature article in the New York Times of February 26th by Michael Sterne, dealing with the South Bronx, the classic example of an environment in which neither businesses nor residences have survived. The major points of the analysis are reflected in the following excerpts.

"Two truths are basic . . . The first is that nothing will work in the South Bronx unless jobs are provided for the tens of thousands of poor people who live there. Only stable incomes will permit the people to sustain their housing, local services and retail businesses.

"The corollary truth is that jobs alone will not solve the huge problems of this most troubled of New York's neighborhoods. Unless good schools, efficient health care and attractive housing in safe streets also are provided, the people who get the new jobs will move away, as thousands have before them. This would leave still-viable commercial centers like the Hub without customers. Stores would close, thousands of existing jobs would be lost, and the blight that already has wasted almost half the borough would spread to the rest.

"How are jobs to be created? Ways must be found to lower the costs and risks of operating a business in the South Bronx, which has lost 10,000 jobs and 300 businesses in the last five years.

"A battery of tax reducing incentives enacted by the state and the city has begun to bring down costs. But the risks of arson and thievery remain high. One cluster of factories on Bruckner Boulevard has been repeatedly pillaged

since last summer by a gang of squatter thieves camping out in burned out buildings. Businesses operating in such neighborhoods soon find themselves uninsurable. The companies either refuse to write policies or set premiums so high they are unaffordable."

"Time also will be needed to provide the physical facilities needed for new businesses in the South Bronx. A prime site for redevelopment with Federal money is the Harlem River yard of the Penn Central Railroad—110 mostly vacant acres at the southern tip of the Bronx.

"... But before factories and warehouses can be built there, roads, sewers, docks, water and power lines and an interchange with the expressway must be provided.

"The interchange would require Federal and state environment impact studies and could take several years to build. And just getting title to the land, which now is leased to ConRail, would take at least a year.

"Another problem is which is to come first, Government or private commitment? Should companies willing to settle in the yard be found before tens of millions of Federal dollars are spent to develop it, as some Washington officials have asked? Or must the Government spend the money first so New York will have something real to sell, as city and state officials have insisted? An even more basic question is how the new jobs can be reserved for South Bronx residents. No mechanisms now exist to do this."

Sterne has succinctly described the dynamics of urban deterioration in which business cannot survive. He has also identified the key element for restoration of an environment in which business can survive, jobs to reduce the concentrated high level of inner city unemployment. Finally, he has posed the chicken and egg dilemma of which comes first—public investment in structural improvements or private investment commitment, complicated by the need to get local residents into the new jobs.

The realities of the situation require coordinated and cooperative, planned economic development by the government, industry, community resident and labor groups. Industry must be induced to expand its forward planning to inner city sites. Public investments can then be geared to meet the needs of the involved employers and local unemployed residents can be recruited and trained, as necessary, while construction is underway, to fill the job slots that will be created. A more targeted and tailored economic development process than has heretofore been employed will be necessary to solve the chicken and egg private-public investment dilemma, halt the snowballing economic deterioration process and restore an environment in which business can survive.

Representative MOORHEAD. The subcommittee would now like to hear from Mr. James Howell, senior vice president of the First National Bank of Boston.

STATEMENT OF JAMES M. HOWELL, SENIOR VICE PRESIDENT, THE FIRST NATIONAL BANK OF BOSTON

Mr. HOWELL. Thank you, Mr. Cochairman and Congresswoman Heckler, distinguished members of the panel.

Mr. Cochairman, I have a prepared statement that I would like to submit for the record, and I will summarize it here.

Representative MOORHEAD. Without objection, your prepared statement will be made a part of the record.

Mr. HOWELL. As chief economist of the First National Bank of Boston, I have noted with concern the dramatic shift in manufacturing capital spending from the central cities in the economically mature regions to suburban and rural sites and to other regions. Manufacturing investment, it should be emphasized, is particularly critical to the economic well being of older cities. Central cities cannot survive on service industries alone. Yet according to recent Bank analysis of 41 New England cities, there has been an 18 percent reduction in the absolute level of manufacturing capital spending from

1972-76. When the effects of inflation are taken into account, this translates into a real decline of investment in these cities of more than 70 percent.

Although it is increasingly apparent that the principal cause of the cities' loss of manufacturing investment is the disproportionately high cost of doing business there, vis-a-vis, other more cost-effective locations, a great deal of misunderstanding remains about the factors underlying business investment and expansion decisions.

For example, based on my conversations with business executives throughout the Northeast, governmental policymakers have a tendency to overstate the importance of Federal "tax breaks" as an inducement to business to locate in the city while understating the need to control State and municipal government spending. In this connection, I am reminded of Mark Twain's admonition that "it is not what we don't know that hurts us, but what we do know that is wrong." It is through surveys such as the one undertaken by this subcommittee on "Central City Business Needs" that we are beginning to overcome this misunderstanding, replacing "what we do know that is wrong" with a grasp of the specific cost-price factors affecting business investment and expansion decisions.

The economics department of the First National Bank of Boston recently completed a similar study; and I would like to share the results with you today. The dual objectives of our survey were to identify the factors that are pushing business out of the city and to determine what it would take to bring business back into the city. I have confidence in these findings because I believe that a private sector institution, such as a bank, is in an ideal position to find out what businessmen really think.

Before turning to these findings, let me briefly emphasize the scope of the survey. Two hundred and twenty-six manufacturing firms of all sizes from the six New England States participated in the survey. Only a brief comment will be necessary about the spatial characteristics of the survey. The greater sample coverage in the southern New England States, vis-a-vis, the northern three should be kept in mind. This will be important in terms of the statistical validity of the conclusion derived below. Finally, the small-larger firm mix is sufficiently divided to provide representative insights into these questions by firm size.

One of the questions we asked was which factors were keeping the central city business operating in the central city. What we found was for the region as a whole, 5 out of 10 of the responses indicated that the firm had always been located in the central city. This seems to imply that inertia, more than anything else, keeps these firms in the city. Note specifically that this answer was more prevalent among large firms, which was surprising. The remaining responses for small firms with central city locations within the region were about equally distributed among the other factors.

We also asked business executives with firms in the central city about their longer run attitude toward their site location.

In a sense, we found these responses to be encouraging. More than one-half of the small firms and two-thirds of the large ones indicated their satisfaction with their central city location.

In another sense, it was disturbing that one-third indicated that they will ultimately move to a suburban location.

In the second part of the survey we tried to determine the opinions and attitudes of manufacturing firms operating in the suburban and rural areas in terms of their attitude toward the nearest, contiguous, large city. Specifically, we were interested in obtaining their attitude toward what it would take for them to move into the city.

Unquestionably, the most significant indication that may be derived from this set of observations is the importance given to the fact that a city is an asset in attracting workers. Overall, one firm in three cited the importance of this factor. Note should be made of the responses by firm size and especially the one-in-two, 53.3 percent, response in Massachusetts. We believe that this is providing us with valuable insights into the city's most positive asset—its labor availability—and pointing to the potentially important role of the CETA program in improving labor skills.

Finally, we were somewhat surprised about the low positive weight given to public investments, presumably for underlying infrastructure. These attitudes may well be giving us insight into the untapped potential for using Federal funds for public infrastructure in order to stimulate business growth.

Let me turn now to the attitudes of suburban firms toward their nearest city. In a more general sense, the number of negative responses should be compared to the number of positive responses. One particularly important difference shows through immediately; namely, four times as many firms expressed negative attitudes. This in itself is significant because it tends to reflect the deep negative convictions that businessmen have toward the city. Special note should certainly be made of the fact that of the 143 total responses in Massachusetts 128 were negative.

In a more specific sense, two other comments may be made. As expected and consistent with the views of business firms operating in the city were the concerns over high property taxation as well as congestion and crime.

Possibly the only noteworthy exception to the crime-property tax concern was the relatively high importance of the unsuitability of labor skills in the minds of Connecticut businessmen.

In the final question we were attempting to elicit a ranking, based on intensity of beliefs, about suburban attitudes toward their nearest central city. A number of conclusions seem to be suggested.

One, again the dual significance of crime and property tax reduction show through very clearly. But in this question another special consideration comes to the surface: The attitudinal aspect of municipal government towards business. The importance of this view should not be minimized for it suggests that perceptions of governmental attitudes do affect business locational decisions.

Two, the much lower ratings given to investment tax credits and accelerated depreciation are surprising. Many economists have apparently reached different conclusions and suggested that Federal tax incentives should play a dominant role in national policy initiatives. Our findings suggest that that approach may well not be the best answer.

Finally, careful consideration should be given to the various opinions and attitudes about labor market conditions in central cities. Some answers seem to minimize the importance of the availability of skilled labor, placing greater emphasis on property tax relief and crime control. This response must be interpreted with care because in other responses in this survey attitudes toward labor availability would appear more important.

For instance, one in eight noncentral city businesses regarded the lack of a skilled labor force as an impediment to relocation in the city. Among central city businesses, the nonavailability of skilled labor is an important factor pushing them to the suburbs.

I can conclude by making four points and then three policy recommendations.

First, the manufacturing firms that are now operating in the central city are there because they have always been there. While this does not seem to denote deliberate selection of a central city location, it is especially important to note that approximately two-thirds of them stated they will most likely continue their central city operations. This is not only encouraging, but it also demonstrates an unusual degree of confidence among some sections of the business community about the future of our cities.

Second, there are deeply seated negative attitudes among suburban business firms toward a central city site location.

Third, the critical swing factor to keep manufacturing establishments in the central city as well as to attract them back from the suburbs rests to a large extent on the supply, or availability, of skilled labor. It is obvious that labor markets for skilled blue collar workers are extremely tight throughout the economy. The general availability of labor, albeit mostly unskilled and semiskilled, is looked upon as an untapped potential by the central city and suburban manufacturers alike. This is an asset, and policy guidelines should build on it.

Departing from my statement, I would be remiss if I did not speak about the role of capital in the issue of business expansion in the city. The issue of capital constraints vis-a-vis urban institutional constraints is an issue debated quite often. Our research at The First National Bank of Boston suggest there are two distinct capital gaps. The first capital gap is nonavailability of long term senior debt financing for small-to-medium sized business firms. These are the very successful firms that do not have access to the bond market because of a lack of identity. Since they are small, the insurance companies show very little interest in financing them because of the costs involved in packaging and servicing their loans. Moreover, they are nonbankable because the banks themselves do not like to engage in term lending—10 to 15 year loans. That is the first gap.

The second gap is the role of venture capitalists in new business startups. The venture capitalist often finds himself in a situation where he is frozen into his venture or new startup because of a loss of the new issue market. The ability of the venture capitalist to continue to recycle his money and to engage in new startups is hampered by his inability to take the new firm public. Thus, the inability of the new issue market to take him out of the first round funding is the second capital gap.

I would like to conclude my statement by offering some Federal policy initiatives. I think as a first step we must recognize the inter-governmental nature of the problems affecting business, as highlighted in our survey. Clearly, there are different roles for different levels of government. Thus, while there are some actions that the Federal Government can take directly to strengthen the position of business especially in older cities, there are other actions by which the Federal Government can induce other levels of government to respond more effectively to these problems.

First, since crime was singled out as a significant factor by respondents in our survey, I believe crime prevention measures should be one key component of any Federal program aimed at keeping business in the city. I am aware that the U.S. Attorney General has recommended totally restructuring the LEAA program. Although I do not claim to be an expert on this subject, I believe that whether as a part of LEAA or some alternative program, the issue of crime prevention, especially as it relates to central city business districts, has to be adequately addressed.

Second, there is at least an equally important indirect Federal role in another area emphasized by survey respondents: High property taxes. The Federal Government has major programs already underway, such as General Revenue Sharing and Counter-cyclical Revenue Sharing, which are used to some extent for property tax relief; that is, Federal funds are substituted for local funds and consequently help to stabilize the local property tax rate. In this regard, I think it was a wise decision on the part of Congress to remove, in 1976, the so-called "priority categories" from the General Revenue Sharing legislation.

However, it is clear that major actions in tax relief for hard-pressed cities must come from the State level, for it is the State that possesses legal authority over cities. Several States have enacted innovative measures to bring about greater metropolitan fiscal equity, perhaps most notably Minnesota via metropolitan tax sharing. Nonetheless, these States are clearly the exception, not the rule.

If the forthcoming national urban policy contains additional funds for States to aid their distressed cities, the States should be required to demonstrate that they have taken, or are in the process of taking, meaningful actions to relieve the tax burden of cities, whether through tax sharing, modified metropolitan government, or some other means. The Federal Government can thereby induce States to assume a pivotal role in moving toward greater metropolitan fiscal equity.

Third, our survey clearly reveals the gains that could be made through more effective and expanded Federal job training and employment programs. This is surely an area where the Federal role is more direct and, indeed, even more significant. The attractiveness of a properly trained labor force is a major strength of a city and is particularly important to manufacturing firms.

Yet ironically, Federal job training and employment initiatives may actually be making it extremely difficult for businesses to operate in central cities. Let me briefly explain why. The bulk of CETA funds, which totaled roughly \$11 billion in fiscal 1978, goes toward public service employment rather than on-the-job training. Private

firms, especially manufacturing firms, are adversely affected in two ways: (1) the salary level of CETA employees, at approximately \$10,000 per year, makes it a more attractive alternative than many private sector opportunities, particularly in low-technology manufacturing industries and (2) the small, in fact minuscule, percentage allocated to on-the-job training vis-a-vis public service jobs means that there will be little impact on terms of private sector job creation from CETA funds. Of the \$37 million in CETA funds allocated to Boston alone in fiscal 1978, \$27 million was spent on public service jobs and only \$1.4 million for on-the-job training. The same story is retold in city after city across the northeast.

The Carter administration has recently proposed that \$400 million be allocated in the fiscal 1979 budget for a private sector training program for young and economically disadvantaged people. While the new effort would rely on the participation of employers through local private industry councils, the private sector role in the rest of CETA programming would remain virtually unchanged. To illustrate the significance of this point, let me cite some relevant figures. Massachusetts now receives \$275 million under CETA annually, but would receive approximately \$15 million under the proposed program, or about 5 percent of its current CETA allocation, hardly a strong commitment to training for private sector jobs.

Unquestionably, 1978 is the year to put the private sector priorities into Federal job training and employment programs.

While I am tempted to dwell at greater length on other Federal initiatives, I strongly believe that the private sector also must accept its share of responsibility. Therefore, I would like to tell you about an initiative among business leaders in the northeast which could represent a significant resource to Federal policymakers who are considering how to incorporate private sector needs/concerns into Federal programming. Specifically, I would like to call your attention to the recently created business advisory committee to the Council for Northeast Economic Action. The Business Advisory Committee is a group of 24 chief executive officers of large firms from the nine northeastern States who are in the process of developing a private sector agenda for the northeastern States. The committee is focusing on economic policy issues—especially those relating to the underlying cost of doing business in the city and its impact on private sector investment—to sharpen the focus of new governmental policies and programs. After all, it is not what we don't know that hurts us, but what we do know that is wrong.

Thank you.

Representative MOORHEAD. Thank you very much.

[The prepared statement of Mr. Howell follows:]

PREPARED STATEMENT OF JAMES M. HOWELL

I. INTRODUCTION

I appreciate the opportunity to testify today, for I strongly believe that the subject matter of these hearings—"Keeping Business In The City"—holds the key to the future vitality, indeed the very viability, of our older urban communities. I further believe that the Federal Government has an important role to play in encouraging business location and investment in these cities,

whether as part of the emerging national urban policy or through other, separate policy initiatives.

As Chief Economist of The First National Bank of Boston, I have noted with concern the dramatic shift in manufacturing capital spending from the central cities in the economically mature regions to suburban and rural sites and to other regions. Manufacturing investment, it should be emphasized, is particularly critical to the economic well being of older cities. Central cities cannot survive on service industries alone. Yet according to recent Bank analysis, of 41 New England cities, there has been an 18 percent reduction in the absolute level of manufacturing capital spending from 1972-76. When the effects of inflation are taken into account, this translates into a real decline of investment in these cities of more than 70 percent.

Although it is increasingly apparent that the principal cause of the cities' loss of manufacturing investment is the disproportionately high cost of doing business there vis-a-vis other more cost-effective locations, a great deal of misunderstanding remains about the factors underlying business investment and expansion decisions. For example, based on my conversations with business executives throughout the Northeast, governmental policymakers have a tendency to overstate the importance of Federal "tax breaks" as an inducement to business to locate in the city while understating the need to control state and municipal government spending. In this connection, I am reminded of Mark Twain's admonition that it is not what we don't know that hurts us, but what we do know that is wrong. It is through surveys such as the one undertaken by the Joint Economic Committee on Central City Business Needs that we are beginning to overcome this misunderstanding, replacing "what we do know that is wrong" with a grasp of the specific cost-price factors affecting business investment and expansion decisions.

The Economics Department of The First National Bank of Boston recently completed a similar study, and I would like to share the results with you today. The dual objectives of our survey were to identify the factors that are pushing business out of the city and to determine what it would take to bring business back into the city. Frankly, our findings run counter to some prevailing notions about business locational choices, however, I have confidence in these findings because I believe that a private sector institution, such as a bank, is in an ideal position to find out what businessmen really think.

Before turning to these findings, let me briefly describe the scope of the survey. Two hundred and twenty-six manufacturing firms of all sizes from the six New England states participated in the survey. The specific statistical characteristics of the survey are contained in the following table.

SPATIAL CHARACTERISTICS OF MANUFACTURING FIRMS IN FALL 1977 SURVEY

All firms	Mas- sachu- setts	Rhode Island	Con- nect- icut	Ver- mont	New Hamp- shire	Maine	Region 1 to 99 ¹	Small firms, 100 to 500	Large firms 100 to 500
Absolute numbers:									
Central city.....	35	9	14	0	4	2	65	21	8
Suburban.....	66	16	20	0	3	5	110	40	22
Rural.....	14	0	11	10	8	8	51	21	6
Total.....	115	25	46	10	15	15	226	82	36
Percentage of total:									
Central city.....	30.4	36.0	32.6	-----	26.7	13.3	28.8	25.6	22.2
Suburban.....	57.4	64.0	43.5	-----	20.0	33.3	48.7	48.8	61.1
Rural.....	12.2	-----	23.9	100.0	53.3	53.3	22.6	25.6	16.7
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ The small-large firm total—118—is less than the 226 sample total because firm size identification was not possible in all cases.

Only a brief comment will be necessary about these spatial characteristics. The greater sample coverage in the Southern New England states vis-a-vis the Northern three should be kept in mind. This will be important in terms of the statistical validity of the conclusions derived below. Finally, the small-large firm mix is sufficiently divided to provide representative insights into these questions by firm size.

II. RESPONSES FROM MANUFACTURING FIRMS OPERATING
IN NEW ENGLAND CENTRAL CITIES

In this portion of the analysis, we collected attitudes of executives of manufacturing firms currently operating in New England central cities. The results obtained from three questions are outlined below.

Question 1.—Which of the following factors necessitate your firm's operation in the central city?

- Face-to-face contact with other business firms is essential.
- My firm is a service industry serving the central city consumer market.
- The city provides services and/or facilities which may not be found in a suburban or rural location.
- The city site is important for access to the labor force I need.
- I have always been located in the city.

TABLE 1.—FACTORS KEEPING THE CENTRAL CITY BUSINESS OPERATING IN THE CENTRAL CITY

	Massachusetts	Rhode Island	Connecticut	Vermont	New Hampshire	Maine	Region	Small (1-99 employees)	Large (100-500 employees)
Absolute numbers:									
Face to face contact.....	7	1					8	5	
Serve central city market.....	7	2	2				11	4	
City provides needed services/facilities.....	5	2	4		2	1	14	6	2
Access to labor force.....	14	1	5		2		22	8	3
Always located in city.....	27	6	10		4	2	49	17	8
Total.....	60	12	21		8	3	104	40	13
Percentage of total:									
Face to face contact.....	11.7	8.3					7.7	12.5	
Serve central city market.....	11.7	16.7	9.5				10.6	10.0	
City provides needed services/facilities.....	8.3	16.7	19.0		25.0	33.3	13.5	15.0	15.4
Access to labor force.....	23.4	8.3	23.8		25.0		21.2	20.0	23.1
Always located in city.....	45.0	50.0	47.6		50.0	66.6	47.1	42.5	61.5
Total.....	100.1	100.0	99.9		100.0	99.9	100.1	100.0	100.0

These responses suggest a number of important insights into why a manufacturing firm stays in the central city. Two specific generalizations may be derived from these responses.

For the region as a whole, 5 out of 10 of the responses indicated that the firm had always been located in the central city. This seems to imply that inertia, more than anything else, keeps these firms in the city. Note specifically that this answer was more prevalent among large firms. The remaining responses for small firms with central city locations within the region were about equally distributed among the other factors.

Two rather distinct attitudinal characteristics seem to show through in the individual state responses. Specifically, the relative insignificance of labor access (8.3 percent) in Rhode Island is interesting. The greater significance (25.0 and 33.3 percent respectively) of needed city services and facilities in New Hampshire and Maine, while interesting, probably reflects a certain amount of remoteness of the more urban areas in these two states.

Question 2.—Which of the following statements best describe your longer-run attitude toward your current site location?

— I am satisfied with my present site location.

— I am dissatisfied with my present location, but I must remain in the city because of the nature of my business.

— Ultimately, it will be necessary/more cost-effective to move my business to the suburbs.

TABLE 2.—LONG-RUN ATTITUDE OF CENTRAL CITY BUSINESS TO CITY

	Massachusetts	Rhode Island	Connecticut	Vermont	New Hampshire	Maine	Region	Small (1-99 employees)	Large (100-500 employees)
Absolute numbers:									
Satisfied.....	17	3	10		2	2	34	14	6
Dissatisfied, but will stay.....	9	2	1			2	14	4	
Ultimately move to suburbs.....	12	2	14				28	8	3
Total.....	38	7	25		2	4	76	26	9
Percentage of total:									
Satisfied.....	44.7	42.9	40.0		100.0	50.0	44.7	53.8	66.6
Dissatisfied, but will stay.....	23.7	28.6	4.0			50.0	18.4	15.4	
Ultimately move to suburbs.....	31.6	28.6	56.0				36.8	30.8	33.3
Total.....	100.0	100.0	100.0		100.0	100.0	100.0	100.0	100.0

We regard these responses to be especially significant in terms of gaining insight into the willingness of the manufacturing firm to "stick it out" in the central city.

In a sense, we found these responses to be encouraging. More than one half of the small firms and two thirds of the large ones indicated their satisfaction with their central city location.

In another sense, it was disturbing that one third indicated that they will ultimately move to a suburban location.

There was considerable variation across the states and sharp contrast between Massachusetts and Rhode Island vis-a-vis Connecticut. Note specifically that slightly more than one half of the Connecticut firms stated their intention of ultimately moving to the suburbs, while far fewer Connecticut firms (4.0 percent) noting dissatisfaction with their location were willing to stay.

Taken together these three generalizations—especially the first two—not only indicate attitudinal variation in firms among six New England states, but more importantly point to an area of useful follow-up research. Specifically, it would seem most appropriate for the Joint Economic Committee to collect additional information about locational factors from the business executives in those firms indicating a willingness to stay as well as in those who will ultimately move. If the Committee would like to pursue this research, the Economics Department of The First National Bank of Boston would welcome the opportunity to work with you on this effort. Again, I would like to emphasize that it is in this kind of specificity in research which will allow us to overcome the dilemma posed by Mark Twain.

Question 3.—If you are considering relocating outside the city, which of the following factors would be influential in making this decision. (Rank from 1 to 5 with 1 being the most important.)

—My customers have moved to the suburbs.

—High property taxes in the central city.

—Central city crime and vandalism.

—Corruption/political patronage mean that city government is insensitive to business needs.

—Nonavailability of skilled labor.

A brief comment should be made about the manner in which responses to Question 3 were tabulated. This type of survey—that is expressing the intensity of one's attitudes through a preference scale—has been commonplace in statistical sampling for quite some time. Once the respondent has expressed his preference among alternatives, the response may be averaged across rows; thus, providing a cross-section weighting of all responses. The means derived from the sample are shown below. Keep in mind that the lowest is most important, the highest is least important.

TABLE 3.—FACTORS INFLUENTIAL WHEN CENTRAL CITY BUSINESS CONSIDERS A MOVE TO SUBURBS

[Lowest is most important, highest is least important]

	Mary- land	Rhode Island	Connecti- cut	Vermont	New Hamp- shire	Maine	Regional Average
Average:							
Customers moved to suburbs.....	3.9	5.0	5.0	.....	.....	.....	3.5
High property taxes.....	2.7	1.0	1.3	.....	.....	1.0	1.5
Central city crime.....	2.0	2.5	2.0	.....	.....	.....	2.2
Corruption/patronage makes city government insensitive to busi- ness needs.....	3.1	2.0	3.7	.....	.....	.....	2.9
Nonavailability of skilled labor.....	3.7	1.5	2.5	.....	.....	1.0	2.2

Again a number of generalizations may be derived from these responses.

It is not surprising to note that high property taxation is accorded the most significant (1.5 on a scale of 5.0). Repeatedly, other similar investigations have identified the same level of concern.

It was surprising that the issue of the non-availability of skilled labor was accorded equal significance with the issue of central city crime. Other studies have given more weight to the crime issue and less to labor force characteristics.

III. RESPONSES FROM MANUFACTURING FIRMS OPERATING IN THE
SUBURBS AND RURAL AREAS

In order to provide analytical symmetry to our analysis, we collected attitudes of manufacturing firms now operating in New England suburban and rural locations toward their nearest large central city. The results obtained from these two final questions are discussed below.

Question 4A.—How would you characterize your attitudes toward the nearest large central city as a business location?

—The city is beginning to offer special tax inducements and other incentives to businesses.

—City management of its financial affairs is improving.

—New public investments are being undertaken to meet the needs of businesses.

—City location is an asset in helping a business attract workers.

Businessmen who viewed cities positively offered the following observations:

TABLE 4A.—POSITIVE SUBURBAN/RURAL BUSINESS ATTITUDES TOWARD NEAREST CENTRAL CITY AS A BUSINESS LOCATION

	Massachusetts	Rhode Island	Connecticut	Vermont	New Hampshire	Maine	Region	Small (1-99 employees)	Large (100-500 employees)
Absolute numbers:									
City beginning to offer tax advantages.....	1	3	4	1			9	3	1
Improving city management.....	5	2	5		1		13	4	2
New public investment being undertaken.....	1	3	6			2	12	3	1
City location is asset in attracting workers.....	8	3	4	1		1	17	7	5
Total.....	15	11	19	2	1	3	51	17	9
Percentage of total:									
City beginning to offer tax advantages.....	6.7	27.3	21.1	50.0			17.6	17.6	11.1
Improving city management.....	33.3	18.2	26.3		100.0		25.5	23.5	22.2
New public investment being undertaken.....	6.7	27.3	31.6			66.6	23.5	17.6	11.1
City location is asset in attracting workers.....	53.2	27.3	21.1	50.0		33.3	33.3	41.2	55.5
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Again a number of generalizations may be made from the attitudes expressed in Table 4A.

Unquestionably, the most significant indication that may be derived from this set of observations is the importance given to the fact that a city is an asset in attracting workers. Overall, one firm in three cited the importance of this factor. Note should be made of the responses by firm size and especially the one-in-two (55.3 percent) response in Massachusetts. We believe that this is providing us with valuable insights into the city's most positive asset—its labor availability—and pointing to the potentially important role of the CETA program in improving labor skills.

Finally, we were somewhat surprised about the low positive weight given to public investments (presumably for underlying infrastructure). These attitudes may well be giving us insight into the untapped potential for using Federal funds for public infrastructure in order to stimulate business growth.

Question 4B.—How would you characterize your attitudes toward the nearest large central city as a business location?

—The city is congested and there is too much crime.

—Property taxes are too high.

—Inadequate public services for business compared to present location.

—Central city labor force is unskilled and not suitable for my business.

Respondents who had negative attitudes toward their nearest central city, characterized the problems as follows:

TABLE 4B.—NEGATIVE SUBURBAN/RURAL BUSINESS ATTITUDES TO NEAREST CENTRAL CITY AS A BUSINESS LOCATION

	Massachusetts	Rhode Island	Connecticut	Vermont	New Hampshire	Maine	Region	Small (1-99 employees)	Large (100-500 employees)
Absolute numbers:									
City congestion and crime.....	53	11	14	3	4	5	90	33	15
High property taxes.....	52	13	17	5	6	5	98	41	14
Inadequate services.....	8	4	4	1	1		18	7	2
Labor force is unsuitable.....	15	2	10	2		1	30	13	7
Total.....	128	30	45	11	11	11	236	94	38
Percentage of total:									
City congestion and crime.....	41.4	36.7	31.1	27.3	36.4	45.5	38.1	35.1	39.5
High property taxes.....	40.6	43.4	37.8	45.5	54.5	45.5	41.5	43.6	36.8
Inadequate services.....	6.3	13.4	8.9	9.1	9.1		7.6	7.4	5.3
Labor force is unsuitable.....	11.7	6.7	22.2	18.2		9.1	12.7	13.8	18.4
Total.....	100.0	100.1	100.0	100.0	100.0	100.1	100.0	100.0	100.0

In a more general sense, the number of negative responses in Table 4B should be compared to the number of positive responses contained in Table 4A. One particularly significant difference shows through immediately; namely, four times as many firms expressed negative attitudes—236 negative replies vis-a-vis 51 positive ones. This in itself is significant because it tends to reflect the deep negative convictions that businessmen have toward the city. Special note should certainly be made of the fact that of the 143 total responses in Massachusetts 128 were negative.

In a more specific sense, two other comments may be made.

As expected and consistent with the views of business firms operating in the city were the concerns over high property taxation as well as congestion and crime. Overall, these responses dominate all others.

Possibly the only noteworthy exception to the crime-property tax concern was the relatively high importance of the unsuitability of labor skills in the minds of Connecticut businessmen.

Question 5.—Whether your views are positive or negative, we are most interested in finding out what factors would encourage you to move into the city. Among the factors listed below, which would influence your decision the most (please rank from 1 through 7, with 1 being the most important).

—Accelerated depreciation for locating in central cities.

—Significant improvement in the availability of skilled labor in central cities.

—Significant reduction in central city crime and vandalism.

—Reduction of central city commercial property taxes.

—Favorable central city government attitude toward business growth and investment.

—Availability of new or improved public infrastructure/facilities (for example, sewer and power lines, waste water treatment plants, access roads, public transportation).

TABLE 5.—FACTORS INFLUENTIAL IN ENCOURAGING SUBURBAN/RURAL BUSINESS TO MOVE TO CENTRAL CITY

[Lowest is most important, highest is least important]

	Massachusetts	Rhode Island	Connecticut	Vermont	New Hampshire	Maine	Regional average
Average:							
Investment tax credit.....	3.75	4.22	3.29	5.0	4.5	2.0	3.79
Accelerated depreciation.....	4.31	4.22	3.25	4.0	4.75	3.6	4.02
Significant improvement in availability of skilled labor.....	3.73	5.20	3.88	6.0	4.75	3.57	4.52
Significant reduction in crime.....	2.97	3.39	2.64	1.0	5.00	2.71	2.95
Significant reduction in property taxes.....	2.49	1.73	3.29	1.5	3.00	1.78	2.30
Favorable city government attitudes toward business.....	2.83	2.64	3.68	2.0	3.00	2.29	2.74
New infrastructure.....	3.67	5.00	5.50	3.0	3.75	3.57	4.08

The final question followed the same conceptual path as Question 3 in that we were attempting to elicit a ranking (based on intensity of beliefs) about suburban attitudes toward their nearest central city. A number of conclusions seem to be suggested.

Again the dual significance of crime and property tax reduction show through very clearly, but in this question another special consideration comes to the surface: the attitudinal aspect of municipal government towards business. The importance of this view should not be minimized for it suggests that perceptions of governmental attitudes do affect business locational decisions.

The much lower ratings given to investment tax credits and accelerated depreciation are surprising. Many economists have apparently reached different conclusions and suggested that *Federal* tax incentives should play a dominant role in national policy initiatives. Our findings suggest that that approach may well not be the best answer.

Finally careful consideration should be given to the various opinions and attitudes about labor market conditions in central cities. The results shown in Table 5 seem to minimize the importance of the availability of skilled labor, placing greater emphasis on property tax relief and crime control. This response must be interpreted with care because in other responses in this survey attitudes toward labor availability would appear more important. In Table 4B, note that one in eight non-central city businesses regarded the lack of a skilled labor force as an impediment to relocation in the city. Among central city businesses, the nonavailability of skilled labor is an important factor pushing them to the suburbs. Furthermore, conversations with executives from the firms in the sample as well as countless others collaborate the importance of skilled labor in the central city. This is an important point and I shall return to it in my concluding remarks.

IV. MAJOR CONCLUSIONS

Several major conclusions emerge from these findings. First, the manufacturing firms that are now operating in the central city are there because they have always been there. While this does not seem to denote deliberate selection of a central city location, it is especially important to note that approximately two-thirds of them stated they will most likely continue their central city operations. This is not only encouraging, but it also demonstrates an unusual degree of confidence among some sections of the business community about the future of our cities.

Second, there are deeply seated negative attitudes among suburban business firms toward a central city site location. When asked to respond positively and negatively about attitudes to a move into the central city, five times (236 responses vis-a-vis 51) as many negative replies were expressed as positive ones. These negative attitudes were singularly noticeable among suburban Massachusetts manufacturing firms where 128 out of 143 replies were negative. Any new Federal initiatives must take into account the reality of these attitudes, or they will surely fail.

Third, the critical swing factor to keep manufacturing establishments in the central city as well as to attract them back from the suburbs rests to a large extent on the supply, or availability, of skilled labor. It is obvious that labor markets of skilled blue collar workers are extremely tight throughout the economy as a whole. The general availability of labor, albeit mostly unskilled and semiskilled, is looked upon as an untapped potential by the central city and suburban manufacturers alike. This is an asset, and policy guidelines should build on it.

V. FEDERAL POLICY INITIATIVES

What, then, are the implications of this survey for Federal policies to retain/attract business, especially manufacturing firms, in the cities?

I think that as a first step we must recognize the intergovernmental nature of the problems affecting business, as highlighted in our survey. Clearly, there are different roles for different levels of government. Thus, while there are some actions that the Federal Government can take directly to strengthen the position of business especially in older cities, there are other actions by which the Federal Government can induce other levels of government to respond more effectively to these problems.

In the remainder of my remarks, I would like to relate our survey findings to the kinds of actions the Federal Government should undertake to encourage business location and investment in older cities.

First, since crime was singled out as a significant factor by respondents in our survey, I believe crime prevention measures should be one key component of any Federal program aimed at keeping business in the city. I am aware that the United States Attorney General has recommended totally restructuring the LEAA program. Although I do not claim to be an expert on this subject, I believe that whether as part of LEAA or some alternative program, the issue of crime prevention, especially as it relates to central city business districts, has to be adequately addressed.

Second, there is at least an equally important indirect Federal role in another area emphasized by survey respondents: high property taxes. The Federal Government has major programs already underway—such as General Revenue Sharing and Counter-Cyclical Revenue Sharing—which are used to some extent

for property tax relief; that is, Federal funds are substituted for local funds and consequently help to stabilize the property tax rate. In this regard, I think it was a wise decision on the part of Congress to remove, in 1976, the so-called "priority categories" from the General Revenue Sharing legislation.

However, it is clear that major actions in tax relief for hard-pressed cities must come from the state level, for it is the state that possesses legal authority over cities. Several states have enacted innovative measures to bring about greater metropolitan fiscal equity, perhaps most notably Minnesota via metropolitan tax sharing. Nonetheless, these states are clearly the exception, not the rule.

If the forthcoming national urban policy contains additional funds for states to aid their distressed cities, the states should be required to demonstrate that they have taken—or are in the process of taking—meaningful actions to relieve the tax burden of cities, whether through tax sharing, modified metropolitan government, or some other means. The Federal Government can thereby induce states to assume a pivotal role in moving toward greater metropolitan fiscal equity.

Third, our survey clearly reveals the gains that could be made through more effective and expanded Federal job training and employment programs. This is surely an area where the Federal role is more direct and, indeed, even more significant. The attractiveness of a properly trained labor force is a major strength of a city and is particularly important to manufacturing firms.

Yet ironically, Federal job training and employment initiatives may actually be making it extremely difficult for businesses to operate in central cities. Let me briefly explain why. The bulk of CETA funds—which totaled roughly \$11 billion in fiscal 1978—goes toward public service employment rather than on-the-job training. Private firms, especially manufacturing firms, are adversely affected in two ways: (1) the salary level of CETA employees, at approximately \$10,000 per year, makes it a more attractive alternative than many private sector opportunities, particularly in low-technology manufacturing industries and (2) the small, in fact miniscule, percentage allocated to on-the-job training vis-a-vis public service jobs means that there will be little impact on terms of private sector job creation from CETA funds. Of the \$37 million in CETA funds allocated to Boston alone in fiscal 1978, \$27 million was spent on public service jobs and only \$1.4 million for on-the-job training. The same story is retold in city after city across the Northeast.

The Carter Administration has recently proposed that \$400 million be allocated in the fiscal 1979 budget for a private sector training program for young and economically disadvantaged people. While the new effort would rely on the participation of employers through local private industry councils, the private sector role in the rest of CETA programming would remain virtually unchanged. To illustrate the significance of this point, let me cite some relevant figures. Massachusetts now receives \$275 million under CETA annually, but would receive approximately \$15 million under the proposed program, or about 5 percent of its current CETA allocation—hardly a strong commitment to training for private sector jobs.

1978 is unquestionably the year to put private sector priorities into Federal job training and employment programs. The CETA program will be coming before Congress for reauthorization this year. Moreover, the Humphrey-Hawkins bill and Federal Welfare Reform—both with significant job training and employment features—will also in all likelihood be considered by Congress later in the year. In short, the decisions Congress is about to take this year on training and employment issues—issues critical to the business community and its future locational decisions—will have repercussions for many years to come.

Summing up the common thread running through these remarks is the absolute essentiality of restructuring Federal program priorities to reflect private sector concerns. A reconstituted CETA program, in particular, could be an important opening wedge into a whole cluster of issues affecting the attractiveness of the city environment to business firms.

While I am tempted to dwell at greater length on other Federal initiatives, I strongly believe that the private sector also must accept its share of responsibility. Therefore, I would like to tell you about an initiative among business leaders in the Northeast which could represent a significant resource to Federal policymakers who are considering how to incorporate private sector needs/concerns into Federal programming. Specifically, I would like to call your

attention to the recently created Business Advisory Committee to the Council for Northeast Economic Action. The Business Advisory Committee is a group of 24 chief executive officers of large firms from the nine Northeastern states who are in the process of developing a private sector agenda for the Northeast. The Committee is focusing on economic policy issues—especially those relating to the underlying cost of doing business in the city and its impact on private sector investment—to sharpen the focus of new governmental policies and programs. As one who helped to create the Business Advisory Committee, and speaking on behalf of the Committee members, I would like to express our strong desire to work with the Joint Economic Committee in its future efforts to identify ways of “keeping business in the city.”

In closing, I would like to return to Mark Twain's observation, which was set forth at the outset of my remarks. There is only one way out of the dilemma of making urban economic policy based on “What we do know that's wrong.” Sporadic involvement of the business community on specific policy issues, however important, constitutes only part of the answer. The most promising avenue for “keeping business in the city” is an ongoing public/private sector dialogue. Let me conclude by assuring you that if you call upon us for assistance, we stand ready to participate with you in this dialogue.

Representative MOORHEAD. Congresswoman Heckler, do you have any questions?

Representative HECKLER. Thank you very much, Mr. Cochairman.

I would like to thank all of the panelists and all of the witnesses. I am encouraged by the fact that we do have a panel which reflects the great broad spectrum of the economy, private sector, labor management, and the public sector.

I think this is exactly how the solutions are going to be found.

I am very interested, Mr. Howell, in your statement for many reasons. but looking at just one aspect of your survey, the question of the availability of this skilled market, the desirability of the skilled labor.

You did not touch on the issue of training in terms of educational location, the location of academic institutions providing more skills to meet the job market. It seems to me there is a colossal lack of language between the location of our educational programs, even sophisticated vocational education, and job opportunities.

Now, the Government is not addressing this issue. Is this something you have thought of, our doing anything in terms of your research? Or do you have any suggestions in this area?

Mr. HOWELL. The issue in our State is that on paper we have a very strong and flexible vocational education system that, in reality, doesn't work very well. Business firms do not communicate precisely their needs for labor.

In the first place, communications break down. I do not know whether my colleague on the panel from organized labor would agree with this, but we certainly found that the vocational-technical educational system does not want to have anything to do with organized labor.

What often happens is that a worker is trained, and then he must be retrained once he goes into a manufacturing plant that is organized and has an apprentice program.

In a sense the system breaks down because three or four participants do not talk to each other. The place where we can start to resume the process is identifying those labor skills that business needs to attract the worker to the city.

Representative HECKLER. Are you suggesting that this should be handled by the State? Or that the Federal Government could develop a mechanism to meet this?

I am very concerned that we are allocating a great deal of money and training but not creating jobs, and much of our educational allowances, for example, study allowances and veteran benefits, tend to create and tend to end opportunities there. It seems that there is no Federal mechanism.

Not only are the parties not speaking, but there is no framework for the kind of coordination that we need. What kind of a Federal responsibility would be desirable, or would one be desirable?

Mr. HOWELL. I think there are two things that are very important. First of all, there should be a specific stipulation attached to any Federal funds that are given for occupational forecasts through the Department of Labor, that there has to be a certain amount of dialogue among business, labor, and the educational community.

In other legislation, such as general revenue sharing, there are specific procedures for citizen participation. Just as a citizen participation requirement has been incorporated into many programs, the same sort of principle, but mandating private sector participation, ought to be a part of the eligibility requirements for occupational forecast funds.

My second point is that Congress should consider spending more money on blue collar professional education and less on college education.

I think the notion that everybody in Massachusetts has to have a college degree is one of our biggest problems. As you know, we have some of the most affluent and intelligent cab drivers on the face of the Earth.

Representative HECKLER. That is exactly right.

Mr. SCHECHTER, would you like to respond to that?

Mr. SCHECHTER. I think it would be difficult for the organization of the educational systems to be able to be flexible enough to change their instruction patterns; for example, to be able to meet changing needs of labor markets.

There are other means of doing it. Funded with Federal support, AFL-CIO, for example, sponsors the Human Resources Development Institute, which operates in a number of cities. We recruit people from the highly-concentrated employment inner city areas and work with employers to find out exactly what their needs are. Then we give the young people some initial preparation, for example, if they lack arithmetic skills and need them for their job.

Shortly after, they can be put on a job for additional training. This sort of program has been very successful. The Labor Department will use some of its CETA funds in the coming year to support more of that type of activity, not only with our Institute, but with others as well.

Representative HECKLER. Do you feel there should be more conversation and coordination of those who draw the forecasts and existing businesses in an area?

Mr. SCHECHTER. I think the forecasts are important, but I think they are saying, in effect, Let us depend on the traditional market forces.

Here is a forecast, and presumably somebody will say there are job opportunities here. But I am not sure forecasts work very well, because the economy has a tendency to change even with all the best forecasts—for example, the surplus of elementary schoolteachers. Perhaps nobody foresaw the drop in the birth rate.

In the inner city, I think we are faced with a situation which has to go beyond dependence on the traditional market forces. When we have high concentrations in certain neighborhoods of unemployed youth, where the national average unemployment rate is 40 percent in those areas it's 50 and 60 percent in some urban areas.

The usual market forces cannot work to have an impact to counteract the despair and the generation of criminal activities in such neighborhoods. It takes a very tailored program, I think, with the cooperation of industry that is willing to come in, with incentives from the Government and have training that is tailored to the jobs that will be created.

I think we cannot, in all candor, rely upon the type of development that we had under urban renewal. We need something that is more direct and more immediate.

Representative HECKLER. Mr. Howell, if I could get back to you on the subject of CETA. I am very concerned. I have, as you know, a district in which we have had heavy unemployment. It has been ameliorated somewhat, as the economy has improved nationally, but never as much as the national economy.

I am very concerned not only with the unemployment in the inner city but also with unemployment among the Vietnam veterans, which is singularly high.

My concern is that, again, it tends to be a very limited opportunity. I have seen many areas in which individuals have been productive, and in fact, have contributed a great deal, but at the end of the year they are at the dead end of their careers; nothing more will happen.

I think it will be very necessary to continue that. I personally feel very strongly that we must attract more people to the private sector, and must make it attractive for business to hire workers whose training will lead potentially to a longer-term job or a career.

How can we do this? What should we do? For example, the President, as you know, proposed a higher program which requires that private enterprise employ a very high number of Vietnam veterans at one time. Well, very few companies can absorb the requisite numbers. Therefore, the program is not being utilized.

I see the private sector jobs as being the most desirable for all the unemployed in the society. What would be the best incentive to insure that people are getting the jobs that will lead to future opportunities and skilled training and so forth, so that the old charge of unjust enrichment of business will be answered, and so the society will be the beneficiary in the sense that individuals will be given a chance to not only work, but to work initially at something that offers them a long-range hope of future employment?

Mr. HOWELL. My departure point in answering that question is that the ability of some of these Federal programs to work relates to a large extent to the fact that growth is taking place. If the natural

dynamic forces of our economy are sufficiently strong and job creation is taking place, then it is relatively easy to make a CETA program work, to train people and put them in positions.

On the other hand, I do think that the Federal Government has a major responsibility to insist that the private sector find new job opportunities with career ladders. A large part of why people are not attracted to a particular industry is that they don't see a visible career ladder. Not everybody wants to be the president of the company, or even the shop manager, but if he can see a career ladder, it has a very salutary effect on his attitude.

Representative HECKLER. If you were told that you could write any program, that your major problem was to write employment for the Vietnam veterans, what would you do tomorrow?

Mr. HOWELL. That is an interesting question. If it were applied to keeping business in the city, I would do several things simultaneously.

First, I would insist at the Federal level that a willingness to participate in a metropolitan tax-sharing arrangement be a precondition to a State's or community's receiving funds under countercyclical revenue sharing or general revenue sharing.

This would tend to mitigate some of the adverse effects of high property taxes on business firms operating in cities.

Second, I would insist that an increased ratio of CETA funds should go to training for private sector jobs. The private sector should, in turn, document their needs for the use of those funds to train blue collar workers on the job in central city plant locations.

Third, would be a preference point system under certain Federal programs for the "targeted" group, be it business in the city or, in the case you cited, veterans.

Representative HECKLER. Then, in terms of your first suggestion, it is a variety of the metropolitanization, which has a great deal of merit, but it still is very difficult to achieve politically.

The second point involved is larger allocation of CETA funding to the private sector. Now, that is realizable and may be the best thing we can do.

And the third thing will be handled by the Federal Government.

Again, I see that the private sector's involvement seems to be the key in terms of what we can do specifically, and the question is how we can devise a piece of legislation that will support the aims of employing the veterans and others, and at the same time, be sound for the whole economy.

Now, I would just ask you—you have been talking about this, but I am so intrigued by this panel. I have just one other question for Mr. Schechter.

The chicken and the egg, in terms of what we are talking about today, I think we are coming to a new awareness in job creation. No longer do we say that Washington will send all the money and really provide all the jobs, because in Washington we did not resolve the unemployment problem. We provided a temporary gap, some temporary relief, but without a long-term answer.

The problem that I have and the difficulty is this question of the chicken and the egg, in terms of the profit motive service, the social conscience. The social conscience makes others respond to the social needs of the society. At the same time business must. In this free enterprise—which I personally support and consider essential in terms of

the future of the economy of the country, it is motivated by the profit motive; therefore, it will and must remain because that is their ultimate responsibility.

So is it not necessary, in view of the fact that business must feel some sense of certainty—businesses concerned with inflation, businesses concerned with expanding deficits—that possibly the first priority cannot be all of our social needs to the exclusion of the business views.

If we are really going to resolve the social problems, we have to deal with business anxieties and problems, and give it a priority that we have not in many years.

Mr. SCHECHTER. Let me perhaps go back to another period of history, another country also.

You may know when Bismarck was Chancellor of what was then his part of Germany, in 1883, he introduced social security; the first country in the world that had social security. I think this was a far-reaching outlook for the preservation of private enterprise and business.

In our country, I believe we have advanced over the years. We have had innovations with additional government intervention as necessary. I believe that the unemployment problem in the central cities presents something of a magnitude and intractability that we have not faced before, so it needs new types of measures.

I think private enterprise must be involved, and the terms on which they are willing to be involved, I think, is a matter for negotiation. How much do we need in the way of incentive? And what type of incentive?

I think it requires much more of a dialog between governments at all levels, perhaps more at the Federal level because most of the support will come from that level.

Now there are dialogues that go on between the Federal Government and industry on matters of energy and other matters in the environment, but there is not enough dialog, I think, on an effort for job creation to help save the central cities. I am hoping that by that dialog we could arrive at terms that are satisfactory.

Representative HECKLER. Thank you.

I would like to say, Mr. Cochairman, I have not questioned our mayors, but I would like to congratulate them on innovative programs that do meet the central questions. I feel very strongly that there is a new awakening among the mayors of the country, and there is certainly a new spirit of dialogue between business and labor fortunately.

And now the central question is: How will the Federal Government best support all of your efforts? Our mayors have contributed very valuable contributions.

Mayor LANDRIEU. I want to venture a couple of observations.

In my judgment, the problem is not the question of skills. You may have a particular industry that needs high technology, but has difficulty employing from a local labor market the number of skilled employees that it needs.

I will give you an example. In New Orleans, when the space program moved down there, there simply were not enough highly skilled people to supply the 10,000 employees that that industry required. Indeed, had we had that many highly skilled employees,

they would have been sitting there waiting for a generation for the space industry to come, and when it closed down, they would have found themselves jobless again.

The problem simply is, in my judgment—and perhaps it is an oversimplification—that there are not government jobs there.

Every place that I have seen where a new industry has opened, they have had 5 or 6 openings, and 10 or 20 applicants for every job. This happened in St. Louis 2 years ago. We were having a meeting in a plant that had been temporarily closed during the recession; it announced that it was opening, and it created a traffic jam for miles and miles.

When Atlanta opened its CETA office, they literally had riots.

The shortage is not the availability of the skilled workers; the shortage is in the job production. I don't have great faith in the fact that the private sector is going to artificially create jobs. I do not see any reason for them to artificially create jobs.

Now if the Federal Government wants to use them as a supplement, then the Federal Government can pay for that, just as they pay for CETA jobs.

Bear in mind what we are doing here: We are taking on a burden, treating it as a reality, and creating a social good. Instead of a welfare system or instead of a minimum income system, we are insisting that someone be employed even though he is not carrying his own weight in terms of the ultimate cost benefits of that particular employee.

The private sector has never had any difficulty in mass training the number of employees that they need. I do not think they have great faith in the job-training programs. I have not seen them work that effectively.

We can train people, and we do. All of the cities are in the training business now. But there is no guarantee that the job after that training will be open or even will be there.

I also reject the concept that everyone is looking for a career job or a job with a career ladder before it. That is certainly not my experience. Most people who are out of work want a job and basically will take any kind of reasonable job that is available.

We somehow or another have planted in the minds of the people of this country that all work is not meaningful, that in order for you to have a meaningful job, you have to look ahead to some continuing advancement. I think that is contrary to the experience we have had in this country. There are millions of Americans who were bus drivers and who remained bus drivers the rest of their lives in a very meaningful and successful way.

There are many others who want to work in a plant, have worked on an assembly line all their lives and led a very fruitful and productive life, and have made a great contribution to this country and to their families.

But we are inclined today to think in terms of meaningful jobs as more than an honest day's work and that something less than a white collar job is not meaningful.

I have to reject that concept. If Congress would listen to the mayors once in awhile, I do not think you would be overly optimistic. I do not think there is a mayor who thinks that you are going to solve unemployment. As a matter of fact, we could measure and then tell you how many people, with the numbers of dollars you gave, we could put on the public payroll.

Now, if there is a market of 6 or 7 million unemployed and you create 500,000 or a million public service jobs, we can tell you you are not going to solve the 6 million problem.

The CETA program has worked very successfully in our judgment. It was not intended to be a permanent job but only as a stopgap measure until the private sector would get geared again and provide employment for everyone in this country.

It has not happened, and we do not expect it to for a number of reasons, one of which is, we are consistently going to more capital-intensive kinds of businesses that require less labor and not more labor. I think you can see this with the computerization in banks. Now we are going to do banking by telephone. All you have to do is dial your phone somehow or another, and your charge account gets credited or debited, and then you eliminate all the reaction, and hopefully, you eliminate the possibility of mistakes, because the transaction is electronically controlled.

Banking is only one industry, but this process is taking place over and over again. If you want to see another industry that is employing less and less people, look at the ports of this country. One of the huge fights in labor-management is in the cargo hangups. We are now going to massive ships; we are going to containerization, railroads to piggyback, and everything is designed to reduce labor costs, either because of the tax laws, or because of increasing labor costs, or whatever; it is more economical to use capital intensification rather than employees.

So you have that one thing working on one side. The other thing we have not touched upon is the number of people entering the labor market. I have serious doubts as to whether there are more unemployed people today than there were 20 years ago. Many people just come across the table at me when I say that. I find it difficult to believe that there is a higher level of unemployed youths today than there was 15 or 20 years ago.

I know all the statistics say that. But I want to suggest to you that we were not counting people who are out of the labor market.

In the city of New Orleans, which is 50 percent black, we are greatly concerned about the number of youths who are out of work, who want to work. But, I dare say that if that figure is 30 or 40 percent—and I am not making little of that—that frightens me to death.

The fact that there are people who want to have a job and do not have it—I find it difficult to believe that that number is greater than the number of black youths in that city some 30 or 40 years ago. I do not think any black youths were employed. If you measured, I think you would have found an 80- to 90-percent unemployed ratio. I do not know if they were employed or not, because there were no statistics taken then. They were not saving in the bank. They were not working in the restaurants. I do not know where they were employed. There must have been an invisible employment for them.

The same thing is true of women, particularly in the South. Maybe in Houston and the Midwest it is different, but only somewhat diluted in those sectors where women were in the work force. But according to the facts, we were basically a one member per family employee. Now we are moving to the two and three member per family employees, and hence, we see the contradiction at election time,

and the contradiction was brought home very visibly in the last election of Carter and Ford, with one saying that we have employed more people than ever before in the United States, and the other saying, yes, but there are more people unemployed.

There are far more people in the labor market—far more—who want to work; and yet we have created more jobs.

So it is a very serious dilemma. I am like everyone else. I know what the problem is, but I am not sure that I have a solution to it. I think we are looking for quick fixes that are not going to work, not in my city, in any event; and I do not think it is going to work in Pittsburgh or any place else.

There is going to be a reinvestment in the cities. Most of the cities are bouncing back, cities which we had almost written off, such as New Orleans, and St. Louis; New York certainly has, and still is, and so is Detroit.

—There are blossoms, at least, of some renewal that has taken place in the central business district.

—I am not terribly concerned, except because of political consequences, that industry moves across a political boundary. To me, that is a curable problem. And it is curable because it may be difficult, but we can change the structure so that if an industry moves from the inner city into the suburbs, and if it remains in the political jurisdiction, then we would still be sharing the taxes and all of what that industry generates.

But the fact of the matter is that it is moving outside of that political jurisdiction, and that causes the difficulty. Every mayor and executive council has the task of trying to retain that industry. In fact, it would probably be better if we had a unified metropolitan area where it could operate more effectively and more efficiently, rather than to force them to stay in the inner city where they were not operating effectively and efficiently.

In my judgment, that reduces the Nation's capacity, and its productivity.

The problem is when you lose that business, then you have lost a part of your tax base and have created an erosion in many other areas. So we have to do some radical surgery in terms of changing the political boundaries and in defining the responsibility of the Federal Government, and that which the local and State governments have to assume.

I agree that cities cannot become solely service centers, but I think it is unrealistic also for us to expect, and to work at trying, to retain the image that cities have as the major industrial bases. We are in a system of horizontal production, for one thing, and if a plant indeed takes a hundred acres to operate efficiently, I do not know how you find it in the time frame allotted—a hundred acres in a city at a price anywhere near what you could find it for in open, vacant lands.

So it is a question, I think, of distribution, of offsetting the revenues that are lost. That can be done through using the State and Federal taxing powers and returning funds to those jurisdictions that are now disadvantaged, for their development and for sustaining purposes.

People have a tendency to move into the suburbs, not only with jobs, but with their persons, because they also can continue to have

access to the center cities. I dare say that few people would be moving out if in fact they could continue to have the advantage of the culture and relationships that the inner city still offers.

But they are permitted to do that almost tax free. The businesses also do that almost tax free. A certain depopulation is essential. It is no great political threat for a man to be faced with a charge at election period that the city has lost x numbers of people, because we deal in gross concepts, and the reduction of numbers suggests to us an illness when in fact it could be a healthy thing.

Most of us have been overcrowded in the central cities. I am not greatly concerned that we are being depopulated from 700,000 to 650,000. We are having better housing now. But this depopulation becomes negative when, in fact, you reduce down to 500,000, and suburbia is now 600,000. Thus, 500,000 are required to pay not only for themselves but for the 600,000 living on the border.

So there is a structural imbalance and political imbalance that has to be corrected. I don't say the other programs are not helping while we are looking for intermediary assistance. But I don't think those represent long-term solutions to our problems.

Representative HECKLER. I agree with you in terms of the dignity and goals of it, although it has to be undefined long-term job opportunities. And whether you want to call that a career—a job in a factory that provides a long-term salary for the participants and a stable way of life for his family as desirable goal—it is exactly where I think we should be, and I will stay there.

While maybe you did not create the CETA while you may not have lobbied, every mayor in my district did and intends to continue to do so.

MAYOR LANDRIEU. I did lobby, and will again. I simply am saying that at no point did we say that CETA would cure the problem. If you want to create 8 million jobs, we will put them to work. The cost may be excessive, but there is not a city in this country that has sufficient municipal work.

Representative HECKLER. Of course I feel from the other point of view, in looking at CETA jobs, there are those who are disappointed in having finished out the year. They leave feeling it was a useful year in which they were employed. I question whether or not investments by the Federal Government could not be invested more wisely to produce a longer gain for the individual and for the program.

Mr. CALIGUIRI. Flexibility is the best way to make long-range advances in this area. We have CETA programs that are successful. We don't have the flexibility to shift the money around. We have been cut in a Pittsburgh plan, as we call it, where the unions and the local government get together. Give us the flexibility and let us begin to use what we now have.

The programs that we have now, the hire program, has so many restrictions, and that is why they don't take advantage of that program. I am telling you there are successful programs over this country. Let Pittsburgh take those successful programs and use them. You cannot give us a blanket program and say it has to take place for all cities in this country.

If you will give us the flexibility, then I can assure you that those successful programs will be expanded upon and retained, and they

are not going to happen when you put together the credit. And as long as I am Mayor, I am going to keep harping on that. It will work.

We talk about long-range programs. We talk about new programs. But we have enough programs now. We have a loss of money now. Let us use them, and use them now in an innovative way.

Mayor LANDRIEU. Let me add one other thing to that. Even though we come from different areas of the country, we agree.

Can you tell me the difference between the CETA jobs and the general revenue area? No, and nobody else can either. We have a civil service system, and we also finance an unclassified system, and their ways differ.

A person comes to work for the city of New Orleans, and we are paying him out of 15 different pots. The difference is, the general revenue pot is a different pot of money. We hire him, and he works right next to the CETA worker who gets paid the same money and does the same thing, except with the CETA worker, in 12 months, the job is terminated. One dollar is a significant dollar. We use it as we should use it. It is a dollar that we have wasted that we know very well could have been spent better elsewhere. The CETA dollar is not a permanent dollar.

If you want to cure the problem after 12 months, let the poor worker who went away find a job—and a significant number of them find jobs for which they continue to get paid.

Others don't, however, and if you want to solve that problem, release the criteria that says you can only keep the guys for 1 year to 2 years. It was not that they were going to waste. He has got so much garbage to pick up, and so many leaves to rake. People make fun of raking leaves, but if you have ever had a park—and we have got a 1,700 acre park—and you watch the lagoons fill up with algae, and you watch the sidewalks just needing basic maintenance, and you see that the trees need trimming, and they are not being taken care of, then you can see it is a needed service function.

I don't believe any person—except one or two individuals—says this is a clean city. Now, if you go into many European cities, and even many South American cities, you will see an enormous difference in the quality of the public places. Now, in many of the Latin American cities, simply because they make massive use of manpower, it is not expensive. And they have got massive numbers of people keeping it clean.

Now, in the city of New Orleans, we are limited by the number of bodies we have, in order to switch to mechanized cleaning, so that makes it very difficult to change over. But when we do go to mechanized cleaning, we are reducing the number of jobs we have. We used to pick up garbage in that city 5 days a week. We don't do that any longer. We do it 2 days a week now. Less men and a dirtier city. Ultimately, unless the matter is changed in that city, and it can readjust its financial base, we may go to once a week, and I suspect some cities may be down to that now.

Representative HECKLER. I will inspect the city of New Orleans, and I will give you a report on the maintenance of the property, the park, the algae, and the dirt. I have to say I have never seen a chairman more indulgent of this minority, and in view of your own

enormous ability and position of respect among other colleagues, I want to apologize for taking so much of the time, but I feel these are questions that are valid.

Obviously, we are all intensely interested in this issue. I have found the dialog very valuable, and I want to thank all the witnesses, and particularly you, Mr. Cochairman, for your patience.

Representative MOORHEAD. It was a pleasure hearing your questions.

It seems to me that we are getting to a dialog here that is very fundamental. Mayor Caliguiri talked about the rebirth of the inner city of Pittsburgh, and Mayor Landrieu said we are not going to create what we had in the past, which was the city as a center of manufacturing; we may have to look for a different concept.

On the other hand, Mr. Howell emphasized that the manufacturing was critical to the rebirth of the older cities. What kind of cities are we trying to rebuild? I think Mayor Landrieu, you have a concept of a city slightly different from the ones that Mr. Howell has. I think if you could elaborate on that, we could have the others comment.

What are we trying to rebuild? And of course, it may vary, but in general, what do you see as the future of the city?

MAYOR LANDRIEU. Well, that's very difficult. I sat in a seminar 12 to 15 years ago at Tulane University in New Orleans, and we gathered together the outstanding business and educational leaders, and we simply vented our feelings of what a city ought to be, and to be honest with you, we came to no conclusions. We were not sure that we wanted to be New York City. That was rather unanimous, though I love that city.

And then, on the other hand, we did not want to be Timbuktu. We know that some cities work.

One that I have been in that I think works as well as any other is Berlin. Why do I think it works? Well, I think it works because, number one, they have nowhere to go. They don't have any land on which they can sprawl, because everything else is walled in. People live downtown because they can't sprawl. Even though they are a democratic society, by the limitations of the geography and the political boundary, they have achieved a certain degree of control that they could not have had otherwise.

Another city that is obviously working for a multitude of reasons is Houston. Now, I am not saying that I want us to be Houston, but I am not blinded by the fact that part of the reason that city works, in addition to the wealth that exists there and the ground minerals, is that they have powers of annexation.

So it makes little difference that the plant moves out of the central business district and into suburbia, if in fact the long arm of the political jurisdiction says you are still within the city of Houston.

There are other areas that have succeeded in doing this such as Jacksonville. The St. Paul area has, but there are very few successful stories in that area.

I think what we are trying to do in cities is, number one, to keep them as distinctive elements in our society, to hold these central cities—not the metropolitan area—as the cultural centers and the social centers, and to make them the communication center of that particular society, that particular area.

I believe that is achievable; that possibility has not been lost yet. I don't necessarily think that it is essential to maintain the central city as the manufacturing center. I would hope that there would be manufacturing in the SMSA—but to provide for the SMSA, it makes very little difference whether the plant is 8 miles away from the city. If a person can have reasonable access and transportation to and from that particular plant, what is the difference if he comes into the city from the suburbs, or goes to the plant from the city?

We have a substantial interchange now between the suburbs and the center city. Far more people are coming into the center city today than are going out. In some areas that condition has been reversed. If in fact suburbia has been the ideal that has been presented, that is, communities where there have been single family homes and 20-foot setbacks and all the nice quietness of suburbia, then I am not sure that the roles would not ultimately be reversed.

The people use the center cities, too, but why use them as residential areas? Because you still have the problem of political jurisdiction and the balancing of the money.

I believe the diversity in this country ought to be preserved, and you are never going to strike a unified concept of what a city ought to be. An example of one that cannot be worked out like that is Gary, Indiana. If you took that plant out of Gary, you have virtually destroyed that city, because it is built around that enormous manufacturing base. I don't know that there is an alternative for Gary, other than the protection of that industry; and I am sure that example can be replicated in many instances across the country.

But that is not true of most cities. Assuming an appropriate mix of transportation and population exchanges, the metropolitan area works well. There is enough wealth; even though we are not a rich metropolitan area, there is enough within the metropolitan area if you could work out the balances so that we were not providing all the cultural services and airports and tax-free universities and medical facilities. If you could work that out properly in lieu of tax exchange or some kind of service charge in metropolitan income tax so that there is appropriate and fair exchange between those who have to pay and those who use and don't pay, then I think the system would be about 60 percent cured.

Mr. HOWELL. Mr. Cochairman, I'll be very brief, but I do think there are two points that need to be stated here: one that I find myself in complete agreement with the Mayor, and the other one I find myself in very strong disagreement on which may be a difference between being a converted northerner.

But first is the concept of opening the central city up to the suburbs. I submit in many of the your northeastern and Great Lakes cities that we know well, that is not a reality—that there is a major barrier among the white suburban areas and the black central cities.

Bill Coleman, the distinguished director of ACIR, referred to this as a white noose that strangles the black economic throat of the city in the norm.

This opening up is a very important thing, and is not quite that easy, as the Mayor of New Orleans says, but it is very important, and I agree with him.

The thing I disagree with is the whole point that both Mayors, I think, are tending to miss—and this is my private sector or my banking bias—that is, that we feel the absolute essentiality of the municipal officials to use discretionary funds. And here are Federal funds, and here I specifically refer to the development bloc grant funds, as well as the countercyclical work, and the more specifically today, the UDAC program, to use that as leverage to the private sector investment.

To put it into contrast, the underlying infrastructure that will facilitate the private sector investment is coming into the city. That is the general opinion of the future.

Where CETA does not function, where you do not put those two pieces together, you are right there is no job at the end of the 1st year.

I think the programs are there if the municipal officials will take the courage to use them through leveraging of municipal funds and through private capital spending in their cities.

Representative MOORHEAD. Mr. Schechter, do you have any comment on the CETA program, particularly with respect to Mr. Howell's suggestion that the bulk of the money go to private sector job subsidies?

Mr. SCHECHTER. We certainly favor private employment to the greatest extent possible. On the other hand, we have supported CETA, even a larger CETA program than the administration is willing to support at this time, because of the urgency of employing people who remain unemployed and have been unemployed for a long time.

And we think it is a means also of perhaps getting the total economy moving toward a higher level of activity. Otherwise, as a few of the other speakers at the table have mentioned, the jobs may not be there.

We need economic growth. So although we would favor the putting together of opportunities for private employment, until that works out, we think we should not just sit here. Therefore, we favor the CETA program.

On the business of using the CD funds and other funds for infrastructure and UDAG funds and all the other economic development programs, I think the infrastructure should be placed there only if there is a situation where there is an employer ready to go in and employ people. It gets back to the chicken and the egg. I think those things have to be brought together, otherwise, we may be sitting there with a large industrial park for a long time.

Mayor LANDRIEU. Mr. Chairman, may I make a comment about the use of UDAG funds with community development? There is no question. Every one of us uses the funds for leverage. General revenue sharing is not specifically enacted in order to give physical support to city treasuries. That would defeat the purpose and then the responsibilities would not be met.

Those moneys were intended to be used for—and that is what we are using them for—diversion into an economic development program, which would suggest then that the money was not needed to hire the very basic services that cities are required to give.

I am very pro public sector. I would hope that they would employ every human being who wants a job, but it is absolutely false to suggest that the private sector is going to hire the hardcore unemployed.

There are certain elements in our society that the public sector is going to have to accommodate, and the thought that every person out there is in fact trainable and available for training and will accept the training so that they can do the work in a bank is just false. It is not going to happen.

Now, the private sector will, of course, take a person who is otherwise very capable with appropriate work and is trained to be a welder but can be trained to be a bank clerk or stenographer, and employ that person.

But if you have ever watched private sector employment where there is an excess of applicants, they hunt and peck. Do they take the least qualified, or do they take the one that looks like the most productive?

They take the one that is going to be the most attentive and productive. Obviously, that leaves the least attentive, the least productive worker unemployed. The CETA program has provided employment for massive numbers of people that are the hardest of the hardcore unemployed.

We can enter into training programs, and we can train, and if you'd let me hunt and peck, we could produce virtually a 100-percent effort. I think we could do better than most of the trade schools could do.

We are geared to take the very lowest guy on the totem pole and say, "Mister, you have a job." I mean to make all those folks work, because a surprising number do not have work ethics. They have never been in a consistent job. A surprising number of them succeed. For instance, they had a snow removal program this winter, and they hired 400 hardcore unemployed people. I forget the exact figures, but let me pick one that is relatively close: Two-thirds came to work everyday, worked 5 to 7 days in the coldest temperatures, and performed well. Another one-third came for a period of time, and did not come back. Some stole shovels, some took the equipment. Some are terribly erratic.

The point was the success of the hardcore unemployed—two-thirds of them stayed there and did very meaningful work and performed well—the others did not.

But the success far outweighed the lack of success in that particular program. The private sector is not going to take those hardcore unemployed. They have never before, and they are not going to now. They have not developed, and again, they are not expected to develop, that kind of social conscience.

The only way for that to be done is for the public sector to pay the private sector a bonus to offset the lack of productivity, and even then you have a difficult time doing it. Oddly enough, when we deal with Federal and State governments, they think in terms of paying the private sector bonuses to do this. They never think in terms of city bonuses. As a matter of fact, we are required to hire the bottom rung, and to put up our own money for training pur-

poses, for capital equipment, for supervision, in many instances, in order to employ those people.

Why do it? Because we have, in fact, to have a social conscience. If we don't have one, there is no reason for government to exist. That is the sole purpose for our existence.

So immediately the Feds look at it, and my heavens, it's not working as well as when we go to the private sector. We can pay them this bonus and they will do it.

If you pay the city or local governments a bonus, we will do a much better job. And now if the private sector can expend itself so that it can in fact create a reservoir of jobs, meaningful jobs, then I am all for all of those folks moving off of the public payrolls, off of welfare, and into those jobs.

But that has not been the history of it.

Representative MOORHEAD. Mr. Schechter.

Mr. SCHECHTER. I agree, there is a hardcore of the hardcore, but I do not want to write them off as people who cannot be trained to have an attitude created so that they would come to work everyday, and would not steal tools, and so on. It will take a special effort. It will take special coaching, if you will. Because of the people who have been unemployed—there are 3 million people, 16 to 24, unemployed in this country—some of them have never had a job, and it is going to take some special psychological coaching and other efforts to get them to come to work regularly.

But I think society would benefit, and they would benefit also. As far as past history is concerned, a man—my former boss, Bob Weaver—who during the wartime was in the manpower business for the Federal Government, used to say, When we have that labor shortage, the pigment of people's skin turns light awfully fast, and we did absorb among the employed probably many who were thought to be the hardcore of the hardcore.

Representative MOORHEAD. In your prepared statement, Mayor Landrieu, you mentioned the National Domestic Development Bank. This would attempt to try to apply domestically some of the activities which we have implemented in the international field. Does that concept, Mayor Caliguiri coincide with your testimony of today, particularly your comments about the loan development facility?

Mayor CALIGUIRI. Basically, it is the same. I think what the Mayor was talking about were the bonuses—is initiating its own bonuses and incentives through some of its community development bloc grant funding, and our own employment funding.

In order to set up a loan program, as I said earlier, we can borrow that money and in fact create more private, permanent jobs, rather than the public jobs that we do now and those are always somewhat temporary.

Again, we must begin to explore those programs that are successful in any given community and begin to expand upon them.

We are trying to utilize the urban programs that you were so involved in and we would like to continue to expand on those programs, and build the infrastructure necessary to give the incentives to businesses to come back to the cities.

We tend to paint the cities with a very broad paintbrush. We have some fine neighborhoods in every city. The same thing that they have in suburbs. We have everything in our central cities than any suburban community has. It was just a natural course for people to begin to leave the cities because of deterioration.

We are addressing ourselves to those problems. It was also indicated earlier that we should only spend moneys when you have a bird in the hand. I think those businesses that are prepared to make an investment should go forward with a little bit of assistance from the local governments.

But there are a number of properties underutilized that need help with the infrastructure that we can put together a good program, and eventually, package a parcel of ground to actually induce the developers that come in, and then create an industrial park.

These are things that we are doing in Pittsburgh through our tax incentive program, through lowering the interest rates of the businesses, so that these are the types of programs that I feel the Federal Government can get themselves involved in at a higher level. And again, as I said earlier, that a lot of those successful programs continue to be created and to expand by giving us opportunity to put the money where it can be best suited to help the central cities.

CETA is a classic example. Too much of the CETA moneys goes to the public employee. I would rather see it transferred in other CETA titles. We are cut 10 percent, but we have a Pittsburgh plan that we feel is successful.

I would like the flexibility to transfer more dollars in that program so that we can give incentives, and that is what must be done with difficulties. They need incentives to come and stay.

We can be successful with those programs, because we have them already on the drawing boards, and we can go forward with them, such as this land development bank that I would like to see the Federal Government establish.

Representative MOORHEAD. Mr. Landrieu.

Mayor LANDRIEU. May I make a point of caution. I am somewhat suspicious of the tax incentive system at the local level. I do believe that the tax system at the Federal level in terms of the income tax has been fairly disastrous to inner cities, because it has encouraged new development rather than rehabilitation.

But I am not so sure that in looking at or trying to devise a system whereby we attract a single business, that in the long run, it's beneficial to the community—by that I mean in the central city.

If, in fact, you have abated taxes for 15 years and reduced with a city's funds the interest on the capital that has to be invested, and the residents of that particular plant still live in the suburbs, I have a hard time measuring where the benefit to the cities is, because in fact, if you don't have a tax—if, in fact, the individual lives outside the central city, and you have a plant located within the inner city that requires service which provides no tax support for the community, I do not know where the long-run advancement is.

In addition to that, once you begin to give local incentives of that nature, can you in fact do that with justice to the other industries that are already there—that are being treated differently? Do you now have to treat all businesses the same way?

For instance, is it fair if you have one industry, one brewery, in your town that is not receiving these tax benefits, and you want him to inspire another to move there, can you give him this kind of incentive, both on the interest and in their tax abatement; can you give it to this one without providing it to the one who is already staying there? And where is the end of that cycle?

You produce immediate jobs. You produce a new and shiny operation. But I am not so certain that you have not begun to sow the seeds of further financial erosion down the line. I think each project obviously has to stand on its own. One of the factors that we constantly see in surveys is that tax differential is not very meaningful in the location of the plant—it is usually down at the bottom of the list. This is not coming from my observation but from the surveys that are done.

It may not be so if you deal with Boston, which has an unbearably high property tax. The property taxes are unbearably excessive because they have no choice. But this is not true for the vast majority of localities throughout the United States.

Businesses, in my judgment, are looking at different things. They are looking at the bottom line, to be hackneyed; but tell me what the economics are, and whether I pay it in taxes or whether I pay it in excess labor costs. They are looking at a bottom figure. They are looking for stability, and they are looking for energy, and of course, for transportation, as I pointed out before.

For instance, I have a very serious question about the State programs of industrial inducements that give 10-year taxation exemptions, not because I don't think it is good for Louisiana, for instance, but if we are in fact in competition with Mississippi, Alabama, and Texas for plant sites, then you have to meet the competition. So to the extent that you give that kind of exemption, you are competitive, and you will attract that plant.

But what then happens when industry goes to Texas and says, Look, you people are losing out because you are not giving the tax exemption; so Texas gets exemption. And they go to Mississippi and say the same thing, and they do that in Alabama. Now tell me, who is the winner? The only winner is industry. The entire region is tax free, and they can do that repetitively.

That is why it is unfortunate to require States and localities to begin to compete against one another with what I consider to be harmful weapons.

Now the Federal Government even finds this true. But you are in a much better position to do it, because of the enormous taxing power that the Government has.

But we were told the story just yesterday, after a mayors' meeting, of one firm that closed their plant down here and opened one in Venezuela for tax advantages. They left the country because, by using—I think it was Venezuela—the offset there, they could produce an awful lot cheaper—when you looked at the after-tax picture—than they could here in the United States. The firm was willing to leave the country, and the industries are to think what can happen when they can play one county against another county and one State against another State.

I wish the Federal Government could outlaw using the tax incentive as a device to pirate away from other sections of the country a certain amount of industry. I think there is going to be and should be a rational competition between communities, but not necessarily through a tax incentive or through the location of resources.

I don't think it makes much sense to put a coal mine in Louisiana if we don't have any coal. You ought to put the coal mine where there is coal. It does not make much sense for a certain State to dig for oil and gas when in fact it is somewhere else.

So we will have our natural advantages, but those kinds of incentives, to me, essentially become unnatural competitive tools that are only harmful in the long run.

Representative MOORHEAD. Mr. Howell, I think you stated that capital is available, but that there are institutional barriers to the utilization of that capital, particularly for startup businesses in central cities.

Could you elaborate on that, sir?

Mr. HOWELL. Well, I can only elaborate from the experience of our bank.

Within the circumference of 122 yards from our bank, there is \$82 billion worth of capital.

The question is how do we transform this capital into entrepreneur startups in the city? Our small business investment corporation—where we see all of the right ingredients for startups—enables us to take an equity position in new companies. We will not deliberately push these startups to the suburbs.

But the failure rate of new businesses is far greater in the cities. The reasons include high property taxation, congestion, lack of a suitable site. The attitudes of municipal government also force business to the suburbs when there are expansion-oriented policies and the ready availability of labor.

Representative MOORHEAD. Are you suggesting, as far as businesses are concerned, that the cities should focus on holding onto their present businesses, rather than adopting programs to attract new businesses?

Mr. HOWELL. Clearly, cities cannot do very much with respect to attracting new business. I might say, parenthetically, that we just spent the last year looking at large cities around the country, and in my personal opinion, there is no better example of how the public and private sector can be run as in the city of Pittsburgh. There is no city in the country that has faced economic adversity in the central city that has met its problems as well as Pittsburgh. The public and private sectors in Pittsburgh got together to retain and keep what they had by building on the strength of large companies, and if a business environment can be made compatible for a relatively large company, it is going to have a favorable umbrella effect for a small business firm.

We have the money in the Northeast and Great Lakes areas. We certainly have it in Boston. The key is finding ways to put the money out in our older industrialized cities.

Representative MOORHEAD. Some of the success stories involved partnerships between the private sector and the public sector of the cities. How do you feel about those partnerships, Mr. Schechter?

Mr. SCHECHTER. We are all for them. We would like to see labor considered part of the private sector. I think it can be helpful, when it comes to locating labor that may be available, or is already trained, or in helping to train people for specific tasks, working with the unions and organized labor in the particular occupations.

Representative MOORHEAD. Gentlemen, the time is getting late. I think these 2 days of testimony and discussion, particularly among the members of the panels, have been most edifying, and I think the subcommittee has built a record here in which the Joint Economic Committee can make some recommendations to the legislating committees of the Congress.

I want to thank you all very, very much for being here, to try to help us see if there isn't a national policy that can be good for the cities, and hence, for the Nation.

Thank you very much. The subcommittee is adjourned.

[Whereupon, at 12:15 p.m., the subcommittee adjourned, subject to the call of the Chair.] .

